FAQ

Commercial Club Requirements

A guide covering the most common questions

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Herbalife

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1. What are the requirements to open a Commercial Club?

Entering into a lease, sublease or purchase agreement of a physical location.
Prior to entering into any lease, sublease or purchase agreement of a physical location to operate an Herbalife-related business, a Distributor must:

- Have been a Distributor for at least twelve (12) consecutive months;
- Successfully complete Herbalife Keys to Your Business: Commercial Location training;
- Prepare a business plan using the interactive Form available on MyHerbalife.com, and make it available to Herbalife upon request; and
- Register the Club online at MyHerbalife.com or by calling Herbalife at 310-216-6056.

Commercial Clubs without a lease, sublease, or purchase agreement of a physical location. When using a Commercial Location that does not require entering into a lease, sublease or purchasing a physical location, a Distributor must:

- Successfully complete Herbalife Keys to Your Business: Commercial Location training;
- Prepare a business plan for the operation of the Herbalife-related business at the physical location using the interactive Form available on the MyHerbalife.com Nutrition Club page, and make it available to Herbalife upon request;
- Submit the required Declaration (which may require the notarized signature of the landlord/owner or proof of ownership/previous use of the property upon request). Download the Commercial Location No Lease Declaration Form from the Nutrition Club page on MyHerbalife.com; and
- Register the Club online on the MyHerbalife.com Nutrition Club page or by calling Herbalife at 310-216-6056.

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2. What is a “lease”?

In general, a lease is an agreement (whether written or verbal), under which you make one or more payments to someone for the right to use or occupy a space or property for a specified amount of time – often one year, but the length of time may vary.

3. What is a “sublease”?

A sublease works exactly like a regular lease (see Question 2 above), but instead of entering into an agreement directly with the landlord, you’re doing so with a tenant of the space or property. As mentioned above, prior to entering into a sublease, you must comply with the Commercial Club Rules for Clubs with a lease, sublease, or purchase agreement, just as if you were entering into a regular lease. **For example**, if a relative of an operator enters into a lease, and the operator agrees with that relative to make payment(s) either to the relative directly or to the landlord for the right to use or occupy the space or property, then the operator has a sublease and would have to comply with the Commercial Club Rules for Clubs with a lease, sublease, or purchase agreement.

4. What happens if I enter into a lease or purchase agreement before meeting the Commercial Location requirements?

Compliance with the three requirements (i.e., Distributor for 12 consecutive months, successfully complete the Keys to your Business training & complete the Interactive Business Plan on MyHL.com) before entering into a lease, sublease, or purchase agreement is extremely important, and as such the penalties for non-compliance with these requirements are significant. While you are in non-compliance:

a. Your distributorship will forfeit all earnings for the month(s) not in compliance.
b. You will not be able to document Club consumptions from any Club. Any secondary operators will also not be able to document any consumptions sold in your Club.
c. You will not be able to document any retail sales.

Individual facts and circumstances will also be taken into account, including aggravating and mitigating factors, and the penalties will be adjusted accordingly.

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5. My grandmother is the leaseholder for my Club, she is paying the rent as a gift. Do I have to comply with the Commercial Location requirements for Clubs with a lease, sublease, or purchase agreement?

Yes, if a non-Distributor enters into a lease with the intention of allowing a Distributor to operate a Herbalife business, the benefited Distributor needs to comply with the Commercial Club Rules for Clubs with a lease, sublease, or purchase agreement.

6. If a secondary operator is only paying for utilities and is not paying the rent, or any portion of the rent, would this be considered a lease?

No, this is not considered a lease or a sublease.

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7. I have an agreement with my landlord, they will not charge me for rent, but I have agreed to pay for tenant improvements on the location in exchange for the right to occupy the location. Do I have to comply with the Commercial Location requirements for Clubs with a lease, sublease, or purchase agreement?

Yes, Distributor needs to comply with the Commercial Club Rules for Clubs with a lease, sublease, or purchase agreement. Many commercial leases have a rent-free period; however, landlord mandated tenant improvements and other related costs and initial investments, such as architectural plans and electrical works, permits, etc., constitute a financial responsibility in exchange for the right to occupy the space and the Commercial Club requirements for Clubs with a lease, sublease or purchase agreement apply.*

*Please note that Distributor-initiated build out will not be considered a financial obligation as long as it is not a requirement of the Owner/Landlord as a condition for being able to occupy the property.

8. The owner of the location will allow me to operate my Club without a lease or any financial obligation. I will not be paying rent. Do I have to comply with the Commercial location requirements for Clubs with a lease, sublease, or purchase agreement?

No, however for Commercial Nutrition Clubs without entering into a lease, sublease or purchase agreement, Herbalife requires that you:

1. Successfully complete the Keys to Your Business - Commercial Location training;
2. Complete a Business Plan using the interactive form available in the Nutrition Club Essentials page on MyHerbalife.com;
3. Submit the required Declaration (which may require the notarized signature of the Landlord/Owner or proof of ownership/previous use of the property upon request); and
4. Register the Club online at MyHerbalife.com or by calling Herbalife at 310-216-6056.

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9. I want to enter into a "month-to-month" arrangement to occupy a space for my Herbalife business. Is it a lease, and do I have to comply with the Commercial Club Rules for Clubs with a lease, sublease, or purchase agreement?

Yes, this is a lease, and you must comply with the Commercial Club Rules for Clubs with a lease, sublease, or purchase agreement. This is a lease because you have an agreement that gives you the right to occupy the property each month in exchange for payment. The length of time for the arrangement doesn't matter.

10. I previously registered to operate a business location and have complied with the Commercial Club Rules for Clubs with a lease, sublease, or purchase agreement for my location. I need to renew the lease for the same location for another specified period of time. Do I have to comply with the Commercial Club Rules for Clubs with lease, sublease, or purchase agreement and prepare a new interactive business plan?

Yes, you need to prepare a new interactive business plan for the new lease. However, if your renewal is for the same exact terms (i.e., amount of rent, location, period of time, etc.), then you don't need to prepare an amended business plan.

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11. I recently moved to a new business location and signed a new lease. I previously registered for my old location. Do I have to register my new location and comply with the Commercial Club Rules for Clubs with a lease, sublease, or purchase agreement and prepare a new interactive business plan for my new location?

Yes, you need to update your registration with your new location address and complete a new interactive business plan prior to entering into the new lease.

12. I am already leasing a business location unrelated to operating my Herbalife business. I want to now use the same location to operate my Herbalife business. Which Commercial Club Rules do I have to comply with?

If you already have purchased or entered into a lease or sublease for another business that is unrelated to your Herbalife business, then you need to:

1. Successfully complete the Keys To Your Business - Commercial Location training,
2. Complete a Business Plan using the interactive tool,
3. Submit the required Declaration (which may require the notarized signature of the landlord/owner or proof of the ownership/previous use of the property upon request), and
4. Register the Club online at MyHerbalife.com or by calling Herbalife at 310-216-6056.

If you have already been a Distributor for at least twelve (12) consecutive months, then you can follow the Commercial Club Rules for Clubs with a lease, sublease, and purchase agreement, which also require you to complete the Keys to Your Business training and prepare an interactive Business plan. Remember, you need to prepare a new interactive business plan if you subsequently renew your lease for your Herbalife business (see Question 10).

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13. I am operating my Herbalife business at my home, which I rent (Residential Club). Since it is a rental property, do I need to comply with the Commercial Club Rules for Clubs with a lease, sublease, or purchase agreement?

No. You do not need to comply with the Commercial Club Rules for Clubs with a lease, sublease, or purchase agreement if you are operating your Herbalife business from your home, and thus do not need to prepare an interactive business plan. That said, many Distributors have found completing the interactive business plan to be valuable even if completion is not required.

14. If I am operating a Satellite Club where I pay money every time I use a physical location, is this a lease?

It depends. Temporary arrangements at picnic areas, beaches, community centers, etc., for limited use of the location do not constitute a lease. However, if the operation of the Satellite Club requires entering into an agreement for a specified term or time, obligating you to make one or more payments for that use, you have a lease and you must comply with the Commercial Club Rules for Clubs with a lease, sublease, or purchase agreement.

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15. I am taking over a lease from a Nutrition Club operator who no longer wants to operate the Nutrition Club. The operator has previously registered the location. Do I have to register the location again, and do I have to comply with the Commercial Club Rules for Clubs with a lease, sublease, or purchase agreement?

Yes, you will need to comply with the Commercial Club Rules for Clubs with a lease, sublease, or purchase agreement before the transfer of the business location because you are entering into a new lease or sublease for the business location. You don't need to register the Club again; please contact Member Business Practices and Compliance at 310-216-6056 to update the Nutrition Club information.

16. I am already operating one Club where I have a lease and plan to lease another business location to operate a second Club. Do I have to register the second location and comply with the Commercial Club Rules for Clubs with a lease, sublease, or purchase agreement again with respect to the second Club?

Yes, you have to register the second location and fulfill the requirements; however, because you already completed the Keys to Your Business Training and have been a Distributor for twelve (12) consecutive months, you only need to complete the interactive business plan for the second Club. Keep in mind that you can only be a Club Operator or lease holder in five locations or enter into more than five leases.

17. I verbally agreed to lease or sublease at a business location for a fixed period of time (e.g., six months) to operate my Herbalife business. Since nothing is in writing, do I still have a lease?

Yes, this is a lease because you have an agreement, under which you make one or more payments to someone for the right to use or occupy a space or property for fixed period of time. The fact that your agreement is verbal rather than in writing does not matter. Before you enter into a lease, you must comply with the Commercial Club Rules for Clubs with a lease, sublease, or purchase agreement.

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18. My uncle owns a building that is vacant. He is allowing me to use a space in the building for free. Is this a lease?

No, it isn't a lease since you are not making any payment for the right to occupy the space. However, you need to:

1. Successfully complete the Keys to Your Business - Commercial Location training,
2. Complete a Business Plan using the interactive tool,
3. Submit the required Declaration which requires the notarized signature of the Landlord/Owner, and
4. Register the Club online at MyHerbalife.com or by calling Herbalife at 310-216-6056.

19. My friend a non-Distributor has a building, and he is willing to let me use it if I give him a share of the profits I make from my Club to pay for the rent. Is this a lease or sublease?

Yes, it is since you are making a payment (a share of the profits) in exchange for the right to occupy a space. This means that you need to comply with the Commercial Club Rules for Clubs with a lease, sublease, or purchase agreement.

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20. I found a great deal and am paying only $50 a month in rent for my space. Is this a lease?

Yes, it is. The amount of your rental payment doesn't matter to the question of whether you have a lease. That said, choosing a cheaper amount of rent can be beneficial as your financial commitment is lower.

21. A cousin of mine had a lease for his business but he closed his business. If I have a handshake deal with him (nothing in writing) that I will make the rental payments in exchange for being able to use the property, is that a lease or sublease?

Yes, it is a sublease. The fact that the agreement was not in writing doesn't matter. It is a sublease because you are agreeing to make payments to your cousin in exchange for the right to occupy the space. It would be a lease if you paid the landlord instead of your cousin. Either way, you need to comply with the Commercial Club Rules for Clubs with a lease, sublease, or purchase agreement.

22. Can a new Distributor work out of a Nutrition Club?

Yes, a new Distributor can sell consumptions and retail product in a Nutrition Club. A Distributor cannot, however, enter into a lease, sublease, or purchase agreement for his or her Herbalife business until the Distributor has complied with the Commercial Club Rules for Clubs with a lease, sublease, or purchase agreement.

23. Can I collect a portion of any consumption sold in my Club?

Yes, an operator can collect a portion of consumptions or even full product sales in his or her Club. This is a simple and compliant way to get help to pay for Club expenses so long it is not in exchange for the right to occupy the space. For example, for every consumption that is sold, $1.00 goes towards the Club operation.

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24. Can I share expenses in my Club?

Yes, you can share expenses with those who work out of your Nutrition Club, including cleaning costs, supply costs and similar things. However, sharing rental expenses potentially creates a sublease. If you are looking for ways to defray rental costs, consider collecting a portion of consumptions or sharing profits. These methods can allow you to defray expenses without creating a sublease.

25. If I share profits in my Club, do the FTC requirements apply?

No, sharing the profit earned in your Club is a simple and compliant way to get help to pay for Club expenses so long it is not in exchange for the right to occupy the space. **For example**, for every consumption that is sold, $1.00 goes towards the Club operation.

26. Can I split my rent payment with those that work in my Club?

You can, but each of the people who work out of your Club likely would then have a sublease and would need to comply with the Commercial Club Rules for Clubs with a lease, sublease, or purchase agreement. Instead, consider collecting a portion of consumptions or sharing profits. These methods can allow you to defray expenses without creating a sublease

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