



Former Herbalife Director of Venezuela and Columbia comes forward with Fraud Claims, Reports Fraud Discovery Institute

Herbalife (NYSE: HLF) whistleblower says illegal acts likely responsible for region's dramatic supervisor growth

For Immediate Release

SAN DIEGO/EWORLDWIRE/May 9, 2008 --- Herbalife (NYSE:HLF) executives identified Venezuela as a Top 10 market for the company in their May 2, 2008, conference call, and indeed, triple digit new supervisor growth was reported there in the first quarter. However, according to former Herbalife Director of Venezuela and Columbia, Ricardo Hollander, all is not as it seems in Venezuela.

According to an unsolicited written statement from Mr. Hollander to the Fraud Discovery Institute, he became suspicious of what appeared to be a common practice of supervisors living in Venezuela but changing their addresses of record to Columbia or Panama to avoid the currency controls imposed by the Venezuelan government. The supervisors changed their addresses on file with Herbalife in Los Angeles while still living in Venezuela in order to be paid in currencies more freely traded than the Venezuelan Bolivar.

This practice is a violation of both Venezuelan law and the Herbalife ethics policy, and Mr. Hollander states that after several months of observation he finally brought these acts to the attention of his superiors at Herbalife. To Hollander's utter surprise, he was immediately and without cause fired. Mr. Hollander immediately wrote a letter to the Herbalife human resource department explaining his attempts to adhere to the code of ethics, and he was shrugged off with a response that the company would not put anything in writing regarding his employment.

Fraud Discovery Institute's Co-founder Barry Minkow said, "The motive and potential for fraud are clear: As Herbalife struggles to recruit new distributors in established markets such as the United States and Europe, countries like Venezuela are targeted for growth to make up the difference. In the most recent quarter, U.S. recruitment of new supervisors showed no growth compared to 2007, while just a year earlier there was 18 percent growth in the U.S. Herbalife's new supervisor figures for Europe showed a drop of almost 15 percent in the most recent quarter when compared to 2007, and a year earlier they were down 16 percent.

"At the same time, South America grew new supervisor numbers 40 percent, including the triple-digit increase in Venezuela alone. This is an easy sale for Herbalife supervisors in Venezuela to their fellow residents," said Minkow. "Start up a business where you can get your hands on desirable U.S. dollars via the Herbalife residency money laundering scam - funneling profits outside the scope of the Venezuelan government by making it appear like you live in Columbia or Panama while never leaving the country of Venezuela."

According to Minkow, there is no guess work in why Herbalife continues to target these areas as the ease of cheating is apparent, and the goal of increasing new supervisors is met at the cost of violating any rule or law. Mr. Hollander also states the problem has only increased since he has left and even provides an audit trail for the outside auditors to corroborate his money laundering claims.

As evidenced by Herbalife's press release when Mr. Hollander was hired also on the FDI web site ('<http://www.frauddiscovery.net>'), when a highly qualified employee is fired rather than the illegal behavior corrected, the company appears to be aiding and abetting these illegal activities. Said Minkow, "Instead of stopping the rogue supervisors, Herbalife trumpets the financial results achieved through the cheating of these supervisors because new supervisor growth is the key metric for Wall Street analysts when valuating the company stock price which Herbalife insiders cannot sell fast enough while simultaneously repurchasing shares through leveraged, borrowed money on the company balance sheet."

Mr. Hollander also had much to say about the often touted Herbalife Nutrition Clubs which he states regularly skirt local regulations regarding restaurant inspections and permits even though they serve Herbalife shakes. According to Mr. Hollander, by portraying these establishments as social clubs that just happen to give free

shakes to people who have paid for memberships, they have successfully so far avoided government regulation of businesses serving food.

"Every time we turn around, Herbalife finds a new way to cheat and get around the laws and regulations intended to protect consumers," added Minkow. "The company cheats in China to skirt the strict multi-level laws there, cheats in Venezuela to facilitate triple-digit growth rates for new supervisors in a sophisticated residency foreign currency scam, and had a president who cheated on his resume. The only two remaining questions are: Which country will be the next, and, When do the auditors and Wall Street start to consider the cumulative effect of these lies?"

"If Herbalife will not take a stand and enforce its own code of ethics which prohibits illegal behavior, we must ask that Venezuelan law enforcement officials act to stop the fraud," concluded Minkow. "To that end, the Fraud Discovery Institute has asked the government of Venezuela to immediately shut down Herbalife operations in that country."

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KEYWORDS: Fraud, Minkow, fraud, investigative, investigation, Venezuela, crime, Herbalife, international business

SOURCE: Fraud Discovery Institute