



EXIGIER

Governance. Risk. Compliance.

**Application to Serve as the Independent Compliance
Auditor for Herbalife International of America, Inc.**

Submitted to

Janet Ammerman, Federal Trade Commission

Bureau of Consumer Protection, Division of Marketing Practices

and

Brad Winter, Federal Trade Commission

Bureau of Consumer Protection, Division of Enforcement

A. EXECUTIVE SUMMARY

Pursuant to the FTC's Request for Applications, Exiger is pleased to submit this Application to serve as the Independent Compliance Auditor for Herbalife International of America, Inc., Herbalife International, Inc., and Herbalife Ltd. (Herbalife), pursuant to an Order for Permanent Injunction and Monetary Judgment (the Stipulated Order), entered on July 25, 2016 by the Honorable Beverly Reid O'Connell, United States District Judge.

The completion of this project requires an organization with deep experience in long term oversight assignments coupled with areas of relevant subject matter expertise. The team that Exiger proposes herein possesses just that experience in some of the most sophisticated compliance assignments ever undertaken. It includes experts in the design and implementation of business compliance programs, expert forensic accountants and financial investigators, audit experts, analysts and legal experts, all of whom will come together to audit Herbalife's compliance with the terms of the Stipulated Order, and equally as important, to assist Herbalife and the FTC to effect sustainable change in Herbalife's business model.

1. KEY PERSONNEL

The Exiger team will be led by Jeff Schlanger, serving as the ICA Program Executive and Roy Pollitt serving as the lead Forensic Accountant and ICA Program Manager.

Mr. Schlanger has wide-ranging experience over nearly 25 years in corporate and government compliance. He has served in hands-on leadership positions on federal assignments as diverse as the eight year monitorship of the Los Angeles Police Department regarding the Department's Use of Force, and the ongoing monitorship of HSBC, by many accounts the largest monitorship in history, of that bank's anti-money laundering and international sanctions compliance programs, in more than 75 countries around the globe. He is the President of Exiger Advisory, the unit of Exiger LLC responsible for all of the firm's consulting and independent oversight assignments.

Mr. Schlanger joined Exiger from the Manhattan District Attorney's Office, where he was Chief of Staff to District Attorney Cyrus R. Vance, Jr. While there, he oversaw the day-to-day operation of the Office and worked closely with the District Attorney, drawing on his deep experience in financial crime, money laundering, policing, and corruption, to advise on a broad range of criminal justice issues.

Prior to the DA's office, Mr. Schlanger was President and CEO of KeyPoint Government Solutions, a government consulting firm with a nationwide workforce of over 2000 individuals. While at KeyPoint, Jeff worked alongside Exiger Executive Chairman Michael Cherkasky as the Deputy Monitor for HSBC, designing the program and overseeing its initial implementation. Mr. Schlanger has also served as Special Counsel to the New York State Commission on Public Integrity and has led independent investigations for various state and local agencies. Mr. Schlanger began his career as an Assistant District Attorney in the

Manhattan District Attorney's Rackets Bureau and Trial Division where he was responsible for some of the Office's most significant cases, including the investigation and prosecution of the Westies gang and the prosecution of John Gotti and members and associates of the Gambino Organized Crime Family. Mr. Schlanger is a graduate of the State University of New York at Binghamton and New York University School of Law.

Roy Pollitt is a Managing Director based out of Exiger's New York office. With expertise honed in some of the largest financial institutions and law enforcement agencies in the country, Mr. Pollitt brings not only leadership but powerful forensic accounting and investigations experience to the Exiger team.

Mr. Pollitt joined Exiger after a 17-year career as a Special Agent for the Federal Bureau of Investigation in New York City. With the FBI, Mr. Pollitt developed a deep expertise investigating frauds involving money laundering, bid-rigging, bribery, and racketeering within diverse industries, including: banking, commercial construction, gaming, payment processing, and securities. Many of Mr. Pollitt's federal investigations led to entities being placed under court-appointed monitorships. In those cases, Mr. Pollitt was an integral part of both the selection of, and collaboration with, these monitors to ensure the best possible outcome for the affected entity.

Since joining Exiger in 2013, Mr. Pollitt has played a pivotal role in the independent monitorship of HSBC—the project out of which Exiger initially grew. In that capacity, he has investigated and audited Financial Crime Compliance controls across one of the largest banks in the world, overseeing substantial teams of auditors and compliance professionals in the planning and execution of multiple country-level AML and sanctions reviews. Mr. Pollitt is also currently supervising compliance work for a major client in the Daily Fantasy Sports industry, advising on issues ranging from AML and Anti-Bribery and Corruption to consumer protection and the integrity of the company's operations.

Before joining the FBI, Mr. Pollitt was a Senior Audit Accountant in the Arthur Andersen, LLP financial services group, where he audited and consulted for financial institutions, real estate developers, and construction companies in the United States. After working for Arthur Andersen, he was an Asset Manager and Assistant Vice President of a diversified assets group at Lehman Brothers Holdings, Inc. While at Lehman, he managed a diverse portfolio of troubled limited partnership investments, primarily consisting of hotels and commercial office buildings.

Mr. Pollitt was twice named Investigator of the Year by the Federal Law Enforcement Foundation. He holds a Bachelor of Business Administration degree from Iona College in New Rochelle, New York, and is a Certified Public Accountant licensed in the state of New York.

Perhaps most significantly Mr. Pollitt, working with Jonathan Ball, whose biography appears below, aided the FTC during a successful investigation of an illegal multi-level marketing

scheme (U.S. v Jeremy Johnson) while they were employed as Special Agents of the Federal Bureau of Investigation in New York.

2. *APPROACH*

The Exiger team believes that, in the final analysis, the real success of this engagement will be measured by how Herbalife, through its management, adapts not just its business model, but its business culture, to the mandates and reforms contemplated in the Stipulated Order. The first steps in that process must be to establish and implement the controls necessary to enforce the terms of the Stipulated Order, i.e., to ensure that Herbalife's Multi-Level Marketing and Compensation Program is fair, reasonable and compliant with the mandates of the Order. Ultimately, and perhaps most importantly, the goal must be for the defendants, their officers, agents and employees to understand past mistakes and move to a culture where they are monitoring their own compliance with the highest standards of ethical business conduct.

Our team will work seamlessly together both on-site in Los Angeles and, when possible, from off-site to ensure that we are operating as efficiently and effectively as possible. While the team is geographically diverse, we would utilize technology to the greatest extent possible, including a data room and video conferencing, in order to reduce travel time and keep expenses to an absolute minimum. In addition, if we were awarded this assignment, we would establish a presence in Los Angeles to facilitate any and all local requirements.

Our first task will be to immediately establish working relationships with Herbalife and the FTC team. We will create information-gathering and information-sharing protocols, including an electronic data room. We will devise an auditing plan that ensures that all aspects of the Stipulated Order are addressed, including establishing working groups that correspond to each substantive area, and we will work with the FTC and Herbalife collaboratively to agree upon appropriate data, metrics and methodologies, both to gauge compliance with the Stipulated Order and to measure improvement over time.

We will, through detailed discussions with the parties, understand what records are currently maintained that will provide the necessary data in order to perform the tasks that are called for by the Stipulated Order. To the extent that necessary data is not included in records currently generated or maintained, we will work with the parties to ensure that such records are created and maintained going forward.

B. ADDITIONAL PERSONNEL

In this section, we provide an introduction to the additional prospective member of the team, focusing on his or her relevant career experiences and areas of expertise. In addition to the below-listed professionals, Exiger possesses a deep bench of experienced, staff-level professionals who specialize in conducting compliance and forensic reviews. In short, we

believe that the Exiger team is ideally suited to assist the Court, the FTC, Herbalife and all other stakeholders in ensuring compliance with the Stipulated Order.

Exiger has assembled a seasoned group of highly-respected forensic accountants, auditors, analysts, investigators and attorneys to work on this compliance audit. As noted above the team will be led by **Jeff Schlanger**, Exiger Managing Director and President, Exiger Advisory, as the ICA Program Executive; and Exiger Managing Director **Roy Pollitt**, a Certified Public Accountant licensed in New York State and a former FBI Special Agent, serving as the lead Forensic Accountant and ICA Program Manager. They will be assisted by the following individuals who are more fulsomely described in the Qualifications section below:

Daniel R. Alonso, Exiger Managing Director and General Counsel—Dan is a former Assistant United States Attorney and Chief of the Criminal Division in the Eastern District of New York;

Michael Cherkasky, Exiger's Executive Chairman, the former CEO of Kroll Associates and MMC and is currently the US DOJ appointed monitor for HSBC, who will serve in an advisory capacity;

Jonathan Ball, Exiger Associate Managing Director, a former US Naval Officer, CIA Officer and FBI Special Agent, with deep experience leading teams of auditors and investigators on topics as diverse as compliance with nuclear reactor maintenance and safety protocols to anti-money laundering programs at financial institutions;

Samar Pratt, Exiger Managing Director, also with deep experience in developing, implementing and overseeing compliance audit functions, who will serve in an advisory capacity;

Dan Banes, Exiger Associate Managing Director, formerly the head of Kroll's New York Financial Investigations team, and a Certified Public Accountant in New York, who may serve in an advisory capacity;

Penny Cookson, a consultant to Exiger, is a seasoned forensic accountant with years of experience in corporate forensic accounting.

Erica Peters, Exiger Director, with deep experience in compliance and audit functions, formerly Senior Compliance Manager in the Internal Audit Department at American Express;

Dayna Bordin, Exiger Associate Managing Director, former Head of Financial Crime for the Regulatory Audit team at Santander UK;

Skyler Chi, Exiger Consultant, with extensive staff-level accounting experience, especially with matters involving data conversion and analysis efforts, large document analyses, extensive e-mail reviews, and bank account reconciliations;

Jacqueline Maynard, Exiger Analyst, an attorney with public contracting compliance and due diligence investigations experience;

Catherine Newell, Exiger Analyst, a CPA with anti-money laundering, investigative and tax compliance experience;

Chris Prather, Exiger Managing Director, with deep compliance and investigations experience gained during his 30-year career in law enforcement as a prosecutor in Manhattan and as the Director of New York's Organized Crime Task Force, and as the Project Director for Integrity Monitorships undertaken by the New York City Department of Investigations to safeguard the City's expenditure of several billion dollars in post-Superstorm Sandy reconstruction efforts, who may serve in an advisory capacity.

Jeffrey Smith, Exiger Analyst, with expertise conducting extensive research to make analytically-informed predictions. Mr. Smith has also been an instrumental team member on some of the largest site visits conducted on the HSBC Monitorship.

The qualifications and experience for each of the above team members are more fully set out, below.

C. QUALIFICATIONS

The Exiger team will be led by Jeff Schlanger, serving as the ICA Program Executive and Roy Pollitt serving as the lead Forensic Accountant and ICA Program Manager, whose qualifications are outlined above. In addition to Mr. Schlanger and Mr. Pollitt the team would include:

Daniel R. Alonso

Mr. Alonso is a Managing Director and General Counsel of Exiger and will serve in an advisory capacity in this assignment. He is a former federal and state prosecutor and white collar defense attorney who has dedicated a large part of his career to public integrity and criminal justice policy reform. Mr. Alonso came to Exiger in May of 2014 after serving as Chief Assistant District Attorney in the Manhattan District Attorney's Office. Mr. Alonso had previously served as Chief of the Criminal Division in the U.S. Attorney's Office for the Eastern District of New York, where he spent nine years in total as an Assistant U.S. Attorney, handling cases ranging from gang crime to public corruption to complex fraud. He is a past Chair of the Council on Criminal Justice of the New York City Bar Association and was a gubernatorial appointee to the New York State Commission on Public Integrity.

Before returning to the Manhattan District Attorney's Office to serve as the Chief Assistant DA, Mr. Alonso spent four years as a litigation partner in the New York office of Kaye Scholer LLP, where his practice focused on, among other areas, internal investigations. While there, he served, at the recommendation of the Commodity Futures Trading Commission and by appointment of a U.S. District Judge, as the Receiver of a fraudulent investment entity called IA Trading.com, whose founder had perpetrated a \$43 million Ponzi scheme in South America and elsewhere.

As part of his duties at Exiger, Mr. Alonso serves on the Executive Committee overseeing the HSBC monitorship under Independent Monitor Michael Cherkasky. He earned his law degree in 1990 from New York University School of Law, and his Bachelor of Arts degree, with distinction in all subjects, in 1987 from Cornell University.

Michael Cherkasky

Mr. Cherkasky is the co-founder and Executive Chairman of Exiger, who will serve as an advisor on this project. He is presently the appointed Independent Monitor for HSBC Holdings plc and HSBC Bank USA, Inc., one of the most expansive and complex corporate monitorships in history. In that capacity, Mr. Cherkasky works with domestic and foreign regulatory and law enforcement agencies to evaluate and test HSBC's anti-money laundering and sanctions compliance controls throughout the bank's 6,300 offices in 75 countries.

Widely regarded as an innovator in building sustainable bridges between the public and private sectors in the context of implementing reform mandates imposed by regulators and/or law enforcement, Mr. Cherkasky has pioneered the development of the independent compliance monitorship. Numerous courts have appointed him to oversee consent decrees and court orders, including his service as the Independent Monitor for the LAPD — considered one of the most ambitious and successful endeavors in police reform ever attempted in an American city. Implementation of the LAPD consent decree yielded tremendous gains in controlling the department's use of force, improving police-community relations, developing governance and civilian oversight mechanisms, and bolstering an overall culture of accountability.

Additionally, Mr. Cherkasky served as the Election Officer under a consent decree between the DOJ and the International Brotherhood of Teamsters, in which he oversaw union election procedures, and he supervised the civil RICO consent decree between the DOJ and the Long Island carting industry. Until 2011, Mr. Cherkasky chaired the New York State Commission on Public Integrity.

Mr. Cherkasky began his professional career as an Assistant District Attorney in the Manhattan District Attorney's Office, eventually rising to become Chief of the Investigation Division. In that leadership capacity, he oversaw numerous investigations of fraud and corruption, such as the BCCI banking scandal. Leveraging these experiences and his wealth of knowledge, Mr. Cherkasky eventually founded Kroll Monitoring Services, and later went on to serve as the CEO of a number of major corporations including Marsh & McLennan

Companies, a publicly-traded company with over \$13 billion in annual revenue, and Altegrity, a privately-held company with 11,000 employees in 30 countries.

Mr. Cherkasky earned both his law and Bachelor of Arts degrees from Case Western Reserve University.

Jonathan Ball

Jonathan Ball is currently an Associate Managing Director at Exiger and member of the HSBC monitorship team. He has led large teams of auditors and investigators on several complex audits of HSBC in countries around the world. Mr. Ball was formerly an FBI special agent in the New York Field Office, focusing on money-laundering investigations. Mr. Ball has also served with Mr. Pollitt as the co-case agent in a seven-year, multibillion-dollar international money laundering investigation targeting the illegal online gaming and payment-processing industries impacting the U.S. financial system. During this investigation, Mr. Ball worked in collaboration with FTC attorneys and investigators to review the business practices of individuals involved in multi-level marketing business models and opt-out/in advertising through “trial” memberships. These businesses were alleged to have developed deceptive business practices, where customers were forced into purchasing services they were unaware of. The businesses were also involved in the illegal processing of internet gambling payments utilizing their same payment processing channels established for these MLM and “trial” membership businesses.

Prior to the FBI, Mr. Ball was a Technical Operations Officer in the CIA and later served as a Systems Engineering Technical Advisor for Northrup Grumman. Mr. Ball began his career as an officer in the U.S. Navy during which he was the Senior On-Shift officer for the operation of a land-based nuclear reactor, and Officer of the Deck aboard the nuclear submarine U.S.S. Kamahameha. As a nuclear submarine officer, his duties included the auditing of nuclear safety compliance programs. He was responsible for the development, design and execution of audit plans to ensure compliance with regulatory requirements, which included operational safety and proficiency, material safety and maintenance program execution as well as staff training.

Mr. Ball, who speaks Arabic, earned a Bachelor of Science degree in ocean engineering from the U.S. Naval Academy, and a Master of Engineering Management degree from Old Dominion University.

Samar Pratt

Samar Pratt is a Managing Director based in Exiger’s London office, where she focuses on the firm’s financial crime compliance audit and assurance practice. Ms. Pratt joined Exiger from Barclays in London, where she most recently served as Group Head of Assurance in Barclays’ Compliance function. In this role she built the function to strengthen the Bank’s

second line of defense financial crime compliance assurance capability, whilst under a Deferred Prosecution Agreement.

In her time at Barclays, she also worked as the Global Co-Head of Barclays Internal Audit Quality Assurance function, where she was responsible for assuring the audits covering risk disciplines. She has also held roles as the Regional Head of Audit (UK/EME) for Barclays Investment Bank and served as an IT Audit Director.

Ms. Pratt has expertise in developing and implementing written compliance audit and assurance methodologies, processes, tools and technologies and has led large teams to deliver a range of complex internal and external global audit/assurance engagements covering regulatory compliance, AML, sanctions and IT systems assurance. She also has experience in conducting investigations (eg. LIBOR issues and unauthorized trading). Prior to joining Barclays, Ms. Pratt worked as an IT Audit Manager at Deloitte in Sydney and London and started her career as a Business Analyst at Ernst & Young in London.

Dan Banes

Daniel Banes is an Associate Managing Director based in Exiger's New York office, where he focuses on the firm's financial fraud operations. Mr. Banes joined Exiger from Kroll, where he was a Fraud Investigator in its Global Financial Investigations practice and jointly led the New York Financial Investigations team. In this role, he led financial crime investigations and supported companies in litigation through expert witness reporting, identifying fraudulent activity including expense fraud, payroll fraud, royalty fraud, and petty cash fraud, assessing risk related to fund investments, and reviewing and improving control environments. The majority of his work was concentrated in the financial services industry with the remainder spread across several commercial industries.

Prior to Kroll, Mr. Banes spent over five years with Deloitte, LLP, first as an Auditor, then a Forensics & Dispute Services Senior Associate. Mr. Banes aided Fortune 500 companies in litigation, FCPA investigations, purchase disputes, control assessments, and corporate investigations, which included the investigation of one of the largest banking bankruptcies in United States history. He led the planning and execution of these investigations with the majority of his clients positioned in the financial services sector including hedge funds, asset managers, and banks. Mr. Banes also presented findings of one hedge fund investigation to the Securities and Exchange Commission. Dan is a Certified Public Accountant licensed in the State of New York.

Penny Cookson

Penny Cookson is an experienced financial professional with strong analytical, forensic accounting and investigatory skills who has worked internationally on external and internal projects, finding effective solutions to a wide variety of audits, forensic accounting

investigations and corporate challenges. Penny is skilled at reporting findings to clients' senior management, staff or other external groups using excellent communication skills. Additionally, Penny has extensive experience in training, coaching and developing professional staff.

Previously, Penny was employed by Kroll, an investigative and forensic accounting practice, where she was most recently a Director in the Toronto office of Kroll Canada. Between 2003 and 2009, Penny was a member of the teams of lawyers, auditors and law enforcement specialists who acted as the Independent Monitors for the Los Angeles Police Department and the Detroit Police Department. In these roles Penny was the lead auditor for the LAPD team and she provided peer review for the DPD Monitor's team. Penny reviewed the police performance audits to determine if they met the standards outlined in the respective Consent Decrees. Penny also coached the clients' staff to help them develop their audit skills.

Erika Peters

Erika Peters is a Director based in Exiger's New York office, where she focuses on the firm's regulatory compliance, anti-money laundering, anti-corruption, reputational risk, and due diligence and audit and assurance practices. Ms. Peters joined Exiger from the Internal Audit department at American Express, where she served as a Senior Compliance Manager.

Prior to her time at American Express, Ms. Peters spent 10 years at Deutsche Bank in various risk and control capacities. She was an Assistant Vice President within Internal Audit at Deutsche Bank in New York. While there, she executed compliance audits, with a particular focus on financial crime compliance, anti-money laundering and transaction monitoring compliance programs. Ms. Peters also served in regional management at Deutsche Bank, where she managed the regulatory interactions of the bank's businesses. She worked in various capacities within the Compliance department, managing global projects, working directly with regulators, and conducting trading desk and branch reviews.

Dayna Bordin

Dayna Bordin is an Associate Managing Director based in Exiger's London office, where she focuses on the firm's financial crime compliance and investigative operations. A specialist in anti-money laundering, Ms. Bordin brings extensive corporate and criminal investigation experience to the Exiger team.

Ms. Bordin joined Exiger from Santander UK, where she was the Head of Financial Crime for the Regulatory Audit team. In this role, she performed audits of regulatory risk across all business areas in the company, including retail, commercial, private banking, and wholesale divisions. Ms. Bordin began her career as an Accountant/Associate focused on external and internal audit/advisory at PricewaterhouseCoopers, Australia. Later, Ms. Bordin was a Supervisor of Risk and Internal Audit with PSI. Ms. Bordin also served as Associate Director

of the Internal Audit team at Barclay's Bank. There, she provided technical advice and support to the internal audit teams covering anti-money laundering, know your customer, sanctions, fraud, security and data protection, U.S. Foreign Account Tax Compliance Act, bribery and corruption.

Skyler Chi

Skyler Chi is a Consultant based in Exiger's New York office. Mr. Chi joined Exiger from Kroll where he was an Associate in the firm's Financial Investigations & Disputes practice. In this role, Mr. Chi provided forensic accounting and litigation consulting, due diligence, assessment of economic damage, and internal control review for the firm's clients. He also assisted with the monitorship of HSBC.

Mr. Chi has worked extensively with matters involving data conversion and analysis efforts, large document analyses, extensive e-mail reviews, and bank account reconciliations. Mr. Chi has prepared, developed, and maintained working paper schedules and analyses which have been used in successful litigation focused on fraud and complex disputes. Mr. Chi has worked on cases across multiple industries and disciplines which have included: finance, insurance, construction, hospitality, and entertainment – from C-level to staff level forensic accounting.

Jacquelyn Maynard

Jacquelyn Maynard is an Analyst based in Exiger's New York office. Prior to joining Exiger, Ms. Maynard worked for the State of Massachusetts's Division of Capital Asset Management as a Contract Compliance Analyst. There, she ensured construction contractor compliance with state regulations and reviewed information for companies bidding on public projects.

During law school, she was a Law Clerk at Tarter Krinsky & Drogin LLP and Sherin & Lodgen, LLP, and a Legal Intern for the Office of General Counsel at EMC Corporation. She also interned with Magistrate Judge James L. Cott in the Southern District of New York. Ms. Maynard earned her Bachelor of Arts at Brown University, and her Juris Doctor from Northeastern University School of Law.

Catherine Newell

Catherine Newell is an Analyst based in Exiger's New York Office. Ms. Newell joined Exiger from Oppenheimer & Co., where she was an Anti-Money Laundering Analyst. In this role, she conducted investigations for the Chief AML Officer.

Prior to her time at Oppenheimer, Ms. Newell was a Public Affairs Intern for the U.S. State Department in Gaborone, Botswana, where redesigned the embassy's social media strategy. Before joining the State Department, Ms. Newell was Graduate Online Editor-in-Chief of

the Georgetown Journal of International Affairs. She began her career as a Tax Associate and Certified Public Accountant (CPA) at PricewaterhouseCoopers LLP.

Chris Prather

Christopher Prather is a Managing Director based in its New York office. Mr. Prather joined Exiger from Thacher Associates, where he was a Managing Director, responsible for leading a variety of integrity and compliance engagements focused on the construction industry. In this role, he assisted companies in developing compliance programs, led litigation support, and oversaw voluntary and court-mandated monitorships. Prior to Thacher Associates, Mr. Prather was the Deputy Inspector General for Investigations at the Metropolitan Transportation Authority (MTA). During his tenure with the MTA, Mr. Prather oversaw the team of attorneys and investigators responsible for safeguarding the agency's multi-billion dollar capital program and designing and implementing the MTA's corporate ethics programs.

Before joining the MTA, Mr. Prather held positions with the New York State Attorney General's office, as the Deputy Attorney General in charge of New York's Statewide Organized Crime Task Force and Deputy Chief of the Criminal Division. He served for almost 15 years as an Assistant District Attorney in the Manhattan District Attorney's Office, rising to the positions of Senior Investigative Counsel in the Rackets Bureau and Deputy Chief of the Frauds Bureau. His investigations and successful prosecutions included the first Organized Crime case charging members of a Gambino family crew with murder and other crimes under New York's "State RICO" statute, and a multi-million dollar Ponzi scheme which defrauded investors in phony securities, falsely claimed to be backed by David Rockefeller.

Jeffrey Smith

Mr. Smith joined Exiger from The Good Judgement Project, where he was a Geopolitical Forecaster. In this position, he conducted extensive Internet research to make analytically-informed predictions, and monitored updates concerning global geopolitical and economic events.

Prior to this, Mr. Smith was a Graduate Student Researcher at the London School of Economics, and an Intern at Dewey Square Group, where he conducted research on the Florida State Supreme Court.

Multi-Level Marketing Compliance Subject Matter Expert

In addition to the experienced team listed above, Exiger envisions adding a seasoned team member with internal compliance experience gained from working within a company with a

similar business model to that of Herbalife. This team member will create efficiencies for all work streams. While we have not built in pricing for this additional individual, it is believed that an approximately equal number of hours to those performed by this individual would be saved from other similarly-priced resources.

Exiger Advantage

It is important to note that, because our team members have been involved in other significant compliance enforcement efforts, we will be able to hit the ground running. Our seasoned Project Management Office has developed detailed expertise that will ensure the ICA will proceed with seamless efficiency.

STATISTICAL AND DATA ANALYSIS

Exiger's ICA team includes three members with extensive experience in statistical and data analysis: Jonathan Ball, Dan Banes and Skyler Chi. Having conducted numerous government and corporate audits and investigations, these members have been involved in the execution of complex statistical analysis and data analytics as well as the management of teams performing these analyses. A key area of focus was the use of statistics to identify event abnormalities for audit test sample selections and investigative leads. Examples of these analyses include financial transaction and phone record analysis to identify normal patterns of activity. Using standard deviations, variance and frequency analysis, events outside the normal pattern of behavior were identified for further scrutiny.

Exiger staff also have extensive experience in the use of data analytics both in audits and investigations. Through the use of complex analytic tools, Exiger staff have correlated multiple data sources to identify hidden data relationships. Data analytics enabled the analysis of large, multi-modal data sets to identify relevant audit samples and investigative leads. This activity included the use of data analytics to investigate instances of potential fraud, money laundering and cyber activity.

INFORMATION TECHNOLOGY

Exiger has a seasoned IT Department, that is responsible for not only ensuring that the team is equipped with all hardware and software to perform all aspects of the assignment, but also for the security of all proprietary and confidential information that we receive from our clients or those for whom we provide oversight, which includes some of the largest and most security conscious financial institutions in the world. Our security infrastructure meets the strict requirements imposed by those institutions. The team is staffed by IT professionals who currently manage Exiger's IT needs for a staff of more than 250 users, located in offices in New York, Silver Spring, London, Singapore and Hong Kong, many of whom, at any given time, may be working from remote locations anywhere in the world.

DATA MANAGEMENT

As noted above, Exiger is intimate with the secure storage of data. Likewise, in executing our assignments we manage our data with a data repository, sometimes referred to as a data room, which maintains an auditable trail of inclusion, examination and removal of any and all documents. We would propose utilizing such a solution for this project. Specifically, we have utilized Sharepoint, Intralinks and Relativity in the past, but are open to any suggestions that might be more convenient for the parties, assuming that any recommended system meets our strict security standards.

COMPLETING PROJECTS WITHIN ANTICIPATED DEADLINES AND BUDGET

Exiger's proposed team is comprised of seasoned professionals, for whom completing projects on-time and on-budget is a core part of their professional lives. It is not only core to our team members individually, but it is an essential part of how Exiger's business is run. We understand our clients' requirements for timely information and their need for certainty as to costs. As an example, for the LAPD assignment for which Mr. Schlanger was the Deputy Primary Monitor, over a period of eight years and 33 individual reports averaging over 100 pages, no deadline was ever missed or budget exceeded. Over the past three years, we have met similar deadlines to produce numerous and lengthy reports to the Department of Justice, Federal Reserve Bank and the UK's Financial Conduct Authority.

PREPARING FOR AND PARTICIPATING IN COURT PROCEEDINGS

Both Mr. Schlanger, the proposed ICA Program Executive and Mr. Pollitt, the proposed lead Forensic Accountant and ICA Program Manager, have significant experience preparing for and participating in court proceedings. Mr. Schlanger was a top prosecutor in the Manhattan District Attorney's Office for many years, and Mr. Pollitt is a former agent with the FBI who regularly participated in court proceedings for almost two decades. Both enjoyed active and prestigious careers in law enforcement. Other members of the team, including Mr. Cherkasky, Mr. Alonso, Mr. Prather, and Mr. Ball have similarly accomplished law enforcement careers. Collectively, this team has prepared and presented hundreds of cases to hearing judges, grand juries and trial juries, and has testified extensively in a variety of different settings.

REPORT WRITING

Most of our engagements at Exiger require regular, periodic reports to our clients. We are adept at providing these reports in the format the client specifies, on a timely basis, with the information the client requires. Again, Mr. Schlanger, for example, can point to his work

monitoring the Los Angeles Police Department, where he timely filed 33 reports over the eight years of that monitorship. Through experience, we have learned to be efficient in our report writing, so that this activity, as important as it is, will not inordinately impact the budget for the essential work of auditing compliance with the Stipulated Order.

D. PRIOR EXPERIENCE AND REFERENCES

Los Angeles Police Department: Led by Mr. Cherkasky and Mr. Schlanger, the LAPD monitorship team, over eight years, audited the organizational change of the third-largest municipal police force in the United States, staffing almost 10,000 police officers. The monitoring team issued 30 quarterly reports documenting this massive undertaking, which tracked the LAPD's progress — and, at times, setbacks — in complying with the mandated reforms of the consent decree. In particular, Mr. Schlanger played a key role in designing the LAPD monitoring process and participated in the development of national monitoring standards. The LAPD monitorship is widely viewed as the most ambitious undertaking of mandated police reform in an American city and is credited with fostering the LAPD's tremendous gains in controlling the use of force, improving police-community relations, and promoting an overall culture of constitutional and bias-free policing. The final report of the LAPD Monitorship can be found through the following link: http://fr.kroll.com/media/pdfs/LAPD_final-report_06-11-2009.pdf.

Mr. Cherkasky was appointed by United States District Court Judge Gary Feess of the Central District of California, to monitor a consent decree concerning the LAPD's use of excessive force and other court-mandated reforms. Mr. Schlanger served as the Deputy Monitor of this project and was the architect of the monitoring methodology employed. Contact current NYPD Commissioner William Bratton at bill.bratton@brattonmail.com or at telephone number 646-610-5577. Judge Gary Feess has retired from the bench. He is currently working as an arbitrator at Philips ADR and can be reached at telephone number 949-760-5288.

HSBC: The monitorship of HSBC has given the Exiger team unparalleled experience in sensitive monitorships. Mr. Cherkasky currently serves as the Independent Monitor for the HSBC assignment – working on behalf of the U.S. Department of Justice, the Federal Reserve Board, and the UK Financial Conduct Authority, under the supervision of a U.S. District Court. He leads a large team of monitoring and subject matter experts, and has been supported in the effort by Mr. Schlanger, Mr. Alonso, Mr. Pollitt, and Mr. Ball. The HSBC monitorship, one of the largest undertakings of this kind in history, arose from a series of agreements in late 2012 stemming from violations of international sanctions and anti-money laundering laws by the British bank and its U.S. subsidiary. The agreements call for the Monitor to conduct detailed reviews of the bank's relevant compliance programs, report to the government authorities overseeing the settlement, and make recommendations for future change. Although the assignment and its results are confidential, we have included references below who may speak generally about the nature and quality of our work.

Mr. Cherkasky was appointed by the U.S. Department of Justice to monitor HSBC's anti-money laundering and sanctions compliance programs. Mr. Schlanger served as the Deputy Monitor on this project, from its inception until his return to public service in February 2014, and upon his joining Exiger in May 2015, has continued to play a supervisory role in the monitorship. Mr. Alonso also plays a supervisory role in the monitorship, and Mr. Pollitt and Mr. Ball have played key roles in particular related segments of the monitorship. Contact AUSA Laura Billings of the Asset Forfeiture and Money Laundering Section of the Department of Justice (202-305-1245 and Stuart Levey, General Counsel of HSBC Bank at 011 44 20 7991 8822).

New York City, Department of Investigation: Pursuant to an RFP process, Exiger was chosen in 2015 by the New York City Department of Investigation (DOI) to be the Construction Integrity Monitor for the New York City Housing Authority's (NYCHA) expenditure of approximately Three Billion Dollars (\$3,000,000,000) in Federal Emergency Management funds. The monitored projects involve repairs at more than thirty City housing projects, totaling more than four hundred apartment buildings, across New York City, which were damaged by Super Storm Sandy. Mr. Alonso, as Project Executive and Mr. Prather, as Project Manager, are responsible for planning and overseeing the work of Exiger's staff of Construction Engineers, Investigators and Forensic Accountants in the execution of this assignment, which includes worker interviews, materials inspections, work quantity verifications, change order reviews, certified payroll reviews, permitting reviews, and numerous other contract compliance / integrity reviews.

Mr. Prather has day to day responsibility for this engagement and interacts on a regular basis with the NYCHA Inspector General, Mr. Ralph Iannuzzi. Mr. Iannuzzi can be contacted at (212-306-8316 or at ralph.iannuzzi@nycha.nyc.gov. You may also contact that Office's construction engineer, Associate Inspector General Doug Schneider at 212-306-3238 or doug.schneider@nycha.nyc.gov.

E. PROPOSED ACTIVITIES

Methods of Obtaining Information

Exiger appreciates the importance of developing a comprehensive understanding of the business operations of an entity prior to conducting an audit. As such, we spend ample time coordinating and planning with clients at the beginning of a project for a variety of reasons, to include; rapport building, identifying key risk areas, aid in planning audit tasks, gaining an understanding of audit timing and resourcing issues. While we will need the attention of management and their designees during this phase of the assignment, we fully understand that Herbalife has a business to run and must at the same time deal with many new compliance requirements and an altered business model. We will be efficient and effective in gaining all of the background necessary to discharge our duties so as to create the least amount of interference to Herbalife's business as usual. Our activities will begin with the

establishment of lines of communication with relevant Herbalife personnel. Exiger will conduct planning activities involving interviews, walkthrough/demonstration sessions and document review in order to independently validate (assess and report) Herbalife's compliance with the provisions of the Stipulated Order and the Scope of Work highlighted in the FTC's Request for Applications. We will be seeking to set up specific liaisons for each of our work streams, with whom we will work collaboratively to understand the type and availability of data necessary for auditing purposes as well as working together with the liaisons to reach a common understanding of the metrics and methodology that would be used to determine compliance.

This common understanding would be memorialized in a document entitled "Methodologies to Aid in the Determination of Compliance" ("MADC"). The MADC would serve as the detailed overall work plan required by the Stipulated Order (see VI, K, 1) and would be the basis for the budget required by section VI, K, 3 of the Stipulated Order.

The MADC would particularize the data necessary for each assessment task, the frequency of which that data would be supplied, and the method of supplying the data. As noted previously, to the greatest extent possible, the required data would be uploaded on the agreed upon periodic basis to a data room which would then allow for off-site analysis of the data in order to determine compliance pursuant to the particular section of the Stipulated Order. To the extent that there existed data that could only be viewed on-site, that data would be segregated as such and examined at Herbalife's headquarters. In addition, some data might consist of pure field observations, in which case those field observations would be made by trained professionals. An example of what the MADC might look like for an assessment task is contained in Appendix A.

Methods of Analyzing Information

Exiger is frequently engaged by entities to audit their compliance with both internal and external requirements. Compliance is validated utilizing a number of different methods. An exact method of analyzing the information received would, of course, vary by assessment task, but the MADC would, in fact, spell out the precise methodology for each assessment task. These methods will include; interviews, document review, risk-based sampling, review of relevant management information. For some areas it is possible that a statistically valid sample be taken of data, while for other tasks, an analysis of all data might be appropriate. An example of what the MADC might look like for two assessment tasks is contained in Appendix A.

Methods of Reporting Information

The Exiger team will thoroughly document its work for each area within the Scope of Work in order to complete its assessment. During the first three years of the ICA's assignment, we will report at six month intervals. As required by the Stipulated Order each of the

assessment tasks will be reported on in each report. As indicated above, the MADC will outline the methodology and metrics by which substantial compliance will be assessed. The report will specify whether the specific assessment task yielded an “In Compliance,” “Out of Compliance,” or in rare instances, “Determination Withheld” grade. The grades will be published cumulatively in an Appendix to the report.

Frequency of Proposed Activities

As mentioned above, the Stipulated Order calls for each assessment area to be tested for compliance in each reporting period. This, for the first three years, is every six months. We would, pursuant to the Order, curtail the frequency to once every year after the first three years. The timing of the testing will be coordinated with Herbalife to limit the possibility of unnecessary distractions to business as usual. However, the ICA will require that Herbalife provide appropriate access to all documents and staff in order for the ICA to complete all tasks mandated by the Stipulated Order.

Responsible Personnel with anticipated hours

A detailed listing is provided in Appendix B. Until the MADC (and the inherent work plan and budget) are complete, it is impossible to know with precision what the most efficient work streams will be and the number of hours to be devoted to each substantive task. We have, nonetheless, included a Work Distribution Chart in Appendix B, which indicates how our work streams might look and the amount of time needed for the development of methodologies, the request for and collection of data, the analysis of data, the writing of our findings for each assessment task contained in the Stipulated Order, and lastly for supervision and quality control of the process. We have also allotted time for on-site meetings, but note that we would endeavor to conserve resources to the greatest possible extent through the use of technology such as video-conferencing.

Coordination of Schedules and Data Requests

Schedules for visits, record reviews and interviews, would be handled through our Program Management Office and a counterpart that we hope would be set up within Herbalife. From our experience on similar engagements, having the client dedicate an individual or small team to coordinate with our team has proven incredibly effective. Our work stream leads would work closely with our PMO in providing requirements that would have to be fulfilled in order to discharge the mandates of the project.

Reporting to the Parties

In addition to our on-going semi-annual and, ultimately, annual reports, we would provide immediate notification of any significant area in which a lack of compliance seems to result from willful conduct in abrogation of the intent of the Stipulated Order.

F. POTENTIAL CONFLICTS OF INTEREST OR BIAS

No member of Exiger's proposed team has any potential or perceived conflict of interest in this matter. As noted above, while they were both FBI agents, Mr. Ball served with Mr. Pollitt as the co-case agent in a seven-year, multibillion-dollar international money laundering investigation targeting the illegal online gaming and payment-processing industries impacting the U.S. financial system. During this investigation, Mr. Ball worked in collaboration with FTC attorneys and investigators to review the business practices of individuals involved in multi-level marketing business models and opt-out/in advertising through "trial" memberships. These businesses were alleged to have developed deceptive business practices, where customers were forced into purchasing services of which they were unaware. The businesses were also involved in the illegal processing of internet gambling payments utilizing their same payment processing channels established for these MLM and "trial" membership businesses.

G. ESTIMATED COSTS

As derived from our detailed cost estimator, included as Appendix B we estimate that fees and expenses for the first year of the project will be approximately: \$2,141,032. The seven-years cost estimate is not expected to exceed \$11,368,946. Actual billing would be hourly at the rates shown in Appendix B, which amount to a discount of 10% from our standard commercial rates. A more detailed estimate will be provided in accordance with the Stipulated Order (See Section VI.K) should Exiger be selected as the ICA.

CONCLUSION

Every member of the Exiger team has a proven record of unwavering independence and Exiger itself considers independence to be a foundational value. Exiger is made up of professionals at the top of their respective fields, from accomplished, executive-level federal and state prosecutors, to former police and FBI agents, to sophisticated auditors, accountants and analysts. The team members have served with distinction in some of the most complex and high-profile oversight roles in the United States, and indeed, around the world.

Under Mr. Schlanger and Mr. Pollitt's direction, and leveraging this rich base of knowledge and relevant experiences, the Exiger team will enter the Herbalife Independent Compliance Audit project with immediate and significant advantages. Through years of experience with such work, the team already knows how best to allocate resources and staff for the most efficient and impactful administration and execution of a compliance auditor's duties. Further, the team will be able to anticipate the kinds of questions and concerns that the FTC and Herbalife will inevitably raise at the inception of, and throughout, the term of the Audit. Simply put, our team is ideally situated to navigate this complicated undertaking, avoiding pitfalls that might hamper less experienced firms.

We look forward to engaging in the continuation of the formal selection process for the Herbalife Independent Compliance Auditor, and trust that you will advise us when the specifics of the remainder of the process are finalized. Please do not hesitate to contact me with any questions in the meantime.

Yours truly,



Jeff Schlanger

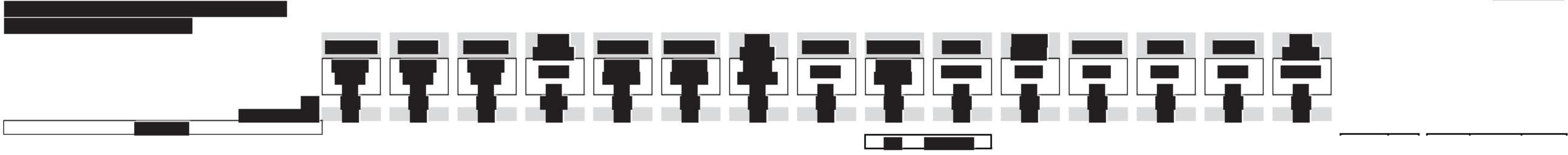
Appendix A

Stipulated Order (SO) Number	I. C.
SO Title	Collection of Retail Sales Information
SO Text	<p>Herbalife shall collect from Business Opportunity Participants and maintain in a standardized format the following information for any claimed Profitable Retail Sale:</p> <ol style="list-style-type: none"> 1. the method of payment; 2. the Products and quantities sold; 3. the date; 4. the price paid by the purchaser; 5. the first and last name of the purchaser; 6. contact information for the purchaser, including at least two of the following: telephone number, address or e-mail address; and 7. for any paper receipt submitted to Herbalife, the signature of the Retail Customer or Preferred Customer.
SO Task Description	<p>Ensure that Herbalife is collecting delineated information from Business Opportunity Participants.</p> <p>Ensure that the collected information is being maintained in a standardized format.</p> <p>Ensure that such information is being collected for every claimed Profitable Retail Sale.</p> <p>Ensure that claimed Profitable Retail Sales are, in fact, existent and profitable.</p>
SO Task Methodology	<p>Test to determine whether defendants are collecting delineated information from Business Opportunity Participants.</p> <p>If Herbalife is collecting such information, test whether it is being collected in a standardized format that includes each of the delineated fields.</p> <p>If Herbalife is collecting such information, test for whether it is being collected for each claimed profitable sale.</p> <p>Test a sample of claimed profitable sales to establish veracity of the claimed sale and that the claimed sale is, in fact, profitable according to the definition of profitable sale.</p>
Required Data	<p>All Profitable Retail Sales Forms as developed by Herbalife</p> <p>Any and all data that would be indicative of a profitable sale</p>
Sample Required	A statistically valid stratified sample of all claimed profitable sales

Compliance Definition	<p>Compliance with this provision will be achieved when the following is found:</p> <ol style="list-style-type: none"> 1. Herbalife has collected <u>all</u> required information relative to claimed profitable sales in greater than 94% of claimed profitable sales 2. 100% of claimed profitable sales are in fact bona fide profitable sales
Scheduled Reviews	Each reporting period
Cross Reference	<p>Definitions:</p> <p>Business Opportunity Participants: “Business Opportunity Participant” or “Participant” means any individual who is participating in a Multi-Level Marketing Program. “Business Opportunity Participant” or “Participant” does not include Preferred Customers.</p> <p>Profitable Retail Sale: “Profitable Retail Sale” means a sale of Product by a Business Opportunity Participant to a Retail Customer or Preferred Customer that is a genuine sale made at a price above the Business Opportunity Participant’s average wholesale cost over the preceding twelve (12) months for the items sold (including tax and the actual or approximate cost of shipping, handling, and any similar fees) and for which retail sale information is collected and maintained by Herbalife.</p> <p>Preferred Customer: “Preferred Customer” means an individual who joins or registers with a Multi-Level Marketing Program as a customer only, and who does not have the right to (1) sell goods or services; (2) recruit others into the Program; or (3) receive Multi-Level Compensation.</p>
ICA Form(s)	Validation Form for Claimed Profitable Sale

Appendix B

Independent Compliance Auditor for Herbalife



Independent Compliance Auditor for Herbalife

The diagram consists of several horizontal rows of boxes connected by vertical lines. The top row features 16 boxes, each containing a redacted name. Below this, there are several more rows of boxes, some of which are also redacted. The structure appears to be a hierarchy or a matrix. A single box is highlighted with a black border in the lower-middle section of the diagram.

