
The Shaklee Compensation Plan

“The best way to predict the future,
is to create it.”

– Dr. Forrest C. Shaklee

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Creating the Future

It All Starts with Membership

One may become a Shaklee Member by signing a *Shaklee Membership Application* and paying the Membership fee of \$19.95. Membership benefits include:

- The newly revised Shaklee New Member Kit.
- Periodic mailings of the *Shaklee* catalog, mailed directly to the Member.
- Eligibility for MN pricing (15% discounted from SRP). The Member's Business Leader may designate DN price for the new Member, if they choose.
- A 10% discount for online ordering purchases through our site hosted by CatalogCity.

Members who simply wish to purchase products are not required to provide Social Security Numbers (SSNs) or Individual Taxpayer Identification Numbers (ITINs) and may instead provide a valid driver's license number or state identification card number. Members who wish to sponsor others or sell Shaklee products must provide a valid Social Security Number or ITIN.

Shaklee Membership Applications may be filed online, or by mail, fax, or phone. Phone applications require a follow-up, signed hard copy within 30 days.

Membership Renewal

Membership renewal is annual. Renewal requirements will be determined by Shaklee and must be made by the date specified by Shaklee each year to ensure continuity of Member benefits.

The Benefits of Distributorship

Members desiring to build a business by sponsoring other members, purchasing product for resale, and being eligible to earn bonuses, may be appointed to Distributor by their Business Leader when the Member achieves 250 Group Volume. Business Leaders may choose to have Shaklee automatically appoint Members in their group to Distributor when all requirements are met, or may choose to notify Shaklee when such appointments are to be made. When a Business Leader selects automatic appointment, it will apply to all eligible members in the Business Leader's personal group. Otherwise, Shaklee must receive notification of appointment to Distributor no later than the last working day of the calendar month. Distributors must provide Shaklee with their Social Security Number (SSN) or Individual Tax Identification Number (ITIN).

Distributorship benefits include:

- Eligibility to build a business and to earn bonuses up to 12% of Personal Group Volume.
- Eligibility to be appointed to Associate.
- Periodic mailings of the *Shaklee* catalog throughout the year.

The Associate – First Steps to Success

The rank of Associate recognizes Distributors as they work toward breaking out as Directors. Associates receive the same benefits available to Members and Distributors.

Note: Associates may earn bonuses of up to 12% on their Group Volume.

Qualifications

A Distributor may be appointed to Associate at 1000 Personal Group Volume (including the required 100 Personal Volume). Appointment is at the discretion of the upline Business Leader.

Business Leaders may choose to have Shaklee automatically appoint Distributors in their Personal Group to the title of Associate when all requirements are met, or may choose to notify Shaklee when such appointments are to be made. When a Business Leader chooses automatic appointment, it will apply to all eligible Distributors in that Business Leader's Personal Group. Otherwise, Shaklee must receive notification of appointment to Associate no later than the last working day of the calendar month.

Director – The Business Leader Level

One may qualify as a Director by meeting requirements that are based on product volume.

Qualifications for Director

The requirements to be appointed to and paid as a Director are as follows:

- 4500 Personal Group Volume cumulatively over a three-consecutive-month period, including 2000 Personal Group Volume in the final month of qualification, and including 100 Personal Volume per month;

OR

- 3000 Personal Group Volume, including 100 Personal Volume, in a single month.

Volume for the final month of qualification must be on record with Shaklee (a PV transfer will satisfy this requirement). Volumes for other months of the qualifying period must either be on record with Shaklee or be documented on the *Director Appointment Form*. A newly appointed Director is eligible for SN pricing in the month following appointment.

In the case of a Director breaking out under another Director who will be appointed in the same month (stacked appointment), the new Director above in the sponsorship line must have a minimum of 1250 Unencumbered Group Volume (i.e., Personal Group Volume not including the Personal Group Volume of the new Director(s) below) in each month of the qualification period.

Rank Maintenance

To maintain rank as a Director and qualify to receive Leadership Bonuses and SN pricing on products, one must have 2000 Personal Group Volume per month, including 100 Personal Volume. In the month in which one breaks out a First Level Director, one must have 1250 unencumbered Group Volume (i.e., 1250 Personal Group Volume not including the Personal Group Volume of the new Director). One must return one's volume to 2000 Personal Group Volume in the month following breaking out a First Level.

Transitional Requirements for Existing Directors

Business Leaders, who met all volume requirements and were qualified in September 2002, will retain SN pricing through September 30, 2003, even if they did not increase their volume sufficiently to maintain rank, so long as they continue to maintain 1250 Personal Group Volume per month. They will also be automatically reinstated to Director title by achieving 2000 Personal Group Volume (including 1250 unencumbered) in a single month no later than September 30, 2003. This volume must be recorded on Shaklee's system.

The Senior Leadership Levels – Coordinator Ranks

Coordinator

To be appointed to and paid as a Coordinator, one must be a qualified Director with a minimum of one First Level Business Leader.

Senior Coordinator

To be appointed to and paid as a Senior Coordinator, one must be a qualified Director with a minimum of:

- Two First Level Business Leaders, AND
- 15,000 monthly Business Group Volume (four levels deep)*

Executive Coordinator

To be appointed to and paid as an Executive Coordinator, one must be a qualified Director with a minimum of:

- Three First Level Business Leaders, AND
- 25,000 monthly Business Group Volume (four levels deep)*

Key Coordinator

To be appointed to and paid as a Key Coordinator, one must be a qualified Director with a minimum of:

- Four First Level Business Leaders, AND
- 50,000 monthly Business Group Volume (four levels deep)*

Master Coordinator

To be appointed to and paid as a Master Coordinator, one must be a qualified Director with a minimum of:

- Six First Level Business Leaders, AND
- 100,000 monthly Business Group Volume (four levels deep)*

*Regardless of rank or number of levels of Leadership Bonuses qualified for, Business Group Volume is calculated four levels deep.

Volume Bonuses

Volume Bonus percentages are calculated and paid on PV. To be bonus eligible, one must be a Distributor or higher and be eligible to be paid directly by the company. In addition, to be eligible to receive bonuses, one must have a minimum of 100 Personal Volume. The maximum Volume Bonus for which a Distributor or Associate may qualify is 12%. Volume Bonuses are paid net of Volume Bonuses paid to Distributors and Associates in one's Personal Group.

Personal Group Volume	Volume Bonus %
250 – 499	4%
500 – 999	8%
1000 – 1999	12%
2000 – 2499	16%
2500 – 2999	20%
3000 – 3999	24%
4000 – 4999	28%
5000 – 6999	30%
7000 – 9999	32%
10,000 and higher	34%

Special Percentage Following Breakout of a First Level Business Leader

In the two months following the breakout of a First Level Business Leader, the Senior Business Leader's Volume Bonus will be the greater of:

- The percentage qualified for based on current month volume, OR
- The percentage qualified for based on the average Personal Group Volume, during the three-month period ending with the appointment of the new Director.

To qualify for the special percentage, the Senior Business Leader must meet the rank maintenance requirements of Chapter 1 of the P&R. If the Senior Business Leader is in a Volume Grace Month (VGM), their volume bonus percentage will be determined based on their current month Personal Group Volume. They will not qualify for the special percentage.

Example:

- Business Leader Zoe breaks out First Level Yvonne in the December PV month. Zoe's and Yvonne's volumes for October, November, December, January and February are as follows:

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	Oct	Nov	Dec	Jan	Feb
Zoe's Personal Group Volume (includes Yvonne's volume in Oct/Nov/Dec)	2000	3500	4000	2000	2000
Yvonne's Personal Group Volume	1000	1500	2000	N/A	N/A
Zoe's Volume Bonus Percentage	16%	24%	28%	24%	24%

Note that the average of Zoe's Group Volume for the three-month period ending with Yvonne's appointment (Oct./Nov./Dec.) was $(2000+3500+4000)/3 = 3167$. At 3167, Zoe is eligible for a 24% Volume Bonus for January and February, since that is higher than the 16% she would qualify for based on her actual volume in January and February.

Leadership Bonuses

A Business Leader must meet all rank-maintenance requirements to be eligible for Leadership Bonuses on the Personal Group Volume of downline Business Leaders. Leadership Bonuses are paid in accordance with the schedule below. A Business Leader in a Volume Grace Month is not eligible to earn Leadership Bonuses.

Paid As Title	First Levels	BGV	1st Levels	2nd Levels	3rd Levels	4th Levels
Coordinator	1	n/a	7%	5%		
Senior Coordinator	2	15,000	7%	6%		
Executive Coordinator	3	25,000	7%	6%	4%	
Key Coordinator	4	50,000	7%	6%	5%	3%
Master Coordinator	6	100,000	7%	6%	5%	4%

The Details

The Business Leader Appointment Process

All appointments are effective retroactive to the first day of the month in which qualifications are completed. Business Leaders may choose whether to have Shaklee automatically appoint all of their Personal Group members to Director when all qualifications are met, or may choose to have their Personal Group members appointed only when a completed *Director Appointment Form* is filed with the company.

The Business Leader's choice (automatic appointment or manual appointment) applies to the entire Personal Group, although a Business Leader who designates automatic appointment for their Personal Group may also make an appointment via a *Director Appointment Form*. For an appointment to be effective in a given month, Shaklee must receive the *Director Appointment Form* no later than the fourth business day following the end of that month.

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If a prospective Director meets all requirements for appointment, with all required volume or transfers reflected on Shaklee's records and requests appointment to Director, Shaklee will make the appointment. If the Business Leader of Record does not agree that the appointment should be made, they may request that the Status Review Board review the appointment.

All appointments to the rank of Coordinator and higher will be made automatically by Shaklee, effective retroactive to the first day of the month for which Shaklee determines qualifications have been met. One may have multiple rank increases in a single month.

PV Makeups

Business Leaders whose volumes are short of the requirements to fully qualify for rank will receive an automatic 100 PV order in any of the following circumstances:

- Personal Group Volume is within 100 PV of the volume required to fully qualify for rank.
- Personal Volume is less than the required 100 PV.

A Business Leader in a Volume Grace Month (VGM) will be issued an automatic 100 PV makeup if the Business Leader has less than 100 Personal Volume and at least 250 Personal Group Volume.

Volume Grace Months

All Business Leaders may have one Volume Grace Month within a rolling 12-month period. The rolling 12-month period restarted for everyone in October 2002. The grace month will be given automatically when needed.

New Directors may have two Volume Grace Months within the first year after their original appointment, but must have a minimum of 1000 Personal Group Volume in one of the two Volume Grace Months. The new Director's regular one Volume Grace Month in a rolling 12-month period then begins with the 13th month following the original appointment.

A Director in a Volume Grace Month counts as a Business Leader for purposes of the upline Business Leaders' qualifications.

A Director in a Volume Grace Month will be paid a Volume Bonus based on the percentage corresponding to their actual Personal Group Volume, to a maximum of 12%. A Director in a Volume Grace Month is not eligible to earn Leadership Bonuses.

Retitling (Reversion)

If a Director does not meet rank-maintenance requirements and has already used any available Volume Grace Months, the Director will be retitled to Associate effective retroactive to the beginning of the month in which maintenance requirements are not met.

Upon retitling, the former Business Leader will lose eligibility for SN pricing, unless grandfathered according to the "Transitional Requirements for Existing Directors" section of this booklet (page 6). The former Business Leader's price tier will be set to DN. The upline Business Leader is free to reset the price tier to the 15% discount off SRP level (MN).

To be reinstated as a Director, the former Director must meet the qualifications for initial appointment.

Business Leader Appointed Titles

Business Leaders as of September 30, 2002 are grandfathered at the Appointed Title held as of September 30, 2002 for a period of one year (until September 30, 2003). Thereafter, the Business Leader must be “paid as” their Appointed Title at least once in a rolling 12-month period. Otherwise, the Business Leader will be retitled to the ten current Paid As Title.

Unjust Enrichment

Shaklee has established a time limit to prevent the Leadership Bonuses on established Business Leaders from being paid to newly appointed or reappointed Directors who intervene in the sponsorship line above the established Business Leader, but have not provided leadership for a long time.

The effective date for determining whether this time limit applies is the most recent appointment date of the intervening Director.

Any Associate (potential Director) in a sponsorship line between a Senior Business Leader above and a First Level Business Leader below must qualify and be appointed to the rank of Director within one year of the most recent appointment date of the First Level Business Leader, and maintain Director rank for six consecutive months, to be entitled to the Leadership Bonus on that First Level Business Leader. Failure to achieve rank in 12 months will result in the permanent loss of sponsorship rights on the First Level Business Leader and the First Level Business Leader’s Sponsorship Group.

Price Differential

MN/DN and SRP/MN Price Differentials will be paid to the first Distributor qualified to receive them. One may earn price differential on one’s own orders. Associates and Distributors eligible to be paid directly by the company can receive MN/DN and SRP/MN price differentials as designated by their Business Leader at 250 or 500 Personal Group Volume, (including 100 Personal Volume).

SN/DN differential will be paid the first Business Leader in the sponsorship chain, except in the month in which one is appointed to Director. In the appointment month, SN/DN differential rolls up to the Senior Business Leader.

Bonus Payment

Business Leaders, as well as those Associates and Distributors eligible to be paid directly by the Company may choose to have their bonus paid via direct deposit or by check. Direct deposit minimum is \$.01, while the check minimum is \$25. Bonuses of less than the minimum will be placed on account until the payment minimum is reached. Bonuses placed on account may be applied against orders.

Business Leaders have the option to have the company pay bonuses to their Associates and Distributors (i.e., participate in the Pay Downline Direct Program - [PDD]), or not. While a Business Leader’s choice to participate in the PDD Program applies to their entire Personal Group, they may specify the volumes at which individual Distributors and Associates may qualify to be eligible for MN/DN differential as follows: 250 Personal Group Volume, 500 Personal Group Volume. The default will be 250 Personal Group Volume.

Credit Limits, Credit, and A/R

The credit limit for Business Leaders is \$500 and is the total amount that may be outstanding at any one time, regardless of PV month. Shaklee will deduct from each month's Bonus Check any amount owed Shaklee that pertains to that PV month or earlier.

Example: The table below shows the effect on her credit limit as Business Leader Ellen places a series of orders. The example assumes that Ellen has no outstanding A/R balance as of April 30 and starts May with \$500 available credit in her Shaklee account.

Date	Transaction	Amount	Available Credit
May. 1	Order (for May PV month)	\$400	\$100
June 1	Order (for June PV month)	\$100	\$0
June 15	Deduction from May Bonus	-\$400	\$400
June 16	Order (for June PV month)	\$400	\$0
June 30	Payment on Account	\$500	\$500

PV Transfers

PV Transfers are allowed, according to the provisions of the current P&R. A \$5 processing fee per phone call (not per PV transfer) will be charged for each call that involves a transfer, including those made by FAX.

Reorganizations

Reorganization of Directors, with or without Sponsorship Group, are permitted under the following conditions:

- Approval of the four upline Business Leaders is required.
- Approval of the Status Review Board is required.
- If the proposed reorganization would result in an increase in "paid-as rank," that new "paid-as rank," including eligibility to earn bonuses according to that rank, may be withheld for a period of one year.

Ordering Deadlines

Current ordering patterns still result in higher order-taking costs and delays in shipping orders at the beginning and end of each month. Until such time as a system can be developed to ease this situation, the current ordering deadlines will remain in effect:

- Members, Distributors, and Associates – last calendar day
- Business Leaders – second working day following calendar month end

Glossary

First Level

The first Distributorship that is qualified for and maintaining Director rank or higher, down any sponsorship line.

Personal Volume

The total PV of one's purchases of Shaklee products for a given month, plus transfers received and minus transfers out.

Personal Group Volume

The total Personal Volume of the members of one's Personal Group, plus one's own Personal Volume. Personal Group Volume includes the Personal Group Volume of a breakout in the month of appointment.

Unencumbered Group Volume

The Personal Group Volume excluding the Personal Group Volume of a First Level Director in the month of appointment.

Business Group Volume

The total Personal Group Volumes of one's Business Leaders, four levels deep, plus one's own Personal Group Volume. (Business Group Volume is calculated four levels deep regardless of rank.)

Personal Group

All one's downlines, down to, but excluding, one's Directors and their respective Sponsorship Groups.

Shaklee Independent Distributor

A Shaklee Family Member who holds the rank of Distributor, Associate, Director, Coordinator, Senior Coordinator, Executive Coordinator, Key Coordinator, or Master Coordinator.

<p>The Statement of Privileges and Responsibilities of Shaklee Family Members (P&R) is the official Compensation Plan document. In the event of any differences between the P&R and this document, the P&R will control.</p>
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