

The official compensation plan for Take Shape For Life went into effect January 1, 2003.

This plan is a collaborative effort between the Field and the Company. Many top leaders in the organization provided input and feedback as the plan was crafted. We believe that the end result is a comp plan that fits our model and the objectives of the business we all want to build.

Objectives of the Compensation Plan

- Conform to the philosophy and business model of Take Shape For Life.
- Be balanced, fair, and equitable.
- Reward people who do the work.
- Provide rapid yet stable growth.
- Create greater and quicker Health Coach profitability.
- Promote client acquisition, higher client order activity, client retention and ordering consistency.
- Provide incentives for mentoring, field leadership, and organization building.
- Create positive promotion (push/pull) resulting in Health Coaches pushing themselves towards higher goals while simultaneously rewarding sponsors (Business Coaches) for helping them.
- Provide recognition for accomplishment.
- Be logical and relatively simple to understand.
- Keep the Company revenues and Health Coaches incomes viable for long-term success.

What Kind of Business Are We?

- We are a Health Coach Services Company.
- We are a company fundamentally driven by service to our clients. We lead with our programs and products and not the opportunity.
- We are a Health Coach Network; our Health Coaches provide the “value add” to the client by delivering the support and behavioral training they need.
- We are a professional organization; accountable to a higher standard.
- We are all about building relationships both with our Coaches and Clients.
- We, along with our team of Health Coaches, are client service focused.
- We are creating a new paradigm in business. We represent a new model.
- We represent a stable, long-term business for our Health Coaches.

Where Compensation Comes From

Fundamentally, all corporate revenues flow from orders generated to clients and compensation is derived from efficient and skillful execution of the operation of the business. To be a viable entity, a company must effectively allot revenues to cover a variety of fixed and variable costs as well as derive a profit. These expenses include: the cost of manufacturing, the cost of goods, other

overhead expenses, advertising, and compensation to employees and individuals in the field. What remains after these costs are profits and return to investors.

In this company, as in any organization, there is a finite amount of money available to pay compensation to the field as a percentage of orders. The question before any compensation plan then becomes, "what is the best mechanism to pay compensation to the field?" In other words, what behaviors should the company incent to reward individuals for their efforts? Put another way, what should people do in order to earn income?

We have determined that the best compensation plan for Take Shape For Life is a balanced one that rewards the following four behaviors:

1. Client acquisition and support
2. Health Coach recruiting/sponsoring/mentoring
3. Mid-level leadership
4. Top-level leadership

With a finite amount to pay, we have determined the percentages we will pay for each activity. Considering all of the payout available (i.e 100% of the payout), in this plan we pay 40% as client support commissions, up to an additional 30% as a bonus for either first level orders and/or for sponsoring and developing a Health Coach team, and up to another 30% for mid-level and top leadership compensation. Additionally, we pay separate client acquisition bonuses and volume consistency bonuses.

Overview of The Plan

Individuals participating in the Take Shape For Life business have 2 primary earning opportunities available to them for growing their business. These are:

- I. To develop a stand-alone independent Health Coach business acquiring clients and providing them with the support, programs, and products they need from Take Shape For Life.
- II. And, if they chose, they can also create a Business Organization or Health Coach Team by developing a Health Coach Network of other independent Health Coaches like themselves.

Special Characteristics of this Compensation Plan

To better understand the details of the Take Shape For Life Compensation Plan, you should be familiar with the following special characteristics and definitions (a more detailed list of definitions is available at the end of this document):

- Clients and Health Coaches pay the same price for products.
- Personally sponsored Health Coaches are considered the personal clients of their sponsors and commissions are paid to the sponsor on orders placed by these Coaches.
- Personally acquired Clients and personally sponsored Health Coaches (people frontline to you) are considered to be on your first level (Level 1) for compensation purposes.
- *Commissions on Level 1 orders* are paid as a percentage of the adjusted retail dollar (ARP) amount of a product.
 - ARP (ARP) is currently 95% of the retail price of a product. (ARP subject to change.)

- All *Growth Bonuses and Leadership Bonuses* are paid as a percentage of CV or Commissionable Volume. CV is a point system in dollars that is assigned to each product. (Currently CV is 48% of the ARP and is subject to change).
- Compensation (Client Support Commissions and all bonuses) is paid on consumable (meal replacements, anti-oxidants, etc.) products only. Tools, apparel, program materials, and shipping are not eligible for compensation.
- Weekly Client Support Commissions (paid on level 1) are paid the week following a weekly commission period.
 - A commission week is Monday – Sunday, and any orders placed and paid for during that week will be paid as Client Support Commissions the following week. Volume is credited for orders that have paid in full.
- Bonuses are paid on the 15th of the month following the previous Monthly Bonus period.
 - The Monthly Bonus Period for the compensation plan is based on *orders placed and payment received in a calendar month*. The monthly period begins at 12:00 AM on the first day of the month, and concludes at 11:59 PM on the last day of the month. Volume is credited for orders that have paid in full.
- This is a “real time” plan, meaning that, although someone is granted a title based on their highest achievement level, they are paid month-to-month based on their current business structure and production.

Getting Started:

You can get started in TSFL by registering to become a Health Coach by purchasing one of the enrollment Pack options (Health Coach Career Kit or Health Professional Kit). Previously, Take Shape For Life had three pack options (Basic, Career Builders, and Health Professional). Purchasers of the Health Coach Career Kit are called **Fast-Track Health Coaches, and purchases of the Health Professional kit are referred to as Health Professional Health Coaches**. (Please note – only individuals who are medically credentialed and currently licensed in their state can purchase the Health Professional Kit.)

Once one of the enrollment packs are purchased, an individual must complete the Activation progress to become a Health Coach. In order to recommend the products or programs, enroll clients, sponsor Health Coaches, or receive compensation, a Health Coach’s account must be activated. Upon purchase of an enrollment pack, and email detailing the online enrollment process will be sent.

Once activated, and with the support of your sponsor (Business Coach), you can immediately begin to recommend TSFL products to others. You will have 30 days to complete the Basic Competency Exam (we provide you with the information you need to successfully pass). Completion of the exam is required to be paid compensation on any orders placed by your Clients or Health Coaches.

As a Health Coach or Fast-Track Health Coach, you can begin earning **Client Support Commissions on the orders of your personally acquired clients and personally sponsored Health Coaches.**

Acquiring Clients and Generating Orders:

The foundation and starting point of our business model is a Health Coach acquiring, supporting, and servicing a client. Health Coaches are paid based on orders placed. Clients can order online on a Health Coach’s personalized co-branded website (provided by the company), calling a toll free number, or by sending a completed order form via mail or fax.

As a **Fast-Track Health Coach**:

- You **permanently** earn **Commissions** of **20%** of the volume (ARP) ordered by *Clients* and **20%** of the volume (ARP) ordered by your personally sponsored *Health Coaches*. You will earn at this higher percentage as long as you remain with Take Shape For Life.

As a **Health Professional Health Coach**:

- You **permanently** earn Compliance Fees of **20%** of the volume (ARP) ordered by *Clients* and **20%** of the volume (ARP) ordered by your personally sponsored *Health Coaches*. You will earn at this higher percentage as long as you remain with Take Shape For Life.

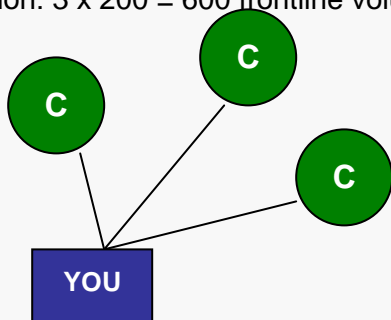
Example 1.

Note: The following examples set forth in this compensation plan are hypothetical examples that are intended to explain the components and operation of the Take Shape For Life Compensation Plan. These hypothetical examples are not representative of the income, if any, that a Take Shape For Life Health Coach can or will earn through his or her participation in the Take Shape For Life Compensation Plan. These figures should not be considered as guarantees or projections of your actual earnings or profits. Any representation or guarantee of earnings, whether made by Take Shape For Life or a Health Coach, would be misleading. Success with Take Shape For Life results only from successful sales efforts, which require hard work, diligence, and leadership. Your success will depend upon how effectively you exercise these qualities.

You have 3 clients who each order 200 in ARP

Rank: **Health Coach**

Commission: $3 \times 200 = 600$ frontline volume $\times 15\% = \$90$



Total Monthly Income = \$90.00

Annualized Income = \$1080.00/Year

Rank: **“Fast-Track” Health Coach**

Commission: $3 \times 200 = 600$ frontline volume $\times 20\% = \$120$

Total Monthly Income = \$120.00

Annualized Income = \$1440.00/Year

New Fast-Track Health Coaches and Health Professional Health Coaches can also earn *additional* bonuses. These are the **30-day Client Acquisition Bonus** and the **Assist Bonus**.

(Note that the qualifications to earn these bonuses are the same for Fast-Track Health Coaches and Health Professional Health Coaches).

- **30-day Client Acquisition Bonus (CAB):** You can earn a one-time **30-day CAB** of **\$100** by developing 5 frontline clients or personally sponsored Health Coaches that, combined, generate a total of **\$1000 in front line volume (ARP)** or more from orders within your first 30 days of joining TSFL.

*This bonus is a one-time bonus designed to give an extra incentive to new Health Coaches to establish their business rapidly. When a Health Coach acquires/sponsors 5 Clients/Health Coaches who order a total of **\$1000 in frontline volume (ARP)** within **the first 30 days** of their joining TSFL, they will earn a **\$100 Client Acquisition Bonus**. This is in addition to their normal compensation.*

- **Assist Bonus:** You can also assist new Health Coaches you sponsor (and those in your organization) in helping them earn a 30-day Client Acquisition Bonus. Whenever you help a new Health Coach earn their CAB of \$100, you will be paid a **matching bonus of \$100**.

A Health Coach can earn the \$100 Assist Bonus over and over again as he or she helps new Health Coaches get started and earn their CABs.

The Assist Bonus will automatically default to the first upline "Assist Bonus Qualified" Health Coach in the line of sponsorship (in most cases, this will be the sponsor unless the sponsor is not an "Assist Bonus Qualified" Health Coach).

In certain instances, another "Assist Bonus Qualified" Health Coach (not the sponsor) may be principally responsible for assisting the new Health Coach in earning his or her CAB. In those cases, at the time of qualification for the CAB, the new Health Coach who has qualified for a CAB must inform TSFL that the Assist should be someone other than the first "Assist Bonus qualified" Health Coach in the line of sponsorship. There is a special "Change of Assist" form in PDF in the Document Library of Office in Motion. This notification must be signed by the new Fast-Track Health Coach and sent to TSFL via fax (443.471.3319.)

Growing Your Business

As you expand your business, there are greater opportunities available for you to increase your income. These include, **Rolling Consistency Bonuses**, **Monthly Growth Bonuses**, and **Monthly Leadership Bonuses**.

Becoming a Senior Coach

One of the first goals of all Health Coaches should be to reach the rank of Senior Coach. This is a very achievable early goal and it is literally the launching pad for all other forms of income.

To advance to the rank of Senior Coach, you must have group volume totaling \$1000(ARP) or more in one month from a combination of at least five (5) personally ordering Clients and/or Health Coach teams.

Since most new clients order more than \$200 in their first month on a Medifast program, reaching the rank Senior Coach can be relatively simple and easy to achieve with as few as five clients.

All qualified Senior Coaches earn:

- **Commissions** of **20%** of the volume (ARP) ordered by *Clients* and **20%** of the volume (ARP) ordered by your personally sponsored *Health Coaches*.

Plus, reaching Senior Coach automatically entitles you to begin earning Monthly Growth Bonuses as well as potentially earning quarterly Rolling Consistency Bonuses.

In this discussion, we will first explain how quarterly Rolling Consistency Bonuses work and then we'll turn our attention to Monthly Grow Bonuses.

Rolling Consistency Bonuses

Take Shape For Life has set aside special bonuses and recognition for Health Coaches who display client order volume consistency month after month. These Rolling Consistency Bonuses can mean up to an additional \$1000 every three (3) months.

What they're worth:

- A Health Coach who generates \$2000 or more per month in frontline volume (ARP) for *3 consecutive months* will be paid a **\$250 quarterly bonus**.
- A Health Coach who generates an *average* of \$4000 or more per month in frontline volume (ARP) for *3 consecutive months* will be paid a **\$500 quarterly bonus**
- A Health Coach who generates an *average* \$6000 or more per month in frontline volume (ARP) for *3 consecutive months* will be paid a **\$1000 quarterly bonus**

How they work:

These are rolling bonuses meaning that you can begin the quarterly cycle in any month. To earn any one of these consistency bonuses your cycle begins whenever you reach a minimum of \$2000 in frontline volume (ARP) in any month. You must then maintain that level of frontline volume (ARP) for the next two (2) consecutive months.

As long as you hit a minimum of \$2000 in frontline volume (ARP) in each of the rolling three months, the average monthly volume will determine your bonus.

Example 2.

If you have frontline volume (ARP) of \$3000 in May, \$4000 in June, and \$5000 in July, your total sales would be \$12,000. \$12,000 divided by 3 months equals \$4000/month average.

Health Coach Monthly Growth Bonuses

Monthly Growth Bonuses are additional incremental bonuses available to Senior Coaches and higher. They enable Health Coaches to earn more money on their frontline volume and on the

ordering activity of other Health Coaches and their clients - not personally sponsored by them - within their organization.

To qualify for any Growth Bonus you must have a rank of Senior Coach or higher in the commissionable month with *a minimum of \$1000 group volume (ARP) through a minimum of 5 ordering Clients and/or Coach teams*. Additionally, you must have passed the Basic Product Knowledge Exam.

Unlike *Commissions*, which are paid as a percentage of the actual retail dollar amount of a product, all *Growth Bonuses and Leadership Bonuses* are paid as a percentage of CV or Commissionable Volume. CV is a point system in dollars that is assigned to each product. (Currently CV is 48% of the ARP and is subject to change).

There are five Monthly Growth Bonuses that pay out a total of 30% of CV of frontline volume (ARP) and group volume within your organization. They begin with the Senior Coach Bonus at 10% followed by four other bonuses (Manager, Associate Director, Director, and Executive Director) that each pays an additional 5% of CV. (See table below)

Table 1. The table below outlines the **Monthly Growth Bonuses** that can be earned as a Health Coach's business grows:

Title		Bonus	
Senior Coach	Earn a 10% Senior Coach Bonus on the <u>CV</u> generated by Coaches and Clients starting on your Level 1 (Total bonus potential = 10%)	10 % Bonus	10 % Maximum
Manager	Earn a Manager's Bonus of 5% on the <u>CV</u> generated by Coaches and Clients starting on your Level 1. (Total bonus potential = 15%)	5 % Bonus	15 % Maximum
Associate Director	Earn an Associate Director's Bonus of 5% on the <u>CV</u> generated by Coaches and Clients starting on your Level 1 (Total bonus potential = 20 %)	5 % Bonus	20 % Maximum
Director	Earn a Director's Bonus of 5% on the <u>CV</u> generated by Coaches and Clients starting on your Level 1 (Total bonus potential = 25 %)	5 % Bonus	25 % Maximum
Executive Director	Earn an Executive Director's Bonus of 5% on the <u>CV</u> generated by Coaches and Clients starting on your Level 1 (Total bonus potential = 30 %)	5 % Bonus	30 % Maximum

As your business grows and you move up in rank from Coach to Executive Director, you can earn **up to 30% of the CV** on your frontline volume (ARP) from orders by your Clients/Health Coaches and on group volume generated by Health Coaches within your organization.

Qualifications to Move Up in Rank (By Frontline Volume or Structure) – You can move up in rank to Executive Director by either by *increasing frontline volume (ARP)* or by *increasing the number of separate Senior Coach teams that you develop*. Put another way, you can control your advancement to Executive Director by your frontline volume or by your business structure. Keep in mind that you must always have **group volume totaling \$1000 or more from a combination of at least five (5) personally ordering Clients and/or Health Coach teams**.

Table 2. The table below outlines the qualifications to move up in rank to earn **Monthly Growth Bonuses**:

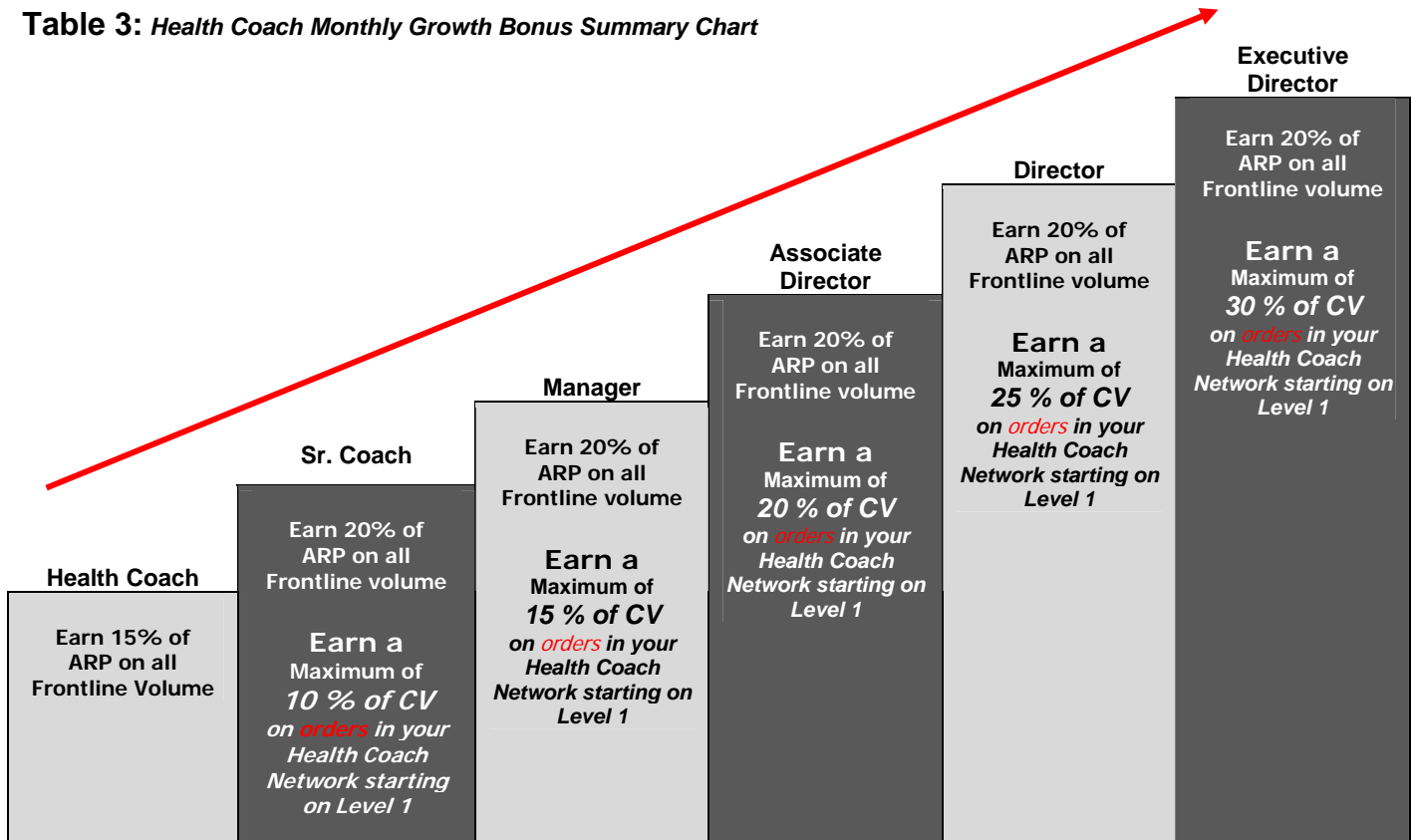
Senior Coach	\$1000 or more in total <u>group volume</u> from 5 or more ordering clients or personally sponsored Health Coach teams
Manager	\$3000 or more in total <u>frontline volume</u>(ARP) from 5 or more ordering Clients/Health Coaches OR have 2 separate Sr. Coach teams
Associate Director	\$4000 or more in total <u>frontline volume</u> (ARP) from 5 or more ordering Clients/Health Coaches OR have 3 separate Sr. Coach teams
Director	\$5000 or more in total <u>frontline volume</u> (ARP) from 5 or more ordering Clients/Health Coaches OR have 4 separate Sr. Coach teams
Executive Director	\$6000 or more in total <u>frontline volume</u> (ARP) from 5 or more ordering Clients/Health Coaches OR have 5 separate Sr. Coach teams

How Monthly Growth Bonuses are Paid - Bonuses for each rank are paid on **all** CV generated by you or your team starting with your frontline Clients and Health Coaches (Level 1). You are paid that bonus in depth (Level 2 and below) until you reach another Health Coach with the same rank. When this occurs, you will be paid the bonus on the CV of the personal orders for that Health Coach but not on the CV of orders generated to any Clients or other Health Coaches on his/her team. In other words, if you are a Manager and someone on your team becomes a Manager, you will be paid a Manager's Bonus down to that Manager and on his/her personal orders but you will not be paid the Manager bonus on your Manager's Level 1 and beyond. (In this compensation plan, personally acquired clients and personally sponsored Health Coaches are considered to be on a Health Coach's Level 1.)

Monthly Growth Bonus Summary Chart

Another way of looking at the Monthly Growth Bonus is to visualize you moving up in rank as someone climbing a series of steps starting as a Health Coach and moving toward Executive Director. (Remember, you can move up in rank either by your frontline volume efforts or your team building efforts.)

Table 3: Health Coach Monthly Growth Bonus Summary Chart



With each step you reach, there is an additional bonus. The cumulative sum of all of the bonuses at each step is the maximum you are eligible to earn at that rank. On frontline Clients/Health Coaches (Level 1), you *always* earn the maximum bonus percentage on the CV of their orders.

Example 3.

You have 4 Clients who each order \$200 (ARP)/95CV
 You Have 1 Health Advisor who orders \$200 (ARP)/95CV

Rank: **Senior Advisor**

Commission: $5 \times \$200 = \1000 frontline volume $\times 20\% = \$200$

Monthly Growth Bonus: $475 \text{ CV} \times 10\% = \47.50

- Client
- Health Coach
- Senior Coach

Total Monthly Income = \$247.50
Annualized Income = \$2970/Year

Earning Monthly Growth Bonuses on Frontline volume

A Health Coach who develops and services a large number of clients has the opportunity to do very well financially with Take Shape For Life because his or her Monthly Growth Bonuses will increase along with frontline volume performance. Additionally, with a consistent and large business, a Health Coach also qualifies for Rolling Consistency Bonuses. The Examples below will illustrate the earning power available to someone who builds strong frontline volume. *Keep in mind that the income illustrated in these examples only reflects income derived from frontline volume.* If someone is also building a team and has orders below Level 1, additional incomes would be earned.

Example 4.

Assumptions: *You have 10 Frontline Clients/Health Coaches who each order \$200 (ARP)/96 CV this month*

Rank: **Senior Coach**

Commission: 20% of ARP

$$10 \times \$200 = \$2000 \text{ frontline volume} \times 20\% = \mathbf{\$400}$$

Growth Bonus: 10% of CV

$$960 \text{ CV} \times 10\% = \mathbf{\$96}$$

Consistency Bonus: 3 months at \$2000 or more = \$250

$$1/3^{\text{rd}} \text{ of } \$250 = \mathbf{\$83.33}$$

Total Monthly Income = \$579.33
Annualized Income = \$6951.96

Example 5.

Assumptions: *You have 15 Frontline Clients/Health Coaches who each order \$200 (ARP)/96 CV this month*

Rank: **Manager**

Commission: 20% of ARP

$$15 \times \$200 = \$3000 \text{ frontline volume} \times 20\% = \mathbf{\$600}$$

Growth Bonus: 15% of CV

$$1440 \text{ CV} \times 15\% = \mathbf{\$216}$$

Consistency Bonus: 3 months at \$2000 or more = \$250

$$1/3^{\text{rd}} \text{ of } \$250 = \mathbf{\$83.33}$$

Total Monthly Income = \$899.33
Annualized Income = \$10,791.96

Example 6.

Assumptions: *You have 20 Frontline Clients/Health Coaches who each order \$200 (ARP)/96 CV this month*

Rank: **Associate Director**

Commission: 20% of ARP

$$20 \times \$200 = \$4000 \text{ frontline volume} \times 20\% = \mathbf{\$800}$$

Growth Bonus: 20% of CV

$$1920 \text{ CV} \times 20\% = \mathbf{\$384}$$

Consistency Bonus: 3 months at \$4000 or more = \$500

$$1/3^{\text{rd}} \text{ of } \$500 = \mathbf{\$166.66}$$

Total Monthly Income = \$1350.66
Annualized Income = \$16,207.92

Example 7.

Assumptions: *You have 25 Frontline Clients/Health Coaches who each order \$200/96 CV this month*

Rank: **Director**

Commission: 20% of ARP

$$25 \times \$200 = \$5000 \text{ total sales} \times 20\% = \mathbf{\$1000}$$

Growth Bonus: 25% of CV

$$2400 \text{ CV} \times 25\% = \mathbf{\$600}$$

Consistency Bonus: 3 months at \$4000 or more = \$500

$$1/3^{\text{rd}} \text{ of } \$500 = \mathbf{\$166.66}$$

Total Monthly Income = \$1766.66
Annualized Income = \$21,199.92

Example 8.

Assumptions: *You have 30 Frontline Clients/Health Coaches who each order \$200/96 CV this month*

Rank: **Executive Director**

Commission: 20% of ARP

$$30 \times \$200 = \$6000 \text{ frontline volume} \times 20\% = \mathbf{\$1200}$$

Growth Bonus: 30% of CV

$$2880 \text{ CV} \times 30\% = \mathbf{\$864}$$

Consistency Bonus: 3 months at \$6000 or more = \$1000

$$1/3^{\text{rd}} \text{ of } \$1000 = \mathbf{\$333.33}$$

Total Monthly Income = \$2397.33
Annualized Income = \$28,767.96

Example 9.

Assumptions: *You have 50 Frontline Clients/Health Coaches who each order \$200/96 CV this month*

Rank: **Executive Director**

Commission: 20% of ARP

$$50 \times \$200 = \$10,000 \text{ frontline volume} \times 20\% = \mathbf{\$2000}$$

Growth Bonus: 30% of CV

$$4800 \text{ CV} \times 30\% = \mathbf{\$1440}$$

Consistency Bonus: 3 months at \$6000 or more = \$1000

$$1/3^{\text{rd}} \text{ of } \$1000 = \mathbf{\$333.33}$$

Total Monthly Income = \$3773.33
Annualized Income = \$45,279.96

Example 10.

Assumptions: *You have 100 Frontline Clients/Health Coaches who each order \$200/96 CV this month*

Rank: **Executive Director**

Commission: 20% of ARP

$$100 \times \$200 = \$20,000 \text{ total orders} \times 20\% = \mathbf{\$4000}$$

Growth Bonus: 30% of CV

$$9600 \text{ CV} \times 30\% = \mathbf{\$2880}$$

Consistency Bonus: 3 months at \$6000 or more = \$1000

$$1/3^{\text{rd}} \text{ of } \$1000 = \mathbf{\$333.33}$$

Total Monthly Income = \$7213.33
Annualized Income = \$86,559.96

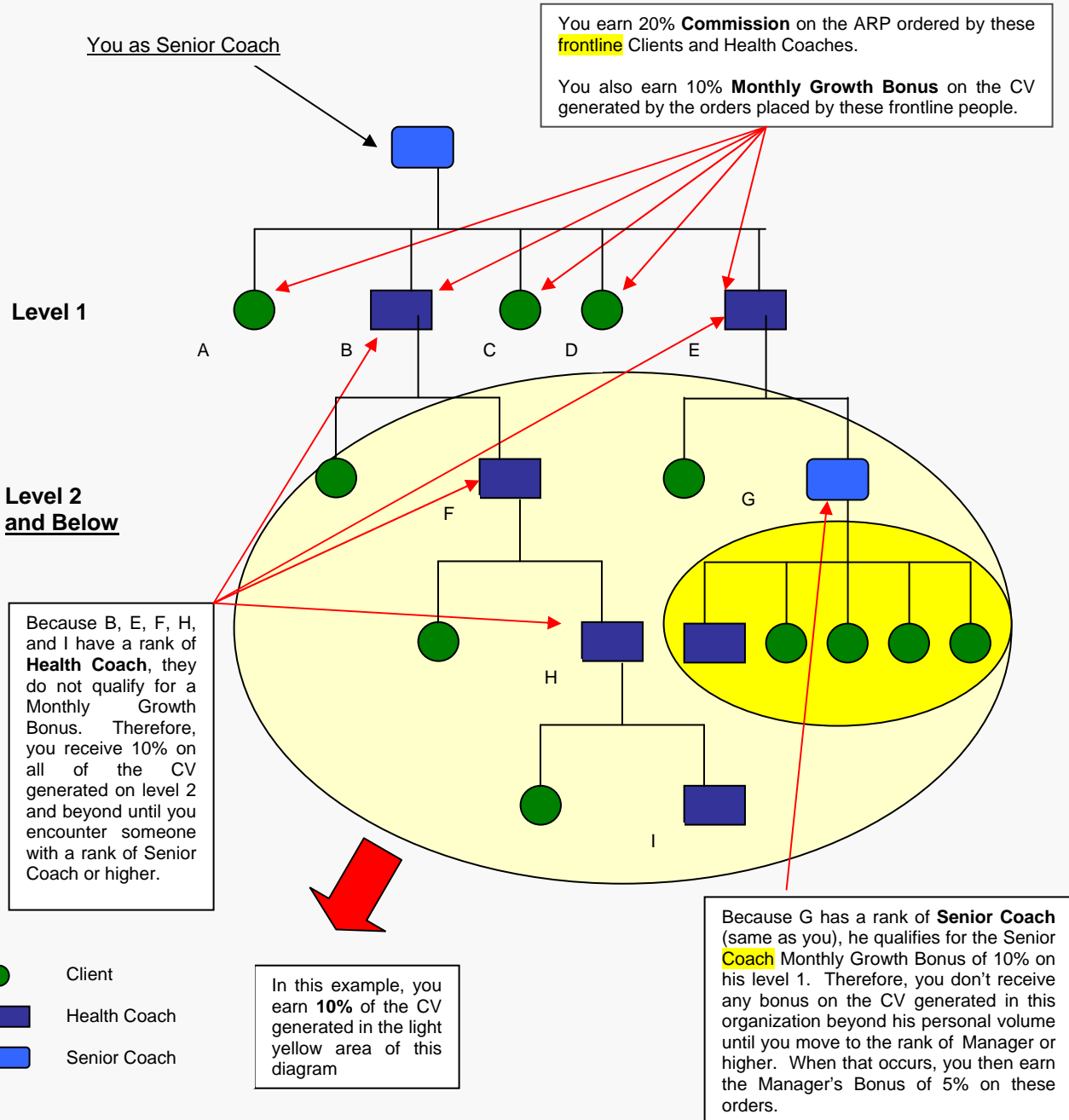
In addition to developing and servicing clients, if you are also building a Health Network of other Health Coaches, your income from Monthly Growth Bonuses will be larger than those shown in these examples. (See the next section)

Earning Monthly Growth Bonuses on Orders within Your Entire Organization

If you are building a team, you can also earn Monthly Growth Bonuses on orders placed by Health Coaches and Clients in your organization below your frontline (i.e. Level 2 and below). On these orders you will earn from zero up to the maximum percent allowed at your current rank. The percentage you earn on your depth (Level 2 and beyond) will be dependent upon the rank of other Health Coaches in each of your separate teams.

Example 11.

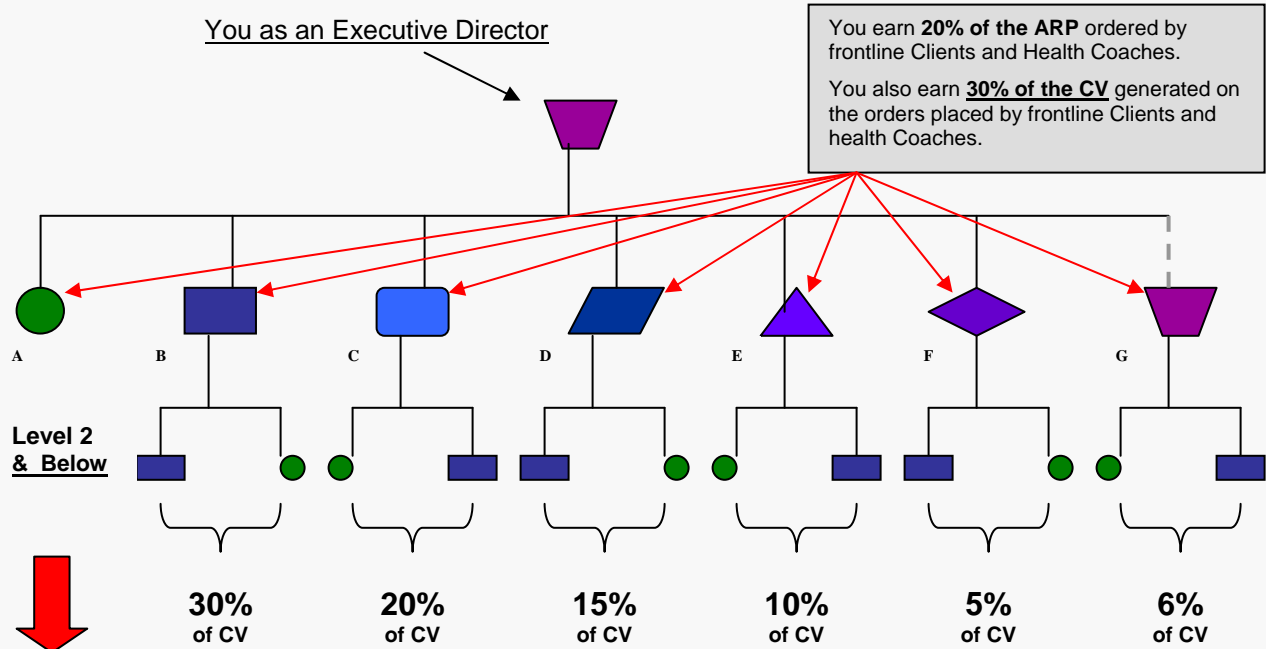
As **Senior Coach**, you earn 10% of the CV on the volumes generated by frontline (Level 1) Clients and Health Coaches and anywhere from zero to 10% on CV generated on Clients and Health Coaches in your second level (Level 2) and below depending upon the rank of the Health Coaches within each organization.



To best illustrate how Monthly Growth Bonuses are paid on Level 2 and beyond, let's look at how an Executive Director is paid on the orders occurring underneath each rank of Health Coach.

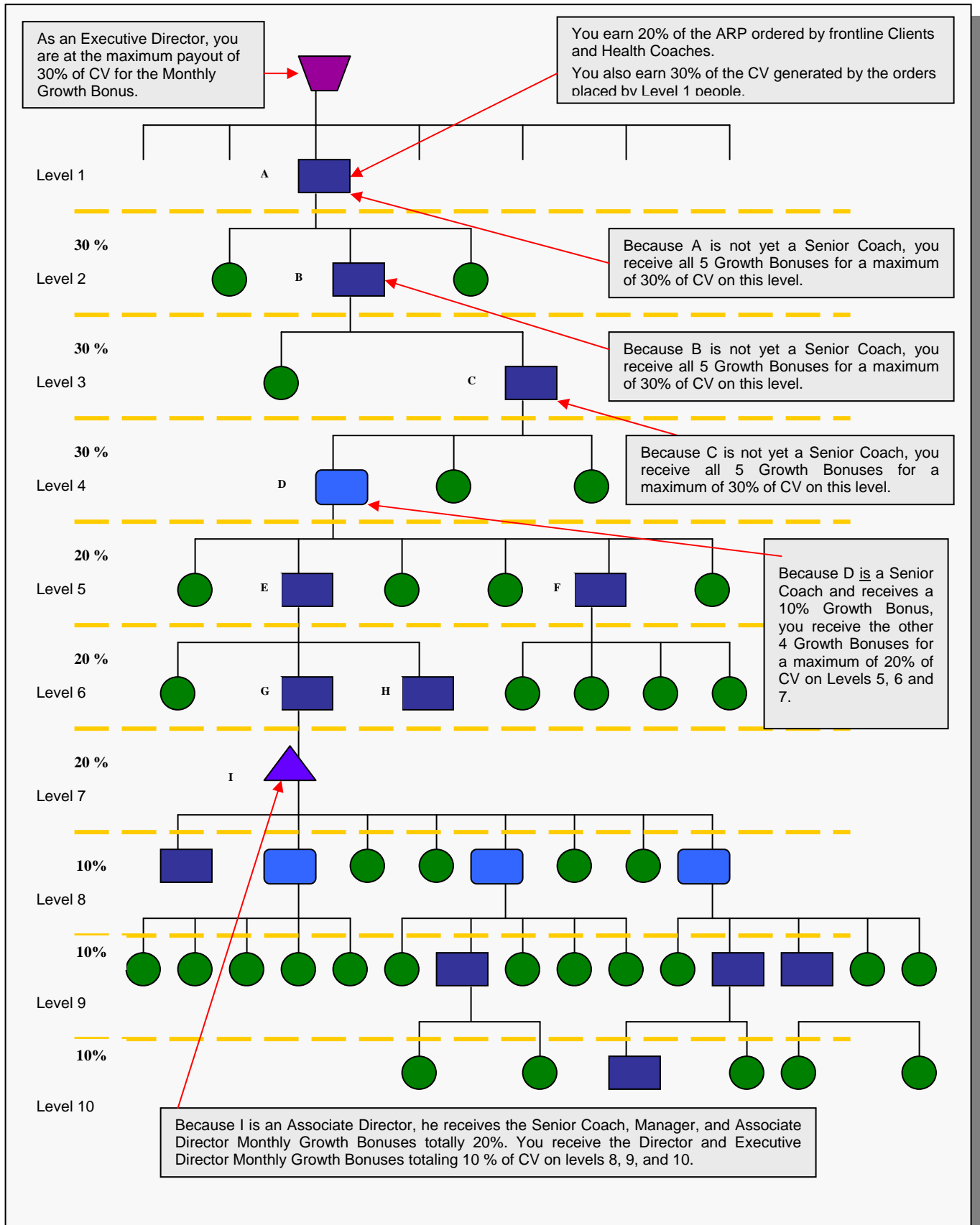
Example 12.

As an Executive Director, you earn 30% of the CV on the volumes generated by frontline (Level 1) Clients and Health Coaches and anywhere from 10% to 30% on CV generated on Clients and Health Coaches in your second Level and below depending upon the rank of the Health Coaches within each organization.



Health Coach	Senior Coach	Manager	Associate Director	Director	Executive Director
<p>Because B has a rank of Health Coach, he does not qualify for a Monthly Growth Bonus. You earn all 5 Growth Bonuses (Senior Coach, Manager, Associate Director, Director, and Executive Director Bonus.) Therefore, you receive 30% on all of the CV generated on level 2 and beyond, until you encounter someone with a rank of Senior Coach or higher.</p>	<p>Because C has a rank of Senior Coach, he qualifies for a Monthly Growth Bonus of 10%. You earn the other 4 Growth Bonuses. Therefore, you receive 20% on all of the CV generated on your level 2 (his level 1) and beyond, until you encounter someone with a rank of Manager or higher.</p>	<p>Because D has a rank of Manager, he qualifies for 2 Growth Bonuses (Sr. Advisor and Manager) totaling 15%. You earn the other 3 Growth Bonuses. Therefore, you receive 15% on all of the CV generated on your level 2 (his level 1) and beyond, until you encounter someone with a rank of Associate Director or higher.</p>	<p>Because E has a rank of Associate Director, he qualifies 3 Growth Bonuses (Sr. Advisor, Manager, and Associate Director) totaling 20%. You earn the other 2 Growth Bonuses. Therefore, you receive 10% on all of the CV generated on your level 2 (his level 1) and beyond, until you encounter someone with a rank of Director or higher.</p>	<p>Because F has a rank of Director, he qualifies for 4 Monthly Growth Bonuses (Sr. Advisor, Manager, Associate Director and Director) totaling 25%. Therefore, you receive the 5% Executive Director Growth Bonus on all of the CV generated on your level 2 (his level 1) and beyond, until you encounter someone with a rank of Executive Director or higher.</p>	<p>Because G has a rank of Executive Director, he qualifies for a Monthly Growth Bonus of 30% (the same as you). When this occurs he "breaks away" from you and you receive a 6% Leadership Bonus on all of the CV generated in his Executive organization. (See <i>Leadership Bonuses</i>)</p>

Example 13. Growth Bonus Payout in One Leg of an Executive Director Team



Monthly Leadership Bonuses

Leaders drive all successful organizations. Within Take Shape For Life, leaders play a vital role in shaping the culture of the field, in communication, in training and support, in defining and living the mission of TSFL, and in setting examples worthy of emulating.

Monthly Leadership Bonuses are business development bonuses paid to Executive Directors and higher for their role in developing other leaders within their organization. *Leadership Bonuses are paid whenever Executive Directors help others in their organization reach the rank of Executive Director.* There are two types of Leadership Bonuses that TSFL pays: **Executive Director Generation Bonuses** and **Monthly Elite Leadership Bonuses**.

Becoming an Executive Director

In the previous section we discussed how, in order to reach the maximum percentage available in the Monthly Growth Bonus, a person would need to reach the rank of Executive Director. You will recall that the qualification for reaching that goal is generating \$6000 or more in total frontline volume from 5 or more Clients/Health Coaches OR by having 5 separate Sr. Coach teams and group volume totaling \$1000 or more from a combination of at least five (5) personally ordering Clients and/or Health Coach teams.

In a dynamic organization, many people will be striving to reach Executive Director. This plan is designed to provide incentives for an individual to work diligently to reach that goal and for his or her sponsor and Field Support Team (upline) to also benefit when this occurs.

Advancing (or "Promoting") to Executive Director

If you are an Executive Director, when someone on your team reaches the Executive Director rank, they will be qualifying for all five Monthly Growth Bonuses like you. In other words, since you are both at the same rank, you will no longer be able to earn Monthly Growth Bonuses on personal orders in CV on this Health Coach or on any orders of his or her Health Coach team. Instead, you now will be compensated for that business via the Monthly Leadership Bonuses.

The terminology used to describe what happens when someone becomes an Executive Director is that they've "advanced to Executive Director" or they "promoted to Executive Director".

Getting paid on "Generations" of Executive Directors

Unlike the Monthly Growth Bonuses where someone is paid on orders to levels of individuals, with Executive Director Bonuses you are paid on orders (in CV) generated in an entire Executive Director "team" or "organization". An Executive Director organization is defined as all of the Health Coaches and their clients within a line of sponsorship of an Executive Director, down to the next qualified Executive Director in the line. This is also termed a "Generation".

Qualifications to Move Up in Rank - The number of separate Executive Director teams that you develop determines your leadership rank at the Executive Director level. (An Executive Director does not have to be personally sponsored to count towards your qualification to move up in rank.) Additionally, **the more Executive Director Teams (legs) that you develop in width determines how many generations of Executive Directors (or higher) that you will be paid on in depth.** (See below.)


Table 4. The table below outlines the qualifications to move up in rank to earn **Monthly Leadership Bonuses**:

Regional Director	Executive Director with one (1) Executive Director Team (does not have to be personally sponsored)
National Director	Executive Director with three (3) separate Executive Director Teams (do not have to be personally sponsored)
Global Director	Executive Director with five (5) separate Executive Director Teams (do not have to be personally sponsored)
Presidential Director	Executive Director with ten (10) separate Executive Director Teams (do not have to be personally sponsored)

Paying Monthly Executive Director Generation Bonuses

Table 5 below shows a schematic of how much and how deep Executive Director Bonuses are paid. What follows afterward is a written explanation detailing how this works.

Table 5. Executive Director Generation Bonuses (paid on CV)

Title		Regional Director	National Director	Global Director
		Exec. Dir. with 1 Exec. Dir. Team	Exec. Dir. with 3 Exec. Dir. Teams	Exec. Dir. with 5 Exec. Dir. Teams
Generations of Exec. Dir. Teams 	1	6 %	6 %	6 %
	2	5 %	5 %	5 %
	3		5 %	5 %
	4			4 %
	5			4 %

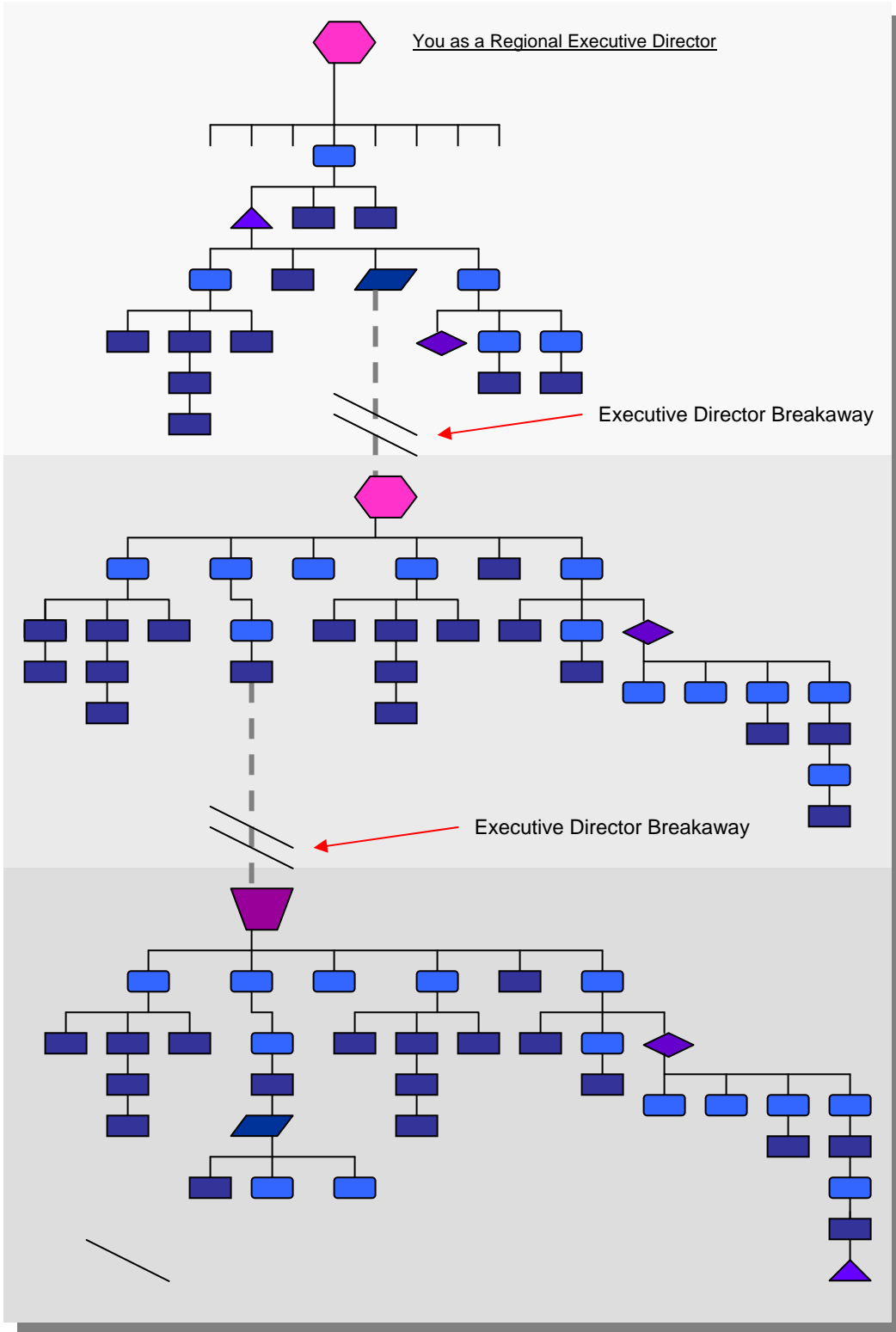
Regional Director - If you are a qualified Executive Director, when someone on your team also reaches Executive Director, you change rank to Regional Director. You are now eligible to earn through 2 generations of Executive Directors in depth. You will be paid 6 % on the CV of the entire 1st generation Executive Director organization and 5% of the CV on the 2nd. (See Example 13 below.)

National Director – As a qualified Executive Director, when you have 3 separate Executive Director teams, you change rank to National Director. You are now eligible to earn through 3 generations of Executive Directors in depth. You will be paid 6 % on the CV of the entire 1st generation Executive Director organization, 5% of the CV on the 2nd, and 5% on the 3rd. Plus as a National Director, you will also qualify for an Elite Leadership Bonus called the National Executive Director leadership Bonus (See Elite Leadership Bonuses below).

Global Director - As a qualified Executive Director, when you have 5 separate Executive Director teams, you change rank to Global Director. You are now eligible to earn through 5 generations of Executive Directors in depth. You will be paid 6 % on the CV of the entire 1st generation Executive Director organization, 5% of the CV on the 2nd, 5% on the 3rd, 4% on the 4th and 4% on the 5th. Plus as a Global Director, you will also qualify for a second Elite Leadership Bonus called the Global Executive Director leadership Bonus (See below).

This example does not illustrate any clients and doesn't show all Health Coaches within an Executive Director organization either. The view shown is to simply give the reader a conceptual idea of how Generation bonuses are paid.










Example 14. Schematic Illustrating 2 Generations of Executive Directors



Since your 1st downline Executive Director (in this example, a Regional Executive Director) is not personally sponsored, you would not be paid an Executive Director Generation Bonus on this portion of your organization. Instead, you would be paid a **Monthly Growth Bonuses** on this part of this team (lea).

This area represents your first generation Executive Director organization. You are paid an **Executive Director Generation Bonus** of 6% of the CV on the entire business generated here.

This area represents your second-generation Executive Director organization. You are paid an **Executive Director Generation Bonus** of 5% of the CV on the entire business generated here.

- | | | | | | |
|---|--------------|---|--------------------|---|---------------------|
|  | Client |  | Manager |  | Executive Director |
|  | Health Coach |  | Associate Director |  | Regional Exec. Dir. |
|  | Senior Coach |  | Director |  | National Exec. Dir. |

Paying Monthly Elite Leadership Overrides

Elite Leadership Overrides are paid to National Executive Directors and higher for their leadership role in directing and overseeing large Take Shape For Life field organizations of Health Coaches. Overrides are paid on orders in CV on large portions of a leader's business - in some instances his/her entire business - and could mean as much as an additional 3% through more than 5 generations of Executive Director Health Coach teams within a leader's business.

There are 3 *overlapping* Elite Leadership Overrides:

- National Executive Director Leadership Bonus
- Global Executive Director Leadership Bonus
- Presidential Executive Director Leadership Bonus

National Executive Director Leadership Bonus

A National Executive Director is an Executive Director with at least one Executive Director in each of three (3) separate teams. As a National Executive Director (or higher), you earn a 1% of CV override on your entire business down to the second National Executive Director in a leg. (His/her personal CV is included in your override volume for compensation.)

Example 15 below illustrates how the National Executive Director bonus (and the other 2 Elite Overrides) is calculated.

Global Executive Director Leadership Bonus

A Global Executive Director is an Executive Director with at least one Executive Director in each of five (5) separate teams. As a Global Executive Director (or higher), you earn a 1% of CV override on your entire business down to the second Global Executive Director in a leg. (His/her personal CV is included in your override volume for compensation.)

Presidential Executive Director Leadership Bonus

A Presidential Executive Director is an Executive Director with at least one Executive Director in each of ten (10) separate teams. As a Presidential Executive Director (or higher), you earn a 1% of CV override on your entire business through down to the second Presidential Executive Director in a leg. (His/her personal CV is included in your override volume for compensation.)

Elite Leadership Overrides are overlapping and can pay deeper into your organization

These Bonuses are overlapping meaning that that they are additive. For example, if you are a Presidential Executive Director, you would also earn a Global Executive Director Bonus and a National Executive Director Bonus.

It is also important that you understand that these overrides are paid in addition to your Executive Director Generation Bonuses. For example, this means that if you are a Presidential Executive Director, an additional 3% of CV could be added to your compensation on your first five generations of Executive Directors and higher. (i.e. 1% for each of the 3 Elite Bonuses are added to your Executive Generation Bonuses.)

Elite Leadership Overrides can also pay deep into your organization beyond 5 generations because you earn overrides on your entire business down to the second Executive Director holding the same elite leader title. (See Table 6: Monthly Leadership Bonus Summary)

Example 15. Schematic Illustrating The National Executive Director Bonus

This example does not illustrate any clients and only shows Executive Director business organizations within the organization of a National Executive Director.

You as a National Executive Director

All overrides are earned in addition to your Executive Director Generation Bonuses

You earn a 1% of CV override on all of the volume generated by the business represented in this highlighted oval area.

This Health Coach is a Global Executive Director and is the first National Director or higher in this organization

This Health Coach is a National Executive Director and is the 2nd National Executive Director or higher in this organization. You are paid a 1% of CV override through this entire business to this National Executive Director. His personal CV is included in your override volume for compensation.

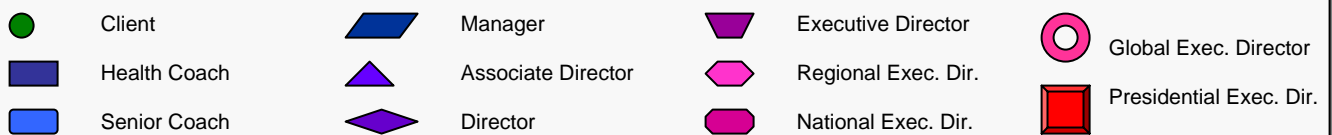






Table 6: Monthly Leadership Bonus Summary

Title		Regional Director	National Director	Global Director	Presidential Director	
Generations of Exec. Dir. Teams	1	6 %	6 + 1 = 7 %	6 + 1 + 1 = 8 %	6 + 1 + 1 + 1 = 9 %	
	2	5 %	5 + 1 = 6 %	5 + 1 + 1 = 7 %	5 + 1 + 1 + 1 = 8 %	
	3		5 + 1 = 6 %	5 + 1 + 1 = 7 %	5 + 1 + 1 + 1 = 8 %	
	4		1 %	4 + 1 + 1 = 6 %	4 + 1 + 1 + 1 = 7 %	
	5			4 + 1 + 1 = 6 %	4 + 1 + 1 = 6 %	4 + 1 + 1 + 1 = 7 %
				1 + 1 = 2 %	1 + 1 + 1 = 3 %	
	2 %			3 %		
						

Notes: This is a “real time” plan, meaning that, although someone is granted a title based on their highest achievement level, they are paid month-to-month based on their current business production.

This plan uses roll-up and compression. Roll-up means that if a Health Coach fails to hit the minimum order volume and recruiting requirements (i.e is Bonus Qualified), his/her volume will “roll-up” and be added to the volume of the next Coach in the line who has met those requirements and is Bonus Qualified. Compression means that if you are Bonus Qualified to earn bonuses on group volumes in your network (based on your rank), each Bonus Qualified Coach at the specific rank to the depth you are to be paid determines a level or generation as you move down a line. For example, if you are qualified to earn Executive Director bonuses on two generations of Executive Director organizations, your first generation Executive Director will be the first Coach in the line that is currently Bonus Qualified at that rank and your second generation Executive Director will be the next one who is Bonus Qualified at that rank. Unqualified Coaches in between are rendered “invisible” regarding compensation for that pay period and their volume compresses to first qualified Executive Director up the line.

The examples set forth in this compensation plan are hypothetical examples that are intended to explain the components and operation of the Take Shape For Life Compensation Plan. These hypothetical examples are not representative of the income, if any, that a Take Shape For Life Health Coach can or will earn through his or her participation in the Take Shape For Life Compensation Plan. These figures should not be considered as guarantees or projections of your actual earnings or profits. Any representation or guarantee of earnings, whether made by Take Shape For Life or a Health Coach, would be misleading. Success with Take Shape For Life results only from successful sales effort, which require hard work, diligence, and leadership. Your success will depend upon how effectively you exercise these qualities.