
EXPLANATION OF COMPENSATION PLAN – U.S.

LIFE PLUS INTERNATIONAL

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1. BACKGROUND

It is important for a payment plan to be balanced. A good plan should make it simple for a new or part-time Associate to quickly become profitable. The part of a plan that addresses this is often called the “Front” of the plan. Next a good plan should allow those working to build a solid business to earn enough that they can afford to devote their full-time effort to their business. This is often called the “Middle” of the Plan. Finally a good plan should provide an opportunity for those with extraordinary commitment and drive to build a long-term substantial income. This is termed the “Back” of a plan.

When constructing a plan, a company must carefully allocate a fixed resource, its sales volume, to achieve a successful balance between the Front, Middle and Back of the plan. If the scale tips too much toward the Front, then many people will make a little money, but those most willing to put in the effort to build a successful business will become frustrated. If the scale tips too much toward the Back, then it will be too difficult for people to get started, and they may give up before they’re able to see a return on their investment in time and money.

2. REFERRAL BONUS (PHASE 1)

The Life Plus Compensation Plan was designed from the ground up to provide balance. It addresses the three parts of compensation through three compensation phases.

The initial phase is crucial because it will determine for most Associates whether or not they stay with the program. That is why just over 65% of the compensation plan is devoted to the Referral Bonus. It is also crucial that this initial phase be simple to explain and understand. New and part-time Associates need to easily grasp how to quickly make the plan work for them and those they refer. This is especially true for those who aren’t so much interested in building a business as they are in getting premium quality products for free.

So the Referral Bonus is very simple.

First Level	25%
Second Level	10%
Third Level	5%

All bonuses are paid on International Points (IP), which is explained later. In order to be compensated in any given month, an Associate needs to purchase product that will provide at least 40 IP. By doing so, that Associate is designated a Qualifying Associate. There are no additional requirements to participate in First and Second Level Compensation. However, there are additional qualifications for Third Level Compensation. First, an Associate still must purchase at least 40 IP and they need three Qualifying Associates on their First Level.

To further help the new Associate get started, Life Plus offers a bonus pool program called the Outstanding Service Reward Pool (OSRP). One percent of company sales is set aside for this monthly program. This money is divided up every month among those that increase their number of First Level Qualifying Associates by at least 3 over their previous high.

3. LEADERSHIP BONUS (PHASE 2)

Leadership Bonus Percent	GV	PV*	Qualifying Legs	Achievement Level
3%	3,000	100	3	Bronze
6%	6,000	100	6	Silver
9%	9,000	150	9	Gold
12%	15,000	150	12	Diamond

Let's define a few terms. PV is your personal IP, in other words the IP that comes from the products you purchase yourself. GV is your PV plus the IP of your first three levels. Qualifying legs are the number of Qualifying Associates on your First Level. Your Leadership Bonus Percent is dependent on your GV, PV and Qualifying Legs as described in the table above.

For example, if you have 9,000 GV, 150 PV and 9 Qualifying Legs, your Leadership Bonus Percent will be 9%. But, if you only had 3 Qualifying Legs, it would instead be 3%. Conversely, if you have 6,000 GV and 12 legs, your Leadership Bonus Percent would be 6%.

Your Leadership Bonus Percent has two aspects. First, it represents how much you will earn on the IP on your fourth level. If your Leadership Bonus Percent is 9% and you have 1000 IP on your 4th level, you will earn \$90 on your fourth level. Secondly, the Leadership Bonus operates as what is often termed an "infinity bonus." Obviously, this does not mean that the company pays everyone on an infinite number of levels; the company would quickly run out of money. What it does mean is that its reach is not strictly limited to a fixed number of levels as are the Referral Bonus. In theory, if no one below you has qualified to receive any Leadership Bonus bonus, you could earn the Leadership Bonus to the "bottom" of your organization, no matter how many levels deep your organization might be.

The reason the company does not run out of money doing this is that the total amount of the Leadership Bonus the company pays on any volume is limited to 12% of IP. To understand this, let's go back to your 4th Level. If you remember, you earn your Leadership Bonus Percent on your total 4th level IP. So let's say your GV is 6,500 IP and you have 6 qualifying legs, which means your Leadership Bonus Percent is 6%. You will then earn 6% on your 4th level IP, which we'll again say is 1000 IP, so you will earn \$60. Now comes the important part to understanding how the Leadership Bonus works. We said earlier that the company pays 12% on IP in the Leadership Bonus. But in the example, we only paid you 6%. So what happens to the other 6%? It's paid upline; it's possibly paid to your sponsor and/or his sponsor and/or her sponsor and so on.

Let's say your Sponsor's Leadership Bonus percent is 9%. Since you got 6%, your sponsor, Jim, will get the difference (9% - 6%) of 3% on the 1,000 IP on your 4th level. Now let's say his sponsor, Mary, has qualified for a 12% Leadership Bonus Percent. Since you and Jim have been paid a total of 9%, Mary will earn the difference (12% - 9%) of 3% on your 4th level IP and the company will have paid a total of 12%. So you see in this case, the company paid at three different levels; it paid you 6% on your 4th level, Jim 3% on his 5th level and Mary 3% on her 6th level. But that is not always the case. Let's say you qualified for a 12% Leadership Bonus Percent. Then, you would earn the entire 12% on your 4th Level IP, and there would be none left to be paid upline.

Does that mean that no one upline will earn bonus on your 4th Level IP? Not quite; that's where the Leadership Development Bonus comes into play.

4. LEADERSHIP DEVELOPMENT BONUS (PHASE 3)

The Leadership Development Bonus is detailed below.

1☆ Diamond	3%	15,000	1 Diamond and 2 Bronze Legs
2☆ Diamond	3%	20,000	2 Diamond and 1 Bronze Legs
3☆ Diamond	2%	25,000	3 Diamond Legs

Now let's return to our example to see who gets paid the Leadership Development Bonus on the 1000 IP on your 4th level. Since Jim does not meet the requirements to qualify for a Leadership Development Bonus, he does not earn one. (This does not mean that Jim did not earn on your organization; he received a Referral Bonus on you and your 1st and second levels and a Leadership Bonus on your third level). Now, let's say Jim's sponsor, Mary, meets the 1☆ diamond Qualification. She would then earn the 1☆ bonus of three percent on the 1000 IP in your 4th level. We would then look at Mary's upline, sponsor by sponsor until we find someone who qualifies to receive a 2☆ Diamond bonus. We would then continue upline until we find a 3☆ Diamond.

5. WHAT IS IP AND WHY HAVE IT?

IP is short for International Points. Every product has both a wholesale price and an IP value. Wholesale price is what you pay when you buy the product, and IP is what the company pays bonus on. So why are they different? There are two main reasons.

First, IP allows the company to competitively market products with differing price/cost ratios without changing the bonus schedule on a product by product basis. However, Life Plus's compensation program is one of the most lucrative in the industry. It doesn't make sense to adjust the compensation program just for some products, so instead, the company adjusts the IP on the product to keep the price competitive and economically feasible for the company.

The second reason for IP is similar to the first; it allows the company to stay competitive for different cost structures. Virtually all of our products are manufactured in Batesville. It takes additional costs to ship these products to our distribution centers overseas as well as added costs for customs duties. In addition, in Europe for example, there are added operational costs for dealing with so many different languages. Again, the company does not wish to change the compensation structure or to price its products out of the market, so it balances adjustments to price with adjustments to IP.

Finally, by using IP for bonus, it eliminates the need to express the marketing plan in different currencies for different markets and supports the maintenance of a "globally seamless downline."

6. COMPRESSION AND ROLL-UP

A legitimate compensation program will offer compression or roll-up, which are really two terms for the same thing. Plans that don't, contain what is called breakage which means that when people do not meet certain qualifications the company keeps their money instead of compressing the volume and rolling it upline. Life Plus offers full compression. Let's say you sponsor Tom, who sponsors Mary. If Tom does not meet his 40 IP PV requirement, then Mary and her entire downline will move up one level to fill in the gap left by Tom. The same mechanism is used throughout the plan to maximally compress volume for optimal payout.

7. AN EXAMPLE*

In practice, all of this operates simpler than it may seem. Let's take one order of 100 IP and see how the bonus is paid upline. Remember, we are not showing what everyone in the example earns, but only what they earn on this one order. Also, take notice that we are moving upline as we move down the page.

U P L I N E	Bob	4,000 GV Bronze	100 PV	
	Beth	3,000 GV Bronze	100 PV	\$25
	Tom	1,100 GV Builder	40 PV	\$10
	Sarah	475 GV --	30 PV	
	Jack	6,000 GV Silver	150 PV	\$5
	Anne	3,000 GV Bronze	100 PV	\$3
	Josh	9,500 GV Gold	150 PV	\$6
	Aaron	16,000 GV Diamond	150 PV	\$3
	Stanley	8,500 GV Silver	100 PV	
	Kathy	21,000 GV 2★Diamond	150 PV	\$3
	Mark	23,500 GV 2★Diamond	150 PV	\$3
	Gary	21,000 GV 1★Diamond	150 PV	
Angie	25,000 GV 3★Diamond	150 PV	\$2	
			\$60	

Bob places an order with 100 IP. No bonus is paid to Bob on his own order.

Beth is Bob's sponsor. Since Beth has met her 40 IP requirement, she earns the 25% first-level bonus on Bob. The GV is not considered for purposes of the Referral Bonus (Levels 1 thru 3).

Tom is Beth's sponsor and has qualified with a 40 IP order. Tom earns the 10% second-level bonus on Bob.

Sarah is Tom's Sponsor, so Bob is on her third level. Although Sarah has a 30 IP order, she still needs a 40IP total order, so she does not receive a third-level bonus on Bob. That Commission is rolled-up to the first qualifying participant in Sarah's upline.

Jack is Sarah's Sponsor and qualifies to receive the third-level 5% bonus on Bob's 100 IP. This is an example of compression, because Bob is normally on Jack's 4th level, but he has now compressed to Jack's third.

Anne is Jack's Sponsor and is a Bronze, so she earns a 3% Leadership Bonus on Bob.

Josh is Anne's sponsor and is a Gold, so Josh earns a 6% Leadership Bonus on Bob.

Aaron is Josh's Sponsor and is a Diamond, so Aaron earns a 3% Leadership Bonus on Bob.

(After paying 6% to Josh and 3% to Anne that leaves 3% of the 12% Leadership Bonus to be paid to Aaron)

Stanley is Aaron's Sponsor and is a Silver. Since all of the Leadership Bonus has already been paid on Bob's order, Stanley does not earn on Bob's purchase.

Kathy is Stanley's sponsor and is a 2★ Diamond, so Kathy earns the 3% 1★ Diamond bonus on Bob. (The 1★ Diamond bonus is paid to the first upline 1★ or higher Diamond following the completion of the Leadership Bonus).

Mark is Kathy's sponsor and is a 2★ Diamond, so Mark earns the 3% 2★ Diamond bonus on Bob's order.

Gary is Mark's sponsor and is a 1★ Diamond. Since the 1★ Diamond bonus has already been paid (to Kathy), Gary does not earn on Bob's order.

Finally, Angie is Gary's Sponsor and Angie is a 3★ Diamond, so Angie earns the 2% 3★ Diamond bonus on Bob's order of 100 IP.

In this example, twelve levels of Bob's upline were considered for payment and nine people earned anywhere from 2 to 25 percent, for a total of \$60 on Bob's 100 IP order.