

DATE: July 17, 2008  
TO: Directors  
FROM: Scott Tomer, CEO  
RE: Franchise Press Release



I realize that many of you want more information about our July 14<sup>th</sup> announcement regarding the potential use of a franchise model at YTB. While there are some things we are unable to comment on at this time, the intention of this letter is to answer many of the questions posed by our Reps and RTAs. I also want to provide you with correct information regarding the rumors, misrepresentations and untruths being circulated on the Internet.

But first, let's talk a little history. Our goal from day one has been to become the world's largest Internet travel company. In 2007, we were recognized as the 26<sup>th</sup> largest seller of travel in America, and we are in the top 10 of those that are Internet-based. While we are delighted with these results, we believe the franchise model will enable even faster growth. Here are some important points for you to know and remember.

The founders of YTB learned direct sales from Art Williams and built one of the largest organizations in his company. We know how to build a successful sales force that will stand the test of time and the facts supporting this claim are easy to substantiate. Twenty-seven years later, my brother still operates a very successful business inside what is now known as Primerica Financial Services.

We know how to recruit, build a sales force and sell products and services using the direct sales or network marketing approach. We are convinced this is the best marketing system ever created, and we are **ABSOLUTELY COMMITTED** to continuing the use of this system with respect to our Rep opportunity. While there will be changes to the process as it relates to the sale of franchises, the downline genealogy and network marketing division will remain intact.

People may question our decision, but no one can question our commitment to this industry or our people. Many factors, none more important than the protection of our Reps' and RTAs' futures, and many months of due diligence preceded our July 14<sup>th</sup> announcement. I'd like to share some of our thoughts with you.

At this time, we are not offering franchises to residents of any state. We will not offer a franchise unless and until we have prepared a Franchise Disclosure Document that complies with state and federal law, the franchise offering has been registered and declared effective in the franchise registration states, and we have properly delivered a copy of the Franchise Disclosure Document to the prospective franchisee.

Our commitment to becoming a world class travel company will be supported in the franchise system with additional tools and training for those who choose to actively pursue the travel business. The operations manual available to franchisees will provide details of the critical aspects of how to successfully operate their franchise.

We believe a franchise model of our existing business will be easier to comprehend and more readily accepted by the general public. Since franchising is recognized as a traditional business model in virtually all developed countries, YTB's timeline for global expansion will be accelerated. Additionally, franchising will allow us to rapidly diversify the products and services offered by our franchisees. This will enable YTB to more quickly attain our goal of becoming a major distribution channel for products and services sold in the U.S. and abroad.

Now let's discuss how this will affect our existing RTAs. We anticipate everything that currently exists for RTAs will be in the franchise model and any additional products offered through the franchise will be available to RTAs should they elect to become franchisees.

We also anticipate providing favorable terms to those RTAs who convert to the franchise model, although we have not decided on those details as of this date. If RTAs elect not to become franchisees, they will be able to continue with no change to their status with all income opportunities and privileges they currently enjoy.

I acknowledge outsiders will question this decision. We've been questioned before. Many so called industry experts doubted our ability to sell travel, but they can't argue with the fact that we sold \$414 million of it last year.

We became a publicly traded company in 2004, and the skeptics said we would never make it. People said we were crazy to introduce a Reps' "Bill of Rights" during the 2005 "Your Time to Build" National Convention. It was unheard of in our industry. No one had ever guaranteed earnings for its Reps prior to the 2006 "Business of Champions" YTB convention, but that didn't stop us from introducing the Success from Home Magazine program with its \$6,000 Guarantee. We became members of the Direct Sales Association in 2007 and added the "First Amendment to the Bill of Rights" at the "Cleared for Take Off" National Convention to the dismay of our detractors.

At this time, we are not offering franchises to residents of any state. We will not offer a franchise unless and until we have prepared a Franchise Disclosure Document that complies with state and federal law, the franchise offering has been registered and declared effective in the franchise registration states, and we have properly delivered a copy of the Franchise Disclosure Document to the prospective franchisee.

We've never asked nor do I care about the opinion of our competitors and skeptics. Let them say what they will. So what if they don't agree with what we do. While it disturbs me that they make inaccurate, deceitful, slanderous and outright fraudulent statements about YTB in an attempt to recruit people, I refuse to respond. What I do know is this. YTB is responsible for more travel sales through YTB Travel Network than all of the other network marketing companies selling travel combined. I stand on our record of Rep and RTA protections and challenge any of them to step up and compete.

We're building a company for the ages and I am proud to be in business with you.

## **APPROVED FRANCHISE STATEMENTS**

For the RTA:

- We anticipate everything that currently exists for RTAs will be in the franchise model.
- Any additional products offered in the franchise model will be available to RTAs should they elect to become franchisees.
- We anticipate providing favorable terms to those RTAs who convert to the franchise model, although we have not decided on the details.
- If RTAs elect not to become franchisees, they can continue with no changes to their status with all income opportunities and privileges they currently enjoy.
- An Operations Manual will provide detail on the critical aspects of how to successfully operate the franchise (not yet approved).

For the Rep:

- While there will be changes to the process related to the sale of franchises, the downline genealogy and network marketing division will remain intact.

General Statements:

- We believe a franchise model of our existing business will be easier to comprehend and more readily accepted by the general public.
- Our commitment to becoming a world class travel company will be supported in the franchise system with additional tools and training for those who choose to actively pursue the travel business.
- Franchising will allow YTB to diversify the products and services offered by its franchisees more quickly.
- Since franchising is recognized as a traditional business model in almost every country, YTB's timeline for global expansion will be accelerated.
- Franchising will enable YTB to rapidly attain its goal of becoming a major distribution channel for products and services sold in the US and abroad.

At this time, we are not offering franchises to residents of any state. We will not offer a franchise unless and until we have prepared a Franchise Disclosure Document that complies with state and federal law, the franchise offering has been registered and declared effective in the franchise registration states, and we have properly delivered a copy of the Franchise Disclosure Document to the prospective franchisee.



## FAQ's Regarding Possible Franchise Opportunity

YTB's leadership recently confirmed they are exploring the possibility of creating a new franchise distribution network in an effort to improve the RTA opportunity and YTB's competitive positioning in the domestic and international market. We understand that franchising would be a significant change to our existing business model. As such, we anticipate our Reps and RTAs will have a number of questions. Our lawyers have advised us that state and federal franchise laws prohibit us from discussing any details of the franchise model at this stage in the process. However, we wanted to take this opportunity to address a few of your concerns.

**Q. Will YTB eliminate the RTA opportunity?**

A. No. Although we anticipate ceasing the sale of additional RTA's if we convert to a franchise model, we will allow existing RTA's to continue to operate under the existing RTA structure if they choose to do so. We made a commitment to our RTA's, and we fully intend to honor that commitment.

**Q. Why is YTB considering a franchise model?**

A. Franchising is a proven and well-accepted business model within the United States and abroad. We believe that converting to a franchise model will accelerate our growth and improve our ability to achieve our goal of becoming the world's largest Internet travel company. At the same time, franchising will allow us more flexibility to continually adapt and improve our system to respond to our ever-changing economy. For example, franchising would allow us to expand the goods and services offered by our franchisees beyond travel, creating significant additional income opportunities as well as providing enhanced stability through diversification of our product/service offering.

**Q. Why would an RTA convert to become a franchisee?**

A. We value our relationship with our existing RTA's who have contributed to our current success. Since we consider our RTA's to be part of our family, our goal is to make the conversion process as easy and advantageous to our RTA's as possible. While we cannot discuss any details at this time, we anticipate providing favorable terms to RTA's who become franchisees. These favorable terms would not be available to new franchisees. We also anticipate providing additional training, tools and support to improve our franchisees' ability to succeed.

**Q. A "franchise" often involves a significant financial investment. If I convert, will I be required to invest additional money in my business?**

A. We expect the franchise opportunity would continue as a home-based online business model. As a result, we do not anticipate that an RTA would need to make a significant additional investment in order to become a franchisee.

At this time, we are not offering franchises to residents of any state. We will not offer a franchise unless and until we have prepared a Franchise Disclosure Document that complies with state and federal law, the franchise offering has been registered and declared effective in the franchise registration states, and we have properly delivered a copy of the Franchise Disclosure Document to the prospective franchisee.

**Q. What is the process to convert?**

A. If we make a franchise offering, we will provide each RTA with a Franchise Disclosure Document that describes the franchise offering. The RTA would have at least 2 weeks to review the document before he or she could sign a franchise agreement. We will have adequate staff to be responsive to the needs and questions of our RTA's during the conversion process.

**Q. What will happen with the Reps?**

A. The Reps would continue to operate as they have in the past, although there may be some changes because Reps would be selling franchises. Because selling franchises is a regulated activity, we expect to provide additional training to our Reps and create systems to ensure our Reps deliver a uniform message that is consistent with the information that would be disclosed in the Franchise Disclosure Document. It is important to emphasize that our intention is to continue our commitment to the network marketing approach on the Rep side, and the Reps' current compensation plan would remain intact.

At this time, we are not offering franchises to residents of any state. We will not offer a franchise unless and until we have prepared a Franchise Disclosure Document that complies with state and federal law, the franchise offering has been registered and declared effective in the franchise registration states, and we have properly delivered a copy of the Franchise Disclosure Document to the prospective franchisee.



# Form 8-K

YTB International, Inc. - YTBLA

Filed: July 15, 2008 (period: July 15, 2008)

Report of unscheduled material events or corporate changes.

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8-K

Item 7.01 Regulation FD Disclosure.

SIGNATURES

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT PURSUANT  
TO SECTION 13 OR 15(D) OF THE  
SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported): July 15, 2008

**YTB International, Inc.**

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(Exact Name of Registrant as Specified in Its Charter)

**Delaware**

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(State or Other Jurisdiction of Incorporation)

**000-18412**

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(Commission File Number)

**20-2181181**

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(IRS Employer Identification No.)

**1901 East Edwardsville Road**

**Wood River, Illinois**

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(Address of Principal Executive Offices)

**62095**

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(Zip Code)

**(618) 655-9477**

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(Registrant's Telephone Number, Including Area Code)

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(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions ( *see* General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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## **Item 7.01 Regulation FD Disclosure.**

On July 15, 2008, Mr. Scott Tomer, Chief Executive Officer of YTB International, Inc. (the “Company”), announced that the Company is contemplating the replacement of its referring travel agent (“RTA”) business model with the implementation of a franchise operating system, potentially in 2009. The Company expects that a franchising model, if adopted, would facilitate the Company’s expansion into additional markets by providing more comprehensive training and a new proprietary e-commerce platform. Details regarding price, product offerings and the conversion plan are all under consideration, but the Company anticipates that its existing RTA base would be treated favorably under its forthcoming proposal. If a franchising model is adopted, its distribution is expected to be managed by subsidiary and current marketing arm of the Company, YourTravelBiz.com, also known as YTB.com.

The information in this report shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or incorporated subject to the liabilities of that section or Sections 11 and 12(a)(2) of the Securities Act of 1933, as amended (the “Securities Act”), and shall not be incorporated by reference in any registration statement or other document filed under the Securities Act or the Exchange Act, whether made before or after the date hereof, regardless of any general incorporation language in such filings, except as shall be expressly set forth by specific reference in such a filing.

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## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

### YTB INTERNATIONAL, INC.

Date: July 15, 2008

By: /s/ John Clagg

Name: John Clagg

Title: Chief Financial Officer and Treasurer