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IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF ARIZONA

15 Federal Trade Commission,
16
17 Plaintiff,
18 v.
19 Vemma Nutrition Company, et al.,
20
21 Defendants.

Case No. CV-15-01578-PHX-JJT
**NOTICE OF FILING REPORT OF
TEMPORARY RECEIVER'S
ACTIVITIES FROM AUGUST 24,
2015 THROUGH SEPTEMBER 4,
2015**

1 Robb Evans and Robb Evans & Associates LLC appointed as Temporary Receiver
2 (“Temporary Receiver”) pursuant to the Court’s Order (Doc. No. 25) (the “Temporary
3 Restraining Order”) entered August 21, 2015 hereby provides notice of the filing of the
4 Report of Temporary Receiver’s Activities from August 24, 2015 Through September 4,
5 2015 (“Report”). A true and correct copy of the Temporary Receiver’s Report is attached
6 hereto as **Exhibit A**.

7
8 Dated: September 4, 2015

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CERTIFICATE OF SERVICE

I hereby certify that on September 4, 2015, I electronically transmitted the attached document to the Clerk’s office using the CM/ECF System for filing and transmittal of a Notice of Electronic Filing to the following CM/ECF registrants:

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ROBB EVANS & ROBB EVANS & ASSOCIATES LLC
Temporary Receiver of
Vemma Nutrition Company and
Vemma International Holdings, Inc. et al.

REPORT OF TEMPORARY RECEIVER'S ACTIVITIES
AUGUST 24, 2015 THROUGH SEPTEMBER 4, 2015

This report covers the activities of the Temporary Receiver¹ since the inception of the temporary receivership. This is the first report to the Court on the progress of the temporary receivership. It does not constitute an audit of financial condition and is intended only to provide information for use by the Court in assessing the progress of the temporary receivership.

Overview

On August 24, 2015 the Temporary Receiver took control of the businesses and pursuant to this Court's Temporary Restraining Order suspended all product sales and commission payments until the Temporary Receiver could determine if the businesses could be operated profitably and lawfully.

The Temporary Receiver spent a significant amount of time discussing restarting certain aspects of sales operations with company management. The aspects of the business under discussion to restart were sales to consumers not identified as Affiliates² in the companies' database and foreign operations. In order to assess the potential of restarting part of the business in compliance with the Temporary Restraining Order, the Temporary Receiver requested that management produce information on 2015 sales to Affiliates and non-Affiliate consumers located in the United States and Canada. The Temporary Receiver reviewed the preliminary information produced by the management and learned the sales to non-Affiliate customers were about 22% of the 2015 sales.

In addition, the Temporary Receiver obtained a consolidated income statement from the companies' accounting department. The income statement for the period from January 1, 2015 through June 30, 2015 shows a loss of approximately \$1.4 million³. The Temporary Receiver also located Consolidated Financial Reports reviewed by McGladrey LLP (McGladrey), an independent accounting firm. The 2014 Financial Report shows a loss before depreciation of approximately \$2.2 million.

¹ Reference to the Temporary Receiver in this report means the Temporary Receiver, the Temporary Receiver's deputies, its staff, and its counsel.

² Affiliates have the meaning described in the Plaintiff's Complaint.

³ This amount is before depreciation/amortization expense.

More detail as to the financial information is discussed later in this report.

On August 25, 2015 the Temporary Receiver met with company management and informed them that, given the operating losses of the receivership defendants, and in light of the restrictions in the Temporary Restraining Order against paying compensation related to the purchase or sale of goods or services unless the majority of the compensation is derived from sales to or purchases by non-Affiliates, restarting any form of business operations could no longer be considered.

The Temporary Receiver subsequently discovered that the consolidated financial statements report discussed above did not include the financial statements of the Europe operations. Including the net income and losses of the Europe operations, the Vemma worldwide operations in fact incurred net losses of \$1.3 million in 2014 and \$4.1 million for the six months ended June 30, 2015.

Summary of Conclusions

The Temporary Receiver's report provides information in text, schedules, and attachments which the Temporary Receiver analyzed, considered and used to arrive at the conclusions in this initial report. These conclusions are based on information, records, and data of the Corporate Defendants that are currently available.

The Temporary Receiver concludes that certain business activities prohibited by the Court's Temporary Restraining Order are taking place. Such activities include:

- Paying compensation related to the purchase or sale of goods when the majority of such compensation is derived from sales to or purchases by persons who are Affiliates;
- Misrepresenting or assisting others in misrepresenting that consumers who participate in a marketing program will receive or are likely to receive substantial income;
- Furnishing materials to be used in recruiting new members and marketing programs that contain false or misleading representations.

The Temporary Receiver also concludes:

- Presently, the Temporary Receiver cannot operate the Corporate Defendants lawfully and profitably;
- Some of the assets of the receivership estate are subject to a perfected security interest in favor of third party institutional creditors.

Initial Review of Records, Documents, Print and Electronic Materials

The Temporary Receiver reviewed, considered, and evaluated records, documents, print and electronic materials, and websites to determine if practices and activities alleged in the complaint, and forbidden by the Temporary Restraining Order, were taking place. Additionally, the Temporary Receiver extensively reviewed and analyzed accounting and financial records and materials.

In an effort to determine if the existing business operation could continue lawfully, the Temporary Receiver evaluated the information and details it gathered to determine whether the company operated primarily to encourage Affiliates to recruit other Affiliates, or primarily to sell retail products and services. The Temporary Receiver's additional goal was to determine whether the company directly or indirectly represented that consumers who become Vemma Affiliates were likely to earn substantial income, which is contrary to the companies' published 2013 and 2014 results in its disclosure statements.

As part of its review and evaluation process, the Temporary Receiver reviewed documents and information posted on the company's websites as well as videos and paper materials distributed by the company, and videos and information posted publicly, such as on YouTube. The information included the income disclosure statement posted on the company's website, distributed to potential Affiliates and customers, and included in the Vemma flip-chart presentation material given to Affiliates and used by Affiliates for recruitment purposes.

The Temporary Receiver reviewed document files that included internal communications concerning calculations for the 2013 and 2014 disclosure statements and schedules calculating the ratio of Affiliates and customers that company officers and managers evaluated and accepted. The Temporary Receiver also directed company IT personnel to locate and provide to the Temporary Receiver 2014 product ordering information from the companies' databases.

Recruiting Practices

The Vemma flip-chart presentation that Affiliates used to explain the program to potential new Affiliates provides suggested dialogue which includes "You're gonna love how simple it is to build your Vemma business and get profitable quickly." The presentation material goes on to say that within 60 days the new Affiliate "has paid for your Affiliate Starter Pack (\$599) and you're making money."

However, the primary theme and message of the presentation materials, and other brochures, materials and video presentations, is to "look for entrepreneurs that want to become Affiliates..." The materials discuss the "power of duplication" that creates Residual Income from recruiting additional Affiliates, who in turn recruit additional Affiliates, who in turn also recruit additional Affiliates.

The financial success of the first 60 days described in the presentation materials is founded and structured on the new Affiliate locating and recruiting four new individuals as sub-Affiliates in the program. The financial success of the first 60 days is predicated on two of those new sub-Affiliates locating and recruiting 12 more sub-Affiliates that are folded into the initial Affiliate's newly-created down-line organization. Details of "60 Days To Gold" are displayed under Exhibit 1. The legal affairs and field compliance section below provides additional details about recruiting practices.

Income and Earnings Disclosure and Practices

The company produces, distributes, and makes available in presentation materials and on websites a yearly disclosure statement showing in bar chart format the annual average earnings of Vemma Affiliates.

In the 2013 disclosure statement under Exhibit 2, it states that there were 105,251 active Affiliates in the United States.

- The disclosure statement indicates that 421 of these Affiliates, or .40% of the total, earned more than \$100,000 in the year.
- The disclosure statement indicates that 98,115 Affiliates, or 93.22% of the total, earned less than \$6,200 in the year.

For the 2013 disclosure statement, company officials elected to reclassify 149,431 Affiliates as customers because they had not enrolled another Affiliate or purchased an Affiliate starter pack during the year (Exhibit 3). Consequently, the actual number of Affiliates earning less than \$6,200 during the year was about 247,500, or approximately 250% greater than the number reported in the disclosure statement.

The 2013 disclosure statement also reported the "Customers vs. Affiliate Profile" was 70% customers and 30% Affiliates. Without the reclassification described above, the profile would have been 28% customers and 72% Affiliates.

The 2014 disclosure statement under Exhibit 4 did not provide the number of Affiliates and customers in the United States.

- The disclosure statement indicates that about .39% of the total Affiliates earned more than \$100,000 in the year.
- The disclosure statement also indicates that 93.52% of the total Affiliates earned less than \$6,000 in the year.

Information obtained from the companies' database indicates that 78% of the product sales was to Affiliates and 22% of the product sales was to individuals classified as customers in 2015.

Below the bar graph statistics in the disclosure statement, a footnote states "Like any other independent business, the achievement or failure of an Affiliate depends upon his or her skill set, commitment and desire to succeed." A footnote also states "At Vemma, the opportunity to earn more is always available to each and every Affiliate."

The Temporary Receiver observed, and discusses in substantial detail below, that materials and videos present an atmosphere and suggestion that substantial personal financial earnings and success are achievable. Videos, website materials, and brochures show expensive autos and expensive hotels, intending to create an impression that an improved and perhaps luxurious lifestyle is available as a Vemma Affiliate.

Financial Information

The Temporary Receiver interviewed the Chief Financial Officer and the Accounting Manager. The Corporate Defendants use an accounting system named VAM, provided by AccountMate Software Corporation. Most of the wholly owned subsidiaries' books and records are maintained in the VAM accounting system, stored as Vemma, Vemma Canada, Vemma Australia, Vemma South Africa, and Vemma New Zealand, which are maintained by the same accounting personnel located at the Vemma premises in Tempe. Sales and commissions are recorded on the books by the accounting personnel based on the monthly data received from the information technology department at the end of each month.

Certain offshore operations' books and records are maintained by the offshore personnel, which are submitted to the accounting personnel in Tempe each month. Once received, the accounting personnel prepare the consolidated financial statements of the Corporate Defendants on a monthly basis. All the monthly financial information, including offshore operations, are saved and stored on the server at the Corporate Defendants' premises.

While an investigation of the financial activities is still ongoing, the Temporary Receiver has gained the access to the VAM accounting system and server to review and perform a preliminary analysis of the financial information for each operation as discussed below.

Company Overview

In 1994, New Vision Informational, Inc. (d/b/a New Vision USA) was incorporated. In 2002, New Vision International Holdings Inc., a holding company of New Vision USA, was incorporated to hold the stock of New Vision USA. In 2004, a new operating company, Vemma Nutrition Company, a Corporate Defendant, was formed for the purpose of distributing a new line of liquid nutritional supplement products.

During 2011, New Vision USA was dissolved with all assets and operations transferred to Vemma Nutrition Company and New Vision International Holdings Inc. was renamed Vemma International Holdings Inc., another Corporate Defendant.

Vemma International Holdings Inc. and its subsidiaries and affiliates operate a global direct marketing network in the United States, Canada, Mexico, Asia, Australia, South Africa, Europe, Columbia, and New Zealand.

Vemma International Holdings Inc. (Vemma Holdings) is the parent and holding company for the following wholly owned subsidiaries in different countries:

Vemma Nutrition Company
Vemma Nutrition Canada, ULC
Vemma Mexico Sociedad de Responsabilidad Limitada de Capital Variable
Vemma Mexico Distribucion, Sociedad de Responsabilidad Limitada de Capital Variable
New Vision International IC-DISC, Inc.
Vemma Australia Pty Limited
Vemma South Africa Pty Limited
Vemma Nutrition S.A.S.

In addition, in March 2011, Vemma Nutrition Company (Vemma Company) entered into a joint venture agreement with a licensee, Vemma Europe Limited (Vemma Europe), a private limited liability company incorporated in Ireland, with the purpose of selling the company's products in existing and new geographical markets located in Europe. Vemma Company owns 50% of Vemma Europe and Simon Grabowski owns the other 50%. The joint venture agreement provides that Vemma Company and Vemma Europe each hold a 50% ownership interest in the joint venture. Pursuant to the agreement, at the end of each year, Vemma Europe "shall close its books and determine the net profitability for the company (the Net Profit) based on its gross annual sales (Sales)." Grabowski, the other 50% owner of Vemma Europe, "shall receive the Net Profit on annual sales up to \$16 million Euro in the Existing Market. Net Profits on annual Sales over 16,000,000 million Euro in the Existing Markets and on annual Sales in any new markets ... shall be split 50% to Simon and 50% to Vemma USA."

In January 2012, Vemma Company entered into two joint venture agreements, with Vemma Asia⁴ in Taiwan and Hong Kong. Pursuant to the agreements, Vemma Company owns 51% of the Taiwan and Hong Kong joint ventures, and Vemma Asia owns 49% of the Taiwan and Hong Kong joint ventures.

⁴ Vemmatrition Sdn Bhd, a Malaysian company; MyVemma Enterprises, a Malaysian company; Vemma Network Sdn Bhd, a Malaysian company; New Vision Singapore Pte Ltd., a Singapore company; Vemma Singapore Pte Ltd, a Singapore company; PT Vemma Indonesia, an Indonesian company; Vemma Nutraceuticals Philippines, Inc., a Philippine company; and Kenneth Kon are collectively referred as Vemma Asia.

The Temporary Receiver obtained organizational charts (Exhibit 5) from the accounting department personnel. Vemma Holdings and its subsidiaries and affiliates are collectively referred to as Corporate Defendants herein.

Review and Analysis of Financial Statements

The operations in the United States, Canada, Australia, South Africa, and New Zealand are recorded by the US accounting personnel in the VAM accounting system. The books for the operations in Mexico, Colombia, Europe, Hong Kong, and Taiwan are maintained by the local personnel in each offshore location and submitted to Vemma accounting personnel in the United States on a monthly basis for consolidation.

According to the Accounting Manager, the most complete current consolidated financial statements were prepared for the six months ended June 30, 2015 (Exhibit 6), which include US and offshore operations, with the exception of the financials from Vemma Europe. This financial information is summarized below.

	<u>Six months ended 6/30/2015</u>
Sales, net	\$ 42,697,204
Cost of Goods Sold	<u>17,247,093</u>
Gross Profit	\$ 25,450,111
General and Administrative Expenses	
Commissions	12,755,113
Salaries and Wages	6,238,321
General and Administrative	<u>7,754,385</u>
Total General and Administrative Expenses	<u>\$ 26,747,819</u>
Loss from Operations	\$ (1,297,708)
Other Expense	<u>(564,602)</u>
Net Loss	<u>\$ (1,862,310)</u>
Less: Net income attributable to non-controlling interest in affiliates	<u>\$ 9,956</u>
Net Loss Attributable to Vemma Holdings, Subsidiaries and Affiliates	<u>\$ (1,872,266)</u>
Add: Depreciation/Amortization	<u>\$ 516,232</u>
Net Loss before Depreciation/Amortization	<u>\$ (1,356,034)</u>

As shown above, the Corporate Defendants had net losses before depreciation and amortization of approximately \$1.4 million for first six months of 2015.

The most significant expenses were commissions, salaries and wages, which totaled \$19 million for first six months of 2015, representing approximately 45% of the net sales or 75% of the gross profits during the same period.

In addition, the Temporary Receiver obtained and analyzed the annual consolidated financial reports of the Corporate Defendants reviewed by McGladrey for the years from 2011 to 2014.

Under Exhibit 7 are the annual consolidated financial statements from 2011 to 2014 obtained from the consolidated financial reports, which are also summarized below.

	2014	2013	2012	2011
Sales, net	\$ 139,153,066	\$ 178,906,261	\$ 89,536,923	\$ 62,543,622
Cost of Goods Sold	56,646,645	65,026,188	32,933,645	22,440,645
Gross Profit	\$ 82,506,421	\$ 113,880,073	\$ 56,603,278	\$ 40,102,977
General & Administrative Expenses				
Commissions	44,015,126	63,125,368	29,442,212	21,575,206
Salaries and Wages	16,688,869	16,616,032	10,690,551	9,028,976
General and Administrative	25,022,200	25,093,857	15,473,033	11,085,691
Total General & Administrative Expenses	\$ 85,726,195	\$ 104,835,257	\$ 55,605,796	\$ 41,689,873
Income (Loss) from Operations	\$ (3,219,774)	\$ 9,044,816	\$ 997,482	\$ (1,586,896)
Other Income (Expense)				
Other Income, net	\$ 267,921	\$ 119,859	\$ 1,296,522	\$ 294,698
Foreign Currency Loss	(175,161)	1,925	782	-
Interest Expenses	(76,107)	(20,333)	(35,786)	(8,995)
Gain on Investment, net	(71,662)	844,414	495,787	278,443
Total Other Income (Expense)	\$ (55,009)	\$ 945,865	\$ 1,757,305	\$ 564,146
Net Income (Loss)	\$ (3,274,783)	\$ 9,990,681	\$ 2,754,787	\$ (1,022,750)
Less: Net Income Attributable to Non-Controlling Interest in Affiliates		\$ 288,377	\$ 248,650	\$ -
Net Loss Attributable to Vemma Holdings, Subsidiaries and Affiliates		\$ 9,702,304	\$ 2,506,137	\$ (1,022,750)
Add: Depreciation/Amortization	\$ 1,070,843	\$ 526,214	\$ 260,199	\$ 274,296
Net Income (Loss) before Depreciation/Amortization	\$ (2,203,940)	\$ 10,228,518	\$ 2,766,336	\$ (748,454)

Note: The summary above is based on the annual consolidated financial reports prepared by the companies' management, and reviewed by McGladrey. As disclosed in McGladrey's review report, the companies' management declined to include and consolidate the financial statements of the joint ventures in Taiwan and Hong Kong into the 2014 consolidated financial report, which was inconsistent with the financial reports in prior years.

As shown below, total commissions, salaries and wages paid were approximately \$60.7 million in 2014, \$79.7 million in 2013, \$40.1 million in 2012, and \$30.6 million in 2011, representing more than 43% of the net sales and 70% of the gross profits for each of those periods.

	2014	2013	2012	2011
Commissions	\$ 44,015,126	\$ 63,125,368	\$ 29,442,212	\$ 21,575,206
Salaries and Wages	16,688,869	16,616,032	10,690,551	9,028,976
	<u>\$ 60,703,995</u>	<u>\$ 79,741,400</u>	<u>\$ 40,132,763</u>	<u>\$ 30,604,182</u>
Sales, net	\$ 139,153,066	\$ 178,906,261	\$ 89,536,923	\$ 62,543,622
% of Net Sales	43.62%	44.57%	44.82%	48.93%
Gross Profit	\$ 82,506,421	\$ 113,880,073	\$ 56,603,278	\$ 40,102,977
% of Gross Profit	73.57%	70.02%	70.90%	76.31%

According to the Temporary Receiver's review and analysis of the consolidated financial statements prepared by the accounting personnel of the Corporate Defendants and the consolidated financial reports reviewed by McGladrey, the financial statements of the joint venture in Europe are not included in the consolidated financial statements and reports, but only the profit sharing earned by Vemma Company is included. In addition, the joint ventures in Taiwan and Hong Kong are included in the consolidated financial reports and statements for 2011, 2012, 2013 and 2015, but as explained in Note 11 to the 2014 consolidated financial report, the financial statements of the joint ventures in Taiwan and Hong Kong were not included in that consolidated financial report.

The Temporary Receiver also discovered Benson K. Boreyko (Boreyko), an individual defendant, received significant amounts of compensation from the Corporate Defendants, which are recorded under salaries and wages, and shareholder distributions. More details about Boreyko's compensation will be discussed below.

The Temporary Receiver obtained from company management preliminary data downloads for the sales earned and commissions paid by the Corporate Defendants. The Temporary Receiver further performed a detailed review and statistical analysis on these data files as discussed below.

Sales

In order to evaluate the magnitude of the worldwide operations and sales, the Temporary Receiver combined the consolidated financial statements and reports prepared by management and reviewed by McGladrey along with the financial statements of the joint ventures in Europe, as summarized under Exhibit 8 and below.

	Worldwide Operations					
	Total	6/30/2015	2014	2013	2012	2011
Sales, net	\$ 705,537,145	\$ 62,903,654	\$ 208,387,720	\$ 226,568,553	\$ 120,499,749	\$ 87,177,469
Cost of Goods Sold	248,440,405	23,660,167	75,821,700	78,978,190	41,514,170	28,466,178
Gross Profit	\$ 457,096,740	\$ 39,243,487	\$ 132,566,020	\$ 147,590,363	\$ 78,985,579	\$ 58,711,291
Selling, General and Administrative Expense	446,430,627	42,741,179	134,104,085	134,781,095	76,526,476	58,277,792
Loss from Operations	\$ 10,666,113	\$ (3,497,692)	\$ (1,538,065)	\$ 12,809,268	\$ 2,459,103	\$ 433,499
Other Income (Expense)	3,174,874	(557,413)	190,234	912,734	1,606,916	1,022,403
Net Income (Loss)	\$ 13,840,987	\$ (4,055,105)	\$ (1,347,831)	\$ 13,722,002	\$ 4,066,019	\$ 1,455,902

As shown above, the total worldwide net sales from 2011 through June 2015 was approximately \$705.5 million. After 2013, the worldwide operations incurred net losses of \$1.3 million in 2014, and \$4.1 million for the six-month period ended June 30, 2015.

The most significant market for the Corporate Defendants is the United States. The Temporary Receiver reviewed and analyzed the data for sales in the United States from January 2013 through August 2015. Under Exhibit 9 are the monthly US sales from January 2013 to August 2015 and related analysis.

As shown below, approximately 86% in product sales was sold to Affiliates and only 14% was sold to customers between January 2013 and August 2015. During the same period, the Corporate Defendants had between 179,000 and 264,000 in active Affiliates and customers in the United States.

Period	Affiliate			Customer			Total	
	Number of Orders	US Sales		Number of Orders	US Sales		Number of Orders	US Sales
2013	792,288	\$114,164,729	95.1%	62,861	\$ 5,852,678	4.9%	855,149	\$120,017,407
2014	541,279	\$ 69,382,622	77.1%	235,861	\$20,630,446	22.9%	777,140	\$ 90,013,068
2015	206,013	\$ 24,928,527	78.2%	71,986	\$ 6,953,142	21.8%	277,999	\$ 31,881,669
TOTAL	1,539,580	\$208,475,878	86.2%	370,708	\$33,436,266	13.8%	1,910,288	\$241,912,144

Period	Affiliate		Customer		TOTAL	
	US Sales	Active Affiliates	US Sales	Active Customers	US Sales	Active Affiliates/ Customers
2013	\$ 114,164,729	180,907	\$ 5,852,678	53,330	\$ 120,017,407	234,237
2014	\$ 69,382,622	145,348	\$ 20,630,446	118,219	\$ 90,013,068	263,567
2015	\$ 24,928,527	93,707	\$ 6,953,142	85,795	\$ 31,881,669	179,502
Total	\$ 208,475,878		\$ 33,436,266		\$ 241,912,144	

Commissions

The Temporary Receiver obtained and analyzed the data for commissions paid to the Affiliates from January 2013 through August 2015. The analysis shows that the majority of the active Affiliates received no commissions during this time period.

<u>Year</u>	<u>Active Affiliates</u>	<u>Number of Affiliates with Commissions</u>		<u>Active Affiliates with no Commissions</u>	
2013	180,907	64,812	35.8%	116,095	64.2%
2014	145,348	42,323	29.1%	103,025	70.9%
2015	93,707	12,446	13.3%	81,261	86.7%

For the affiliates who received commissions, more than 73% did not earn enough to recoup their investment in the Vemma programs.

<u>Year</u>	<u>Affiliates Who Received Commissions</u>	<u>Number of Affiliates with Negative Earnings</u>	
2013	64,812	49,150	75.8%
2014	42,323	31,003	73.3%
2015	12,446	9,172	73.7%

Note: Negative earnings represent the affiliates who paid more for purchases than they earned in commissions.

In addition, the table below shows more than 94% of the active Affiliates received less than \$500 per year between 2013 and 2015.

Year	Active Affiliates	Commissions Earned Less Than \$500	
2013	180,907	170,845	94.4%
2014	145,348	138,961	95.6%
2015	93,707	91,827	98.0%

The Temporary Receiver further stratified the data and analyzed the structure of the commissions paid. Under Exhibit 10, the stratification analysis shows a significant concentration of the commissions paid to the top Affiliate levels and the vast majority of Affiliates earned very little. More than 95% of the Affiliates received less than \$500 per year in commissions from 2013 to 2015, which represents less than 8% of the total commissions paid.

As shown in Exhibit 10, only 640 Affiliates or less than 0.4% of the Affiliates received more than \$10,450 per year in commissions from 2013 to 2015, which represents more than 65% of the total commissions paid. Additionally, less than 60 of those Affiliates, or less than .03% received more than \$100,000 in commissions per year during the same period.

Compared to the Corporate Defendants' disclosure statements as previously described, the commission data obtained and analyzed by the Temporary Receiver reflects markedly different results than those set forth in the disclosure statements.

Commissions Earned	Per 2013 disclosure statement		Per stratification analysis		
	Number of Affiliates	%	Number of Affiliates	Active Affiliates	%
Less than \$6,200	98,115	93.22%	179,906	180,907	99.45%
More than \$100,000	421	0.40%	58	180,907	0.03%

Commissions Earned	Per 2014 disclosure statement (Note)		Per stratification analysis		
	Number of Affiliates	%	Number of Affiliates	Active Affiliates	%
Less than \$6,000	135,166	93.52%	144,532	145,348	99.44%
More than \$100,000	567	0.39%	47	145,348	0.03%

Note: The 2014 disclosure statement did not indicate the number of Affiliates, therefore, the number of the Affiliates for 2014 is calculated on the percentage indicated in the 2014 disclosure statement and the number of 2014 active Affiliates in the data the Temporary Receiver obtained from company management.

Payments to Borekyo

Based on a review of the shareholder distributions on the books, approximately \$7.66 million was paid out to the shareholders from 2010 through 2015 as summarized below.

<u>Year</u>	<u>Boreyko</u>	<u>Shareholder 1</u>	<u>Shareholder 2</u>	<u>Total</u>
2010	1,378,869	124,325	61,211	1,564,405
2011	(293,890)	10,214	9,551	(274,125)
2012	425,199	44,516	(6,722)	462,994
2013	3,221,586	250,144	309,055	3,780,785
2014	978,641	505,919	661,667	2,146,226
2015	(19,900)	-	-	(19,900)
Total	<u>5,690,506</u>	<u>935,118</u>	<u>1,034,762</u>	<u>7,660,385</u>

Note: Shareholder 1 and 2 are the family members of Boreyko.

In addition, the Temporary Receiver obtained and reviewed the most current ADP payroll report, reflecting that Borekyo receives \$77,000 each payroll period (bi-weekly) for salaries and wages. According to the available ADP and W2 reports, the total wages received by Borekyo since 2010 was \$14 million.

In summary, Borekyo received more than \$19 million from the Corporate Defendants from 2010 through 2015.

Year	Wages Per ADP and W2 Reports	Shareholder Distribution Per Books	Total
2010	\$ 2,003,388	\$ 1,378,869	\$ 3,382,257
2011	2,000,317	(293,890)	1,706,427
2012	2,018,777	425,199	2,443,976
2013	4,013,074	3,221,586	7,234,660
2014	2,677,058	978,641	3,655,699
2015	1,309,000	(19,900)	\$ 1,289,100
Total	\$ 14,021,614	\$ 5,690,505	\$ 19,712,119

Other Financial Information

Based on a review of the books and records, the Temporary Receiver also discovered that one of the major vendors of the Corporate Defendants, Arizona Production & Packaging LLC (AP&P), was a related party to the Corporate Defendants. This company received and packed Vemma's products, and shipped the products to overseas subsidiaries and affiliates of the Corporate Defendants.

The public records show that the members of AP&P are the owners and executives of the Corporate Defendants, including Borekyo. (Exhibit 11)

Although the Temporary Receiver did not have access to AP&P's accounting books and records, the footnotes to the Corporate Defendants' consolidated financial reports from 2011 to 2013 disclosed the following financial information for AP&P.

	AP&P		
	2013	2012	2011
Revenue	\$ 36,311,309	\$ 23,677,266	\$ 13,997,667
Net Income	9,045,972	3,476,450	2,185,848
Total Assets	\$ 22,611,939	\$ 16,316,207	\$ 6,788,110
Liabilities	\$ 7,938,286	\$ 6,171,885	\$ 2,182,080
Equity	14,673,653	10,144,322	4,606,030
Total Liabilities and Equity	\$ 22,611,939	\$ 16,316,207	\$ 6,788,110

The check register reports downloaded directly from VAM show that Vemma Company paid approximately \$70.8 million to AP&P from January 1, 2011 through August 2015.

Period	Net Payments
January to August 2015	\$ 5,916,699
2014	16,486,050
2013	23,889,636
2012	14,176,219
2011	10,285,364
Total	\$ 70,753,967

Legal Affairs and Field Compliance

At first glance, it appears that the companies' legal affairs and field compliance departments are well staffed with qualified employees that are very active in policing the field for compliance issues and responding to complaints raised by government agencies and the Better Business Bureau (BBB). However, an in-depth review of business practices of the company, consumer complaints, marketing practices, marketing materials and disciplinary actions suggest that the company has not only failed to properly police the Affiliates, but has failed to comply with many of the anti-pyramid rules required of its own Affiliates.

The company has detailed Standard Operating Procedures for the compliance department which, if followed, could result in effective monitoring of the activities of the Affiliates to identify misconduct and take appropriate disciplinary action. The defendants' Affiliate Application (Terms and Conditions) appears to be well written and, on its face, prohibits many of the questionable activities alleged in the FTC complaint. However, it appears that the company has failed to comply with its own rules on numerous occasions as discussed below.

The Temporary Receiver interviewed the Vice President of Legal Affairs and the Manager of Field Compliance. Both had a high level of experience and seemed well qualified for their positions. They have a wide scope of responsibilities which include the review of all advertising, marketing materials, product labeling, trademarks, vendor contracts, revisions to the Affiliate agreement and compensation plans. They oversee the investigation and actions taken on all Affiliate disciplinary matters. They appeared to respond in a timely manner to complaints from the Arizona Attorney General and the local BBB. Legal Affairs retained the services of a full-time monitoring service (Momentum Factor) to search all social media for the purpose of identifying questionable posted material. Legal Affairs is able to help direct the inquiries by suggesting key words to flag for further review. Momentum Factor provides a detailed listing of any questionable material which is found, based on the search criteria agreed upon with the company. Legal staff reported that they were about six months into a one-year contract with this provider.

The company takes steps to monitor compliance with what is commonly referred to in the industry as the "70% Rule." Each month, the IT department prints a report that randomly selects 100 Affiliates that had purchased product and provides the list to the field compliance manager. Of the 100 randomly selected Affiliates, the company attempts to contact 15 Affiliates each month. Once 15 Affiliates have been reached, no further calls are made to confirm compliance with the 70% rule. The 15 Affiliates are asked to confirm that they are "consuming or retailing at least 70% of the products they purchased" in a given month. Field compliance then sends correspondence to the Affiliate confirming the conversation. The Temporary Receiver was not able to locate files indicating any disciplinary action had been taken by the company against an Affiliate for a violation of the 70% rule.

Monitoring for compliance with the 70% Rule is approximately five months behind. The Manager of Field Compliance reported that her office was currently working on the March 2015 compliance report. The company has experienced a significant workforce reduction. Of a total of 212 cubicles located in the corporate office, 121 or 57% are located in a portion of the building that is currently vacant and not in use. The Temporary Receiver was advised that at one point all work stations were filled with employees. It is not clear what impact this reduction in staff has had upon the company's ability to fully monitor compliance issues.

Marketing Practices

The company has a strong presence in most forms of social media. The Temporary Receiver estimates that there are thousands of videos on the internet that reference the company. A marketing campaign referred to as YPR was initiated by the company. The Temporary Receiver found several different references to YPR as Young Professional Revolution, Young People Revolution and Young People Rebellion. All seem to target college-age students and consumers.

The Temporary Receiver reviewed several dozen videos found on YouTube under the search, “Vemma Life Style.” Some of the videos appear to have been posted by various Affiliates, but some of the most troubling videos appear to have been posted by the company. Videos contained numerous pictures of attractive young men and women that show a very high energy level with fast-paced pictures and music. Videos depicted a wealthy lifestyle including expensive cars (BMW’s, Mercedes, Rolls Royces and Ferraris), private jets and boats, fine dining, furs and expensive jewelry. A very clear message was expressed in these videos that this type of wealth was available to the young consumer by becoming an Affiliate with Vemma.

Of the many videos viewed by the Temporary Receiver, one that was apparently produced by the company (“Vemma Films”) described the beginning of the “Vemma revolution – YPR.” The video discusses how students obligate themselves to huge student debt only to fail after getting a college degree. A 26-year old reportedly earning a million dollars a year described the difference between a college degree and the money that could be made through participation in Vemma. This video was also high-energy, fast-paced and featured expensive cars, jets and pictures of young people drinking Vemma. There was no income disclaimer at the end of the video.

Another video titled, “2014 YPR All Access Vemma Hawaii Ambassador Retreat” showed attractive young men and women in a tropical paradise in a luxury hotel in what appeared to be a non-stop party atmosphere. The Affiliates were pictured on a luxury yacht drinking Verve. Again, there was no income disclaimer even though the video depicted a very wealthy lifestyle.

The Temporary Receiver considers these types of lifestyle depictions as clear income claims requiring proper disclosures. Several of the videos did contain an income disclaimer. Most were not legible because of the size of type, placement on the video or pace of display.

Other examples of misleading income claims on the videos include but are not limited to:

- Mr. Boreyko shared a personal goal to “pay affiliates \$200,000,000 this year.”
- A lifestyle of your wildest dreams.
- Enjoy financial freedom.
- Fire your boss.
- I made more in one year with Vemma than I would make in ten years at my old job.
- A lot of people with six and seven figure incomes.
- You can write your own paycheck.
- Tom Alkazin stated in a film released by the “Vemma Network” that an Affiliate using the “Fast Start Bonus” program could make from \$500 to \$3,000 in the first four to eight weeks. Mr. Alkazin also discussed using the Cycle Bonus as a way to earn \$20,000 a week. There was no income disclaimer in this video.

Consumer Complaints

The Temporary Receiver reviewed numerous consumer complaints from a variety of sources. In response to a request from the Temporary Receiver for copies of consumer complaints, the Field Compliance Manager provided documents with a posted note that indicated the documents contained 38 total complaints. These consumer complaints covered a time period from March 2013 through May 2014. Complaints involved credit card fraud, refund requests and product return issues. Of the 38 complaints, 16 involved “GPS” or “42% GPS Related.” GPS will be discussed later in this report in more detail. The field compliance staff responded to each of the complaints in a timely manner. The Temporary Receiver also located a file at the company that contained 102 complaints filed with the Federal Trade Commission. The file was created in response to a Freedom of Information Act request (FOIA) initiated by a representative of Truth in Advertising, Inc.

The complaints filed with the FTC include claims that the company is an illegal pyramid scheme, claims that the company targets college students, problems obtaining product refunds, and another set of complaints again referencing “GPS.”

The following excerpts are from consumer complaints filed with the FTC and provided in response to the FOIA request:

- I was told that in order to make money, I had to recruit my friends in the same way that they were attempting to recruit me. They failed to mention that in order to be recruited, you must purchase approximately \$150 of their product. In order to make money in their business, your recruits must also purchase their product, from which you earn a commission. (Reference #48255113, dated 09/17/2013).

- I was told I'd be rich quick, I was told I could be my own boss. "Furthermore, I was almost *bullied* by those who have joined (calling me uneducated, ignorant, lazy etc.) (Emphasis added)." (Reference #48978956, dated 10/24/2013).
- The only possible way to make money is by recruiting new prospects into the chain. My recruiter stated that the "Verve" energy drinks were used for promotional purposes only and would not be sold, as the real income comes from the recruitment process. (Reference #48944885, dated 10/23/2013).
- From the parent of a college student. "He mentioned schools lack of importance, and that if I joined Vemma, in 3 to 5 years I could be earning 1.5 Million Dollars per year." (Reference #49933861, dated 12/07/2013).
- From the father of a 19 year-old that had recently joined Vemma. Since becoming involved with Vemma, he is no longer interested in college or music, and tells me Vemma is his only career plan. But it is as though he has been brain washed. He is buying product as required at about \$168 per month and has purchased a starter kit for \$500. (Reference #49951790, dated 12/08/2013).
- I was approached by friends who I've known since middle school who wanted me to join Vemma. "After politely telling them no they proceeded to *belittle me*. Tell me that attending *college was a waste of time* and that I was 'doing nothing with your life. All members of Vemma proceeded to block me on social media sites." (emphasis added) (Reference #50122667, dated 12/16/2013).
- I invested \$3100 to earn a total of \$14 in a 75 day business attempt. I am angry, sad and disappointed that a business like Vemma/GPS can exist. (Reference #50437624, dated 12/26/2013).
- From a father with a son in college that joined Vemma. When I suggested stopping the monthly shipments until he sells what he has, he says he can't do that because then he wouldn't be able to recruit others. (Reference #50448304, dated 12/29/2013).
- It was explained to me that in order to get into the company I would have to first invest five hundred dollars of my own money, at which point the primary method for me to make money would be to recruit others who would also be paying this five hundred dollars. On top of that it was made clear to me that a residual monthly expense of 160 dollars worth of product would be billed to me, assuring that my residual income would be secured if this was paid. (Reference #51254379, dated 02/08/2014).

- With a little research it becomes evident that this is a typical pyramid scheme, convincing people to buy inventory and then recruit others to sell beneath them. In this way, the top of the line is making much more money simply by recruiting more people to buy the required inventory than actually by selling the product. The second problem that I see are the false health claims made by the representatives of the company to improve immune function, cure high cholesterol and relieve inflammation and pain. They are attracting people with promises of six-figure earning and a Mercedes as a bonus. (Reference #51750548, dated 02/26/2014).
- From the uncle of a Vemma Affiliate that attempted to recruit his son into the company. The company targets high school and college kids, luring them in with visions of lots of cash (up to \$100k/month!), a life of residual income, retiring their parents, driving fancy cars, and travelling the world. I have watched several of the Vemma reps' presentations and there is very little mention of retail product sales but heavy emphasis on recruitment. (Reference #52353191, dated 03/24/2014).

GPS (Global Pro Systems) and Anthony Powell

The Temporary Receiver has made reference to GPS several times in this report. The Temporary Receiver located a document at the premises that stated GPS is operated by Anthony Powell. In a letter to the Arizona Attorney General dated August 29, 2013 wherein the Field Compliance Manager attempted to distance themselves from GPS by stating that, "Global Pro Systems is not owned or operated by Vemma Nutrition Company or BK Boreyko." Similar statements were made by the company in all of the responses sent to the Arizona Attorney General and the Arizona BBB regarding complaints that also involved GPS. While these statements on their face are true and may not be a misrepresentation, they are not completely forthcoming. In an email communication from the field compliance manager to the BBB, the company stated, "Unfortunately, since Global Pro Systems (GPS) is not owned or operated by Vemma Nutrition Company or BK Boreyko, *we do not have any control over their marketing tactics* (emphasis added)." The Temporary Receiver has determined that Anthony Powell is in fact a Star Ambassador with Vemma. Assuming Mr. Powell had to sign an Affiliate Agreement like every other Affiliate, he and his business practices would be subject to the same terms and conditions as any other Affiliate. The company made a material misrepresentation when they claimed that they had no control over GPS' marketing tactics.

The Temporary Receiver also viewed a video posted by the company showing the defendant, Boreyko personally welcoming Anthony Powell to Vemma. Anthony Powell claims that he made millions with Herbalife and decided to bring his team to Vemma. The video indicated that Mr. Powell was a Star Ambassador.

The Temporary Receiver is not aware of any disciplinary action taken against Mr. Powell or any of the other Affiliates associated with GPS. This would indicate that the most successful Affiliates are not subject to the same level of scrutiny as the less successful Affiliates.

Other Matters

Assets of the Receivership Defendants

The Temporary Receiver repatriated \$98,859.84 from the company's Australian bank accounts. In addition, there was cash on the premises totaling \$5,285. On September 4, 2015 the Temporary Receiver received a Cashier's Check for \$633,913.57 from BMO Harris Bank. The total of these liquid assets is \$738,058.41.

In addition to the liquid assets there are credit reserve accounts at two processing companies totaling \$1,110,637.80. These amounts may be subject to chargebacks and, therefore, the ultimate amount available to the receivership estate cannot be estimated.

Liabilities of the Receivership Defendants

The Temporary Receiver obtained an accounts payable report dated August 25, 2015 from the accounting department. Total accounts payable as of that date were \$4,141,560.78. The accounts payable report does not include payroll and payroll related expenses. Payroll and payroll related expenses through August 30, 2015 totaled approximately \$182,000. Liability insurance and employee medical insurance for September 2015 total approximately \$94,000. The Temporary Receiver previously paid liability insurance of about \$67,000 from the liquid assets.

There is a loan from Wells Fargo Bank with an outstanding balance of \$42,145.88. In addition, there is a loan due to Wells Fargo Equipment Finance in the amount of \$1,052,297.54. Under Exhibit 12 is a letter from Wells Fargo Equipment Finance that states in part "WFEF has a second priority lien subordinate only to the senior lien of Wells Fargo Bank, N.A. on all or substantially all of the assets of the Corporate Defendants."

Steps the Temporary Receiver Intends to Take in the Future

The Temporary Receiver intends to evaluate what claims, if any, may exist against highly compensated Affiliates.

Respectfully Submitted,

/s/

Robb Evans & Robb Evans & Associates LLC
Temporary Receiver

EXHIBIT 1

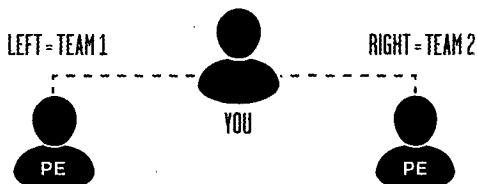
AT A GLANCE : 60 DAYS TO GOLD

1ST DAY — JOIN VEMMA®



JOIN WITH AN AFFILIATE STARTER PACK AND SET UP **YOUR** 120 QV MONTHLY AUTO-DELIVERY. (YOUR AUTO-DELIVERY WILL SHIP THE FOLLOWING MONTH.)

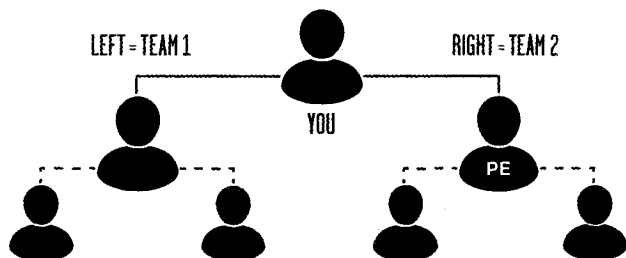
1ST WEEK — GET TWO & GO BRONZE



BONUS NAME	QTY	AMOUNT(\$)	TOTAL(\$)
FAST START BONUS	2	\$75	\$150
FRENZY BONUS	1	\$150	\$150
CYCLE BONUS [†]	1	\$20	\$20
1ST WEEK TOTAL			\$320*

PLUS ANY FAST START BONUSES FROM NEW CUSTOMERS!

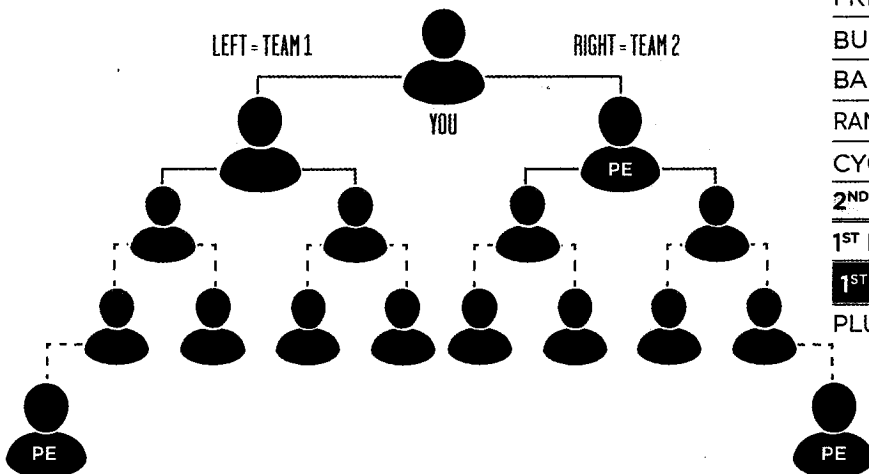
1ST RAP — HELP TWO GO BRONZE & YOU GO SILVER



BONUS NAME	QTY	AMOUNT(\$)	TOTAL(\$)
BUILDER BONUS	2	\$25	\$50
BALANCED TEAM-SILVER 1		\$200	\$200
CYCLE BONUS [†]	4	\$20	\$80
SUBSEQUENT WEEK IN 1ST RAP TOTAL			\$330
1ST WEEK TOTAL			\$320
1ST RAP GRAND TOTAL			\$650*

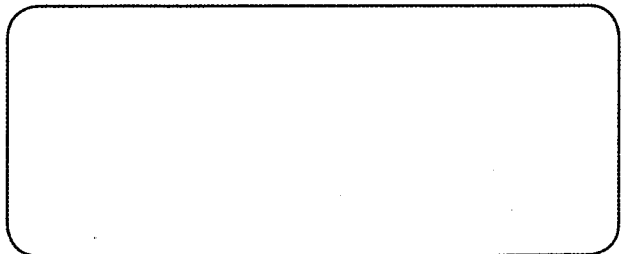
PLUS ANY FAST START BONUSES FROM NEW CUSTOMERS!

2ND RAP — TEACH TWO TO GO SILVER, GET TWO MORE & GO GOLD



BONUS NAME	QTY	AMOUNT(\$)	TOTAL(\$)
FAST START BONUS	2	\$75	\$150
FRENZY BONUS	1	\$150	\$150
BUILDER BONUS	2	\$50	\$100
BALANCED TEAM-GOLD 1		\$300	\$300
RANK ADVANCEMENT-SILVER 1		\$100	\$100
CYCLE BONUS [†]	10	\$20	\$200
2ND RAP TOTAL			\$1,000
1ST RAP TOTAL			\$650
1ST 60-DAYS GRAND TOTAL			\$1,650*

PLUS ANY FAST START BONUSES FROM NEW CUSTOMERS!



*See Vemma.com for complete Vemma Compensation Plan details. Your success is dependent on your efforts and leadership abilities. The company has generally expected results which can be obtained by visiting the Opportunity section of Vemma.com.

†The Cycle Bonus may fluctuate week to week.

EXHIBIT 2

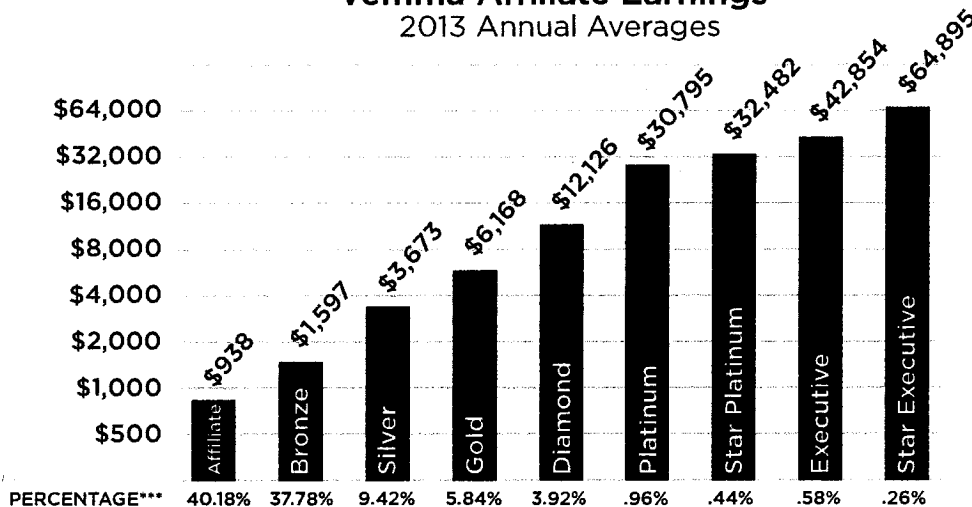
VEMMA[®] Nutrition Company

2013 U.S. Disclosure Statement

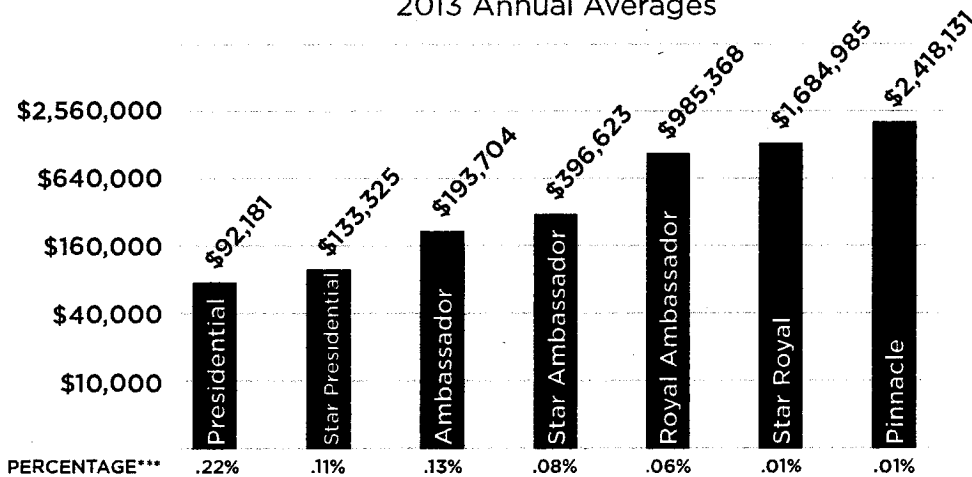
Vemma prides itself on quality, innovative products that provide our customers real health results. In 2013, 246,388 active customers enjoyed the brands that make up the Vemma family of wellness products, and we are thankful for each and every one of them. These customers are the reason we exist. Their families' wellness needs are what drives us to formulate and manufacture the finest, most complete nutritional solutions available anywhere. Brands made in America, keeping hundreds of jobs in the USA.

The Vemma flagship brand, along with Verve and Bod•ē brands are promoted through a positive, very social network of Affiliates that have fallen in love with these products and want to share them with the people they care about. These active** Affiliates totaling 105,251 in 2013, are utilizing a business model very similar to the Amazon.com affiliate program, and have the opportunity to earn free product for their customer referrals and customer and Affiliate bonuses for promoting the brands and opportunity.

Vemma Affiliate Earnings* 2013 Annual Averages



Vemma Elite Earnings* 2013 Annual Averages



Vemma Nutrition 2013 Customer vs. Affiliate Profile

Customers (70%) 246,388

Affiliates (30%) 105,251

* The figures stated above are not a guarantee nor are they a projection of a typical Affiliate's earnings or profits. Like any other independent business, the achievement or failure of an Affiliate depends upon his or her skill set, commitment and desire to succeed. At Vemma, the opportunity to earn more is always available to each and every Affiliate. For more information on Vemma's Compensation Plan, please go to <http://www.vemma.com/backoffice/pdf/compensationPlan.pdf>

** Active, means an Affiliate has a minimum of 60 reward points every month. Platinum and above Affiliates are considered active if they have 120 reward points every month.

***Percent of average earned per 4 week period

EXHIBIT 3

Allison J. Tengan

From: Doug Peterson
Sent: Thursday, February 06, 2014 1:20 PM
To: Allison J. Tengan
Cc: Kevin Murphy
Subject: RE: 2013 income disclosure.
Attachments: Vemma 2013 Annual Income Stats.xlsx; Affiliate and Customer Counts 20140203.xlsx; Vemma 2013 Affiliate Annual Income Stats.xlsx

Hi, 2:30 it is!

I have attached the following reports:

Vemma 2013 Annual Income Stats - This is the same report that we have used in past years except that I removed the column "Avg. Total Earners per 4wk" that was causing confusion. So now that value is only found as the Grand Total of the "Avg Earners Paid Per 4wk" column.

Vemma 2013 Affiliate Annual Income Stats - This is in the same format as the other report but I added two more data fields to the report. One field identifies whether the account joined in 2013 or prior to 2013 (as BK had requested). The other field classifies the accounts as "Affiliate" or "Customer" based on the new definition of a customer = a BP that did not enroll anyone. The report shows the scenarios of accounts classified as "Affiliates" with the first tab showing the earnings for those who joined Vemma "pre 2013" and the second tab showing the earnings for those who joined Vemma in 2013. Each tab shows Global, USA only and CA only earnings for Affiliates.

Affiliate and Customer Counts 20140203 - This provides a breakdown of the counts per market based on the current account statuses but grouped into the new "Affiliate" or "Customer" classification. Noteworthy is that based on the new definition of Affiliates, only 105,028 of the 254,459 current status M accounts would be classified as Affiliates.

Doug Peterson Applications Operator Supervisor
doug.peterson@vemmma.com

-----Original Message-----

From: Allison J. Tengan
Sent: Thursday, February 06, 2014 12:33 PM
To: Doug Peterson
Subject: RE: 2013 income disclosure.

Doug, I'm trying to get a hold of Kevin to see if he can get on a call. I left a voicemail message for him. In the interim, can you forward the revised reports prior to our call?

-----Original Message-----

From: Doug Peterson
Sent: Thursday, February 06, 2014 11:57 AM
To: Allison J. Tengan; Kevin Murphy
Subject: RE: 2013 income disclosure.

So sometime around 2:15 work for both of you? Allison we can call from your office.

Doug Peterson Applications Operator Supervisor doug.peterson@vemmma.com

Thx

Kevin

-----Original Message-----

From: Allison J. Tengan
Sent: Wednesday, January 22, 2014 1:49 PM
To: Jeff Brademeyer; BK Boreyko; Peter Reilly; Chris Reid; Brad Wayment; Kevin Murphy; Mark Patterson
Subject: RE: 2013 income disclosure.

I have requested the report from IT.

-----Original Message-----

From: Jeff Brademeyer
Sent: Wednesday, January 22, 2014 1:48 PM
To: BK Boreyko; Peter Reilly; Chris Reid; Allison J. Tengan; Brad Wayment; Kevin Murphy; Mark Patterson
Subject: RE: 2013 income disclosure.

Brad -- will you be looking to have someone in IT pull these figures or do you need any of this to come from me? Let me know what assistance you need from Accounting on this.

Jeff Brademeyer
Vice President - Finance

Vemma Nutrition Company
P: 480.927.8809
F: 480.927.8988
8322 East Hartford Drive
Scottsdale, AZ 85255

-----Original Message-----

From: BK Boreyko
Sent: Wednesday, January 22, 2014 10:00 AM
To: Peter Reilly; Chris Reid; Allison J. Tengan; Brad Wayment; Jeff Brademeyer; Kevin Murphy; Mark Patterson
Subject: 2013 income disclosure.

Team,

Now that we've begun the transition to affiliate marketing, lets start working on last years disclosure using our new terms and definitions.

Here's what I'd like to see for 2013 totals:

Total customer count disclosed based on our new definitions. (BPs that didn't enroll anyone would be converted to the new customer term)

Affiliates income disclosed by rank in two categories. 12 months or newer with the company. Second group 1 yr + with the company.

I think this would give a better snap shot of actual earnings.

Any idea when we can get this out?

Stay strong, stay positive!

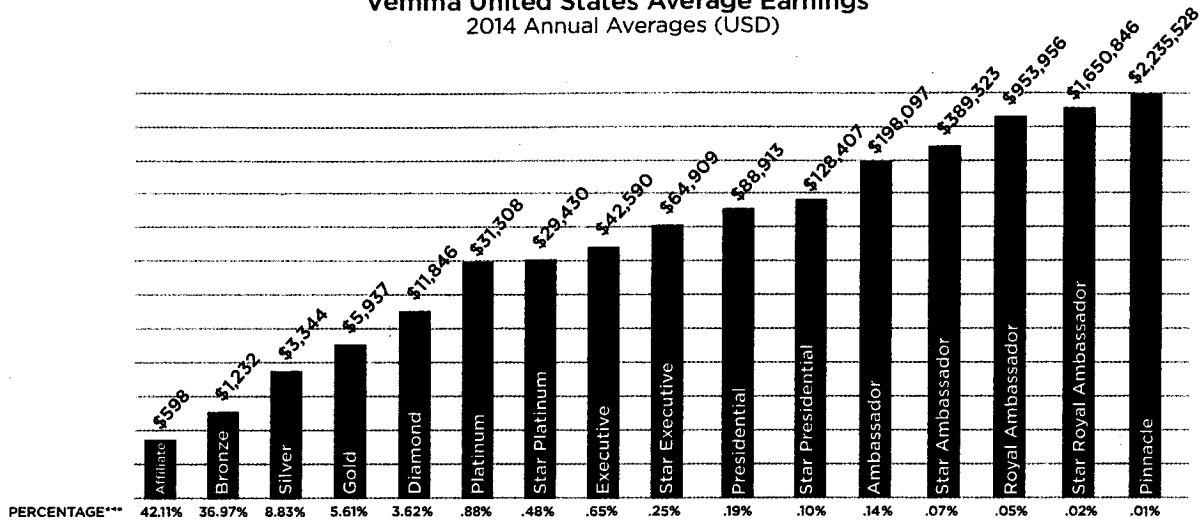
BK

EXHIBIT 4

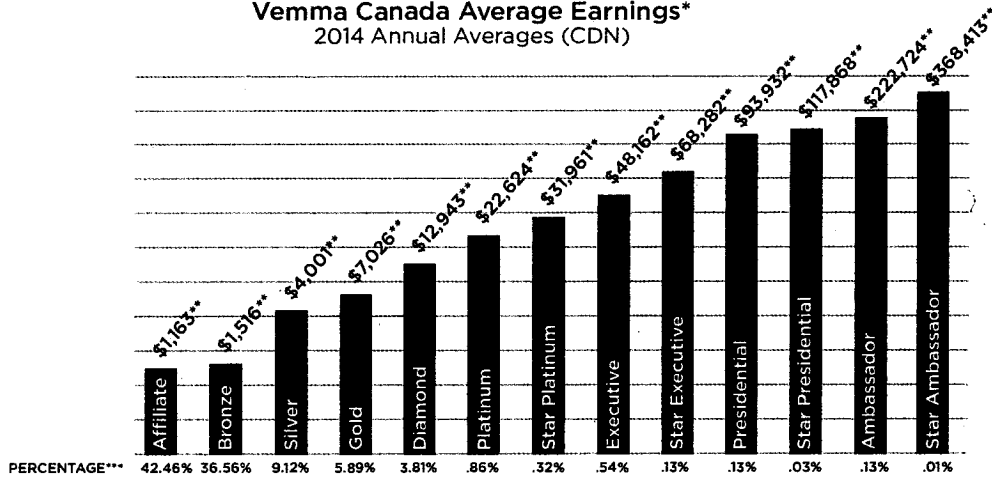
VEMMA Nutrition Company

2014 Disclosure Statement

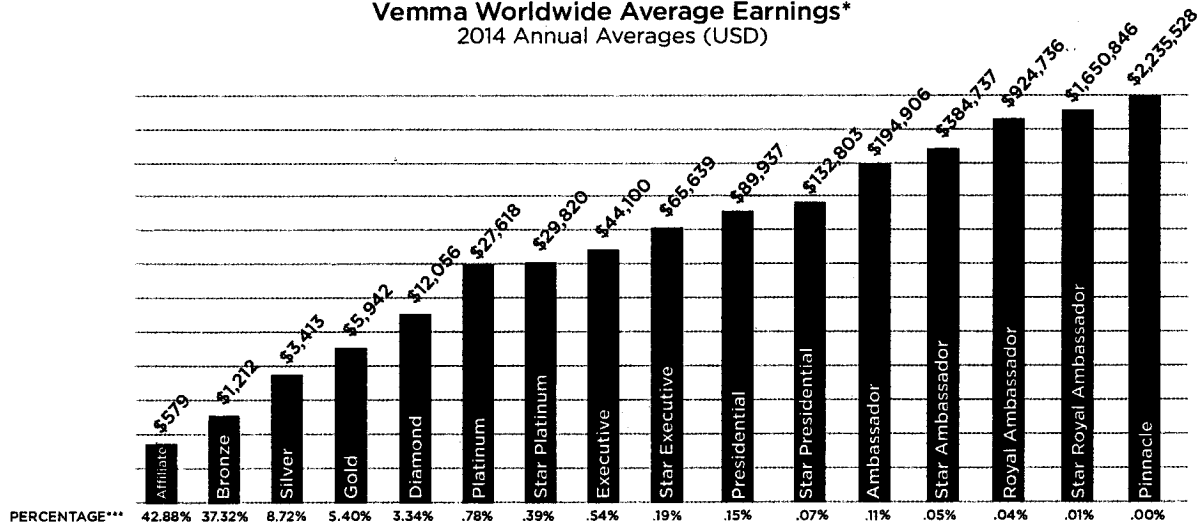
Vemma United States Average Earnings*
2014 Annual Averages (USD)



Vemma Canada Average Earnings*
2014 Annual Averages (CDN)



Vemma Worldwide Average Earnings*
2014 Annual Averages (USD)



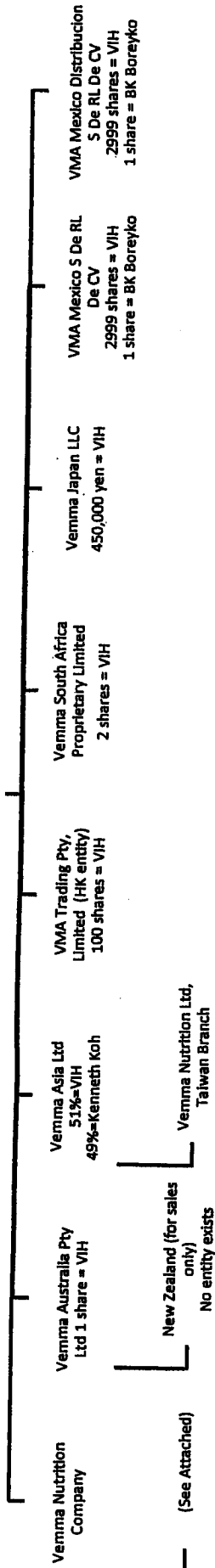
*The figures stated above are in USD and are not a guarantee nor are they a projection of a typical Affiliate's earnings or profits. Like any other independent business, the achievement or failure of an Affiliate depends upon his or her skill set, commitment and desire to succeed. At Vemma, the opportunity to earn more is always available to each and every Affiliate. For more information on Vemma's Compensation Plan, please visit the Opportunity Section of vemma.com.

**The typical participant earned approximately \$0-\$1,516 (CDN) based on an average currency conversion rate in 2014. A participant for the purpose of this estimate, includes all participants who make a sale of Vemma products within the one year period. This "typical" figure is representative of the smallest range of compensation expected to be earned by over 50% of all participants in the plan.

***Percent of average earners per 4 week period.

EXHIBIT 5

Vemma International Holdings, Inc. ("VIH")



Vemma Nutrition Company
("VNC")

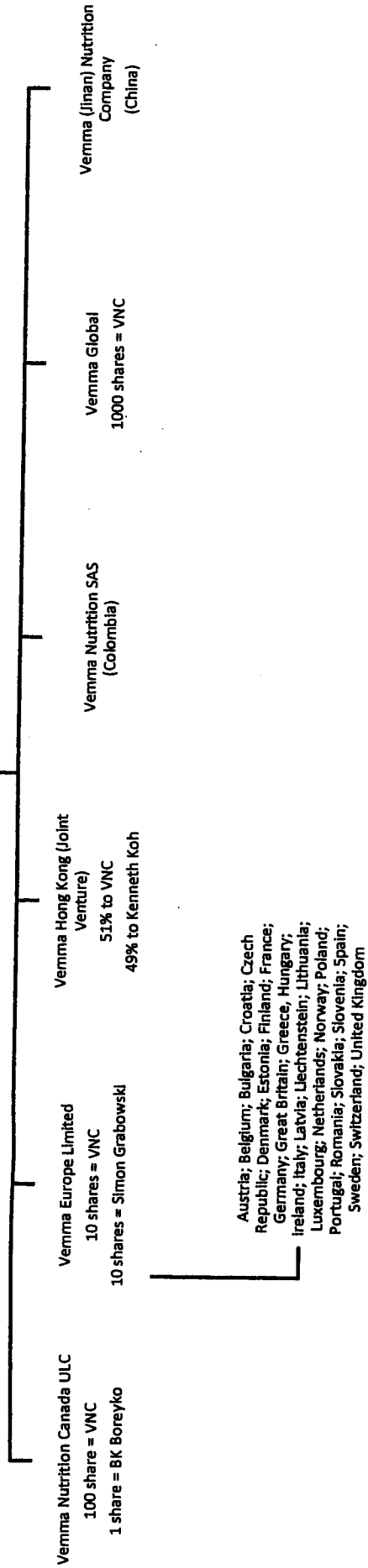


EXHIBIT 6

Vemma International Holdings, Inc. and Subsidiaries**Consolidated Statement of Income
Thru Month Ending June 30, 2015**

Sales, net	\$ 42,697,204
Cost of goods sold	<u>17,247,093</u>
Gross profit	<u>25,450,112</u>
General and administrative expenses:	
Commissions	12,755,113
Employee Expenses	6,238,321
General and administrative	<u>7,754,385</u>
	<u>26,747,819</u>
Income from Operations	<u>(1,297,706)</u>
Other income (expense):	
Other income, net	(34,570)
Interest income	0
Interest expense	(75,868)
Local intercompany mark-up	3,176
Gain on investment in joint venture	<u>(457,340)</u>
	<u>(564,602)</u>
Net Income	<u>\$ (1,862,307)</u>
Less: Net income attributable to the non-controlling interest in affiliates	<u>9,956</u>
Net Income (loss) attributable to Vemma International Holdings, Inc. and Subsidiaries and Affiliates	<u><u>\$ (1,872,264)</u></u>

Vemma International Holdings, Inc. and Subsidiaries**Consolidated Balance Sheet
June 30, 2015****ASSETS**

CURRENT ASSETS	
Cash and cash equivalents	\$ 3,244,435
Restricted Cash	\$ -
Accounts receivable, net	6,420,120
Inventories	7,252,380
Prepaid expenses and other current assets	859,956
Current portion of notes receivable	24,679
Total current assets	<u>17,801,569</u>
 INVESTMENTS	 922,010
 EQUIPMENT, net	 3,483,201
 NOTES RECEIVABLE, net	
 OTHER ASSETS	 297,672
Total Assets	<u><u>\$ 22,504,453</u></u>

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES	
Line of credit	\$ -
Current portion of notes payable	413,400
Accounts payable	8,550,363
Accrued expenses	3,899,352
Total current liabilities	<u>12,863,114</u>
 NOTES PAYABLE	 1,077,962
Total liabilities	<u><u>13,941,075</u></u>
 COMMITMENTS AND CONTINGENCIES	
 STOCKHOLDERS' EQUITY	
Common stock, Class A - voting, no par value, 84,000,000 shares authorized; 27,444,582 shares issue and _____ shares outstanding	17,568,088
Treasury stock, Class A - voting (_____ shares at cost)	(3,405,000)
Accumulated deficit	(5,599,711)
Shareholder notes receivable	8,563,377
Total liabilities and stockholders' equity	<u><u>\$ 22,504,453</u></u>

EXHIBIT 7

Vemma International Holdings, Inc. and Subsidiaries

Consolidated Financial Report
(Reviewed)
12.31.2011

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Independent Accountant's Review Report

To the Board of Directors
Vemma International Holdings, Inc.
and Subsidiaries
Scottsdale, Arizona

We have reviewed the accompanying consolidated balance sheet of Vemma International Holdings, Inc. and Subsidiaries (the Company) as of December 31, 2011, and the related consolidated statements of income, stockholders' equity, and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the consolidated financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, with the exception of the matter described in the following paragraph, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

As explained in Note 13 to the consolidated financial statements, the Company's management has declined to consolidate the financial statements of 8322 Hartford Drive Associates, LLC; Boreyko Properties, LLC; and Arizona Production & Packing, LLC, variable interest entities of which the Company is the primary beneficiary, with its consolidated financial statements as of and for the year ended December 31, 2011. The omission of that information is not in accordance with accounting principles generally accepted in the United States of America.

McGladrey LLP

Phoenix, Arizona
August 8, 2012

Vemma International Holdings, Inc. and Subsidiaries

Consolidated Balance Sheet

December 31, 2011

See Accountant's Review Report

ASSETS (Note 5)

CURRENT ASSETS

Cash and cash equivalents	\$ 568,068
Accounts receivable, net	1,858,329
Inventories	3,547,364
Prepaid expenses and other current assets	533,047
Total current assets	6,506,808

INVESTMENTS (Note 2)

788,458

EQUIPMENT, net (Note 3)

452,133

NOTES RECEIVABLE, net (Note 4)

1,235,119

OTHER ASSETS

298,880

Total assets**\$ 9,281,398****LIABILITIES AND STOCKHOLDERS' EQUITY**

CURRENT LIABILITIES

Line of credit (Note 5)	\$ 500,000
Current portion of notes payable (Note 6)	21,749
Accounts payable	2,558,235
Accrued expenses	2,758,179
Total current liabilities	5,838,163

NOTES PAYABLE (Note 6)

12,375

Total liabilities**5,850,538**

COMMITMENTS AND CONTINGENCIES (Notes 8, 9, 10, and 11)

STOCKHOLDERS' EQUITY

Common stock, Class A - voting, no par value, 84,000,000 shares authorized; 27,444,582 shares issued and _____ shares outstanding	17,564,288
Treasury stock, Class A - voting (____ shares at cost)	(3,405,000)
Accumulated deficit	(8,643,891)
Stockholder notes receivable (Note 9)	(2,084,537)
	3,430,860
Total liabilities and stockholders' equity	\$ 9,281,398

See Notes to Consolidated Financial Statements.

Vemma International Holdings, Inc. and Subsidiaries**Consolidated Statement of Income****Year Ended December 31, 2011****See Accountant's Review Report**

Sales, net	\$ 62,543,622
Cost of goods sold	<u>22,440,645</u>
Gross profit	<u>40,102,977</u>
General and administrative expenses:	
Commissions	21,575,206
Salaries and wages	9,028,976
General and administrative	<u>11,085,691</u>
	<u>41,689,873</u>
Loss from operations	<u>(1,586,896)</u>
Other income (expense):	
Other income, net	294,698
Interest income	18,297
Interest expense	(27,292)
Gain on investment in joint venture	<u>278,443</u>
	<u>564,146</u>
Net loss	<u>\$ (1,022,750)</u>

See Notes to Consolidated Financial Statements.

Vemma International Holdings, Inc. and Subsidiaries

Consolidated Statement of Stockholders' Equity

Year Ended December 31, 2011

See Accountant's Review Report

	Class A					Total Stockholders' Equity
	Shares of Common Stock	Common Stock	Treasury Stock	Accumulated Deficit	Stockholder Notes Receivable	
Balance at December 31, 2010	27,444,582	\$ 17,564,288	\$ (3,405,000)	\$ (6,478,899)	\$ (2,797,516)	\$ 4,882,873
Advances to stockholder	-	-	-	-	(2,059,388)	(2,059,388)
Repayments from stockholder	-	-	-	-	1,895,125	1,895,125
Dividends	-	-	-	(1,142,242)	877,242	(265,000)
Net loss	-	-	-	(1,022,750)	-	(1,022,750)
Balance at December 31, 2011	27,444,582	\$ 17,564,288	\$ (3,405,000)	\$ (8,643,891)	\$ (2,084,537)	\$ 3,430,860

See Notes to Consolidated Financial Statements.

Vemma International Holdings, Inc. and Subsidiaries**Consolidated Statement of Cash Flows**

Year Ended December 31, 2011

See Accountant's Review Report

CASH FLOWS FROM OPERATING ACTIVITIES

Net loss	\$ (1,022,750)
Adjustments to reconcile net loss to net cash and cash equivalents provided by operating activities:	
Depreciation and amortization	274,296
Bad debt expense	148,643
Gain on investment in joint venture	(278,443)
Changes in working capital components:	
Accounts receivable	(117,780)
Inventories	82,333
Prepaid expenses and other current assets	199,053
Accounts payable	703,162
Accrued expenses	482,582
Net cash provided by operating activities	<u>471,096</u>

CASH FLOWS USED IN INVESTING ACTIVITIES

Purchase of equipment	(227,735)
Purchase of investments	(275,015)
Repayments of notes receivable	184,453
Advances of notes receivable	(838,717)
Net cash used in investing activities	<u>(1,157,014)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Repayment of stockholder notes receivable	1,895,125
Advances of stockholder notes receivable	(2,059,388)
Dividends	(265,000)
Repayments on notes payable	(50,509)
Net cash used in financing activities	<u>(479,772)</u>

Net decrease in cash and cash equivalents	(1,165,690)
Cash and cash equivalents, beginning of year	1,733,758
Cash and cash equivalents, end of year	<u>\$ 568,068</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash payments for interest	<u>\$ 27,292</u>
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SUPPLEMENTAL SCHEDULE OF NONCASH FINANCING ACTIVITIES

Write-off stockholder notes receivable	<u>\$ 877,242</u>
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See Notes to Consolidated Financial Statements.

Vemma International Holdings, Inc. and Subsidiaries and Affiliates

Consolidated Financial Report
(Reviewed)
12.31.2012

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McGladrey LLP



Independent Accountant's Review Report

To the Board of Directors
Vemma International Holdings, Inc.
and Subsidiaries and Affiliates
Scottsdale, Arizona

We have reviewed the accompanying consolidated balance sheets of Vemma International Holdings, Inc. and Subsidiaries and Affiliates (the Company) as of December 31, 2012 and 2011, and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the consolidated financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements.

Our responsibility is to conduct the reviews in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the consolidated financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our reviews, with the exception of the matter described in the following paragraph, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

As explained in Note 12 to the consolidated financial statements, the Company's management has declined to consolidate the financial statements of 8322 Hartford Drive Associates, LLC, Boreyko Properties, LLC, and Arizona Production & Packing, LLC, variable interest entities of which the Company is the primary beneficiary, with its consolidated financial statements as of and for the years ended December 31, 2012 and 2011. The omission of that information is not in accordance with accounting principles generally accepted in the United States of America.

McGladrey LLP

Phoenix, Arizona
July 19, 2013

Vemma International Holdings, Inc. and Subsidiaries and Affiliates

Consolidated Balance Sheets

December 31, 2012 and 2011

See Independent Accountant's Review Report

ASSETS (Note 5)	2012	2011
CURRENT ASSETS		
Cash	\$ 1,483,305	\$ 568,068
Accounts receivable, net of allowance for doubtful accounts of approximately \$227,000 for 2012 and \$76,000 for 2011	2,596,720	1,858,329
Inventories, net	6,221,900	3,547,364
Prepaid expenses and other current assets	1,235,261	533,047
Notes receivable, net (Note 4)	220,141	-
Total current assets	11,757,327	6,506,808
INVESTMENTS (Note 2)	965,758	788,458
EQUIPMENT, net (Note 3)	681,543	452,133
NOTES RECEIVABLE, net (Note 4)	167,692	1,235,119
OTHER ASSETS	70,188	298,880
Total assets	\$ 13,642,508	\$ 9,281,398
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Line of credit (Note 5)	\$ 498,900	\$ 500,000
Current portion of notes payable (Note 6)	4,619	21,749
Accounts payable	3,433,805	2,558,235
Accrued expenses	3,501,358	2,758,179
Total current liabilities	7,438,682	5,838,163
NOTES PAYABLE, net of current portion (Note 6)	20,777	12,375
Total liabilities	7,459,459	5,850,538
COMMITMENTS AND CONTINGENCIES (Notes 8, 9, 10, and 11)		
STOCKHOLDERS' EQUITY		
Common stock, Class A - voting, no par value, 84,000,000 shares authorized; 27,444,582 shares issued and outstanding	17,564,288	17,564,288
Treasury stock, Class A - voting (12,238,800 shares at cost)	(3,405,000)	(3,405,000)
Accumulated deficit	(6,600,748)	(8,643,891)
Stockholder notes receivable (Notes 4 and 8)	(2,379,209)	(2,084,537)
Non-controlling interest in affiliates	1,003,718	-
Total liabilities and stockholders' equity	\$ 13,642,508	\$ 9,281,398

See Notes to Consolidated Financial Statements.

Vemma International Holdings, Inc. and Subsidiaries and Affiliates
Consolidated Statements of Income
Years Ended December 31, 2012 and 2011
See Independent Accountant's Review Report

	2012	2011
Sales, net	\$ 90,629,371	\$ 62,543,622
Cost of goods sold	<u>34,008,223</u>	<u>22,440,645</u>
Gross profit	<u>56,621,148</u>	<u>40,102,977</u>
General and administrative expenses:		
Commissions	29,442,212	21,575,206
Salaries and wages	10,690,551	9,028,976
General and administrative	<u>15,350,128</u>	<u>11,085,691</u>
	<u>55,482,891</u>	<u>41,689,873</u>
Income (loss) from operations	<u>1,138,257</u>	<u>(1,586,896)</u>
Other income (expense):		
Other income, net (<i>Note 14</i>)	1,155,747	294,698
Interest income	782	18,297
Interest expense	<u>(35,786)</u>	<u>(27,292)</u>
Gain on investment (<i>Note 2</i>)	495,787	278,443
	<u>1,616,530</u>	<u>564,146</u>
Net income (loss)	<u>2,754,787</u>	<u>(1,022,750)</u>
Less: Net income attributable to the non-controlling interest in affiliates	<u>248,650</u>	<u>-</u>
Net income (loss) attributable to Vemma International Holdings, Inc. and Subsidiaries and Affiliates	<u>\$ 2,506,137</u>	<u>\$ (1,022,750)</u>

See Notes to Consolidated Financial Statements.

Vemma International Holdings, Inc. and Subsidiaries and Affiliates

Consolidated Statements of Stockholders' Equity
Years Ended December 31, 2012 and 2011
See Independent Accountant's Review Report

	Class A		Treasury Stock	Accumulated Deficit	Non-controlling Interest in Affiliates	Notes Receivable	Stockholder Receivable	Total Stockholders' Equity
	Shares of Common Stock	Common Stock						
Balance at December 31, 2010	27,444,582	\$ 17,564,288	\$ (3,405,000)	\$ (6,478,899)	\$ -	\$ (2,797,516)	\$ 4,882,873	
Advances to stockholders	-	-	-	-	-	(2,059,388)	(2,059,388)	
Repayments/write-off from stockholders	-	-	-	-	-	2,772,367	2,772,367	
Distributions	-	-	-	(1,142,242)	-	-	(1,142,242)	
Net loss	-	-	-	(1,022,750)	-	-	(1,022,750)	
Balance at December 31, 2011	27,444,582	17,564,288	(3,405,000)	(8,643,891)	-	(2,084,537)	3,430,860	
Advances to stockholders	-	-	-	-	-	(294,672)	(294,672)	
Consolidation of new entity	-	-	-	-	1,069,371	-	1,069,371	
Contributions	-	-	-	-	103,415	-	103,415	
Stockholder note receivable	-	-	-	-	(417,718)	-	(417,718)	
Distributions	-	-	-	(462,994)	-	-	(462,994)	
Net income	-	-	-	2,506,137	248,650	-	2,754,787	
Balance at December 31, 2012	27,444,582	\$ 17,564,288	\$ (3,405,000)	\$ (6,600,748)	\$ 1,003,718	\$ (2,379,209)	\$ 6,183,049	

See Notes to Consolidated Financial Statements.

Vemma International Holdings, Inc. and Subsidiaries and Affiliates

Consolidated Statements of Cash Flows
 Years Ended December 31, 2012 and 2011
 See Independent Accountant's Review Report

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 2,754,787	\$ (1,022,750)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	260,199	274,296
Loss on sale of equipment	190,186	-
Bad debt expense	9,104	148,643
Gain on investments	(177,300)	(278,443)
Changes in working capital components:		
Accounts receivable	(100,447)	(117,780)
Inventories	(2,307,700)	82,333
Prepaid expenses and other assets	(433,756)	199,053
Accounts payable	516,038	703,162
Accrued expenses	743,179	482,582
Net cash provided by operating activities	1,454,290	471,096
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(675,150)	(227,735)
Purchase of investments	-	(275,015)
Payments received on notes receivable	1,252,833	184,453
Advances on notes receivable	(405,547)	(838,717)
Net cash provided by (used in) investing activities	172,136	(1,157,014)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net payments on line of credit	(1,100)	-
Contribution from consolidation of new entity	370,608	-
Payment received on stockholder notes receivable	-	1,895,125
Advances on stockholder notes receivable	(294,672)	(2,059,388)
Distributions	(462,994)	(265,000)
Stockholder receivable from non-controlling interest in affiliates	(417,718)	-
Payments on notes payable	(8,728)	(50,509)
Contributions from non-controlling interest in affiliates	103,415	-
Net cash used in financing activities	(711,189)	(479,772)
Net increase (decrease) in cash	915,237	(1,165,690)
Cash, beginning of year	568,068	1,733,758
Cash, end of year	\$ 1,483,305	\$ 568,068
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for interest	\$ 35,786	\$ 27,292
SUPPLEMENTAL SCHEDULE OF NONCASH FINANCING ACTIVITIES		
Assets contributed related to the consolidation of new entity	\$ 698,763	\$ -
Write-off of stockholder note receivable	\$ -	\$ 877,242

See Notes to Consolidated Financial Statements.

**Vemma International Holdings, Inc. and
Subsidiaries and Affiliates**

Consolidated Financial Report
(Reviewed)
12.31.2013

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McGladrey LLP



Independent Accountant's Review Report

To the Board of Directors
Vemma International Holdings, Inc.
and Subsidiaries and Affiliates
Scottsdale, Arizona

We have reviewed the accompanying consolidated balance sheets of Vemma International Holdings, Inc. and Subsidiaries and Affiliates (the Company) as of December 31, 2013 and 2012, and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the consolidated financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements.

Our responsibility is to conduct the reviews in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the consolidated financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our reviews, with the exception of the matter described in the following paragraph, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

As explained in Note 12 to the consolidated financial statements, the Company's management has declined to consolidate the financial statements of Arizona Production & Packing, LLC/ AZPACK Canning Company, LLC, variable interest entities of which the Company is the primary beneficiary, with its consolidated financial statements as of and for the years ended December 31, 2013 and 2012, and 8322 Hartford Drive Associates, LLC, and Boreyko Properties, LLC, variable interest entities of which the Company is the primary beneficiary, with its consolidated financial statements as of and for the year ended December 31, 2012. The omission of that information is not in accordance with accounting principles generally accepted in the United States of America.

McGladrey LLP

Phoenix, Arizona
June 19, 2014

Vemma International Holdings, Inc. and Subsidiaries and Affiliates

Consolidated Balance Sheets

December 31, 2013 and 2012

See Independent Accountant's Review Report

ASSETS (Note 5)	2013	2012
CURRENT ASSETS		
Cash	\$ 4,251,924	\$ 1,483,305
Accounts receivable, net of allowance for doubtful accounts and sales returns of approximately \$703,000 for 2013 and \$227,000 for 2012	6,028,893	2,596,720
Inventories, net	12,711,919	6,221,900
Prepaid expenses and other current assets	1,483,121	1,235,261
Current portion of notes receivable, net (Note 4)	48,561	220,141
Total current assets	24,524,418	11,757,327
INVESTMENTS (Note 2)	1,810,172	965,758
EQUIPMENT, net (Note 3)	1,909,217	681,543
NOTES RECEIVABLE, net of current portion (Note 4)	-	167,692
OTHER ASSETS	69,394	70,188
Total assets	\$ 28,313,201	\$ 13,642,508
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Line of credit (Note 5)	\$ -	\$ 498,900
Current portion of notes payable (Note 6)	18,280	4,619
Accounts payable	7,245,318	3,433,805
Accrued expenses	5,588,467	3,501,358
Total current liabilities	12,852,065	7,438,682
LINE OF CREDIT (Note 5)	500,000	-
NOTES PAYABLE, net of current portion (Note 6)	69,139	20,777
Total liabilities	13,421,204	7,459,459
COMMITMENTS AND CONTINGENCIES (Notes 8, 9, 10, and 11)		
STOCKHOLDERS' EQUITY		
Common stock, Class A - voting, no par value, 84,000,000 shares authorized; 27,444,582 shares issued and outstanding	17,564,288	17,564,288
Treasury stock, Class A - voting (12,238,800 shares at cost)	(3,405,000)	(3,405,000)
Accumulated deficit	(709,514)	(6,600,748)
Stockholder notes receivable (Notes 4 and 8)	-	(2,379,209)
Non-controlling interest in affiliates	1,442,223	1,003,718
Total liabilities and stockholders' equity	\$ 28,313,201	\$ 13,642,508

See Notes to Consolidated Financial Statements.

Vemma International Holdings, Inc. and Subsidiaries and Affiliates
Consolidated Statements of Income
Years Ended December 31, 2013 and 2012
See Independent Accountant's Review Report

	2013	2012
Sales, net	\$ 178,906,261	\$ 89,536,923
Cost of goods sold	<u>65,026,188</u>	<u>32,933,645</u>
Gross profit	<u>113,880,073</u>	<u>56,603,278</u>
General and administrative expenses:		
Commissions	63,125,368	29,442,212
Salaries and wages	16,616,032	10,690,551
General and administrative	<u>25,093,857</u>	<u>15,473,033</u>
	<u>104,835,257</u>	<u>55,605,796</u>
Income from operations	<u>9,044,816</u>	<u>997,482</u>
Other income (expense):		
Other income, net (<i>Note 13</i>)	119,859	1,296,522
Interest income	1,925	782
Interest expense	(20,333)	(35,786)
Gain on investment (<i>Note 2</i>)	<u>844,414</u>	<u>495,787</u>
	<u>945,865</u>	<u>1,757,305</u>
Net income	<u>9,990,681</u>	<u>2,754,787</u>
Less: Net income attributable to the non-controlling interest in affiliates	<u>288,377</u>	<u>248,650</u>
Net income attributable to Vemma International Holdings, Inc. and Subsidiaries	<u>\$ 9,702,304</u>	<u>\$ 2,506,137</u>

See Notes to Consolidated Financial Statements.

Vemma International Holdings, Inc. and Subsidiaries and Affiliates

Consolidated Statements of Stockholders' Equity
 Years Ended December 31, 2013 and 2012
 See Independent Accountant's Review Report

	Class A		Treasury Stock	Accumulated Deficit	Non-controlling Interest in Affiliates	Stockholder Notes Receivable	Total Stockholders' Equity
	Shares of Common Stock	Common Stock					
Balance at December 31, 2011	27,444,582	\$ 17,564,288	\$ (3,405,000)	\$ (8,643,891)	\$ -	\$ (2,084,537)	\$ 3,430,860
Advances to stockholders	-	-	-	-	-	(294,672)	(294,672)
Consolidation of new entity	-	-	-	-	1,069,371	-	1,069,371
Contributions	-	-	-	-	103,415	-	103,415
Stockholder note receivable	-	-	-	-	(417,718)	-	(417,718)
Distributions	-	-	-	(462,994)	-	-	(462,994)
Net income	-	-	-	2,506,137	248,650	-	2,754,787
Balance at December 31, 2012	27,444,582	17,564,288	(3,405,000)	(6,600,748)	1,003,718	(2,379,209)	6,183,049
Repayment of stockholder notes receivable	-	-	-	-	-	2,379,209	2,379,209
Contributions	-	-	-	-	150,128	-	150,128
Distributions	-	-	-	(3,811,070)	-	-	(3,811,070)
Net income	-	-	-	9,702,304	288,377	-	9,990,681
Balance at December 31, 2013	27,444,582	\$ 17,564,288	\$ (3,405,000)	\$ (709,514)	\$ 1,442,223	\$ -	\$ 14,891,997

See Notes to Consolidated Financial Statements.

Vemma International Holdings, Inc. and Subsidiaries and Affiliates

Consolidated Statements of Cash Flows
 Years Ended December 31, 2013 and 2012
 See Independent Accountant's Review Report

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 9,990,681	\$ 2,754,787
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	526,214	260,199
(Gain) loss on sale of equipment	(4,296)	190,186
Bad debt expense and sales returns	475,642	9,104
Gain on investments	(844,414)	(177,300)
Changes in working capital components:		
Accounts receivable	(3,907,815)	(100,447)
Inventories	(6,490,019)	(2,307,700)
Prepaid expenses and other assets	(247,066)	(433,756)
Accounts payable	3,811,513	516,038
Accrued expenses	2,087,109	743,179
Net cash provided by operating activities	5,397,549	1,454,290
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(1,757,092)	(675,150)
Proceeds of sale of equipment	7,500	-
Payments received on notes receivable	490,321	1,252,833
Advances on notes receivable	(151,049)	(405,547)
Net cash (used in) provided by investing activities	(1,410,320)	172,136
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	500,000	-
Payments on line of credit	(498,900)	(1,100)
Contribution from consolidation of new entity	-	370,608
Payment received on stockholder notes receivable	2,379,209	-
Advances on stockholder notes receivable	-	(294,672)
Distributions	(3,811,070)	(462,994)
Stockholder receivable from non-controlling interest in affiliates	-	(417,718)
Proceeds from notes payable	84,710	-
Payments on notes payable	(22,687)	(8,728)
Contributions from non-controlling interest in affiliates	150,128	103,415
Net cash used in financing activities	(1,218,610)	(711,189)
Net increase in cash	2,768,619	915,237
Cash, beginning of year	1,483,305	568,068
Cash, end of year	\$ 4,251,924	\$ 1,483,305
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for interest	\$ 20,333	\$ 35,786
SUPPLEMENTAL SCHEDULE OF NONCASH FINANCING ACTIVITIES		
Assets contributed related to the consolidation of new entity	\$ -	\$ 698,763

See Notes to Consolidated Financial Statements.

Vemma International Holdings, Inc. and Subsidiaries

Consolidated Financial Report
(Reviewed)
December 31, 2014

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Independent Accountant's Review Report

To the Board of Directors
Vemma International Holdings, Inc.
and Subsidiaries
Scottsdale, Arizona

We have reviewed the accompanying consolidated balance sheet of Vemma International Holdings, Inc. and Subsidiaries (the Company) as of December 31, 2014, and the related consolidated statements of income, stockholders' equity, and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the consolidated financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the consolidated financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, with the exception of the matter described in the following paragraph, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

As explained in Note 11 to the consolidated financial statements, the Company's management has declined to consolidate the financial statements of Vemma Taiwan and Vemma Hong Kong, two variable interest entities of which the Company is the primary beneficiary, with its consolidated financial statements as of and for the year ended December 31, 2014. The omission of that information is not in accordance with accounting principles generally accepted in the United States of America.

McGladrey LLP

Phoenix, Arizona
July 20, 2015

Vemma International Holdings, Inc. and Subsidiaries**Consolidated Balance Sheet****December 31, 2014****See Independent Accountant's Review Report****Assets**

Current Assets	
Cash	\$ 1,636,900
Accounts receivable, net of allowance for doubtful accounts and sales	6,184,975
Inventories, net	9,056,784
Prepaid expenses and other current assets	1,219,765
Notes receivable, net	44,284
Total current assets	<u>18,142,708</u>
Investments	1,446,535
Equipment and Leashold Improvements, net	3,915,357
Other Assets	75,582
Total assets	<u><u>\$ 23,580,182</u></u>

Liabilities and Stockholders' Equity

Current Liabilities	
Line of credit	1,700,000
Current portion of notes payable	373,261
Accounts payable	8,217,785
Accrued expenses	3,640,394
Total current liabilities	<u>13,931,440</u>
Notes Payable, net of current portion	1,029,122
Total liabilities	<u>14,960,562</u>
Commitments and Contingencies	
Stockholders' Equity	
Common stock, Class A - voting, no par value, 84,000,000 shares authorized; 27,444,582 shares issued and outstanding	17,564,288
Treasury stock, Class A - voting (12,238,800 shares at cost)	(3,405,000)
Accumulated deficit	(5,539,668)
	<u>8,619,620</u>
Total liabilities and stockholders' equity	<u><u>\$ 23,580,182</u></u>

See Notes to Consolidated Financial Statements.

Vemma International Holdings, Inc. and Subsidiaries

Consolidated Statement of Income
Year Ended December 31, 2014
See Independent Accountant's Review Report

Sales, net	\$ 139,153,066
Cost of goods sold	<u>56,646,645</u>
Gross profit	<u>82,506,421</u>
General and administrative expenses:	
Commissions	44,015,126
Salaries and wages	16,688,869
General and administrative	<u>25,022,200</u>
	<u>85,726,195</u>
Loss from operations	<u>(3,219,774)</u>
Other income (expense):	
Other income, net	267,921
Foreign currency loss	(175,161)
Interest expense	(76,107)
Gain on investment, net	<u>(71,662)</u>
	<u>(55,009)</u>
Net loss	<u>\$ (3,274,783)</u>

See Notes to Consolidated Financial Statements.

Vemma International Holdings, Inc. and Subsidiaries**Consolidated Statement of Stockholders' Equity****Year Ended December 31, 2014****See Independent Accountant's Review Report**

	Class A		Treasury Stock	Accumulated Deficit	Total Stockholders' Equity
	Shares of Common Stock	Common Stock			
Balance at December 31, 2013 <i>(Note 11)</i>	27,444,582	17,564,288	(3,405,000)	\$ (150,547)	\$ 14,008,741
Distributions	-	-	-	(2,114,338)	(2,114,338)
Net loss	-	-	-	(3,274,783)	(3,274,783)
Balance at December 31, 2014	27,444,582	17,564,288	(3,405,000)	\$ (5,539,668)	\$ 8,619,620

See Notes to Consolidated Financial Statements.

Vemma International Holdings, Inc. and Subsidiaries**Consolidated Statement of Cash Flows****Year Ended December 31, 2014****See Independent Accountant's Review Report**

Cash Flows From Operating Activities	
Net loss	\$ (3,274,783)
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	1,070,843
Loss on sale of equipment	56,488
Loss on impairment of cost method investments	432,000
Gain on equity method investment	(360,318)
Changes in working capital components:	
Accounts receivable	(1,213,682)
Inventories	3,383,755
Prepaid expenses and other assets	23,456
Accounts payable	1,140,617
Accrued expenses	(1,823,114)
Net cash used in operating activities	<u>(564,738)</u>
Cash Flows From Investing Activities	
Purchase of equipment	(2,640,011)
Payments received on notes receivable	19,277
Advances on notes receivable	(15,000)
Dividends received	1,150,100
Net used in investing activities	<u>(1,485,634)</u>
Cash Flows From Financing Activities	
Proceeds from line of credit	2,200,000
Payments on line of credit	(1,000,000)
Distributions	(2,114,338)
Proceeds from notes payable	1,499,458
Payments on notes payable	(184,494)
Net cash provided by financing activities	<u>400,626</u>
Net Decrease in Cash	(1,649,746)
Cash, beginning of year	3,286,646
Cash, end of year	<u>\$ 1,636,900</u>
Supplemental Disclosure of Cash Flow Information	
Cash payments for interest	<u>\$ 76,107</u>

See Notes to Consolidated Financial Statements.

EXHIBIT 8

Vemma International Holdings, Inc. and Subsidiaries & Affiliates
Combined Income Statements

Based on the information and documents obtained from Corporate Defendants

	6/30/2015		12/31/2014				
	Vemma	Europe	Total	Vemma	HK & TW	Europe	Total
Sales, net	519,553,730	185,983,415	705,537,145	139,153,066	6,716,654	62,518,000	208,387,720
Cost of Goods Sold	196,180,271	52,260,134	248,440,405	56,646,645	1,886,055	17,289,000	75,821,700
Gross Profit	323,373,459	133,723,281	457,096,740	82,506,421	4,830,599	45,229,000	132,566,020
Selling, General and Administrative Expense	319,656,830	126,773,797	446,430,627	85,726,195	5,051,890	43,326,000	134,104,085
Loss from Operations	3,716,629	6,949,484	10,666,113	(3,219,774)	(221,291)	1,903,000	(1,538,065)
Other Income (Expense)	2,554,948	619,926	3,174,874	(55,009)	(92,757)	338,000	190,234
Net Income (Loss)	6,271,577	7,569,410	13,840,987	(3,274,783)	(314,048)	2,241,000	(1,347,831)

Note: Vemma referred in the tables above represents the worldwide operations' financial statements as shown in the consolidated financial statements and the annual consolidated financial reports as previously discussed, which excludes the joint ventures in Europe (for all periods), and the joint ventures in Taiwan and Hong Kong (only for 2014).

EXHIBIT 9

Vemma Nutrition Company et al.
Summary of the US Sales by Year
 From January 2011 to August 2015
 Based on sales data downloaded from Corporate Defendants' IT System

Period	TOTAL		Affiliate		Customer	
	Sales Price	Total Orders	Sales Price	Total Orders	Sales Price	Total Orders
2013	\$ 120,017,407	855,149	\$ 114,164,729	792,288	\$ 5,852,678	62,861
			95.1%	92.6%	4.9%	7.4%
2014	\$ 90,013,068	777,140	\$ 69,382,622	541,279	\$20,630,446	235,861
			77.1%	69.7%	22.9%	30.3%
2015	\$ 31,881,670	277,999	\$ 24,928,527	206,013	\$ 6,953,142	71,986
			78.2%	74.1%	21.8%	25.9%
Total	\$ 241,912,144	1,910,288	\$ 208,475,878	1,539,580	\$33,436,266	370,708
			86.2%	80.6%	13.8%	19.4%

Vemma Nutrition Company et al.
Summary of the Monthly US Sales
 From January 2011 to August 2015
 Based on sales data downloaded from Corporate Defendants' IT System

Period	TOTAL				Affiliate				Customer			
	Total Sale Price	Total Orders	Affiliates/Customers Placing Orders	Active Affiliates/Customers	Total Sale Price	Total Orders	Affiliates Placing Orders	Total Active Affiliates	Total Sale Price	Total Orders	Customers Placing Orders	Total Active Customers
201301	\$ 8,464,495	63,084	55,353	144,547	\$ 7,896,486	56,843	49,546	121,234	\$ 568,010	6,241	5,807	23,313
201302	\$ 9,350,058	66,921	60,155	172,883	\$ 8,749,753	60,304	53,946	142,423	\$ 606,305	6,617	6,209	30,460
201303	\$ 10,706,170	73,439	66,315	196,170	\$ 10,104,894	66,773	60,044	159,580	\$ 601,275	6,666	6,271	36,590
201304	\$ 10,575,759	71,781	64,701	220,108	\$ 10,278,296	68,670	61,841	176,839	\$ 297,463	3,111	2,860	43,269
201305	\$ 10,784,277	73,330	66,512	246,628	\$ 10,460,158	69,909	63,400	196,017	\$ 324,119	3,421	3,112	50,621
201306	\$ 10,757,819	72,646	67,001	267,013	\$ 10,433,187	69,135	63,781	210,813	\$ 324,632	3,511	3,220	56,290
201307	\$ 10,840,780	74,460	68,753	285,610	\$ 10,464,387	70,493	65,129	223,316	\$ 442,827	4,632	4,207	62,294
201308	\$ 10,782,779	75,058	68,338	251,056	\$ 10,339,952	70,426	64,131	191,782	\$ 442,827	4,111	4,207	59,474
201309	\$ 10,493,964	76,941	68,231	258,640	\$ 9,980,879	71,553	63,389	192,864	\$ 513,086	5,388	4,842	65,776
201310	\$ 9,966,645	74,215	66,602	260,055	\$ 9,399,778	68,160	61,117	185,732	\$ 566,867	6,055	5,485	74,325
201311	\$ 8,895,239	68,093	61,888	248,282	\$ 8,310,308	61,762	56,028	181,473	\$ 584,931	6,331	5,860	66,809
201312	\$ 8,393,423	65,181	58,087	259,845	\$ 7,746,653	58,260	51,844	188,807	\$ 646,770	6,921	6,243	71,938
201401	\$ 9,567,764	73,508	64,432	259,760	\$ 8,515,310	61,752	53,610	179,753	\$ 1,052,455	11,756	10,822	80,987
201402	\$ 9,752,475	75,828	65,598	280,667	\$ 8,517,512	61,773	52,772	192,143	\$ 1,234,963	14,055	12,826	88,824
201403	\$ 10,194,707	80,747	70,046	303,602	\$ 8,639,059	63,001	53,916	201,280	\$ 1,555,649	17,746	16,130	102,322
201404	\$ 9,715,146	81,841	68,331	261,637	\$ 7,639,682	58,711	47,476	170,883	\$ 2,075,464	23,130	20,855	90,754
201405	\$ 8,822,203	77,158	67,914	241,505	\$ 6,539,764	51,444	44,375	153,371	\$ 2,282,439	25,714	23,539	88,134
201406	\$ 8,270,496	76,126	68,106	239,858	\$ 5,801,385	46,513	40,712	128,215	\$ 2,469,111	29,859	27,394	111,613
201407	\$ 7,413,372	68,557	61,209	256,516	\$ 5,232,547	43,147	37,729	126,861	\$ 2,180,825	25,410	23,480	129,655
201408	\$ 6,533,290	62,079	55,473	268,094	\$ 4,523,905	38,886	34,107	128,227	\$ 2,009,385	23,193	21,366	139,857
201409	\$ 4,899,621	47,050	43,256	165,705	\$ 3,361,378	29,581	26,906	63,330	\$ 1,538,243	17,469	16,350	102,445
201410	\$ 5,675,685	48,848	44,726	289,165	\$ 3,979,893	30,646	27,863	130,456	\$ 1,695,792	18,202	16,863	158,009
201411	\$ 4,725,685	42,742	39,626	295,206	\$ 3,364,923	27,980	25,742	133,756	\$ 1,360,762	14,762	13,884	161,450
201412	\$ 4,442,623	42,656	38,699	301,088	\$ 3,267,265	27,845	24,871	135,905	\$ 1,175,358	14,811	13,828	165,283
201501	\$ 4,653,763	40,468	37,278	308,211	\$ 3,542,051	28,784	26,257	140,977	\$ 1,111,712	11,684	11,021	167,934
201502	\$ 4,817,034	41,784	36,871	314,593	\$ 3,736,321	30,445	26,388	145,272	\$ 1,080,713	11,339	10,483	169,321
201503	\$ 4,701,342	39,894	36,422	320,128	\$ 3,681,134	29,269	26,474	149,115	\$ 1,020,208	10,625	9,948	171,913
201504	\$ 4,256,094	36,752	37,866	106,701	\$ 3,348,810	27,427	29,081	64,572	\$ 907,284	9,325	8,785	42,999
201505	\$ 3,913,207	33,984	31,516	105,989	\$ 3,082,550	25,373	23,408	63,860	\$ 830,658	8,611	8,108	42,129
201506	\$ 3,704,020	31,752	29,267	100,607	\$ 2,925,078	23,898	21,881	66,211	\$ 778,941	7,854	7,386	34,396
201507	\$ 3,590,665	32,589	28,521	95,273	\$ 2,841,471	24,966	21,561	59,598	\$ 749,194	7,623	6,960	35,675
201508	\$ 2,245,544	20,776	19,115	84,518	\$ 1,771,112	15,851	14,481	60,053	\$ 474,433	4,925	4,634	24,465
TOTAL	\$ 241,912,144	1,910,288			\$ 208,475,878	1,539,580			\$ 33,436,266	370,708		
						80.59%			13.82%	19.41%		

Vemma Nutrition Company et al.
Summary of the US Sales by Month and By Year
 From January 2011 to August 2015
 Based on sales data downloaded from Corporate Defendants' IT System

Period	TOTAL				Affiliate				Customer								
	Total Sale Price	Total Orders	Affiliates/ Customers Placing Orders	Active Affiliates/ Customers	Total Sale Price	Total Orders	Affiliates Placing Orders	Total Active Affiliates	Total Sale Price	Total Orders	Customers Placing Orders	Total Active Customers					
201301	\$ 8,464,495	63,084	55,353	144,547	\$ 7,896,486	93.29%	56,843	90.11%	49,546	40.87%	121,234	\$ 568,010	6,241	9.89%	5,807	24.91%	23,319
201302	\$ 9,356,058	66,921	60,155	172,883	\$ 8,749,753	93.52%	60,304	90.11%	53,946	37.88%	142,423	\$ 606,305	6,617	9.89%	6,209	20.38%	30,560
201303	\$ 10,706,170	73,439	66,315	196,170	\$ 10,104,894	94.38%	66,773	90.92%	60,044	37.63%	159,580	\$ 601,275	6,666	9.08%	6,271	17.14%	36,590
201304	\$ 10,575,759	71,781	64,701	220,108	\$ 10,278,296	97.19%	68,670	95.67%	61,841	34.97%	176,839	\$ 297,463	3,111	4.33%	2,860	6.61%	43,299
201305	\$ 10,784,277	73,330	66,512	246,628	\$ 10,460,158	96.99%	69,909	95.33%	63,400	32.34%	196,017	\$ 324,119	3,421	4.67%	3,112	6.15%	50,641
201306	\$ 10,757,819	72,646	67,001	267,013	\$ 10,433,187	96.98%	69,135	95.17%	63,781	30.25%	210,813	\$ 324,632	3,511	4.83%	3,220	5.73%	56,200
201307	\$ 10,840,780	74,460	68,753	285,610	\$ 10,464,387	96.53%	70,493	94.67%	65,129	29.16%	223,316	\$ 376,392	3,967	5.33%	3,624	5.82%	62,244
201308	\$ 10,782,779	75,058	68,338	251,056	\$ 10,339,952	95.89%	70,426	93.83%	64,131	33.44%	191,782	\$ 442,827	4,632	6.17%	4,207	7.10%	59,346
201309	\$ 10,493,964	76,941	68,231	258,640	\$ 9,980,879	95.11%	71,553	93.00%	63,389	32.87%	192,864	\$ 513,086	5,388	7.00%	4,842	7.36%	65,346
201310	\$ 9,966,645	74,215	66,602	260,055	\$ 9,399,778	94.31%	68,160	91.84%	61,117	32.91%	185,732	\$ 566,867	6,055	8.16%	5,485	7.38%	74,323
201311	\$ 8,895,239	68,093	61,888	248,282	\$ 8,310,308	93.42%	61,762	90.70%	56,028	30.87%	181,473	\$ 584,931	6,331	9.30%	5,860	8.77%	66,899
201312	\$ 8,393,423	65,181	58,087	259,845	\$ 7,746,653	92.29%	58,260	89.38%	51,844	27.46%	188,807	\$ 646,770	6,921	10.62%	6,243	8.79%	71,098
2013	\$ 120,017,407	855,149	64,328	234,237	\$ 114,164,729	95.12%	792,288	92.65%	59,516	32.90%	180,907	\$ 5,852,678	62,861	7.35%	4,812	9.02%	53,380

Vemma Nutrition Company et al.
Summary of the US Sales by Month and By Year
 From January 2011 to August 2015
 Based on sales data downloaded from Corporate Defendants' IT System

Period	TOTAL				Affiliate				Customer								
	Total Sale Price	Total Orders	Affiliates/ Customers Placing Orders	Active Affiliates/ Customers	Total Sale Price	Total Orders	Affiliates Placing Orders	Total Active Affiliates	Total Sale Price	Total Orders	Customers Placing Orders	Total Active Customers					
201401	\$ 9,567,764	73,508	64,432	259,760	\$ 8,515,310	89.00%	61,752	84.01%	53,610	29.82%	179,753	\$ 1,052,455	11,756	15.99%	10,822	13.53%	80,007
201402	\$ 9,752,475	75,828	65,598	280,667	\$ 8,517,512	87.34%	61,773	81.46%	52,772	27.46%	192,143	\$ 1,234,963	14,055	18.54%	12,826	14.49%	88,524
201403	\$ 10,194,707	80,747	70,046	303,602	\$ 8,639,059	84.74%	63,001	78.02%	53,916	26.79%	201,280	\$ 1,555,649	17,746	21.98%	16,130	15.76%	102,522
201404	\$ 9,715,146	81,841	68,331	261,637	\$ 7,639,682	78.64%	58,711	71.74%	47,476	27.78%	170,883	\$ 2,075,464	23,130	28.26%	20,855	22.98%	90,514
201405	\$ 8,822,203	77,158	67,914	241,505	\$ 6,539,764	74.13%	51,444	66.67%	44,375	28.93%	153,371	\$ 2,282,439	25,714	33.33%	23,539	26.71%	88,134
201406	\$ 8,270,496	76,126	68,106	239,858	\$ 5,801,385	70.15%	46,513	61.10%	40,712	31.75%	128,215	\$ 2,469,111	29,613	38.90%	27,394	24.54%	111,643
201407	\$ 7,413,372	68,557	61,209	256,516	\$ 5,232,547	70.58%	43,147	62.94%	37,729	29.74%	126,861	\$ 2,180,825	25,410	37.06%	23,480	18.11%	129,515
201408	\$ 6,533,290	62,079	55,473	268,094	\$ 4,523,905	69.24%	38,886	62.64%	34,107	26.60%	128,227	\$ 2,009,385	23,193	37.36%	21,366	15.28%	139,827
201409	\$ 4,899,621	47,050	43,256	165,705	\$ 3,361,378	68.60%	29,581	62.87%	26,906	42.49%	63,330	\$ 1,538,243	17,469	37.13%	16,350	15.97%	102,545
201410	\$ 5,675,685	48,848	44,726	289,165	\$ 3,979,893	70.12%	30,646	62.74%	27,863	21.36%	130,456	\$ 1,695,792	18,202	37.26%	16,863	10.63%	158,709
201411	\$ 4,725,685	42,742	39,626	295,206	\$ 3,364,923	71.20%	27,980	65.46%	25,742	19.25%	133,756	\$ 1,360,762	14,762	34.54%	13,884	8.60%	161,510
201412	\$ 4,442,623	42,656	38,699	301,088	\$ 3,267,265	73.54%	27,845	65.28%	24,871	18.30%	135,905	\$ 1,175,358	14,811	34.72%	13,828	8.37%	165,183
2014	\$ 90,013,068	777,140	57,285	263,567	\$ 69,382,622	77.08%	541,279	69.65%	39,173	26.95%	145,348	\$ 20,630,446	235,861	30.35%	18,111	15.32%	118,289

Vemma Nutrition Company et al.
Summary of the US Sales by Month and By Year
 From January 2011 to August 2015
 Based on sales data downloaded from Corporate Defendants' IT System

Period	TOTAL				Affiliate				Customer			
	Total Sale Price	Total Orders	Affiliates/ Customers Placing Orders	Active Affiliates/ Customers	Total Sale Price	Total Orders	Affiliates Placing Orders	Total Active Affiliates	Total Sale Price	Total Orders	Customers Placing Orders	Total Active Customers
201501	\$ 4,653,763	40,468	37,278	308,211	\$ 3,542,051	28,784	26,257	140,977	\$ 1,111,712	11,684	11,021	167,274
201502	\$ 4,817,034	41,784	36,871	314,593	\$ 3,736,321	30,445	26,388	145,272	\$ 1,080,713	11,339	10,483	169,321
201503	\$ 4,701,342	39,894	36,422	320,128	\$ 3,681,134	29,269	26,474	149,115	\$ 1,020,208	10,625	9,948	171,009
201504	\$ 4,256,094	36,752	37,866	106,701	\$ 3,348,810	27,427	29,081	64,572	\$ 907,284	9,325	8,785	42,299
201505	\$ 3,913,207	33,984	31,516	105,989	\$ 3,082,550	25,373	23,408	63,860	\$ 830,658	8,611	8,108	42,329
201506	\$ 3,704,020	31,752	29,267	100,607	\$ 2,925,078	23,898	21,881	66,211	\$ 778,941	7,854	7,386	34,296
201507	\$ 3,590,665	32,589	28,521	95,273	\$ 2,841,471	24,966	21,561	59,598	\$ 749,194	7,623	6,960	35,625
201508	\$ 2,245,544	20,776	19,115	84,518	\$ 1,771,112	15,851	14,481	60,053	\$ 474,433	4,925	4,634	24,695
2015	\$ 31,881,670	277,999	32,107	179,502	\$ 24,928,527	206,013	23,691	93,707	\$ 6,953,142	71,986	8,416	85,295

Note: The Temporary Receiver received the above monthly US sales data downloaded from the Corporate Defendants' IT database. Chief IT Officer told the Temporary Receiver that the affiliates/customers placing orders represent the affiliates or customers placing/making the orders during each period, and active affiliates/customers represent the active affiliates or customers during each period.

In order to determine the number of affiliates/customers placing orders and active affiliates/customers for each year, the Temporary Receiver use the average based on the monthly data for these two figures.

EXHIBIT 10

ROBB EVANS & ROBB EVANS & ASSOCIATES LLC
 Temporary Receiver of Vemma Nutrition Company et al.
Analysis of Commissions Paid to Affiliates in the United States
 From January 2013 to August 2015

Range of Total Earnings	2013		2014		2015	
	Number of Affiliates	Total Earnings	Number of Affiliates	Total Earnings	Number of Affiliates	Total Earnings
<\$500.00	170,845	\$ 4,882,558	138,961	\$ 3,063,537	91,827	\$ 792,539
\$500.00 - \$10,449.99	9,423	\$ 16,571,922	5,898	\$ 11,269,794	1,700	\$ 3,482,368
\$10,450.00 - \$20,399.99	296	\$ 4,255,979	218	\$ 3,141,353	79	\$ 1,148,241
\$20,400.00 - \$30,349.99	109	\$ 2,630,529	86	\$ 2,140,206	41	\$ 1,022,429
\$30,350.00 - \$40,299.99	52	\$ 1,794,829	44	\$ 1,553,913	14	\$ 506,958
\$40,300.00 - \$50,249.99	37	\$ 1,664,332	34	\$ 1,542,974	12	\$ 535,152
\$50,250.00 - \$60,199.99	28	\$ 1,555,984	23	\$ 1,264,645	7	\$ 395,517
\$60,200.00 - \$70,149.99	24	\$ 1,567,420	17	\$ 1,115,849	2	\$ 133,179
\$70,150.00 - \$80,099.99	15	\$ 1,127,842	7	\$ 517,270	1	\$ 80,039
\$80,100.00 - \$90,049.99	11	\$ 937,941	5	\$ 432,627	1	\$ 88,163
\$90,050.00 - \$99,999.99	9	\$ 827,010	8	\$ 758,827	2	\$ 196,282
\$100,000.00 - \$199,999.99	29	\$ 4,187,612	22	\$ 3,073,720	13	\$ 1,967,560
\$200,000.00 - \$299,999.99	11	\$ 2,632,469	9	\$ 2,171,243	2	\$ 513,709
\$300,000.00 - \$399,999.99	4	\$ 1,415,282	4	\$ 1,325,478	1	\$ 311,531
\$400,000.00 - \$499,999.99	2	\$ 852,632	4	\$ 1,862,605	1	\$ 483,426
\$500,000.00 - \$599,999.99	1	\$ 573,915	1	\$ 550,623	-	\$ -
\$600,000.00 - \$699,999.99	2	\$ 1,341,954	1	\$ 608,012	1	\$ 617,520
\$700,000.00 - \$799,999.99	3	\$ 2,159,150	1	\$ 751,383	-	\$ -
\$800,000.00 - \$899,999.99	1	\$ 858,698	-	\$ -	1	\$ 818,343
\$900,000.00 - \$1,000,000.00	-	\$ -	-	\$ -	1	\$ 915,204
>\$1,000,000.00	5	\$ 9,725,327	5	\$ 9,058,647	1	\$ 1,171,164
Total	180,907	\$ 61,563,381	145,348	\$ 46,202,705	93,707	\$ 15,179,322

Earned more than \$10,450	639	0.35%	\$ 40,108,901	65.2%	489	0.34%	\$ 31,869,374	69.0%	180	0.19%	\$ 10,904,415	71.8%
Earned more than \$100,000	58	0.03%	\$ 23,747,037	38.57%	47	0.03%	\$ 19,401,711	41.99%	21	0.02%	\$ 6,798,455	44.79%

ROBB EVANS & ROBB EVANS & ASSOCIATES LLC

Temporary Receiver of Vemma Nutrition Company et al.

Analysis of Commissions Earned and Purchases Paid by Affiliates in the United States

From January 2013 to August 2015

2013					
Net Earnings	Number of Affiliates		Total Net Earnings	Total Earnings	Total Purchases
<0.00	49,150	75.83%	-14,854,536.20	6,447,220.78	21,301,756.98
0.00 - 9,999.99	15,083	23.27%	9,277,034.35	15,686,958.47	6,409,924.12
10,000.00 - 19,999.99	264	0.41%	3,738,003.68	4,172,283.52	434,279.84
20,000.00 - 29,999.99	90	0.14%	2,181,120.85	2,315,520.75	134,399.90
30,000.00 - 39,999.99	47	0.07%	1,606,908.18	1,677,238.68	70,330.50
40,000.00 - 49,999.99	36	0.06%	1,594,893.65	1,654,305.50	59,411.85
50,000.00 - 59,999.99	28	0.04%	1,538,313.11	1,584,901.81	46,588.70
60,000.00 - 69,999.99	24	0.04%	1,558,882.70	1,598,201.55	39,318.85
70,000.00 - 79,999.99	12	0.02%	896,894.28	914,762.18	17,867.90
80,000.00 - 89,999.99	16	0.02%	1,365,455.74	1,391,899.74	26,444.00
90,000.00 - 100,000.00	4	0.01%	367,531.36	373,051.31	5,519.95
>100,000.00	58	0.09%	23,652,585.47	23,747,036.96	94,451.49
Total	64,812	100%	32,923,087.17	61,563,381.25	28,640,294.08

2014					
Net Earnings	Number of Affiliates		Total Net Earnings	Total Earnings	Total Purchases
<0.00	31,003	73.25%	-9,619,437.43	3,808,904.11	13,428,341.54
0.00 - 9,999.99	10,865	25.67%	6,944,136.51	10,903,366.66	3,959,230.15
10,000.00 - 19,999.99	195	0.46%	2,737,355.70	2,994,140.58	256,784.88
20,000.00 - 29,999.99	79	0.19%	1,926,611.38	2,032,358.90	105,747.52
30,000.00 - 39,999.99	45	0.11%	1,567,801.93	1,634,901.68	67,099.75
40,000.00 - 49,999.99	33	0.08%	1,492,900.44	1,541,101.89	48,201.45
50,000.00 - 59,999.99	19	0.04%	1,035,871.28	1,061,647.03	25,775.75
60,000.00 - 69,999.99	18	0.04%	1,152,013.98	1,187,194.33	35,180.35
70,000.00 - 79,999.99	6	0.01%	435,624.40	445,924.55	10,300.15
80,000.00 - 89,999.99	5	0.01%	427,871.51	432,627.46	4,755.95
90,000.00 - 100,000.00	9	0.02%	842,601.94	859,156.74	16,554.80
>100,000.00	46	0.11%	19,223,110.82	19,301,380.96	78,270.14
Total	42,323	100%	28,166,462.46	46,202,704.89	18,036,242.43

ROBB EVANS & ROBB EVANS & ASSOCIATES LLC

Temporary Receiver of Vemma Nutrition Company et al.

Analysis of Commissions Earned and Purchases Paid by Affiliates in the United States

From January 2013 to August 2015

2015					
Net Earnings	Number of Affiliates		Total Net Earnings	Total Earnings	Total Purchases
<0.00	9,172	73.69%	-2,736,150.13	964,811.98	3,700,962.11
0.00 - 9,999.99	3,097	24.88%	2,352,696.58	3,342,977.79	990,281.21
10,000.00 - 19,999.99	79	0.63%	1,094,777.58	1,179,349.18	84,571.60
20,000.00 - 29,999.99	38	0.31%	924,465.44	958,438.49	33,973.05
30,000.00 - 39,999.99	16	0.13%	572,834.37	588,115.67	15,281.30
40,000.00 - 49,999.99	10	0.08%	442,911.46	453,994.16	11,082.70
50,000.00 - 59,999.99	7	0.06%	387,999.90	395,516.90	7,517.00
60,000.00 - 69,999.99	2	0.02%	130,790.41	133,178.71	2,388.30
70,000.00 - 79,999.99	1	0.01%	79,189.17	80,038.87	849.7
80,000.00 - 89,999.99	1	0.01%	86,774.38	88,162.88	1,388.50
90,000.00 - 100,000.00	3	0.02%	293,930.28	297,198.63	3,268.35
>100,000.00	20	0.16%	6,675,089.78	6,697,538.93	22,449.15
Total	12,446	100%	10,305,309.22	15,179,322.19	4,874,012.97

EXHIBIT 11

File Number:
L10085010

Corporation Name:
ARIZONA PRODUCTION & PACKAGING, L.L.C. LATEST DATE TO DISSOLVE 12/31/2050

[Collapse](#) | [Expand](#)

Corporate Inquiry

File Number	L10085010
Corporation Name	ARIZONA PRODUCTION & PACKAGING, L.L.C.
Standing	<input type="button" value="Check Corporate Status"/>

Domestic Address

7303 S KYRENE
TEMPE, AZ 85203

Statutory Agent Information

Agent Name: YIBING WANG

Agent Mailing/Physical Address:

7303 S KYRENE
TEMPE, AZ 85283

Agent Status: APPOINTED 05/12/2010

Agent Last Updated: 06/10/2010

Additional Entity Information

Entity Type: DOMESTIC L.L.C.	Business Type:
Incorporation Date: 11/13/2001	Corporation Life Period:
Domicile: ARIZONA	County: MARICOPA
Approval Date: 11/13/2001	Original Publish Date: 1/14/2002
Status: LATEST DATE TO DISSOLVE	Dissolution/Withdrawal Date: 12/31/2050

Manager/Member Information

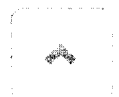
Name	BRAD WAYMENT
Title	MEMBER
Address	7303 S KYRENE TEMPE, AZ 85283
Date of Taking Office	06/30/2014
Last Updated	07/07/2014
Name	CANNING SOLUTIONS USA LP
Title	MEMBER
Address	7303 S KYRENE TEMPE, AZ 85283
Date of Taking Office	06/30/2014
Last Updated	07/07/2014
Name	PETER J REILLY
Title	MEMBER
Address	7303 S KYRENE TEMPE, AZ 85283
Date of Taking Office	06/30/2014
Last Updated	07/07/2014



Name	LAUREN BOREYKO
Title	MEMBER
Address	7303 S KYRENE TEMPE, AZ 85283
Date of Taking Office	06/06/2014
Last Updated	06/10/2014
Name	YIBING WANG
Title	MEMBER
Address	7303 S KYRENE TEMPE, AZ 85283
Date of Taking Office	04/11/2005
Last Updated	06/10/2010
Name	BENSON K BOREYKO
Title	MEMBER
Address	7303 S KYRENE TEMPE, AZ 85283
Date of Taking Office	11/13/2001
Last Updated	06/10/2010
Name	KAREN BOREYKO
Title	MEMBER
Address	7303 S KYRENE TEMPE, AZ 85283
Date of Taking Office	11/13/2001
Last Updated	06/10/2010

Scanned Documents

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Document Number	04771634
Description	PUB OF MERGER
Date Received	7/21/2014
Document Number	04738981
Description	MERGER
Date Received	6/30/2014
Document Number	04673974
Description	AMENDMENT
Date Received	6/6/2014
Document Number	03148342
Description	CHANGE(S)
Date Received	5/12/2010
Document Number	02390639
Description	AMENDMENT
Date Received	4/21/2008
Document Number	01583455
Description	CHANGE(S)
Date Received	5/17/2006

Microfilm

Location	Entered	Description
11490027022	11/13/2001	ARTICLES OF ORGANIZATION
20297009011	1/14/2002	PUBLICATION OF ARTICLES OF ORGANIZATION
11714012001	4/11/2005	AMENDMENT
31973002731	5/17/2006	CHANGE(S)
32123004497	4/21/2008	AMENDMENT

Location	Entered	Description
11864001007	3/26/2010	LEGAL DOCUMENT
32222095038	5/12/2010	CHANGE(S)
32376079027	6/30/2014	MERGER
32377082007	7/21/2014	PUB OF MERGER

Amendments



Amendment Date	6/30/2014
Amendment Type	AMENDMENT
Publish Date	
Publish Exception	
Amendment Date	6/6/2014
Amendment Type	AMENDMENT
Publish Date	
Publish Exception	WAIVE
Amendment Date	4/21/2008
Amendment Type	AMENDMENT
Publish Date	
Publish Exception	WAIVE
Amendment Date	4/11/2005
Amendment Type	AMENDMENT
Publish Date	
Publish Exception	WAIVE

Name Changes/Restructuring



Description	MERGED FROM
Corporation Name	AZPACK CANNING COMPANY, L.L.C. (/Details/corp?corpid=L17088731)
Date	6/30/2014

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(<http://www.azcc.gov/divisions/corporations/contact-us.asp>)



EXHIBIT 12



Wells Fargo Equipment Finance
MAC S3928-034
2700 S. Price Road
Third Floor
Chandler, AZ 85286

August 28, 2015

VIA FEDERAL EXPRESS AND EMAIL

Mr. Robb Evans
Robb Evans & Associates LLC
11450 Sheldon Street
Sun Valley, California 91352-1121
robb_evans@robbevans.com

Dear Mr. Evans:

Pursuant to that certain Order Filed Under Seal dated August 21, 2015 entered by the Hon. John J. Tuchi in *Federal Trade Commission v. Vemma Nutrition Company, et al.*, No. CV-15-01578-PHX-JJT, Wells Fargo Equipment Finance, Inc. ("WFEF"), through the undersigned Senior Vice President, Lee McDermid, hereby provides this certified statement in accordance with section V paragraph C of the Order. WFEF believes to the best of its knowledge, information and belief that the following facts are correct:

WFEF has checked its files and neither the Corporate Defendants nor Defendant Benson K. Boreyko, maintain any bank accounts with WFEF. Nor does WFEF have custody or control of any assets owned by the Corporate Defendants or Mr. Boreyko.

WFEF also hereby discloses the following liability information:

Vemma Nutrition Company:

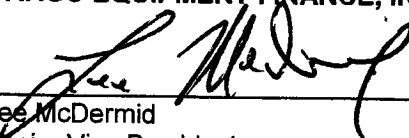
- 1) **Equipment Finance Loan # 2-700** has a current loan balance of \$1,052,297.54 and final payment scheduled to occur on June 15, 2017.

All of the information set forth above is as of close of business on August 26, 2015. WFEF continues to maintain lien rights for all outstanding liabilities. WFEF has a second priority lien subordinate only to the senior lien of Wells Fargo Bank, N.A. on all or substantially all of the assets of the Corporate Defendants.

Please call or write if you have any questions.

Sincerely,

WELLS FARGO EQUIPMENT FINANCE, INC.

By: 
Lee McDermid
Senior Vice President

Together we'll go far

