

FEDERAL TRADE COMMISSION: Herbalife Press Conference
July 15, 2016/10:00 a.m. EDT

>> AT THIS TIME WE WOULD APPRECIATE IF YOU IN THE ROOM WOULD HAVE DEVICES IN SILENT. THOSE JOINING THE CONFERENCE BY THE TELEPHONE IF YOU COULD MUTE YOUR SPEAKER PHONES. WE WILL PROVIDE OPEN REMARKS AND THEN TAKE QUESTIONS FROM THE MEDIA IN THE ROOM AND JOURNALISTS BY PHONE.

>> GOOD MORNING, EVERYONE. THANK YOU FOR JOINING US HERE TODAY.

I AM HERE TO ANNOUNCE A SIGNIFICANT LAW ENFORCEMENT ACTION THAT THE FEDERAL TRADE COMMISSION HAS TAKEN AGAINST THE LOS ANGELES BASED MULTI LEVEL MARKETING COMPANIES HERBAL LIFE. THEY HAVE AGREED TO A 200 MILLION-DOLLAR JUDGMENT FOR REFUNDS TO MANY DISTRIBUTORS AND FORCES THE COMPANY TO IMPLEMENT A MAJOR RESTRUCTURING OF BUSINESS OPERATIONS.

IN A COMPLAINT FILED TODAY IN THE CENTRAL DISTRICT OF CALIFORNIA.

THE FTC HAS CHARGED HERBAL LIFE BY DECEIVING HUNDREDS OF MILLIONS OF PEOPLE WHO SAW HERBAL LIFE CAMPAIGNS IN ENGLISH AND SPANISH.

THEY SIGNED ON FOR WHAT THEY THOUGHT WAS A LEGITIMATE AND LUCRATIVE BUSINESS OPPORTUNITY SELLING HERBAL LIFE PERSONAL CARE PRODUCTS.

THE COMPANY PROMISED PEOPLE A DREAM.

A CHANCE TO CHANGE THEIR LIVES, QUIT THEIR JOBS, AND GAIN FINANCIAL FREEDOM.

HERBAL LIFE'S MARKETING MATERIALS CLAIMED CONSUMERS REGARDLESS OF BACKGROUND AND EXPERIENCE COULD EARN PART TIME INCOME FROM \$500 TO \$1500 A MONTH AND SUBSTANTIAL FULL TIME INCOME SHOWING PICTURES OF HERBAL LIFE MEMBER % EN STKWROEUNG EXPENSIVE HOUSES, LUXURY CARS AND EXOTIC VACATIONS.

TESTIMONIALS IN ENGLISH AND SPANISH ASSURED CONSUMERS THEY COULD ACHIEVE THE DREAM.

SOME REPORTED EARNING \$16,000 A MONTH.

OTHERS SAID THEY WERE MULTI MILLIONAIRES.

ONE SALES PITCH A HERBAL LIFE DISTRIBUTE ASKED "HOW MANY OF YOU WOULD LIKE TO MAKE AT LEAST A MILLION THRARZ A YEAR IN INCOME?"

"ANOTHER SAID" WE WENT FROM BANKRUPTCY TO BEING SET FOR LIFE." THE FDC HAS CHARGED THIS WAS TRUE.

THAT THIS WAS AN ILLUSION.

THE VAST MAJORITY OF HERBAL LIFE DISTRIBUTORS FOUND THEY COULD MAKE LITTLE OR NO MONEY SELLING HERBAL LIFE PRODUCTS.

IN TO 14 THE AVERAGE AMOUNT OF SALES LEADERS RECEIVED IN A YEAR FOR REREGARD PAYMENTS OF RECRUITING OTHERS WAS THEN THAN THREE HUNDRED DOLLARS.

THE COMPANY'S OWN SURVEY RESULTS SHOW THE MAJORITY OF PEOPLE INVESTING THE MOST TO BUILD A REAL RETAIL BUSINESS.

PEOPLE WHO OPENED A NUTRITION CLUB WORKING LONG HOURS MADE NO MONEY OR LOST MONEY.

THE SMALL MINORITY OF HERBAL LIFE DISTRIBUTERS MAKING A LOT

OF MONEY WERE PAID FOR BUYING THE PRODUCT THEMSELVES AND SUCCESSFULLY RECRUITING LARGE NETWORKS OF OTHERS TO DO THE SAME.

THAT'S WHY IN ADDITION TO CHARGING DECEPTION THE COMPLAINT ALLEGES THAT THE COMPENSATION STRUCTURE OF HERBAL LIFE IS UNFAIR FOR REWARDING TO ENCOURAGING OTHERS TO JOIN AND PURCHASE PRODUCTS RATHER THAN IN RESPONSE TO ACTUAL RETAIL DEMAND FOR THE PRODUCT.

TODAY'S 200 MILLION-DOLLAR SETTLEMENT ONE OF THE LARGEST RETAIL SETTLEMENTS WILL PROVIDE COMPENSATION FOR MANY OF THE DISTRIBUTORS AND THE LOSSES THEY HAVE SUFFERED.

THIS WILL PROHIBIT MARKET TACTICS SUCH AS A PROMISE OF A LAVISH LIFESTYLE AND UNTOLD RICHES AND THAT THEY'RE LIKELY TO EARN CAREER LEVEL INCOMES. THE SETTLEMENT REQUIRES HERBAL LIFE TO REVAMP IT'S MULTI-LEVEL DISTRIBUTOR COMPENSATION PLAN SO THE COMPANY MUST TRACK RETAIL SALES, PAY REWARDS BASED ON THE SALES AND COLLECT RETAIL RECEIPT INFORMATION TO INSURE THE SALES ARE REAL.

THIS WILL CHANGE THE CURRENT SYSTEMS INCENTIVES REWARDING DISTRIBUTORS BUYING A DOWN LINE OF PRODUCT AT WHOLESALE WITHOUT REGARD TO RETAIL DEMAND.

AS PART OF THE RESTRUCTURING HERBAL LIFE WILL BE REQUIRED TO CREATE TO LINES.

PREFERRED CUSTOMERS TO TAKE ADVANTAGE OF DISCOUNT PRODUCT. CAN NOT RESALE PRODUCT RECRUIT OR RECEIVE COMPENSATION. AND BUSINESS OPPORTUNITY FOR

RETAILING THE PRODUCTS.
TO MAKE SURE EVERYONE IN THE
ORGANIZATION GETS THE MESSAGE.
10 PERCENT OF THE COMPANY'S NET
SALES HAVE TO BE PRIZE COMPRISED
OF REAL SALES TO REAL USERS AND
HIGH LEVEL DISTRIBUTE
COMPENSATION WILL BE CUT.
THEY ARE REQUIRED TO PAY FOR A
COMPLIANCE AUDITOR TO MONITOR
OUR ORDER AND ASSURE HERBAL LIFE
ADHERES TO TODAY'S AGREEMENT.
THIS WILL WE HOPE WILL SET AN
EXAMPLE FOR THE MULTI LEVEL
MARKETING INDUSTRY MORE
GENERALLY.

I WOULD LIKE TO CONCLUDE BY
THANKING THE FTC STAFF AND THE
BUREAU OF CONSUMER PROTECTION
AND ECONOMICS WHO DEVOTED COUNT
LESS HOURS OVER MANY MONTHS TO
INVESTIGATE THIS CASE AND SECURE
THIS IMPORTANT SETTLEMENT TO
CONSUMERS.

I WOULD LIKE TO EXPRESS MY
GRATITUDE TO -- DAVID GIVONS AND
DOUG SMITH.

THANK YOU, AND I'M HAPPY TO
ANSWER ANY QUESTIONS.

>> AT THIS POINT IF WE WOULD
JUST TAKE QUESTIONS FROM MEDIA
IN THE ROOM.

STATE YOUR NAME AND MEDIA OUTLET
WHEN YOU'RE ASKED A QUESTION.

THANK YOU.

>> ANYONE ON THE LINE WHO WOULD
LIKE TO ASK A QUESTION?

>> A QUESTION ON THE PHONE LINE
PRESS STAR 1 AT THIS TIME.

>> DO YOU WANT TO TAKE THE PHONE
QUESTIONS AT THIS TIME.

>> YES, PLEASE GO AHEAD.

>> -- WITH NEW YORK TIMES, GO
AHEAD.

>> HI, GOOD MORNING.

SO HERBALLIFE IN THEIR PRESS

RELEASE SAID THAT THE FTC FOUND THE COMPANY WAS NOT AN ILLEGAL PYRAMID SCHEME.

I DON'T SEE THE WORDS "PYRAMID SCHEME" APPEAR ANYWHERE.

CAN YOU COMMENT A BIT ON THAT.

>> SURE.

WE DIDN'T ALLEGE A PYRAMID DECEPTION ACCOUNT.

WHAT WE DID ALLEGE IN AN UNFAIRNESS COUNT.

WE ARE CHARGING THAT HERBALLIFE'S COMPENSATION STRUCTURE UNFAIRLY REWARDS RECRUITING.

THAT IS ULTIMATELY UNRELATED TO RETAIL DEMAND.

WE FOCUS LESSON THE LABEL, MAKING SURE THAT THE FACTS OF THE COMPLAINT ALLEGED WHAT WE CONSIDERED TO BE THE CORE PROBLEM WITH HERBALLIFE'S BUSINESS PRACTICES.

OUR FOCUS WAS TIMELY STRUCTURAL RELIEF FOR CONSUMERS GOING FORWARD AND ALSO FOR ACHIEVING MEANINGFUL RELIEF FOR CONSUMERS WHO LOST MONEY AS A RESULT OF HERBALLIFE'S PRACTICES.

>> THANK YOU.

>> NEXT IS DO I ANBAR -- PLEASE GO AHEAD.

>> HI, THERE.

TO BE CLEAR.

HERBALLIFE IS EXCLUDED FROM SIGNING UP NEW DISTRIBUTORS AS A WAY TO RECOMPENSATE EXISTING DISTRIBUTORS.

CORRECT, THAT IS EXCLUDED?

>> WHAT OUR ORDER DOES IS PROVIDE FOR VERY RIGOROUS STRUCTURAL RELIEF.

IT'S DESIGNED TO INSURE THAT REWARDS ARE BASED ON RETAIL SALES TO CUSTOMERS AND NOT ON THE RECRUITING OF A DOWNLINE OF

PEOPLE WHO WILL BUY THE PRODUCT AT WHOLESALE.

SO, THAT'S WHAT THIS IS DESIGNED TO DO.

LET ME WALK THROUGH THE

CORRECTIONS IN THE ORDER SO THAT YOU UNDERSTAND HOW WE SEEK TO ACHIEVE THAT.

WE ARE SEEKING TO DO THAT BY REQUIRING HERBALIFE TO CREATE TO DIFFERENT EUROPEAN CATEGORIES FOR THE BENEFIT OF PARTICIPANTS.

PERVED CUSTOMERS AND BUSINESS OPPORTUNITY PARTICIPANTS.

WE ARE ALSO REQUIRING HERBALIFE PROVIDE REWARDS PAYABLE ONLY ON VERIFIABLE RETAIL SALES.

AS PART OF THAT WE ALSO PLACE LIMITS ON PERSONAL CONSUMPTION.

ALSO TO CONTINUE TO PAY REWARD

AT THE CURRENT LEVELS THE

COMPANIES SALES MUST BE

OVERWHELMINGLY COMPRISED OF

REWARDABLE INVOLVE YOU WE WILL

HAVE IN PLACE A INDEPENDENT

COMPLIANCE MONITOR INSURING THAT

HERBALIFE ABIDES BY THE

PROVISION.

THE FTC WILL WATCH CLOSELY TO

MAKE SURE THE PROVISIONS ARE I

IMPLEMENTED.

>> ALSO ANOTHER QUESTION, I SEE

HERBALIFE HAS HIRED A FORMER FTC

COMMISSIONER LIKE THE CHAIRMAN.

THIS IS LOOKING COZY.

CAN YOU COMMENT ON THE PRO

PRIORITY OF THAT?

>> WE HAVE STRICT ETHICAL RULES.

YOU CAN ADDRESS QUESTIONS ABOUT

THE CHAIRMAN BEING RETAINED BY

HERBALIFE TO HIM.

HERE AT THE FTC WE HAVE FOCUSED

EXCLUSIVELY ON THE FACTS OF THE

CASE, THE LAW THAT APPLIES, AND

HAVE ENTERED INTO WHAT I BELIEVE

IS A STRONG SETTLEMENT THAT PROVIDES MEANINGFUL ROBUST RELIEF FOR THE CONSUMERS THAT WERE MOST EFFECTED AND LOST THE MOST MONEY DUE TO HERBALIFE'S PRACTICES.

WE'RE IMPOSING STRONG STRUCTURAL RELIEF THAT WE BELIEVE WILL MAKE A VERY SIGNIFICANT DIFFERENCE GOING FORWARD AND INSURE HERBALIFE OPERATES AT A LEGITIMATE MULTI LEVEL MARKETING COMPANY.

>> LAST QUESTION.

I WOULD LIKE TO SEE THE COMPLIANCE MONITOR REPORT AS THEY COME OUT.

HOW COULD I DO THAT.

>> WE CAN PROVIDE YOU WITH THAT.

THERE MAYBE CONFIDENTIAL INFORMATION THAT WON'T BE RELEASED PUBLICLY.

BUT WE CAN HAVE A DISCUSSION WITH YOU, DIANE.

>> ANY OTHER QUESTIONS ?

>> YES.

DAVID -- FROM LINBERG NEWS.

>> THANK YOU FOR TAKING MY QUESTION.

THE QUESTION EARLIER ABOUT THE PYRAMID SCHEME.

IT SOUNDS TO ME READING THE RELEASE.

I HAVEN'T LOOKED AT ALL OF THE CORE FILLINGS.

IT SOUNDS LIKE WHAT YOU'RE SAYING IS THIS COMPANY HAS ALL OF THE HALLMARKS OF A PYRAMID SCHEME.

IS THAT RIGHT?

>> OUR FOCUS ISN'T ON THE LABEL.

OUR FOCUS AGAIN IS ON ARTICULATING ALLEGATIONS IN THE COMPLAINT THAT WE BELIEVE REACH THE CORE ISSUE AND THE CORE PROBLEM WITH WHAT WE CONSIDER TO

BE UNLAW FULL PRACTICE THAT'S
HERBALIFE HAS ENGAGED IN.
OUR FOCUS WAS ON QUICK MEDIATE
RELIEF FOR CONSUMERS.
I WILL LEAD TO YOU TO DRAW YOUR
OWN CONCLUSIONS ON THE FACTS
ALLEGED IN THE COMPLAINT.
OUR FOCUS WAS NOT ON A
PARTICULAR LABEL.

>> OKAY.

MY OTHER QUESTION IS, IF YOU HAD
ANY KIND OF ESTIMATE ON -- YOU
MENTIONED IN THE RELEASE THAT
THE COMPANY CAUSED SUBSTANTIAL
INJURY TO CONSUMERS.

I WONDER IF YOU HAVE AN ESTIMATE
OF MONEY LOST DUE TO UNFAIR
PRACTICES.

IS IT THE \$200 MILLION OR MORE
THAN THAT?

>> I CAN'T SAY THE \$200 MILLION
ENCAPSULATES ALL OF THE HARM
THAT MAY OF BEEN CAUSED AT
HERBALIFE'S PRACTICES.

I CAN TELL YOU I BELIEVE THAT
FIGURE PROVIDES MEANINGFUL
RELIEF FOR DISTRIBUTORS LOSING
THE MOST MONEY DUE TO
HERBALIFE'S PRACTICES.

I BELIEVE -- WE WILL CALCULATE
EXACTLY HOW TO PROPORTION THAT
REFUND PROGRAM.

THAT WILL ADMINISTERED BY THE
FEDERAL TRADE COMMISSION.
WE WILL RELY ON DATA FROM HERBAL
LIFE TO INSURE THIS MONEY GETS
BACK INTO THE HANDS OF THOSE
MOST AFFECTED BY WHAT WE ALLEGE
WERE HERBALIFE AWES UNFAIR AND
DECEPTIVE PRACTICES.

>> ACTUALLY GOING BACK TO THE
MONITOR.

SO, THE, THE MONITOR AND SORT OF
THE SETTLEMENT GOING FORWARD IS
THAT OVER SEEN BY THE FTC OR IS
THAT OVER SEEN BY THE COURT

WHERE THIS WAS FILED?

WILL THE REPORTS BE MADE PUBLIC
EVERY TIME THEY'RE FILED?

>> SO THAT THE MONITOR IS A
INDEPENDENT MONITOR.

WE WILL OF COURSE WORK CLOSELY
WITH THE MONITOR WHO WILL BE IN
PLACE FOR SEVEN YEARS.

ULTIMATELY IF WE BELIEVE THERE
IS A VIOLATION OF WHAT WILL BE A
COURT ORDER WE WILL GO TO COURT
TO ZIKA APPROPRIATE RELIEF AT
THE TIME.

WE WILL FOCUS AND INSURE,
MONITORING CLOSELY WITH THE
INDEPENDENT MONITOR.

>> THE REPORTS ARE PUBLIC?

>> I CAN'T SAY THAT.

THE REPORTS MAY HAVE
CONFIDENTIAL BUSINESS
INFORMATION.

I CAN'T TELL YOU NOW.

WE WILL MAKE A DETERMINATION
WHAT IS APPROPRIATE TO RELEASE
PUBLICLY AT A LATER TIME.

>> OKAY.

THANK YOU.

>> NEXT ON THE LINE -- THE NEW
YORK POST.

PLEASE GO AHEAD.

>> HI, I WAS WONDERING HOW YOU
CAN SAY TODAY'S DECISION WILL BE
AFFECT THE OPERATION OF THE
SO-CALLED NUTRITIONAL CLUB.

>> YES.

THERE ARE A NUMBER OF DIFFERENT
PARAMETERS INCLUDING THAT ONLY
THOSE MEMBERS WHO HAVE BEEN IN
THE HERBAL LIFE PROGRAM FOR A
YEAR WILL REALLY BE IN A
POSITION TO MOVE FORWARD WITH
THE NUTRITIONAL CLUB.

OUR CONCERN WAS THESE ARE THE
PEOPLE INVESTING THE MOST UPON MONEY.

WE ESTIMATE IT WAS \$8500 TO OPEN
A NUTRITION CLUB TO INCREASE

SALES.

IN FACT WE BELIEVE THOSE PEOPLE
MADE LITTLE OR MOST OFTEN LOST
MONEY.

WE HAVE VARIOUS PROTECTIONS IN
PLACE TO MAKE AN EFFORT TO
INSURE THAT IS MITIGATED GOING
FORWARD.

>> OKAY, THANK YOU.

THAT'S IT FOR ME.

>> NEXT ON THE LINE TKA +*PB --
WITH FINANCIAL TIMES.

PLEASE GO AHEAD.

>> THANK YOU.

YOU SAID YOU'RE NOT -- YOU
HAVEN'T FOCUSED ON THE TERM.
IT CERTAINLY SOUNDS LIKE LOOKING
AT THE COMPLAINT THE FOCUS ON
RECRUITMENT AND DECEPTION TO
CONSUMERS COULD MEET -- PREVIOUS
FTC DESCRIPTIONS OF PYRAMID
SCHEMES.

CAN YOU TALK US THROUGH PERHAPS
THE PUBLIC INTEREST ARGUMENTS
THAT THE FTC WENT THROUGH AND
HOW IT CAME TO THE NATURE NOT TO
PROSECUTE AS A PYRAMID SCHEME.

>> WELL, LOOK, ALL I CAN TELL
YOU BRIEFLY.

THIS IS A SETTLEMENT.

WHAT WE AIMED TO DO IN OUR
COMPLAINT WAS TO ALLEGE THE CORE
FACTS THAT WE BELIEVE CONSTITUTE
UNFAIR AND DECEPTIVE PRACTICES.

IN ADDITION OUR AIM WAS TO
INSURE THAT WE COULD OBTAIN
RELIEF PROMPTLY AND IN A TIMELY
FASHION AS OPPOSED TO LITIGATING
FOR PERHAPS YEARS.

SO THE FOCUS WAS LESSON THE
LABEL BUT RATHER ON MAKING SURE
OUR COMPLAINT ADEQUATELY ALLEGED
WHAT WE ARE CONCERNED ABOUT AND
PROVIDE AD APPROPRIATE MONETARY
AND CONJUNCTIVE RELIEF FOR
CONSUMERS.

>> ON THE QUESTION OF LITIGATION FOR YEARS THE BASIS FOR, FOR THE INDUSTRY'S EXISTENCE HAS BEEN SUCH AS THE AMWAY CASE AND THE FTC'S GUIDANCE.

WHAT ARE THE IMPLICATIONS FOR THE REST OF THE INDUSTRY, DOES A CLEAR DEFINITION NEED TO BE PUT INTO INDUSTRY PRACTICES NEED TO CHANGE?

>> WE WILL PROVIDE ADDITIONAL GUIDANCE TO THE MLN INDUSTRY MORE GENERALLY FOLLOWING THIS CASE.

THINK WHAT WE ACHIEVED IN THIS CASE IS UNPRECEDENTED.

I THINK THE PROTECTIONS WE HAVE IN PLACE HERE, THEY'RE AIMED TO INSURE THAT GOING FORWARD HERBALIFE OPERATES LEGITIMATELY. I THINK THEY PROVIDE IMPORTANT GUIDANCE TO THE REST OF THE MLN INDUSTRY ON WHAT THEY NEED TO FOCUS ONTO INSURE THEY'RE NOT ENGAGING IN UNFAIR DECEPTIVE PRACTICES.

WE DO INTEND TO PROVIDE FURTHER GUIDANCE FOLLOWING WHAT WE HAVE -- WHAT WE'RE DOING THIS IN PARTICULAR CASE.

>> -- THE LITIGATION, IT SOUNDS LIKE IT WOULD BE PROLONGED AND DIFFICULT.

ISN'T THAT THE WAY THE FTC HAS HISTORICALLY ACTED YOU THIS ENFORCEMENT?

IT SEEMS IT IS SORT OF DUCKING THE OPPORTUNITY TO SET CLEAR LAW, IT WOULD BE DIFFICULT TO PURSUE THIS --

>> NO, I DON'T THINK THAT'S THE RIGHT CONCLUSION TO DRAW. WE ENTER INTO SETTLEMENTS A GOOD AMOUNT OF TIME.

WE ONLY ENTER INTO SETTLEMENTS WHEN WE BELIEVE IT'S APPROPRIATE

RELIEF FOR CONSUMERS.

IN OUR VIEW IT'S BOTH BENEFICIAL FOR CONSUMERS TO ENTER INTO WHAT WE THINK IS STRONG RELIEF RATHER THAN LITIGATING EVERY CASE TO CONCLUSION.

THAT WOULD LIMIT WHAT WE'RE ABLE TO DO.

I THINK WE ACHIEVE A LOT MORE WHEN WE ENTER INTO CONSENSUS THAT WE THINK ARE APPROPRIATE AND MEANINGFUL.

WHEN WE DON'T MAKE AGREEMENTS THAT ARE APPROPRIATE AND MEANINGFUL.

WE ARE LITIGATING A NUMBER OF CASE THAT'S DEMONSTRATE WHEN WE CAN'T REACH A GOOD SETTLEMENT WE WILL NOT HESITATE TO LIT GATE.

>> ONE FINAL -- IN TERMS OF THE SCOPE OF THIS SETTLEMENT.

THE MAJORITY OF BUSINESS IS OUTSIDE OF THE U.S.

DOES THIS SETTLEMENT FOR U.S. BUSINESS OR INTERNATIONAL PRECEDENCE?

>> THIS IS FOCUSED ON HERBALIFE'S PRACTICES IN THE UNITED STATES.

>> GREAT.

THANK YOU, VERY MUCH.

>> A REMINDER TO CUE UP FOR A QUESTION PRESS STAR 1.

>> WE HAVE ONE QUESTION IN THE ROOM.

>> HI, BRENT KENDAL FROM THE WALLSTREET JOURNAL.

FOR THE \$200 MILLION FOR THOSE WHO BOUGHT PRODUCT AND LOST MONEY.

REALISTICALLY HOW QUICKLY DO YOU THINK YOU WILL GET MONEY IN THEIR HANDS?

>> AT THIS TIME IT'S TOO EARLY TO GIVE YOU AN ESTIMATE.

WE WILL PROVIDE INFORMATION AS

WE HAVE IT.

THE NEXT STEP IS TO MAKE SURE WE HAVE ALL OF THE DATA FROM THE COMPANY TO ASSESS DISTRIBUTION OF THE MONEY.

OUR GOAL IS TO GET THE MONEY INTO THE HANDS OF CONSUMERS AS SOON AS REASONABLY POSSIBLE.

>> A BALLPARK?

A MONTH, YEAR?

>> I DON'T WANT TO BALLPARK IT.

WE JUST SETTLED THIS CASE.

THE NEXT STEP IS TO DETERMINE HOW QUICKLY WE CAN DO THIS.

WE WILL MOVE QUICKLY AS POSSIBLE.

WE WILL PROVIDE ADDITIONAL INFORMATION WHEN WE HAVE A BETTER ESTIMATE OF THAT.

>> ANY OTHER QUESTIONS ON THE PHONE?

>> KATE GIBSON WITH CBS NEWS.

>> HI, THERE.

I WAS WONDER IF THE FTC HAS A IMPLICATION OF HERBALIFE CAN CONTINUE AS A BUSINESS GIVEN HOW RADICALLY THEY'RE TOLD TO CHANGE?

>> WELL, YOU KNOW THAT'S A QUESTION THAT SHOULD GO TO HERBALIFE.

I THINK WHAT WE HAVE IN PLACE WILL CONTINUE TO ALLOW HERBALIFE TO OPERATE AS A LEGITIMATE COMPANY AND NOT HARM CONSUMERS.

>> ANY OTHER QUESTIONS ON THE PHONE?

>> YES.

BONNIE PEN WITH -- ADVERTISING. GO AHEAD.

>> HI, THANK YOU.

I KNOW YOU WON'T PUT A LABEL ON THIS.

IT SEEMS TO ME IF WE LOOK AT THE BURNS CASE WHILE THIS COMPLAINT DOES NOT USE THE WORD "PYRAMID

SCHEME" WOULD YOU AGREE --
ALLEGED WITH THE ALLEGATIONS
WITHIN THE COMPLAINT.

>> AGAIN I WILL LEAVE YOU TO
DRAW THAT CONCLUSION.

OUR FOCUS IN THIS COMPLAINT WAS
IN ADDRESSING THE CORE ISSUES
AND GETTING MEANINGFUL RELIEF.
I DON'T WANT TO HAVE TO REPEAT
MYSELF AGAIN.

THE FACTS ARE ALLEGED -- WE HAVE
ADDRESSED WHAT WE BELIEVE TO BE
THE CORE PROBLEM WITH THE
COMPENSATION STRUCTURE THAT
HERBAL LIFE HAS IN PLACE.
SO, THAT'S -- I WILL LEAVE IT AT
THAT.

>> THANK YOU, VERY MUCH.

>> WE WILL GO BACK TO THE LINE
OF DAN FROM FINANCIAL TIMES.
PLEASE GO AHEAD.

>> JUST ONE MORE QUESTION.
I NOTICED THE -- THE OPINION OF
THREE OF THE COMMISSIONERS.
WHAT WAS THE REASON FOR THAT
OPPOSED TO ALL?

>> WE -- THAT IS ALL OF THE
COMMISSIONERS RIGHT NOW.
WE HAVE TWO VACANCIES AT THE
COMMISSION.

THERE ARE THREE OF US.
IT JUST IDENTIFIED WHO WE ARE.
IT IS A STATEMENT OF THE FULL
COMMISSION.

>> ANY OTHER QUESTIONS?

>> -- MATT GOLDSTEIN OF NEW YORK
TIMES.

>> I KNOW YOU DON'T WANT TO
LABEL AND PEOPLE DRAW THEIR OWN
CONCLUSIONS.

THIS WAS A NEGOTIATED
SETTLEMENT.

SHOULD WE ASSUME PART OF THE
SETTLEMENT DISCUSSION IS WHETHER
YOU WOULD HAVE A PYRAMID SCHEME
CLAIM AGAINST THEM IN THE

COMPLAINT THAT WAS FILED?

>> LOOK I THINK THIS IS
BELABORING THE POINT.

THIS IS A SETTLEMENT AGREED
UPON, RESOLUTION OF THE MATTER.
WE ALLEGE THE ISSUES WE'RE
CONCERNED ABOUT.

THAT'S REALLY OUR FOCUS.

WE ARE ACHIEVING WHAT I THINK IS
REALLY IMPORTANT MONETARY AND IN
JUNCTIVE RELIEF THAT WILL INSURE
IN MY MIND THAT HERBALIFE IF
THEY COMPLY WITH THE PROVISIONS
WILL OPERATE LEGITIMATELY GOING
FORWARD.

THAT WAS THE KEY OBJECTIVE.

WE HAVE ACHIEVED THAT.

WE WILL DO OUR BEST TO INSURE
HERBALIFE COMPLIES WITH THIS.

>> DID YOU REVIEW THE ENGLISH
THAT SAID THEY WERE NOT DECLARED
TO BE A PYRAMID SCHEME.

THEY'RE PADDING THAFL.

>> I DO NOT AGREE WITH THAT
STATEMENT.

THE WORD "PYRAMID" DOES NOT
APPEAR IN OUR COMPLAINT, TRUE.
THE CORE FACTS THAT WE HAVE
ALLEGED AND CONSIDERED TO BE
PROBLEMATIC WITH THE
COMPENSATION STRUCTURE ARE SET
FORTH IN DETAIL IN OUR
COMPLAINT.

I WILL LEAVE TO READERS TO DRAW
THEIR OWN CONCLUSIONS.
THEY WERE NOT DETERMINED NOT TO
BE A PYRAMID.

THAT WOULD BE INACCURATE.

>> YOU DON'T ENDORSE THEIR
STATEMENT.

>> I DO NOT ENDORSE THAT
STATEMENT.

NO.

>> OKAY.

>> NEXT THE LINE OF TED -- FILM
MAKER.

PLEASE GO AHEAD.

>> EARLIER IN YOUR REMARKS YOU MADE A DIFFERENT EUFRPGTS BETWEEN LEGITIMATE AND NOT LEGITIMATE MULTI LEVEL MARKETING COMPANY.

I WAS WONDERING DURING THE COURSE OF THE FTCs WORK WHAT CLARITY YOU BROUGHT TO THAT DISTINCTION?

>> WELL, LOOK I HAVE INDICATED THAT WE WILL BE PROVIDING FURTHER GUIDANCE TO THE MLN INDUSTRY MORE GENERALLY. WE HAVE SOUGHT THE PRACTICES WE BELIEVE ARE UNLAW FULL, UNFAIR AND DECEPTIVE.

THAT INCLUDES CLAIMS ABOUT EARNING POTENTIALS IN ADDITION TO THE STRUCTURE.

WE WILL PROVIDE ADDITIONAL GUIDANCE TO THE MLN INDUSTRY. I THINK THIS PROVIDES A INDICATION OF WHAT WOULD CONCERN US.

WE WILL PROVIDE ADDITIONAL INFORMATION SOON ON THAT SCORE.

>> THANK YOU.

>> NEXT ON THE LINE -- ENGLISH WITH THE NEW YORK POST. PLEASE GO AHEAD.

>> HI, SO, SO I UNDERSTAND, YOU'RE NOT WILLING TO PUT A LABEL.

IT IS IN THE FTCs POWER TO ALLEGE THAT ANY COMPANY IS IN A PYRAMID SCHEME.

>> YES, IN TERMS OF OUR AUTHORITY WE HAVE NO LIMITATIONS OF WHAT WE ALLEGE.

AGAIN I DON'T WANT TO ANSWER THIS QUESTION AGAIN.

THIS IS A SETTLEMENT BUT THE -- I AM FIRMLY BELIEVE WE HAVE ADDRESSED WHAT WE BELIEVE THE CORE ISSUES ARE.

WE HAVE DESCRIBED WHAT DEEPLY
CONCERNS US.

AS A RESULT OF THE SETTLEMENT
WE'RE ACHIEVING PROMPT RELIEF
AND EFFECTIVE RELIEF FOR
CONSUMERS GOING FORWARD.

I WILL LEAVE IT AT THAT.

I WILL TAKE ONE FINAL QUESTION
IF THERE IS ONE.

THAT'S ALL I HAVE TIME FOR.

>> THERE ARE NO FURTHER
QUESTIONS.

>> THANK YOU.

SEW WE WILL CONCLUDE TODAY'S
PRESS CONFERENCE.

THANK YOU FOR JOINING US.

>> IF THERE ARE MEMBERS OF THE
MEDIA THAT HAVE QUESTIONS PLEASE
REACH OUT TO THE PUBLIC AFFAIRS
OFFICE AND WE WILL GET BACK TO
YOU AS SOON AS WE CAN.

THANK YOU.

>> LADIES AND GENTLEMEN, THAT
CONCLUDES THE CONFERENCE FOR THE
DAY.