

Federal Trade Commission



INDEPENDENT COMPLIANCE AUDITOR APPLICATION WITH RESPECT TO

HERBALIFE'S U.S. BUSINESSES

**Submitted to:
Federal Trade Commission
Via email to ICA-application@ftc.gov**

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Introduction

Treliant Risk Advisors is applying to the Federal Trade Commission (“FTC”) to serve as Independent Compliance Auditor to assess and report on Herbalife International of America, Inc., Herbalife International, Inc. and Herbalife, Ltd.’s (together, “Herbalife”) compliance with and implementation of a judicially-enforceable Stipulated Order for Permanent Injunction and Monetary Judgment (“Order”). The Order was signed by the Hon. Beverly Reid O’Connell, United States District Judge, Central District of California, on July 25, 2016.

The Order provides for an Independent Compliance Auditor (“ICA”) to assess and report on implementation of reforms in the following general areas of Herbalife’s U.S. business (the “U.S. Business”) for a term of seven years: tracking of retail sales; distinguishing between business opportunity participant and discount buyers (also known as “preferred customers”); observing limitation on compensation that is based on consumption of products by business opportunity participants; calculation and payment of multi-level compensation; and certain training requirements. A detailed description of the reforms required to be implemented by Herbalife and which will be assessed and reported on as part of Treliant’s body of work for each general area, specifically, Section I.A-F or I.I., can be found in the Order (the “Reforms”).

A. Executive Summary

Treliant’s audit body of work will be executed consistent with the standards established by the Institute of Internal Auditors. Treliant’s deliverables to the FTC under the Order will be rooted in a combination of cycled auditing in accordance with the timelines prescribed by the Order and continuous monitoring.

Auditing

Discovery & Planning: Treliant will begin with planning for its initial (year one) and subsequent year coverage. This will include the requirement to report on Herbalife’s compliance with Section I of the Order.¹ Discovery and planning will include, but not be limited to, meeting with representatives of the

¹ Consistent with the terms of the Order, Treliant will periodically report in writing to the FTC staff and to Herbalife on Herbalife’s compliance with each of the subsections of Section I of the Order. For the first three (3) years, Treliant shall make reports every six (6) months, beginning six (6) months following the Effective Date applicable to Section I, as that term is defined in the Order (i.e., November 25, 2017). After the first three (3) years, the frequency of such reports shall be decreased to annually.

FTC and Herbalife, conducting walkthroughs of Herbalife locations, obtaining and reviewing remediation plans and status thereof, completion of Reforms, and preparing a detailed project work plan. Treliant and Herbalife will also agree on data collection processes consistent with Treliant's independence requirements and on processes to identify and promptly remediate missing or incomplete information. Finally, Treliant will prepare substantive test programs to validate actions taken consistent with the requirements of Order.

Test Execution: Treliant will assess whether Herbalife's Reforms are implemented, functioning effectively and sustainable. This will be accomplished through Treliant's assessment of the control design of policies, procedures and processes to ensure compliance with the terms and conditions of the Order. Treliant will test operational effectiveness and document the work it performs, along with confirming and reporting test results.

Issue Identification and Reporting: Treliant will ensure draft audit issues are factually accurate through its discussions with appropriate Herbalife representatives, and will prepare and submit a report to the FTC and Herbalife consistent with the terms of the Order. To ensure and evidence our independence, all work conducted by Treliant will be documented and auditable. Changes to issues or draft reports will be fully supported by documented rationale for such changes, with draft report changes redlined.

Continuous Monitoring

Continuous monitoring is an audit methodology whereby Treliant will pro-actively monitor and continuously assess Herbalife's Reform activities throughout the term of its ICA engagement and during any period of time in which it is not conducting cycled auditing so that Treliant may formulate appropriate responses to significant changes in Herbalife's compliance with the Order on a timely basis and notify the FTC of any instance where Herbalife is in substantial non-compliance with the Reforms.

Through continuous monitoring, Treliant will meet with appropriate Herbalife staff, gather relevant data points from numerous sources and identify meaningful themes and trends. Continuous monitoring activity will be documented by Treliant through a planning memorandum and report maintained in its work paper environment. Continuous monitoring may result in reportable issues in which case such issues will be

documented in a formal Continuous Monitoring Report and communicated to Herbalife and if it involves substantial non-compliance, the FTC. The results of continuous monitoring and any corrective action taken by Herbalife in response to issues raised through continuous monitoring may be leveraged by Treliant during its next cycled audit and will be rolled up into each report as necessary to fully and accurately reflect Herbalife's Reforms compliance.

B. Personnel

Treliant is a multi-disciplinary regulatory compliance consulting firm which is staffed with former chief compliance officers, audit executives, business executives, managers and key staff, and regulators, all of whom have extensive experience in designing, assessing, advising and providing internal control assurance services (e.g., auditing and related forensic reviews) on programs to avoid unfair and deceptive acts or practices ("UDAP") and unfair, deceptive, or abusive acts and practices ("UDAAP"). Treliant also has a number of data and systems professionals, including PhDs, who are highly experienced in data extraction, data integrity and data lineage. Together these professionals also possess an extremely high capability for assessing multiple data outputs. In addition to its full-time and project-based employees who have this requisite experience, Treliant may from time-to-time leverage contractors who are closely vetted to ensure they have the requisite experience to effectively carry out the specific duties assigned to them.

The names of the individuals and relevant backgrounds of the individuals who would comprise the core team are set forth below. We propose the following Lead Monitor candidate(s) for DFS consideration. Thomas Sporkin's experience as a senior enforcement official with the U.S. Securities and Exchange Commission and subject matter expertise would be highly relevant. As an alternate for the FTC's consideration, we propose Amy Walsh. Ms. Walsh's prior experience as Chief of the Business and Securities Fraud Section of the United States Attorney's Office and subject matter expertise would be highly relevant.

Thomas A. Sporkin – Lead ICA

As a former senior SEC enforcement official, Tom Sporkin brings unique experience and insights to the individuals and businesses he represents in matters before the SEC, FDIC, CFPB, FINRA, CFTC, FinCEN, and other financial regulators. Mr. Sporkin has broad subject matter expertise across all SEC

program areas and continues to monitor key developments at the SEC and other bank and financial regulatory agencies. Mr. Sporkin is a Partner of the law firm BuckleySandler, L.L.P. in Washington, D.C. His practice focuses on compliance counseling, internal investigation, private litigation, and enforcement defense.

Mr. Sporkin has particular experience with whistleblower matters, having been one of the leaders in launching the SEC's Whistleblower Office and writing the whistleblower rules called for by the Dodd-Frank Act. Drawing from his experience and insights, he is often called upon to advise financial institutions and public companies on sensitive whistleblower issues.

Before joining BuckleySandler, Mr. Sporkin spent 20 years with the SEC's Enforcement Division, most recently as Chief of the Office of Market Intelligence where he oversaw a multidisciplinary staff of more than 50 senior enforcement attorneys, accountants, market surveillance specialists, and analysts tasked with identifying and investigating conduct that could give rise to violations of the federal securities laws. Prior to running OMI, Mr. Sporkin co-managed a staff of 20 enforcement lawyers overseeing investigations into the Foreign Corrupt Practices Act (FCPA), financial fraud, insider trading, and manipulative trading. In 2009 and 2010, Mr. Sporkin was selected to be one of the leaders of two cutting-edge initiatives: the launch of the SEC's Whistleblower Office and the launch of the Consolidated Audit Trail rule writing effort. While at the SEC, Mr. Sporkin was involved in numerous investigations resulting in the SEC charging individuals and entities with stock fraud, insider trading, bank secrecy act violations, and FCPA violations.

With his broad experience, Mr. Sporkin is often invited to comment on new regulations, hot topics, and ongoing regulatory matters on television and in print media.

Mr. Sporkin is an adjunct law professor at the George Mason University School of Law and the Catholic University Columbus School of Law. He serves on the Law and Advisory Council at the University of Albany's Institute for Financial Market Regulation and is a former co-chair of the Intelligence Subcommittee of the DOJ Securities & Commodities Fraud Working Group.

Amy Walsh - Lead ICA (Alternate)

Amy Walsh, a partner in the New York office of Morvillo LLP, is the former Chief of the Business and Securities Fraud Section of the United States Attorney's Office for the Eastern District of New York. Amy serves as the court-appointed monitor in JPMorgan Chase's settlement with the United States Trustee Program of the Department of Justice. Her experience includes representing individuals and institutions in government investigations, enforcement actions, and prosecutions conducted by various government agencies, including the U.S. Department of Justice, the Securities and Exchange Commission, the Commodity Futures Trading Commission and the Internal Revenue Service.

Prior to entering private practice, Amy was an Assistant United States Attorney for 12 years in the United States Attorney's Office in the Eastern District of New York, where she led dozens of investigations and cases on behalf of government, and supervised several sections within the Office. Amy holds a J.D. from Fordham University School of Law and a B.A. from Vassar College.

Project Team

Ross Marrazzo - Managing Director – Lead Project Executive

Ross Marrazzo has over 34 years of domestic and international experience in the design, oversight, and assessment of corporate and regulatory compliance (including, UDAAP), Bank Secrecy Act (BSA)/Anti-Money Laundering (AML), Economic Sanctions/OFAC, anti-bribery/anti-corruption, and fraud programs and related internal controls. Ross possesses a thorough knowledge of executive and operating functions and responsibilities within a variety of public companies and the financial services industry, including consumer and commercial banking, investment banking, insurance, and wealth management.

Ross was the first Chief Compliance Officer for Commercial Credit Company where he designed, implemented and oversaw a firm-wide compliance program to ensure the ongoing compliance with a long-standing FTC UDAP-centric order on selling insurance products. Over the span of his career, Ross has held senior leadership positions and other roles in a regulatory compliance capacity with a range of financial institutions, law firms, and the New York State Securities Division. This experience includes, GE Capital - Managing Director and Audit Executive, Global Compliance & Financial Crimes; First Niagara Financial Group - Managing Director, Chief Compliance Officer, and Operational Risk Assessment Head; The Depository Trust & Clearing Corporation - Head of Global Compliance & Financial Crimes Audit; Citigroup - Director, Global Compliance & Financial Crimes Audit; Citigroup -

Numerous senior Compliance Officer roles for both domestic and international businesses - banking, lending, insurance, and investments; Law Firms - Public and private securities offering compliance at two New York law firms; New York State Attorney General's Office, Bureau of Investor Protection & Securities - Securities Examiner. Ross has extensive experience in remediating regulatory issues and in working with U.S. state and federal regulators. Through his international experience, Ross possesses a broad understanding of foreign regulatory expectations. Ross' U.S. regulatory experience includes work with the Federal Reserve Board, Office of the Comptroller of the Currency, Consumer Financial Protection Bureau, Securities and Exchange Commission, Financial Industry Regulatory Authority, Financial Crimes Enforcement Network and the Office of Foreign Assets Control, along with state banking, including the New York Department of Financial Service, securities, and insurance regulators.

Ross is a graduate of St. John's University and a Certified Fraud Examiner.

James R. Causey - Senior Director

Jim Causey, Senior Director with Treliant Risk Advisors, is an experienced executive with compliance (including, UDAAP), Anti-Money Laundering/Bank Secrecy Act (AML/BSA), corporate finance, and operations experience with banks, thrifts, and financial services consulting firms.

At Treliant, recent engagements include: helping a large international bank prepare for a targeted Regulation W examination conducted by a joint Federal Reserve, Office of the Comptroller of the Currency (OCC), and Federal Deposit Insurance Corporation (FDIC) examination team; performing compliance management program assessments for the mortgage servicing unit of one of the nation's largest Business Process Outsourcing (BPO) firms and for various marketplace lenders; helping a mid-sized bank assess the adequacy of its internal controls over regulatory reporting; and helping a mid-sized bank validate its Dodd-Frank Act Stress Test (DFAST) models for operational risk. Jim is also a recognized expert in valuing marketing services agreements and benchmarking the pricing of settlement services under the Real Estate Settlement Procedures Act (RESPA).

Jim also provides assistance with remediating various forms of enforcement agreements. In this capacity, he performs management assessments and compliance staffing assessments and manages a variety of compliance and AML/BSA testing assignments. In addition, he helps manage large-scale file reviews relating to mortgages (compliance with RESPA and the Home Mortgage Disclosure Act, or HMDA),

credit cards (add-on products and collections), and AML/BSA (suspicious activity monitoring and alert escalations).

As a former director and executive officer (including Chief Financial Officer and Chief Retail Banking Officer) for two community banks, including one that operated a nationwide mortgage lending business, Jim has 40 years of experience, including overseeing regulatory Community Reinvestment Act (CRA), consumer compliance, and safety and soundness (including AML/BSA) examinations, enabling him to provide strategic and practical advice to financial firms on the challenges they face today.

Jim has an extensive history in corporate finance and capital transactions, including federally assisted and non-supervisory bank mergers and acquisitions, purchases and sales of mortgage companies and servicing portfolios, and new bank start-ups, stemming from his 20 years of consulting and investment banking experience as Managing Director with Kaplan, Smith & Associates, a nationwide consulting and financial advisory firm, and Credit Suisse First Boston, an investment banking firm that acquired Kaplan Smith. He has also provided litigation support and expert testimony in a number of matters. In addition, he has published various articles on risk management matters.

Jim holds an MA in Economics from George Mason University in Fairfax, Virginia, and a BA in American Studies and English from Millikin University in Decatur, Illinois. He is also a Certified Regulatory Compliance Manager (CRCM) and a Certified Anti-Money Laundering Specialist (CAMS).

Benjamin K. McComas – Senior Director

B.J. McComas, a Senior Director with Treliant Risk Advisors, has comprehensive legal advisory and operational experience in the mortgage industry, representing lenders and servicers. B.J. specializes in advising clients on mortgage securitization disputes, developing protocols relating to the management and execution of high-volume mortgage review projects and training teams of mortgage underwriting specialists. B.J. has significant knowledge of the mortgage origination process as well as the mortgage servicing regulatory framework.

Prior to joining Treliant, B.J. practiced law at Gunster, Yoakley & Stewart in West Palm Beach, Florida. He primarily focused on high-volume mortgage put-back projects, mortgage insurance rescission disputes, and mortgage securitization litigation matters. B.J. also led a mortgage litigation team at

Akerman Senterfitt in Fort Lauderdale, Florida, and practiced law in Ohio for five years, including at Thompson Hine, where he specialized in the defense of consumer fraud litigation.

B.J. earned a JD from the University of Michigan and a BA from Cedarville University.

Constandino Papagiannis – Senior Director

Constandino “Dino” Papagiannis is a Senior Director with Treliant Risk Advisors. Dino is a seasoned compliance executive with banking law, regulatory compliance (including, UDAAP), and Anti-Money Laundering (AML)/Bank Secrecy Act (BSA) experience in large and midsize financial institutions. He specializes in advising clients on corporate compliance and AML/BSA risk management programs, enforcement action remediation, and regulatory risk management.

Over the last 23 years, Dino has held senior leadership positions including Managing Director and Audit Executive for Global Regulatory Compliance and Financial Crimes at GE Capital; Risk and Regulatory Compliance Officer at the Massachusetts Housing Finance Agency; Manager in the Governance, Regulatory, and Risk Strategies Practice at Deloitte; Compliance Specialist at the Treasury Department’s Office of Thrift Supervision, where he served as Examiner-in-Charge and Senior Technical Expert on fair lending, AML/BSA, Gramm-Leach-Bliley Act (GLBA), and consumer protection compliance exams; Senior Vice President and Internal Audit Compliance Officer at First Trade Union Bank; and various positions at community-based financial institutions.

Dino has significant experience handling complex matters involving regulatory compliance, financial crimes, and enforcement actions. He has built and led teams and is proficient in creating, implementing, and monitoring effective regulatory strategies, policies, and plans. He has an informed perspective on the market environment, future trends, and emerging risks.

Dino holds a JD in Business and Corporate Law from the Massachusetts School of Law, LL.M.s in Banking Law and Taxation Law from the Boston University School of Law, and a BS in Business Administration from Northeastern University. He is also a Certified Regulatory Compliance Manager (CRCM) and a Certified Anti-Money Laundering Specialist (CAMS).

Kenneth Will - Senior Manager

Ken Will has over 11 years of experience working with financial institutions in roles primarily focused on financial crimes compliance. He has substantial experience in building, implementing, and auditing the control environments of both domestic and international financial crimes compliance programs, specializing in the areas of surveillance/transaction monitoring, optimizing and monitoring threshold settings, risk and control analysis, risk assessment methodology, sanctions, audit methodology, and suspicious activity investigation/reporting. He is well-versed in Anti-Money Laundering (AML) regulatory requirements, having worked extensively with regulatory and law enforcement agencies. Additionally, Ken is proficient in the assessment and remediation of internal and regulatory issues. Prior to joining Trelant, Ken served as Senior Vice President on the Global Financial Crimes Audit team at GE Capital. In his time with GE Capital, Ken assisted in building a Global Financial Crimes Audit program and provided assurance to business units in North America, Europe, and Australia. Prior to his time with GE Capital, Ken served as Assistant Vice President in the Surveillance and Investigations Unit and also the Financial Intelligence Unit at First Niagara Financial Group. His role with First Niagara involved establishing several key areas of the Financial Crimes Compliance program, in addition to managing the suspicious activity report (SAR) investigations committee. Ken earned a degree in Economics from the University of Buffalo. He is a Certified Anti-Money Laundering Specialist (CAMS) and a Certified Lean (Six Sigma) Professional (CLP).

Benjamin Mathew - Senior Manager

Ben Mathew has over 10 years of experience in internal audit roles for systemically important financial institutions (SIFIs) with a concentration in regulatory compliance and operational audits. His broad expertise includes bank regulations (i.e. Anti-Money Laundering (AML), Fair Credit Reporting Act (FCRA), Truth in Savings Act, Unfair Deceptive or Abusive Acts or Practices (UDAAP), Privacy, Equal Credit Opportunity Act (ECOA), Regulation E, Regulation W, etc.), third-party risk management, fraud management, customer service, NACHA compliance, Federal Reserve discount window program, broker deposits, enterprise risk management, end user data management, model governance, SOX compliance, and new product development. Ben has exposure to both commercial and consumer products that include mortgages, credit cards, including ancillary products, auto loans, and savings/CDs. Prior to joining Trelant, Ben served as a Senior Vice President with GE Capital Bank where he was responsible for developing and risk assessing components of the bank's audit space, overseeing the execution of the annual audit plan, and maintaining relationships with bank executives. Additionally, Ben assisted in the

development of GE Capital Bank's online retail deposit platform (savings/CDs) by providing real time feedback to bank executives on the effectiveness of risk identification and control development. Ben also served as an Assistant Vice President at HSBC where he was responsible for managing and executing medium to large size domestic and international audits. Ben holds a Bachelor of Science in Accountancy from Northern Illinois University.

Timothy J. Stokes - Senior Manager

Tim Stokes is a Senior Manager with Treliant Risk Advisors with 15 years of experience in the financial services industry. He specializes in building and optimizing comprehensive compliance management programs for financial institutions of varying sizes. His extensive regulatory knowledge extends to both bank lending and bank deposit regulations. Areas of expertise include risk assessment and mitigation; process review and improvement; fair lending; Unfair, Deceptive, or Abusive Acts or Practices (UDAAP), the Bank Secrecy Act and anti-money laundering (BSA/AML); and the Community Reinvestment Act (CRA).

At Treliant, Tim has been advising large banks on fair lending and UDAAP risks, including conducting comprehensive fair lending and UDAAP risk assessments, reviewing and enhancing existing policies and procedures, fostering and improving cross-channel relationships, and leading work stream initiatives to mitigate fair lending and UDAAP risk. Tim has also actively been assisting clients with finding innovative ways to accomplish unique customer service initiatives while remaining compliant with applicable laws and regulations.

Prior to joining Treliant, Tim worked with large banks, community banks, and credit unions. He has built comprehensive compliance programs from the ground up, performed compliance and risk assessments of existing programs, conducted transaction testing, and developed or enhanced policies and procedures. He also served as Chief Compliance Officer for a community bank with \$3.5 billion in assets where he oversaw the day-to-day operations of the compliance program, interfaced with regulators, and periodically reported the program's status to the Board of Directors.

Additionally, Tim served as a Senior Regulatory Liaison with the Financial Crimes Enforcement Network (FinCEN) where he worked with the prudential regulatory agencies to assist with identifying and resolving BSA/AML related issues occurring at financial institutions under their purview. Tim was also

instrumental in the BSA e-filing initiative and the rollout of the new FinCEN SAR and CTR reports, including presenting the two FinCEN webinars regarding their proper use and completion.

Tim holds a BS in Psychology from the University of Houston. He is also a Certified Regulatory Compliance Manager (CRCM).

Phillip S. Hubert - Senior Consultant

Phil Hubert is a Senior Consultant with Treliant Risk Advisors. He has 11 years of experience in institutional banking, with a concentration on financial crimes investigation and regulatory compliance, which includes AML/BSA and Economic Sanctions. Phil brings both analytical and quality control experience in investigations - from inception to law enforcement and government reporting. As an anti-money laundering (AML) professional he has engaged in the monitoring of hedge funds, emerging markets investment, trade-finance transactions, and correspondent banking, along with the requisite knowledge for adherence to U.S. law and regulatory requirements with such entities. He is well versed in threshold analysis, resource allocation, and operational/client-based risk assessments.

Prior to joining Treliant, Phil was an Assistant Vice President with the Enhanced Due Diligence (EDD) and Surveillance and Investigations Unit at First Niagara Financial Group. During his time at First Niagara, Phil contributed to the growth of the newly-established EDD unit and was subsequently tasked with staff development and management of the quality assurance for work done by that unit. Phil's previous experience includes several years at HSBC Bank NA, serving as an Associate Vice President (AVP) and Senior Compliance Analyst in the Private Banking, Correspondent Banking, and International Banking units.

Phil is a graduate of The State University of New York College at Buffalo, where he studied Management.

Jessica Nichele - Consultant

Jessica Nichele is a Consultant with Treliant Risk Advisors. Jessica's experience includes 10 years in the areas of bank compliance and retail operations, including AML/BSA and Economic Sanctions. She specializes in suspicious activity investigations and reporting, employee training and development, product risk analysis, and alert optimization analysis.

Prior to joining Treliant, Jessica served as an officer in both the Surveillance and Investigations Unit as well as the Financial Intelligence Unit in the role of Senior AML Compliance Analyst at First Niagara Bank. She began her career in banking at KeyBank performing various roles, including branch Operations Supervisor.

Jessica holds an MBA from Medaille College. She also obtained a BA in Art History from Buffalo State and an AS in Music from Niagara County Community College prior to completing her graduate degree.

Lauren E. T. Chriss – Consultant

Lauren Chriss is a Consultant with Treliant Risk Advisors. Her professional experience includes business process analysis, process improvement, strategy development, and budget management and analysis.

At Treliant, Lauren delivers regulatory compliance and strategic consulting services to national financial institutions, assisting in loan file reviews and Quality Control (QC) reviewer management. She has completed reviews of the Anti-Money Laundering/Bank Secrecy Act (AML/BSA) programs for international and national financial institutions, where she managed the reviews of Currency Transaction Reports (CTR) and Currency Transaction Reporting Exemptions policies and procedures as well as assisted in the review of Suspicious Activity Reporting (SAR) and Know Your Customer (KYC) procedures. She also provides reporting for multiple fair lending engagements.

Prior to joining Treliant, Lauren worked as a Project Coordinator for CBRE in Global Corporate Services, managing project budgets and weekly project reporting to clients, as well as maintaining vendor relationships.

Lauren graduated with a BS in Accounting from Santa Clara University and a MBA from American University. She is a Certified Anti-Money Laundering Specialist (CAMS).

Naila Eisa - Consultant

Naila Eisa is a Consultant with Treliant Risk Advisors. She has significant professional experience in risk and compliance consulting for top US banks, focusing on process improvement, control assessments, compliance, and internal audit.

Prior to joining Treliant, Naila was a Consultant at the Carlisle and Gallagher Consulting Group, where she helped build out a third-party vendor management program by developing and improving processes supporting governance, risk, and compliance. She was also a Senior Consultant with Protiviti's Risk and Compliance Practice, where she worked on Bank Secrecy Act/Anti-Money Laundering (BSA/AML) consent order validation, mortgage control environment assessment, Basel II internal audit, and commercial loan reviews. She began her career at BB&T Capital Markets as a Risk Management Analyst covering securities trading and market risk.

Naila graduated from the University of Georgia Terry School of Business with a BBA in Banking and Finance. She also completed BB&T's Leadership Development Program in commercial lending.

Courtney A. Larson - Consultant

Courtney Larson is a Consultant with Treliant Risk Advisors. Courtney has a strong background in data management, data analytics, and business intelligence reporting. She has worked with banks and other large institutional investors to assess their performance, operations, and competitive positions using peer benchmark data, reporting on topics such as investment portfolio performance and asset allocation, investment oversight costs, and endowment spending policies. Additionally, she has experience in survey design and administration and project management.

At Treliant, as part of the firm's mortgage litigation consulting practice, Courtney has processed large volumes of documents, managed file reviewer assignments, and reported results for use in expert witness reports. She has supported the review and analysis of thousands of mortgage loans as part of Treliant's expert review services.

As part of Treliant's regulatory compliance advisory services, Courtney has supported governance and compliance program assessments for a large global investment bank, reviewing bank policies, procedures, and systems against regulatory requirements. Courtney has also performed data analytics on fair lending file reviews, which involved discerning credit pricing differences at origination among different groups of similarly-situated customers.

Prior to joining Treliant, Courtney was an Analyst at Cambridge Associates LLC, where she managed the

data integration and reporting for quarterly peer research publications and client conference events. She also constructed client surveys on investment strategy and risk assessment in partnership with investment directors. Prior to Cambridge Associates LLC, Courtney was a Client Service Associate at IXI Corporation, where she served as the primary dedicated analyst to a large brokerage client, reporting on market share and customer segmentation. Additionally, she completed an internship in the Federal Reserve Board's Division of Banking Supervision and Regulation, researching non-traditional mortgage products and large banks' residential real estate exposure.

Courtney holds a BA in Economics and Legal Studies from Northwestern University.

Ryan P. May – Senior Analyst

Ryan May, a Senior Analyst with Treliant Risk Advisors, advises clients in the financial services, real estate, and pharmaceutical industries on data risk mitigation strategies and solutions. He also provides compliance analysis and project management for key client engagements involving residential mortgage re-underwriting and remediation.

At Treliant, Ryan has worked with U.S. and international clients to design and implement data privacy, security, and risk management programs. He has experience developing policies and procedures, mapping organizational transfers of data, conducting assessments, and advising on issues related to third-party risk. He also served as a subject matter expert and project lead for a sizeable team that conducted lookback reviews for a leading commercial U.S. bank in order to address loan files containing Equal Credit Opportunity Act (ECOA) and Fair Credit Reporting Act (FCRA) deficiencies. He implemented a comprehensive remediation process by training a team of compliance reviewers, providing project oversight, and developing reporting mechanisms.

Prior to joining Treliant, Ryan provided eDiscovery and litigation support for several law firms in the Washington, DC, area. He advised on matters of attorney-client privilege and was responsible for assisting in fact development and facilitating document production.

Ryan holds a JD from Mississippi College School of Law and a BA from Michigan State University. He is an active member of the District of Columbia Bar.

Luke Sheehan - Analyst

Luke Sheehan is an Analyst with Treliant Risk Advisors. His professional experience includes project management, extensive research and analysis of business and investment operations, equity trade support, and investment portfolio oversight.

Prior to joining Treliant, Luke worked as a Portfolio Services Associate at T. Rowe Price, where he provided cash management services for 63 portfolios. Luke performed research on the investment strategy of each portfolio, specifically in its use of short-term investment vehicles, resulting in a strategy shift in many portfolios. In addition to his cash management responsibilities, Luke served as a subject matter expert for class action lawsuit activities, in-kind security transfers, and model account performance tracking.

Luke holds a BS in Finance from The University of Scranton.

*Data Analytics***Etienne Lobe – Director**

Etienne Lobe is a Director, Global Financial Crimes & Compliance Risk Analytics Specialist with Treliant Risk Advisors. He is a seasoned financial services professional with extensive experience in data analytics, risk management and regulatory compliance, including the technology required to manage, assess and mitigate risk.

Etienne advises clients on data analytics, risk management, AML/BSA, Sanctions/OFAC and fraud systems implementation and operation, model validation, risk identification, dependency tracking, and issues identification and escalation.

Etienne has a strong technology development background and he is a creative, hands-on executive of analytics with a proven track record of designing and implementing strategic business solutions as well as managing large initiatives. Etienne is an expert in statistics and econometrics, data mining, extracting, analyzing and presenting data from diverse business areas in novel and insightful ways to persuade C-level executives to make informed decisions for their organization as well as comply with Capital Planning and global Financial Crimes regulations.

Prior to joining Treliant, Etienne served at Accenture, Oracle Financial Services, SAS Institute and IBM Global Business Services. As a senior managing consultant, he has served clients including some of the largest Banks in US and Europe.

He recently led the BASEL III, Financial Regulatory Reporting and CCAR programs for State Street bank, BNP Paribas and American Express Bank. He also played a key role in models validation and scenarios management for multiple AML & Fraud Detection initiatives for Oracle Financial Services clients including CIBC Bank and PNC Bank.

Etienne holds an MBA from ESSEC Business School & Duke University's Fuqua School, a Doctorate Degree in Management Information Systems, and a Master Degree in Statistics, Econometrics from Paris-Dauphine University.

Prasad Chintamaneni – Senior Advisor

Prasad has over 25 years of leadership experience in financial services and regulatory organizations. His areas of expertise spans financial systems, modeling, risk, compliance, controls, data quality, data governance, data analytics, and process engineering. Dr. Chintamaneni possesses a thorough knowledge of mortgage financial services, banking and insurance, and regulation of equity and options markets.

Over the course of his career, Dr. Chintamaneni has held senior consulting positions at Fannie Mae, Wells Fargo, FINRA, IFC and Ambac. His consulting engagements have covered CCAR, AML/BSA, OFAC, Model Validation, Credit Risk, Market Risk, Operational Risk, SOX Compliance, Market Regulation, Data Quality and Governance, and Financial System Implementations. In addition, Dr. Chintamaneni has developed and delivered training courses on corporate finance, mortgage backed securities and business fundamentals of mortgage markets.

Dr. Chintamaneni has a MBA in Finance from Wharton and a Ph.D. in Computer Science from Vanderbilt University.

Curt Buerling - Manager

Curt Buerling is a Manager with Treliant Risk Advisors. He is an experienced professional with over 25 years specializing in information security, compliance, operational risk, and enterprise infrastructure and operations for clients in the financial services, manufacturing, healthcare, e-commerce, publishing, non-profit, and distribution industries.

Prior to joining Treliant, Curt founded Free Range Consulting, LLC, an information technology consulting company that served a variety of industries including financial, manufacturing, managed service providers, and professional services firms. He was also a co-founder and partner in McMurray Technology Group, LLC, an information technology consulting firm that served industries including financial, health care, and software development firms.

Prior to co-founding McMurray Technology Group, Curt spent 13 years with Rolta TUSC (acquired WhittmanHart Consulting in 2008) in the Infrastructure Technology and Managed Hosting practices. Curt led the delivery of numerous engagements including architecture designs, implementations and assessments, security assessments related to mergers & acquisitions, outsourcing, and operational practices for a variety of clients. Prior to the acquisition of WhittmanHart, Curt led the security and network operations group within the Managed Hosting practice. Curt was also a Senior Engineer with The FutureNow, a regional professional services firm.

Margaret I. Small – Manager

Margaret Small is an E-Discovery Manager with Treliant Risk Advisors. She has an extensive background in general banking, local government, and information technology fields. Her experience includes 22 years in various information technology roles and 11 years in litigation support and e-discovery as a specialist and supervisor. Her practice areas include IT project management, complex e-discovery project management, information governance, and litigation support.

Prior to joining Treliant, Margaret worked as a consultant Systems Analyst Supervisor for the Securities and Exchange Commission (SEC) where she oversaw data management for SEC mission critical e-discovery efforts and helped to shepherd innovative technologies into their processing and review environment. In addition, Margaret functioned as Data Management Team Supervisor for the law firm Jenner & Block, where she oversaw complex data analysis, processing and information governance sub-projects, as well as QC development and execution. Additionally, as a Project Manager for an e-

discovery and risk management vendor, Kroll Ontrack, Margaret combined her deep knowledge of litigation support and electronic discovery to successfully deliver best practices for the e-discovery efforts of multiple law firm clients.

Margaret holds a BA in Public Administration from Florida International University, a BS in Information Technology Project Management from the University of Maryland University College, and an MS in Information Technology Project Management from the University of Maryland University College. Margaret has held certifications in review platforms Concordance, Ontrack Inview, Case Logistix, LexisNexis FYI. She is currently a certified Project Management Professional (PMP) and a certified iCONNECT Administrator.

Executive Review and Advisory

Mark W. Olson, Chairman

Mr. Olson's career in financial services has spanned over 40 years and has included top-level executive positions in the public and private sectors. Mr. Olson joined Trelant after three years as Chairman of the Public Company Accounting Oversight Board, five years as a member of the Federal Reserve Board of Governors and the Federal Open Market Committee, and after serving as staff director of the Securities Subcommittee of the U.S. Senate Committee on Banking, Housing and Urban Affairs. Mr. Olson is also a past President of the American Bankers Association. He spent more than a decade as a partner with Ernst & Young LLP, where he became national director of the financial services Regulatory Consulting Practice. In 1976 Mr. Olson was named President and CEO of Security State Bank, a Minnesota community institution founded by his father. He served as President and CEO of Security State Bank until joining Ernst & Young in 1988. Mr. Olson holds a B.A. in economics from Saint Olaf College in Minnesota and was named a Distinguished Alumnus in 2003.

Waldo Abbot, Senior Advisor and Project Advisor

Waldo Abbot is an international executive with over 35 years of global experience in finance and banking. During his career, he has been the senior U.S. executive for two Fortune 500 foreign banks. Mr. Abbot was the Chief Executive Officer of BNP Paribas Fortis in New York. In May 2009, BNP Paribas acquired a majority interest in Fortis Bank SA/NV and in his role as CEO of Fortis Americas, Mr. Abbot oversaw the integration of Fortis activities into BNP Paribas. Before that, he served as General Manager

of Royal Bank of Canada's New York office and Managing Director and Head of RBC's Communication & Technology group. Mr. Abbot spent 24 years with JP Morgan Chase and its affiliates in management assignments in Europe, Asia, and the Americas in capital markets, private banking, asset management, and commercial banking. Mr. Abbot was the Chair of the Institute of International Bankers from 2007 to 2010 and served on the Executive Committee for 12 years. He is a former Board member of the Foreign Policy Association, Cadogan Management LLC, and Prime Fund Solutions LLC. He received his B.A. from the University of Richmond and his M.B.A. from the Wharton School of the University of Pennsylvania.

Susanna Tisa, Chief Business Officer

Ms. Tisa plays a key leadership role in all aspects of the company's business and strategic operations. Throughout her career, Ms. Tisa has held executive leadership positions at major banks and financial institutions, industry consulting firms, and international development corporations. Prior to joining Treliant as its founding Managing Director, Ms. Tisa served as Senior Vice President of Finance at Freddie Mac, Vice President – Treasurer and Global Planning at Capital One Financial, and Vice President – Corporate Finance at First Interstate Bancorp. She began her career as a community banker in California, and later joined Kaplan Smith & Associates as a consultant to the savings and loan industry. She also served as Chief Financial Officer of the Development Gateway Foundation and Capital Strategy Advisor to global microfinance network FINCA International. Ms. Tisa holds an M.B.A. in Finance from the University of Toronto and a B. Commerce from McGill University. She is also a Chartered Financial Analyst.

Organization of the team including areas of responsibility for each member

- Lead ICA – Overall responsibility for deliverables to the FTC under the Treliant engagement pursuant to the Order.
- Ross Marrazzo – Reporting to the Lead ICA, overall management of the team and Treliant deliverables assurance. Liaisons with Herbalife executive management and the FTC.
- Jim Causey and Dino Papagiannis - Day to day management of the team and Treliant deliverables assurance.
- Ben McComas – Preparation for and participating in court proceedings, and related advisory to Treliant team.

- Ben Mathew and Ken Will – Audit and Continuous Monitoring management, including scoping, planning, execution and reporting.
- Etienne Lobe, Prasad Chintamaneni, Curl Buerling and Margaret Small – Data extraction and analytics; workflow tools. Support Ben Mathew & Ken Will.
- Tim Stokes, Phil Hubert, Jessica Nichele, Lauren Chriss, Naila Eisa, Courtney Larson and Ryan May – Audit Execution and Continuous Monitoring.
- Luke Sheehan – Project management.

Description for each team member of any existing or expected significant time commitments that would limit the individual’s availability for work on the ICA team

- It is not anticipated that any team member will have any significant time commitments that would limit their availability to work on the ICA team.

C. Qualifications

Treliant has been selected to perform independent reviews pursuant to consent orders by multiple federal banking agencies, including the Federal Trade Commission, Federal Reserve Board and its Banks (“FRB”), the Office of the Comptroller of the Currency (“OCC”) and the Federal Deposit Insurance Corporation (“FDIC”), along with New York State Department of Financial Services (“NYSDFS”).

This experience is additive to Treliant’s work currently underway as an Independent Consultant (“IC”) with respect to a large international bank’s foreign exchange activities under a Memorandum of Understanding (“MOU”), as well as Treliant’s role as Independent Monitor with respect to an IBOR Consent Order issued to the same bank. Treliant is also currently engaged as an independent third party on behalf of the FRB and NYSDFS to conduct a review of the U.S. branch of a foreign bank’s Anti-Money Laundering Program and effectiveness of its suspicious activity monitoring activities.

Treliant has expertise in independent assessments and audits across a broad spectrum of risk areas, including UDAP/UDAAP, and in providing remediation oversight and execution of formal consent orders and other enforcement actions. Members of the Treliant team who will serve on this ICA team

under the Order have extensive experience in compliance and operational risk issue remediation and corrective actions arising from enforcement matters for major global institutions related to BSA/AML programs, global economic sanctions/OFAC programs, safety and soundness issues, and treating customers fairly issues (e.g., UDAP; UDAAP) as compliance officers, compliance auditors and compliance consultants.

Treliant's team member qualifications are described in section B, above. The team individually and collectively represents an experienced group of professionals, each bringing with them specific subject matter expertise. While every team member has experience in every area, specific deep domain subject matter expertise of each member is listed immediately, below.

1. Monitoring, auditing, evaluating, or otherwise reviewing performance of organizations, including experience in monitoring settlements, consent decrees, or court orders.
 - All team members
2. Statistical and data analysis
 - Statistical and data analysis:
 - Etienne Lobe
 - Prasad Chintamaneni
 - Curt Buerling (data analysis)
 - Margaret Small (data analysis)
 - Data analysis:
 - All members
3. Information technology
 - Etienne Lobe
 - Prasad Chintamaneni
 - Curt Buerling
 - Margaret Small
4. Data Management

- Etienne Lobe
 - Prasad Chintamaneni
 - Curt Buerling
 - Margaret Small
5. Completing projects within anticipated deadlines and budget
 - All team members
 6. Preparing for and participating in court proceedings
 - Lead ICA
 - Benjamin McComas
 7. Report writing
 - All team members

D. Prior Experience and References

Treliant has current and recent extensive experience serving as a supervisor monitor and independent consultant on enforcement actions, wherein it has assessed, reviewed, audited and consulted on a number of different risk areas, including UDAP/UDAAP. While Treliant’s engagements are highly confidential and may not be disclosed, the following are representative of some of the types of engagements that Treliant currently or recently has led and may disclose in a generic manner:

<p><i>New York Branch of Foreign Bank – FRB-NY</i></p> <ul style="list-style-type: none"> • <i>AML/BSA</i> • <i>OFAC</i> <p><i>Monitorship for AML/BSA & OFAC programs review, including U.S. dollar clearing</i></p>	<p><i>New York Branch of Foreign Bank – FRB-NY; NYDFS</i></p> <ul style="list-style-type: none"> • <i>AML/BSA</i> • <i>OFAC</i> <p><i>Independent consultancy for AML/BSA & OFAC compliance programs review, including U.S. dollar clearing</i></p>
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<p>Regional U.S. Bank – FRB-DC; OCC; FDIC</p> <ul style="list-style-type: none"> • AML/BSA • OFAC <p>Multi-year engagement with approval by regulators to co-source audit department as AML/BSA & OFAC subject matter experts</p>	<p>New York Branch of Foreign Bank - NYDFS</p> <ul style="list-style-type: none"> • FX <p>Independent consultancy intended to create a framework for the bank to take appropriate steps to ensure the soundness of the bank's FX operations and trading processes</p>
<p>New York Branch of Foreign Bank - NYDFS</p> <ul style="list-style-type: none"> • IBOR <p>Monitorship for investigation into IBOR practices</p>	<p>U.S. Branch of Foreign Bank – OTS; OCC</p> <ul style="list-style-type: none"> • Mortgage foreclosure review <p>Independent consultancy for mortgage foreclosure review</p>
<p>Non-Bank (Residential Mortgage Servicer) – FRB-Atlanta; FRB-DC; OTS; OCC; FDIC</p> <ul style="list-style-type: none"> • Default Managing Services Review <p>Independent consultancy for servicing investigation</p>	<p>New York Branch of Foreign Bank – FRB-NY; NYDFS</p> <ul style="list-style-type: none"> • AML/BSA <p>Independent AML/BSA program review & Lookback</p>
<p>Large U.S. Bank – FTC</p> <ul style="list-style-type: none"> • Benchmarking <p>Foreclosure fee benchmarking for one of the largest U.S. banks</p>	

Due to the confidential nature of these engagements, Treliaant is unable to share example reports.

Treliaant's reports are generally written text with section titling and content tables to facilitate reference.

Treliaant supplements its written text with data analytic charts, diagrams and graphics where helpful and appropriate.

E. Proposed Activities

- Methods of obtaining information

Prior to the beginning of each audit and as part of audit planning, Treliant will prepare a deliverables request list specific to the areas required to be reviewed under the Order, which will enumerate the documentation and information to be delivered by Herbalife to Treliant prior to commencement of formal planning.

- Methods of analyzing information

Treliant will first ensure the completeness and accuracy of any data required for analysis/testing by either independently extracting the data or by performing an ‘over-the-shoulder’ extract from the systems. Additionally, Treliant will evaluate the controls within the systems to further assess the integrity of the data and reporting. Finally, Treliant will utilize data analytics and/or perform sample testing to evaluate the company’s compliance with the various requirements of the Order. This may consist of trend analysis, reconciliations and independent calculations through Treliant tools. All analysis and testing will be in accordance with Treliant’s audit methodology.

- Methods of reporting information

Treliant exercises full transparency and will conduct bi-weekly status meetings with Herbalife management and meetings with the FTC throughout each audit at a frequency agreed to between Treliant and the FTC. A monthly budget update will also be provided. During these meetings, Treliant will communicate progress metrics and audit observations. At the end of each audit, a formal report will be issued outlining scope of work, conclusions and specific findings. During continuous monitoring periods, Treliant will provide monthly reporting to FTC and Herbalife on the activities performed and any issues noted (e.g., non-compliance with the Order).

- Frequency of proposed activities

Consistent with Treliant’s audit and continuous monitoring approach, Treliant expects each annual audit to be conducted over a period of 4-5 months. Continuous Monitoring will be conducted off-cycle (when audits are not being conducted).

- Personnel responsible for the various activities described in the Scope of Work and the number of hours anticipated to be devoted to specific aspects of the project by month or quarter, including the number of hours that would be spent at Herbalife's headquarters in Los Angeles.

During discovery we create the budget. See Exhibit A for detailed information on Treliant's draft budget estimate.

- Coordination with Herbalife

Treliant will coordinate with Herbalife to arrange visits for all aspects of its work. A complete schedule of activity will be developed and discussed with Herbalife ahead of time to ensure the appropriate parties and documentation will be available when Treliant is on-site, so it may operate in the most effective and efficient manner.

- Reporting to Parties

See "Method of Reporting" above.

F. Potential Conflicts of Interest of Bias

Each team member will execute a conflict of interest form through which Treliant has will confirm there are no identified potential or perceived conflicts of interest involving said team members, associated firms or organizations, and any employee(s) assigned to the project, or proposed subcontractors(s), including current or former employment, and contracts or grants with the FTC or Herbalife. This includes any close, familial, or business relationship with any mentioned entities, or their agents or employees. In the event anyone is added to the team at any time, a conflict check will be conducted prior to commencing work on the project and consistent with this section, the results reported to the FTC. Should any member be found to have a conflict of interest, they will not participate on the Treliant team and will be replaced by a similarly qualified Treliant staff member.

Treliant agrees that if it is picked as ICA, it shall not be retained by the FTC or Herbalife for a period of two years after the conclusion of the engagement. Should Treliant retain any individual to perform duties

on behalf of Treliant, it shall require such individual to agree not to be retained by the FTC or Herbalife for a period of two years after the conclusion of the engagement.

No previous Herbalife board members, employees, or distributors and previous FTC Commissioners and Bureau Directors shall be eligible to be a member of the Treliant team.

G. Estimated Costs







EXHIBIT A
TRELIANT RISK ADVISORS
DRAFT BUDGET





