

# Orion Research, LLC

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## **Leadership Development Weekends, Promoted as Providing Tools to Enhance a Distributor's Business, Are Restricted to Those Who Purchase a Ticket and at Least 4,000 Volume Points of Products, Violating FTC Bans on Minimum Purchase Requirements and Undisclosed Costs**

Herbalife Ltd. organizes and promotes quarterly events for its distributors called Leadership Development Weekends (LDWs). A flyer currently available on Herbalife's website for distributors, Myherbalife.com, is promoting a series of upcoming LDWs to be held in cities across the US in October.<sup>1</sup> The events offer distributors an opportunity to "discover the tools that can help you take your organization further."

The flyer also states that those attending will need to pay \$75 to \$110 for their tickets AND need to be fully qualified Supervisors. This qualification requires that a distributor achieve 4,000 volume points over 12 months or spend approximately \$2,500 on Herbalife products. There is also a Supervisor Workshop session that requires Total Documented Volume of at least 1,000 volume points for three consecutive months between July and October, 2017. That's 3,000 more volume points or about \$1,500 spent on Herbalife products to attend the workshop.

Under a Federal Trade Commission Consent Order announced on July 15, 2016, the FTC specifically prohibited Herbalife from imposing minimum purchase requirements. 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)

LDWs are part of a series of events, sometimes called the Circle of Success, which also include Herbalife Opportunity Meetings (HOMs), Success Training Seminars (STSs) and Extravanzas. A class action lawsuit filed in Florida on September 18 challenges the conduct of Herbalife and over 40 of its top distributors for running an alleged corrupt conspiracy to lure victims into a cycle of expensive events with promises of financial success.<sup>2</sup>

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<sup>1</sup> See LDW Flyer for October 2017.pdf

<sup>2</sup> Rodgers v. Herbalife, US District Court, Southern District of Florida, 9/18/17

Circle of Success events impose a significant cost on distributors, and lead to a second violation of the FTC Order, which requires Herbalife to disclose upfront 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)

Yet, Herbalife states in its contract with distributors that there are no mandatory training costs: “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, either those produced by Herbalife or by a party other than Herbalife, or to attend any seminars, meetings, or events.”

It is difficult to square Herbalife’s assurances that distributors will not need to pay for training to succeed or advance in the business with how these LDWs are promoted both by the company’s top distributors. Top distributors describe attendance crucial for those who expect to succeed.

Some other Circle of Success events, such as HOMs and STSs, are organized by top distributors, though Herbalife maintains control and oversight of these events, according to *Rodgers v. Herbalife*. LDWs, however, are official Herbalife corporate events, eliminating any question of whether the company is aware of the imposition of minimum purchases as a condition of training. The flyer notes that the upcoming LDW is “an Herbalife business event.”