



## MACAU RULES OF THE ROAD

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## CHAPTER 1 GETTING STARTED

### **1.1 Distributors Are Self-Employed**

Distributors are independent contractors who work for themselves, they are not employees, franchisees or agents of Herbalife or other Distributors and may not state or imply otherwise. A Sponsor may not treat other Distributors or their downline like employees simply by virtue of being in their downline.

If a Sponsor has an employment relationship with any other Distributor, such Sponsor is bound to comply with all employment laws.

Employees may not engage in Distributor activities.

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### **1.2 No Debt or Forced Purchases**

Encouraging debt or requiring any purchase other than the HDP is prohibited.

## CHAPTER 2 SELLING PRODUCTS

### 2.1 Prohibited Locations

Distributors may not sell Herbalife products in markets (open or enclosed), pharmacies, kiosks, booths (temporary or permanent), swap meets, flea markets, food trucks, shipping containers, restaurants, food service establishments, retail establishments, or any similar location. If Herbalife finds any of its products purchased by an Herbalife Distributor being displayed or sold in any of these prohibited locations, such Distributor is obligated to take responsibility, bear consequences, and accept any sanctions Herbalife decides to enforce at its discretion. Additionally, the Distributor agrees to release Herbalife from any legal claims that may arise in the future.

Service establishments are accepted provided they are in an enclosed room.

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### 2.2 Receipts and Records

Distributors must provide a sales receipt with complete information to each customer at the completion of each sale and keep copies of all sales receipt and other records of product distribution for a period of two (2) years.

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### 2.3 Customer Refunds

Distributors are required to offer their Customers a 30-day money-back guarantee.

The Customer must be offered the choice of whether they are provided a full refund, inclusive of any shipping and handling charges, or product credit in exchange for other Herbalife products.

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### 2.4 10 Retail Customers

A Distributor must timely certify that they have made sales to at least ten (10) separate customers in a given month to be eligible for earnings. The following count as Customers:

- A Retail Customer;
  - A first downline Distributor with up to 200 Personally Purchased Volume Points (and no downline Distributors) may be counted as a sale to one (1) Retail Customer.
- 

### 2.5 70%

In order to be eligible to earn, a Distributor must timely certify that at least 70% of the total volume purchased by a Distributor each month was sold.

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### 2.6 High-Pressure Sales

Distributors may not engage in high-pressure selling to their Customers and Distributors.

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### 2.7 Product Sales to Non-Distributors for Resale

Distributors may not sell or provide Herbalife products for resale to non-Distributors.

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### 2.8 Modifications to Products, Labels and Materials

Distributors may not modify or tamper with the labels, literature, materials, or packaging of Herbalife products. Distributors may not repackage Herbalife products or sell individual products that are not labeled for resale.

## CHAPTER 3 ADVERTISING

### 3.1 Claims

A Claim or representation is any statement, story, image or video about Herbalife products, the Herbalife business opportunity, or their benefits. Distributors may make Claims, provided they:

- are truthful, non-misleading and supported by written documentation.
- comply with all applicable Rules and law.
- are in accordance with the product label.
- make no therapeutic, disease or medical claims.
- do not imply guaranteed earnings or employment opportunity; and
- do not imply or depict exorbitant earnings or a lavish lifestyle.

Herbalife reserves the right to require removal of any Claim that violates these Rules, applicable law, or tarnishes Herbalife's brand or image.

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### 3.2 Discounting

Herbalife sets the mandatory retail and wholesale selling prices for Herbalife products. Distributors may sell the products of Macau Limited only at those prices specified by Herbalife from time to time.

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### 3.3 Herbalife's Intellectual Property

Herbalife makes copyright materials available for use by Distributors and grants a limited revocable license to use Herbalife's trademarks so long as:

- they are used solely to promote the sale and use of Herbalife products or the business opportunity.
- the assets are downloaded from authorized Company platforms.
- the text, images and trademarks are not modified, cropped, or altered in any way.
- Distributors state that the materials are the property of Herbalife.
- Distributors never use the name or likeness of Mark Hughes in any advertisement.
- Distributors do not use them in the domain name of any website, in any registry, or on any external sign.
- Distributors may not use the term Herbalife or any of its trademarks in any paid search advertisements.
- Distributors cease using any copyright or trademarked material upon request by Herbalife; and
- Distributors remain in good standing.

To the extent Herbalife discloses any trade secret to a Distributor the Distributor will hold the trade secret in confidence and will not disclose them, even after termination or resignation.

Distributors may not, however, use in conjunction with their Herbalife business any audio or video, trademarks, company name, product names, or graphics belonging to other persons or entities, without first having obtained approval from the owner for that use.

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### 3.4 Broadcasting Prohibited

Distributors may not broadcast or advertise on television, radio, or any similar medium.

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### **3.5 Prohibitions of Internet and Auction Sales**

Auction sales and sales on auction sites weaken the personal relationships Distributors must develop with their customers, as well as the Herbalife brand and the image Herbalife establishes for its products. Accordingly, Distributors may not (directly or indirectly through any intermediary or instrumentality) offer for sale or facilitate the offering of Herbalife products for sale through any auction, online auction website, or any e-commerce or other website. This prohibition includes, but is not limited to, selling Herbalife products on eBay, Amazon, Lazada or Shopee. If Herbalife finds any of its products purchased by an Herbalife Distributor being offered for sale in any auction, online auction website, or any e-commerce or other website other than those permitted by Herbalife, such Herbalife Distributor is obligated to take responsibility, bear consequences, and accept any sanctions Herbalife decides to enforce at its discretion. Additionally, the Herbalife Distributor agrees to release Herbalife from any legal claims that may arise in the future.

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### **3.6 Social Media as a Sales and Promotion Forum**

Social media sites may not be used to conduct sales of Herbalife products. Online sales of Herbalife products may only be made from a Distributor's website.



## CHAPTER 4 SALES AND MARKETING PLAN FUNDAMENTALS

### 4.1 One Distributorship Permitted Per Person

Individuals may only work in one Herbalife Distributorship, except as permitted in our Inheritance Policy. Married Couples and Life Partners must work under the same Distributorship unless they were both at Supervisor level at the time of Marriage or Life Partnership.

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### 4.2 Proper Purchasing

Non-Supervisor Distributors may only purchase Herbalife® products directly from Herbalife, their Sponsor, or first upline Fully Qualified Supervisor. Distributors may not place or pay for orders in other Distributor's name unless Herbalife has written permission from that person.

Fully Qualified Supervisors may only purchase products directly from the company.

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### 4.3 Sales & Marketing Plan Manipulation

Distributors may not attempt to manipulate the Sales & Marketing Plan.

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### 4.4 Responsibility for Conduct of Others Assisting with Distributorship

Distributors are responsible for the actions of anyone who helps them with their business, including their spouse, Life Partner or services provided to Distributors by vendors.

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### 4.5 Period of Inactivity

Any Distributor intending to sign a new Distributorship Application and Agreement under a different Sponsor must wait one year (Supervisor and below) or two years (World Team and above) during which they may not conduct any Distributor activities.

This requirement also applies to any former participant (meaning a former Distributor, spouse, Life Partner or an individual who assisted in the Distributorship).

Any attempt to bypass the Period of Inactivity through assistance or any other way is prohibited.

## CHAPTER 5 SPONSORING AND LEADERSHIP

### 5.1 TAB Team Acknowledgment

When a Distributor reaches the TAB Team, they must sign a TAB Team Acknowledgment form before they become eligible to be paid a Production Bonus.

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### 5.2 Training

Sponsors are responsible for providing training to their downline Distributors but may not profit from it.

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### 5.3 No Interfering

Distributors may not interfere with the business of any other Distributor.

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### 5.4 Association with Herbalife

Distributors may not suggest that Herbalife is associated with religious, political or social beliefs, any organizations, or any other businesses.

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### 5.5 Solicitation of other Opportunities

Distributors may not promote other business opportunities to Distributors.

Distributors also may not sell products from other MLMs or direct-selling companies to Distributors.

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### 5.6 Leads

Distributors may not buy or sell Leads, but they can generate Leads for themselves or give them for free to others.

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### 5.7 Sale of Business Tools Not for Profit

Distributors may not profit from selling Business Tools to other Distributors and Herbalife reserves the right to prohibit the sale or use of a Business Tool that violates its Rules, the law or damages Herbalife's reputation or image.

## CHAPTER 6 NUTRITION CLUBS AND OFFICES

### 6.1 Club Registration

Distributors may not enter into any lease or open a Club in a non-residential location, unless they have:

- been a Distributor for at least 90 days.
  - received training by a knowledgeable upline Distributor or through local Herbalife training events.
  - completed the process required by Herbalife for site location, proposed signage, and other matters.
  - registered their location with Herbalife.
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### 6.2 Multiple Clubs

Distributors may operate no more than three locations or enter into more than three leases for the purpose of operating Clubs.

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### 6.3 Distributors may not Charge for Nutrition Club Advice

Distributors may not charge other Distributors for help or advice with opening or running a Club except as set out in the Training Rule.

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### 6.4 Responsible Club Operator

One Distributor must be designated as the primary Club operator, who is responsible for and oversees all Club operations.

The primary Club operator must designate another Distributor to be responsible when they are not present.

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### 6.5 Sharing Club Premises

A Club operator may only charge other Distributors for the cost of using their Club, not for a profit. All Distributors subleasing space within the Club must complete the Nutrition Club requirements.

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### 6.6 Product Preparation

Distributors must prepare products served in Nutrition Clubs in accordance with acceptable preparation practices and make the product label and allergen information available to customers upon request. No product claims may be made if mixtures are not prepared according to the product label.

Only Herbalife products and add-ons such as fruits, vegetables, and flavors are permitted to be served, sold, or promoted in the Club. Individual tablets may not be sold or served, and selling repackaged and dry product is also prohibited.

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### 6.7 Carry-Outs

Recognizing that social interaction is a valuable part of the Club experience, products served are intended for consumption in the Club. However, customers may carry up to six (6) full consumptions per visit, which include a shake, tea, aloe or any other product consumed at the Nutrition Club.

### **6.8 The Sale of Clubs for Profit Prohibited**

**Transfer of Lease:** The sale of Clubs for profit is prohibited. However, transfer of the lease and recouping the incurred costs of assets as well as the buildout is permitted. Upon request, the Distributor must provide records demonstrating the costs.

Before entering into the lease, the Distributor must first satisfy Club Registration Requirements.

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### **6.9 Signage Restrictions**

A Nutrition Club may not have any type of signage on the exterior of their location or surrounding the premises which identify the Club.

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### **6.10 Nutrition Club Exterior**

The following are not allowed on the Club's exterior:

- display Herbalife branding (names, logos, etc.)
- imply that Herbalife products are available for purchase; and
- feature "Before & After" photographs.

## CHAPTER 7 INTERNATIONAL BUSINESS

### 7.1 Activities in Countries or Territories Not Yet Open

Distributors may not engage in any Herbalife business activity in any country not yet officially opened.

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### 7.2 No Exporting of Products

Distributors may not ship, sell, export or distribute products from one country to another. Subject to applicable law, Distributors may carry up to 1,500 Volume Points of products per month with them for personal consumption while travelling.

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### 7.3 Activities in China

Only Chinese Nationals may do business in China. Distributors may not ship or bring Herbalife product into China even for personal consumption.

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### 7.4 Prohibited Countries/Regions and Persons

Distributors may not be a resident of, or conduct Herbalife business activities within, a Prohibited Country/Region. A Distributor may not directly or indirectly conduct any Herbalife business activities with an individual or entity who the Distributor has reason to believe is:

- (i) a resident of, or operating businesses in, a Prohibited Country/Region;
- (ii) engaged in sales to individuals residing in a Prohibited Country/Region;
- (iii) owned or controlled by an entity located in, or an individual ordinarily residing in, a Prohibited Country/Region;
- (iv) included on the list of Specially Designed Nationals maintained by the U.S. Treasury Department's Office of Foreign Assets Control or any person, entity or organization owned or controlled by someone listed.

## CHAPTER 8 GENERAL CONDUCT

### 8.1 Compliance with Applicable Laws and Rules

Distributors must follow all laws (including Rules, Regulations, ordinances, and licensing requirements) and Herbalife Rules in every country they work in and cannot encourage others to break them.

If there is a conflict between Herbalife Rules and the law, the law prevails.

Distributors must also follow the terms of service for any third-party service utilized in conducting their Herbalife business.

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### 8.2 Truthful Submissions and Communications with Herbalife

All information given to Herbalife, must be true, complete, and on time, including the Application, forms, receipts, contact information, and orders.

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### 8.3 Maintaining Reputation and Image of Herbalife

Distributors may not harm the reputation, image, products, intellectual property or goodwill of Herbalife.

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### 8.4 Conduct Regarding Harassment, Discrimination and Inappropriate Conduct

Herbalife prohibits harassment, unlawful discrimination and inappropriate conduct.

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### 8.5 No Anti-Competitive Behavior

Distributors are independent business owners and must not form agreements with other Distributors regarding:

- the price at which they sell Herbalife products.
- territories in which they sell.
- methods of distribution; or
- allocation of Customers or Distributors.

## CHAPTER 9 ADMINISTRATIVE

### 9.1 Distributorship Eligibility

#### 9.1.1 Distributorship Minimum Age

A person must be at least 18 years old to apply for Distributorship or participate in another Distributor's Herbalife business.\*

\* Minimum age requirements vary from country to country. For age requirements in other countries, contact Distributor Services.

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#### 9.1.2 Recognition of a Spouse or Life Partner

A Distributor may add their spouse or Life Partner to their Distributorship record to support them in the business and for recognition\* purposes.

The Distributor will remain the Distributor of record. However, in the event the Distributor separates from their spouse or Life Partner, the Distributor's ownership or entitlement of the Distributorship may be impacted\*\*.

\* As an example recognition allows Herbalife event attendance, recognition for new business and Marketing Plan achievements.

\*\* In the event of a separation/divorce or dissolution of Life Partner Relationship where a legal and/or financial aspect of the Distributorship becomes disputed, whether the spouse or Life Partner is added to the account or not may impact the local court's decision.

## **9.2 Transferring Your Distributorship**

### **9.2.1 Assignment, Sale, or Transfer of Distributorship**

The assignment, sale, or transfer of any right or interest in a Distributorship is not permitted without prior written consent by Herbalife in its sole and absolute discretion.

A Distributor may not transfer a Distributorship in order to circumvent the Rules or the law. If Herbalife becomes aware that the former Distributor (Transferor) and/or the Transferor's spouse or Life Partner has engaged in conduct or activity that would violate the Rules after granting the transfer request, Herbalife may apply sanctions to the transferred Distributorship.

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### **9.2.2 May Only Be Sold, Assigned or Transferred to a Non-Herbalife Distributor**

A Distributorship can only be sold, assigned or transferred to an individual who is not a Distributor, except as allowed by Inheritance Rule. Herbalife will not consider a transfer request if the proposed Distributor (Transferee) has not satisfied the period of inactivity requirements (see Period of Inactivity Rule).

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### **9.2.3 Status and Benefits**

The achievements of a Distributor are personal, and if a sale, assignment or transfer is approved, the status and benefits achieved by the Distributor may not be transferred with the Distributorship. The Transferee may be required to achieve all qualifications for status and earning requirements after the assignment or transfer is made. This includes Supervisor status, TAB Team status, vacation qualifications or any other rights of the individual Distributor.

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### **9.2.4 Responsibility After Transfer**

After transfer of the Distributorship:

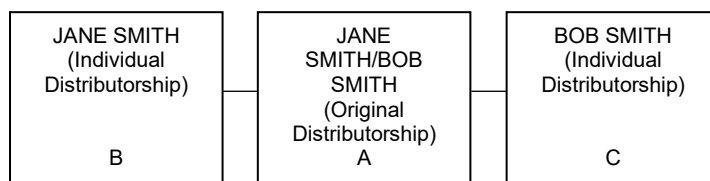
- The Transferee shall be responsible to Herbalife for any and all violations of the Rules committed by or on behalf of the Transferor in connection with the Distributorship.
- For a period of six months following the effective date of the transfer, acts by the Transferor and/or the Transferor's spouse or Life Partner, which would violate the Rules if the Transferor were still a Distributor, shall be treated as though the violations were the Transferee's violation.



## 9.3 Separation, Divorce, and Dissolution of Life Partner Relationship

### 9.3.1 Establishing a New Distributorship

If a Distributor's spouse or Life Partner wishes to continue in the Herbalife business during divorce proceedings or immediately after a divorce or dissolution of a Life Partner relationship, the Distributor and spouse/Life Partner each must start a new separate Distributorship under the original Distributor's Sponsor. Herbalife will deactivate the buying privileges of the original Distributorship and credit each new separate Distributorship with the business activity of the original Distributorship through an "Association." (See Divorces and Dissolution of a Life Partner Relationship and the Herbalife Sales & Marketing Plan) Each Distributor must use the new ID number in his or her business.



The original Distributorship and its downline cannot be divided between the Distributor and the former spouse/Life Partner. For example they may not "divide" the Distributorship by giving each person a 50% ownership.

Herbalife must receive the following documents to establish new Distributorships:

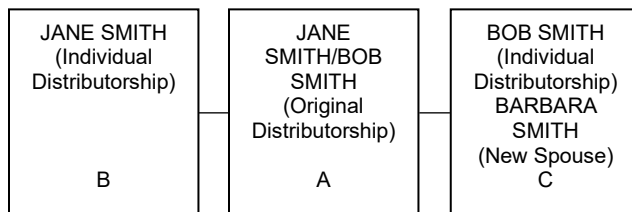
#### From a Divorcing Couple

- Newly completed and signed Applications for the Distributor and spouse, sponsored by the Sponsor of the original Distributorship.
- A signed and notarized Divorce and Separation Form.
- A copy of the Petition for Dissolution of Marriage, Settlement Agreement, or final divorce judgment.
- Newly completed and signed TAB Team Production Bonus Acknowledgment Forms for the Distributor and spouse, reflecting the ID number of the new separate Distributorship (TAB Team level Distributorships only).

#### From Partners in Dissolution of Life Partner Relationship

- Newly completed and signed Applications for the Distributor and Life Partner, sponsored by the Sponsor of the original Distributorship.
- A signed and notarized Dissolution of Life Partner Relationship Form from both parties. (If both parties do not provide the signed and notarized Form, a statutory declaration made before a notary public, a practicing solicitor, a commissioner for oaths or a Justice of the Peace indicating that the relationship has ended will be required).
- Newly completed and signed TAB Team Production Bonus Acknowledgment Forms for the Distributor and Life Partner, reflecting the ID number of the new separate Distributorship (TAB Team level Distributorships only).

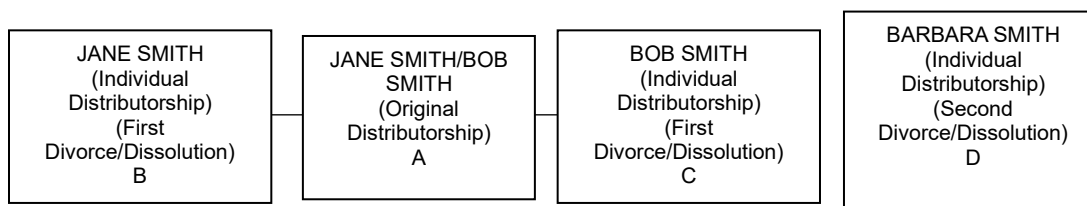
If a Distributor remarries or designates a new Life Partner, that person's new spouse or Life Partner may be added to the Distributor's new separate Distributorship to support the Distributor in the business and for recognition purposes.



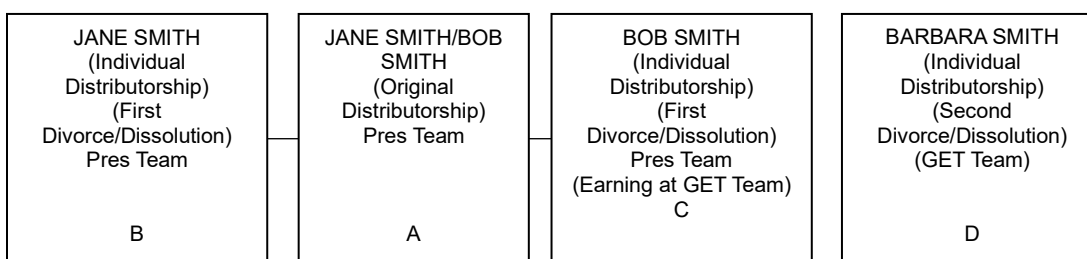
### More than one Dissolution or Divorce:

Herbalife will only associate one set of divorced or dissolved Distributorships. In the case of more than one Divorce or Dissolution of Life Partner Relationship, the divorced Spouse or the dissolved Life Partner may establish a separate Distributorship, but the Distributorship will have no association.

For example, if Bob and Barbara divorce, Barbara may start a new Distributorship (“D”) under the original Distributorship Sponsor, but it will not be associated to Bob’s Distributorship (“C”).



The Sales & Marketing Plan level of Barbara’s Distributorship (“D”) will be established based upon the business activity achieved under Distributorship (“C”). For example, the business activity of Distributorship (“C”) is earning at GET Team, so Barbara’s new Distributorship (“D”) will be established at GET Team level.



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### 9.3.2 Requests to Modify the Original Distributorship

Herbalife will accept requests to make changes to the original Distributorship. All requests must be signed by both parties unless Herbalife receives a certified copy of the court’s final judgment.

Removing a Spouse or Life Partner’s Name: Herbalife must receive a completed Request to Remove Spouse Form, or a Request to Remove Life Partner Form to remove the name of a spouse or Life Partner from the Distributorship record.

Payments: Herbalife must receive a completed Request to Pay Form to make payment changes. Subsequent requests must be signed and notarized by both parties. The income statements for the original Distributorship will be available at [mo.Myherbalife.com](https://mo.myherbalife.com) when logged in under the original Distributorship’s Herbalife ID Number.

Transfers: Herbalife must receive a completed Divorce and Separation Form, or Dissolution of Life Partner Relationship Form, to transfer a Distributorship to someone who is not the Distributor, a former spouse or a former Life Partner.

If the Distributorship to be transferred is associated with another Distributorship, the transferred Distributorship will remain associated.

If after a Distributor transfers their Distributorship and decides to establish a new Distributorship:

- The new Distributorship must operate independently from their original Distributorship.

- Advancement within the Sales & Marketing Plan, Royalty Overrides, Production Bonuses and other earnings will be based solely on the achievements of the new Distributorship.

For Herbalife to accept the new Agreement:

- The Distributor must submit their request within one year of the transfer if Supervisor and below, or within two years of the transfer if World Team and above.
- The Sponsor of the original Distributorship must sponsor the new Distributorship.

The new Distributorship's status will be equal to the status of the original at the time of the transfer.

### **9.3.3 Joining Under a Different Sponsor/Participating in Another Distributorship**

To join under a different Sponsor, the Distributor or spouse or Life Partner must provide Herbalife with the following required documents:\*

#### **From a Divorcing Couple**

- A newly completed and signed Distributorship Application and Agreement.
- Signed and notarized Divorce and Separation Form.
- Copy of the Petition for Dissolution, Settlement Agreement, or final divorce judgment, or documentation from a court which declares an interim determination that the marital community has ended.

#### **From Partners in Dissolution of Life Partner Relationship**

- A newly completed and signed Distributorship Application and Agreement.
- Signed and notarized Dissolution of Life Partner Relationship Form from both parties. (If both parties do not provide the signed and notarized Dissolution of Life Partner Relationship Form, a statutory declaration made before a notary public, a practising solicitor, a commissioner for oaths or a Justice of the Peace indicating that the relationship has ended, will be required).

In addition, the Distributor or spouse or Life Partner must comply with the period of Inactivity. The Period of Inactivity will be determined as stated in Period of Inactivity Rule or by the issuance date of the court document received, whichever is later.

Note: Establishing a new Distributorship under a different Sponsor requires the purchase of a HDP, and benefits will begin at a 25% discount with no association to the original Distributorship.

\* Forms and Applications are available through Distributor Services.

### **9.3.4 Divorces and Dissolution of a Life Partner Relationship and the Herbalife Sales & Marketing Plan**

Total Volume: The individual Distributorships will receive Volume Point credit from the original Distributorship to combine with their own Volume Points ("Association"). This will determine the eligibility to receive Royalty Overrides, qualifications, re-qualifications and/or Production Bonuses.

For the purpose of Royalty Override percentage eligibility, the original Distributorship will combine volume with each of the individual Distributorships, plus its own volume.

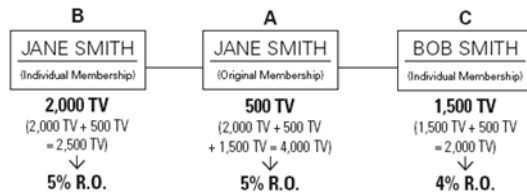
Production Bonus eligibility for the original Distributorship will be determined based on the achievement of the highest individual Distributorship.

### Example:

#### Volume Points

Volume for B and C will be as follows:

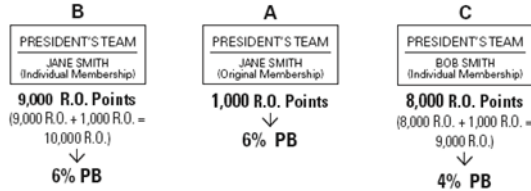
B + A and C + A



#### Royalty Points

The Royalty Override Points for Production Bonus purposes are combined as follows:

B + A and C + A



**Requirements:** Each individual Distributorship must comply with the 10 Retail Customers Rule, the 70% Rule, and any other requirements to earn Royalty Overrides. Each Distributorship must also achieve the necessary volume to meet the Matching Volume requirements for their own downline who are qualifying for Supervisor status. The buying privileges of the original Distributorship will be temporarily granted to accommodate any Matching Volume requirements for its downline qualifiers.

**Recognition:** Each Distributorship will be recognized for its own accomplishments under the Sales & Marketing Plan. The original Distributorship will not receive recognition. If the original and an individual Distributorship reach the level of President's Team, only one diamond will be awarded to the upline President's Team member, which remains consistent with the diamond allocation for Distributorships that are not part of a divorce or dissolution of a Life Partner relationship. If the individual Distributorship qualifies for a diamond, only that Distributorship will advance within the diamond status(es).

**Events:** Rules related to event attendance are specific to each event and may vary. Please refer to event materials for information about accommodations, tickets, transportation and other event details.

#### **9.4 Inheritance\***

The Distributorship of a deceased Distributor may be transferred to an heir, subject to applicable laws, Rules, and Herbalife's approval which shall not be unreasonably withheld.\*\*

A Distributor may own and operate a maximum of three Distributorships – the Distributor's own, plus up to two others acquired by inheritance. An inherited Distributorship may be transferred to the individual heir directly, or in the case of a Distributorship that is TAB Team level, to a Corporation owned by the heir.\*\*\*

The Period of Inactivity (as specified in the Period of Inactivity Rule) for an inherited Distributorship shall be waived.

The heir must provide all documentation requested by Herbalife in its sole and absolute discretion.

Requests to cancel a deceased's Distributorship must be made directly to Herbalife.

\* The Deceased Transfer Declaration Form is available from Distributor Services.

\*\* Inherited Distributorships are considered to be separate entities, each subject to fulfilling the business activities, volume and compensation terms as set forth in the Sales & Marketing Plan, with the exception of lifetime volume achievements, which permit the combination of the heir's own Total Volume with the inherited Distributorship's Total Volume. The heir is responsible for payment of fees and debts of each Distributorship.

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#### **9.5 Resignation**

A Distributor may resign by submitting a resignation request through the Online Self-Service Center on [mo.Myherbalife.com](http://mo.Myherbalife.com), or by submitting an email request to [memberservices\\_mc@herbalife.com](mailto:memberservices_mc@herbalife.com) from the email address on record, or by submitting a signed letter to Herbalife. The resignation becomes effective when received and accepted by Herbalife.

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#### **9.6 Sales to Consumers**

Herbalife is a direct-selling company, whose independent contractors (Distributors) sell Herbalife products directly to customers and provide them with product guidance and social support.

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#### **9.7 Payments and Adjustments**

To qualify for monthly Royalty Overrides, Production Bonuses or other bonuses offered by Herbalife, Distributors must meet sales production and Royalty Point requirements that are fully defined in the Sales & Marketing Plan and in other literature and promotional material. Additionally, in order to earn these payments, Distributors must meet certain requirements for retail customers and product distribution, and confirm those on the 1st of each month on the Earnings Certification Form.\*

\* Earnings Certification Forms are available on [mo.myherbalife.com](http://mo.myherbalife.com).

## **9.8 Maintaining Lines of Sponsorship**

### **9.8.1 Sponsorship Correction**

A Distributor who wishes to request a sponsorship correction must complete and submit a “Change of Sponsorship Request” Form,\* “Change of Sponsorship Consent” Form from the current Sponsor, and a letter of acceptance from the proposed Sponsor. All documents must be notarized. Requests for sponsorship corrections will only be considered if all the following circumstances are met:

- Sponsorship details provided on the Distributorship Application and Agreement were in error.
- The request is made within 90 days of Herbalife accepting the current Distributorship Application and Agreement.
- The current and proposed Sponsor are in the same Line.
- The current Distributorship has not reached the level of Supervisor.
- The Distributor making the request has not yet sponsored any other Distributors.

\* The required Change of Sponsorship Request and Change of Sponsorship Consent Forms may be obtained from Distributor Services. These forms and all other specified documentation must be submitted to Distributor Services in order for Herbalife to consider the request.

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### **9.8.2 Applying for Change of Sponsorship**

In order to protect the integrity of lineage, which is a fundamental principle of multi-level marketing, a change of sponsorship is discouraged and will only be approved by Herbalife in the most exceptional circumstance.

A Distributor may only apply for a change of Sponsorship within their upline President's Team organization.

A Distributor who wishes to request a sponsorship change should first consult with their upline to discuss and review the circumstances. Should the Distributor then wish to continue, they must complete and submit a “Change of Sponsorship Request” Form\* (signed by two witnesses), along with a “Change of Sponsorship Consent” Form (signed by two witnesses) from the current Sponsor, and all Royalty Override and Production Bonus earners in the upline, up to and including the active President's Team member earning a 7% Production Bonus. In addition, Herbalife must receive a “Change of Sponsorship Acceptance” Form (signed by two witnesses) from the proposed Sponsor.

If both the current and proposed Sponsors share the same upline Sponsor, and each are at equal status and earning levels under the Sales & Marketing Plan, the Distributor requesting the change only needs to obtain a Change of Sponsorship Consent Form (signed by two witnesses) from the current Sponsor and a “Change of Sponsorship Acceptance” Form (signed by two witnesses) from the proposed Sponsor.

If Herbalife approves the change, the requesting Distributor will not be allowed to keep downline Distributors.

If the request for a change of sponsorship is denied, the Distributor may resign their Distributorship and comply with the Period of Inactivity before reapplying for Herbalife Distributorship or under a different Sponsor. (See Period of Inactivity Rule)

\* The required Change of Sponsorship Request and Change of Sponsorship Consent Forms may be obtained from Distributor Services Department. These forms and all other specified documentation must be submitted to Distributor Services Department in order for Herbalife to consider the request.

## 9.9 ENFORCEMENT PROCEDURES

The Rules protect the Herbalife opportunity and brand. Violations can adversely influence the opinions of regulators, the media and the public about Herbalife, its products and its Distributors. While many Rule violations may be resolved by educating the Distributor about the Rules and proper business practices, there are instances where violations of the Rules merit more severe penalties.

Distributors are strongly encouraged to promptly report alleged violations of the Rules to Herbalife in order to protect the goodwill and reputation of Herbalife and its Distributors. Herbalife generally will only act on complaints brought within one year of when the Distributor knew or should have known of the violation but reserves the right to conduct an inquiry at any time.\*

\* Herbalife's enforcement of the Rules shall not create liability to pay compensation for loss of profits, goodwill, or any consequential damages.

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### 9.9.1 Complaint Procedure

Distributors should report suspected violations on an Official Complaint Form.\* Required information includes the nature of the complaint and the factual details that support the allegations.\*\* The Official Complaint Form must be signed and include the reporting Distributor's Herbalife ID number.

\* The Form can be obtained through Distributor Services or by accessing [mo.myherbalife.com](https://mo.myherbalife.com).

\*\* Factual details include names, addresses, and telephone numbers of persons involved as well as dates, times, places, etc.

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### 9.9.2 Inquiry

If Herbalife determines in its sole and absolute discretion there is sufficient information to support the allegation, an Herbalife representative will contact the Distributor who is the subject of the complaint to permit the Distributor to provide a response.

In certain circumstances it may become necessary to place restrictions on a Distributorship while an inquiry is in process. Those restrictions may include a prohibition from attending Herbalife events and suspension or denial of:

- Buying privileges.
- Payment for Royalty Overrides.
- Payment for TAB Team Production Bonus.
- Awards or benefits (i.e., vacations, pins, etc.).
- Speaking at Herbalife sponsored Training Seminars or other meetings.
- Qualifications that may be in progress.
- The right to represent oneself as an Herbalife Independent Distributor.

Herbalife reserves the right to publish the violating Distributor's name, violation, and penalty.

### **9.9.3 Sanctions**

Violations of the Rules may result in legal or regulatory challenges for Herbalife and endanger the business for all Distributors. For this reason, penalties may be substantial. Herbalife shall have sole and absolute discretion to determine the appropriate penalty based on the nature of the violation and consequence that resulted or could result, including:

- Suspension of all Distributor rights and privileges.
- Monetary sanctions.
- Obligation to reimburse Herbalife's legal fees.
- Prohibition from attending or speaking at Herbalife sponsored events.
- Disqualification from participation in the annual Mark Hughes Bonus.
- Disqualification from participation in the Production Bonus program.
- Permanent loss of lineage.
- Volume and earnings adjustments; and/or
- Termination of Distributorship (see "Termination or Deletion of a Distributorship" below).

If Herbalife concludes that other Distributors assisted, encouraged or were party to the violations, Herbalife also may hold such Distributors responsible for the violations.

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### **9.9.4 Requests for Reconsideration (unrelated to Terminations)**

Distributors may submit a request for Herbalife's reconsideration of a decision within 15 days of the date of the decision. When requesting reconsideration, the Distributor may submit additional information they believe should be considered, and must also state why this information was not provided during the inquiry. If the reconsideration request is not submitted within the 15-day period, the request will be denied, although Herbalife reserves the right to consider evidence submitted beyond the 15-day period in its sole and absolute discretion.

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### **9.9.5 Termination of a Distributorship**

Herbalife may, in its sole and absolute discretion, terminate a Distributorship if a Distributor violates the Rules.\*

The termination is effective on the date in Herbalife's written notification to the Distributor. Upon termination, the Distributor will have no claim against Herbalife as a result of the termination.

A terminated Distributor\*\* may no longer:

- conduct business as a Distributor;
- represent himself as an Herbalife Independent Distributor;
- use Herbalife's trade name, logo, trademarks and other intellectual property; and
- attend Herbalife trainings, meetings, social events or promotions, even as a spouse or guest of a Distributor.

\* Termination means the complete cancellation of a Distributorship and revocation of the Distributor's right to conduct the Herbalife business. This includes cancellation of the Distributor's right to receive any further income from the Distributorship.

\*\* These prohibitions also apply to Distributors who resign or otherwise leave the Herbalife business while under an inquiry for possible Rule violations.



#### **9.9.6 Appealing a Termination**

Distributors may appeal a termination decision within 15 days of the date of the decision. When requesting an appeal, the Distributor may submit additional information they believe should be considered and must also state why this information was not provided during the inquiry. If the appeal request is not submitted within the 15-day period, the request will be denied, although Herbalife reserves the right to consider evidence submitted beyond the 15-day time frame in its sole and absolute discretion.

The appeal will be reviewed by a committee comprised of an appointed representative from each of the Sales Department, the Distributor Services Department, and the Legal Department (the "Review Committee"). A majority of the Review Committee may uphold the termination, reinstate the Distributorship, or recommend an alternative penalty for the alleged violations. In reviewing a termination decision, the Review Committee will consider whether the alleged violation was material. This decision shall not create liability to pay compensation for loss of profits or goodwill.

## 9.10 ADDITIONAL LEGAL PROVISIONS

References below to “Agreement” mean the Application and entire contractual relationship between Distributor and Herbalife.

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### 9.10.1 Damages

To the maximum extent permitted by law, neither Herbalife nor Distributor shall be liable to the other for any incidental, consequential, special, exemplary or punitive damages under any legal or equitable theory, regardless of whether the possibility of such damages is known by either party.

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### 9.10.2 Waiver and Delay

Herbalife may address Rules violations or other breaches of the Agreement with any Distributor in its sole and absolute discretion. No failure, refusal or neglect of Herbalife to exercise any right, power or option under the Agreement shall constitute a waiver of the provisions or a waiver by Herbalife of its rights at any time under the Agreement.

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### 9.10.3 Severability

If any provision in the Agreement is found to be invalid, illegal, or unenforceable in any respect, it shall be severed from the Agreement and have no effect on the remainder of the Agreement, which shall remain in full force and effect. Further, there shall be added automatically as part of the Agreement a provision as similar as possible to the severed provision that would be legal, valid, and enforceable.

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### 9.10.4 Choice of Law and Forum

This Agreement, and any dispute arising from the relationship between Herbalife and Distributors, shall be governed by the substantive laws of the Hong Kong without the application of conflict of law principles.

Any such dispute shall be resolved exclusively in a judicial proceeding in the competent court located in Macau.

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### 9.10.5 Indemnification

To the maximum extent permitted by law, Distributor will indemnify, defend, and hold Herbalife harmless from any suit, action, demand, prosecution or claim, including all costs, liabilities and damages, relating to or arising from Distributor’s breach of the Agreement or the conduct of Distributor’s Herbalife business. Herbalife may, among other things, offset amounts it owes to Distributor to satisfy any obligations arising under this indemnity.

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### 9.10.6 Claims Between Distributors

Herbalife shall not be liable to any Distributor for any cost, loss, damage, or expense suffered by any Distributor directly or indirectly as a result of any act, omission, representation, or statement by any other Distributor.

## 9.11 PRIVACY AND DATA PROTECTION

Unless otherwise indicated, Herbalife collects, uses and shares “Personal Information” (e.g., your first and last name, mailing address, telephone number, email address, credit card, and banking information) in accordance with its Privacy Policy located at <https://www.herbalife.com.hk/footer-pages/privacy-policy/>.

Because of the unique nature of multi-level marketing, Distributors may receive Personal Information about others directly from Herbalife, such as information regarding other Distributors in a Distributor’s downline, customers or referrals who express interest in Herbalife products or services, or individuals who use our online properties and mobile applications (“Sites”). (The downline organization consists of all Distributors that were personally sponsored by a particular Distributor, and in turn, all other persons sponsored by the subsequent Distributors.) Once Herbalife provides Personal Information to a Distributor, he or she is responsible for it and must keep it strictly confidential. Distributors may only use this Personal Information to develop their Herbalife business relationship with their downline, customers or referrals, unless they have received consent from the individual to use his or her Personal Information for other purposes.

One way that Herbalife shares information with Distributors is through Lineage Reports. These reports contain information regarding other Distributors within a Distributor’s downline, such as their name and contact information, their Herbalife Identification Number, and business metrics such as their level or rank, volume and sales statistics. Lineage Reports are provided to Distributors in the strictest confidence and for the sole purpose of supporting the Distributors in further developing their Herbalife businesses. Lineage Reports, including all Personal Information and other data contained therein, constitute confidential, proprietary trade secrets of Herbalife. Distributors may not collect, distribute or gather confidential information or personal or aggregate information about other Herbalife Independent Distributors they sponsor, or their customers except in connection with their downlines and solely for the purposes of promoting their Herbalife businesses, and to manage, motivate and train their downlines.

Distributors may also collect Personal Information from individuals directly or by other means, such as when they collect contact and payment information from customers to process product orders. Distributors must abide by applicable privacy and data protection laws, including international data transfer restrictions, with respect to all Personal Information obtained by Distributor (from Herbalife or otherwise) in connection with the Distributor’s Herbalife business. In addition, it is the Distributor’s responsibility to maintain the security of all Personal Information that he or she receives and to retain such information only in accordance with applicable laws. Please be aware that privacy and data protection laws often have stricter consent, security, and retention requirements for special categories of Personal Information, such as health data, biometric data, and data relating to children/minors.

## 9.12 DEFINITIONS

**Application:** Herbalife Distributorship Application and Agreement.

**Association:** In a divorce, or dissolution of a Life Partner relationship, the combination of volume between the original Distributorship and the separate Distributorship of the divorced couple or the former Life Partners, for the purpose of earnings percentage calculation.

**Business Tool:** A sales aid not provided by Herbalife.

**Club:** Nutrition Club.

**Customer:** Retail Customers.

**Distributor:** An individual whose Herbalife Application and Agreement for Distributorship has been accepted and entered into Herbalife records.

**Distributorship:** A Distributor's Herbalife independent business.

**Fee:** Annual Distributorship Services Fee.

**Herbalife Intellectual Property:** Includes Herbalife copyrighted materials, trademarks, trade names, trade dress, and trade secrets.

**Herbalife® Products:** Includes all products sold by Herbalife, and preparations made by Distributors using those products.

**HDP:** Herbalife Distributor Pack.

**Leads:** Prospects for Herbalife products or the Herbalife business opportunity.

**Life Partner:** A person designated by an Herbalife Independent Distributor as their Life Partner on the "Add Life Partner Request Form".

**Materials:** Herbalife produced literature and sales aids.

**Review Committee:** The committee that reviews an appeal of a termination decision. Consists of an appointed representative from each of the Sales Department, the Distributor Services Department, and the Legal Department.

**Rules of the Road:** The Herbalife Distributor rules, policies and advisories that Herbalife issues from time to time.

**Sales & Marketing Plan:** Outlines the specific milestones and benefits that Distributors can strive to achieve.

**Sponsor:** The Distributor who brings another individual into Herbalife as a Distributor.

**Transferee:** The Distributor to whom a Distributorship is transferred.

**Transferor:** The former Distributor who is transferring his or her Distributorship to another.