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Affiliated Monitors, Inc. submits this Application for consideration to serve as the Independent

We have reviewed the Order and understand that  
we will assess certain reforms, controls and auditing  
of its participants and ewuvq ogtu" Vjg"KECø over

Affiliated Monitors, Inc.



specialists (e.g., a retail sales analyst or a programming expert), we will propose appropriate individuals to assist the Affiliated Monitors team. We are willing to make the addition of our team members subject to the approval of both the FTC and Herbalife.

The next several months of the independent compliance engagement would be dedicated to requesting, collecting, digesting, sorting and analyzing information from and about Herbalife. Our Los Angeles staff will work closely with Herbalife counterparts to make the sharing of information effective without being unduly burdensome. The result would be a baseline and overall plan for meeting the terms of the Order. We expect this phase will reveal strengths and weaknesses in current and planned data-collection and reporting systems, and point to whether and how or planned business processes to track the compliance with the Order.

In the period before the first semi-annual report is submitted, Affiliated Monitors will work with the FTC and Herbalife to determine what the measure of each requirement will be. The measures may evolve over time, as all parties become more knowledgeable and their respective data-collection and data-analysis systems become more sophisticated.

All reports to the FTC will indicate whether and how Herbalife is complying with each requirement set forth in the Order. We will assess t

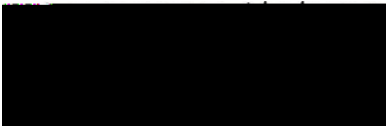


**Donald K. Stern** is the Managing Director of Corporate Monitoring & Consulting Services for Affiliated Monitors. Mr. Stern is the former U.S. Attorney for the District of Massachusetts (1993-4223+, "hqt o gt"ejckt"qh"vjg"W0U0"Cvvtpg{" I gpgtcnøu"Cfxkuqt{"Eq o o kvvgg"\*3 ; ;8-1998), and former cfxkuqt"vq"Rtgukfgpv"Dctcem"Qdc o cøu"Lwuvkeg"Frctv o gpv"Vtcpukvkqp"Vgc o 0"" J g"ewttgpvn{"eq-chairs the American Bar Association/ DOJ White Collar Liaison Committee, and is previous President of the National Association of Former U.S. Attorneys. He served as liaison to the American Bar Association Task Force on Corporate Monitors. In state government, Mr. Stern served as the chief



Vehicles during the implementation and roll-out of its computerized facial recognition processes. She was Executive Director of six licensing boards for the Massachusetts Division of Professional Licensure and is well-versed in administrative law. During her eight years with Affiliated Monitors, Ms. Keyes has written hundreds of deadline-driven reports involving data analysis and interpretation. For example, her recent monitoring of two hospital conversions from non-profit to for-profit status in Rhode Island has required line-item tracking of more than \$7.5M of dollars in healthcare system expenditures, and in-depth reporting to the RI Office of the Attorney General. In another matter, the former Financial Aid Director of Merrimack College pleaded guilty to mail and wire fraud. The college agreed to make restitution to approximately 1,100 affected individuals, and retained Affiliated Monitors to oversee the payments. Ms. Keyes managed the operational and communication aspects of that independent engagement, and Affiliated Monitors completed the distribution of funds within a 10-month window.

*Steve Nemmers, PhD*, is Director 3 ! n 6



Department of Public Health, Dr. Keithly coordinated collection of surveillance data related to tobacco use, forming the basis for the calculation of tobacco tax revenue and the healthcare cost savings associated with tobacco cessation policies. Dr. Keithly also revised the sampling methodology for the W.S. Department of Health and Human Services on illegal tobacco program, Dr. Keithly was responsible for designing meaningful measures of program effectiveness, maximizing program expenditures, 6

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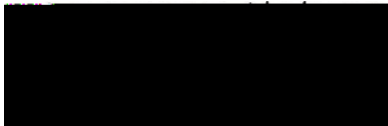
Since its inception in 2004, Affiliated Monitors has served as the independent monitor on hundreds of federal, state and municipal matters. Below is a representative list of engagements.

- [Redacted], Agreement with US Navy for ethics assessment and compliance monitoring.
- Agreement with US Air Force for Ethics Program assessment and monitoring.
- Order by the Federal Communications Commission for monitoring of merger conditions.
- [Redacted], Agreement with US Air Force for ethics assessment and compliance monitoring relative to procurement violations.
- [Redacted], Agreements with the OIG for US Dept. of Health and Human Services; US Attorney; US Dept. of Justice; and Commonwealth of Massachusetts for assessment and monitoring of compliance with terms of settlement agreements.
- [Redacted], Agreement with US Navy for Ethics Program assessment and monitoring.
- [Redacted], Proactive engagement for evaluation and monitoring of company ethics and Contractor Responsibility Program.
- [Redacted] ó Name withheld by agreement ó for assessment of Ethics Program and Special Independent Integrity Officer Services.
- [Redacted], Agreements with the OIG for US Dept. of Health and Human Services for compliance monitoring.
- [Redacted], Agreement with US Navy f [Redacted] !  
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- , Agreement with US Immigration and Customs Enforcement and US Attorney for Anti Money Laundering Oversight.
- , Agreements with the Massachusetts Attorney General and the MA EOHHS for compliance monitoring.
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202-663-8088

Affiliated Monitors, Inc. has extensive experience in gathering and analyzing large quantities of data in order to determine whether companies are in compliance with requirements set forth in non-prosecution or deferred prosecution agreements, consent orders, judicial orders, and other vehicles calling for independent oversight. In the Herbalife matter, the requirements in the Order are similar in scope to those seen in other engagements where we have developed efficient methodologies for data-gathering, analysis and reporting. In fact, the Herbalife Order provides an unusually clear delineation of the role of the Independent Compliance Auditor (ICA) in specific categories: Retail Sales; Preferred Customers; Personal Consumption by Business Opportunity Participants; Payment and Calculation of Multi-Level Compensation; and Limitations on Leased or Purchased Business Locations. Below we describe our proposed approach for performing the duties of the ICA for each stage of the independent auditing process.

#### Proposed ICA Organization and Structure

Chhkncvgf" Oqpkvqtuø" rtqrqugf" uvtwevwtg" kpenwfgu" c" fc{-to-day project manager resident in Los Angeles. Overall management of the ICA engagement from the Boston Office will be led by Donald Stern." Chhkncvgf" Oqpkvqtuø" Managing Director of Corporate Monitoringg a r r

Affiliated Monitors, Inc.



- 3) obtain company input on the work plan, sampling plan, interview, and survey approaches, and other data-gathering techniques in order to minimize business disruption;
- 4) create trust between the team and the company so issues are raised and resolved promptly, as they are identified; and
- 5) discuss compliance issues that arise with all parties early and often to provide opportunities for remediation and eliminate surprises in the reporting process.

The proposed data collection process regarding data collection, interview schedules, etc. Eric Feldman will be regularly present and Donald Stern, the ICA team leader in Boston, will be the point of contact with the FTC.

### Methods of Obtaining and Analyzing Information

As noted above, a key aspect of the data collection process will be understanding Herbalife's current and planned methods of data collection, systems, and controls. This understanding will provide Affiliated Monitors an opportunity to assess at the outset whether the company has the data needed to demonstrate compliance with the Order, or if additional processes are feasible and/or necessary. Positioning this consultative process early in the independent compliance engagement will allow all parties to evaluate the strengths and weaknesses of current data collection and analysis tools and to agree on satisfactory measurement processes. Affiliated Monitors anticipates a fair amount of process-oriented work.

A principal objective of the baseline assessment and data-gathering process for each required report will be to evaluate whether compensation, sales, business locations, and other elements are appropriately accounted for, reported, and managed in accordance with the requirements of the Order. While the ICA is responsible for independently assessing this, a primary focus will be on the accuracy of the data.

Affiliated Monitors will work closely with the team at Herbalife on tasks with implementing the Order. We expect to map existing work that has been done. As noted above, this process will involve testing of company data for accuracy to determine whether and to what extent Affiliated Monitors can rely on Herbalife systems and data. We may also collect, and to the extent possible, rely on other studies, external or internal audits, or other analyses conducted.

Affiliated Monitors will submit a written request for information, and work with Herbalife to establish an electronic data repository, such as a secure extranet site, for company data provided to the ICA. Data-gathering and analyses will be structured around the specific matters set forth in the Order. We expect this structure will allow the ICA and Herbalife to remain focused on the compliance requirements.





by the company; and, when appropriate and helpful, recommendations to the company to strengthen their processes and facilitate compliance with the Order.

Subsequent ICA work and data-gathering/analysis will be conducted to follow up on previous findings, assess company progress in implementing required remedial activities, and determine whether recommendations made have been successfully implemented.

In addition to sending regular reports, Affiliated Monitors will remain in contact with the FTC to ascertain whether our independent auditing and assessment services are addressing the issues as intended by the Order, and addressing any new issues which may have arisen subsequent to the execution of the Order.

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Boston, MA  
2013 - Present

Provide independent monitoring to ensure corporate and organizational compliance with judicial orders, administrative agreements, deferred and non-prosecution agreements. Assess corporate ethical culture and ethics and compliance activities, advise clients on industry best practices.







Washington, DC



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*f* Massachusetts Bar: Admitted 1981  
*f* First Circuit Court of Appeal

*f* United States District Court for the  
District of Massachusetts

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- Boston, Massachusetts  
Juris Doctor Degree, June, 1981

Bachelor of Arts Degree, June, 1978  
Summa Cum Laude Graduate  
Delta Alpha Pi Honor Society Award

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New Principles Can Help Advance Independent Corporate Monitoring Compliance Today  
(published by the Health Care Compliance Association), October, 2008.

Governmental Tort Claims; An Overview and Recent Developments, Massachusetts Continuing  
Legal Education course and publication. 1993 - 1994 Co-Author.

Governmental Tort Claims; An Overview and Recent Developments, Massachusetts Continuing  
Legal Education course and publication. 1994 - 1995 - Co-Author.

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Association of Inspectors General, Compliance from the Eyes of the Independent Monitor  
Anaheim, CA.

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Compliance Analyst

Deputy Director, Division of Professional Licensure

Executive Director: Boards of Allied Mental Health, Dietitians, Health Officers, Nursing Home Administrators, Psychologists, Social Workers, Veterinarians

Executive Director: Boards of Allied Health, Chiropractors, Optometrists, Physician Assistants, Podiatrists, Speech-Hearing & Audiology, Respiratory Care

CEO, Regional Hospital and HMO

CEO, Ambulatory Clinic

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Inspection of Physical Therapy, Occupational Therapy, Nutritional Medicine, Substance Abuse, Mental Health, Radiology, Clinical Laboratory, Optometry

Clinical Program Director for Cross-State Satellite-linked Teleradiology

Director Family Violence Services for 25 Communities/Population of 400,000

Director Mental Health Services for Catchment Area of 40,000

Graduate Faculty: Organizational Behavior, Physiology, Aviation Psychology

Clinical Psychologist with Post-Doctoral Residency

Substance Abuse Counselor

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Doctor



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, Waltham, MA

2012 ±2015

**Principal, Corporate Governance Initiatives**

- x Led multimillion-dollar board governance practice focused on improving public-company oversight through multi-sector director dialogues.
- x Directed six invitation-only networks composed of directors and audit committee chairs of Fortune 200 public companies, sponsored by national law firm and Big Four accounting firm.
- x Designed, convened and led meetings of 15-20 directors (about 20 meetings per year) on topics such as risk management, special investigations, cybersecurity, international business risks, tax strategy, board relationships with the finance organization and general counsel, executive compensation, compliance and regulatory pressures, succession planning, disclosure of financial information, and oversight of the external auditor.

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ASSAULT CRAFT UNIT FIVE, Camp Pendleton, CA 1999-2000  
Officer-in-Charge and Boat Group Commander

x Commanded 70 enlisted personnel in operation and maintenance of six \$23 million hovercraft.

USS STETHEM (DDG 63), San Diego, CA 1997-1999  
Ordnance Officer and Public Affairs Officer

x Deployed to Persian Gulf to enforce sanctions against Iraq.

x Led and supervised 25 enlisted personnel in operation and maintenance of high-tech weaponry.

x Coordinated high-level public relations visits, drafted command press releases, corresponded with media and senior public affairs offices.

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9\$ , J.D., June 2003

x Associate Editor, International Law Journal

x President, Harvard Law School Veterans Association

x Director and Head Writer, Harvard Law School Parody

9\$ , A.B. in Government, cum laude June 1996

x Naval Reserve Officer Training Corps, four-year full scholarship

x Harvard College Scholarship

x Hasty Pudding Theatricals, cast member 1995 and 1996

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x Commonwealth of Massachusetts

x United States Court of Appeals for the First Circuit

x United States District Court for the District of Massachusetts

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x Recognized as a Massachusetts Super Lawyer 5 L V B O J D 2009, 2010, 2011 and 2012.

x Interests include distance running, cross-country skiing, acting, writing humor.

Cynthia L. Owens, MA, CCRC

- 1992 ±1995 , Somerville, MA  
Phlebotomist, EKG Technician  
Responsibilities included the training of lab staff at the Somerville and Medford Centers, the writing of procedures (SOPS), and continuity of all lab manuals. Also served as a member of the Implementation of EKG Procedures Committee for all of HCHP.
- 1989 ±1990 Newburyport, MA  
Developed and produced continuing education programs and seminars, including training, for health care professionals and produced health related Public Service Announcements for cable television.
- 2000 Association of Clinical Research Professionals ±Certified Clinical Research Coordinator  
1991 Northern Essex Community College, Haverhill, MA ±Medical Assistant, Class President  
1991 Siemens-Burdick, Inc. ±Electrocardiograph Technicians Certificate  
1975 Emerson College, Boston, MA ±Mass Communications, Drama

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Washington, DC  
2012 - Present

