

GLOSSARY OF TERMS

The following terms are used throughout this text. Some have specific Herbalife connotations, so please become familiar with them and make them a part of your vocabulary as quickly as possible.

Blocking: As a Production Bonus earner, when you have a Production Bonus earner below you earning at a higher Production Bonus earning percentage, you will be “blocked” from earning on that Production Bonus earner as well as their downline organization.

Commission: The difference between the discounted price paid by the Sponsor and the price paid by the downline Distributors. It is also known as *Wholesale Profit*.

Customer: Anyone who is not an Herbalife Distributor who purchases Herbalife products at retail price.

Cut Off: As a Production Bonus earner, when you have a downline Production Bonus earner earning an equal Production Bonus earning percentage, you will be able to earn your eligible Production Bonus percentage on volume down to and including that person, but will be “cut off” from earning a Production Bonus on any lineage below that person. When you have a downline Production Bonus earner earning at a lower Production Bonus earning percentage than you are, you will earn your full Production Bonus percentage down to and including the downline below. For example, if your Production Bonus earning percentage is 6% and the Production Bonus earning percentage of the person downline is 4%, you’ll earn 6% on volume down to and including the volume of that person and 2% (6% to 4%) on the volume down to the next Production Bonus earner.

Distributor: Anyone who purchases an official Herbalife Distributor Kit (IBP) and submits to Herbalife a valid and complete Application for Distributorship and whose application has been accepted by Herbalife.

Distributor Discount Scale: An earned discount of 35% to 50% which is allowed after reaching specified sales goals.

Downline Organization: All Distributors personally sponsored by you as well as all other persons sponsored by them.

Downline Volume: As a Non-Supervisor, Downline Volume is based on Volume which is placed by your downline Distributors directly from Herbalife who are ordering between 25% to 42% discount. For Fully Qualified Supervisors, Downline Volume is credited as Personal Volume or Group Volume.

Earn Base: Base amount assigned to a product on which earnings are calculated.

First-Level Distributor: All Distributors you personally sponsor are considered your first level.

Fully Qualified Supervisor: A Distributor who has met all the requirements for Supervisor qualification and is now entitled to all Supervisor privileges.

Lineage: All Distributors who are part of one organization as a result of sponsoring or being sponsored.

Production Bonus: A bonus of 2%, 4%, or 6% to 7% on downline Organization Volume earned by eligible members of the TAB Team who meet certain requirements.

Profit, Retail: The difference between the discounted product price paid by a Distributor and the retail price paid by a customer.

Profit, Wholesale: The difference between the discounted price paid by the Sponsor and the price paid by the downline Distributors. Also known as *Commission*.

Qualified Producer: A Distributor who accumulates 2,500 personally purchased Volume Points within 1-3 months and is entitled to purchase at a 42% discount and earn split commissions. This status can be reached by utilizing up to 1,000 Downline Volume Points, with the remaining 1,500 as Personally Purchased Volume.

Qualifying Month: The month in which a Distributor achieves the required volume for Supervisor qualification.

Qualifying Supervisor: A Distributor who has achieved 4,000 Volume Points in one calendar month. Assuming that all qualifications are met, they will be recognized as a Fully Qualified Supervisor on the first of the following month. A Qualifying Supervisor is eligible to purchase from Herbalife at a temporary 50% discount.

Royalty Override: A payment ranging from 1% to 5% made to Fully Qualified Supervisors on the Monthly Volume of their three levels of active downline Supervisors.

Royalty Points: Used for qualification purposes, this is the sum of a Supervisor’s Organization Volume times their royalty earnings percentage.

Royalty Roll-Ups: Herbalife pays Supervisors the full 5% for each of three active downline Supervisor levels. Royalty Roll-Ups are paid to the appropriate upline Supervisor(s) when a downline Supervisor earns less than the maximum 5% Royalty Override payout per level. In these instances, the difference between 5% and the Supervisor’s earning percentage (1% to 4%) results in the Royalty Roll-ups.

Senior Consultant: A Distributor who has qualified to purchase at 35% to 42% discount.

Split Commission: The commission earned from a downline Distributor purchasing at less than 42% discount. A commission of 7% or 17% is first paid to the first upline Qualified Producer and the remaining 8% is paid to the first upline Fully Qualified Supervisor.

Sponsor: A Distributor who brings another individual into Herbalife as a Distributor.

Success Builder: A Distributor who places an order of 1,000 Volume Points at 42% discount.

Supervisor's Personal Organization: Includes all Distributors in the Supervisor's downline who are at Distributor, Senior Consultant, Success Builder, Qualified Producer and Qualifying Supervisor levels.

TAB Team Member: A Distributor who has met all the requirements for GET, Millionaire Team or President's Team membership.

10 Retail Customers Rule: A Distributor must make sales to at least 10 separate retail customers each month to qualify and receive Royalty Overrides and Production Bonus.

The 70% Rule: In any given month, a Distributor must sell to retail customers, and/or sell at wholesale to downline Distributors, at least 70% of the total value of Herbalife products they hold for resale, in order to qualify for TAB Team and to earn and receive Royalty Overrides and Production Bonus for that month's business.

Upline Organization: Your Sponsor and their Sponsor and their Sponsor's Sponsor, and so on.

Volume, Downline: As a non-Supervisor, Downline Volume is based on volume which is placed by your downline Distributors directly from Herbalife or ordering between 25% to 42% discount.

Volume, Encumbered: All volume produced by anyone in your personal organization who has achieved 2,500 Volume Points or more in one Volume Month. This is volume being used by them for Supervisor qualification purposes.

Volume, Group: Orders purchased at a temporary 50% discount, by Qualifying Supervisor(s) in a Supervisor's personal organization.

Volume, Matching: The Total Volume a sponsoring Supervisor must have in a given month to equal or exceed the volume achieved by their downline Distributor(s) who are qualifying for Supervisor.

Volume, Organization: The volume on which a Supervisor is paid a Royalty Override.

Volume, Personal: The volume purchased by you as a Fully Qualified Supervisor and all others in your downline organization, excluding any 50% orders by Qualifying Supervisors and Qualified Supervisors.

Volume, Personally Purchased: The volume purchased directly from Herbalife using your Herbalife Identification Number.

Volume, Point: A point value assigned to each Herbalife product that is equal in all countries. Volume Points are used for qualification and bonuses.

Volume, Total: The combined total of Personal Volume plus Group Volume.

Volume, Unencumbered: All volume produced by anyone in your personal organization who has achieved less than 2,500 Volume Points in one Volume Month, and all your own Personal Volume. Volume that is not used by anyone else for Supervisor qualification purposes.