

FOREVER LIVING PRODUCTS
COMPANY POLICY

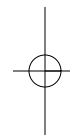
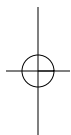


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1 INTRODUCTION

The Forever Living Products companies (FLP) are unique in the utilization of their concept that encourages and supports the use and retail sales of its products through independent Distributors worldwide. FLP is a family of related companies with Distributors marketing FLP products throughout the world. 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 by using 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.

Our companies do not represent that a distributor will achieve financial success without working or by relying solely on the efforts of others. Compensation in the FLP companies is based upon the sale of its products. A distributor is an independent contractor whose success or failure depends on his or her personal efforts.

The FLP Companies have a long history of success. The fundamental goal of FLP's marketing plan is to promote the sale and use of the Company's high quality products to consumers. The primary purpose of Distributors is to build a sales organization to promote the sale and use of the Company's products to consumers.

Independent Distributors at all levels of the Forever Living Marketing Plan are encouraged to make retail sales each month and keep records of such sales.

Successful Distributors gain current knowledge of the market by attending training meetings, maintaining their own personal retail customers and sponsoring others to sell retail.

2 DEFINITIONS

- 2.1 Any person who purchases product for their own personal use is a "Retail Customer."
- 2.2 A "Case Credit" is a unit of measurement for 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 thirty-two dollars (\$132) of FLP products purchased from the Company.
- 2.3 The "New Distributor" Level is a distributor who has not yet achieved the level of Assistant Supervisor.
- 2.4 A "Distributor" is a person, 18 years of age or older, who has completed a distributor Application form and has been personally certified at a Company-approved Opportunity Meeting, or by a Company-authorized representative. Distributors purchase product directly from the Company at the published wholesale price.
- 2.5 An "Active Distributor" is a distributor who has four or more case credits of Personal Accredited Sales for the month, at least one of which is personally acquired. Personal Accredited Sales can be acquired personally or from personally sponsored New Distributors. The Active status of a distributor is established each month.

3 WARRANTY, GUARANTEE, PRODUCT RETURN AND BUY BACKS

- 3.1 The following time periods shall apply except where modified by local law.
- 3.2 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:

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

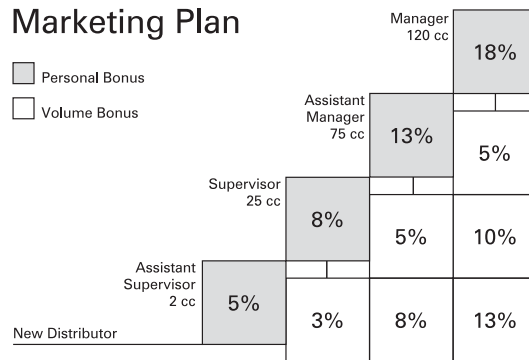
- 3.5 During the respective stated periods of warranty and guarantee, FLP will provide a new replacement of the same such product in exchange for the defective product or for one that has been returned to a distributor by a Retail Customer for lack of satisfaction. Such replacement shall be subject to validation of presented proof of timely purchase. 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. Such purchase must have been by the party returning the product. Repetitive returns of product by the same parties will be rejected.
- 3.6 FLP shall buy back any unsold, salable FLP product 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 complete a Product Return form and return all Product for which a

refund is being claimed, along with proof of purchase to FLP. If the product returned by a terminating distributor is greater than 4cc, all bonuses and case credits received by the terminating distributor's upline for the products returned, may 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. If a terminating distributor returns a Touch of Forever or any other Combination Pak, and it is missing some product, the refund will be calculated as if the entire Combo Pak was returned, and then the wholesale 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. 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 his/her entire downline organization will move up directly under the terminating Distributor's Sponsor in their current generation sequence.

- 3.7 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. Distributors may not buy more product than they can use for their business and personal needs. 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, and that additional products be purchased only after 75% of that product's inventory has been sold, consumed or otherwise utilized. Products previously certified as having been sold, consumed or utilized shall not be subject to repurchase under the "Buy Back Rule."

4 BONUS STRUCTURE

The Forever Living Marketing Plan is explained as follows:



- 4.1 **Personal Bonus (P.B.)** is a bonus on Personal Accredited Sales and on Personal Accredited Sales of personally sponsored New Distributors.
- 4.2 **Volume Bonus (V.B.)** is a bonus paid on all group Accredited Sales of your personally sponsored Assistant Supervisors, Supervisors and Assistant Managers.
- 4.3 **New Distributor**
 - No P.B. paid at this level.
- 4.4 **Assistant Supervisor**
 - 5% P.B. on all personal Accredited Sales.
 - No V.B. paid at this level.
- 4.5 **Supervisor**
 - 8% P.B. on all personal Accredited Sales.
 - 3% V.B. on all personally sponsored Assistant Supervisors and their group Accredited Sales.
- 4.6 **Assistant Manager**
 - 13% P.B. on all personal Accredited Sales.
 - 5% V.B. on all personally sponsored Supervisors and their group Accredited Sales.

- 8% V.B. on all personally sponsored Assistant Supervisors and their group Accredited Sales.
- 4.7 **Manager**
- 18% P.B. on all personal Accredited Sales.
 - 5% V.B. on all personally sponsored Assistant Managers and their group Accredited Sales.
 - 10% V.B. on all personally sponsored Supervisors and their group Accredited Sales.
 - 13% V.B. on all personally sponsored Assistant Supervisors and their group Accredited Sales.
- 4.8 A new distributor is not eligible to receive bonuses or sponsor others into the FLP Marketing Plan until they have achieved the level of Assistant Supervisor. A new distributor who purchases two (2) case credits from the Company within two consecutive months will advance to the position of Assistant Supervisor.
- 4.9 The personal bonus on the accredited sales of a new distributor will be paid to the new distributor's Sponsor. In addition, the case credits will count as personal accredited sales for both the new distributor and the Sponsor.
- 4.10 Any one month or two consecutive months may be used to accumulate the case credits necessary to achieve Assistant Supervisor, Supervisor, Assistant Manager or Manager level. All move-ups shall occur on the exact date that sufficient case credits are accumulated to reach the specified level.
- 4.11 All bonuses are calculated on the U.S. Suggested Retail Price (SRP) as set forth in the distributor's monthly recap.
- 4.12 There is no requalifying for these sales levels once they are earned unless the Distributorship is terminated or the distributor is responsored.
- 4.13 There can be no transferring of Distributorships. Assignments of Distributorships can only be made in the event of death.

- 4.14 All Distributors who terminate, or are terminated, must wait a minimum of two years before submitting a new application for consideration by the Executive Committee.
- 4.15 A distributor will not pass up the Sponsor on their way to achieving any level.
- 4.16 To qualify for volume bonuses and special bonuses earned from their sponsored groups, Supervisors, Assistant Managers and Managers must qualify as Active Distributors (see 2.5) and must also meet all other requirements of the Marketing Plan.
- 4.17 Bonuses are calculated according to positions within the marketing plan. Bonuses are paid at the current level attained. Example: If an Assistant Supervisor receives 30 personal case credits in 1 or 2 consecutive calendar months, they will earn 5% on any personal purchases within the first 25 case credits and 8% on any personal purchases within the remaining 5 case credits.
- 4.18 New Manager Example: If an Assistant Supervisor has Accredited Sales of 150 case credits in a calendar month, achieving the level of manager, their active Sponsor will receive full case credit for the first 120 case credits. The remaining 30 case credits of Accredited Sales will be adjusted at 40%, 20% and 10% for the upline Leadership Bonus Qualified Managers accordingly.
- 4.19 An Assistant Supervisor, Supervisor or Assistant Manager does not receive a V.B. on any distributor in the sponsored group who is at the same level in the marketing plan. However, these levels will receive case credits from such sources for move-up in the marketing plan.
- 4.20 Bonus checks are mailed on the fifteenth of the month following product sale. Example: bonuses for January Accredited Sales will be mailed on February 15th.
- 4.21 A distributor becomes a "Recognized" Manager and receives a gold Manager pin when (1) their sales organization produces 120cc Personal and/or Non-Manager Accredited Sales during any one or two consecutive month period, and (2) they are personally active during the same one or two consecutive month

period, and (3) there is no other distributor in their downline who qualifies as Manager during the same one or two consecutive month period.

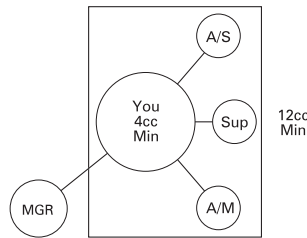
If a downline Manager qualifies during the same one or two consecutive month period, the distributor will be a "Recognized Manager" if (1) they are personally active during the same one or two month period, and (2) they have at least 25 personal and/or Non-Manager case credits in the final month of qualification from Distributors in downlines other than the downline Manager moving up in the same month.

5 LEADERSHIP BONUS (L.B.)

- 5.1 After a distributor becomes a Recognized Manager, that person should support their various downlines with the intent of helping them achieve success as an FLP distributor. An Active Recognized Manager becomes a Leadership Manager once they have developed a downline Manager, and may qualify to receive their Leadership Bonus if they have Accredited Sales of 12 or more personal and "Non-Manager" case credits per month. "Non-Manager" case credits are those that do not pass through a Manager (Active or Inactive).
- 5.2 A Leadership Bonus can be paid at the following rates to Recognized Managers who have downline Managers:
- 6% Bonus paid on all 1st Generation Managers and their group orders.
 - 3% Bonus paid on all 2nd Generation Managers and their group orders.
 - 2% Bonus paid on all 3rd Generation Managers and their group orders.
- 5.2.1 The Leadership Bonus and Leadership Case Credits (40%-20%-10%) of a Manager who does not qualify for Leadership Bonus will be proportionately distributed to the upline Leadership Bonus Qualified Managers.

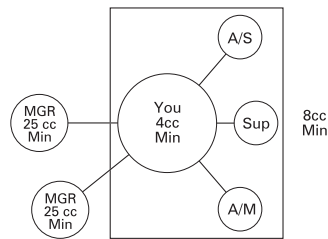
- 5.3 An Active Recognized Manager can reduce the monthly requirement from 12 case credits to 8 case credits, by having two separate downlines with Active Recognized Managers who have Accredited Sales of at least 25 or more case credits per month, as reflected on each downline Manager's recap from the previous month. In addition, an Active Recognized Manager can reduce the 12 case credits to 4 case credits per month by having three separate downlines with Active Recognized Managers who have Accredited Sales of at least 25 or more case credits per month, as reflected on each downline Manager's recap from the previous month.
- 5.4 Any Active Recognized Manager's downline, which has Accredited Sales of at least 25 or more case credits per month, as shown on the previous month's recap, will count towards the reduction in all upline Managers' minimum case credits of 12, 8 or 4 case credits.
- 5.5 When an Active Recognized Manager generates 12 personal and non-manager case credits, he/she qualifies

for all corresponding Leadership Bonuses.



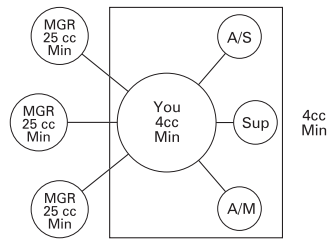
- 5.6 When an Active Recognized Manager has two separate downline Active Recognized Managers who have

accredited sales of 25 case credits or more reflected on each downline manager's recap from the previous month, the personal and non-manager case credits will be reduced from 12 case credits to 8 case credits.



- 5.7 When an Active Recognized Manager has three separate downline Active Recognized Managers who have

accredited sales of 25 case credits or more reflected on each downline manager's recap from the previous



month, the personal and non-manager case credits will be reduced from 12 case credits to 4 case credits.

- 5.8 If a Recognized Manager is not Active (see 2.5) for three consecutive months or more, he/she is not eligible for a Leadership Bonus. In order to start receiving a Leadership Bonus, he/she must be Active and have Accredited Sales of 12 or more Personal and Non-Manager case credits for three consecutive months prior to re-qualifying for a Leadership Bonus in the fourth month. These 12 case credits of Accredited Sales must occur in the country of residence.

6 MANAGER AND BEYOND AWARDS

6.1 Senior Manager:

When a Manager has sponsored and developed two (2) 1st Generation Sponsored Recognized Managers, they become a Senior Manager and they will be awarded a new Manager pin with two garnets.

6.2 Soaring Manager:

When a Manager has sponsored and developed five (5) 1st Generation Sponsored Recognized Managers, they become a Soaring Manager and they will be awarded a new Manager pin with four garnets. A Soaring Manager with five (5) Active 1st Generation Sponsored Managers has their case credit requirements in the Earned Incentive Program reduced by 40 case credits for Incentive 1, 50 case credits for Incentive 2 and 60 case credits for Incentive 3.

7

GEM MANAGER AWARDS

7.1 Sapphire Manager:

When a Manager has sponsored and developed nine (9) 1st Generation Sponsored Recognized Managers in their line, they become a Sapphire Manager, and a gold pin with four sapphires is awarded. Pins will only be presented at a Success Day or other recognized meetings conducted by a company approved representative.

a. The Sapphire Manager Distributorship is also awarded a four-day, three-night all-expense-paid trip to one of the Company resorts.

7.2 Diamond-Sapphire Manager:

When a Manager has sponsored and developed seventeen (17) 1st Generation Sponsored Recognized Managers, they become a Diamond-Sapphire Manager, and a gold pin with two diamonds and two sapphires is awarded at Success Day.

a. The Distributorship is also awarded a specially designed sculpture.

b. In addition, the distributorship will receive an all-expense-paid trip for five days and four nights to a luxury resort in Hawaii or another location to be designated by the Company.

7.3 Diamond Manager:

When a Manager builds and develops twenty-five (25) 1st Generation Sponsored Recognized Managers, they become a Diamond Manager and are awarded a gold pin with one large diamond. The Distributorship is also awarded the following privileges:

a. A beautifully designed diamond recognition ring.

b. Waiver of case volume requirements for Earned Incentives and Volume Bonuses, provided a minimum of twenty-five (25) 1st Generation Sponsored Recognized Managers are Active.

c. An all-expense-paid one-week trip to the World Rally.

7.4 Double Diamond Manager:

When a Manager builds and develops fifty (50) 1st Generation Sponsored Recognized Managers, they become a Double Diamond Manager. The distributorship is also awarded the following privileges:

- a. A specially designed gold pin with two large diamonds.
- b. An all-expense-paid trip for 10 days and 9 nights to South Africa
- c. An exclusive pen accessorized with beautiful diamonds.

7.5 Triple Diamond Manager:

When a Manager builds and develops Seventy Five (75) 1st Generation Sponsored Recognized Managers, they become a Triple Diamond Manager. The distributorship is also awarded the following privileges:

- a. A specially-designed gold pin with three large diamonds.
- b. An all-expense-paid trip for 14 days and 13 nights around the world.
- c. An exclusive, personalized watch (at FLP's discretion).
- d. Limited Edition Bronze (at FLP's discretion).

7.6 Diamond Centurion Manager:

When a Manager builds and develops one hundred (100) 1st Generation Sponsored Recognized Managers, they become a Diamond Centurion Manager. The distributorship is also awarded the following privileges:

- a. A specially-designed gold pin with four large diamonds.

8

GEM BONUS

Gem Managers who have qualified to receive a Leadership Bonus may also qualify to receive the Gem Bonus by meeting the following requirements:

- 8.1 Gem Managers who have nine (9) or more Active 1st-Generation Sponsored Managers during a month will receive an additional 1% on all their 1st, 2nd and 3rd Generation Managers and their group Accredited Sales for that month (7%-4%-3%). (Inherited, Transferred or Unrecognized Managers are not Sponsored Managers).
- 8.2 Gem Managers who have seventeen (17) or more Active 1st Generation Sponsored Managers during a month will receive an additional 2% on all their 1st, 2nd and 3rd Generation Managers and their group Accredited Sales for that month (8%-5%-4%).
- 8.3 Gem Managers who have twenty-five (25) or more Active 1st Generation Sponsored Managers during a month will receive an additional 3% on all their 1st, 2nd, 3rd Generation Managers and their group Accredited Sales for that month (9%-6%-5%).

GEM BONUS				
	Qualification	1st Gen.	2nd Gen.	3rd Gen.
Sapphire Manager	9 active 1st Gen. Mgrs.	7%	4%	3%
Diamond-Sapphire	17 active 1st Gen. Mgrs.	8%	5%	4%
Diamond Manager	25 active 1st Gen. Mgrs.	9%	6%	5%

Percentages shown above include Leadership Bonus.

- 8.4 Foreign distributors may count towards Gem bonus qualification if they have requalified as Sponsored Managers in that country. Once they requalify and receive a waiver from their Home Country, they will be considered active and may be counted by their upline towards the Gem Bonus qualification.
- 8.5 In connection with International Sponsoring, Gem

Bonus is paid by each country based on activity of Managers in that country. Therefore, to qualify for a Gem Bonus from any country, you must have the required number of Active 1st Generation Sponsored Managers located in that specified country for the month in which you are qualifying for a bonus.

9 EARNED INCENTIVE PROGRAM

- 9.1 All Company incentive programs are intended to promote sound MLM building principles. This includes the proper sponsoring and selling of product in usable, resalable quantities. Contest points and prizes are not transferable, and will be awarded only to those who qualify by building their business in accordance with the letter and spirit of the FLP Marketing Plan and Company Policies.
- 9.1.1 Recognition pins and trips to the World Rally will be awarded only to the Distributorship as it appears on the distributor Application form on file at the Home Office.
- 9.1.2 Incentive trips, including the 1500cc and 2500cc FLP Super Rally and Post Rally, the Sapphire, Diamond-Sapphire, Double-Diamond, and Triple-Diamond trips are awarded to the distributor and spouse. If there is no spouse, or the spouse cannot attend, the distributor may elect another person who is of age and otherwise eligible to be sponsored as a distributor to accompany him/her.
- 9.2 All Active Distributors are eligible to participate in the Earned Incentive Program. All Managers participating in this program must be recognized.
- 9.3 The Earned Incentive amount is to be used by the distributor to purchase or lease an asset in their own name, e.g., car, house, boat, airplane, etc.
- 9.4 Three levels of incentives are available:
- a. Level 1: The Company will pay a maximum of \$400.00 per month for a maximum of 36 months.
 - b. Level 2: The Company will pay a maximum of \$600.00 per month for a maximum of 36 months.

- c. Level 3: The Company will pay a maximum of \$800.00 per month for a maximum of 36 months.
- 9.5 Three (3) consecutive months are required to qualify.
- 9.6 Qualification for the respective months is detailed in the following table:

	Level 1	Level 2	Level 3
Cc requirements for month 1	50	75	100
Cc requirements for month 2	100	150	200
Cc requirements for month 3	150	225	300

- 9.7 The third month volume must be maintained or increased thereafter. If a distributor's total case credit volume drops below the case requirement for any given third month, the monthly earned incentive bonus will only reflect the amount earned based on \$2.66 per case credit for the distributor's group volume.
- 9.8 If the qualifying distributor's total case credits drop below 50 case credits in any given month, the earned incentive bonus, for that month, will not be paid. If in the subsequent months the qualifying distributor's case credits increase to 50 or more the earned incentive will be paid in accordance with paragraph 9.7.
- 9.9 Total case credit volume is based on personal group cases, plus 40% of the group cases for any 1st Generation Managers, plus 20% of the group cases for any 2nd Generation Managers, plus 10% of the group cases for any 3rd Generation Managers.
- 9.10 All Managers who have five (5) personally sponsored Active 1st Generation Recognized Managers during the third qualification month and all subsequent months during the 36 month period will be required to have a total volume of only 110, 175 or 240 case credits, for levels 1, 2 and 3 respectively. For every five (5) additional personally sponsored Active 1st Generation Recognized Managers during the third qualification month, and all subsequent months during the 36 month period, the case credits will be reduced by an additional 40 case credits for level 1, 50 case credits for level 2, and 60 case credits for level 3. When a Manager has twenty-five (25) or more personally sponsored active 1st Generation

Recognized Managers in any given month, the total case credit requirement for their earned incentive will be waived for that month.

- 9.11 After completing the third qualifying month for an Earned Incentive, a distributor may qualify for a higher incentive level the very next month. For example, a distributor qualifies for level 1 in January, February, and March. This distributor will be eligible to qualify for level 2 or 3 in April.
- 9.12 At the end of the 36 month period, a distributor may requalify for a new earned incentive using the same qualifications as outlined above. This requalification can be satisfied during any 3 consecutive months during the 6 month period immediately prior to the end of the original 36 month period.

10

FLP SUPER RALLY

- 10.1 Managers who meet minimum annual case credit requirements of 1,500 cases from April 1 through March 31 of each year will qualify for an expense-paid trip to the next FLP Super Rally, plus \$500 spending cash. The Manager will meet the Executive Staff and attend the Rally, trainings and motivational meetings. Managers qualifying for the first time will also attend the Post Rally Tour.
- 10.2 Once Managers have qualified for the FLP Super Rally, they can requalify in future years by achieving 1,500 case credits during the contest period. This would qualify them to attend the FLP Super Rally only. Managers can also qualify to attend the Silver Post Rally Tour by achieving 2,500 case credits during the contest period.
- 10.2.1 Managers who achieve 2,500 case credits will qualify for the all expense-paid Silver Post Rally Tour, plus receive an additional \$500 spending cash (for a total cash award of \$1,000).
- 10.2.2 Managers who achieve 5,000 case credits will qualify

for an additional \$1,000 spending cash (for a total cash award of \$2,000), plus special recognition at the Super Rally and use of the VIP lane for checkout in the Rally shopping area.

- 10.2.3 Managers who achieve 7,500 case credits will qualify for an additional \$1,000 spending cash (for a total cash award of \$3,000), plus a special session with the Company VP during the Silver Post Rally Tour.
- 10.2.4 In addition to the above, Managers who achieve 10,000 case credits will receive an upgrade to fly Business Class to and from the Super Rally.
- 10.2.5 For the Silver Post Rally Tour only: Qualifying distributors who wish to bring their children may do so, providing that they agree to the following:
- a. All transportation, lodging, meal, and miscellaneous expenses for the children must be paid for by the distributors.
 - b. No children will be allowed in meal functions or other activities; i.e. day trips, beach activities, etc.
 - c. We are not able to accommodate children on the chartered air flights. Therefore, distributors would need to make separate flight arrangements for their children; and, if it is necessary for the distributors to travel with their children, the distributors would be required to pay for their own airfare as well.
- 10.3 In order to achieve the 1500 or 2500 cases credits awards a distributor may combine case credits from all the countries where they have a group. It is the responsibility of the distributor to provide to their Home Office by April 30th the proof of case credits earned in other countries.
- 10.4 It is not permitted to combine case credits for the FLP Super Rally awards that are less than 1500 cases.
- 10.5 A distributor may qualify in their domestic countries for the following awards:
- a. 1250 Case Credits
One airfare, three nights' lodging, meals and two Rally wristbands

- b. 1000 Case Credits
Three nights' lodging and two Rally wristbands
- c. 750 Case Credits
One night's lodging and two Rally wristbands
- d. 500 Case Credits
Two Rally wristbands
- e. 250 Case Credits
One Rally wristband

11

MANAGER STATUS AND REQUALIFICATIONS

Inherited Managers:

- 11.1 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.
- 11.2 If the terminated Manager is a Sponsored Recognized Manager, and also has any 1st Generation Recognized Managers in their 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 first generation manager.
- 11.3 "Inherited Manager" does not affect the volume bonuses or leadership bonuses paid to any Manager or their upline. The activity of an "Inherited Manager" however, does not count for qualification for the Gem Bonus, case reduction for the Earned Incentive Program, for obtaining Gem Manager status, nor for any other program.

Transferred Managers:

- 11.4 A Manager who internationally Sponsors into a country other than his/her original country of sponsorship shall be a "Transferred Manager." "Transferred Managers" do not count toward Gem Manager status, qualification for Gem Bonus, case reduc-

tion for the Earned Incentive Program, nor for any other program.

Activity Qualification:

- 11.5 Supervisors, Assistant Managers or Managers who do not achieve Active status (see 2.5) will not be paid a volume bonus on their group that month, and shall not be considered an “Active distributor.” Any unearned bonus will be paid to the next Active distributor upline. In turn, their bonus will be paid to the next Active distributor upline and so on. Distributors who forfeit any bonus may requalify the following month (with no retroactive application) as an Active distributor.
- 11.6 All case credits are calculated on a calendar month. Example: January 1 through January 31, April 1 through April 30, etc.

Requalification Procedures:

- 11.7 If you are an Unrecognized Manager, you can requalify as a Recognized Manager by meeting the following requirements:
- a) You must be Active with 4 Personal Case Credits (see 2.5), and
 - b) You must have a total of 120 case credits (cc) of Personal and Non-Manager Accredited Sales in one or two consecutive months. You can use the case credits that were not associated with a downline Manager move-up from the final month you moved up to the position of Unrecognized Manager to requalify as a Recognized Manager, provided that the requalification occurs during the month immediately following.
 - c) From the date that you achieved the 120 Personal and Non-Manager case credits, you will begin to accrue Leadership Bonuses and Leadership Case Credits on orders placed after that date, as long as you have qualified as a Leadership Bonus Manager (see Section 5).
- 11.8 If you are a Transferred or Inherited Manager, you can requalify as a Sponsored Manager by meeting the following requirements:

- a) You must have a total of 120 case credits (cc) of Personal and Non-Manager Accredited Sales in one or two consecutive months, and
- b) You must be Active with 4 Personal Case Credits during the months the 120 cc are generated (see 2.5).
- c) If requalifying in a foreign country, you must achieve Active status (see 2.5) either in your home country (your country of residence) or in the country where you are achieving Sponsored Manager status.

12

RESPONSORING POLICY

- 12.1 An existing distributor who has been a distributor for at least 24 months and who has not purchased any FLP Products for a minimum of twenty-four (24) months, from the Company or from any other source, and has not received any other payments from an FLP distributor during that same time frame, may be considered for re-sponsoring. The existing distributor cannot have sponsored any other individuals into the FLP business during the previous twenty-four (24) months. The distributor being re-sponsored will be required to sign and have notarized an affidavit under penalty of perjury with respect to the above policy before re-sponsoring will be allowed. A Change of Status form signed by both the distributor and the intended Sponsor will also be required.
- 12.2 Re-sponsored Distributors begin again at the distributor level under their new Sponsor and lose any downline acquired to that point in all countries into which they are sponsored, and will not count towards the sponsoring requirements under the Profit Sharing Incentive Program, nor any other incentive.

13 ORDERING PROCEDURES

- 13.1 All Distributors may order directly from the Company.
- 13.2 All orders must be accompanied by either
 - a. certified check
 - b. cashier's check
 - c. personal check (where Telecheck is available)
 - d. money order
 - e. credit cards (Visa, Mastercard or Discover)
 - f. cash.
- 13.3 Minimum distributor order is \$50.00 wholesale value of product, plus appropriate taxes.
- 13.4 All orders must be placed with an authorized FLP product center, Area Sales Manager or his/her authorized representative in the area, Order Processing at 1-888-440-ALOE (2563) or via the Internet.
- 13.5 Check all orders upon receipt and notify your Area Warehouse immediately of any discrepancy in condition or quantities or, if ordered over the Internet, contact Order Processing at 1-888-440-ALOE (2563).
- 13.6 All orders with appropriate payment must be submitted to an authorized FLP product center, Area Sales Manager or his/her authorized representative in the area, Order Processing 1-888-440-ALOE (2563) or via the Internet by 11:59 p.m. (AZ time) or the last business day of the applicable month to qualify for a bonus generated for that month.
- 13.7 All orders are subject to, and all deliveries conditioned on, the final acceptance by the Home Office of FLP. Your receipt of bonus is evidence of acceptance by the Home Office.
- 13.8 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.
- 13.9 Distributors are authorized to purchase product for the purpose of using said product in their business and for

their personal use in the country of their domicile. Distributors are not authorized to purchase product for the purpose of exporting said products to a country outside the country of their domicile 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.

- 13.10 A distributor may not order more than 25 case credits in any calendar month without prior Home Office approval.

14

LEGAL REQUIREMENTS

14.1 Independent Contractors:

- 14.1.1 All Distributors are considered Independent Contractors. 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.
- 14.1.2 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.
- 14.1.3 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/her Distributorship may be terminated for any actions taken by the non-distributor spouse which would violate Company policies.
- 14.1.4 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.
- 14.1.5 FLP agrees to sell such distributor product and pay volume bonuses as provided in the Company Marketing Plan, provided such distributor is not in vio-

lation of such distributor's contract with FLP.

- 14.1.6 In the event that the downlines of a distributor sponsor into a foreign country and they have not previously been sponsored into that country, the distributor will be automatically sponsored into that foreign country and agree to the prevailing policies and local laws of that foreign country.

14.2 Company Policies:

- 14.2.1 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.
- 14.2.2 Each distributor has an obligation to become familiar with the Company Policies.
- 14.2.3 Each distributor, upon signing the distributor Application form, agrees to abide by FLP Company Policies. Language thereon 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.
- 14.2.4 Any transfer other than by inheritance of a Forever Living Products Distributorship is against company policy. Without prior company approval, such transfer will 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.
- 14.2.5 Distributors shall not permit Company literature or 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 approval from the Home Office. Distributors who have service-oriented offices, barber shops, beauty shops and health clubs are exceptions and will be allowed to display and sell products within their office, shop or club. However, exterior signs or window displays by such Distributors to advertise the Company or its products

will not be permitted. Products may be promoted and served in restaurants by the glass or portion.

14.2.6 “Stacking”, which is the practice of purchasing product from the Company in the name of a distributor other than yourself, and “Buy-In”, which is purchasing in quantities which exceed the amount required to meet immediate sales needs, will not be permitted, and will result in loss of qualification or termination.

14.3 Terminations:

14.3.1 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 income and volume bonuses, and severance of participation in the Earned Incentive Program, prize programs, and other benefit programs sponsored by the Company.

14.3.2 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 the contract terms.

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

14.3.3.1 Printing, reproducing, distributing or using unauthorized promotional materials. Certain promotional materials may be used if written approval is first received from the Home Office, having been submitted through the Regional Sales Director/ Area Sales Manager in whose area the material will be used.

14.3.3.2 FLP is a company built on the quality of its products and their use by consumers. Distributors are strictly prohibited from purchasing products or encouraging other Distributors to purchase products solely for the purpose of qualifying for bonuses. In order to ensure no inventory loading is occurring:

- a. 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.
- b. 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.
- c. 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.

14.3.3.3 Engaging in activities that involve the soliciting of any person whom a distributor knows, or under the circumstances should have known, is a distributor of FLP to sell other products of any nature, by or through another marketing company, or attempting (in the opinion of FLP) to build or establish a business that would cause a detrimental effect to or be at the expense of other qualified Distributors, their FLP group, or FLP.

14.3.3.4 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.

14.3.3.5 Selling or displaying Company literature or products in Retail Stores or in Military PXs.

14.3.3.6 Any act or failure to act by Distributors which evidences intentional disregard and/or gross negligence of Company Policies.

14.4 Dispute Resolution/Waiver of Jury Trial:

14.4.1 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.

14.5 Voluntary Terminations:

- 14.5.1 If a Distributor wishes to terminate their Distributorship, they must submit a written request, signed by the Distributor(s). 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. After two years, a Distributor may reapply subject to Home Office approval.
- 14.5.2 Once a distributor terminates, their spouse (if applicable) is also considered terminated.

14.6 Valid Applications:

- 14.6.1 Except for authorized respsorsing, it is against Company Policy for any distributor to, directly or indirectly, change Sponsors. FLP will only consider the first valid Application received by the Home Office. Subsequent applications will be disallowed.
- 14.6.2 A Distributorship, and any resulting downline, created or operated by proxy, either intentionally or inadvertently, is not allowed, and shall be adjusted for compliance with Company Policies by the Executive Committee. 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 failure to act 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.

14.7 Testamentary Transfers:

14.7.1 The inheritable rights to a Distributorship are limited and restricted as follows:

14.7.1.1 The heir must be a person who can qualify as a distributor.

14.7.1.2 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.

14.7.1.3 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.

14.7.1.4 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.

14.7.1.5 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. The first-generation Man-

agers of an inherited distributorship shall be deemed as Inherited Managers. Distributorship positions below Manager shall be inherited at that level.

- 14.7.1.6 All FLP distributor applications that contain two signatures, regardless of when signed, shall be treated as creating a JOINT TENANCY WITH RIGHT OF SURVIVORSHIP (JTWS). If you live 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 you do not wish this result, you must contact the Home Office to express your needs and to determine if your 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.

Distributor applications of a legally married person who 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.

Distributor applications that have the marital status box checked as being single and with only one signature will be treated by the company accordingly. Should there be a change in the marital status, 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. To a single person's FLP Distributorship on death, such distributor must have a Will or use of a Grantors Trust.

The Company views JOINT TENANCY WITH RIGHT OF SURVIVORSHIP and Grantor

Trusts as legal means of transferring assets on death without having to go through probate proceeding to get the property to the intended heir.

14.8 Transfers Due to Divorce:

- 14.8.1 Husbands and wives cannot sponsor each other. Distributors who marry another Distributor may maintain separate Distributorships which were in existence prior to their marriage, in which case their names cannot be added as the Spouse on either Distributorship record; or, they may elect to terminate one of the distributorships and add the terminating distributor's name as the spouse on the other Distributorship. Under no circumstances may the separate Distributorships be combined.
- 14.8.2 In the event a distributor should marry a non-distributor, this distributor should submit a Change of Status (COS) form signed by the existing distributor as well as his/her spouse indicating the new spouse's interest in the Distributorship. Regardless of whether a COS form is submitted by the new spouse, the existing distributor expressly agrees and understands that his/her Distributorship may be terminated for any actions taken by his/her spouse which would violate Company policies as if that new spouse was an FLP distributor.
- 14.8.3 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.
- 14.8.4 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, but not above Manager, as established with the ex-spouse. Such other spouse must use the same sponsor. The other spouse's new Distributorship shall be treated by the sponsor as Inherited until requalified.

14.8.5 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.

15

COMMUNICATIONS

15.1 In order to best serve the interest of Managers and Distributors, and to keep everyone current on Company activities and policies, the Home Office has developed a system of communication. Distributors with questions should address them to the Regional Sales Director/Area Sales Manager for their assigned area. Distributors may also contact the local company product center, Distributor Support at 1-888-440-ALOE(2563) or via www.foreverliving.com.

- 15.2 The Regional Sales Director/Area Sales Manager is responsible for handling these questions on behalf of the Company as well as transmitting to Distributors any new information, activities, or policies from the Home Office. If a Regional Sales Director/Area Sales Manager is unable to properly respond to a distributor, they will make direct contact with their Vice President in the Home Office for assistance or instructions. Based upon this communication with the Home Office, the Regional Sales Director/Area Sales Manager will then re-contact the distributor to make a final resolution. By following this method of communication (distributor-Regional Sales Director/Area Sales Manager-Home Office), information will flow smoothly and efficiently to all concerned.

16

INTERNATIONAL SPONSORING

Forever Living Products has designed a worldwide program that offers Distributors throughout the globe the opportunity to expand their business into all countries where FLP has officially established business operations in accordance with the laws of that country. Distributors will enjoy the benefits of increased income and the prestige of owning an international business, while at the same time helping others with their health, beauty and nutrition.

The procedures for International Sponsoring are quite simple and the rewards can be considerable. International Sponsoring increases your income potential, converts your Forever business into a truly international operation, and provides your overseas friends and family with the opportunity to earn extra income and benefit from the personal growth advantages that are made possible through Forever Living Products. This policy affects all International Sponsoring after May 22, 2002.

- 16.1 Communicate your request to the Central Office of your Home Country via email, fax or telephone. Include your full name, address and Distributor ID number. Once the information is entered into your Home Country's database, you and your upline

sponsors will appear in the foreign country's database within 24 hours. Your domestic identification number will be used in all countries where you submit an application.

- 16.2 You will automatically start at your current attained sales level in all foreign countries where you sponsor.
- 16.3 Managers who maintain the minimum monthly purchase requirement to be deemed Active (see 2.5) in their country of residence will have the minimum monthly purchase requirement waived for the following month in all foreign countries in order to qualify for a volume bonus. For example, if a Manager is active during the month of January in their country of residence, their Active requirement will be waived in all foreign countries for the month of February.
- 16.4 Distributors that have not yet reached the Manager sales level in their country of residence will have to achieve Active status (see 2.5) in each country where they are sponsored internationally in order to receive a bonus from those countries.
- 16.5 Your sponsor will be the person who appears as the sponsor on your very first application form accepted by FLP.
- 16.6 You will, as an Active distributor qualify for a bonus from the foreign country on the 15th of the month following the month your group in the foreign country was active.
- 16.7 Qualifying in your country of residence for a Leadership Bonus will also qualify you, during the following month, in all foreign countries for a Leadership Bonus. For example, if a Manager qualifies for Leadership Bonus during the month of January in their country of residence, their Leadership Bonus requirement will be waived in all foreign countries for the month of February.

