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Dear Affiliate:

Overstock.com values your advertising efforts on our behalf, and we hope to be in a position to continue our business connection for years to come. However, we are writing to inform you the Colorado state legislature has introduced a bill which puts our continued relationship in jeopardy.

HB 1193 (Concerning the Collection of Sales and Use Taxes on Sales Made by Out-of-State Retailers) was introduced on January 22, 2010. We are told the bill is moving quickly. This bill is modeled on a bill first passed in New York. The legislation attempts to establish responsibility for collection of sales tax for out-of-state retailers if those out-of-state retailers use Colorado-based affiliate advertisers.

We believe such bills are not only harmful to business, but unconstitutional and contrary decisions by the U.S. Supreme Court. **More importantly, if HB 1193 passes, Overstock.com will have to sever relationships with Colorado Affiliates before the bill becomes law.** We have done this in each state where such legislation has passed: New York, North Carolina and Rhode Island.

However, in at least 3 states last year, the voices of local affiliate advertisers were heard. They pointed out that such legislation was unconstitutional, would be bad for local business and would not increase state revenues. Those bills were either not passed or vetoed by informed governors.

You may want to make your voice heard on the matter. Currently, we have information that the bill is on the agenda of the House Appropriations Committee for hearing Wednesday, January 27, 2010 at 8:30AM. It is uncertain if the Committee will hear public comment at the meeting, but they may, and you may want to attend the hearing. If you cannot, but would like to voice your opinion, you may do so by contacting the bill's sponsor Rep. Jack Pommer (jack.pommer.house@state.co.us; (303) 866-2780) or your local legislator.

Again, Overstock.com values your work, and we are confident that, like other states recently examining and rejecting this legislation, Colorado will also see that this bill is bad for business and bad for Colorado.

Respectfully,

A handwritten signature in black ink that reads "Jonathan E. Johnson III".

Jonathan E. Johnson III
President
Overstock.com, Inc.