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## **1 GETTING STARTED**

### **1.1 No Debt or Forced Purchases**

Encouraging debt or requiring any purchase other than the IBP/Digital Starter Kit is prohibited. The IBP/Digital Starter Kit must be provided at cost or below, without markup or profit. Distributors must retain proof of sale for all Starter Kit codes sold to prospects.

### **1.2 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.

## **2 SELLING PRODUCTS**

### **2.1 Prohibited Locations**

Distributors may not display and/or sell Herbalife products in, pharmacies, kiosks, food courts, swap meets, flea markets, food trucks, shipping containers, restaurants, food service establishments, or any similar location.

Service establishments are accepted provided they are in an enclosed room. However, Clubs operating as open bars may operate in non-franchised gyms without needed to be in enclosed spaces.

Distributors may sell product consumptions to potential customers at closed events where temporary stands or roadshows are permitted.

### **2.2 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 level Preferred 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

### **2.3 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.

## **2.4 Sales Receipts or Records**

The Independent Distributor must keep copies of the receipts or records of the sales of products to their customers, whose information includes the list of products sold, the sale price, the name, address and telephone numbers of the customer, and must maintain copies of such records for a period of two (2) years.

Herbalife has the right to request copies of customer product sales records to verify transactions and the terms of that sale, which must be made available upon request.

## **2.5 Refund for Customers**

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.

Distributors should refer Preferred Customers to the Company for refunds.

## **2.6 High-Pressure Sales**

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

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

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

## **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.

# **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.

### **3.2 Independent Distributor Websites**

Independent Distributors must disclose relationship with Herbalife. Independent Distributors operating independent websites that use trademarks or offer Herbalife products for sale must clearly and conspicuously display the Independent Distributor's personal name and business address along with "Herbalife Independent Distributor":

- on the home page;
- as part of any contact information; and
- as part of any publicly accessible profile information.

The Independent Distributor's business name may not be substitute for the personal name of the individual Independent Distributors, but may be included in addition to the Independent Distributor's Personal name<sup>1</sup>. Anonymous postings or the use of an alias are prohibited.

### **3.3 Prohibitions of Sales on Ecommerce, Auction or Similar Sites**

Independent Distributors may not (directly or indirectly through any intermediary or instrumentality) offer for sale or facilitate the offering of Herbalife products for sale through ecommerce sites, on auctions sites or similar. This prohibition includes, but is not limited to, selling Herbalife products on eBay, Amazon, Mercado Libre, Linio, Yapo or similar.

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

Social media sites may not be used as a forum to conduct sales of Herbalife products. Online sales of Herbalife products may only be made using platforms created by Herbalife, an Independent Herbalife Distributor's website or through direct messaging.

### **3.5 Price Advertising**

Distributors may not advertise discounted prices or discount information to the general public; only the Suggested Retail Price may be advertised.

Discounts may be offered privately to customers but must not be communicated publicly and may only be shared through direct, personal interactions.

When promoting prepared product consumptions, Independent Distributors may use terms such as "special offers" without disclosing prices.

### **3.6 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:

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<sup>1</sup> If multiple Independent Distributors are fulfilling orders or otherwise participating on the same website, all Independent Distributor contact names and contact information must be listed.

- 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.

### **3.7 Broadcasting Prohibited**

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

## **4 SALES AND MARKETING**

### **4.1 One Distributorship Permitted Per Person**

Individuals may only work in one Herbalife Distributorship, except as permitted in our Inheritance Policy. A Distributor may not also be a Preferred Customer. 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.

### **4.1 Proper Purchasing**

Non-Supervisor Distributors may only purchase Herbalife® products directly from Herbalife, their Sponsor, or first upline Fully Qualified Supervisor. Fully Qualified Supervisors may only purchase products directly from Herbalife.

Distributors may not place or pay for orders in another Distributor's name unless Herbalife has written permission from that person.

## **4.2 Sales & Marketing Plan Manipulation**

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

## **4.3 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.

## **4.4 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).

Preferred Customers must complete a 90-day waiting period, starting from the date of their last order or from the time they referred another Preferred Customer.

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

# **5 SPONSORING AND LEADERSHIP**

## **5.1 TAB Team Acknowledgement**

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

## **5.2 Training**

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

## **5.3 No Interference**

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

## **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.

## **5.5 Solicitation of other Opportunities**

Distributors may not promote other business opportunities to Distributors or Preferred Customers.

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

## **5.6 Leads**

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

## **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.

# **6 CLUBS**

## **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 ninety (90) days
- registered their location with Herbalife

## **6.2 Multiple Clubs**

An Independent Distributor may not operate more than two Clubs per Distributorship and must be present during each Club session.

## **6.3 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.

## **6.4 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 Commercial Club requirements.

## **6.5 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.

Herbalife® products must serve as the primary ingredient(s) in all food items prepared and offered in the Club.

## **6.6 Delivery**

While Distributors may use third-party services to deliver preparations to their customers, the delivery service cannot accept orders or payments directly from the customer.

In addition, Distributors cannot service customers by drive thru or walk-up window.

## **6.7 Sale of Clubs and Sharing Club Premises for Profit**

Transfer of Lease: The sale of Clubs for profit is not allowed. 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.

Additionally, a Club operator who shares their Club premises with others may only charge other Distributors for the cost of using their Club, not for a profit.

Before entering into a lease or subleasing space within the Club, the Distributor must first satisfy the commercial club operator requirements.

## **6.8 Commercial Club Signage and Name**

Distributors are required to submit details regarding proposed exterior signage for Herbalife review before placing exterior signage.

If a Distributor uses an exterior sign they may not:

- imply that Herbalife products are available for purchase.
- use signage as an identifier to a specific group (Geographical Location, Distributor Organization, Clubs, etc.) in such a way that it may be construed as a Franchise or part of a chain of Clubs; or
- use Herbalife Intellectual Property, product names or brands.
- feature “Before & After” photographs
- display price information

This would include anything visible from the exterior that might suggest that the location is a franchise.

## **6.9 Satellite Club**

Club Operators are permitted to conduct activities for business establishment employees in a designated enclosed space, such as a break room, without integrating these activities with the business’s primary operations.

For outdoor locations like beaches or parks, activities and sales are allowed, but product promotion, advertising, and exterior signage are strictly prohibited.

When advertising to the general public, only the Club Operator’s name, services offered, and contact information (phone number or email) may be provided.

## **6.10 Cooperating with Herbalife’s Reviews**

Distributors are required to cooperate with Herbalife’s reviews.

## **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.

### **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 use while travelling for Personal Consumption.

### **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.

### **7.4 Prohibited Countries/Regions and Persons**

Distributors may not be a resident of, or conduct Herbalife business activities within, a Prohibited Country/Regions.

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.

## **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.

## **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.

## **8.3 Maintaining Reputation and Image of Herbalife**

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

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

Herbalife prohibits harassment, unlawful discrimination and inappropriate conduct.

## **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, Preferred Customers or Distributors.

## **8.6 Game Promotions**

Distributors may not set up lotteries or raffles in connection with their Herbalife business. Other game promotions, like weight management challenges, personal transformation challenges, organizational sales promotions, marathons and drawings may be permitted as long as they comply with the Game Promotions Guidelines.

Always in compliance with applicable local law.

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## **DISTRIBUTORSHIP ELIGIBILITY**

### **Distributorship Minimum Age**

A person must be at least 18 years old to apply for Distributorship or participate in another Independent Distributor's Herbalife business.<sup>2</sup>

### **Recognition of Spouse and Life Partner**

An Independent Distributor may add their spouse or Life Partner to their Distributorship record to support them in the business and for recognition<sup>3</sup> purposes.

The Distributor will remain the owner of the Distributorship. However, in the event the Independent Distributor separates from their spouse or Life Partner, the Independent Distributor's ownership or entitlement of the Distributorship may be impacted<sup>4</sup>.

## **TRANSFERRING YOUR DISTRIBUTORSHIP**

### **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.

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

### **May Only Be Sold, Assigned or Transferred to a Non-Independent Herbalife Distributors**

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

### **Status and Benefits**

The achievements of an Independent Distributor are personal, and if a sale, assignment or transfer is approved, the status and benefits achieved by the Independent Distributor may not necessarily 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

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<sup>2</sup> Minimum age requirements vary from country to country. For age requirements in other countries, contact Distributor Services.

<sup>3</sup> As an example recognition allows Herbalife event attendance, recognition for new business and Marketing Plan achievements.

<sup>4</sup> In the event of 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.

status, TAB Team status, escapades qualifications or any other rights of the individual Independent Distributor.

### Responsibility after Transfer

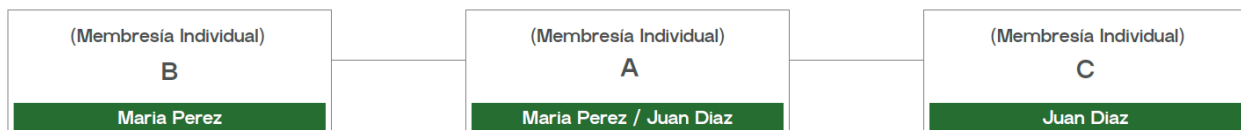
After transfer of the Distributorship:

- The Transferee shall be responsible to Herbalife for any and all infractions 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 infringe the Rules if the Transferor were still an Independent Distributor, shall be treated as though the infractions were the Transferee's infraction.

## SEPARATION, DIVORCE, AND DISSOLUTION OF LIFE PARTNER RELATIONSHIPS

### Establishing a New Distributorship

If an Independent 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 Independent Distributor and spouse/Life Partner each must start a new separate Distributorship under the original Independent Distributor's Sponsor. Herbalife will deactivate the buying privileges of the original Distributorship and credit each new separate Distributorships with the business activity of the original Distributorship through an "Association." (See Rule Separation, Divorce, and Dissolution of Life Partner Relationships) Each Independent Distributor must use the new ID number in his or her business.



The original Distributorship and its downline cannot be divided between the Independent 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:

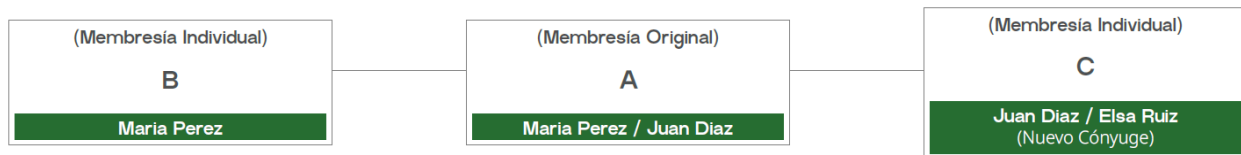
### From a Divorcing Couple

- Newly completed and signed Applications for the Independent 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 Agreement Forms for the Independent 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 Independent 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 court order indicating that the relationship has ended will be required).
- Newly completed and signed TAB Team Production Bonus Agreement Forms for the Independent Distributor and Life Partner, reflecting the ID number of the new separate Distributorship (TAB Team level Distributorships only).

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



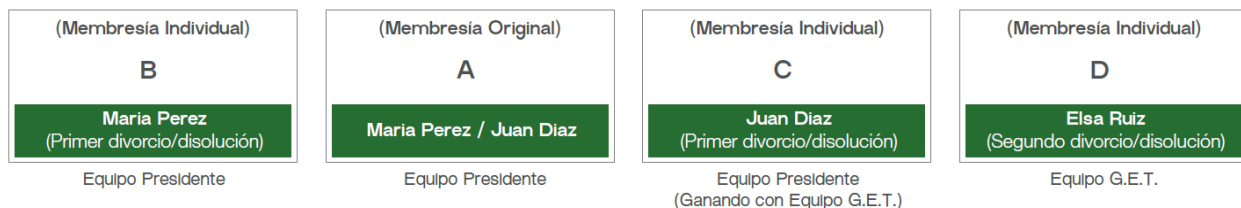
## More than one Dissolution or Divorce:

Herbalife will only Distributor 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 Juan and Elsa divorce, Elsa may start a new Distributorship ("D") under the original Distributorship Sponsor, but it will not be Associated to Juan's Distributorship ("C").



The Sales & Marketing Plan level of Elsa'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 Elsa's new Distributorship ("D") will be established at GET Team level.



## **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 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 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 payments 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.

## **Joining Under a Different Sponsor/Participating in another Distributorship**

To join under a different Sponsor, the Independent 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 court order indicating that the relationship has ended will be required.)

In addition, the Independent Distributor or spouse or Life Partner must comply with the period of Inactivity. The Period of Inactivity will be determined as stated in Rule Period of Inactivity 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 an HMP, and benefits will begin at a 25% discount with no association to the original Distributorship.

### Divorce 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 Volume Bonuses, qualifications, re-qualifications and/or Production Bonuses.

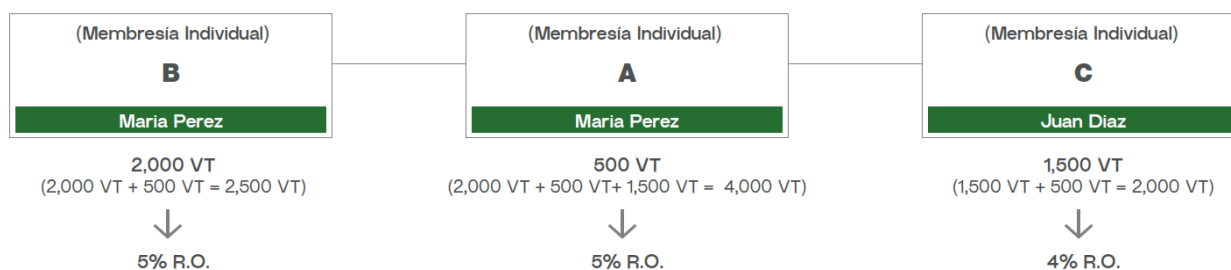
For the purpose of Volume Bonus percentage eligibility, the original Distributorship will combine volume with each of the individual Distributorships, plus its own volume. Production Bonus eligibility for the original Distributorship will be determined based on the achievement of the highest individual Distributorship.

Example:

Volume Points

Volume for B and C will be as follows:

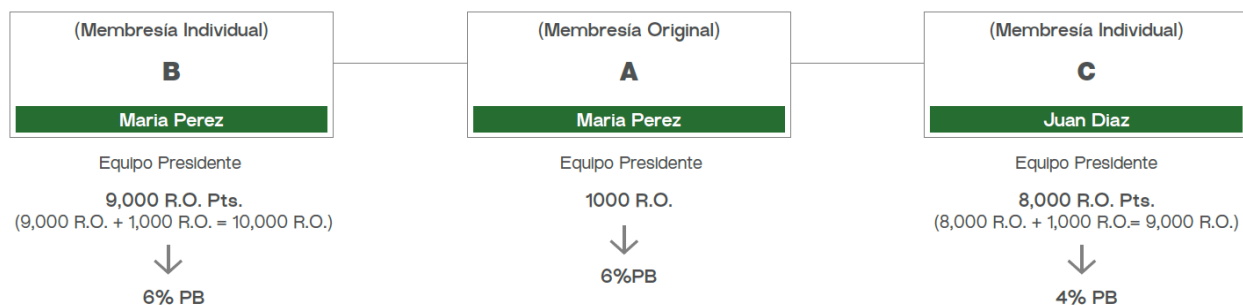
### B + A and C + A



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 Volume Bonuses. 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.

## INHERITANCE<sup>5</sup>

The Distributorship of a deceased Distributor may be transferred to an heir, subject to applicable laws, Rules, and Herbalife approval which shall not be unreasonably withheld <sup>6</sup>.

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.<sup>7</sup>

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.

<sup>5</sup> For estate planning and inheritance, the Business Continuation Program is available to assist with the continuity of your Distributorship. Please contact Herbalife for more information or view the Herbalife Distributorship -- Planning Ahead document available on MyHerbalife.com.

<sup>6</sup> The Deceased Transfer Declaration Form is available from Herbalife.

<sup>7</sup> 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 Documented Volume with the inherited Distributorship's Total Documented Volume. The heir is responsible for payment of fees and debts of each Distributorship.

## **RESIGNATION**

An Independent Distributor may resign a Distributorship by submitting a signed letter to Distributor Services. Electronic requested will be accepted if they are received from the email address of record. The resignation becomes effective when received and accepted by Herbalife.

## **SALES TO CONSUMERS**

Herbalife is a direct-selling company, whose Independent Distributors are Independent Contractors that sell Herbalife products directly to customers and provide them with product guidance and social support.

## **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 Earnings Certification Form<sup>8</sup>. The form must be received by Herbalife by the end of the month for the current month's activity.

## **PROTECTING AND MAINTAINING LINES OF SPONSORSHIP**

### **Sponsorship Correction**

An Independent Distributor who wishes to request a sponsorship correction must complete and submit a: "Change of Sponsorship Request" Form, along with a "Change of Sponsorship Consent" Form from the current Sponsor, and a letter of acceptance from the proposed Sponsor. All documents must be signed by two witnesses. 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 Independent Distributor making the request has not yet sponsored any other Independent Distributors.

Applying for Change of Sponsorship

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<sup>8</sup> Earnings Certification Forms are available on [MyHerbalife.com](http://MyHerbalife.com).

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 circumstances.

## **ENFORCEMENT PROCEDURES**

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

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

### **Complaint Procedure**

Independent Distributors should report suspected infractions on an Official Complaint Form.<sup>9</sup> Required information includes the nature of the complaint and the factual details that support the Allegations.<sup>10</sup> The Official Complaint Form must be signed and include the reporting Independent Distributor's Herbalife ID number.

### **Inquiry**

If Herbalife determines in its sole and absolute discretion there is sufficient information to support the allegation, an Herbalife representative will contact the Independent Distributor who is the subject of the complaint to permit the Independent 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 Volume Bonuses.
- Payment for TAB Team Production Bonus.
- Awards or benefits (i.e., escapades, pins, etc.).
- Speaking at Herbalife sponsored Training Seminars or other meetings.
- Qualifications that may be in progress.

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<sup>9</sup> The Form can be obtained through Distributor Services or by accessing [MyHerbalife.com](https://www.myherbalife.com).

<sup>10</sup> Factual details include names, addresses, and telephone numbers of persons involved as well as dates, times, places, etc.

- The right to represent oneself as an Independent Herbalife Distributor.

Herbalife reserves the right to publish the Independent Distributor's name, infraction, and penalty.

### **Penalties**

Infractions of the Rules may result in legal or regulatory challenges for Herbalife and endanger the independent business for all Independent 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 infraction and consequence that resulted or could result, including:

- Suspension of all Independent Distributor rights and privileges.
- Monetary penalties.
- Obligation to reimburse Herbalife's legal fees.
- Removal from the Speaker Program.
- Disqualification from participation in the annual Mark Hughes Bonus.
- Disqualification from participation in the Production Bonus program.
- Permanent loss of lineage.
- Termination of Distributorship (see "Termination or Deletion of a Distributorship" below).

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

### **Corrective Measures**

Volume and earnings adjustments resulting from corrective measures to resolve dual Distributorship infractions will not include activity occurring more than two years before the date the complaint was received by Herbalife.

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

Distributors may submit a request for Herbalife reconsideration of a decision within 7 business 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 7-day period, the request will be denied, although Herbalife reserves the right to consider evidence submitted beyond the 7-day period in its sole and absolute discretion.

### **Termination of a Distributorship**

Herbalife may, in its sole and absolute discretion, terminate a Distributorship if an Independent Distributor infringes the Rules.

The termination is effective on the date indicated in the written notification provided by Herbalife to the Independent Distributor. Upon termination of a Distributorship, the Independent Distributor will have no claim against Herbalife as a result of the termination. The Independent Distributor may no longer:

- conduct independent business as Herbalife Independent Distributor;
- represent them self 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 other Independent Distributor.

### **Appealing a Termination**

Independent Distributor may appeal the termination of their Distributorship, Herbalife will allow 15 days from the written decision for relevant evidence to be provided towards termination. When the Independent Distributor requests an appeal, they must submit additional information they believe should be considered and 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 infractions. In reviewing a termination decision, the Review Committee will consider whether the alleged infraction was material. Herbalife has the sole and absolute discretion to maintain or revoke what was originally resolved. This decision shall not create liability to pay compensation for loss of profits or goodwill.

## **ADDITIONAL LEGAL PROVISIONS**

### **Damages**

To the fullest extent allowed by applicable law, any party shall be liable to the other for any incidental, consequential, exemplary or punitive damages, including lost profit, under any legal or equitable theory, regardless of whether the possibility of such damages is known by either party.

### **Waiver and Delay**

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

### **Severability**

If any provision in any agreement between Herbalife and Independent Distributor is found to be invalid, illegal, or unenforceable in any respect by a competent court, the invalid, illegal, or unenforceable provision shall be severed from the agreement and have no effect on the remainder of the Agreement, which shall remain in full force and effect.

**Choice of Law**

This Agreement, and any dispute arising from the relationship between Herbalife and Independent Distributor, shall be governed by the substantive laws of Bolivia 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 Bolivia.

**Indemnification**

Independent Distributor will indemnify, defend, and hold harmless Herbalife from any suit, action, demand, prosecution, or claim of any kind, including all costs, liabilities and damages, relating to or arising from Independent Distributor's breach of the Agreement or the Rules of conduct. Herbalife may, among other things, offset amounts against amounts which would otherwise be due to Independent Distributor to cover such indemnity.

**Claims Between Independent Distributors**

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

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

Because of the unique nature of multi-level marketing, Independent Distributors may receive Personal Information about others directly from Herbalife, such as information regarding other Independent Distributors and Preferred Customers in a Distributor’s downline (The downline organization consists of all Independent Distributors and Preferred Customers that were personally sponsored by a particular Independent Distributor, and in turn, all other persons sponsored by the subsequent Independent Distributors), Customers or referrals who express interest in Herbalife products or services, or individuals who use our online properties and mobile applications (“Sites”). Once Herbalife provides Personal Information to a Independent Distributor, he or she is responsible for it and must keep it strictly confidential. Independent 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 Independent Distributors is through Lineage Reports. These reports contain information regarding other Independent Distributors and Preferred Customers within an Independent 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 Independent Distributors in the strictest confidence and for the sole purpose of supporting the Independent Distributors in further developing their independent Herbalife businesses. Lineage Reports, including all Personal Information and other data contained therein, constitute confidential, proprietary trade secrets of Herbalife. Independent Distributors may not collect, distribute or gather confidential information or personal or aggregate information about other Herbalife Independent Distributors, their Customers or the Preferred Customers they sponsor, except in connection with their downlines and solely for the purposes of promoting their Herbalife businesses, and to manage, motivate and train their downlines.

Independent 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 or when they collect information from customers in connection with wellness evaluations or personal transformation challenges. Independent Distributors must abide by applicable privacy and data protection laws, including international data transfer restrictions, with respect to all Personal Information obtained by Independent Distributor (from Herbalife or otherwise) in connection with their business. In addition, it is the Independent 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.

If the Independent Distributor collects data that will be shared with Herbalife, he or she agrees to obtain the corresponding authorizations from the data subjects for this purpose.