

Utah supplement company showing strains

Multilevel marketing » ForeverGreen is struggling financially and being sued by vendor.

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A 5-year-old Orem-based network marketing company is struggling under the twin challenges of financial losses and a legal attack by a vendor that is turning itself into a competitor.

ForeverGreen Worldwide Corp., a seller of natural food, nutritional supplements and personal-care products, lost \$1 million in 2008, had a deficit of \$1.8 million in cash available for daily operations and ended the year with a deficit of \$18 million accumulated over its five years of operation, according to its annual report filed this month with the Securities and Exchange Commission.

In addition, Wellosophy of Folsom, Calif., has sued in federal court alleging ForeverGreen has failed to pay it about \$75,000 for supplying a weight-loss product. The suit also claims the Utah company is violating its contract by continuing to market the product and it asks for an injunction.

Paul Frampton, ForeverGreen chief financial officer, said Wednesday the company has sufficient backing to weather the financial strains. He acknowledged there had been a disagreement over invoices after the weight-loss product called Form began piling up in the company's warehouse because it has not been selling well.

"We're happy to work it out," Frampton said. "Unfortunately that doesn't seem to be the intent of the suit."

ForeverGreen's liabilities doubled to \$4 million by the end of 2008, compared with the previous year, according to its annual report. Almost half of that

was linked to accounts payable for inventory purchases from vendors.

Richard Davis, president of Wellosophy, said his company is concerned it won't be paid because of ForeverGreen's financial situation. Also, Davis said the Utah company is prohibited by its contract from offering Wellosophy's products, promotional materials or, for three years, a competing product.

ForeverGreen is a multilevel marketing company, meaning its products are sold to independent distributors, who get a commission on products bought by other distributors who they bring into the company. Davis said Wellosophy is forming its own company based on that business model.

"We are in the process of putting together a company that will begin MLM sales in a couple of months," he said.

ForeverGreen's auditors, Chisholm, Bierwolf, Nilson & Morrill, said in the annual report that the financial results "raise substantial doubt about the company's ability to continue as a going concern."

The language is standard phrasing for auditors who examine the books of financially troubled companies. Davis pointed out that the wording has been used in its annual reports for the past five years.

The company's shares, which are traded over-the-counter, reached a high of \$2.95 March 31, 2007, but finished trading Wednesday at 20 cents, with no sales recorded for the day.

The company employs 56 people in Utah but recently laid off seven to 10 people, including three senior managers, said Davis.

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