

For more information, please contact the FLP India office directly at flp@vsnl.com

Declaration to be given by NRI Distributor's in relation to the Bonus Payment

To be typed on Rs. 100/- STAMP paper available in India only

To whomsoever it may concern

I, _____ have been appointed as Distributor by Forever Living – Health, Nutrition & BeautyCare Products Private Limited (“FLP India”) under the Distributors Agreement dated _____ between myself and FLP India. I hereby declare that I have complied with all necessary laws and regulatory requirements and have taken all actions, filed with appropriate government agencies, all documents and other materials, as required to be complied under any applicable law, regulation or governmental order for carrying on the business in India and I shall be solely responsible for the non-compliance of any laws, rules and regulations in that respect. I further declare that if any bonus is paid to me as per the company policy by FLP India, any such receipt shall be in full compliance with all applicable laws in and outside India. I undertake to maintain in full force and effect throughout the continuance of the payment of the bonuses, all licenses, permits, authorizations and approvals required under all applicable laws, regulations and governmental orders of India, and shall make all filings, payment of all applicable taxes, notifications and reports to all Indian Government agencies, which are necessary or appropriate in order for the payment of the bonus. In the event that the issuance of any such license, permit, authorization or approval is conditioned upon any modification or amendment that is unacceptable to FLP India or FLP India becomes aware that adequate approvals have not been obtained. FLP India shall have the right to immediately terminate the payment without any further obligations whatsoever to us and no claims or liability shall arise on FLP India.

FLP India and/or any other FLP Group Company is not held liable for violation of any law due to payment of such bonus to me, I hereby undertake to indemnify and hold FLP India and/or any other FLP Group Company, including its directors, officers, shareholders, agents, employees and family members of any of them, harmless against any claim, charges, duties, liabilities, penalties, loss, damage, injury, cost, expense (including, but not limited to attorneys fees), fines or judgments arising out of, allegedly arising out of or in any way related to the violation of any such law.

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Forever Living Products India

Procedure for International Sponsorship

1. Channel for Non-Resident Indians & Persons of Indian Origin

- a. Non-Resident Indian (NRI) means an Indian citizen who is residing outside India for employment or other such purpose, but who has retained his/her Indian citizenship.
- b. Person of Indian Origin (P.I.O.) means a person who has been a citizen of India OR whose father or grandfather was a citizen of India.
- c. NRIs & PIOs can join as Distributors of FLP (India) in their individual capacity. Even if the spouse is not an NRI or PIO, he/she can be made a co-applicant. The main Distributor, in whose name the cheque is to be drawn, must be NRI or PIO.
- d. NRIs & PIOs can join as Distributors of FLP (India), merely by giving a declaration on, Rs.100 stamp paper which; is available only in India. This document has to be duly notarised in India.

2. Channel for Others

- a. Other foreign nationals, who are not of Indian Origin, cannot do business in India in their individual names. The only way in which they can do business is by forming a private limited Company in India.
- b. As a corporate policy, FLP (India) does not allow Distributors to operate in a corporate form. However, with special permission from the Country Manager of FLP (India), foreign nationals may be allowed to function in a corporate form. For this purpose, they will have to furnish an undertaking that they will not transfer the ownership of the company without prior written permission of FLP (India). (Format of the undertaking enclosed in **Exhibit-A**)
- c. The foreign Distributor will also have to give a declaration that he is complying with all the laws in India relating to the functioning of the Indian Company (included in Exhibit – A).
- d. The step-by-step guide for formation of company in India is given in **Exhibit – B**. The foreign Distributors are free to appoint any Chartered Accountant or Advocate for forming the Company in India. Alternatively, they may seek the guidance of the Country Manager for this purpose. The minimum remittance

required for forming the company in India is Rs.1,10,000/- (US \$2,350) out of which Rs.10,000/- (US \$215) is required before the Company is formed and balance Rs.1,00,000/- is to be remitted after the company is formed (most of this money will be available for the purposes of local expenses, hotels, travel etc). The professional fees of the C.A./Lawyer for their services may range from Rs.25,000/- (US \$ 550) to Rs.95,000/- (US \$ 2,000).

- e. Besides the initial expense for company formation, there will be some recurring annual expenditure, in the range of Rs.30,000/- (US \$600) to Rs.75,000/- (US \$1,600) for maintenance of books of accounts, audit, and filing of returns with Income Tax Department and Registrar of Companies. Other advisory services may also be needed from time to time.
- f. In view of the effort and cost involved in formation of the company and other expenditure required for promoting the business in India, it is expected that only those Distributors, who have a long term vision of developing a business in India, may consider the option of coming to India. India is a country with a large population and great potential; however, it calls for initial investment in the form of monetary cost of setting-up the company, travel, lodging and boarding and also the opportunity cost of leaving your existing activity and working in India for setting-up your business.

3. Other Queries

- a. We are enclosing in Exhibit-C a list of Frequently Asked Questions (FAQ's) relating to International Sponsorship. These questions are based on queries received from foreign Distributors in the recent part. We hope that all the general queries have been addressed in this. However, in case you have any further queries, or you need any further assistance you may contact the Country Manager of FLP India.

Note :

This note has been prepared on the basis of advice received from qualified professionals competent to advice on these matters. All care has been taken to verify the correctness of the advice; however, FLP India, does not assume any legal responsibility for the contents of this document. Distributors are free to seek legal council from their legal advisor in India or elsewhere.

Exhibit - A

**Form of undertaking by the Indian Company
(ON STAMP PAPER OF Rs.100/- TO BE EXECUTED IN INDIA)**

UNDERTAKING-CUM-INDEMNITY BOND

This undertaking given by _____, a company registered in India vide Certificate of Incorporation under _____ dated _____ issued by the Registration of Companies, Maharashtra, (hereinafter referred to as "the Company") through the hands of its Directors _____ and _____, is executed on this the _____ day of _____, Two Thousand One.

The Company wishes to be appointed as Distributor of Forever Living Health, Nutrition and Beautycare Products Pvt. Ltd. (hereinafter referred to as "FLP India") for promoting its products in India.

The Company has hereby represented to FLP India that its present ownership structure is as under:

S. No.	Name of the Shareholder	No. of shares held
1.		
2.		

The Company has further represented that its present Directors are as under:

S. No.	Name of the Director
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The Company hereby declares and gives an undertaking to FLP India that it shall not change its Directors or transfer the shares of allot any fresh shares without prior written permission of FLP India. In case this condition is violated, FLP India will be free to terminate the Distributorship Agreement and stop all payments of bonus/commission/incentive payable under the Distributorship Agreement.

The Company further declares that it has complied with all necessary laws and regulatory requirements and have taken all actions, filed with appropriate government agencies, all documents and other materials, as required to be complied under any applicable law, regulation or governmental order for carrying on the business in India and it shall be solely responsible for the non-compliance of any laws, rules and regulations in that respect. The Company further declares that if any bonus is paid to it as per the company policy by FLP India, any such receipt shall be in full compliance with all applicable laws in and outside India. The Company undertakes to maintain in full force and effect throughout the continuance of the payment of the bonuses, all licenses, permits, authorizations and approvals required under all applicable laws, regulations and governmental orders of India, and shall make all filings, payment of all applicable taxes, notifications and reports to all Indian Government

agencies, which are necessary or appropriate in order for the payment of the bonus. In the event that the issuance of any such license, permit, authorization or approval is conditioned upon any modification or amendment that is unacceptable to FLP India or FLP India becomes aware that adequate approvals have not been obtained, FLP India shall have the right to immediately terminate the Distributorship Agreement without any further obligations whatsoever hereunder to us and no claims or liability shall arise on FLP India.

The Company further declares that in case FLP India and/or any other FLP Group Company is held liable for violation of any law due to payment of such bonus to the Company. The Company hereby undertake to indemnify and hold FLP India and/or any other FLP Group Company, including its directors, officers, shareholders, agents, employees and family members of any of them, harmless against any claim, charges duties, liabilities, penalties, loss, damage, injury, cost, expense (including, but not limited to attorneys fees), fines or judgments arising out of, allegedly arising out of or in any way related to the violation of any such law.

SIGNED SEALED & DELIVERED
By the within named Company

through the hands of its Directors

- 1.
- 2.

On the day of

Mumbai
Dated :

BEFORE ME

(NOTARY)

Exhibit - B

Procedure for setting-up a Company in India (by a foreign national)

Step – 1

- Application for approval of name of the company
- Nominate two persons (foreign Distributor plus one person) who will sign the Memorandum & Articles of Association & also be the initial Directors of the Company.
- Nominate a local Indian for signing various documents if both the signatories to the Memorandum & Articles of Association are foreigners.
- Nominate a local C.A. / Lawyer for representing the case before the Registrar of Companies.
- Obtain a local address where the registered office of the Company will be located.

Step – 2

- Remit Rs.10,000/- (US \$220) for the initial legal expenses for formation of the company in favour of the C.A / Lawyer.

Step – 3

- The C. A. / Lawyer will prepare all the necessary documents and get the company registered.

Step – 4

- After the company is registered, first meeting of the Board of Directors will be held in which the following resolutions are to be passed:
 - Appointment of Auditors
 - Opening of Bank A/c
 - Approve the preliminary expenses for formation of the Company.

Step – 5

- Open the Bank A/c for the company (Local representative will open the Bank A/c with initial deposit of say Rs.2,500/- [US \$55])

Step – 6

- Remit Rs.1,00,000/- (US \$2,200) minimum Share Application money into the bank account of the Company.

Step – 7

- Allot the shares against the inward remittance in foreign currency.

Step – 8

- Notify Reserve Bank of India (RBI) for the shares allotted to foreign citizens.

Step – 9

- Make payment of fees to the C.A./Lawyer, for formation of the company, out of the funds deposited in the bank.

Note :

Now the Company can approach FLP India to appoint it as a Distributor.

Exhibit – C

Frequently Asked Questions relating to setting-up Company in India by foreign Distributors

Q – 1 Do I need to set-up a company in my country for investment in India?

Ans. No. You have to directly invest in the Indian company in your personal name.

Q – 2 How many shareholder & Directors are required in the Indian Company?

Ans. You need to have minimum 2 shareholders and 2 Directors in the Indian Company. The shareholders can also be the Directors of the company.

Q – 3 Do we need to have some Indian person as a Director in the Indian Company?

Ans. Legally, both the Directors & shareholders can be foreign nationals. However, initially it may be more practical to have at least one Indian Director, who will resign after the Company is registered and all the initial registrations are completed.

Q – 4 What is the minimum Share Capital required in the Indian Company?

Ans. The minimum authorized and paid-up capital of the Company will be Rs.1,00,000/- (US \$2,200) which has to be remitted in foreign currency into the bank a/c of the Company in India.

Q – 5 How much time will it take for formation of the Company?

Ans. It will take anything between 5 to 8 weeks depending upon speed of compliance with various formalities.

Q – 6 Can the Company be formed without physical presence of the foreign Distributor in India?

Ans. Yes, it is possible by authorizing some local resident in India. However, to build a business, you will be coming to India in any case. Hence it is advisable that atleast one Director/shareholder should be physically present in India.

Alternatively, he will have to execute a Power of Attorney in favour of a local Indian who will represent them in India. This document has to be notarized by the Indian Embassy in the foreign country.

Q – 7 How can the bonus/commission be taken out of the country?

Ans. The Indian Company, earning the bonus/commission shall pay income tax on the net profit earned by it after deducting all the expenses. The Company can declare a dividend, which can be repatriated out of India.

Q – 8 What is the rate of Income Tax?

Ans. The Indian Company has to pay Income Tax @ 35% on the net profit earned by it. Further, if a dividend is declared the company will have to pay a further tax of 10% on the amount of dividend declared.

Q – 9 Can more than one Distributor share one Company?

Ans. No. FLP India will pay bonus to the Indian Company only for the bonus earned by it on its downline, who do not comply with the legal requirements.

Q – 10 Can FLP India send my bonus details to my address in my home country?

Ans. FLP India will send the bonus cheque and the bonus details to the Indian address. Thereafter, it may be forwarded by the Indian representative to the foreign address.

Q – 11 Will I have to pay any personal tax?

Ans. If the Indian Company pays any fees to you for the services rendered by you to your Indian Company, then you will have to pay personal Income Tax in India. Otherwise, it is the company that pays the taxes as the Company earns the bonus income.

Q – 12 Would I need a business visa to come to India for official purpose?

Ans. Yes. As per the Immigration law, you will have to come to India on a business visa and not on a tourist visa.

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