

Orion Research, LLC

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Master de Clubes de Nutricion Business Method, Created by Former Promoters of the Club 100 Program, Imposes Mandatory Purchase Requirements and Undisclosed Costs and Misrepresents Income Potential, All Violations of the FTC Order

Herbalife Ltd. distributors who previously promoted the Herbalife Ltd. business opportunity through a method called “Club 100” are now operating a similar training program called “Master de Clubes de Nutricion Pro.”¹ Master de Clubes is a certification program, conducted mainly in Spanish, that requires distributors to meet certain criteria before being permitted to open their own Nutrition Clubs. Requirements include: attending classes and other events, completing an unpaid internship in a Nutrition Club, touring and consuming products in Nutrition Clubs and recruiting ten people as Nutrition Club members.²

This system violates a Federal Trade Commission Consent Order announced on July 15, 2016, in numerous ways.

The program’s touring and product purchase requirements impose minimum purchases on business opportunity seekers. Under “Limitations on Thresholds, Targets and Requirements,” the Order states: “Business Opportunity participants shall not be required to purchase a minimum quantity of products, except that Defendants may require Business Opportunity Participants to purchase an initial start-up package or its equivalent, provided that no Multi-Level Compensation is generated or paid on the Purchase.” (Subsection I.F.1)

The FTC Consent Order also requires Herbalife to disclose all information material to participants concerning the business opportunity, such as “the total costs to participate, including trainings, brochures, and sales aids; any material restrictions, limitations, or conditions on operating the Business Venture; or any material aspect of its performance, efficacy, nature, or central characteristics. (Subsection II.D)

Herbalife tells distributors in its marketing materials that there are no mandatory training costs for business opportunity seekers: “To become an Herbalife distributor, succeed in the business, advance in the Sales and Marketing Plan, or receive upline training or support, you are NOT required to buy any amount of materials, products, or services,

¹ A July 22, 2014 presentation by Pershing Square Capital Management and Orion Research on Herbalife’s Nutrition Club business focused on the Club 100 business method. Materials available at: <https://www.factsaboutherbhalife.com/>

² Video: Andres Gutierrez Rondas.10.30.1 and English Language Transcript (translated from Spanish): Andres Gutierrez Online Webinar

either those produced by Herbalife or by a party other than Herbalife, or to attend any seminars, meetings, or events.”

Yet, the Master de Clubes program imposes continuous requirements on distributors even after they are certified to open their own Nutrition Club.

Herbalife President’s Team member Andres Gutierrez explained in an online webinar:³

“In this certification course, we have a card to the ones who are preparing, but this card is never filled because you are always training, filling surveys and preparing yourself to keep growing with your nutrition club ...”

“This is the card for the club owners that don't need to do the practices in school club as they have their own club but need to attend all the activities involved in order to get the certifications, that means go to classes on Saturdays, assist to STS and the training on Tuesdays and Thursdays...”

Master de Clubes promoters also claim that the business method is an effective way to generate a living wage. Distributors are told that by following the certification program they will be able to open a Nutrition Club that will bring have 25 members who make daily purchases at their club. This is projected to result in a club operator generating \$32,000 a year.

Gutierrez tells the immigrant business opportunity seekers that by following the certification program they will be able to earn an income sufficient to support themselves in the United States:⁴

“With 2500 (volume points) per month many people can live here, this is almost \$30,000 per year. If you consider that a newly graduated engineer can earn around \$20,000 to \$26,000 per year after completing 6 years of studying, as was my case, here with a Club of 25 you can make nearly \$32,000 per year, then is very motivating to stay in the Club, to prepare the aloe, the tea, the shakes, sell bars, give them Prolessa, talk about Nightworks, and sell consumptions ...”

The FTC Order bans Herbalife and its agents from making claims or even implying “that participants will or are likely to earn substantial income” and from misrepresenting “the amount of revenue, income, or profit a participant actually earned or can likely earn.” (Subsections II.A and B)

The group has a Facebook page, which can be seen here:

<https://www.facebook.com/masterdeclubes>

The group also has a website, which can be seen here:

<http://www.masterdeclubesdenutricionpro.com/>

³ Ibid

⁴ Ibid

The Master de Clubes program is being promoted by the former top operators of Club 100 in Miami, including Muriel Marta, Andres Gutierrez and Alvaro Echavarria. These top distributors can be seen on the group's Facebook page and website explaining the business method.

Other promoters include Arturo Sanchez, who describes himself on his Facebook page as the manager of Master de Clubes de Nutricion Pro. He lives in Clearwater, Florida.

<https://www.facebook.com/arturo.sanchez.908347>