

COMPANY POLICIES
Forever Living.com, LLC
Forever Living Products Canada, Inc.
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1 Introduction

- 1.01 (a) Forever Living Products (FLP) is an international family of companies that produce and market exclusive health and beauty products throughout the world through its unique concept that encourages and supports the use and retail sales of its products through independent Distributors. FLP provides its Distributors with the best quality products, support staff and marketing plan in the industry. The affiliated companies and their products provide an opportunity for consumers and Distributors to improve the quality of their lives from use of FLP products, and equal access to success to anyone willing to properly work the program. Unlike most business opportunities, there is little financial risk to FLP's participants, since no minimum capital investment is required and the Company provides a liberal buy back policy.
- (b) FLP does not represent that a Distributor will achieve financial success without working or by relying solely on the efforts of others. Compensation in FLP is based upon the sale of its products. FLP Distributors are independent contractors whose success or failure depends on their personal efforts.
- (c) FLP has a long history of success. The fundamental goal of FLP's marketing plan is to promote the sale and use of high quality products to consumers. The primary purpose of Distributors is to build a sales organization to promote the sale and use of these products to consumers.
- (d) Independent Distributors at all levels of the FLP Marketing Plan are encouraged to make retail sales each month and keep records of such sales.
- (e) Successful Distributors gain current knowledge of the market by attending training meetings, maintaining their own personal retail customers, and sponsoring others to sell retail.
- (f) Distributors who have questions or need clarification should contact their Regional Sales Director/Area Sales Manager, or call Distributor Support at 1-888-440-ALOE (2563).
- 1.02 (a) Company Policies have been implemented to provide restrictions, rules and regulations for proper sales and marketing procedures and to prevent improper, abusive or illegal acts. Such Company Policies are revised, modified and added to, from time to time.
- (b) Each Distributor has an obligation to become familiar with the Company Policies.
- (c) Each Distributor, upon signing the Distributor Application form, agrees to abide by FLP Company Policies. Language therein specifically refers to the Distributor's contractual commitment to follow FLP's Company Policies. The

placing of orders for product with FLP is a reaffirmation of such commitment to abide by the Company Policies.

2 Definitions

Accredited Sales: sales activity as reflected by the Case Credits of orders placed with the Company.

Active Sales Leader: A Sales Leader who has 4 or more Active Case Credits in their Home Country during a calendar month, at least one of which is a Personal Case Credit. The Active status of a Sales Leader is established each Month, and is part of the qualification requirement to receive Volume and Leadership Bonuses, Gem Bonus, Earned Incentive payments, Eagle Manager status, Rally expenses and Chairman's Bonus.

Bonus: a cash payment from the Company to a Distributor.

(a) **Personal Bonus (PB):** a cash payment to an Assistant Supervisor, Supervisor, Assistant Manager, or Manager, of 5-18% of the SRP of their Personal Accredited Sales.

(b) **New Distributor Bonus (NDB):** a cash payment to an Assistant Supervisor, Supervisor, Assistant Manager, or Manager of 5-18% of the SRP of the Personal Accredited Sales of their personally-sponsored Distributor (or that Distributor's downline Distributors) while that personally-sponsored Distributor is at the level of New Distributor.

(c) **Volume Bonus (VB):** a cash payment to a qualifying Sales Leader of 3-13% of the SRP of the Personal Accredited Sales of a downline Distributor who is not under an Active downline Manager.

(d) **Leadership Bonus (LB):** a cash payment to a qualifying Manager of 2-6% of the SRP of the Personal Accredited Sales of their downline Managers and the Distributors under those downline Managers.

CC: Case Credit

Case Credit: a value assigned to each product to calculate sales activity to determine advancements, bonuses, awards and earned incentives for Distributors as set forth in the FLP Marketing Plan. One Case Credit is awarded for each one hundred and forty dollars (\$140) wholesale of sales activity as reflected by product purchased from the Company. All Case Credits are calculated on a Month by Month basis.

(a) **Active Case Credits:** Personal Case Credits plus New Distributor Case Credits. These are used to determine a Sales Leader's Active status each Month.

(b) **Leadership Case Credits:** Case Credits awarded to an Active LB Qualified Manager calculated at 40%, 20%, or 10% of the Personal and Non-Manager Case Credits of their 1st, 2nd, or 3rd generation Active Managers, respectively.

(c) **New Distributor Case Credits:** Case Credits as reflected by the Personal Accredited Sales of a personally-sponsored Distributor, or their downline distributors, while they are at the level of New Distributor.

(d) **Non-Manager Case Credits:** Case Credits as reflected by the Personal Accredited Sales of a downline Distributor who is not under a downline Manager.

(e) **Pass-Thru Case Credits:** Case Credits as reflected by the Personal Accredited Sales of a downline Non-Manager that pass through an Inactive Manager.

(f) **Personal Case Credits:** Case Credits as reflected by a Distributor's Personal Accredited Sales.

(g) **Total Case Credits:** the sum total of all a Distributor's various case credits.

(h) **NEW Case Credits:** The Case Credits generated by a Manager's personally-sponsored Distributor lines for 12 processing months after being sponsored (including the month in which that Distributor line was sponsored), or until that Distributor line achieves Manager, whichever occurs first.

Distributor: any person(s) whose name(s) appear on a Distributor Application that has been accepted by the Company, regardless of their current sales level in the marketing plan.

Domestic: pertaining to the Distributor's Home Country.

Downline: all Distributors sponsored under a Distributor, regardless of how many generations down.

Eagle Manager: A Manager who has achieved Eagle Manager status.

Earned Incentive: an incentive program that pays qualifying Distributors an extra cash payment for 36 months.

Earned Trip: a travel award for two persons, presented to a Distributor who achieves any of various marketing plan incentive programs. In the event a Distributor's spouse does not attend an Earned Trip, the Distributor may bring a guest provided that the guest is either a Distributor or is eligible to become a Distributor. Earned Trips are limited to the following: 1,500cc and above Global Rally, Eagle Manager Retreat, Sapphire, Diamond Sapphire, Diamond, Double-Diamond, and Triple-Diamond trips.

Gem Manager: a Manager who has developed at least 9 1st Generation Sponsored Recognized Managers.

Home Country: the country in which a Distributor resides for a majority of time. It is in this country that Distributors must qualify to receive Activity and Leadership Bonus Qualification Waivers for all other FLP countries.

Incentive Shares: The total case credits generated, in accordance with the Chairman's Bonus rules, that are used to determine the distributor's share of their bonus pool(s).

Inherited Manager: (see 5.04)

Leadership Bonus (LB) Qualified: a Recognized Manager who has qualified to receive Leadership Bonus for the Month.

Month: a calendar month (i.e., Jan 1 through Jan 31).

NDB: New Distributor Bonus

NDP Profit: New Distributor Pricing Profit

New Distributor: a Distributor who has not yet achieved the level of Assistant Supervisor.

New Distributor Price (NDP): The price, not including taxes, at which the products are sold to Distributors (regardless of sales level) who are not Wholesale Qualified. This price is discounted 15% off the Suggest Retail Price.

New Distributor Pricing (NDP) Profit: the difference between New Distributor Price and Wholesale price, which is paid to the immediate upline sponsor on the Personal Accredited Sales of a Distributor who is not Wholesale Qualified.

Operating Company: The administrative company under which one or multiple countries use a single database to calculate sales level advancements, bonus payments, and incentive qualifications.

Participating Country: A country that has qualified to participate in the Chairman's Bonus Incentive by generating at least 3,000cc during any three months of the previous calendar year (3,000cc for any two months if re-qualifying), and produces at least one Chairman's Bonus qualifier.

PB: Personal Bonus

Personal Accredited Sales: the SRP or Case Credits of a Distributor's sales activity as reflected by purchases made in their name.

Qualifying Country: Any Participating Country that is being used as the Country of Qualification for the Chairman's Bonus Incentive.

Recognized Manager: (see 5.01)

Region: The region in which the Distributor's Home Country is located. Regions include North America, Latin America, Africa, Europe and Asia.

Responsored Distributor: a Distributor who has changed their Sponsor after 2 years of no activity.

Retail Customer: any person who is not a Distributor and who purchases product for their own personal use.

Sales Leader: a Distributor who is at the level of Supervisor or above.

Sales Level: any of various levels achieved by the cumulative Case Credits of a Distributor and their Downline. These include Assistant Supervisor, Supervisor, Assistant Manager and Manager.

Sponsor: a Distributor who personally signs up another Distributor.

Sponsored Manager: (see 5.03)

SRP: Suggested Retail Price

Suggested Retail Price (SRP): The price, not including taxes, at which the Company recommends that products be sold to Retail Customers. It is upon this price that all bonuses are calculated.

Transferred Manager: (see 5.04)

Upline: the Distributors in the upline genealogy of a Distributor.

Unrecognized Manager: (see 5.02)

VB: Volume Bonus

Waiver (VB & LB): a credit given from a qualifying Manager's Home Country to waive his requirements for receiving Volume and Leadership Bonuses generated in all foreign countries.

Webstore: the official online shopping site located at www.foreverliving.com

Wholesale Price (WP): the price, not including taxes, at which the products are sold to Distributors who are Wholesale Qualified. This price is discounted 30% from SRP.

Wholesale Qualified: the right to purchase product at the Wholesale Price. A Distributor is wholesale qualified after they have Personal Accredited Sales of 2 case credits within any 2-consecutive-month period.

3 Warranty, Guarantee, Product Return and Buy Backs

- 3.01 The following time periods shall apply except where modified by local law.
- 3.02 FLP warrants satisfaction and guarantees its products are free from defect and substantially conform to product specifications. For all FLP products exclusive of

literature and promotional products, this warranty and guarantee shall be for a period ending thirty (30) days from date of purchase.

Retail Customers:

3.03 Retail Customers are guaranteed 100% product satisfaction. Within thirty (30) days from the date of purchase, a Retail Customer may

(a) Obtain a new replacement for any defective product; or

(b) Cancel the purchase, return the product and obtain a full refund of the purchase price, excluding shipping.

In all cases, proper notice, proof of purchase and timely return of the product is required to be given to the source of purchase. FLP reserves the right to reject repetitive returns.

3.04 When FLP products are acquired from or through an FLP Distributor, that Distributor is the primary party responsible for customer satisfaction by exchanging the product or refunding the money. In the event there is a dispute, FLP will determine the facts and resolve the issue. If cash is disbursed by FLP, the same will be charged back to FLP Distributors who benefited from the product sales.

Refund and Buy Back Procedure for Distributors

3.05 During the respective stated periods of warranty and guarantee, FLP will provide a new replacement of the same such product in exchange for the defective product or for one that has been returned to a Distributor by a Retail Customer for lack of satisfaction. Such replacement shall be subject to validation of presented proof of timely purchase. Such purchase must have been by the Distributor returning the product. In addition, for replacements of products to a Distributor for product returns by Retail Customers, a proof of sale to the Retail Customer and written proof of cancellation along with a signed receipt for return of funds as well as the return of product or empty containers will be required. Repetitive returns of product by the same parties will be rejected.

3.06 (a) FLP shall buy back any unsold, salable FLP product, except literature, that has been purchased within the previous twelve (12) months from any FLP Distributor who terminates their FLP Distributorship. Such buy back will be accomplished by the terminating Distributor first giving written notice to FLP of their intent to terminate their FLP Distributorship and forgo all rights and privileges relating thereto. The terminating distributor must return all products for which a refund is being claimed, along with proof of purchase, to FLP.

(b) If the product returned by a terminating distributor was purchased at New Distributor Price, the NDP Profit will be deducted from the immediate upline sponsor and, if the product returned is greater than 1cc, all Bonuses and Case Credits received by the terminating Distributor's upline for the products returned, will be deducted from the upline. If the Case Credits were used for any

level move-ups of the Distributor or upline, those move-ups may be re-calculated after deducting the Case Credits to determine if the move-ups should remain in force.

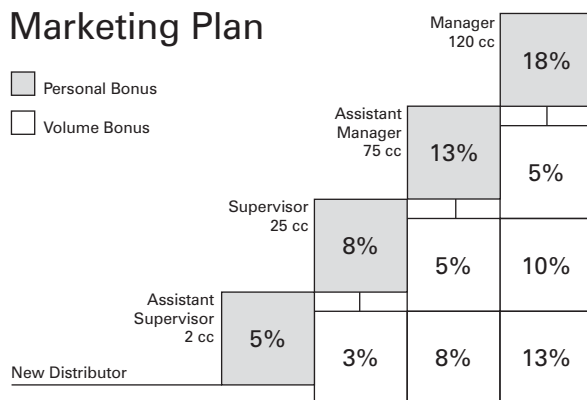
(c) If a terminating Distributor returns a Touch of Forever or any other Combination Pak, and it is missing some product, the refund and the deductions from the upline will be calculated as if the entire Combo Pak was returned, and then the wholesale or NDP value of the missing components will be deducted from the refund issued. After verification of the facts, the Distributor will receive a refund check from FLP in the amount equal to the Distributor's cost of the products being returned, less the bonuses personally received by them from their original purchase and the cost of handling, freight and any other appropriate setoffs.

(d) After recouping any costs or damages resulting from the terminated Distributor's adverse conduct, if any, FLP will remove the Distributor from the FLP Marketing Plan, and their entire downline organization will move up directly under the terminating Distributor's Sponsor in their current generation sequence.

3.07 The "Buy Back Rule" is designed to impose upon the Sponsor and the Company the obligation to ensure that the sponsored Distributor is buying products wisely. The Sponsor should make every effort to provide recommended guidelines to Distributors so that they purchase only as much product as is required to meet immediate sales needs. Products previously certified as having been sold, consumed or utilized shall not be subject to repurchase under the "Buy Back Rule."

4 Bonus Structure / Marketing Plan

4.01 The Forever Living Marketing Plan is explained as follows:



(a) **New Distributor.** The Company pays:

- NDP Profit on the Personal Accredited Sales of personally-sponsored Distributors who are not Wholesale Qualified.

(b) **Assistant Supervisor** is achieved by generating a total of 2 Domestic Personal and Non-Manager Case Credits within any 2 consecutive Month period. The Company pays:

- NDP Profit on the Personal Accredited Sales of personally-sponsored Distributors who are not Wholesale Qualified.
- 5% New Distributor Bonus on the Personal Accredited Sales of personally-sponsored New Distributors and their downlines.
- 5% Personal Bonus on Personal Accredited Sales.

(c) **Supervisor** is achieved by generating a total of 25 Domestic Personal and Non-Manager Case Credits within any 2 consecutive Month period. The Company pays:

- NDP Profit on the Personal Accredited Sales of personally-sponsored Distributors who are not Wholesale Qualified.
- 8% New Distributor Bonus on the Personal Accredited Sales of personally-sponsored New Distributors and their Downlines.
- 8% Personal Bonus on Personal Accredited Sales.
- 3% Volume Bonus on the Personal Accredited Sales of personally-sponsored Assistant Supervisors and their Downlines.

(d) **Assistant Manager** is achieved by generating a total of 75 Domestic Personal and Non-Manager Case Credits within any 2 consecutive Month period. The Company pays:

- NDP Profit on the Personal Accredited Sales of personally-sponsored Distributors who are not Wholesale Qualified.
- 13% New Distributor Bonus on the Personal Accredited Sales of personally-sponsored New Distributors and their Downlines.
- 13% Personal Bonus on Personal Accredited Sales.
- 5% Volume Bonus on the Personal Accredited Sales of personally-sponsored Supervisors and their Downlines.
- 8% Volume Bonus on the Personal Accredited Sales of personally-sponsored Assistant Supervisors and their Downlines.

(e) **Manager** is achieved by generating a total of 120 Domestic Personal and Non-Manager Case Credits within any 2 consecutive Month period. The Company pays:

- NDP Profit on the Personal Accredited Sales of personally-sponsored Distributors who are not Wholesale Qualified.
- 18% New Distributor Bonus on the Personal Accredited Sales of personally-sponsored New Distributors and their Downlines.
- 18% Personal Bonus on Personal Accredited Sales.
- 5% Volume Bonus on the Personal Accredited Sales of personally-sponsored Assistant Managers and their Downlines.

- 10% Volume Bonus on the Personal Accredited Sales of personally-sponsored Supervisors and their Downlines.
- 13% Volume Bonus on the Personal Accredited Sales of personally-sponsored Assistant Supervisors and their Downlines.

(f) Any one month or two consecutive months may be used to accumulate the Case Credits necessary to achieve the levels of Assistant Supervisor, Supervisor, Assistant Manager or Manager. All move-ups shall occur on the exact date that sufficient Case Credits are accumulated to reach the specified level.

(g) Except where multiple countries use the same Operating Company, Case Credits generated in one country cannot be combined with those generated in another country to achieve sales level advancements.

(h) The Domestic Personal Case Credits of a New Distributor will also count as New Distributor Case Credits for all his upline sponsors up to and including the first upline sponsor who has achieved the level of Assistant Supervisor or higher.

(i) A Sponsor receives full case credits of any personally-sponsored Distributor and ensuing Downline group until that Distributor achieves the Manager level. Subsequently, if the Sponsor is Leadership Bonus Qualified, they receive Leadership Case Credits equal to 40% of the Personal and Non-Manager Case Credits of the first qualified Manager down each sponsorship line, 20% of the Personal and Non-Manager Case Credits of the second qualified Manager down each sponsorship line, and 10% of the Personal and Non-Manager Case Credits of the third qualified Manager down each sponsorship line.

(j) A Distributor will not pass up the Sponsor on his way to achieving any Sales Level.

(k) There is no re-qualifying for a Sales Level once it is earned unless the Distributorship is terminated or the Distributor is Responsored.

4.02 **New Distributor 6-month Policy.**

(a) A Distributor who has been sponsored for six full calendar Months and has not achieved the level of Assistant Supervisor will be eligible to choose a new Sponsor.

(b) Distributors who choose a new Sponsor will lose any former downlines and accumulated move-up Case Credits, and will count as newly-sponsored for all applicable incentives.

4.03 **Activity Qualification.**

(a) To qualify for all Bonuses and Incentives, except Personal Bonus, New Distributor Bonus, and NDP Profit, a Sales Leader must qualify as an Active Distributor, and meet all other requirements of the Marketing Plan during the calendar month in which the bonuses were accrued.

(b) To be considered Active for the Month, a Sales Leader must have a Total of 4 Domestic Active Case Credits during that Month, at least one of which is a Personal Case Credit.

(c) A Sales Leader who does not achieve Active status will not be paid a Volume Bonus on his group that month, and shall not be considered an Active Sales Leader. Any unearned Volume Bonus will be paid to the next Active Sales Leader upline. In turn, his bonus will be paid to the next Active Sales Leader upline and so on.

(d) A Sales Leader who forfeits any Volume Bonus may re-qualify the following month (with no retroactive application) as an Active Sales Leader.

4.04 **Bonus Calculations and Payments.**

(a) All bonuses are calculated on the Suggested Retail Price (SRP) as set forth in the Distributor's monthly recap.

(b) Bonuses are calculated according to positions within the marketing plan and are paid at the current level attained. Example: If an Assistant Supervisor generates 30 Total Case Credits during 2 consecutive Months, they will earn 5% on any Personal Accredited Sales within the first 25 Case Credits and 8% on any Personal Accredited Sales within the remaining 5 Case Credits.

(c) A Sales Leader does not receive a VB on any Distributor in their sponsored group who is at the same level in the marketing plan. However, they will receive full Case Credits from such sources for Sales Level advancement and other incentives.

(d) Bonus checks are mailed or deposited through Direct Deposit on the fifteenth of the month following that in which product was purchased from the Company. Example: bonuses for January purchases are mailed or deposited on February 15th.

(e) When a Distributor has registered for Direct Deposit, his NDP and Webstore profits are deposited on the first banking day following the 10th, 20th, and last day of the month.

5 Manager Status and Qualifications

5.01 **Recognized Manager:**

(a) A Distributor qualifies as a Recognized Manager and receives a gold Manager pin when

- 1) They and their downline group generate 120 Personal and Non-Manager Case Credits within any 2 consecutive Month period, and
- 2) They are an Active Distributor each Month during the same period, and

- 3) There are no other Distributors in their Downline who qualify as Manager during the same period.
- (b) If the Distributor's Downline Distributor also qualifies as a Recognized Manager in any country during the same period, the Distributor will be a Recognized Manager if
- 1) They are an Active Sales Leader each Month during the same period, and
 - 2) They have at least 25 Domestic Personal and Non-Manager Case Credits in the final Month of qualification from Distributors in Downlines other than the Downline that includes the Manager moving up in the same Month.

5.02 **Unrecognized Manager:**

(a) When a Distributor and his Downline generate 120 Personal and Non-Manager Case Credits within any 2-consecutive-Month period, and the Distributor does not meet the remaining requirements for Recognized Manager, they become an Unrecognized Manager.

(b) An Unrecognized Manager can qualify for Personal, New Distributor and Volume Bonuses, but cannot qualify for Leadership Bonus or any other Manager incentive.

(c) An Unrecognized Manager can qualify as a Recognized Manager by meeting the following requirements:

- 1) Generate a total of 120 Personal and Non-Manager Case Credits within any 2 consecutive Month period, and
- 2) Be an Active Sales Leader each Month during the same period.

(d) From the date that an Unrecognized Manager has generated 120 Personal and Non-Manager case credits, he becomes a Recognized Manager and will begin to accrue Leadership Bonuses and Leadership Case Credits on Accredited Sales as long as they are LB Qualified.

(e) If the qualification occurs the Month immediately after becoming an Unrecognized Manager, the Case Credits that were not associated with a Downline Manager move-up during the Month of move up to Unrecognized Manger can be counted for the Recognized Manager qualification.

5.03 **Sponsored Manager:**

(a) A Manager becomes a Sponsored Manager to his immediate upline Sponsor by

- 1) Qualifying as a Recognized Manager, or
- 2) Qualifying as a Sponsored Manager from Inherited or Transferred Manager status.

(b) A Sponsored Manager can be counted for his upline Manager's qualification for the Gem Bonus, Gem Manager status, and for any other incentive that requires Sponsored Managers.

5.04 **Inherited and Transferred Manager:**

(a) When a Manager terminates, their entire downline organization will be moved up directly under the terminated Manager's present Sponsor and will remain in their current generation sequence.

(b) If the terminated Manager is a Sponsored Recognized Manager, and has any 1st Generation Recognized Managers in his organization, these Managers will be classified as Inherited Managers in their newly appointed Sponsor's 1st Generation. However, one of these Managers may be selected as a Sponsored Manager to replace the terminated 1st Generation Manager.

(c) Inherited Manager status does not affect the Volume Bonus or Leadership Bonus paid to any Manager or their upline. The activity of an Inherited Manager does not count for their upline Manager's qualification for the Gem Bonus, Case Credit reduction for the Earned Incentive Program, or Gem Manager status.

(d) A Manager who internationally Sponsors into a country other than their original country of sponsorship shall be a Transferred Manager. The activity of a Transferred Manager does not count for their upline Manager's qualification for the Gem Bonus, case reduction for the Earned Incentive Program, or Gem Manager status.

(e) A Transferred or Inherited Manager can qualify as a Sponsored Manager by meeting the following requirements:

- 1) Generate a total of 120 Personal and Non-Manager Case Credits within any 2 consecutive Month period.
- 2) Be an Active Sales Leader during the same period.
- 3) If requalifying in a foreign country, be an Active Sales Leader in their Home Country, or generate 4 Personal Case Credits in the country where they are achieving Sponsored Manager status.

6 Leadership Bonus (LB)

6.01 After a Distributor becomes a Recognized Manager, they can qualify for Leadership Bonuses by developing and supporting Downline Managers, and by continuing to sponsor and train Distributors in their Non-Manager Downlines.

6.02 (a) A Recognized Manager must be Leadership Bonus Qualified each month in order to receive Leadership Bonuses accrued during the corresponding month.

(b) A Recognized Manager can qualify for Leadership Bonuses by meeting any one of the following requirements:

- 1) Be Active and have Accredited Sales of 12 Domestic Personal and Non-Manager Case Credits during the Month.
 - 2) Be Active and have Accredited Sales of 8 Domestic Personal and Non-Manager Case Credits during the Month, and have two Active Recognized Managers, each in separate downlines, who each have Accredited Sales of 25 Domestic Total Case Credits as reflected on each downline Manager's recap from the previous Month.
 - 3) Be Active and have Accredited Sales of 4 Domestic Personal and New Distributor CC during the month, and have three Active Recognized Managers, each in separate downlines, who each have Domestic Accredited Sales of 25 Total Case Credits as reflected on each downline Manager's recap from the previous Month.
- 6.03 An Active Recognized Manager who has Domestic Accredited Sales of at least 25 Total Case Credits, will count toward the following month's 12-to-8 CC or 12-to-4 CC reduction in the Leadership Bonus Qualification requirement for all his upline Managers.
- 6.04 A Leadership Bonus, based on the total SRP of a Manager's Personal and Non-Manager Accredited Sales of the qualifying month, is paid to his upline Leadership Bonus Qualified Managers at the following rates:
- a) 6% is paid to the first upline Leadership Bonus Qualified Manager.
 - b) 3% is paid to the second upline Leadership Bonus Qualified Manager.
 - c) 2% is paid to the third upline Leadership Bonus Qualified Manager.
- 6.05 (a) A Recognized Manager who is not Active for three consecutive Months loses their eligibility to qualify for Leadership Bonus.
- (b) A Recognized Manager who has lost their eligibility to qualify for Leadership Bonus can regain eligibility by meeting the following requirements:
- 1) Generate a total of 12 Domestic Personal and Non-Manager Case Credits each Month for a period of 3 consecutive Months (even if they do not have any Managers in their downline).
 - 2) Be Active each Month for the same period.
- (c) Upon regaining eligibility, Leadership Bonus will accrue each month the Manager is Leadership Bonus Qualified thereafter, beginning with the 4th Month, which will be paid on the 15th of the 5th month.

7 Additional Incentives

- 7.01 All Company incentive programs are intended to promote sound business building principles. This includes the proper sponsoring and selling of product in usable, resalable quantities. Incentive points and prizes are not transferable, and

will be awarded only to Distributors who qualify by building their business in accordance with the letter and spirit of the FLP Marketing Plan and Company Policies.

- 7.02 Recognition pins will be awarded only to the Distributors whose names appear on the Distributor Application Form on file at the Home Office.
- 7.03 (a) In the event a Distributor's spouse does not attend an Earned Trip, the Distributor may bring a guest provided that the guest is 14 years of age or older.
- (b) Earned Trips are limited to the following: 1,500cc and above Global Rally, Eagle Manager Retreat, Sapphire, Diamond Sapphire, Diamond, Double-Diamond, and Triple-Diamond trips

8 Manager and Beyond Awards

- 8.01 A Manager can combine their 1st Generation Sponsored Recognized Managers from all countries for the purpose of being recognized as Senior through Diamond Centurion Manager. However, each 1st Generation Manager can only be counted once.
- 8.02 All recognition pins for Manager level and above are awarded only at a Company-approved recognition meeting.
- 8.03 **Recognized Manager:** when a Distributor qualifies under the requirements as set for in 5.01, they are recognized as Recognized Manager and receive a gold pin.
- 8.04 **Eagle Manager Status:**
- (a) Eagle Manager Status is earned and renewed each year by meeting the following requirements during the qualification period of May through April, after qualifying as a Recognized Manager:
- 1) Be Active and Leadership Bonus Qualified (even if you do not have any Managers in your downline). Case Credits generated during the months you are not Leadership Bonus Qualified will NOT count toward this incentive.
 - 2) Generate at least 720 Total Case Credits, including at least 100 NEW Case Credits.
 - 3) Personally sponsor and develop at least 2 new Supervisor lines.
 - 4) Support local and regional meetings.
- (b) In addition to the requirements listed above, Senior Managers and above must also develop and maintain Downline Eagle Managers, as outlined in the following schedule. Each Downline Eagle Manager must be in a separate sponsorship line, without regard to how many generations down. This requirement is based on the Manager position qualified for at the beginning of the qualification period.

- 1) Senior Manager: 1 Downline Eagle Manager.
- 2) Soaring Manager: 3 Downline Eagle Managers.
- 3) Sapphire Manager: 6 Downline Eagle Managers.
- 4) Diamond-Sapphire: 10 Downline Eagle Managers.
- 5) Diamond Manager: 15 Downline Eagle Managers.
- 6) Double-Diamond Manager: 25 Downline Eagle Managers.
- 7) Triple-Diamond Manager: 35 Downline Eagle Managers.
- 8) Centurion-Diamond Manager: 45 Downline Eagle Managers.

(c) All requirements must be achieved in a single Operating Company, with the exception of the NEW Case Credit requirement and the Downline Eagle Manager requirement, as clarified below.

(d) Responsored Distributors are included in the new Supervisor and NEW Case Credit requirements.

(e) A Manager can combine NEW Case Credits from various countries to count toward the 100 NEW Case Credit requirement.

(f) A Manager can combine their downline Eagle Managers from various countries for the purpose of achieving Eagle Manager status.

(g) If a Distributor achieves Manager during the qualification period:

- 1) Any New Distributors they sponsored during the final month of move-up will count toward the new Supervisor and NEW Case Credit requirements for that qualification period's Eagle Manager program.
- 2) Their Eagle Manager requirements are NOT prorated; rather, they need to accomplish the 720-Total/100-NEW Case Credits and the 2-new Supervisors during the remainder of the qualification period after achieving Manager level.

(h) Upon completion of all requirements to achieve Eagle Manager Status, the distributorship will be awarded an Earned Trip to attend the annual Eagle Manager's Retreat located in their respective region. This will include:

- 1) Airfare for two and three night's lodging.
- 2) An invitation to the exclusive Eagle Manager's Training.
- 3) Access to all events relating to the Eagle Manager's Retreat.

8.04.1 Global Leadership Team

(a) Membership in the Global Leadership Team is earned and renewed each year by generating 7,500 Total Case Credits during the calendar year after qualifying as a Recognized Manager.

(b) Managers achieving the Global Leadership Team will be invited to an exclusive global retreat, and will receive Recognition and Awards at the Global Rally.

(c) Managers must attend the Global Rally to receive Global Leadership Team Awards.

8.05 **Senior Manager:** When a Manager has 2 1st Generation Sponsored Recognized Managers, they are recognized as Senior Manager and are awarded a gold pin with two garnets.

8.06 **Soaring Manager:** When a Manager has 5 1st Generation Sponsored Recognized Managers, they are recognized as Soaring Manager and are awarded a gold pin with four garnets.

8.07 **Gem Manager Awards**

(a) **Sapphire Manager:** When a Manager has 9 1st Generation Sponsored Recognized Managers, they are recognized as Sapphire Manager, and are awarded:

- 1) A gold pin with four sapphires.
- 2) A 4-day, 3-night all-expense-paid trip to a resort within their Region.

(b) **Diamond-Sapphire Manager:** When a Manager has 17 1st Generation Sponsored Recognized Managers, they are recognized as Diamond-Sapphire Manager and are awarded:

- 1) A gold pin with two diamonds and two sapphires.
- 2) A specially designed sculpture.
- 3) A 5-day, 4-night all-expense-paid trip to a luxury resort within their Region.

(c) **Diamond Manager:** When a Manager has 25 1st Generation Sponsored Recognized Managers, they are recognized as Diamond Manager and are awarded:

- 1) A gold pin with one large diamond.
- 2) A beautifully designed diamond ring.
- 3) A waiver of case volume requirements for Earned Incentives and Volume Bonus, provided a minimum of 25 1st Generation Sponsored Recognized Managers are Active each month.
- 4) A 7-day, 6-night all-expense-paid trip to a luxury resort outside their Region.

(d) **Double Diamond Manager:** When a Manager has 50 1st Generation Sponsored Recognized Managers, they are recognized as Double Diamond Manager and are awarded:

- 1) A specially designed gold pin with two large diamonds.

- 2) A 10-day, 9-night all-expense-paid trip to South Africa.
- 3) An exclusive pen accessorized with diamonds.

(e) **Triple Diamond Manager:** When a Manager has 75 1st Generation Sponsored Recognized Managers, they are recognized as Triple Diamond Manager and are awarded:

- 1) A specially-designed gold pin with three large diamonds.
- 2) A 14-day, 13-night all-expense-paid trip around the world.
- 3) An exclusive, personalized watch (selected by FLP).
- 4) A specially-designed sculpture (selected by FLP).

(f) **Diamond Centurion Manager:** When a Manager has 100 1st Generation Sponsored Recognized Managers, they are recognized as Diamond Centurion Manager and are awarded:

- 1) A specially-designed gold pin with four large diamonds.

9 Gem Bonus

9.01 (a) A Leadership Bonus Qualified Gem Manager who has the required number of Active 1st Generation Sponsored Managers during a month in the country of qualification will receive a Gem Bonus based on the total SRP of their 1st, 2nd, and 3rd Generation Managers' Personal and Non-Manager Accredited Domestic Sales accrued in that country during that month, as per the following schedule:

- 1) 9 Managers = 1%
- 2) 17 Managers = 2%
- 3) 25 Managers = 3%

(b) A Manager may count a foreign 1st Generation Manager toward his Gem Bonus qualification provided that the foreign Manager has qualified as a Sponsored Manager in the country in which the Manager is qualifying for Gem Bonus. After the foreign Manager qualifies as a Sponsored Manager, they will be counted by their Upline toward the Gem Bonus qualification during those months that the foreign Manager has an Activity waiver from his Home Country.

(c) Gem Bonus is paid by each country based on the SRP of the Domestic Personal and Non-Manager Accredited Sales activity of Managers in that country. To qualify for a Gem Bonus from any country, a Manager must have the required number of Active 1st Generation Sponsored Managers in that country for the month in which they are qualifying for Gem Bonus.

10 Earned Incentive Program

10.01 (a) An Active Recognized Manager is eligible to participate in the Earned Incentive Program.

(b) Three levels of the Earned Incentive Program are available:

- 1) Level 1: The Company will pay a maximum of \$400 per month for a maximum of 36 consecutive Months.
- 2) Level 2: The Company will pay a maximum of \$600 per month for a maximum of 36 consecutive Months.
- 3) Level 3: The Company will pay a maximum of \$800 per month for a maximum of 36 consecutive Months.

(c) 3 consecutive months are required to qualify, as outlined in the following table:

Earned Incentive Qualification / Maintenance Requirements

Month	Level 1 Total Case Credits	Level 2 Total Case Credits	Level 3 Total Case Credits
1	50	75	100
2	100	150	200
3	150	225	300

(d) During the period of 36 Months immediately following qualification, the Manager will receive the maximum payment amount for the level achieved each Month that the Month 3 Case Credit requirement is maintained.

(e) If the Manager’s Total Case Credits drop below the Month 3 requirement during any Month, that Month’s Earned Incentive will be calculated at \$2.66 times the Manager’s Total Case Credits for that Month.

(f) If the Manager’s Total Case Credits drop below 50 in any given month, the Earned Incentive for that month will not be paid. If in the subsequent months the qualifying Manager’s case credits increase to 50 or more, the Earned Incentive will be paid in accordance with the policy as set forth above.

(g) A Manager who has 5 personally-sponsored Active Recognized Managers during the 3rd qualification Month, or any Month during the 36-Month period, will have the Month 3 requirement reduced to 110, 175, or 240 Total Case Credits for levels 1, 2 or 3, respectively.

(h) For every 5 additional personally-sponsored Active Recognized Managers during the third qualification Month, or any Month during the 36-Month period, the Month 3 requirement will be reduced by an additional 40, 50 or 60 case credits for levels 1, 2 or 3, respectively.

(i) Case Credits will count toward the qualification and maintenance requirements only during the months in which the Manager is Active.

(j) The Case Credits generated by an Active Distributor before they become a Recognized Manager will count toward their Earned Incentive qualification.

(k) After completing the third qualifying month for an Earned Incentive, a Manager may qualify for a higher Incentive at any time starting with the very next month. For example, if a Manager qualifies for level 1 in January, February, and March with 50, 100, and 150 CC, and then generates 225 CC in April, their Level 1 payment period would be replaced with a new 36-Month payment period for Level 2.

(l) At the end of the 36-Month period, a Manager may re-qualify for a new Earned Incentive using the same qualifications as outlined above. This requalification can be satisfied during any 3 consecutive Months within the last 6 Months of the original 36-Month period.

11 Chairman's Bonus

11.01 (a) **Core Requirements For All Levels.** The following requirements must **ALL** be achieved either in the Domestic Country, or the Qualifying Country. They cannot be combined from different countries.

- 1) Be an active Recognized Manager with 4 active case credits every month during the incentive period; or, if a Distributor qualifies as a Recognized Manager during the incentive period, they must be active every full month thereafter.
- 2) Be Leadership Bonus qualified (even if they do not have any Managers in their downline). Case Credits generated during the months they are not Leadership Bonus qualified will NOT count toward this incentive.
- 3) The following requirements may be achieved in any Participating Country:
 - a. Be qualified for the Earned Incentive Program.
 - b. Purchase products as required only after 75% of prior product inventory has been utilized.
 - c. Build the FLP business according to correct MLM principles and Company Policies.
 - d. Attend and support Company sponsored events.
- 4) Final acceptance into the Chairman's Bonus Incentive is subject to approval by the Executive Committee. The Executive Committee will take into account all the provisions in the Company Policy including but not limited to all the clauses in section 16.02 of the Company Policy.

(b) Chairman's Bonus Manager Level 1. In addition to the Core Requirements, the following must be achieved in the Qualifying Country, unless otherwise noted:

- 1) Accumulate 700 personal and non-manager case credits during the incentive period after becoming a Recognized Manager...
- 2) ...including a minimum of 150 NEW Case Credits. These 150 New Case Credits may be generated and combined in any country. However, any NEW Case Credits generated outside the Qualifying Country will not count toward the calculation of the Incentive Shares.
- 3) The remaining personal and non-manager case credits must be generated in the Qualifying Country.
- 4) Develop one of the following in any generation:
 - a. A downline Recognized Manager in your Qualifying Country that accumulates 600 or more total group case credits during the incentive period after becoming a Recognized Manager. This Manager may be an existing Manager or newly developed during the incentive period.

Or,

 - b. A downline Chairman's Bonus Manager in any Participating Country.
- 5) The 600cc Manager's case credits will not be included when calculating the Incentive Shares.
- 6) Only case credits for the months the 600cc Manager qualifies as Active will count for this requirement.
- 7) Responsored Distributors count toward all Level 1 requirements.
- 8) If a Distributor achieves Manager during the qualification period, any new Distributor lines they sponsored during the final month of move-up will count toward the NEW Case Credit requirements for that qualification period's Chairman's Bonus program.

(c) Chairman's Bonus Manager Level 2. In addition to the Core Requirements, the following must be achieved in the Qualifying Country, unless otherwise noted:

- 1) Accumulate 600 personal and non-manager case credits during the incentive period after becoming a Recognized Manager...
- 2) ...including a minimum of 100 NEW Case Credits. These 100 NEW Case Credits may be generated and combined in any country. However, any NEW Case Credits generated outside the Qualifying Country will not count toward the calculation of the Incentive Shares.

- 3) The remaining personal and non-manager case credits must be generated in the Qualifying Country.
- 4) Develop 3 Chairman's Bonus Managers in any generation, each in separate downlines, in any Participating Country.
- 5) Responsored Distributors count toward all Level 2 requirements.
- 6) If a Distributor achieves Manager during the qualification period, any new Distributor lines they sponsored during the final month of move-up will count toward the NEW Case Credit requirements for that qualification period's Chairman's Bonus program.

(d) Chairman's Bonus Manager Level 3. In addition to the Core Requirements, the following must be achieved in the Qualifying Country, unless otherwise noted:

- 1) Accumulate 500 personal and non-manager case credits during the incentive period after becoming a Recognized Manager...
- 2)including a minimum of 100 NEW Case Credits. These 100 NEW Case Credits may be generated and combined in any country. However, any NEW Case Credits generated outside the Qualifying Country will not count toward the calculation of the Incentive Shares.
- 3) The remaining personal and non-manager case credits must be generated in the Qualifying Country.
- 4) Develop 6 Chairman's Bonus Managers in any generation, each in separate downlines, in any Participating Country.
- 5) Responsored Distributors count toward all Level 3 requirements.
- 6) If a Distributor achieves Manager during the qualification period, any new Distributor lines they sponsored during the final month of move-up will count toward the NEW Case Credit requirements for that qualification period's Chairman's Bonus program.

(e) Chairman's Bonus Incentive Calculation.

- 1) A global bonus pool will be determined and then allocated as follows:
 - a. One half of the pool will be paid to those who qualify in Level 1.
 - b. One third of the pool will be paid to those who qualify in Level 2.
 - c. One sixth of the pool will be paid to those who qualify in Level 3.
- 2) The qualifying Distributor will be awarded one Incentive Share for each of their Total Case Credits generated in their Qualifying Country (but not including the NEW Case Credits generated outside of their Qualifying Country), plus the Incentive Shares generated by the first Chairman's Bonus Manager in each of their sponsorship lines in any Participating Country.

- 3) Each pool division will be divided by the grand total Incentive Shares of all Distributors who qualified for that pool division to determine the money factor for that division. This money factor will be multiplied by the Incentive Shares of each individual Distributor to arrive at the payment amount of the Incentive.

(f) Chairman's Bonus Global Rally Award.

- 1) Unless they qualify for a 1.5k or higher Global Rally Award, Chairman's Bonus Managers will be awarded a trip to the FLP Global Rally to be recognized and receive their bonus. This trip for two includes:
 - a) airfare, lodging, meals for 5 days and 4 nights.
 - b) \$250 spending cash.
 - c) \$200 activity allowance.

12 FLP Global Rally

12.01 (a) A Distributor can qualify for a trip for two to the FLP Global Rally, including airfare, lodging, meal and activity allowances, and spending cash,, by accumulating 1,500 or more Total Case Credits from January 1st thru December 31st of each year. In order to receive the benefits of this incentive, the qualifying Distributor must attend the training and motivational meetings of the first Global Rally after the qualifying period.

(b) In order to achieve the 1,500 Case Credit and higher Global Rally awards, a Distributor may combine Case Credits from all the countries where they have a group. It is the Distributor's responsibility to provide to their Domestic Home Office by January 31st the proof of Case Credits earned in other countries.

(c) Non-Manager Case Credits generated during any Month that a Distributor is not Active, and Leadership case credits generated during any Month that a Manager is not Leadership Bonus Qualified, will not count for the Global Rally awards; however, any total Active Case Credits generated by the Distributor will count regardless of Activity status.

(d) A Distributor qualifies by generating Total Case Credits, and receives Global Rally Awards, as outlined below. Each qualifying Distributor will receive either meals provided by the Company or a meal allowance proportionate to their qualification. The Distributor must attend the Rally to receive the Awards.

(e) Chairman's Bonus Manager (under 1.5K):

- 1) Airfare, lodging and meals for 5 days and 4 nights.
- 2) \$250 spending cash.
- 3) \$200 activity allowance.

(f) 1,500 Total Case Credits (1.5K):

- 1) Airfare, lodging and meals for 6 days and 5 nights.
- 2) \$500 spending cash.
- 3) \$300 activity allowance.

(g) 2,500 Total Case Credits (2.5K):

- 1) Airfare, lodging and meals for 8 days and 7 nights.
- 2) \$1,000 spending cash.
- 3) \$500 activity allowance.

(h) 5,000 Total Case Credits (5K):

- 1) Airfare, lodging and meals for 9 days and 8 nights.
- 2) \$2,000 spending cash.
- 3) \$500 activity allowance
- 4) Use of the VIP checkout in the Rally shopping area.

(i) 7,500 Total Case Credits (7.5K):

- 1) Airfare, lodging and meals for 9 days and 8 nights.
- 2) \$3,000 spending cash.
- 3) \$600 activity allowance.
- 4) Use of the VIP checkout in the Rally shopping area.

(j) 10,000 Total Case Credits (10K):

- 1) Airfare, lodging and meals for 9 days and 8 nights.
- 2) Business Class flight accommodations to/from the Rally.
- 3) \$3,000 spending cash.
- 4) \$600 activity allowance.
- 5) Use of the VIP checkout in the Rally shopping area.

(k) 12,500 Total Case Credits (12.5K):

- 1) Airfare, lodging and meals for 9 days and 8 nights.
- 2) Business Class flight accommodations to/from the Rally.
- 3) \$12,500 spending cash.
- 4) \$600 activity allowance.
- 5) Use of the VIP checkout in the Rally shopping area.

13 Ordering Procedures

- 13.01 (a) A Distributor (regardless of level) orders directly from the Company at the New Distributor Price (NDP) until they have Personal Accredited Sales of 2 Case Credits within any 2-consecutive-Month period. After that, they purchase at the Wholesale Price.
- (b) All orders with appropriate payment must be submitted to an authorized FLP product center, Distributor Support at (888) 440-ALOE (2563), or via the Internet at www.foreverliving.com, by 11:59 p.m.(AZ time) on the last calendar day of the applicable Month to qualify for a bonus generated for that Month.
- (c) All orders must be accompanied by a Certified Check, Cashier's Check, Personal Check, Money Order, or Credit Card (Visa, MasterCard or Discover).
- (d) Any discrepancy in condition or quantities must be reported to Distributor Support no later than 10 days after the date the order was placed.
- (e) A Distributor may not order more than 25 Case Credits in any calendar Month without prior Home Office approval.
- (f) The minimum Distributor order is \$100 (\$110 in Canada) in product, not including literature or taxes.
- (g) All orders are subject to, and all deliveries conditioned on, the final acceptance by the Home Office of FLP. Receipt of bonus is evidence of acceptance by the Home Office.
- (h) When ordering a product that was the subject of a prior order, the Distributor is certifying to the Company that 75% of the prior order of that product has been sold, used or otherwise utilized in their business.

14 Responsoring Policies

- 14.01 (a) An existing Distributor can responsor under a different Sponsor provided that, during the preceding 24 months, they have:
- 1) Been a Distributor, and
 - 2) Not purchased or received any FLP products, either from the Company or from any other source, and
 - 3) Not received payments of any kind from an FLP Distributor, and
 - 4) Not sponsored any other individuals into the FLP business.
- (b) The Distributor being responsored must sign and have notarized an affidavit under penalty of perjury with respect to the above policy before responsoring will be allowed.
- (c) A responsored Distributor begins again at the New Distributor level under their new Sponsor and loses any downline acquired to that point in all countries into which they were previously sponsored.

(d) A responsored Distributor counts as a newly-sponsored Distributor for all incentives and promotions.

15 International Sponsoring Policies

15.01 (a) This policy affects all International Sponsoring after May 22, 2002.

(b) The procedures and policies for International Sponsoring are as follows:

- 1) The Distributor must contact the Head Office of their Home Country, or the country into which they wish to sponsor, and request to be internationally sponsored into the desired country.
- 2) The Distributor's original ID number will be used in all countries into which they are internationally sponsored.
- 3) The Distributor's sponsor will be the person who appears as the sponsor on their very first application form accepted by FLP, except in the case of a Responsorship or a New Distributor 6-month Sponsor change.
- 4) The Distributor will automatically start at their current attained Sales Level in all countries into which they are internationally sponsored.
- 5) Case Credits generated in one Operating Company cannot be combined with those generated in another Operating Company to achieve Sales Level advancements or to qualify for Bonus or Earned Incentive payments. However, they may be combined to qualify for the 1,500 CC+ levels of the Global Rally incentive, and the new case credit requirements of the Chairman's Bonus and Eagle Manager programs.
- 6) When a Distributor achieves Sales Level in any country, it is reflected in all other countries the following month.
- 7) If a Distributor who has not yet achieved Manager in his Home Country is moved up to Manager level in a foreign country, they must be Active during the move up period and have at least 25 Personal and Non-Manager Case Credits either in their Home Country or in their country of move up during the final Month of move up in order to be a Recognized Manager.
- 8) When a Distributor changes their residence, they must notify their old country of residence so that their address can be changed and a new Home Country assigned.

(c) A Distributor who is Active during the Month in their Home Country will receive an Activity Waiver for the following month in all foreign countries in order to qualify for Volume Bonuses in those countries. For example, if a Distributor is active during the Month of January in their Home Country, their

Active requirement will be waived in all foreign countries for the month of February.

(d) A Manager who is Leadership Bonus Qualified during the Month in their Home Country will receive Activity and Leadership Bonus Qualification Waivers for the following Month in all foreign countries in order to qualify for Volume and Leadership Bonuses in those countries. For example, if a Manager is Leadership Bonus Qualified during the Month of January in their Home Country, their Activity and Leadership Bonus Qualification requirements will be waived in all foreign countries for the Month of February.

16 Prohibited Activities

16.01 The Executive Committee's decision to terminate a distributorship or to disallow, realign or adjust Bonuses, Case Credits, compensation or any incentive awards for any Distributor's involvement in activities or omissions that are not in conformance with Company Policies shall be final. Intentional acts of omission and disregard for the Company Policies by a Distributor shall be severely dealt with which may include termination and legal action for damages.

16.02 Prohibited activities causing grounds for termination and liability for any damages caused by such acts include, but are not limited to, the following conduct:

(a) **Fraudulent Sponsoring.** A Distributor is prohibited from sponsoring individuals without the knowledge of and execution of an Independent Distributor Application and Agreement by such individuals; the fraudulent sponsoring of an individual as a Distributor; or the sponsoring or attempted sponsoring of non-existent individuals as Distributors or Customers ("phantoms") to qualify for commissions or bonuses.

(b) **Bonus Buying.** A Distributor is prohibited from ordering more product than required to meet immediate sales needs, and additional products may be purchased only after 75% of that product's inventory has been sold, consumed or otherwise utilized. A Distributor is prohibited from purchasing products or encouraging other Distributors to purchase products solely for the purpose of qualifying for bonuses, and from using any other mechanism by which strategic purchases are made to maximize commissions or bonuses when a Distributor does not have a bona fide use for the products purchased. In order to ensure no inventory loading is occurring:

- 1) Each Distributor who orders product that was the subject of a prior order shall also be confirming and certifying to the Company that 75% of the prior order of that product has been sold or otherwise utilized. Distributors should keep accurate records of monthly sales to their customers, which records can be subject to inspection by the

Company upon reasonable notice. Such records will include reports reflecting inventory on hand at the end of the month.

- 2) The Company will be liberal in its application of the buy back policy on termination of a Distributorship, but FLP will not repurchase products or issue refunds on products certified as having been consumed or sold. Falsely representing the amount of product sold or consumed in order to advance in the marketing plan shall be grounds for termination.
- 3) To discourage any Distributor from encouraging other Distributors to circumvent the inventory loading prohibition, the Company will charge back to a terminated Distributor's upline any bonuses paid on product returned from a terminating Distributor.

(c) **Proxy Purchasing.** A Distributor is prohibited from purchasing product in any other than their own name.

(d) **Selling to Other Distributors.** In addition to their retail activities, a Distributor is prohibited from selling product to any Distributor other than their personally-sponsored Distributors, but at not less than wholesale price. Any other sale to other Distributors, either directly or indirectly, is a prohibited transaction for both the selling and the buying Distributors. The equivalent Case Credit of such a prohibited sale shall not be allowed for purposes of meeting the Active requirement or qualification requirement for any other benefits within the Marketing Program. Resulting adjustments shall be made for this non-compliance.

(e) A Distributor is prohibited from engaging in activities that are prohibited in all sections of 17.10, 19.02, and 20 as set forth herein.

(f) A Distributor is prohibited from appearing in, being referenced in, or allowing the Distributor's name or likeness to be featured or referenced in any promotional, recruiting or solicitation materials for another direct sales company.

(g) A Distributor is prohibited from any action or failure to act which evidences intentional disregard and gross negligence of Company Policies.

(h) **Selling in Stores.**

- 1) Except as herein provided in this Section below, a Distributor is prohibited from permitting Company products to be sold or displayed in retail stores, military PXs, swap meets, flea markets, or like exhibitions. However, exhibitions for a period of less than one week in a twelve-month period at the same venue are considered temporary and are therefore permitted after receiving written approval from the Home Office.

- 2) A Distributor who has a service-oriented office, barber shop, beauty shop or health club is permitted to display and sell products within their office, shop or club. However, exterior signs or window displays by such Distributors to advertise the sale of Company products are prohibited.
- 3) A Distributor is prohibited from selling or marketing Forever brand product except that it be in its original packaging. However, products may be promoted and served in restaurants by the glass or portion.

(i) **Using Unauthorized Literature.** The Company's prior written approval is required to use, produce or sell any sales aid or materials, other than those provided by FLP.

(j) **Selling Online.** A Distributor is prohibited from selling products through online marketing media, online malls, or auction sites, such as, but not limited to, eBay or Amazon.com.

(k) **Selling to Others for Resale.** A Distributor is prohibited from selling FLP products to anyone for the purpose of resale or entrusting others to sell FLP products.

(l) **Sponsoring FLP Distributors into Other Companies.** A Distributor is prohibited from, directly or indirectly, contacting, soliciting, persuading, enrolling, sponsoring or accepting any FLP Distributor, FLP customer or anyone who has been an FLP Distributor or Customer within the last twelve (12) months, into, or encouraging any such person in any way to promote opportunities in marketing programs of any direct sales company other than FLP.

(m) A Distributor is prohibited from disparaging other Distributors, FLP's products/services, the Marketing and Compensation Plan, or FLP's employees to other Distributors or third-parties. Any questions, suggestions or comments regarding these issues should be directed in writing to FLP's corporate offices only.

(n) **Making Product Claims.** A Distributor is prohibited from making claims as to the therapeutic, safety or curative properties of the products. Only such statements or claims that are officially approved by FLP or are as contained in the official FLP literature may be made or used. A Distributor is prohibited from making any claims that FLP products are useful in the treatment, prevention, diagnosis or cure of any disease. Medical claims regarding FLP products are strictly prohibited. A Distributor should recommend to any customer who is currently under a physician's care or any medical treatment, that they seek the advice of their healthcare provider before altering their nutritional regimen.

(o) **Making Earnings Claims.** Unless FLP's prior written approval is obtained, projections of income earnings and potentially misleading income representations are strictly prohibited. The financial success of a Distributor

depends entirely upon their individual effort, dedication, and the training and supervision they provide to their downline and FLP business.

(p) **Operating Business by Proxy.** A Distributorship, and any resulting downline, created or operated by proxy, either intentionally or inadvertently, is prohibited, and shall be adjusted for compliance with Company Policies by the Executive Committee.

(q) **Exporting Product.** A Distributor is authorized to purchase product for the purpose of using said product in their business and for their personal use in the country in which it was purchased. A Distributor is prohibited from purchasing product for the purpose of exporting said products to a country outside the country in which it was purchased, except for their personal and family use in a country where there is no authorized FLP office, without the written consent of the Home Office in Scottsdale, Arizona, USA.

17 Company Policies

17.01 (a) The Distributor relationship with FLP is one of a contractual nature. Only adult individuals, 18 years of age or older, may contract with FLP to be Distributors.

(b) A Distributor is considered an Independent Contractor. They are required to conduct their business within the terms of the Distributorship Agreement, and in compliance with the Company Policies that are applicable in the country in which they are conducting business.

(c) An FLP Distributorship consists of the Distributor and the Distributor's spouse, or the sole individual as it appears on the Distributor Application form on file at the Home Office.

(d) Couples shall be sponsored together on the same Distributor Application form. Couples cannot sponsor each other. If one spouse chooses not to be an FLP Distributor, the spouse acting as an FLP Distributor expressly agrees and understands that his Distributorship may be terminated for any actions taken by the non-Distributor spouse which would violate Company policies.

(e) Distributors who marry another Distributor may maintain separate Distributorships which were in existence prior to their marriage.

(f) In the event a Distributor should marry a non-Distributor, they should submit a Change of Status (COS) form signed by both indicating the new spouse's interest in the Distributorship. Regardless of whether a COS form is submitted, the existing Distributor expressly agrees and understands that the Distributorship may be terminated for any actions taken by the new spouse which would violate Company policies as if that new spouse was an FLP Distributor.

(g) In the event that the downlines of a Distributor sponsor into a foreign country and the Distributor has not previously been sponsored into that country, the

- Distributor will be automatically sponsored into that foreign country and agrees to the prevailing policies and local laws of that foreign country and agrees to be bound by the dispute resolution policies set forth herein.
- 17.02 FLP agrees to sell the Distributor product and pay volume bonuses as provided in the Company Marketing Plan, provided the Distributor is not in violation of such Distributor's contract with FLP.
- 17.03 A Distributor may develop their own marketing techniques, so long as they are not in violation of any Company, state, federal or jurisdictional rules, regulations or statutes.
- 17.04 Any transfer other than by inheritance of a Forever Living Products Distributorship, without prior Company approval, is prohibited and any such transfer shall be void. For the purpose of this provision, a change of beneficial interest of a Trust held FLP distributorship shall be treated as a transfer, which requires written approval by the Company to be valid.
- 17.05 Except as herein provided, a Distributor is prohibited from, directly or indirectly, changing Sponsors. FLP will only consider the first valid Application received by the Home Office. Subsequent applications shall be disallowed.
- 17.06 When a Distributor changes their residence, they must notify their old country of residence so that their address can be changed and a new Home Country assigned.
- 17.07 **Errors or Questions.** If a Distributor has questions about or believes any errors have been made regarding bonuses, downline activity reports, charges, or changes, the Distributor must notify FLP within sixty (60) days of the date of the purported error or incident in question. FLP is not responsible for any errors, omissions or problems not reported within sixty (60) days.
- 17.08 **Voluntary Termination.**
- (a) A Distributor may terminate their Distributorship by submitting a written request, signed by all named individuals appearing on the current approved Distributorship. The effective termination date is the date on which the Home Office accepts the termination request. The terminating Distributor forfeits the current sales level and all downlines, including those in foreign countries, established at the time.
- (b) Once a Distributor terminates, the spouse (if applicable) is also considered terminated.
- (c) After two years, a Distributor may reapply subject to Home Office approval. Upon such approval the Distributor will enter at the New Distributor level, and will not have the previous downline organization restored.
- 17.09 **Termination or Suspension for Cause.**

(a) Termination means a severance of all domestic and international privileges and contractual rights available to an FLP Distributor, including the privilege to buy and distribute the products. The Termination will result in the inability to qualify for Bonuses, and severance of participation in all other benefit programs sponsored by the Company.

(b) A terminated Distributor shall, upon demand by FLP, be liable to repay, return or compensate FLP for any benefit programs, prizes, inventories, or bonuses received from FLP from and after the date of the activities causing such Termination. After recouping any costs or damages resulting from the terminated distributor's conduct, forfeited bonuses, caused by such Termination, shall be paid to the next qualifying Distributor upline who is not in violation of any of the Company Policies.

(c) After two years, a terminated Distributor may reapply subject to Home Office approval. Upon such approval the Distributor will enter at the New Distributor level, and will not have the previous downline organization restored.

(d) Suspension is a temporary status that prohibits a Distributor from placing orders, receiving profit and bonus payments, and sponsoring other Distributors.

(e) The profits and bonuses of a Suspended Distributor shall be held until the Distributor is either reinstated or terminated. If reinstated, the withheld payments shall be paid to the Distributor; otherwise they shall be disbursed in accordance to the marketing plan.

17.10 Internet Policies.

(a) **Selling Products Online.** Each Independent Distributor will be offered the opportunity to purchase a Company-approved Independent Distributor website, FLP360, for marketing products online using a direct link to the Company's Webstore at www.foreverliving.com. Online orders will be fulfilled directly by the Company on this website. This internet link is arranged so that the FLP pages will remain within the Independent Distributor's website. The guests virtually never leave the Distributor's website. In order to maintain the integrity of FLP's brand name, product line and the Distributor/Customer relationship, a Distributor is prohibited from selling any FLP brand products online through their independent website. E-Commerce sales can only be made directly by or through a link to the official Company Webstore at www.foreverliving.com.

(b) Sponsoring Distributors online via an electronic signature application or online form is prohibited outside of the direct application or link to the official Company website at www.foreverliving.com.

(c) Independent Distributor websites marketing and promoting the products or business opportunity, without online sales or sponsoring, are permitted so long as they comply with or are modified to comply with Company Policies.

(d) Distributors may not use the name “Forever Living Products” or any of its trademarks, trade names, product names, domain name (URL) or copy or use any Company materials from any source that may result in misleading or confusing the user into thinking the Distributor’s website is that of the Company or any of its official affiliates. FLP product names are strictly proprietary to the Company and cannot be used by any Distributor as a sponsored link or for any other unauthorized use. An individual Distributor website must clearly indicate that it represents an independent FLP Distributor who is not an agent of the Company or any of its worldwide affiliates.

(e) Distributors must link their websites to the Company’s official website created and maintained by the Company at www.foreverliving.com.

(f) All independent Distributor websites must reflect and connect only to companies or products that carry the FLP label and be of good moral content.

(g) **Electronic Advertising.** Independent Distributor websites that have been approved by the Company, or are as part of an online banner or display ads that conform to the Company’s advertising guidelines and have been approved by Company, will be allowed. Online banners or display ads must be submitted to the Company for approval prior to posting online and must link a user to the Company website or an independent Distributor website that has been approved by the Company. All electronic advertising is subject to and controlled by the Company Policies relating to advertising and promotional guidelines.

18 Legal

18.01 Dispute Resolution/Waiver of Jury Trial.

(a) If a controversy or claim arising out of or relating to the Distributor relationship or FLP products cannot be resolved by negotiations, the Company and Distributor agree that in order to promote to the fullest extent reasonably possible a mutually amicable resolution of the dispute in a timely, efficient and cost-effective manner, they will waive their respective rights to a trial by jury and settle their dispute by submitting the dispute to the American Arbitration Association (AAA) for binding arbitration in Maricopa County, Arizona, in accordance with the written procedures adopted by FLP for resolution of disputes. Maricopa County, Arizona shall be deemed the sole and exclusive place for jurisdiction and venue of any dispute between the company and the Independent Distributor, and if appropriate, under FLP’s dispute resolution procedures, a court of competent jurisdiction located in the State of Arizona, Maricopa County. The Independent Distributor Application and Agreement shall be governed in all respects by the laws of the State of Arizona.

(b) Participating in the international sponsoring program is a privilege that gives each distributor the chance to benefit from FLP’s international network of companies. The international sponsoring program is monitored from FLP’s home

office in Maricopa County, Arizona. A Distributor participating in the international sponsoring program agrees and consents to any disputes arising out of or relating to the distributor relationship or FLP products, involving any of the FLP affiliated companies, shall be resolved through binding arbitration in Maricopa County, Arizona, pursuant to Forever Living.com and Forever Living Products International, LLC's current dispute resolution policies as set forth above and stated on FLP's Company website at www.foreverliving.com.

18.02 Testamentary Transfers.

(a) The transfer or assignment of a Distributorship is prohibited except in the event of death or legal separation or divorce.

(b) The inheritable rights to a Distributorship are limited and restricted as follows:

- 1) The heir must be a person who can qualify as a Distributor.
- 2) Because the heir must be an adult individual, a trust or guardianship may have to be established for multiple heirs or minor children. In the event a trust is established, a copy must be placed on file with FLP. Its terms must clearly allow the trustee to act as a Distributor. A guardian or a trustee of a testamentary trust must be appointed by the court of proper jurisdiction and receive specific approval to be a Distributor on behalf of the minors.
- 3) A trustee or guardian shall retain the Distributor status so long as the Distributorship agreement is not violated, until the beneficiaries have attained the age of majority, and an heir accepts the responsibility of operating the Distributorship with prior approval of the court.
- 4) A trustee, guardian, spouse or other representative- type Distributor shall be responsible for the actions of the beneficiary, ward, or their spouse for purposes of following the policy terms of the Distributorship agreement. A violation of Company policies by any of the above individuals may result in termination of the Distributorship.
- 5) The inheritable Distributorship position within the Company Marketing Plan is limited to recognition at no higher than that of Manager. However, bonuses shall be paid at the same levels and requirements as held by the deceased. All Sponsored Managers belonging to the Distributorship will be reclassified as Inherited Managers, who can subsequently qualify as a Sponsored Managers as outlined in Section 5.04(e). Distributorship positions below Manager shall be inherited at that level.

(c) All FLP Distributor applications that contain two signatures, regardless of when signed, shall be treated as creating a Joint Tenancy with Right of Survivorship. If the Distributor lives in a community property state, the

treatment will be that of Community Property with Right of Survivorship. On the confirmation of death of any one of the two signing Distributors, the FLP Distributorship will automatically be transferred to the survivor of the two. This will be the case regardless of what is stated in a Will of the first Distributor to be deceased. In addition, this means that when two persons have signed on the FLP Distributor Application the survivor of the two will be the sole distributor after the death of the first. If a Distributor does not wish this result, they must contact the Home Office to express their needs and to determine if such needs can be accommodated. Keep in mind that no change in a Distributorship can be made during your lifetime except in the case of a legal separation or divorce.

(d) If the Distributor application of a legally married person has checked the marital status box as being Married, but the application only contains the signature of one of the married parties, the company will treat the distributorship as being a Joint Tenancy with Right of Survivorship.

(e) Distributor applications that have the marital status box checked as being single and with only one signature will be treated by the company accordingly.

- 1) Should there be a change in the marital status from single to married, the Distributor must send in to the Home Office a new Distributor application indicating that there has been a change of marital status accompanied by a copy of the marriage certificate. At that time, the Company will treat such distributorship as a Joint Tenancy with Right of Survivorship.
- 2) To transfer a single person's FLP Distributorship on death, such Distributor must have a Will or use of a Grantor's Trust.

(f) The Company recognizes Joint Tenancy with Right of Survivorship and use of Grantor Trusts as legal means of holding an FLP Distributorship and in the event of a distributor's death, a means of transferring the distributorship to the Survivor or named beneficiary respectively without having to go through probate proceeding to get the property to the intended heir.

(g) Within six (6) months following the date of distributor's death, the surviving distributor, trustee or estate representative shall provide notification of such death to their distributor's Domestic Home Office of FLP. Such notice is to include a certified copy of the death certificate, a certified copy of the Will or Grantor's Trust, or Court Order, authorizing the transfer of Distributorship to a qualified successor. After six (6) months from the date of death, FLP may remove the deceased distributor from the Distributorship. Giving timely notification and providing the required documentation for a successor's interest, will be required to prevent a suspension and/or termination of the Distributorship. If based on valid reasons, a request for a reasonable extension of time to provide transfer documents may be submitted to the deceased distributor's FLP Domestic Home Office prior to the end of the six (6) month period. FLP reserves the right to

make payments to the joint survivor, trustee or legally authorized personal representative of the estate of a deceased distributor pending the timely submission of appropriate legal documentation.

18.03 Transfers Due to Divorce.

(a) During a pending divorce or negotiation of a property settlement, FLP will continue to disburse payments to the registered Distributor as was done prior to the pending action.

(b) In the event of divorce or a legal separation, a legally enforceable property settlement agreement may decree the Distributorship be granted to one spouse or the other. The Distributorship cannot, however, be partitioned. Only one adult individual will be entitled to retain the current downline of this Distributorship. The other spouse may choose to establish their own Distributorship at the same level of the Marketing Plan as established with the ex-spouse. Such other spouse must use the original sponsor. The other spouse's new Distributorship shall be treated by the sponsor as Inherited until re-qualified.

19 Restrictive Covenants

19.01 To the extent permitted by law, FLP, its directors, officers, shareholder, employees, assigns and agents (collectively referred to as "Associates") shall not be liable for, and the Distributors release FLP and its Associates from and waives all claims, for any loss of profits, indirect, direct, special or consequential damages, and for any other losses incurred or suffered by Distributors as a result of: (a) Distributor's breach of their FLP Distributorship Agreement of FLP Company Policies and Procedures; (b) the promotion or operation of the Distributor's FLP distributorship and Distributor's activities related to it; (c) Distributor's incorrect or wrong data or information provided to FLP or its Associates; or (d) the Distributor's failure to provide any information or data necessary for FLP to operate its business, including without limitation, Distributor's enrollment and acceptance into the FLP Marketing Plan and the payment of volume bonuses. EACH DISTRIBUTOR AGREES THAT THE ENTIRE LIABILITY OF FLP AND ITS ASSOCIATES FOR ANY CLAIM WHATSOEVER RELATED TO THE RELATIONSHIP OF AWARENESS INCLUDING, BUT NOT LIMITED TO, ANY CAUSE OF ACTION SOUNDING IN CONTRACT, TORT, OR EQUITY, SHALL NOT EXCEED, AND SHALL BE LIMITED TO, THE AMOUNT OF PRODUCTS DISTRIBUTOR HAS PURCHASED FROM FLP THAT ARE IN RESALABLE CONDITION.

19.02 Limited License to Use Company Marks.

(a) The name "Forever Living Products" and symbols of FLP and other names as may be adopted by FLP including FLP Product names are proprietary trade names and trademarks of the Company.

(b) Each Distributor is hereby licensed by FLP to use FLP's registered trademarks, service marks, and other marks (hereinafter collectively referred to as "Marks"), in conjunction with the performance of the Distributor duties and obligations under the Distributorship Agreement and the corresponding policies and procedures. All Marks are and shall remain the exclusive property of "FLP". The Marks may only be used as authorized by the Distributor Agreement and the FLP's corresponding policies and procedures. The license granted herein shall be effective only as long as the Distributor is in good standing and in full compliance with FLP's policies and procedures. However, it is prohibited for a Distributor to claim any ownership of FLP's Marks (i.e., registering for a domain name using the name "FLP", "Forever Living", or any other FLP Mark in any way, shape or form) unless it has been approved in writing by FLP. These Marks are of great value to FLP and are supplied to each Distributor for each Distributor's use in an expressly authorized manner only.

(c) Distributors are not to advertise FLP products in any way other than through the advertising or promotional materials made available to Distributors by FLP and materials pre-approved by an authorized officer of FLP. Distributors agree not to use any written, printed, recorded or any other material in advertising, promoting or describing the product or FLP marketing program, or in any other manner, any material which has not been copyrighted and supplied by FLP, unless such material has been submitted to FLP and approved in writing by FLP before being disseminated, published or displayed. FLP Distributors hereby agree to make no disparaging representations about FLP, the products, the FLP compensation plan or income potentials.

20 Confidential Information and Nondisclosure Agreement

20.01 (a) Downline reports and all other reports and genealogical information, including, but not limited to, downline sales organization information and commission recap statements, are private, proprietary and confidential to FLP.

(b) Every Distributor who is provided with such information must treat it as private and confidential and take care to maintain its secrecy and refrain from making any use thereof for any purpose other than the management of their downline sales organization.

(c) A Distributor may have access to private and Confidential Information which they acknowledge to be proprietary, highly sensitive and valuable to FLP's business and is being made to them solely and exclusively for purposes of furthering the sale of FLP products and prospecting, training and sponsorship of third parties who may desire to become Distributors and to further build and promote their FLP business.

(d) "Trade Secret" or "Confidential Information" shall also mean information, including a formula, pattern, compilation, program, device, method, technique or process, that:

- 1) derives independent economic value, actual or potential, from not being generally known to other persons who can obtain economic value from its disclosure or use; and
- 2) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

(e) Whenever FLP makes information available to the Distributor, it shall be for the sole purpose of conducting FLP business.

(f) A Distributor is prohibited from using, disclosing, duplicating or otherwise making any Trade Secret or Confidential Information available to anyone other than FLP Distributors, without the prior written consent of FLP.

(g) A Distributor is prohibited from, directly or indirectly, using, capitalizing upon or exploiting any Trade Secret or Confidential Information for their own benefit, or for the benefit of anyone else, other than for the purpose of conducting their FLP business.

(h) A Distributor shall maintain the confidentiality and security of the Trade Secret and Confidential Information in their possession and to protect against disclosure, misuse, misappropriation or any other action inconsistent with FLP's rights.

(i) **Further Restrictive Covenants.** In consideration to FLP for the receipt of Trade Secret or Confidential Information, the Distributor inherently agrees that for the term of the FLP distributorship, the Distributor shall not take or encourage any action, the purpose or effect of which would be to circumvent, breach, interfere with or diminish the value or benefit of FLP's contractual relationships with any FLP Distributor. Without limiting the generality of the foregoing, for the term of the distributorship, the Distributor agrees not to directly or indirectly, contact, solicit, persuade, enroll, sponsor or accept any FLP distributor, FLP customer or anyone who has been an FLP Distributor or Customer for the last twelve (12) months, into, or to encourage any such person in any way to promote, opportunities in marketing programs of any direct sales company other than FLP.

(j) The agreements contained in the "Confidential Information" section of these policies shall remain forever and in perpetuity. The agreements contained in the "Further Restrictive Covenants" section of these policies shall remain in full force and effect during the term of the previously executed Distributorship Agreement between FLP and the Distributor, and thereafter until the later of one (1) year from the latest receipt of any Confidential Information or twelve (12) months after the expiration and termination of such Distributorship Agreement.

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