

TO: ALL HERBALIFE DISTRIBUTORS
FROM: MARK HUGHES
DATE: 1 MARCH 1993
SUBJECT: AN ASSESSMENT OF OUR CURRENT VALUES

Dear Success Builder:

We have concluded another record-breaking year. The historic celebration of Extravaganza '93 is now behind us and we are already beginning to see extraordinary growth as a result of the concepts we shared at that unique gathering.

As I look at the progress we have made, and plan for our continuing growth into the future, I remind myself of the two reasons why we are doing what we are doing. The first is that people are starving their bodies because of poor nutritional habits. The other is that people are starving for a way to legitimately bring their talent and desires to an opportunity that will pay them what they are worth. In Herbalife, we believe that men and women from all walks of life, and from every nation of the world, can find answers to both of those challenges.

We have been blessed with an extraordinary opportunity - a set of values that are immensely more demanding and challenging than even I would have dared imagine during the early years of our growth. Our current measure of success demands that we grow in stature, in character, and in our personal integrity along with the company. We must make difficult changes in ourselves, and demand more from ourselves, if we expect to attract more rewards for ourselves. That is a challenge I have had to examine and confront, and it is one that each of you must consider as well. We must work on ourselves and on preserving the opportunity we share because all values will be attacked. And because it is the nature of values to be attacked we must be prepared to defend those values.

The following thoughts are among the many that I have entertained over the past few months as I examined where we have come from, what we are doing, and where we are going in the years ahead. They are thoughts based upon the values that we share - values that will be attacked and that we must be prepared to defend.

The Value Of Our Association

For us to continue to grow individually, we must grow collectively. We must all be part of the same team, sharing and pursuing the same vision, with an equal intensity of commitment and determination focused upon the achievement of the better lifestyle that we all seek for ourselves and for our families.

We are together in this business because of a mutuality of purpose - the pursuit of a worthy goal, the achievement of which brings within the reach of each of us a measure of success that, separately, would be unobtainable. Behind us lies a rich history of collective accomplishment. Ahead of us lies great promise. That delicate combination is of great value, for it gives us hope that our enterprise will endure.

The Value Of The Past

What is to come in the future will be because of all that we have done in the past. Our efforts of the past always have an effect on our present and future circumstances. And, we must learn from the past so that we can invest its lessons in the creation of a better future, for those who do not learn from the mistakes of the past are condemned to repeat them.

Some of the events of our recent past demanded painful and difficult decisions on my part. There were major issues at stake, requiring a firm response. Change is usually always painful, but change can also be very necessary. But I feel compelled to take whatever action may be necessary to move us toward the vision that I see.

The Value Of The Future

The first 12 years of Herbalife has been a time of learning, a time of challenge, as well as a time of change. The coming 12 years must, however, be a time for *investing* all that we have learned. It does us little good to grow because of our clever but misguided sales strategies only to recede because of our careless and avoidable errors. We must mature - individually and collectively - and we must dedicate ourselves to excellence in performance.

I want our future to be not only unlimited in its promise, but unblemished as well. I want - and I believe that you share this desire with me - not only to have products of superior quality, I also want people of superior intent, marketing concepts designed and guided by superior insight and vision, and a corporate philosophy superior to that of any company in our industry.

If we are serious about creating a company that will endure into the lifetime of the next generation and beyond, then we can demand no less of ourselves.

The Value Of Our Products

Herbalife has been blessed with products that are truly extraordinary. They are what makes our company unique. It isn't the marketing plan, the training program or the sales aids, it is the *product*. They get results for people who have been unable to find

results elsewhere. We make no medical claims, for such claims are unnecessary.

In addition, we will not allow our opportunity to fall to the level of some companies who place all of their marketing emphasis upon recruiting activities simply because their products dwell in the realm of the ordinary.

Any reasonable, objective and prudent person will quickly observe that the emphasis of this company is on the retailing of our products. Our High-Five Club is an incentive program specifically designed to arm our distributors with hands-on retailing experience from the very first day of their involvement. It is the first impression - the initial activity of a distributor - that establishes the mind-set that will prevail throughout his or her future years with Herbalife. That is why product retailing is our first, and lasting, priority.

Because our products are based upon various herbal formulations, they are often not understood by those who use only conventional medical standards to guide them. But in the years ahead, herbal products are going to emerge to play a major role in improving the well-being of men and women around the world. We are on the leading edge of that era, and those who pioneer new innovations are most often exposed to the shallowness of well-meaning but misguided critics. We will endure that criticism and rather than being dominated by it, we will be empowered by it.

The Value Of Our People

It is the policy of this company to recruit distributors because such activities are fully justified by our growth in the retail sales of our products.

We believe that people deserve the opportunity to try to reach new and better levels of personal achievement. The Herbalife vehicle makes it possible for those with limited means to use their best efforts to build either a modest or a thriving business. We do not ask for major investments of capital, we do not inquire about past experience, past education, or past performance. We welcome anyone with the willingness to try. We encourage people with dreams and ambitions to pursue their worthy objectives without making a major sacrifice and without jeopardizing the stability of their current income.

We are very simply people helping people - a concept that is beyond the understanding of those who seem to believe that only the elite of a society should have the chance to rise above the limits of their current condition.

But let me say that active recruiting, in and of itself, is not an evil activity. Since we do not spend millions of dollars on

senseless advertising, we must use a word-of-mouth approach to product marketing. That method is considered unorthodox only by those who have grown accustomed to expensive television commercials as the only legitimate vehicle for increasing product sales.

And, in far too many cases, the quality of the commercials created by those companies and their ad agencies exceeds the quality of the product they are designed to sell.

But while we actively engage in recruiting new participants to share in our exceptional opportunity, we have no intention of letting this company wallow in the murky pools of disrespect created by past multilevel organizations who used clever pyramid schemes and questionable products to justify their appetite for quick riches at any cost. Such techniques are part of an era whose time has past and they have no place in any organization that seeks legitimacy. Our distributors earn incomes based on the simple concept that from retail sales, come potentially unlimited profits.

The 21st century will not permit 20th century techniques. New innovations are in order, and we must do whatever is necessary to upgrade our image, our reputation and the quality of our opportunity so that Herbalife will emerge as one of the giants of the new century - in spite of what our critics might suggest.

The Value Of Our Philosophy

As many of you know, during our early years we experienced difficulties brought about by growth that was so extraordinary that it attracted critics and brought the focus of investigative bodies to bear upon us. We emerged from that time of challenge and change and I have no desire to return to that era.

Those experiences served to arm me with a new understanding of what the needs and the direction of a company such as ours must be. We have matured, and we have invested the knowledge gained from those years to guide us into a future that is unlimited.

If our incomes are going to keep growing then each of us must keep growing as well, for if we do not, then our incomes are going to shrink back down to where we are as individuals.

We must continue to build upon the philosophy of personal development that has become the hallmark of our enterprise. We must work on our minds, our attitudes and the depth of our character and convictions as much as we work on preserving the quality of our health and the creation of a more significant income. The power of our product message is only as effective as the integrity and the professional demeanor of the messenger.

And finally, let me say that we fully intend to silence our critics. We have one, underlying motive as we build Herbalife

world-wide, and that is to have a profound and lasting effect upon the nutritional habits of citizens around the world. If many of our distributors find financial independence in the process, then we will make no apologies for that - nor should we have to.

Together, we are active in the pursuit of the extraordinary. We must rise above the voices that would limit us and who would steal away our dreams. We cannot allow ourselves to become unduly influenced by our critics. We must focus our attention on our own personal development and on making the very best of the unique opportunity that we share. We must adopt the philosophy that suggests that "the worst that is in us must die, so that the best that is in us might live". After all, this business is not just about the money, it is about the lifestyle and the development of our human virtues that should seize our attention and our imagination. If we become more, we will earn more.

I believe that is a concept worth pursuing.

I want to thank each of you for your efforts, for your continuing support, and for your belief that the values we share are worth defending, worth preserving, and worthy of the investment of our time, our talent, and our attention.

Sincerely,

Mark Hughes