Fraud Discovery INSTITUTE

**Herbalife Red Flags for Fraud Issued, Says Fraud Discovery Institute's Barry Minkow**

*Top 10 Red Flags for Fraud at Herbalife LTD (NYSE: HLF), from Fraud Discovery Institute*

For Immediate Release

SAN DIEGO/EWORLDWIRE/April 10, 2008 --- The Fraud Discovery Institute has just released a list of the Top Ten Red Flags of Fraud at Herbalife, LTD (NYSE: HLF) ('http://www.frauddiscovery.net') based upon experts' analysis of the company. According to Barry Minkow, "One day in the very near future Wall Street and all of its analysts will marvel that a company possessing so many red flags of fraud could be embraced so widely with the overwhelming credulity that it has."

Mr. Minkow is referring to the following Top 10 red flags that are a part of a larger report being submitted to law enforcement, the media and the general public in hopes of shining light on what appears to be a financial crime in progress. "These red flags, especially those citing saturation, are an apparent motive for the unparalleled insider dumping of the past two quarters by Herbalife (NYSE: HLF) insiders," Minkow says. "Moreover, FDI will begin utilizing its ever-growing YouTube subscriber base to profile Herbalife victims through multiple interviews of failed supervisors and distributors."

The Top 10 Red Flags are:

1. Nearly 70% of Stock Holdings Dumped:
Approximately seventy percent of senior managements stock holdings were dumped in 2008. While this promotional senior management team touted record earnings, sales and growth potential, it simultaneously dumped approximately 70 percent of their entire holdings. In 2008 alone, senior management dumped and subsequently received over $40 million and in 2007 over $130 million, for a stunning $170 million total. This is one of the most aggressive insider dumpings in recent history, when one simply compares the shares-sold to the percentage of total ownership. To solve the "no more to dump"
problem, CEO Michael Johnson received additional stock options this week.

2. Devastating 90% Miss on New Supervisor Growth:
Although not evident until one digs below the surface, when one removes China's new supervisors from the equation - based on the fact that it is an entirely different business model, the company had a devastating 90 percent miss on the growth rate for new supervisors in 2007. To compare, new supervisors were up 20.1 percent in 2005 and 22.6 percent in 2006. A 21 percent increase in new supervisors during 2007 would have given the company over 40,000 new supervisors. Instead, the company only added just over 4,000 new supervisors, or only 10 percent of the growth expected based upon the average rate for the last two years. This is a dramatic drop in new supervisors and is further evidence of saturation. This is especially significant when one considers that Herbalife is ten times the apparent fraud that Usana is in that they recruit at least one million new distributors a year just to draw even. Thus, missing this supervisor growth rate for a company totally contingent upon a million new people a year is serious.

3. 80% Saturation:
Approximately 80 percent of the world is already saturated by Herbalife despite the claim of unlimited growth potential. The company is dependent upon continuous expansion into new territory not just for growth but survival. Yet, already, Herbalife's expansion has reached more than 80 percent of the world's population as the entire continent of Africa, for the most part, is not in the market for weight loss products.

4. 60% Supervisor Turnover:
Approximately 60 percent of Herbalife "supervisors" turn over each year, which accounts for more than half of the company's total revenue. The company admits in its most recent 10-K that growth is only achieved through recruitment of new distributors, which is done by this pool of supervisors. There is no growth to be had in sales of products to existing distributors. The company is therefore dependent on an endless chain of recruiting in this already saturated market. There is no truth to the assertion that the company has unlimited growth

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potential, as markets are quickly exhausted due to the 80 percent figure cited above.

5. $365 Million Debt:
Herbalife had $365 million in debt - with over $200 million of that on a $250 million line of credit - on the balance sheet at the end of 2007. Were the proceeds of the line of credit used for research and development to improve products? How about for refunds to failed associates and supervisors? The money was used to repurchase almost $366 million of outstanding shares of Herbalife shares in 2007, with $145 million drawn on the line of credit for this purpose in the fourth quarter of 2007. At the same time, insiders dumped at a record pace.

6. Declines in Major Markets:
After more than 20 years in the United States, Herbalife has more sales in Mexico than in its native and headquartered nation - and now the Mexican market is waning. Germany, the largest country in Europe, is dropping steeply. Brazil, the largest market in South America, is in decline.

7. China isn't Viable Long-term:
Herbalife admits in its most recent 10-K: "In August 2005, China published regulations governing direct selling (effective December 1, 2005) and prohibiting pyramid promotional schemes (effective November 1, 2005). These regulations require us to use a business model different from that which we offer in other markets." The word, "China," is repeated more than 100 times in the 2007 Herbalife 10-K and yet by the company's own admission, it cannot conduct multi-level marketing in that country. "Expanding in China represents a significant growth opportunity for us as we believe that China could become one of the largest direct-selling markets in the world over the next several years." The company says that sales in Hong Kong and Taiwan were down as distributors focused more on China. "But the unanswerable question is, 'Why?' Since Taiwan and Hong Kong allow multi-level marketing and China prohibits it, why would distributors focus on the restricted country?" According to Minkow, "It is the hope of cheating in China."

8. Cannibalization of Markets:
The multi-level marketing business model has essentially no repeat customers. Over 80 percent of Herbalife's distributors quit within one year, never to return. With this devastating statistic, the company is forced to find hew territories if it is to replace those distributors and continue to increase the total number of distributors.

9. Unrest in China:
Troubles in China for another multi-level marketing company, Nu Skin Enterprises, are indicators of trouble ahead for Herbalife and similar multi-level marketing companies. Nu Skin was the target of several investigations "... that have resulted in several cases in fines being paid by us, which in the aggregate have been less than 1 percent of our revenue in China." While the figure of less than 1 percent of the China revenue - which was $205 million in 2007 - appears immaterial, it is troubling because it is an indicator of difficulties that other multi-level marketing companies will face while doing business in China.

10. Like Usana, not like Usana:
It appears that Herbalife and the analysts covering multi-level marketing companies make comparisons to competitor Usana Health Sciences in the most convenient of ways. When the SEC's informal investigation into Usana was closed, one analyst remarked that this boded well for Herbalife with its own SEC inquiry ("The companies are alike."). Yet on March 28 when Usana released negative news about lower earnings due to lower recruitment numbers, another analyst reported that Usana's problems were "company specific" ("Usana and Herbalife are not alike."). Only in the world of multi-level marketing can two opposing positions exist simultaneously.

The Fraud Discovery Institute will profile Herbalife victims on YouTube to provide a level playing field for new recruits. Educating the public about the doomed-by-design, multi-level marketing model was effective in the case of Usana. FDI will launch a series of new profiles that will help consumers searching for, "Herbalife," on the Internet. They will now hear the other side of the nightmare that is the Herbalife business opportunity for all but the top 1 percent of distributors.

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