UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

FOR ANNUAL AND TRANSITION REPORTS PURSUANT TO SECTIONS 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

(Mark One)

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2013

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number: 1-32381

HERBALIFE LTD.

(Exact Name of Registrant as Specified in Its Charter)

Cayman Islands	**98-0377871**
(State or Other Jurisdiction of Incorporation or Organization)	*(I.R.S. Employer Identification No.)*
P.O. Box 309GT **Ugland House, South Church Street** **Grand Cayman, Cayman Islands** *(Address of Principal Executive Offices)*	*(Zip Code)*

(213) 745-0500

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Shares, par value $0.001 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229,405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

(Do not check if a smaller reporting company)

Indicate by check mark whether registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

There were 101,245,008 common shares outstanding as of February 12, 2014. The aggregate market value of the Registrant's common shares held by non-affiliates was approximately $2,171 million as of June 30, 2013, based upon the last reported sales price on the New York Stock Exchange on that date of $45.14.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Definitive Proxy Statement to be filed with the Securities and Exchange Commission no later than 120 days after the end of the Registrant's fiscal year ended December 31, 2013, are incorporated by reference in Part III of this Annual Report on Form 10-K.

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FORWARD-LOOKING STATEMENTS

This document contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical fact are "forward-looking statements" for purposes of federal and state securities laws, including any projections of earnings, revenue or other financial items; any statements of the plans, strategies and objectives of management for future operations; any statements concerning proposed new services or developments; any statements regarding future economic conditions or performance; any statements of belief; and any statements of assumptions underlying any of the foregoing. Forward-looking statements may include the words "may," "will," "estimate," "intend," "continue," "believe," "expect" or "anticipate" and any other similar words.

Although we believe that the expectations reflected in any of our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in any of our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and to inherent risks and uncertainties, such as those disclosed or incorporated by reference in our filings with the Securities and Exchange Commission. Important factors that could cause our actual results, performance and achievements, or industry results to differ materially from estimates or projections contained in our forward-looking statements include, among others, the following:

- any collateral impact resulting from the ongoing worldwide financial environment, including the availability of liquidity to us, our customers and our suppliers or the willingness of our customers to purchase products in a difficult economic environment;
- our relationship with, and our ability to influence the actions of, our Members;
- improper action by our employees or Members in violation of applicable law;
- adverse publicity associated with our products or network marketing organization, including our ability to comfort the marketplace and regulators regarding our compliance with applicable laws;
- changing consumer preferences and demands;
- our reliance upon, or the loss or departure of any member of, our senior management team which could negatively impact our Member relations and operating results;
- the competitive nature of our business;
- regulatory matters governing our products, including potential governmental or regulatory actions concerning the safety or efficacy of our products and network marketing program, including the direct selling market in which we operate;
- legal challenges to our network marketing program;
- risks associated with operating internationally and the effect of economic factors, including foreign exchange, inflation, disruptions or conflicts with our third party importers, pricing and currency devaluation risks, especially in countries such as Venezuela;
- uncertainties relating to the application of transfer pricing, duties, value added taxes, and other tax regulations, and changes thereto;
- uncertainties relating to interpretation and enforcement of legislation in China governing direct selling;
- uncertainties relating to the interpretation, enforcement or amendment of legislation in India governing direct selling;
- our inability to obtain the necessary licenses to expand our direct selling business in China;
- adverse changes in the Chinese economy, Chinese legal system or Chinese governmental policies;

- our dependence on increased penetration of existing markets;
- contractual limitations on our ability to expand our business;
- our reliance on our information technology infrastructure and outside manufacturers;
- the sufficiency of trademarks and other intellectual property rights;
- product concentration;
- changes in tax laws, treaties or regulations, or their interpretation;
- taxation relating to our Members;
- product liability claims;
- whether we will purchase any of our shares in the open markets or otherwise; and
- share price volatility related to, among other things, speculative trading and certain traders shorting our common shares.

Additional factors that could cause actual results to differ materially from our forward-looking statements are set forth in this Annual Report on Form 10-K, including under the heading "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in our Consolidated Financial Statements and the related Notes.

Forward-looking statements in this Annual Report on Form 10-K speak only as of the date hereof, and forward-looking statements in documents attached that are incorporated by reference speak only as of the date of those documents. We do not undertake any obligation to update or release any revisions to any forward-looking statement or to report any events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, except as required by law.

The Company

Unless otherwise noted, the terms "we," "our," "us," "Company" and "Herbalife" refer to Herbalife Ltd. and its subsidiaries. Herbalife Ltd. is a holding company, with substantially all of its assets consisting of the capital stock of its direct and indirectly-owned subsidiaries.

PART I

Item 1. *BUSINESS*

GENERAL

We are a global nutrition company founded in 1980 that sells weight management, healthy meals and snacks, sports and fitness, energy and targeted nutritional products as well as personal care products. Herbalife distributes and sells its products through a network of independent members, or Members, using the direct selling channel. We are in the process of changing our terminology to identify "distributors" as "Members." Those Members who participate in the business opportunity that our network marketing program presents are referred as "sales leaders." As of December 31, 2013, we sold our products in 91 countries to and through a network of approximately 3.7 million independent Members. Most of our Members are discount customers, however as of December 31, 2013, 672,000 achieved sales leaders status. In China, in order to comply with local laws and regulations, we sell our products through, sales representatives, sales officers, independent service providers and in retail stores. We believe the enhanced consumer awareness and the demand for our products due to the global obesity epidemic coupled with the effectiveness of our distribution network and actively engaged Members have been the primary reasons for our success throughout our 34-year operating history.

We categorize our science-based products into four principal groups: weight management, targeted nutrition, energy, sports & fitness and outer nutrition. Weight management, targeted nutrition, energy, sports & fitness and outer nutrition accounted for 63.5%, 23.0%, 5.3% and 3.3% of our net sales in fiscal year 2013, respectively. Our operating segments are based on geographical operations in six regions: North America, Mexico, South & Central America, EMEA (Europe, Middle East and Africa), Asia Pacific and China.

We believe that the direct-selling channel is ideally suited to marketing our products because sales of weight management, nutrition and personal care products are strengthened by ongoing personal contact, coaching and education between Members and their customers. This frequent, personal contact can enhance consumers' nutritional and health education as well as motivate consumers to begin and maintain wellness and weight management programs. In addition, our Members consume our products themselves, and therefore can provide first-hand testimonials of the effectiveness of our products to their customers, which can serve as a powerful sales tool.

People become Herbalife Members for a number of reasons. Most join to receive a discounted price on products for consumption by their families. Our Members, who are independent contractors, also have the opportunity to profit from selling our products and upon achieving certain qualification status can earn Royalty Overrides on sales made by Members whom they sponsor into their sales organizations.

PRODUCT OVERVIEW

For 34 years, our products have helped Members and their customers from around the world lose weight, improve their health and experience life-changing results. As of December 31, 2013, we marketed and sold over 150 products encompassing over 5,000 SKUs. Our products are often sold as part of a program, and therefore our portfolio is comprised of a series of related products designed to simplify weight management and nutrition for our Members and their customers.

The following table summarizes our products by product category.

Product Category	Description	Representative Products
Weight Management (63.5%, 62.7%, and 62.5% of net sales for 2013, 2012, and 2011, respectively)	Meal replacement, protein shakes, drink mixes, weight loss enhancers and healthy snacks	Formula 1 Healthy Meal, Herbal Tea Concentrate, Protein Drink Mix, Personalized Protein Powder, *Total Control*®, *Prolessa*™ *Duo* and Protein Bars
Targeted Nutrition (23.0%, 23.2%, and 22.8% of net sales for 2013, 2012, and 2011, respectively)	Dietary and nutritional supplements containing quality herbs, vitamins, minerals and other natural ingredients	*Aloe Concentrate, Niteworks*®, *Garden 7*® phytonutrient supplement, *Best Defense*® for improved immune system, *COQ10 Plus*
Energy, Sports & Fitness (5.3%, 5.2%, and 4.9% of net sales for 2013, 2012, and 2011, respectively)	Products that support a healthy active lifestyle	*Herbalife24* product line, *Liftoff*® energy drink, *H*^{3}*O*™ hydration drink
Outer Nutrition (3.3%, 3.6%, and 4.3% of net sales for 2013, 2012, and 2011, respectively)	Facial skin care, body care, and hair care	*Herbalife SKIN line, Skin Activator*® anti-aging line, *Herbal Aloe Bath and Body Care* line, *NouriFusion*® multivitamin skin care line, Radiant C antioxidant skin care line

Product Category	Description	Representative Products
Literature, Promotional and Other Products (4.9%, 5.3%, and 5.5% of net sales for 2013, 2012, and 2011, respectively)	Start-up kits, sales tools, and educational materials	International Business Packs, BizWorks

Weight Management

Weight Management is our largest product category representing 63.5% of our net sales for 2013. Formula 1, our best-selling product line, is a healthy meal with soy protein, fiber, botanicals plus essential vitamins and minerals that is available in various flavors to help support weight management. It has been the centerpiece of our weight management program for 34 years and generated approximately 28% of net sales for the year 2013. We continue to be the worldwide leader in meal replacements and in many markets we have also recently introduced meal replacement bars under our Formula 1 product line.

Targeted Nutrition

We sell numerous dietary and nutritional supplements designed to meet our customers' specific nutritional needs. These supplements contain quality botanicals, vitamins, minerals and other natural ingredients and focus on specific life stages of our customers, including women, men, children and those with health concerns, including heart health, healthy aging, digestive health, or immune solutions. *Niteworks*® is a product developed with Nobel Laureate in Medicine, Dr. Louis Ignarro, which supports energy, circulatory and vascular health and enhances blood flow to the heart, brain and other vital organs. *Garden 7*® which was developed with Dr. David Heber, head of our Nutrition Advisory Board, is designed to provide the phytonutrient benefits of seven servings of fruits and vegetables and has anti-oxidant and health-boosting properties. *Best Defense*® is an effervescent drink that helps boost immunity.

Energy, Sports & Fitness

We sell numerous products designed to meet the nutritional needs of athletes. The*Herbalife24* product line is a complete, seven-product program, formulated to meet the nutritional needs of the 24 Hour Athlete®, whether they be a top professional, or amateur fitness enthusiast. The*Herbalife24* product line enables athletes to customize their nutrition program based on personal training and competitive demands throughout the day. The entire line was formulated based on peer-reviewed clinical research, collaboration between leading Herbalife scientists, and the input of professional athletes. Each product is certified and tested for substances banned by professional and collegiate athletic governing bodies.

Outer Nutrition

Our Outer Nutrition products complement our weight management and targeted nutrition products and aim to improve the appearance of the body, skin and hair. These products include skin cleansers, toners, moisturizers, facial masks, shampoos and conditioners, body-wash items and a selection of fragrances for men and women. In the fourth quarter of 2013, we launched the Herbalife SKIN line consisting of ten anti-aging products in the U.S. which will eventually replace the Skin Activator line and other related products.

Literature, Promotional and Other Products

We also sell literature and promotional materials, including "International Business Packs," sales tools, and educational materials designed to support our Members' sales and marketing efforts. We also provide internet based tools such as BizWorks, a customizable retail website for our Members to enhance the on-line experience and improve their productivity.

NETWORK MARKETING PROGRAM

General

Our products are distributed through a global network marketing organization comprised of approximately 3.7 million Members, most of whom are discount customers, operating in 91 countries as of December 31, 2013. In China, due to local regulations, our sales are conducted through Company operated retail stores, sales representatives, sales officers and independent service providers; in the areas where we have a direct selling license, our sales representatives, sales officers and independent service providers can sell Herbalife product outside of the retail establishments.

In addition to helping our Members and their customers achieve their goals of health and wellness through consumption of our products, we offer our Members, who are independent contractors, a potential income opportunity. Members may earn income on their own sales and can also earn commissions, such as Royalty Overrides, based on purchases of our products made by their sales organization for consumption or resale. We believe that our products are particularly well-suited to the network marketing distribution channel given the need for consumer education of nutrition products and the high touch and service for those customers on weight loss or weight management programs. We believe our continued commitment to develop high-quality, science-based products will enhance our Members' ability to attract new Members and consumers. Our sales are generated primarily from Member purchases that are for reasons other than earning multi-level compensation under the Company's marketing plan. The majority of our Members have not sponsored another Member and do not earn compensation relating to product sales made by or to other Members. We believe these Members have joined the network for reasons other than participating in our multi-level compensation plan such as personal consumption and reselling products to others to earn retail profit.

On July 18, 2002, we entered into an agreement with our Members that no material changes adverse to the Members will be made to aspects of our marketing plan without their consent and that we will continue to distribute Herbalife products exclusively through our Members. We believe that this agreement has strengthened our relationship with our existing Members, improved our ability to recruit new Members and generally increased the long-term stability of our business.

Structure of the Network Marketing Program

To become a Member in most markets, a person must be sponsored by an existing Member and must purchase an International Business Pack, or IBP. The IBP is a Member kit available in local languages which typically includes product samples, a handy tote, booklets describing us, our compensation plan and rules of Member conduct, various training and promotional materials, Member applications and a product catalog. The cost of an IBP varies by market and provides a low cost entry for incoming Members. IBPs have no Volume Point value and therefore do not generate any Member compensation and cannot be used for Member qualifications or recognition purposes under the Company's marketing plan. Volume Points are point values assigned to each of our products for use by the Company to determine a Member's sales achievement level. We assign a Volume Point value to a product when it is first introduced into a market and the value is unaffected by subsequent exchange rate and price changes. The specific number of Volume Points assigned to a product, generally consistent across all markets, is based on a Volume Point to suggested retail price ratio for similar products in the market.

People become Herbalife Members for a number of reasons. Some join simply to receive a wholesale price on products they and their families can enjoy. Some join to earn part-time money wanting to give direct sales a try, whereas others are drawn to Herbalife because they can be their own boss and can earn rewards based on their own skills and hard work.

In addition to the benefit Members receive from discounted prices on product they and their families can enjoy, Members can earn profit from several sources. First, Members may earn profits by purchasing our products at wholesale prices, discounted depending on the Member's level within our Member network, and selling

our products to persons who are not Members and to other Members within their sales organization. Second, Members who sponsor other Members and establish and maintain their own sales organizations may earn Royalty Overrides and production bonuses based on activity of their sales organization in addition to the Mark Hughes bonus.

The method for Distributor Allowances and Marketing Plan payouts generally utilizes 90% to 95% of suggested retail price, depending on the product and market, to which we apply discounts of up to 50% for Distributor Allowances and payout rates of up to 15% for royalty overrides, up to 7% for production bonuses, and approximately 1% for the Mark Hughes bonus.

We believe each Member's success is dependent on two primary factors: (1) the product sales made by a Member and the activity of his or her sales organization, and (2) the time, effort and commitment a Member puts into his or her Herbalife business.

Members, with the exception of those in China, earn the right to receive Royalty Overrides upon attaining the level of sales leader and above, and production bonuses upon attaining the level of Global Expansion Team and above. Once a Member becomes a sales leader, he or she has the opportunity to qualify by earning specified amounts of royalty overrides for the Global Expansion Team, the Millionaire Team or the President's Team, and thereby receives production bonuses of up to 7%. We believe that the opportunity for Members to earn royalty overrides and production bonuses contributes significantly to our ability to retain our most active and productive Members.

To become a sales leader, or qualify for a higher level, Members must achieve specified volume thresholds of product sales or earn certain amounts of royalty overrides during specified time periods and must re-qualify once each year. To attain sales leader status, a Member generally must be responsible for sales of products representing at least 4,000 volume points in one month or 2,500 volume points in two consecutive months. An additional optional qualification, introduced globally in October 2009, allows for a Member to achieve sales leader level by personally placing orders with Herbalife that accumulate to 5,000 volume points within 12 months. Sales leaders may then attain higher levels (consisting of the World Team, the Global Expansion Team, the Millionaire Team, the President's Team, the Chairman's Club and the Founders Circle), and earn royalty overrides based on purchases for personal use or resale made by persons in their downline sales organizations and, for members of our Global Expansion Team and above, Members can earn production bonuses on purchases for personal use or resale made by persons in their downline organizations.

China has its own unique marketing program which differs from that described above. Under the regulations published by the Chinese Government, direct selling companies are limited to the payment of gross compensation to direct sellers of up to a maximum 30% of the revenue they generate through their own sales of products to consumers. Our business model in China includes unique features as compared to our traditional business model in order to ensure compliance with Chinese government regulations. These include Company operated retail stores and certification procedures for sales personnel. These and other features of our business model in China have resulted in, and will continue to result in, substantial ongoing costs.

The following table sets forth the number of our sales leaders and sales leader retention rates as of each of the following re-qualification periods:

	At the End of February					
	Number of Sales Leaders			Sales Leader Retention Rate		
	2013	2012	2011	2013	2012	2011
North America	86,469	79,150	72,152	54.7%	51.1%	48.6%
Mexico	78,453	67,959	54,526	57.6%	59.2%	57.9%
South & Central America	79,351	65,653	50,288	53.6%	55.7%	47.3%
EMEA	57,071	55,121	49,696	60.7%	61.5%	58.6%
Asia Pacific (excluding China)	134,714	116,158	90,822	40.1%	40.2%	38.4%
Total Sales Leaders	436,058	384,041	317,484	51.8%	52.0%	48.9%
China	30,304	26,262	30,543			
Worldwide Total Sales Leaders	466,362	410,303	348,027			

In February of each year, we remove from the rank of sales leader those individuals who did not satisfy the sales leader qualification requirements during the preceding twelve months. Members who meet the sales leader requirements at any time during the year are promoted to sales leader status at that time, including any sales leaders who were removed, but who subsequently re-qualified. For the latest twelve month re-qualification period ending January 31, 2014, approximately 51.8% of our sales leaders, excluding China and temporarily Venezuela, re-qualified. We chose not to require Venezuelan sales leaders to re-qualify due to product supply limitation that may have prevented some sales leaders from re-qualifying. However, had we demoted those Venezuelan sales leaders that did not meet our re-qualifying criteria, our overall retention rate would have been slightly higher than 51.8%. Typically, Members who purchase our product for personal consumption or for short term weight loss or part-time income goals may stay with us for several months to one year while sales leaders who have committed time and effort to build a sales organization generally stay for longer periods. We rely on certifications from the selling Members as to the amount and source of product sales which are not directly verifiable by us. For sales leaders to re-qualify and retain their Member organization and associated earnings, they need to accumulate 4,000 volume points in one month or 2,500 volume points in each of two consecutive months. In order to promote retailing of our products, any sales leaders who accumulate at least 4,000 volume points in the 12-month period can re-qualify as a sales leader and retain a discount of 50%, but will forfeit their Member organization and associated future earnings. Effective beginning the requalification period ending January 2012, the forfeiture of Member organization will not take effect for sales leaders who achieve 10,000 volume points or more within the 12-month period.

Motivation and Training

We believe that personal and professional development, along with product knowledge and sales and marketing training are key to our Members' success and therefore we and our Member sales leaders have established an annual schedule of meetings and events to support this important objective. We and our Member leadership conduct training sessions annually on local, regional and global levels attended by thousands of Members to provide product education, sales and marketing training, for the professional development of our Members.

As with any sales force, reward and recognition programs are a significant component in motivating our sales leaders. We invest in regional and worldwide events and promotions to motivate our sales leaders to achieve and exceed sales, recruiting and retention goals.

GEOGRAPHIC PRESENCE

As of December 31, 2013, we conducted business in 91 countries throughout the world. The top ten countries worldwide represented approximately 73.4%, 73.4%, and 73.0% of net sales in 2013, 2012, and 2011,

respectively. The following chart sets forth the countries in which we operated as of December 31, 2013, organized in our six geographic regions, and the year in which we commenced operations. In these countries, we typically maintain a physical presence and provide sales, marketing, call center, logistics and distribution services. Globally we distribute our products directly through over 400 company locations and coupled with certain retail partners, our products can be accessed at over 800 locations.

Country	Year Entered
North America	
USA	1980
Canada	1982
Jamaica	1999
Aruba	2010
Trinidad & Tobago	2012
Mexico	1989
South and Central America	
Dominican Republic	1994
Venezuela	1994
Argentina	1994
Brazil	1995
Chile	1997
Panama	2000
Colombia	2001
Bolivia	2004
Costa Rica	2006
Peru	2006
El Salvador	2007
Ecuador	2008
Honduras	2008
Nicaragua	2008
Guatemala	2008
Paraguay	2009
Uruguay	2012
Asia Pacific	
Australia	1983
New Zealand	1988
Japan	1989
Hong Kong	1992
Philippines	1994
Taiwan	1995
South Korea	1996
Thailand	1997
Indonesia	1998
India	1999
Macau	2002
Singapore	2003
Malaysia	2006
Vietnam	2009
Cambodia	2013
China	2001
EMEA	
United Kingdom	1984
Spain	1989
Israel	1989
France	1990
Germany	1990
Portugal	1992
Czech Republic	1992
Italy	1992
Netherlands	1993
Belgium	1994
Poland	1994
Denmark	1994
Sweden	1994
Russia	1995
Austria	1995
Switzerland	1995
South Africa	1995
Norway	1995
Finland	1995
Greece	1996
Turkey	1998
Botswana	1998
Lesotho	1998
Namibia	1998
Swaziland	1998
Iceland	1999
Slovak Republic	1999
Cyprus	2000
Ireland	2000
Croatia	2001
Latvia	2002
Ukraine	2002
Estonia	2003
Lithuania	2003
Hungary	2005
Zambia	2007
Romania	2008
Bulgaria	2010
Georgia	2011
Belarus	2011
Lebanon	2011
Mongolia	2011
Ghana	2011
Slovenia	2012
Serbia	2012
Macedonia	2012
Armenia	2012
Kazakhstan	2012
Bosnia and Herzegovina	2012
Moldova	2012
Kyrgyzstan	2013
Azerbaijan	2013

The following table shows net sales by geographic region.

Geographic Region	Net Sales Year Ended December 31, 2013	2012	2011	Percent of Total Net Sales 2013	Number of Countries December 31, 2013
		(In millions)			
North America	$ 908.0	$ 841.2	$ 698.6	18.8%	5
Mexico	562.4	496.1	436.9	11.7%	1
South & Central America	973.5	688.8	554.4	20.2%	17
EMEA	735.2	627.8	615.2	15.2%	52
Asia Pacific	1,174.6	1,139.9	938.6	24.3%	15
China	471.6	278.5	210.8	9.8%	1
Worldwide	$4,825.3	$4,072.3	$3,454.5	100.0%	91

For financial data by segment see Note 10, *Segment Information*, to the Consolidated Financial Statements.

Our primary opportunity for future growth is to develop and further penetrate existing markets through various growth strategies. Additionally, we will continue to expand our presence into new markets where the relevance of our products and distribution channel provide an economic opportunity to our Members and us.

MANUFACTURING, WAREHOUSING AND DISTRIBUTION

Our objective is to provide the highest quality products to our Members and their customers. We seek to accomplish this goal through implementation of our "seed to feed" strategy that includes significant investments in quality assurance, scientific personnel, product testing, and increasing the amount of self-manufacturing of our top products. Our seed to feed strategy is rooted in using quality ingredients from traceable sources coupled with the vertical manufacturing of our most popular products. Ingredients are sourced from companies that are large and reputable suppliers in their respective field. For example Soy, our number one ingredient, is sourced from Solae (a division of Dupont) and ADM. Our vitamins, minerals and other key ingredients come from companies such as DSM (formerly Roche Vitamins) and BASF. Other key suppliers include Tate & Lyle, Danisco (a division of Dupont), Kyowa Hakko, and Naturex. In addition to our own modern quality processes, sourcing from these suppliers also provides integrity to our ingredients by utilizing similar quality processes, equipment, expertise and traceability provided by these leading ingredients companies. For our botanical products, our seed to feed strategy also includes self-manufacturing our teas and herbal ingredients. In 2012, we completed our botanical extraction facility in Changsha (Hunan) China. Our procurement activities now stretch back to the farms and will include the complete self-processing of teas and botanicals into finished raw materials. The facility is in its ramp up phase, which will span several years to accommodate our rigorous ingredient qualification process, with an ultimate goal of producing our teas and the majority of our important botanical products.

The foundation for high quality products is the quality of the ingredients as noted above. The next key component of our seed to feed strategy involves the high quality manufacturing of these ingredients into finished products, including vertical manufacturing. In addition to self-manufacturing, we purchase products from third-party manufacturers which account for the majority of our product purchases. During 2013, we purchased approximately 30% of our products from our top three third-party manufacturers. We work closely with our third-party manufacturers to ensure high quality products are produced and tested through a vigorous quality control process. Our current strategy is to continue expanding our self-manufacturing. We accelerated this initiative with the 2009 acquisition of Micelle Labs in Lake Forest, California and renovating the facility into a high-output, high-quality powder and liquid manufacturer. We call this facility the Herbalife Innovation and Manufacturing Facility (or "HIM") Lake Forest. We have taken similar steps to support our China market, with our HIM Suzhou facility which began operation in 1999. Together, these facilities produce approximately 30% of our products sold worldwide. As a continuation of this strategy, in December 2012, we purchased an approximate

800,000 square foot facility in Winston-Salem, North Carolina. This facility is currently under design and renovation with an expected opening in mid-2014. Once this facility is online and fully operational, we estimate that 60%-65% of our worldwide product sales will be self-manufactured in our HIM facilities around the world. In our U.S. Company-owned facilities, which primarily produce for the US, Canada and Mexico markets, we operate and test to the U.S. FDA's strict dietary supplement current Good Manufacturing Practices (cGMPs), even though many of the products being manufactured are classified as food products. For those products not manufactured at HIM facilities, and are typically exported, we combine four elements to ensure quality products: the same selectivity and assurance in ingredients as noted above; use of reputable, cGMP-compliant manufacturing partners; a significant supplier qualification and annual audit program; and finally significant product quality testing. Regardless of the manufacturing site, we own proprietary formulations for substantially all of our weight management products and dietary and nutritional supplements.

In addition to ensuring the highest quality ingredients and building the quality into the finished products, we test our incoming raw materials for compliance to potency, identity and adherence to strict specifications, and our finished products are analyzed for label claim and microbiological purity thereby verifying product safety and shelf life in the market. For our self-manufactured products, we do substantially all of our testing in-house at our modern quality control laboratories in the US and China. We have our main quality control lab in Southern California. We also have full quality control labs in HIM Suzhou and HIM Changsha to test products produced at those facilities. In addition we are in the process of creating a global quality control facility in our HIM Changsha facility that will test products made at non-HIM facilities, even though they are already tested at audited contract manufacturer labs or 3rd party labs. Finally as part of HIM Winston-Salem, we are building what will be our largest quality control laboratory. All HIM quality control labs contain modern analytical equipment and are backed by the expertise in testing and methods development of our scientists. We employ over 200 professionals performing science or technical related functions, which includes product development, quality control, and scientific and regulatory affairs around the world.

The final part of our seed to feed strategy is delivering the high-quality product to our Members and their customers. As the shift in consumption patterns continues to reflect an increasing daily consumption focus, our strategy is to provide more product access points closer to our Members and their customers. We operate in over 400 distribution points ranging from "hub" distribution centers, or DCs, in Los Angeles, Memphis, and Venray, Netherlands, to mid-size distribution centers in major countries which include Mexico and South Korea, to small pickup locations spread throughout the world. In addition to these Company-run distribution points, Herbalife partners with over 400 retail locations, primarily in Mexico and India, to provide Member pickup points in areas which are not well serviced from Herbalife-run distribution points. We are also experimenting with automated sales kiosks that will provide additional access points to our products. As many of our products can be temperature sensitive, we monitor our DCs for temperature and humidity and often will use shipping tags which monitor these parameters on certain shipment lanes and which provide information to help make adjustments to shipping mode or packaging components to ensure the quality of the product being delivered to a Herbalife Distribution Center.

With the shift noted above to daily consumption, we are increasingly shipping directly to smaller Members and in many cases directly to customers of our Members. This has resulted in an increase in the number of orders and a corresponding decrease in the size of the average order. This has led us to increase the size and capabilities of our main distribution centers and install modern picking systems in our Hub DCs, beginning in 2012. We will continue to make the necessary investments to support this ongoing trend in our business.

PRODUCT RETURN AND BUYBACK POLICIES

In substantially all markets, our products include a customer satisfaction guarantee. Under this guarantee any customer who is not satisfied with a Herbalife product for any reason may return it or any unused portion of it within 30 days to the Member from whom it was purchased for a full refund from the Member or credit toward the exchange of another Herbalife product. If they return the products to us on a timely basis, the Member may obtain replacement product from us for such returned products. In addition, in substantially all jurisdictions, we maintain a

buyback program pursuant to which we will repurchase products sold to a Member who has decided to leave the business. The buyback program has certain terms and conditions that may vary by market, but generally permits the return of unopened and marketable condition products or sales materials purchased within the prior twelve month period, in exchange for a refund of the net price paid for the product. Together product returns and buybacks were approximately 0.2%, 0.3%, and 0.4% of product sales for the years ended December 31, 2013, 2012, and 2011, respectively.

OUR COMPETITIVE STRENGTHS AND BUSINESS STRATEGY

As a global nutrition company, we believe that the direct selling channel is the most effective way to sell our products given the need for consumer education of nutrition products and the high touch and service for those customers on a weight loss or weight management program. Our objective is sustainable growth in the sales of our products to our Members and their customers by increasing the retailing productivity, recruitment, and retention of our Member base through the following strategies and competitive strengths:

Member Base

As of December 31, 2013, we had approximately 3.7 million Members, which include approximately 0.2 million China sales representatives, sales officers, and independent service providers, most of whom are discount customers. Collectively, we currently refer to this group as “Members.”

People become Herbalife Members for a number of reasons. Some join to receive a discounted price on products they and their families consume. Additionally, some people join to earn part-time money, wanting to give direct sales a try, whereas others are drawn to Herbalife because they can be their own boss and can earn rewards based on their own skills and hard work.

Currently, approximately 672,000 or 18% of our 3.7 million Members have attained the level of sales leader, a total which is comprised of approximately 626,000 sales leaders in the 90 countries where we use our traditional marketing plan and approximately 46,000 China sales officers and independent service providers operating under our China marketing plan. Collectively, we refer to this group as “sales leaders.” Due to changes in China’s labor laws, effective in the third quarter of 2011, we no longer have sales employees in China as they have been transitioned to sales officers and independent service providers.

Members may sponsor other Members in an attempt to build a sales organization, whether they have attained the sales leader level or not. A significant majority of our Members, however, are “single level” Members who have not sponsored another Member. These single level Members are generally considered discount buyers or small retailers, although a small number of these single-level Members have attained the sales leader level.

Driving Daily Consumption – A Central Strategy

Herbalife works closely with its Members to support daily consumption initiatives. This sustainable business model is built on a three-fold foundation of (1) effective, systematic Member training; (2) frequent Member contact with their customers; and (3) deeper penetration into communities, that is, capturing more customers in a given geographic area. In many instances, Members achieve frequent contact with their customer base utilizing Distributor Methods of Operations, or DMOs, such as Nutrition Clubs, Weight Loss Challenges and Herbalife Fit Camps.

Our Product Strategy

Our product strategy is focused on providing high-quality, science-based products that can support a healthy active lifestyle for Members and their customers in the areas of weight management; targeted nutrition (including everyday wellness and healthy aging); energy, sports & fitness; and outer nutrition. We rely on the scientific

contribution from members of the Company's Nutrition Advisory Board, along with our in-house scientific team, to continually upgrade or introduce new products as new scientific studies become available and accepted by regulatory authorities around the world. Additionally, to support our daily consumption initiatives, our product strategy includes projects such as seasonal flavors of our meal replacement shake, new flavors of top selling products and various package sizes. We aim to have at least one major product launch each year, timed around our major regional Member education and training events. These launches generally target specific product categories and markets we deem strategic to our business.

Our Training Events and Promotions

We use product education and sales and marketing training events and promotions on a local, national and international scale to help strengthen the personal and professional skills of our Members, which can allow them to become more effective in building sales organizations as well as developing customer relationships and maintaining high customer retention rates. These events also serve as the platforms to showcase and disseminate best-practices from around the world such as Nutrition Clubs, Lifestyle centres and offices, Weight Loss Challenges, The Total Plan, Super and Mega HOM's, Roadshows, Product sampling initiatives, Fit Camps and other business methods, as well as new, or upgraded product introductions.

Our Brand

To increase our brand awareness we and our Members have entered into numerous marketing alliances around the world. Herbalife sponsorships of and partnerships with featured athletes, teams and events promote brand awareness, the use of Herbalife products, and "Better living through nutrition." We continue to build brand awareness and work towards becoming the most trusted brand in nutrition. We also work to leverage the power of our Member base as a marketing and brand-building tool. We maintain a brand style guide and brand asset library so that our Members have access to the Herbalife brand logo and marketing materials for use in their marketing efforts.

Improved Product Access

As adoption of daily consumption methods expands, we have identified a number of methods and approaches that better support Members by providing access points closer to where they do business. Specific methods vary by markets, considering local Member needs as well as infrastructure and available resources. We continue to expand the number of Sales Centers, smaller pick up locations (including third party collection points), brand experience centers and automated sales centers. This expansion is based on the needs of our Members and the growth of the business primarily from deeper penetration into existing markets. For example, we now have distribution agreements with two large retailers in Mexico and we are piloting a similar arrangement with a third retailer. Our Members can therefore pick up their product orders at the customer service counters at more than 400 retail locations. We believe that by leveraging the retailer's distribution system we are providing our Members with easier product access. We will continue to evaluate the need to increase the number of sales centers in existing and additional markets.

Our Infrastructure

We continue to invest in our technology infrastructure in order to maintain, protect, and enhance existing systems and develop new systems to keep pace with continuing changes in technology, evolving industry and regulatory standards, emerging data security risks, and changing user patterns and preferences.

We leverage an Oracle business suite platform to support our business operations, improve productivity and support our strategic initiatives. In addition, we also employ information technology systems to support Members including our Internet-based marketing and Member services platform with tools such as BizWorks, MyHerbalife, Go Herbalife, iChange, and Herbalife Mobile. We continue to invest in business intelligence tools

to enable better analysis of our business and to identify opportunities for growth. We will continue to build on these platforms so that we can take advantage of the rapid development of technology around the globe.

We believe our "Seed to Feed" strategy allows us to better control the quality, cost, and supply reliability of our raw materials and finished products. Our investment in manufacturing increased in 2009 with the purchase of certain assets of Micelle Laboratories, Inc., a Lake Forest, California contract manufacturer of food and nutritional supplements. We purchased these assets to expand our manufacturing capabilities and completed modifications to this facility in 2011. We continued the execution of this strategy with the joint venture in Changsha, Hunan, China to build a botanical extraction facility that will provide improved traceability and processing of our botanical raw materials. This facility as well as significant expansion of our Suzhou manufacturing facility became operational in late 2012 and early 2013 respectively. Additionally, in December 2012 we purchased a manufacturing facility in Winston-Salem, North Carolina, which will allow us to further increase the self -manufacturing of the Company's top selling products for worldwide export and is expected to be operational in mid-2014.

Scalable Business Model

Our business model enables us to grow our business with moderate investment in our infrastructure and fixed costs. We require no Company-employed sales force to market and sell our products. We incur no direct incremental cost to add a new Member in our existing markets, and our Member compensation varies directly with sales. In addition, our Members bear the majority of our consumer marketing expenses, and sales leaders sponsor and coordinate a large share of Member recruiting and training initiatives. Furthermore, we can readily increase production and distribution of our products as a result of having both our own manufacturing facilities and numerous third party manufacturing relationships, as well as our global footprint of in-house distribution centers.

Geographic Diversification

We have expanded our network marketing organization into 91 countries as of December 31, 2013. While sales within our local markets may fluctuate due to economic, market and regulatory conditions, competitive pressures, political and social instability or for Company-specific reasons, we believe that our geographic diversity mitigates our exposure to any one particular market. We opened three new markets during 2013 and our strategic plan includes opening new markets during 2014. New markets opened in 2013 accounted for less than 0.1% of net sales in 2013.

Our Science and our Products

We are committed to providing our Members with high-quality, science-based products to help them increase consumption and the retailing of our products, and if relevant, the recruiting and retention of their sales organization. We believe this can be best accomplished in part by introducing new products and by upgrading, reformulating and repackaging existing product lines. Our internal team of scientists and product developers collaborate with both our Nutrition Advisory Board and key ingredient suppliers to formulate, review and evaluate new product ideas. Once a particular market opportunity has been identified, our scientists along with our marketing and sales teams work closely with Member leadership to successfully develop and launch the product.

We believe our focus on nutrition and botanical science and our efforts at combining our internal efforts with the scientific expertise of outside resources that include our ingredient suppliers as well as our Nutrition Advisory Board and the resources of the UCLA Lab for Human Nutrition discussed below have resulted in product differentiation that has given our Members and consumers increased confidence in our products.

The Company continues to increase its investments in the areas of science and other technical functions including: research and development associated with creating new product formulations, clinical studies of

existing products or products in development, technical operations to improve current product formulations, quality assurance and quality control to establish the appropriate quality systems, controls and standards as well as rigorous ingredient and product testing to ensure compliance with regulatory requirements, as well as in the areas of regulatory and scientific affairs. Globally we spent approximately $51 million in 2013 on these activities, excluding any royalty fees associated with our products, which included approximately $2 million of research and development spending.

In 2010, we launched the Herbalife Nutrition Institute. The Institute is an informational resource dedicated to promoting excellence in the field of nutrition. The Institute's website is our primary communication vehicle, and an educational resource for the general public, government agencies, the scientific community, and our Members, about good nutrition and basic health. Its mission is to encourage and support research and education on the relationship between good health, balanced nutrition and a healthy active lifestyle. In addition to providing research and education on the website and through sponsored conferences and symposia, the Institute will have associations with major nutrition science organizations.

Part of the Herbalife Nutrition Institute is the Company's Nutrition Advisory Board. The Nutrition Advisory Board is comprised of leading experts around the world in the fields of nutrition and health who educate our Members on the principles of nutrition, physical activity and healthy lifestyle. The Institute and the Nutrition Advisory Board are chaired by David Heber, M.D., Ph.D., Founding Director of the Center for Human Nutrition at the University of California, Los Angeles (UCLA).

We believe that it is important to maintain our relationships with members of our Nutrition Advisory Board and the editorial board of the Herbalife Nutrition Institute by recognizing the time and effort that they expend on our behalf. Each member of our Nutrition Advisory Board, other than Dr. Heber, generally receives approximately $20,000 annually, plus approximately $1,500 for every day that they participate in a Member event and approximately $500 for every day that they need to travel to such events. Members of the editorial board of the Herbalife Nutrition Institute are compensated for their time and efforts by receiving a $5,000 annual stipend, except Dr. Lou Ignarro. We do pay a consulting firm, with which Dr. Ignarro is affiliated, a royalty on sales of Niteworks®, certain "healthy heart" products, and other products that we may mutually designate in the future that are, in each case, sold with the aid of Dr. Ignarro's education and consulting, promotional or endorsement services, with such amounts totaling $3.4 million, $3.2 million, and $2.9 million, in 2013, 2012, and 2011, respectively. Generally, other than the equity awards granted in 2012, 2011, 2010 and 2005, Dr. Heber receives no direct compensation from us although we do reimburse him for travel expenses and we do pay to a firm, with which Dr. Heber is affiliated, a quarterly fixed royalty of $75,000. Both Dr. Heber and Dr. Ignarro are Emeritus Professors and are affiliated with Herbalife as individuals and not as representatives of UCLA. The University of California does not endorse specific products or services as a matter of policy. In addition, the other members of our Nutrition Advisory Board and the editorial board of the Herbalife Nutrition Institute are affiliated with Herbalife as individuals and not as representatives of their respective universities.

Herbalife has engaged universities in other countries throughout the world in clinical research including Germany, Mexico, Taiwan, and China. In addition, three research contracts were executed in the past for research at UCLA. We have also donated funds to the UCLA Center for Human Nutrition since 2002 with total donations of approximately $2.0 million. This amount includes donations of lab equipment and software to establish the Mark Hughes Laboratory for Cellular and Molecular Nutrition and the Mark Hughes Human Performance Laboratory. All donations were made for the unrestricted support of research and educational programs in the Center in diverse areas of human nutrition research including weight management, exercise physiology, fruit and vegetable bioactives, and botanical dietary supplements. In addition, we have made donations from time to time to UCLA to fund research and educational programs. While our direct relationship with UCLA involves clinical studies and research regarding botanical ingredients, we intend to take full advantage of the expertise at UCLA by committing to support research that will further our understanding of the benefits of phytochemicals. Additionally in 2010, we initiated a botanical identification program with UCLA which is intended to help with the operational activities in our quality labs in China and the U.S. and in our botanical extraction facility in Changsha, Hunan, China.

COMPETITION

The categories of weight management, nutrition and personal care products are very competitive in many channels including those of direct selling, the internet, in specialty retailers and the discounted channels of food, drug and mass merchandise. Herbalife has differentiated itself from the peer group through our Member focus on the consultative and education nature of the sales process and the frequent contact that many Members have with their customers. From a competitive stand point, there are many providers and sales outlets of weight management products including quick-service restaurants and specialty retailers, but we believe that none have effectively coupled the product, personal coaching and the product access provided by our daily consumption business methods such as nutrition clubs, weight loss challenges or fit camps.

We are subject to competition for the recruitment of Members from other network marketing organizations, including those that market weight management products, nutritional supplements and personal care products, as well as other types of products. Our ability to remain competitive depends on having relevant products that meet consumer needs, a rewarding compensation plan, and a financially viable company.

REGULATION

General

In both our United States and foreign markets, we are affected by extensive laws, governmental regulations, administrative determinations and guidance, court decisions and similar constraints. Such laws, regulations and other constraints exist at the federal, state or local levels in the United States and at all levels of government in foreign jurisdictions, including regulations pertaining to: (1) the formulation, manufacturing, packaging, labeling, distribution, importation, sale and storage of our products; (2) product claims and advertising, including direct claims and advertising by us, as well as claims and advertising by Members, for which we may be held responsible; (3) our network marketing program; (4) transfer pricing and similar regulations that affect the level of U.S. and foreign taxable income and customs duties; (5) taxation of our Members (which in some instances may impose an obligation on us to collect the taxes and maintain appropriate records); and (6) currency exchange and repatriation.

Products

In the United States, the formulation, manufacturing, packaging, holding, labeling, promotion, advertising, distribution and sale of our products are subject to regulation by various governmental agencies, including (1) the Food and Drug Administration, or FDA, (2) the Federal Trade Commission, or FTC, (3) the Consumer Product Safety Commission, or CPSC, (4) the United States Department of Agriculture, or USDA, (5) the Environmental Protection Agency, or EPA, (6) the United States Postal Service, (7) United States Customs and Border Patrol, and (8) the Drug Enforcement Administration. Our activities also are regulated by various agencies of the states, localities and foreign countries in which our products are manufactured, distributed or sold. The FDA, in particular, regulates the formulation, manufacture and labeling of over-the-counter, or OTC, drugs, conventional foods, dietary supplements, and cosmetics such as those distributed by us. The majority of the products marketed by us in the United States are classified as conventional foods or dietary supplements under the FFDCA. Internationally, the majority of products marketed by us are classified as foods, health supplements or food supplements.

FDA regulations require us and our contract manufacturers to meet relevant current good manufacturing practice, or cGMP, regulations for the preparation, packaging, holding, and distribution of foods, dietary supplements and OTC drugs. Herbalife has regularly implemented enhancements, modifications and improvements to our manufacturing and corporate quality processes and believes we and our contract manufacturers are compliant with the FDA's cGMP regulations with respect to dietary supplements, foods (including acidified foods), and OTC drugs sold by Herbalife in the United States. Herbalife recently enhanced its manufacturing facility and processes for its aloe beverages to conform to FDA's acidified food processing regulations. This effort, as well as ongoing cGMP enhancements throughout its facilities, have resulted in additional costs. See

item 1A — *Risk Factors* for further discussion regarding the promulgated cGMP regulations. If we were to be found not in compliance with cGMP regulations, it could have a material adverse effect on our results of operations and financial statements.

Most OTC drugs are subject to FDA Monographs that establish labeling and composition requirements for these products. Those of our products which are classified as OTC drugs must comply with these Monographs, and our manufacturers must list all products with the FDA and follow cGMP rules applicable to those products. Our cosmetic products are regulated for safety by the FDA, which requires that ingredients meet industry standards for non-allergenicity and non-toxicity. Performance claims for cosmetics may not be "therapeutic."

The U.S. Dietary Supplement Health and Education Act of 1994, or DSHEA, revised the provisions of the Federal Food, Drug and Cosmetic Act, or FFDCA, concerning the composition and labeling of dietary supplements and, we believe, the revisions are generally favorable to the dietary supplement industry. The legislation created a new statutory class of dietary supplements. This new class includes vitamins, minerals, herbs, amino acids and other dietary substances for human use to supplement the diet, and the legislation grandfathers, with some limitations, dietary ingredients that were on the market before October 15, 1994. A dietary supplement that contains a dietary ingredient that was not on the market before October 15, 1994, or has been approved by FDA for use in dietary supplements, will require a "new dietary ingredient" notification to FDA with evidence of a history of use or other evidence of safety establishing that it is reasonably expected to be safe, unless it qualifies for an exception to this notification requirement. During July 2011, the FDA issued a New Dietary Ingredient Notification Draft Guidance, or the draft Guidance. During December 2012, following consultation with stakeholders, the FDA indicated it intends to revise the draft Guidance. Depending on the form of any final Guidance issued by the FDA on the use of New Dietary Ingredients, the Company may be required to develop evidence that ingredients used in our products actually qualify for so-called "grandfather" status, develop evidence that they are otherwise exempt from the notification requirement, and/or submit one or more new dietary ingredient notifications. The Company may also elect to develop new formulations in order to avoid use of any non-grandfathered ingredients.

Under DSHEA, dietary supplement labeling may bear structure or function claims, which are claims that the products affect the structure or function of the body, without prior FDA approval, but with notification to the FDA. They may not bear a claim that they can prevent, treat, cure, mitigate or diagnose disease (a disease claim). FDA's regulations describe how the FDA distinguishes disease claims from structure/function claims. During 2004, the FDA issued guidance, paralleling an earlier guidance from the FTC, defining a manufacturer's obligations to substantiate structure/function claims. In addition, the agency permits companies to use FDA-approved full and qualified health claims for products containing specific ingredients that meet stated requirements.

As a marketer of dietary and nutritional supplements and other products that are ingested by consumers, we are subject to the risk that one or more of the ingredients in our products may become the subject of regulatory action. There are significant negative national media reports regarding dietary supplement oversight and safety, some of which are calling for the repeal or amendment of DSHEA. We have been advised that DSHEA opponents in Congress may use this anti-DSHEA momentum to advance new legislation during the 113th Congress to amend or repeal DSHEA or to regulate specific product types or the use of specific ingredients. If this should occur we believe that the DSHEA opponents may propose one or more of the following: (1) premarket approval for safety and effectiveness of dietary ingredients; (2) specific premarket review of dietary ingredient stimulants; (3) reversal of the burden of proof standard which now rests on the FDA; and (4) a redefining of "dietary ingredient" to remove either botanicals or selected classes of ingredients now treated as dietary ingredients.

On December 22, 2007, a law went into effect in the United States mandating the reporting of all serious adverse events occurring within the United States which involve dietary supplements or OTC drugs. We believe that we are in full compliance with this law having implemented a worldwide procedure governing adverse event identification, investigation and reporting which is managed by our Global Product Science, Safety and Compliance department in collaboration with Worldwide Regulatory, Government & Industry Affairs department, and our Distributor Relations Call Centers. As a result of our receipt of adverse event reports, we may from time to time elect, or be required, to remove a product from a market, either temporarily or permanently.

On June 25, 2007, the FDA published its final rule regulating current good manufacturing practice, or cGMP, for dietary supplements. This final rule became effective on August 24, 2007. The final rule imposes requirements on the manufacture, packaging, labeling, holding, and distribution of dietary supplement products. For example, it requires that companies establish written procedures governing areas such as: (1) personnel, (2) plant and equipment cleanliness, (3) production controls, (4) laboratory operations, (5) packaging and labeling, (6) distribution, (7) product returns, and (8) complaint handling. The FDA also requires identity testing of all incoming dietary ingredients unless a company successfully petitions for an exemption from this testing requirement in accordance with the regulations. The cGMPs are designed to ensure that dietary supplements and dietary ingredients are not adulterated with contaminants or impurities, and are labeled to accurately reflect the active ingredients and other ingredients in the products. Compliance with this rule has resulted in additional costs. See Item 1A — *Risk Factors* for further discussion regarding the promulgated cGMP regulations.

Some of the products marketed by us are considered conventional foods and are currently labeled as such. Within the United States, this category of products is subject to the Nutrition, Labeling and Education Act, or NLEA, and regulations promulgated under the NLEA. The NLEA regulates health claims, ingredient labeling and nutrient content claims characterizing the level of a nutrient in the product. The ingredients added to conventional foods must either be generally recognized as safe by experts, or GRAS, or be approved as food additives under FDA regulations.

The Food Safety Modernization Act (FSMA), enacted in 2011, for which FDA is promulgating rules, is also applicable to some of Herbalife's business and will require the development of a food safety plan and the implementation of preventative measures to protect against food contamination. Dietary supplements manufactured in accordance with GMPs, and foods manufactured in accordance with the low acid food regulations, are exempt.

In foreign markets, prior to commencing operations and prior to making or permitting sales of our products in the market, we may be required to obtain an approval, license or certification from the relevant country's ministry of health or comparable agency. Where a formal approval, license or certification is not required, we nonetheless seek the advice of counsel regarding our compliance with applicable laws. Prior to entering a new market in which a formal approval, license or certificate is required, we work extensively with local authorities in order to obtain the requisite approvals. The approval process generally requires us to present each product and product ingredient to appropriate regulators and, in some instances, arrange for testing of products by local technicians for ingredient analysis. The approvals may be conditioned on reformulation of our products, or may be unavailable with respect to some products or some ingredients. Product reformulation or the inability to introduce some products or ingredients into a particular market may have an adverse effect on sales. We must also comply with product labeling and packaging regulations that vary from country to country. Our failure to comply with these regulations can result in a product being removed from sale in a particular market, either temporarily or permanently.

The FTC, which exercises jurisdiction over the advertising of all of our products in the United States, has in the past several years instituted enforcement actions against several dietary supplement and food companies and against manufacturers of weight loss products generally for false and misleading advertising of some of their products. In addition, the FTC has increased its scrutiny of the use of testimonials, which we also utilize, as well as the role of expert endorsers and product clinical studies. Although we have not been the target of FTC enforcement action for the advertising of our products, we cannot be sure that the FTC, or comparable foreign agencies, will not question our advertising or other operations in the future. It is unclear whether the FTC will subject our advertisements to increased surveillance to ensure compliance with the principles set forth in its published advertising guidance.

In Europe, where an EU Health Claim regulation is in effect, the European Food Safety Authority, or EFSA, issued opinions following its review of a number of proposed claims dossiers. ESFA's opinions, which have been accepted by the European Commission, are having a limiting effect on the use of certain nutrition-specific claims made for our products. Herbalife is currently revising affected product labels to ensure regulatory compliance.

Until all modified labels are in the marketplace, there is the possibility that one or more EU Member States could take enforcement action.

In some countries, regulations applicable to the activities of our Members also may affect our business because in some countries we are, or regulators may assert that we are, responsible for our Members' conduct. In these countries, regulators may request or require that we take steps to ensure that our Members comply with local regulations. The types of regulated conduct include: (1) representations concerning our products; (2) income representations made by us and/or Members; (3) public media advertisements, which in foreign markets may require prior approval by regulators; (4) sales of products in markets in which the products have not been approved, licensed or certified for sale; and (5) classification by government agencies of our Members as employees of the Company.

In some markets, it is possible that improper product claims by Members could result in our products being reviewed by regulatory authorities and, as a result, being classified or placed into another category as to which stricter regulations are applicable. In addition, we might be required to make labeling changes.

We are unable to predict the nature of any future laws, regulations, interpretations or applications, nor can we predict what effect additional governmental regulations or administrative orders, when and if promulgated, would have on our business in the future. They could, however, require: (1) the reformulation of some products not capable of being reformulated; (2) imposition of additional record keeping requirements; (3) expanded documentation of the properties of some products; (4) expanded or different labeling; (5) additional scientific substantiation regarding product ingredients, safety or usefulness; and/or (6) additional Member compliance surveillance and enforcement action by us. Any or all of these requirements could have a material adverse effect on our results of operations and financial condition.

We are subject to a permanent injunction issued in October 1986 pursuant to the settlement of an action instituted by the California Attorney General, the State Health Director and the Santa Cruz County District Attorney. We consented to the entry of this injunction without in any way admitting the allegations of the complaint. The injunction prevents us from making specified claims in advertising of our products, but does not prevent us from continuing to make specified claims concerning our products, provided that we have a reasonable basis for making the claims. The injunction also prohibits certain recruiting-related investments from Members and mandates that payments to Members be premised on retail sales (as defined); the injunction provides that the Company may establish a system to verify or document such compliance.

Network Marketing Program

Our network marketing program is subject to a number of federal and state regulations administered by the FTC and various state agencies as well as regulations in foreign markets administered by foreign agencies. Regulations applicable to network marketing organizations generally are directed at ensuring that product sales ultimately are made to consumers and that advancement within our organization is based on sales of the organization's products rather than investments in the organization or other non-retail sales related criteria. For instance, in some markets, there are limits on the extent to which Members may earn royalty overrides on sales generated by Members that were not directly sponsored by the Member. When required by law, we obtain regulatory approval of our network marketing program or, when this approval is not required, the favorable opinion of local counsel as to regulatory compliance. Nevertheless, we remain subject to the risk that, in one or more markets, our marketing system could be found not to be in compliance with applicable regulations. Failure by us to comply with these regulations could have a material adverse effect on our business in a particular market or in general.

The FTC has approved revisions to its Guides Concerning the Use of Endorsements and Testimonials in Advertising, or Guides, which became effective on December 1, 2009. Although the Guides are not binding, they explain how the FTC interprets Section 5 of the FTC Act's prohibition on unfair or deceptive acts or practices. Consequently, the FTC could bring a Section 5 enforcement action based on practices that are inconsistent with

the Guides. Under the revised Guides, advertisements that feature a consumer and convey his or her atypical experience with a product or service are required to clearly disclose the results that consumers can generally expect. In contrast to the 1980 version of the Guides, which allowed advertisers to describe atypical results in a testimonial as long as they included a disclaimer such as "results not typical", the revised Guides no longer contain such a safe harbor. The revised Guides also add new examples to illustrate the long-standing principle that "material connections" between advertisers and endorsers (such as payments or free products), connections that consumers might not expect, must be disclosed. Herbalife has adapted its practices and rules regarding the practices of its Members to comply with the revised Guides. However, it is possible that our use, and that of our Members, of testimonials in the advertising and promotion of our products, including but not limited to our weight management products and of our income opportunity will be significantly impacted and therefore might negatively impact our sales.

We also are subject to the risk of private party challenges to the legality of our network marketing program. For example, in*Webster v. Omnitrition International, Inc.*, 79 F.3d 776 (9th Cir. 1996), the multi-level marketing program of Omnitrition International, Inc., or Omnitrition, was challenged in a class action by Omnitrition distributors who alleged that it was operating an illegal "pyramid scheme" in violation of federal and state laws. We believe that our network marketing program satisfies federal and other applicable statutes and case law.

Some multi-level marketing programs of other companies have been successfully challenged in the past, while other challenges to multi-level marketing programs of other companies have been defeated. In 2004, Test Ankoop-Test Achat, a Belgian consumer protection organization, sued Herbalife International Belgium, S.V., or HIB, challenging the legality of our network marketing program in Belgium. On November 23, 2011, the Brussels Commercial Court rendered a judgment that HIB was in violation of the Belgian law on Unfair Commercial Practices by establishing, operating or promoting a pyramid scheme where a consumer gives consideration for the opportunity to receive compensation that is derived primarily from the introduction of other consumers into the scheme rather than from the sale or consumption of products. We believed the trial court's judgment was flawed legally and factually and on March 8, 2012 HIB filed an appeal of the judgment with the Court of Appeal of Brussels. Nonetheless, the Company implemented various relatively minor clarifications and changes which we believe are consistent with the trial court's ruling pending the appeal procedure. On December 2, 2013, the Court of Appeal rendered a judgment reversing the Commercial Court's decision and rejected the claim of Test Ankoop in its entirety. Although Test Ankoop could appeal the decision of the Court of Appeal until March 31, 2014, we are unaware that an appeal has been filed.

It is an ongoing part of our business to monitor and respond to regulatory and legal developments, including those that may affect our network marketing program. However, the regulatory requirements concerning network marketing programs do not include bright line rules and are inherently fact-based. An adverse judicial determination with respect to our network marketing program could have a material adverse effect to our financial condition and operating results. An adverse determination could: (1) require us to make modifications to our network marketing program, (2) result in negative publicity or (3) have a negative impact on Member morale. In addition, adverse rulings by courts in any proceedings challenging the legality of multi-level marketing systems, even in those not involving us directly, could have a material adverse effect on our operations.

As has been reported in the national media, a hedge fund manager publicly raised allegations regarding the legality of our network marketing program. We believe, based in part upon prior guidance to the general public from the FTC, that our network marketing program is compliant with applicable law.

Transfer Pricing and Similar Regulations

In many countries, including the United States, we are subject to transfer pricing and other tax regulations designed to ensure that appropriate levels of income are reported as earned by our U.S. or local entities and are taxed accordingly. In addition, our operations are subject to regulations designed to ensure that appropriate levels of customs duties are assessed on the importation of our products.

Although we believe that we are in substantial compliance with all applicable regulations and restrictions, we are subject to the risk that governmental authorities could audit our transfer pricing and related practices and assert that additional taxes are owed. For example, we are currently subject to pending or proposed audits that are at various levels of review, assessment or appeal in a number of jurisdictions involving transfer pricing issues, income taxes, duties, value added taxes, withholding taxes and related interest and penalties in material amounts. In some circumstances, additional taxes, interest and penalties have been assessed, and we will be required to appeal or litigate to reverse the assessments. We have taken advice from our tax advisors and believe that there are substantial defenses to the allegations that additional taxes are owed, and we are vigorously defending against the imposition of additional proposed taxes. The ultimate resolution of these matters may take several years, and the outcome is uncertain.

In the event that the audits or assessments are concluded adversely to us, we may or may not be able to offset or mitigate the consolidated effect of foreign income tax assessments through the use of U.S. foreign tax credits. Because the laws and regulations governing U.S. foreign tax credits are complex and subject to periodic legislative amendment, we cannot be sure that we would in fact be able to take advantage of any foreign tax credits in the future.

Other Regulations

We also are subject to a variety of other regulations in various foreign markets, including regulations pertaining to social security assessments, employment and severance pay requirements, import/export regulations and antitrust issues. As an example, in many markets, we are substantially restricted in the amount and types of rules and termination criteria that we can impose on Members without having to pay social security assessments on behalf of the Members and without incurring severance obligations to terminated Members. In some countries, we may be subject to these obligations in any event.

Our failure to comply with these regulations could have a material adverse effect on our business in a particular market or in general. Assertions that we failed to comply with regulations or the effect of adverse regulations in one market could adversely affect us in other markets as well by causing increased regulatory scrutiny in those other markets or as a result of the negative publicity generated in those other markets.

Compliance Procedures

As indicated above, Herbalife, our products and our network marketing program are subject, both directly and indirectly through Members' conduct, to numerous federal, state and local regulations, both in the United States and foreign markets. Beginning in 1985, we began to institute formal regulatory compliance measures by developing a system to identify specific complaints against Members and to remedy any violations of Herbalife's rules by Members through appropriate sanctions, including warnings, suspensions and, when necessary, terminations. In our manuals, seminars and other training programs and materials, we emphasize that Members are prohibited from making therapeutic claims for our products.

Our general policy regarding acceptance of Member applications from individuals who do not reside in one of our markets is to refuse to accept the individual's Member application.

In order to comply with regulations that apply to both us and our Members, we conduct considerable research into the applicable regulatory framework prior to entering any new market to identify all necessary licenses and approvals and applicable limitations on our operations in that market. Typically, we conduct this research with the assistance of local legal counsel and other representatives. We devote substantial resources to obtaining the necessary licenses and approvals and bringing our operations into compliance with the applicable limitations. We also research laws applicable to Member operations and revise or alter our Member manuals and other training materials and programs to provide Members with guidelines for operating a business, marketing and distributing our products and similar matters, as required by applicable regulations in each market. We are, however, unable to monitor our sales leaders and Members effectively to ensure that they refrain from distributing our products in countries where we have not commenced operations, and we do not devote significant resources to this type of monitoring.

In addition, regulations in existing and new markets often are ambiguous and subject to considerable interpretive and enforcement discretion by the responsible regulators. Moreover, even when we believe that we and our Members are initially in compliance with all applicable regulations, new regulations regularly are being added and the interpretation of existing regulations is subject to change. Further, the content and impact of regulations to which we are subject may be influenced by public attention directed at us, our products or our network marketing program, so that extensive adverse publicity about us, our products or our network marketing program may result in increased regulatory scrutiny.

It is an ongoing part of our business to anticipate and respond to new and changing regulations and to make corresponding changes in our operations to the extent practicable. Although we devote considerable resources to maintaining our compliance with regulatory constraints in each of our markets, we cannot be sure that (1) we would be found to be in full compliance with applicable regulations in all of our markets at any given time or (2) the regulatory authorities in one or more markets will not assert, either retroactively or prospectively or both, that our operations are not in full compliance. These assertions or the effect of adverse regulations in one market could negatively affect us in other markets as well by causing increased regulatory scrutiny in those other markets or as a result of the negative publicity generated in those other markets. These assertions could have a material adverse effect on us in a particular market or in general. Furthermore, depending upon the severity of regulatory changes in a particular market and the changes in our operations that would be necessitated to maintain compliance, these changes could result in our experiencing a material reduction in sales in the market or determining to exit the market altogether. In this event, we would attempt to devote the resources previously devoted to such market to a new market or markets or other existing markets. However, we cannot be sure that this transition would not have an adverse effect on our business and results of operations either in the short or long-term.

Trademarks and Proprietary Formulas

We use the umbrella trademarks Herbalife® and the Tri-Leaf design worldwide, and protect several other trademarks and trade names related to our products and operations, such as *Niteworks*® and *Liftoff*®. Our trademark registrations are issued through the United States Patent and Trademark Office, or USPTO, and comparable agencies in the foreign countries. As of December 31, 2013, we currently have approximately 2,300 trademark registrations worldwide. We consider our trademarks and trade names to be an important factor in our business. We also take care in protecting the intellectual property rights of our proprietary formulas by restricting access to our formulas within the Company to those persons or departments that require access to them to perform their functions, and by requiring our finished goods-suppliers and consultants to execute supply and non-disclosure agreements that seek to contractually protect our intellectual property rights. Disclosure of these formulas, in redacted form, is also necessary to obtain sanitary registrations in many countries. We also make efforts to protect some unique formulations under patent law. We strive to protect all new product developments as the confidential trade secrets of the Company and its inventor employees. However, despite our efforts, we may be unable to prevent third parties from infringing upon or misappropriating our proprietary rights.

Executive Officers of the Registrant

The table sets forth certain information regarding each person who serves as an executive officer of the Company.

Name	Age	Position with the Company
Michael O. Johnson	59	Chief Executive Officer, Director, Chairman of the Board
Desmond Walsh	56	President
Richard Goudis	52	Chief Operating Officer
Brett R. Chapman	58	Chief Legal Officer and Corporate Secretary
John G. DeSimone	47	Chief Financial Officer

Michael O. Johnson is Chairman and Chief Executive Officer of the Company. Mr. Johnson joined the Company in April 2003 as Chief Executive Officer and became Chairman of the Board in May 2007. Before joining the Company Mr. Johnson spent 17 years with The Walt Disney Company, where he most recently served as President of Walt Disney International, and also served as President of Asia Pacific for The Walt Disney Company and President of Buena Vista Home Entertainment. Mr. Johnson has also previously served as a publisher of *Audio Times* magazine, and has directed the regional sales efforts of Warner Amex Satellite Entertainment Company for three of its television channels, including MTV, Nickelodeon and The Movie Channel. Mr. Johnson formerly served as a director of Univision Communications, Inc., a television company serving Spanish-speaking Americans, and served on the Board of Regents for Loyola High School of Los Angeles. Mr. Johnson received his Bachelor of Arts in Political Science from Western State College.

Desmond Walsh is the President of the Company and has held this position since January 2010. Mr. Walsh joined the Company in January 2004 as Senior Vice President, Worldwide Distributor Sales and was promoted to Executive Vice President for Worldwide Operations and Sales in April 2008. From 2001 to 2004, Mr. Walsh served as the Senior Vice President of the commercial division of DMX Music. Prior to DMX Music, Mr. Walsh spent five years as Vice President and General Manager of Supercomm, Inc., a subsidiary of the Walt Disney Company. Mr. Walsh also previously served in management positions at MovieQuik Systems, a division of The Southland Corporation (now 7-Eleven) and at Commtron Corporation, a leading consumer electronics and video distribution company. Mr. Walsh received his Bachelor of Laws degree from the University of London.

Richard Goudis is Chief Operating Officer of the Company and has held this position since January 2010. Mr. Goudis joined the Company in June 2004 as Chief Financial Officer after serving as the Chief Operating Officer of Rexall Sundown, a Nasdaq 100 company that was sold to Royal Numico in 2000, from 1998 to 2001. After the sale to Royal Numico, Mr. Goudis had operations responsibility for all of Royal Numico's U.S. investments, including General Nutrition Centers, or GNC, Unicity International and Rexall Sundown. From 2002 to May 2004, Mr. Goudis was a partner at Flamingo Capital Partners, a firm he founded in 2002. Mr. Goudis also previously worked at Sunbeam Corporation and Pratt & Whitney. Mr. Goudis graduated from the University of Massachusetts with a degree in Accounting and he received his MBA from Nova Southeastern University.

Brett R. Chapman is Chief Legal Officer and Corporate Secretary of the Company and has held these positions since November 2012 and October 2003, respectively. Before joining the Company in October 2003 as General Counsel and Corporate Secretary, Mr. Chapman spent thirteen years at The Walt Disney Company, most recently as its Senior Vice President and Deputy General Counsel, with responsibility for all legal matters relating to Disney's Media Networks Group, including the ABC Television Network, the company's cable properties including The Disney Channel and ESPN, and Disney's radio and internet businesses. Prior to working at The Walt Disney Company, Mr. Chapman was an associate at the law firm of Skadden, Arps, Slate, Meagher & Flom LLP. Mr. Chapman received his Bachelor of Science and Master of Science in Business Administration from California State University, Northridge and his Juris Doctorate from Southwestern University School of Law.

John G. DeSimone is Chief Financial Officer of the Company and has held this position since January 2010. Mr. DeSimone joined the Company in November 2007 as Senior Vice President — Finance and was promoted to the position of Senior Vice President — Finance & Distributor Operations in December 2008. From June 2004 through October 2007, Mr. DeSimone served as the Chief Executive Officer of Mobile Ventures, LLC (formerly known as Autoware, Inc.), an automotive aftermarket accessory distributor and retailer. Prior to working at Mobile Ventures, LLC, Mr. DeSimone previously served as the Controller, Vice President of Finance and Chief Financial Officer of Rexall Sundown, Inc., a multinational manufacturer and distributor of nutritional supplements and sports nutrition products that was publicly traded while Mr. DeSimone served as its Controller and Vice President of Finance. Mr. DeSimone received his Bachelor of Science in Business Administration from Bryant College (now known as Bryant University).

Employees

As of December 31, 2013, we had approximately 7,000 employees of which approximately 1,700 were located in the United States. These numbers do not include our Members, who are independent contractors. Except for some employees in Mexico and in certain European countries, none of our employees are members of any labor union, and we have never experienced any business interruption as a result of any labor disputes.

Available Information

Our Internet website address is *www.Herbalife.com.* We make available free of charge on our website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, as soon as reasonably practical after we file such material with, or furnish it to, the Securities and Exchange Commission, or SEC. This information is also available in print to any shareholder who requests it, with any such requests addressed to Investor Relations, 800 West Olympic Blvd., Suite 406, Los Angeles, CA 90015. Certain of these documents may also be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet website that contains reports, and other information regarding issuers that file electronically with the SEC at *www.sec.gov.* We also make available free of charge on our website our Corporate Governance Guidelines, our Code of Business Conduct and Ethics, and the Charters of our Audit Committee, Nominating and Corporate Governance, and Compensation Committee of our Board of Directors.

Item 1A. *RISK FACTORS*

Risks Related to Us and Our Business

The worldwide financial and economic environment could negatively impact our access to credit and the sales of our products and could harm our financial condition and operating results.

We are closely monitoring various aspects of the current worldwide financial and economic "crisis" and its potential impact on us, our liquidity, our access to capital, our operations and our overall financial condition. While we have historically met our funding needs utilizing cash flow from operating activities and while we believe we will have sufficient resources to meet current debt service obligations in a timely manner, no assurances can be given that the current overall downturn in the world economy will not significantly adversely impact us and our business operations. We note economic and financial markets are fluid and we cannot ensure that there will not be in the near future a material adverse deterioration in our sales or liquidity. While our current senior secured variable credit facility can also be used to support our current liquidity requirements, increases in interest rates could negatively affect the cost of financing our operations if our future borrowings were to increase.

Our failure to establish and maintain Member relationships for any reason could negatively impact sales of our products and harm our financial condition and operating results.

We distribute our products exclusively to and through approximately 3.7 million independent Members, including 0.2 million in China, and we depend upon them directly for substantially all of our sales. To increase our revenue, we must increase the number of, or the productivity of, our Members. Accordingly, our success depends in significant part upon our ability to recruit, retain and motivate a large base of Members. The loss of a significant number of Members for any reason could negatively impact sales of our products and could impair our ability to attract new Members. In our efforts to attract and retain Members, we compete with other network marketing organizations, including those in the weight management, dietary and nutritional supplement and personal care and cosmetic product industries. Our operating results could be harmed if our existing and new business opportunities and products do not generate sufficient interest to retain existing Members and attract new Members.

Our Member organization has a high turnover rate, which is a common characteristic found in the direct selling industry. In light of this fact, we have our sales leaders re-qualify annually in order to maintain a more accurate

count of their numbers. For the latest twelve month re-qualification period ending January 2014, approximately 51.8% of our sales leaders, excluding China and temporarily Venezuela, re-qualified. Members who purchase our product for personal consumption or for short-term income goals may stay with us for several months to one year. Sales leaders who have committed time and effort to build a sales organization will generally stay for longer periods. Members have highly variable levels of training, skills and capabilities. The turnover rate of our Members, and our operating results, can be adversely impacted if we, and our senior Member leadership, do not provide the necessary mentoring, training and business support tools for new Members to become successful sales people.

We estimate that, of our approximately 3.7 million independent Members, we had approximately 672,000 sales leaders as of December 31, 2013. These sales leaders, together with their downline sales organizations, account for substantially all of our revenues. Our Members, including our sales leaders, may voluntarily terminate their Member agreements with us at any time. The loss of a group of leading sales leaders, together with their downline sales organizations, or the loss of a significant number of Members for any reason, could negatively impact sales of our products, impair our ability to attract new Members and harm our financial condition and operating results.

Since we cannot exert the same level of influence or control over our independent Members as we could were they our own employees, our Members could fail to comply with applicable law or our Member policies and procedures, which could result in claims against us that could harm our financial condition and operating results.

Our Members are independent contractors and, accordingly, we are not in a position to directly provide the same direction, motivation and oversight as we would if Members were our own employees. As a result, there can be no assurance that our Members will participate in our marketing strategies or plans, accept our introduction of new products, or comply with our Members policies and procedures.

Extensive federal, state and local laws regulate our business, products and network marketing program. Because we have expanded into foreign countries, our policies and procedures for our independent Members differ due to the different legal requirements of each country in which we do business. While we have implemented Member policies and procedures designed to govern Member conduct and to protect the goodwill associated with Herbalife trademarks and tradenames, it can be difficult to enforce these policies and procedures because of the large number of Members and their independent status. Violations by our independent Members of applicable law or of our policies and procedures in dealing with customers could reflect negatively on our products and operations and harm our business reputation. In addition, it is possible that a court could hold us civilly or criminally accountable based on vicarious liability because of the actions of our independent Members.

Adverse publicity associated with our products, ingredients or network marketing program, or those of similar companies, could harm our financial condition and operating results.

The size of our distribution force and the results of our operations may be significantly affected by the public's perception of the Company and similar companies. This perception is dependent upon opinions concerning:

- the safety and quality of our products and ingredients;
- the safety and quality of similar products and ingredients distributed by other companies;
- our Members;
- our network marketing program; and
- the direct selling business generally.

Adverse publicity concerning any actual or purported failure of our Company or our Members to comply with applicable laws and regulations regarding product claims and advertising, good manufacturing practices, the

regulation of our network marketing program, the licensing of our products for sale in our target markets or other aspects of our business, whether or not resulting in enforcement actions or the imposition of penalties, could have an adverse effect on the goodwill of our Company and could negatively affect our ability to attract, motivate and retain Members, which would negatively impact our ability to generate revenue. We cannot ensure that all of our Members will comply with applicable legal requirements relating to the advertising, labeling, licensing or distribution of our products.

In addition, our Members' and consumers' perception of the safety and quality of our products and ingredients as well as similar products and ingredients distributed by other companies can be significantly influenced by media attention, publicized scientific research or findings, widespread product liability claims and other publicity concerning our products or ingredients or similar products and ingredients distributed by other companies. For example, in May 2008 public allegations were made that certain of our products contain excessive amounts of lead thereby triggering disclosure and labeling requirements under California Proposition 65. Following an investigation, these allegations were publicly withdrawn by the allegations initiator. While we have confidence in our products because they fall within FDA suggested guidelines as well as applicable state regulations for the amount of lead that consumers can safely ingest and do not believe they trigger disclosure or labeling requirements under California Proposition 65, negative publicity such as this can disrupt our business. Adverse publicity, whether or not accurate or resulting from consumers' use or misuse of our products, that associates consumption of our products or ingredients or any similar products or ingredients with illness or other adverse effects, questions the benefits of our or similar products or claims that any such products are ineffective, inappropriately labeled or have inaccurate instructions as to their use, could lead to lawsuits or other legal challenges and could negatively impact our reputation, the market demand for our products, or our general business.

From time to time we receive inquiries from government agencies and third parties requesting information concerning our products. We fully cooperate with these inquiries including, when requested, by the submission of detailed technical dossiers addressing product composition, manufacturing, process control, quality assurance, and contaminant testing. Further, we periodically respond to requests from regulators for additional information regarding product-specific adverse events. We are confident in the safety of our products when used as directed. However, there can be no assurance that regulators in these or other markets will not take actions that might delay or prevent the introduction of new products, or require the reformulation or the temporary or permanent withdrawal of certain of our existing products from their markets.

Adverse publicity relating to us, our products or our operations, including our network marketing program or the attractiveness or viability of the financial opportunities provided thereby, has had, and could again have, a negative effect on our ability to attract, motivate and retain Members, and it could also affect our share price. In the mid-1980's, our products and marketing program became the subject of regulatory scrutiny in the United States, resulting in large part from claims and representations made about our products by our Members, including impermissible therapeutic claims. The resulting adverse publicity caused a rapid, substantial loss of Members in the United States and a corresponding reduction in sales beginning in 1985. In addition, in late 2012, a hedge fund manager publicly raised allegations regarding the legality of our network marketing program and announced that his fund had taken a significant short position regarding our common shares, leading to intense public scrutiny and governmental inquiries, and significant stock price volatility. We expect that negative publicity will, from time to time, continue to negatively impact our business in particular markets and may adversely affect our share price.

Our failure to appropriately respond to changing consumer preferences and demand for new products or product enhancements could significantly harm our Member and customer relationships and product sales and harm our financial condition and operating results.

Our business is subject to changing consumer trends and preferences, especially with respect to weight management products. Our continued success depends in part on our ability to anticipate and respond to these changes, and we may not respond in a timely or commercially appropriate manner to such changes. Furthermore, the nutritional supplement industry is characterized by rapid and frequent changes in demand for products and

new product introductions and enhancements. Our failure to accurately predict these trends could negatively impact consumer opinion of our products, which in turn could harm our customer and Member relationships and cause the loss of sales. The success of our new product offerings and enhancements depends upon a number of factors, including our ability to:

- accurately anticipate customer needs;
- innovate and develop new products or product enhancements that meet these needs;
- successfully commercialize new products or product enhancements in a timely manner;
- price our products competitively;
- manufacture and deliver our products in sufficient volumes and in a timely manner; and
- differentiate our product offerings from those of our competitors.

If we do not introduce new products or make enhancements to meet the changing needs of our customers in a timely manner, some of our products could be rendered obsolete, which could negatively impact our revenues, financial condition and operating results.

Due to the high level of competition in our industry, we might fail to retain our customers and Members, which would harm our financial condition and operating results.

The business of marketing weight management and nutrition products is highly competitive and sensitive to the introduction of new products or weight management plans, including various prescription drugs, which may rapidly capture a significant share of the market. These market segments include numerous manufacturers, distributors, marketers, retailers and physicians that actively compete for the business of consumers both in the United States and abroad. In addition, we anticipate that we will be subject to increasing competition in the future from sellers that utilize electronic commerce. Some of these competitors have longer operating histories, significantly greater financial, technical, product development, marketing and sales resources, greater name recognition, larger established customer bases and better-developed distribution channels than we do. Our present or future competitors may be able to develop products that are comparable or superior to those we offer, adapt more quickly than we do to new technologies, evolving industry trends and standards or customer requirements, or devote greater resources to the development, promotion and sale of their products than we do. For example, if our competitors develop other diet or weight management treatments that prove to be more effective than our products, demand for our products could be reduced. Accordingly, we may not be able to compete effectively in our markets and competition may intensify.

We are also subject to significant competition for the recruitment of Members from other network marketing organizations, including those that market weight management products, dietary and nutritional supplements and personal care products as well as other types of products. We compete for global customers and Members with regard to weight management, nutritional supplement and personal care products. Our competitors include both direct selling companies such as NuSkin Enterprises, Nature’s Sunshine, Alticor/Amway, Melaleuca, Avon Products, Oriflame, Omnilife, Tupperware and Mary Kay, as well as retail establishments such as Weight Watchers, Jenny Craig, General Nutrition Centers, Wal-Mart and retail pharmacies.

In addition, because the industry in which we operate is not particularly capital intensive or otherwise subject to high barriers to entry, it is relatively easy for new competitors to emerge who will compete with us for our Members and customers. In addition, the fact that our Members may easily enter and exit our network marketing program contributes to the level of competition that we face. For example, a Member can enter or exit our network marketing system with relative ease at any time without facing a significant investment or loss of capital because (1) we have a low upfront financial cost to become a Herbalife Member, (2) we do not require any specific amount of time to work as a Member, (3) we do not insist on any special training to be a Member and (4) we do not prohibit a new Member from working with another company. Our ability to remain

competitive therefore depends, in significant part, on our success in recruiting and retaining Members through an attractive compensation plan, the maintenance of an attractive product portfolio and other incentives. We cannot ensure that our programs for recruitment and retention of Members will be successful and if they are not, our financial condition and operating results would be harmed.

We are affected by extensive laws, governmental regulations, administrative determinations, court decisions and similar constraints both domestically and abroad, and our failure or our Members' failure to comply with these constraints could lead to the imposition of significant penalties or claims, which could harm our financial condition and operating results.

In both domestic and foreign markets, the formulation, manufacturing, packaging, labeling, distribution, advertising, importation, exportation, licensing, sale and storage of our products are affected by extensive laws, governmental regulations, administrative determinations, court decisions and similar constraints. Such laws, regulations and other constraints may exist at the federal, state or local levels in the United States and at all levels of government in foreign jurisdictions. There can be no assurance that we or our Members are in compliance with all of these regulations. Our failure or our Members' failure to comply with these regulations or new regulations could disrupt our Members' sale of our products, or lead to the imposition of significant penalties or claims and could negatively impact our business. In addition, the adoption of new regulations or changes in the interpretations of existing regulations may result in significant compliance costs or discontinuation of product sales and may negatively impact the marketing of our products, resulting in significant loss of sales revenues.

The FTC revised its Guides Concerning the Use of Endorsements and Testimonials in Advertising, or Guides, which became effective on December 1, 2009. Although the Guides are not binding, they explain how the FTC interprets Section 5 of the FTC Act's prohibition on unfair or deceptive acts or practices. Consequently, the FTC could bring a Section 5 enforcement action based on practices that are inconsistent with the Guides. Under the revised Guides, advertisements that feature a consumer and convey his or her atypical experience with a product or service are required to clearly disclose the results that consumers can generally expect. In contrast to the 1980 version of the Guides, which allowed advertisers to describe atypical results in a testimonial as long as they included a disclaimer such as "results not typical", the revised Guides no longer contain such a safe harbor. The revised Guides also add new examples to illustrate the long-standing principle that "material connections" between advertisers and endorsers (such as payments or free products), connections that consumers might not expect, must be disclosed. Herbalife has revised its marketing materials to be compliant with the revised Guides. However, it is possible that our use, and that of our Members, of testimonials in the advertising and promotion of our products, including but not limited to our weight management products and our income opportunity, will be significantly impacted and therefore might negatively impact our sales.

Governmental regulations in countries where we plan to commence or expand operations may prevent or delay entry into those markets. In addition, our ability to sustain satisfactory levels of sales in our markets is dependent in significant part on our ability to introduce additional products into such markets. However, governmental regulations in our markets, both domestic and international, can delay or prevent the introduction, or require the reformulation or withdrawal, of certain of our products. Any such regulatory action, whether or not it results in a final determination adverse to us, could create negative publicity, with detrimental effects on the motivation and recruitment of Members and, consequently, on sales.

We are subject to FDA rules for current good manufacturing practices, or cGMPs, for the manufacture, packing, labeling and holding of dietary supplements distributed in the United States. Herbalife has implemented a comprehensive quality assurance program that is designed to maintain compliance with the cGMPs for dietary supplements manufactured by or on behalf of Herbalife for distribution in the United States. However, if Herbalife should be found not to be in compliance with cGMPs for the products it self-manufactures it could negatively impact our reputation and ability to sell our products even after any such situation had been rectified. Further, if contract manufacturers whose products bear Herbalife labels fail to comply with the cGMPs, this could negatively impact Herbalife's reputation and ability to sell its products even though Herbalife is not

directly liable under the cGMPs for such compliance. In complying with the dietary supplement cGMPs, we have experienced increases in production costs as a result of the necessary increase in testing of raw ingredients, work in process and finished products.

From time to time, the Company is subject to inquiries from and investigations by various governmental and other regulatory authorities with respect to the legality of the Company's network marketing program. To the extent any of these inquiries are or become material they will be disclosed as required by applicable securities laws. The Company believes it could receive additional inquiries. Consistent with its policies, the Company has cooperated and will fully cooperate with any such inquiries.

Our network marketing program could be found to be not in compliance with current or newly adopted laws or regulations in one or more markets, which could prevent us from conducting our business in these markets and harm our financial condition and operating results.

Our network marketing program is subject to a number of federal and state regulations administered by the FTC and various federal and state agencies in the United States as well as regulations on direct selling in foreign markets administered by foreign agencies. We are subject to the risk that, in one or more markets, our network marketing program could be found not to be in compliance with applicable law or regulations. Regulations applicable to network marketing organizations generally are directed at preventing fraudulent or deceptive schemes, often referred to as "pyramid" or "chain sales" schemes, by ensuring that product sales ultimately are made to consumers and that advancement within an organization is based on sales of the organization's products rather than investments in the organization or other non-retail sales-related criteria. The regulatory requirements concerning network marketing programs do not include "bright line" rules and are inherently fact-based and, thus, we are subject to the risk that these laws or regulations or the enforcement or interpretation of these laws and regulations by governmental agencies or courts can change. The ambiguity surrounding these laws can also affect the public perception of our company. Specifically, in late 2012, a hedge fund manager publicly raised allegations regarding the legality of our network marketing program and announced that his fund had taken a significant short position regarding our common shares, leading to intense public scrutiny and significant stock price volatility. The failure of our network marketing program to comply with current or newly adopted regulations could negatively impact our business in a particular market or in general and may adversely affect our share price.

We are also subject to the risk of private party challenges to the legality of our network marketing program. Some multi-level marketing programs of other companies have been successfully challenged in the past, while other challenges to multi-level marketing programs of other companies have been defeated. In 2004 Test Ankoop-Test Achat, a Belgian consumer protection organization, sued Herbalife International Belgium, S.V., or HIB, challenging the legality of our network marketing program in Belgium. On November 23, 2011, the Brussels Commercial Court rendered a judgment that HIB is in violation of the Belgian law on Unfair Commercial Practices by establishing, operating or promoting a pyramid scheme where a consumer gives consideration for the opportunity to receive compensation that is derived primarily from the introduction of other consumers into the scheme rather than from the sale or consumption of products. We believed the trial court's judgment was flawed legally and factually and on March 8, 2012 HIB filed an appeal of the judgment with the Court of Appeal of Brussels. Nonetheless, the Company implemented various relatively minor clarifications and changes which we believe are consistent with the trial court's ruling pending the appeal procedure. On December 2, 2013, the Court of Appeal rendered a judgment reversing the Commercial Court's decision and rejected the claim of Test Ankoop in its entirety. Although Test Ankoop could request the Supreme Court to review the legal issues underlying the judgment of the Court of Appeal until March 31, 2014, we are unaware that such a request for review has been filed. This or other adverse judicial determinations with respect to our network marketing program, or in proceedings not involving us directly but which challenge the legality of multi-level marketing systems, in Belgium or in any other market in which we operate, could negatively impact our business. Additionally, Herbalife has been named as a defendant in a purported class action lawsuit filed April 8, 2013 in the U.S. District Court for the Central District of California (*Bostick v. Herbalife International of America, Inc., et al)*challenging the legality of our network marketing program under various state and federal laws. On May 30, 2013, we filed a

motion to dismiss the lawsuit on a variety of grounds. On October 11, 2013, after plaintiff indicated his intention to dismiss certain claims brought under federal law, the Court denied our motion to dismiss the remaining state claims. We believe the suit is without merit and plan to defend the suit vigorously.

A substantial portion of our business is conducted in foreign markets, exposing us to the risks of trade or foreign exchange restrictions, increased tariffs, foreign currency fluctuations, disruptions or conflicts with our third party importers and similar risks associated with foreign operations.

Approximately 82% of our net sales for the year ended December 31, 2013, were generated outside the United States, exposing our business to risks associated with foreign operations. For example, a foreign government may impose trade or foreign exchange restrictions or increased tariffs, or otherwise limit or restrict our ability to import products into a country, any of which could negatively impact our operations. We are also exposed to risks associated with foreign currency fluctuations. For instance, purchases from suppliers are generally made in U.S. dollars while sales to Members are generally made in local currencies. Accordingly, strengthening of the U.S. dollar versus a foreign currency could have a negative impact on us. Although we engage in transactions to protect against risks associated with foreign currency fluctuations, we cannot be certain any hedging activity will effectively reduce our exchange rate exposure. Additionally we may be negatively impacted by conflicts with or disruptions caused or faced by our third party importers, as well as conflicts between such importers and local governments or regulating agencies. Our operations in some markets also may be adversely affected by political, economic and social instability in foreign countries. As we continue to focus on expanding our existing international operations, these and other risks associated with international operations may increase, which could harm our financial condition and operating results.

Currency restrictions enacted by the Venezuelan government have become more restrictive and have impacted the ability of our subsidiary in Venezuela, or Herbalife Venezuela, to obtain U.S. dollars in exchange for Venezuelan Bolivars, or Bolivars, at the official foreign exchange rate from the Venezuelan government and its foreign exchange commission, CADIVI. The application and approval processes have been intermittently delayed and the timing and ability to obtain U.S. dollars at the official exchange rates remains uncertain. In certain instances, we have made appropriate applications through CADIVI for approval to obtain U.S. dollars so that Herbalife Venezuela can pay for imported products and an annual dividend, at the official exchange rate. In recent instances we have been unsuccessful in obtaining U.S. dollars at the official rate and it remains uncertain whether our current pending applications and future anticipated applications will be approved. As an alternative exchange mechanism, in prior years, we have also participated in certain bond offerings from the Venezuelan government and from Petróleos de Venezuela, S.A. or PDVSA, a Venezuelan state-owned petroleum company, where we effectively purchased bonds with our Bolivars and then sold the bonds for U.S. dollars. In other instances, we have also used other alternative legal exchange mechanisms for currency exchanges, such as the legal parallel market mechanism which was discontinued in May 2010.

In June 2010, the Venezuelan government introduced additional regulations under a newly regulated system, SITME, which was controlled by the Central Bank of Venezuela. SITME provided a mechanism to exchange Bolivars into U.S. dollars through the purchase and sale of U.S. dollar denominated bonds issued in Venezuela. However, SITME was only available in certain limited circumstances. Specifically, SITME could only be used for product purchases and it was not available for other matters such as the payment of dividends. Also, SITME could only be used for amounts of up to $50,000 per day and $350,000 per month and was generally only available to the extent that the applicant had not exchanged and received U.S. dollars via the CADIVI process within the previous 90 days. While we currently plan to continue to import products into Venezuela and exchange Bolivars for U.S. dollars based on the exchange mechanisms prescribed by the Venezuelan government, if the current currency restrictions are not lifted or eased, our product supplies in the Venezuelan market may be limited and we may make changes to Herbalife Venezuela's operations each of which could negatively impact our business.

In February 2013, the Venezuela government announced it devalued its Bolivar currency and will eliminate the SITME regulated system. The SITME 5.3 Bolivars per U.S. dollar rate was eliminated and the CADIVI rate

has been devalued from 4.3 Bolivars to 6.3 Bolivars per U.S. dollar. This new CADIVI rate is approximately 16% less favorable than the previously published 5.3 SITME rate. We recognized approximately $15.1 million of net foreign exchange losses within our consolidated statements of income during the first quarter of 2013, as a result of remeasuring our Bolivar denominated monetary assets and liabilities at this new CADIVI rate of 6.3 Bolivars per U.S. dollar. See Note 2, *Basis of Presentation,* to the Consolidated Financial Statements included in Item 15 of Part IV of our 2013 Annual Report on Form 10-K for further information on the Bolivar devaluation.

If the foreign currency restrictions in Venezuela intensify or do not improve, we may be required to deconsolidate Herbalife Venezuela for U.S. GAAP purposes and would be subject to the risk of impairment. In addition, if foreign currency restrictions do not improve, we may have to use alternative legal exchange mechanisms which are significantly less favorable than the official rate which could cause the Company to incur significant foreign exchange losses. Due to the current political and economic environment in Venezuela, there is also a risk that there could be additional foreign currency devaluations. If any of these events were to occur, it could result in a significant negative impact to our consolidated earnings, cash and cash equivalents and present and future cash flows. See Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations,* within our 2013 Annual Report on Form 10-K, for a further discussion on Venezuela.

Our expansion in China is subject to general, as well as industry-specific, economic, political and legal developments and risks in China and requires that we utilize a different business model from that which we use elsewhere in the world.

Our expansion of operations into China is subject to risks and uncertainties related to general economic, political and legal developments in China, among other things. The Chinese government exercises significant control over the Chinese economy, including but not limited to controlling capital investments, allocating resources, setting monetary policy, controlling foreign exchange and monitoring foreign exchange rates, implementing and overseeing tax regulations, providing preferential treatment to certain industry segments or companies and issuing necessary licenses to conduct business. Accordingly, any adverse change in the Chinese economy, the Chinese legal system or Chinese governmental, economic or other policies could have a material adverse effect on our business in China and our prospects generally.

In 2005, China published regulations governing direct selling and prohibiting pyramid promotional schemes, and a number of administrative methods and proclamations were issued in 2005 and in 2006. These regulations require us to use a business model different from that which we offer in other markets. To allow us to operate under these regulations, we have created and introduced a model specifically for China. In China, we have Company-operated retail stores that can directly serve customers and preferred customers. We also have sales representatives who are permitted by the terms of our direct selling licenses to sell away from fixed retail locations in the provinces of Jiangsu, Guangdong, Shandong, Zhejiang, Guizhou, Beijing, Fujian, Sichuan, Hubei, Shanxi, Shanghai, Jiangxi, Liaoning, Jilin, Henan, Chongqing, Hebi, Shaanxi, Tianjin, Heilongjiang, Hunan, Guangxi, Hainan, Anhui and Yunnan.

We have also engaged independent service providers that meet both the requirements to operate their own business under Chinese law as well as the conditions set forth by Herbalife to sell products and provide marketing, sales and support services to Herbalife customers. These features are not common to the business model we employ elsewhere in the world, and based on the direct selling licenses we have received and the terms of those which we hope to receive in the future to conduct a direct selling enterprise in China, our business model in China will continue to incorporate some or all of these features. The direct selling regulations require us to apply for various approvals to conduct a direct selling enterprise in China. The process for obtaining the necessary licenses to conduct a direct selling business is protracted and cumbersome and involves multiple layers of Chinese governmental authorities and numerous governmental employees at each layer. While direct selling licenses are centrally issued, such licenses are generally valid only in the jurisdictions within which related approvals have been obtained. Such approvals are generally awarded on local and provincial bases, and the approval process requires involvement with multiple ministries at each level. Our participation and conduct

during the approval process is guided not only by distinct Chinese practices and customs, but is also subject to applicable laws of China and the other jurisdictions in which we operate our business, including the U.S., as well as our internal code of ethics. There is always a risk that in attempting to comply with local customs and practices in China during the application process or otherwise, we will fail to comply with requirements applicable to us in China itself or in other jurisdictions, and any such failure to comply with applicable requirements could prevent us from obtaining the direct selling licenses or related local or provincial approvals. Furthermore, we rely on certain key personnel in China to assist us during the approval process, and the loss of any such key personnel could delay or hinder our ability to obtain licenses or related approvals. For all of the above reasons, there can be no assurance that we will obtain additional direct-selling licenses, or obtain related approvals to expand into any or all of the localities or provinces in China that are important to our business. Our inability to obtain, retain, or renew any or all of the licenses or related approvals that are required for us to operate in China could negatively impact our business.

Additionally, although certain regulations have been published with respect to obtaining and operating under such approvals and otherwise conducting business in China, other regulations are pending and there continues to be uncertainty regarding the interpretation and enforcement of Chinese regulations. The regulatory environment in China is evolving, and officials in the Chinese government exercise broad discretion in deciding how to interpret and apply regulations. We cannot be certain that our business model will continue to be deemed by national or local Chinese regulatory authorities to be compliant with any such regulations. The Chinese government rigorously monitors the direct selling market in China, and in the past has taken serious action against companies that the government believed were engaging in activities they regarded to be in violation of applicable law, including shutting down their businesses and imposing substantial fines. As a result, there can be no guarantee that the Chinese government's current or future interpretation and application of the existing and new regulations will not negatively impact our business in China, result in regulatory investigations or lead to fines or penalties against us or our Chinese Members.

Chinese regulations prevent persons who are not Chinese nationals from engaging in direct selling in China. We cannot guarantee that any of our Members living outside of China or any of our sales representatives or independent service providers in China have not engaged or will not engage in activities that violate our policies in this market, or that violate Chinese law or other applicable law, and therefore result in regulatory action and adverse publicity.

China enacted a labor contract law which took effect January 1, 2008 and on September 18, 2008 an implementing regulation took effect. On October 28, 2010 China enacted a social insurance law that came into effect on July 1, 2011. We have reviewed our employment contracts and contractual relations with employees in China, which include certain of our employed sales personnel, and have transferred those employed sales personnel into independent service providers and have made such other changes as we believe to be necessary or appropriate to bring these contracts and contractual relations into compliance with these laws and their implementing regulations. In addition, we continue to monitor the situation to determine how these laws and regulations will be implemented in practice. There is no guarantee that these laws will not adversely impact us, cause us to change our operating plan for China or otherwise have an adverse impact on our business operations in China.

If our operations in China are successful, we may experience rapid growth in China, and there can be no assurances that we will be able to successfully manage rapid expansion of manufacturing operations and a rapidly growing and dynamic sales force. If we are unable to effectively manage such growth and expansion of our retail stores and manufacturing operations, our government relations may be compromised and our operations in China may be harmed.

If we fail to further penetrate existing markets and expand our business into new markets, then the growth in sales of our products, along with our operating results, could be negatively impacted.

The success of our business is to a large extent contingent on our ability to further penetrate existing markets and to a much less extent enter into new markets. Our ability to further penetrate existing markets or to

expand our business into additional countries in Eastern Europe, Southeast Asia, South America, Africa or elsewhere, to the extent we believe that we have identified attractive geographic expansion opportunities in the future, is subject to numerous factors, many of which are out of our control.

In addition, government regulations in both our domestic and international markets can delay or prevent the introduction, or require the reformulation or withdrawal, of some of our products, which could negatively impact our business, financial condition and results of operations. Also, our ability to increase market penetration in certain countries may be limited by the finite number of persons in a given country inclined to pursue a direct selling business opportunity or consumers willing to purchase Herbalife products. Moreover, our growth will depend upon improved training and other activities that enhance Member retention in our markets. While we have recently experienced significant growth in certain of our markets, we cannot assure you that such growth levels will continue in the immediate or long term future. Furthermore, our efforts to support growth in such international markets could be hampered to the extent that our infrastructure in such markets is deficient when compared to our more developed markets, such as the U.S. Therefore, we cannot assure you that our general efforts to increase our market penetration and Member retention in existing markets will be successful. If we are unable to continue to expand into new markets or further penetrate existing markets, our operating results could suffer.

Our contractual obligation to sell our products only through our Herbalife Member network and to refrain from changing certain aspects of our marketing plan may limit our growth.

We are a party to an agreement with our Members that provides assurances that we will not sell Herbalife products through any distribution channel other than our network of independent Herbalife Members. Thus, we are contractually prohibited from expanding our business by selling Herbalife products through other distribution channels that may be available to our competitors, such as over the internet, through wholesale sales, by establishing retail stores or through mail order systems. Since this is an open-ended commitment, there can be no assurance that we will be able to take advantage of innovative new distribution channels that are developed in the future.

In addition, this agreement with our Members provides that we will not change certain aspects of our marketing plan without the consent of a specified percentage of our Members. For example, our agreement with our Members provides that we may increase, but not decrease, the discount percentages available to our Members for the purchase of products or the applicable royalty override percentages, including roll-ups, and production and other bonus percentages available to our Members at various qualification levels within our Member hierarchy. We may not modify the eligibility or qualification criteria for these discounts, royalty overrides and production and other bonuses unless we do so in a manner to make eligibility and/or qualification easier than under the applicable criteria in effect as of the date of the agreement. Our agreement with our Members further provides that we may not vary the criteria for qualification for each Member tier within our Member hierarchy, unless we do so in such a way so as to make qualification easier.

Although we reserved the right to make these changes to our marketing plan without the consent of our Members in the event that changes are required by applicable law or are necessary in our reasonable business judgment to account for specific local market or currency conditions to achieve a reasonable profit on operations, there can be no assurance that our agreement with our Members will not restrict our ability to adapt our marketing plan to the evolving requirements of the markets in which we operate. As a result, our growth may be limited.

We depend on the integrity and reliability of our information technology infrastructure, and any related inadequacies may result in substantial interruptions to our business.

Our ability to provide products and services to our Members depends on the performance and availability of our core transactional systems. We upgraded our back office systems globally to the Oracle Enterprise Suite which is supported by a robust hardware and network infrastructure. The Oracle Enterprise Suite is a scalable and

stable solution that provides a solid foundation upon which we are building our next generation Member facing Internet toolset. While we continue to invest in our information technology infrastructure, there can be no assurance that there will not be any significant interruptions to such systems or that the systems will be adequate to meet all of our future business needs.

The most important aspect of our information technology infrastructure is the system through which we record and track Member sales, volume points, royalty overrides, bonuses and other incentives. We have encountered, and may encounter in the future, errors in our software or our enterprise network, or inadequacies in the software and services supplied by our vendors, although to date none of these errors or inadequacies has had a meaningful adverse impact on our business. Any such errors or inadequacies that we may encounter in the future may result in substantial interruptions to our services and may damage our relationships with, or cause us to lose, our Members if the errors or inadequacies impair our ability to track sales and pay royalty overrides, bonuses and other incentives, which would harm our financial condition and operating results. Such errors may be expensive or difficult to correct in a timely manner, and we may have little or no control over whether any inadequacies in software or services supplied to us by third parties are corrected, if at all.

Our ability to effectively manage our network of Members, and to ship products, and track royalty and bonus payments on a timely basis, depends significantly on our information systems. The failure of our information systems to operate effectively, or a breach in security of these systems, could adversely impact the promptness and accuracy of our product distribution and transaction processing. We could be required to make significant additional expenditures to remediate any such failure, problem or breach.

Anyone that is able to circumvent our security measures could misappropriate confidential or proprietary information, including that of third parties such as our Members, cause interruption in our operations, damage our computers or otherwise damage our reputation and business. We may need to expend significant resources to protect against security breaches or to address problems caused by such breaches. Any actual security breaches could damage our reputation and expose us to a risk of loss or litigation and possible liability under various laws and regulations. In addition, employee error or malfeasance or other errors in the storage, use or transmission of any such information could result in a disclosure to third parties. If this should occur we could incur significant expenses addressing such problems. Since we collect and store Member and vendor information, including credit card information, these risks are heightened.

Since we rely on independent third parties for the manufacture and supply of certain of our products, if these third parties fail to reliably supply products to us at required levels of quality and which are manufactured in compliance with applicable laws, including the dietary supplement cGMPs, then our financial condition and operating results would be harmed.

The majority of our products are manufactured at third party contract manufacturers, with the exception of our products sold in China, which are manufactured in our Suzhou China facility, and certain of our top selling products which are produced in our manufacturing facility located in Lake Forest, California. It is the Company's intention to expand the capacity of its existing manufacturing facilities, and add additional facilities, to produce additional products for our North America and international markets. In December of 2012 we purchased a facility in Winston-Salem, North Carolina and are in the process of refurbishing this facility to become our largest finished goods manufacturing facility. We expect this facility to become operational in June 2014. We cannot assure you that our outside contract manufacturers will continue to reliably supply products to us at the levels of quality, or the quantities, we require, and in compliance with applicable laws, including under the FDA's cGMP regulations and while efforts are being made to ensure a smooth transition we cannot assure you that the transition from our third party contract manufacturers to this new Herbalife facility will not result in possible inventory shortages. Additionally, while we are not presently aware of any current liquidity issues with our suppliers, we cannot assure you that they will not experience financial hardship as a result of the current global financial crisis.

For the portion of our product supply that is self-manufactured, we believe we have significantly lowered the product supply risk, as the risk factors of financial health, liquidity, capacity expansion, reliability and

product quality are all within our control. However, a significant delay in completion of the Winston-Salem Facility, while unlikely, could hamper our ability to support the continued growth in net sales.

Our supply contracts generally have a three-year term. Except for force majeure events such as natural disasters and other acts of God, and non-performance by Herbalife, our manufacturers generally cannot unilaterally terminate these contracts. These contracts can generally be extended by us at the end of the relevant time period and we have exercised this right in the past. Globally we have approximately 50 suppliers of our products. For our major products, we typically have both primary and secondary suppliers. Our major suppliers include Fine Foods (Italy) for meal replacements, protein powders and nutritional supplements, Valentine Enterprises (U.S.) for meal replacements and protein powders, Nature's Bounty (U.S.) for meal replacements and nutritional supplements, and PharmaChem Labs (U.S.) for teas and *Niteworks*®. Additionally we use contract manufacturers in India, Brazil, Korea, Japan, Taiwan and Germany to support our global business. In the event any of our contract manufacturers were to become unable or unwilling to continue to provide us with products in required volumes and at suitable quality levels, we would be required to identify and obtain acceptable replacement manufacturing sources. There is no assurance that we would be able to obtain alternative manufacturing sources on a timely basis. An extended interruption in the supply of products would result in the loss of sales. In addition, any actual or perceived degradation of product quality as a result of reliance on contract manufacturers may have an adverse effect on sales or result in increased product returns and buybacks. Also, as we experience ingredient and product price pressure in the areas of soy, fructose, dairy products, gums, plastics, and transportation reflecting global economic trends, we believe that we have the ability to mitigate some of these cost increases through improved optimization of our supply chain coupled with select increases in the retail prices of our products.

If we fail to protect our trademarks and tradenames, then our ability to compete could be negatively affected, which would harm our financial condition and operating results.

The market for our products depends to a significant extent upon the goodwill associated with our trademark and tradenames. We own, or have licenses to use, the material trademark and trade name rights used in connection with the packaging, marketing and distribution of our products in the markets where those products are sold. Therefore, trademark and trade name protection is important to our business. Although most of our trademarks are registered in the United States and in certain foreign countries in which we operate, we may not be successful in asserting trademark or trade name protection. In addition, the laws of certain foreign countries may not protect our intellectual property rights to the same extent as the laws of the United States. The loss or infringement of our trademarks or tradenames could impair the goodwill associated with our brands and harm our reputation, which would harm our financial condition and operating results.

Unlike in most of the other markets in which we operate, limited protection of intellectual property is available under Chinese law. Accordingly, we face an increased risk in China that unauthorized parties may attempt to copy or otherwise obtain or use our trademarks, copyrights, product formulations or other intellectual property. Further, since Chinese commercial law is relatively undeveloped, we may have limited legal recourse in the event we encounter significant difficulties with intellectual property theft or infringement. As a result, we cannot assure you that we will be able to adequately protect our product formulations or other intellectual property.

We permit the limited use of our trademarks by our Members to assist them in the marketing of our products. It is possible that doing so may increase the risk of unauthorized use or misuse of our trademarks in markets where their registration status differs from that asserted by our Members, or they may be used in association with claims or products in a manner not permitted under applicable laws and regulations. Were this to occur it is possible that this could diminish the value of these marks or otherwise impair our further use of these marks.

If our Members fail to comply with labeling laws, then our financial condition and operating results would be harmed.

Although the physical labeling of our products is not within the control of our Members, our Members must nevertheless advertise our products in compliance with the extensive regulations that exist in certain jurisdictions, such as the United States, which considers product advertising to be labeling for regulatory purposes.

Our products are sold principally as foods, dietary supplements and cosmetics and are subject to rigorous FDA and related legal regimens limiting the types of therapeutic claims that can be made for our products. The treatment or cure of disease, for example, is not a permitted claim for these products. While we train our Members and attempt to monitor our Members' marketing materials, we cannot ensure that all such materials comply with applicable regulations, including bans on therapeutic claims. If our Members fail to comply with these restrictions, then we and our Members could be subjected to claims, financial penalties, mandatory product recalls or relabeling requirements, which could harm our financial condition and operating results. Although we expect that our responsibility for the actions of our Members in such an instance would be dependent on a determination that we either controlled or condoned a noncompliant advertising practice, there can be no assurance that we could not be held vicariously liable for the actions of our Members.

If our intellectual property is not adequate to provide us with a competitive advantage or to prevent competitors from replicating our products, or if we infringe the intellectual property rights of others, then our financial condition and operating results would be harmed.

Our future success and ability to compete depend upon our ability to timely produce innovative products and product enhancements that motivate our Members and customers, which we attempt to protect under a combination of copyright, trademark and trade secret laws, confidentiality procedures and contractual provisions. However, our products are generally not patented domestically or abroad, and the legal protections afforded by common law and contractual proprietary rights in our products provide only limited protection and may be time-consuming and expensive to enforce and/or maintain. Further, despite our efforts, we may be unable to prevent third parties from infringing upon or misappropriating our proprietary rights or from independently developing non-infringing products that are competitive with, equivalent to and/or superior to our products.

Monitoring infringement and/or misappropriation of intellectual property can be difficult and expensive, and we may not be able to detect every infringement or misappropriation of our proprietary rights. Even if we do detect infringement or misappropriation of our proprietary rights, litigation to enforce these rights could cause us to divert financial and other resources away from our business operations. Further, the laws of some foreign countries do not protect our proprietary rights to the same extent as do the laws of the United States.

Additionally, third parties may claim that products or marks that we have independently developed or which bear certain of our trademarks infringe upon their intellectual property rights and there can be no assurance that one or more of our products or marks will not be found to infringe upon third party intellectual property rights in the future.

Since one of our products constitutes a significant portion of our retail sales, significant decreases in consumer demand for this product or our failure to produce a suitable replacement should we cease offering it would harm our financial condition and operating results.

Our Formula 1 meal replacement product constitutes a significant portion of our sales, accounting for approximately 28%, 29%, and 29% of net sales for the fiscal years ended December 31, 2013, 2012, and 2011, respectively. If consumer demand for this product decreases significantly or we cease offering this product without a suitable replacement, then our financial condition and operating results would be harmed.

If we lose the services of members of our senior management team, then our financial condition and operating results could be harmed.

We depend on the continued services of our Chairman and Chief Executive Officer, Michael O. Johnson, and our current senior management team as they work closely with the senior Member leadership to create an environment of inspiration, motivation and entrepreneurial business success. Although we have entered into employment agreements with certain members of our senior management team, and do not believe that any of them are planning to leave or retire in the near term, we cannot assure you that our senior managers will remain with us. The loss or departure of any member of our senior management team could adversely impact our Member relations and operating results. If any of these executives do not remain with us, our business could suffer.

Also, the loss of key personnel, including our regional and country managers, could negatively impact our ability to implement our business strategy, and our continued success will also be dependent on our ability to retain existing, and attract additional, qualified personnel to meet our needs. We currently do not maintain "key person" life insurance with respect to our senior management team.

The covenants in our existing indebtedness limit our discretion with respect to certain business matters, which could limit our ability to pursue certain strategic objectives and in turn harm our financial condition and operating results.

Our credit facility contains financial and operating covenants that restrict our and our subsidiaries' ability to, among other things:

- pay dividends, redeem share capital or capital stock and make other restricted payments and investments;
- incur or guarantee additional debt;
- impose dividend or other distribution restrictions on our subsidiaries;
- create liens on our and our subsidiaries' assets;
- engage in transactions with affiliates; and
- merge, consolidate or sell all or substantially all of our assets and the assets of our subsidiaries.

In addition, our credit facility requires us to meet certain financial ratios and financial conditions. Our ability to comply with these covenants may be affected by events beyond our control, including prevailing economic, financial and industry conditions. Failure to comply with these covenants could result in a default causing all amounts to become due and payable under our credit facility, which is secured by substantially all of our domestic assets, against which the lenders thereunder could proceed to foreclose.

We may use from time to time a certain amount of cash in order to satisfy the obligations relating to our convertible notes. The maturity or conversion of any of our convertible notes may adversely affect our financial condition and operating results, which could adversely affect the amount or timing of dividends to our shareholders.

In February 2014, we issued convertible notes due 2019, or the Convertible Notes, in the aggregate principal amount of $1.15 billion. At maturity, we will have to pay the holders of the Convertible Notes the full aggregate principal amount of the Convertible Notes then outstanding.

Holders of our Convertible Notes may convert their notes at their option under the following circumstances: (i) during any calendar quarter commencing after the calendar quarter ending March 31, 2014, if the last reported sale price of our common shares for at least 20 trading days (whether or not consecutive) in a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter exceeds 130% of the conversion price for the Convertible Notes on each applicable trading day; (ii) during the five business-day period immediately after any five consecutive trading day period, which we refer to as the measurement period, in which the trading price per $1,000 principal amount of Convertible Notes for each trading day of that measurement period was less than 98% of the product of the last reported sale price of our common shares and the conversion rate for the Convertible Notes for each such day; or (iii) upon the occurrence of specified corporate events. On and after May 15, 2019, holders may convert their Convertible Notes at any time, regardless of the foregoing circumstances. The Convertible Notes are net-share settled. If one or more holders elect to convert their Convertible Notes when conversion is permitted, we could be required to make cash payments equal to the par amount of each Convertible Note, which could adversely affect our liquidity. In addition, even if holders do not elect to convert their Convertible Notes, because our Convertible Notes are net-share settled, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding

principal of our Convertible Notes as a current rather than long-term liability, which could result in a material reduction of our net working capital. The requirement to pay cash upon conversion of the Convertible Notes or any adverse accounting treatment of the Convertible Notes may adversely affect our financial condition and operating results, each of which could in turn adversely impact the amount or timing of dividends to our shareholders.

The conversion of any of the Convertible Notes into common shares could have a dilutive effect that could cause our share price to go down.

The Convertible Notes, until May 15, 2019, are convertible into common shares only if specified conditions are met and thereafter convertible at any time, at the option of the holder. We have reserved common shares for issuance upon conversion of the Convertible Notes. Upon conversion, the principal amount is due in cash, and to the extent that the conversion value exceeds the principal amount, the difference is due in common shares. While we have entered into capped call transactions to effectively increase the conversion of the Convertible Notes and lessen the risk of dilution to shareholders upon conversion, if the market price of our common shares, as measured under the terms of the capped call transactions, exceeds the cap price of the capped call transactions, the number of our common shares we receive upon exercise of the capped call transactions will be capped. In that case, there would be dilution in respect of our common shares, because the number of our common shares or amounts of cash that we would owe upon conversion of the Convertible Notes in excess of the principal amount of converted Convertible Notes would exceed the number of common shares that we would be entitled to receive upon exercise of the capped call transactions, which would cause a dilutive effect that could cause our share price to go down. If any or all of the Convertible Notes are converted into common shares, our existing stockholders will experience immediate dilution of voting rights and our common share price may decline. Furthermore, the perception that such dilution could occur may cause the market price of our common shares to decline.

The conversion rate for the Convertible Notes as of February 7, 2014, the date of issuance thereof, was 11.5908 common shares per $1,000 principal amount or a conversion price of approximately $86.28 per common share. Because the conversion rate of the Convertible Notes adjusts upward upon the occurrence of certain events, such as a dividend payment, our existing shareholders may experience more dilution if any or all of the Convertible Notes are converted into common shares after the adjusted conversion rates became effective.

If we do not comply with transfer pricing, customs duties, VAT, and similar regulations, then we may be subjected to additional taxes, duties, interest and penalties in material amounts, which could harm our financial condition and operating results.

As a multinational corporation, in many countries including the United States we are subject to transfer pricing and other tax regulations designed to ensure that our intercompany transactions are consummated at prices that have not been manipulated to produce a desired tax result, that appropriate levels of income are reported as earned by our United States or local entities, and that we are taxed appropriately on such transactions. In addition, our operations are subject to regulations designed to ensure that appropriate levels of customs duties are assessed on the importation of our products. We are currently subject to pending or proposed audits that are at various levels of review, assessment or appeal in a number of jurisdictions involving transfer pricing issues, income taxes, customs duties, value added taxes, withholding taxes, sales and use and other taxes and related interest and penalties in material amounts. In some circumstances, additional taxes, interest and penalties have been assessed and we will be required to pay the assessments or post surety, in order to challenge the assessments.

The imposition of new taxes, even pass-through taxes such as VAT, could have an impact on our perceived product pricing and therefore a potential negative impact on our business. We have reserved in the consolidated financial statements an amount that we believe represents the most likely outcome of the resolution of these disputes, but if we are incorrect in our assessment we may have to pay the full amount asserted which could potentially be material. Ultimate resolution of these matters may take several years, and the outcome is uncertain.

If the United States Internal Revenue Service or the taxing authorities of any other jurisdiction were to successfully challenge our transfer pricing practices or our positions regarding the payment of income taxes, customs duties, value added taxes, withholding taxes, sales and use, and other taxes, we could become subject to higher taxes and our revenue and earnings could be adversely affected.

On May 13, 2011, the Mexican Tax Administration Service issued a resolution nullifying a prior assessment in an amount equivalent to approximately $88 million, translated at the period ended spot rate, for various items, the majority of which was VAT allegedly owed on certain of our products imported into Mexico during years 2005 and 2006. Since, the Mexican Tax Administration Service can re-issue some or all of the original assessment, we commenced litigation in the Tax Court of Mexico in August 2011 to dispute the assertions made by the Mexican Tax Administration Service in the case. The Mexican Tax Administration Service filed a response which was received by us in April 2012. The response challenged the assertions that we made in our August 2011 filing. Litigation in this case is currently ongoing.

The Mexican Tax Administration Service commenced audits of our Mexican subsidiaries for the period from January to September 2007 and on May 10, 2013, we received an assessment of approximately $22 million, translated at the period ended spot rate, related to that period. On July 11, 2013 the Company filed an administrative appeal disputing the assessment.

The Mexican Tax Administration Service audited our Mexican subsidiaries for the 2011 year. The audit focused on importation and VAT issues. On June 25, 2013, the Mexican Tax Administration Service closed the audit of the 2011 year without any assessment.

We have not recognized a loss with respect to any of these Mexican matters as we, based on our analysis and guidance from our advisors, do not believe a loss is probable. Further, we are currently unable to reasonably estimate a possible loss or range of loss that could result from an unfavorable outcome if the assessment was re-issued or any additional assessments were to be issued for these or other periods. We believe that we have meritorious defenses if the assessment is re-issued or would have meritorious defenses if any additional assessment is issued. Any adverse outcomes in these matters could have a material impact on our financial condition and operating results.

The Korea Customs Service is currently auditing the importation activities of Herbalife Korea for the 2009 — 2013 period. If an assessment is issued, we would be required to pay the amount requested in order to appeal the assessment. Based on our analysis and guidance from our advisors, we do not believe a loss is probable. Further, we are currently unable to reasonably estimate a possible loss or range of loss.

We could become a "controlled foreign corporation" for U.S. federal income tax purposes.

We believe that we are currently not a "controlled foreign corporation" for U.S. federal income tax purposes. However, this conclusion depends upon the composition of shareholders who own 10% or more of our outstanding shares, applying special rules including constructive ownership rules ("10% shareholders"), and whether such 10% shareholders who are United States persons or entities own in the aggregate more than 50% of our outstanding shares. If we were to be or become a "controlled foreign corporation," our 10% shareholders would be subject to special tax treatment. Any shareholders who contemplate owning 10% or more of our outstanding shares (taking into account the impact of any share repurchases we may undertake pursuant to share repurchase programs) are urged to consult with their tax advisors with respect to the special rules applicable to 10% shareholders of controlled foreign corporations.

Changes in tax laws, treaties or regulations, or their interpretation could adversely affect us.

A change in applicable tax laws, treaties or regulations or their interpretation could result in a higher effective tax rate on our worldwide earnings and such change could be significant to our financial results. Tax legislative proposals intending to eliminate some perceived tax advantages of companies that have legal domiciles

outside the U.S. but have certain U.S. connections have repeatedly been introduced in the U.S. Congress. If these proposals are enacted, the result would increase our effective tax rate and could have a material adverse effect on the Company's financial condition and results of operations.

We may be held responsible for certain taxes or assessments relating to the activities of our Members, which could harm our financial condition and operating results.

Our Members are subject to taxation, and in some instances, legislation or governmental agencies impose an obligation on us to collect taxes, such as value added taxes and social contributions, and to maintain appropriate records. In addition, we are subject to the risk in some jurisdictions of being responsible for social security, withholding or other taxes with respect to payments to our Members. For example, in Brazil and Italy the Company received tax assessments from the authorities for withholding taxes, social contributions, and related items in connection with payments made to Members in those countries in prior periods. The Company has appealed the assessments. In the case of Italy the assessment is anticipated to be withdrawn. The Company believes it has meritorious defenses in other instances. In addition, in the event that local laws and regulations or the interpretation of local laws and regulations change to require us to treat our Members as employees, or that our Members are deemed by local regulatory authorities in one or more of the jurisdictions in which we operate to be our employees rather than independent contractors under existing laws and interpretations, we may be held responsible for social contributions, withholding and related taxes in those jurisdictions, plus any related assessments and penalties, which could harm our financial condition and operating results.

We may incur material product liability claims, which could increase our costs and harm our financial condition and operating results.

Our products consist of vitamins, minerals and botanicals and other ingredients that are classified as foods or dietary supplements and are not subject to pre-market regulatory approval in the United States. Our products could contain contaminated substances, and some of our products contain some ingredients that do not have long histories of human consumption. We rely upon published and unpublished safety information including clinical studies on ingredients used in our products and conduct limited clinical studies on some key products but not all products. Previously unknown adverse reactions resulting from human consumption of these ingredients could occur. As a marketer of dietary and nutritional supplements and other products that are ingested by consumers or applied to their bodies, we have been, and may again be, subjected to various product liability claims, including that the products contain contaminants, the products include inadequate instructions as to their uses, or the products include inadequate warnings concerning side effects and interactions with other substances. It is possible that widespread product liability claims could increase our costs, and adversely affect our revenues and operating income. Moreover, liability claims arising from a serious adverse event may increase our costs through higher insurance premiums and deductibles, and may make it more difficult to secure adequate insurance coverage in the future. In addition, our product liability insurance may fail to cover future product liability claims, thereby requiring us to pay substantial monetary damages and adversely affecting our business. Finally, given the higher level of self-insured retentions that we have accepted under our current product liability insurance policies, which are as high as approximately $10 million, in certain cases we may be subject to the full amount of liability associated with any injuries, which could be substantial.

Several years ago, a number of states restricted the sale of dietary supplements containing botanical sources of ephedrine alkaloids and on February 6, 2004, the FDA banned the use of such ephedrine alkaloids. Until late 2002, we had sold *Thermojetics*® original green herbal tablets, *Thermojetics*® green herbal tablets and *Thermojetics*® gold herbal tablets, all of which contained ephedrine alkaloids. Accordingly, we run the risk of product liability claims related to the ingestion of ephedrine alkaloids contained in those products. Currently, we have been named as a defendant in product liability lawsuits seeking to link the ingestion of certain of the aforementioned products to subsequent alleged medical problems suffered by plaintiffs. Although we believe that we have meritorious defenses to the allegations contained in these lawsuits, and are vigorously defending these claims, there can be no assurance that we will prevail in our defense of any or all of these matters.

We are subject to, among other things, requirements regarding the effectiveness of internal controls over financial reporting. In connection with these requirements, we conduct regular audits of our business and operations. Our failure to identify or correct deficiencies and areas of weakness in the course of these audits could adversely affect our financial condition and operating results.

We are required to comply with various corporate governance and financial reporting requirements under the Sarbanes-Oxley Act of 2002, as well as new rules and regulations adopted by the SEC, the Public Company Accounting Oversight Board and the New York Stock Exchange. In particular, we are required to include management and auditor reports on the effectiveness of internal controls over financial reporting as part of our annual reports on Form 10-K, pursuant to Section 404 of the Sarbanes-Oxley Act. We expect to continue to spend significant amounts of time and money on compliance with these rules. Our failure to correct any noted weaknesses in internal controls over financial reporting could result in the disclosure of material weaknesses which could have a material adverse effect upon the market value of our stock.

On a regular and on-going basis, we conduct audits through our internal audit department of various aspects of our business and operations. These internal audits are conducted to insure compliance with our policies and to strengthen our operations and related internal controls. The Audit Committee of our Board of Directors regularly reviews the results of these internal audits and, when appropriate, suggests remedial measures and actions to correct noted deficiencies or strengthen areas of weakness. There can be no assurance that these internal audits will uncover all material deficiencies or areas of weakness in our operations or internal controls. If left undetected and uncorrected, such deficiencies and weaknesses could have a material adverse effect on our financial condition and results of operations.

From time to time, the results of these internal audits may necessitate that we conduct further investigations into aspects of our business or operations. In addition, our business practices and operations may periodically be investigated by one or more of the many governmental authorities with jurisdiction over our worldwide operations. In the event that these investigations produce unfavorable results, we may be subjected to fines, penalties or loss of licenses or permits needed to operate in certain jurisdictions, any one of which could have a material adverse effect on our financial condition or operating results.

Holders of our common shares may face difficulties in protecting their interests because we are incorporated under Cayman Islands law.

Our corporate affairs are governed by our amended and restated memorandum and articles of association, by the Companies Law, and the common law of the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are not as clearly established as under statutes or judicial precedent in existence in jurisdictions in the United States. Therefore, shareholders may have more difficulty in protecting their interests in the face of actions by our management or board of directors than would shareholders of a corporation incorporated in a jurisdiction in the United States, due to the comparatively less developed nature of Cayman Islands law in this area.

Shareholders of Cayman Islands exempted companies such as Herbalife have no general rights under Cayman Islands law to inspect corporate records and accounts or to obtain copies of lists of our shareholders. Our directors have discretion under our articles of association to determine whether or not, and under what conditions, our corporate records may be inspected by our shareholders, but are not obliged to make them available to our shareholders. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest.

A shareholder can bring a suit personally where its individual rights have been, or are about to be, infringed. Where an action is brought to redress any loss or damage suffered by us, we would be the proper plaintiff, and a shareholder could not ordinarily maintain an action on our behalf, except where it was permitted by the courts of the Cayman Islands to proceed with a derivative action. Our Cayman Islands counsel, Maples and Calder, is not

aware of any reported decisions in relation to a derivative action brought in a Cayman Islands court. However, based on English authorities, which would in all likelihood be of persuasive authority in the Cayman Islands, a shareholder may be permitted to bring a claim derivatively on the Company's behalf, where:

- a company is acting or proposing to act illegally or outside the scope of its corporate authority;
- the act complained of, although not acting outside the scope of its corporate authority, could be effected only if authorized by more than a simple majority vote; or
- those who control the company are perpetrating a "fraud on the minority".

Provisions of our articles of association and Cayman Islands corporate law may impede a takeover or make it more difficult for shareholders to change the direction or management of the Company, which could reduce shareholders' opportunity to influence management of the Company.

Our articles of association permit our board of directors to issue preference shares from time to time, with such rights and preferences as they consider appropriate. Our board of directors could authorize the issuance of preference shares with terms and conditions and under circumstances that could have an effect of discouraging a takeover or other transaction.

In addition, our articles of association contain certain other provisions which could have an effect of discouraging a takeover or other transaction or preventing or making it more difficult for shareholders to change the direction or management of our Company, including a classified board, the inability of shareholders to act by written consent, a limitation on the ability of shareholders to call special meetings of shareholders and advance notice provisions. As a result, our shareholders may have less input into the management of our Company than they might otherwise have if these provisions were not included in our articles of association.

The Cayman Islands have provisions under the Companies Law (2013 Revision) (the "Companies Law") to facilitate mergers and consolidations between Cayman Islands companies and non-Cayman Islands companies. These provisions, contained within Part XVI of the Companies Law, are broadly similar to the merger provisions as provided for under Delaware Law.

There are however a number of important differences that could impede a takeover. First, the threshold for approval of the merger plan by shareholders is higher. The threshold is a special resolution of the shareholders (being 66 2/3% of those present in person or by proxy and voting) together with such other authorization, if any, as may be specified in the articles of association.

Additionally, the consent of each holder of a fixed or floating security interest (in essence a documented security interest as opposed to one arising by operation of law) is required to be obtained unless the Grand Court of the Cayman Islands waives such requirement.

The merger provisions contained within Part XVI of the Companies Law do contain shareholder appraisal rights similar to those provided for under Delaware law. Such rights are limited to a merger under Part XVI and do not apply to schemes of arrangement as discussed below.

The Companies Law also contains separate statutory provisions that provide for the merger, reconstruction and amalgamation of companies. These are commonly referred to in the Cayman Islands as "schemes of arrangement."

The procedural and legal requirements necessary to consummate these transactions are more rigorous and take longer to complete than the procedures typically required to consummate a merger in the United States. Under Cayman Islands law and practice, a scheme of arrangement in relation to a solvent Cayman Islands company must be approved at a shareholders' meeting by a majority of each class of the company's shareholders who are present and voting (either in person or by proxy) at such meeting. The shares voted in favor of the scheme of arrangement must also represent at least 75% of the value of each relevant class of the company's shareholders present and voting at the meeting. The convening of these meetings and the terms of the amalgamation must also be sanctioned by the Grand Court of the Cayman Islands. Although there is no requirement to seek the consent of the creditors of the parties involved in the scheme of arrangement, the Grand Court typically seeks to ensure that

the creditors have consented to the transfer of their liabilities to the surviving entity or that the scheme of arrangement does not otherwise materially adversely affect creditors' interests. Furthermore, the court will only approve a scheme of arrangement if it is satisfied that:

- the statutory provisions as to majority vote have been complied with;
- the shareholders who voted at the meeting in question fairly represent the relevant class of shareholders to which they belong;
- the scheme of arrangement is such as a businessman would reasonably approve; and
- the scheme of arrangement is not one that would more properly be sanctioned under some other provision of the Companies Law.

If the scheme of arrangement is approved, the dissenting shareholder would have no rights comparable to appraisal rights, which would otherwise ordinarily be available to dissenting shareholders of U.S. corporations, providing rights to receive payment in cash for the judicially determined value of the shares.

In addition, if an offer by a third party to purchase shares in us has been approved by the holders of at least 90% of our outstanding shares (not including such a third party) pursuant to an offer within a four-month period of making such an offer, the purchaser may, during the two months following expiration of the four-month period, require the holders of the remaining shares to transfer their shares on the same terms on which the purchaser acquired the first 90% of our outstanding shares. An objection can be made to the Grand Court of the Cayman Islands, but this is unlikely to succeed unless there is evidence of fraud, bad faith, collusion or inequitable treatment of the shareholders.

There is uncertainty as to shareholders' ability to enforce certain foreign civil liabilities in the Cayman Islands.

We are incorporated as an exempted company with limited liability under the laws of the Cayman Islands. A material portion of our assets are located outside of the United States. As a result, it may be difficult for our shareholders to enforce judgments against us or judgments obtained in U.S. courts predicated upon the civil liability provisions of the federal securities laws of the United States or any state of the United States.

We have been advised by our Cayman Islands counsel, Maples and Calder, that although there is no statutory enforcement in the Cayman Islands of judgments obtained in the United States, the courts of the Cayman Islands will — based on the principle that a judgment by a competent foreign court imposes upon the judgment debtor an obligation to pay the sum for which judgment has been given — recognize and enforce a foreign judgment of a court of competent jurisdiction if such judgment is final, for a liquidated sum, not in respect of taxes or a fine or penalty, is not inconsistent with a Cayman Islands judgment in respect of the same matters, and was not obtained in a manner, and is not of a kind, the enforcement of which is contrary to natural justice or the public policy of the Cayman Islands. There is doubt, however, as to whether the Grand Court of the Cayman Islands will (1) recognize or enforce judgments of U.S. courts predicated upon the civil liability provisions of the federal securities laws of the United States or any state of the United States, or (2) in original actions brought in the Cayman Islands, impose liabilities predicated upon the civil liability provisions of the federal securities laws of the United States or any state of the United States, on the grounds that such provisions are penal in nature.

The Grand Court of the Cayman Islands may stay proceedings if concurrent proceedings are being brought elsewhere.

Our stock price may be adversely affected by third parties who raise allegations about our Company.

Short sellers and others who raise allegations regarding the legality of our business activities, some of whom are positioned to profit if our stock declines, can negatively affect our stock price. In late 2012, a hedge fund

manager publicly raised allegations regarding the legality of our network marketing program and announced that his fund had taken a significant short position regarding our common shares, leading to intense public scrutiny and significant stock price volatility. Following this public announcement in December 2012, our stock price dropped significantly. This hedge fund manager continues to make allegations regarding the legality of our network marketing program, our product safety, our accounting practices and other matters. Additionally, from time to time the Company is subject to governmental and regulatory inquiries and inquiries from legislators that may adversely affect our stock price. Our stock price has continued to exhibit heightened volatility and the short interest in our common shares continues to remain high. Short sellers expect to make a profit if our common shares decline in value, and their actions and their public statements may cause further volatility in our share price. While a number of traders have publicly announced that they have taken long positions contrary to the hedge fund shorting our shares, the existence of such a significant short interest position and the related publicity may lead to continued volatility. The volatility of our stock may cause the value of a shareholder's investment to decline rapidly.

Item 1B. ***UNRESOLVED STAFF COMMENTS***

None.

Item 2. ***PROPERTIES***

As of December 31, 2013, we leased the majority of our physical properties. Our corporate executive offices are located in the LA Live complex in downtown Los Angeles, California, where we currently occupy approximately 85,000 square feet with terms expiring in 2018. We also lease approximately 311,000 square feet of general office space in Torrance, California, with terms expiring in 2016, for our North America and South America regional headquarters, including some of our corporate support functions. Additionally, we lease warehouse facilities in Los Angeles, California and Memphis, Tennessee of approximately 255,000 square feet and 259,000 square feet, respectively. The Los Angeles and Memphis lease agreements have terms through July 2021 and January 2023, respectively. In Lake Forest, California, we also lease warehouse, manufacturing plant and office space of approximately 123,000 square feet under leases expiring in 2019 and 2020. In Venray, Netherlands, we lease our European centralized warehouse of approximately 257,000 square feet under an arrangement expiring in June 2020 for which we have a renewal option. In Guadalajara, Mexico we lease approximately 140,000 square feet of office space with the term of the lease expiring in January 2018. In Changsha, Hunan, China we are leasing our botanical extraction facility of approximately 178,000 square feet with the term expected to expire in February 2023. In Suzhou, China we are leasing our manufacturing facilities of approximately 81,000 square feet under leases expiring in September 2017.

As of December 31, 2013, we also owned a manufacturing facility in Winston-Salem, North Carolina. The manufacturing facility contains approximately 800,000 square feet of manufacturing and office space. See Item 1 — *Business* for further discussion of the manufacturing facility purchased in Winston-Salem, North Carolina.

In addition to the properties noted above, we also lease other warehouse, manufacturing and office buildings in a majority of our other geographic areas of operation. We believe that our existing facilities are adequate to meet our current requirements and that comparable space is readily available at each of these locations.

Item 3. ***LEGAL PROCEEDINGS***

The information set forth under Note 7,*Contingencies*, to the Consolidated Financial Statements, included in Item 15 of this Report, is incorporated herein by reference.

Item 4. ***MINE SAFETY DISCLOSURE***

Not applicable.

PART II

Item 5. *MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES*

Information with Respect to our Common Shares

Our common shares are listed on the New York Stock Exchange, or NYSE, and trade under the symbol "HLF." The following table sets forth the range of the high and low sales prices for our common shares in each of the fiscal quarters presented, based upon quotations on the NYSE consolidated transaction reporting system.

Quarter Ended	High	Low
March 31, 2013	$47.16	$30.84
June 30, 2013	$52.84	$34.72
September 30, 2013	$74.22	$44.85
December 31, 2013	$81.75	$59.81

Quarter Ended	High	Low
March 31, 2012	$72.11	$50.70
June 30, 2012	$73.00	$42.15
September 30, 2012	$56.39	$44.79
December 31, 2012	$53.60	$24.24

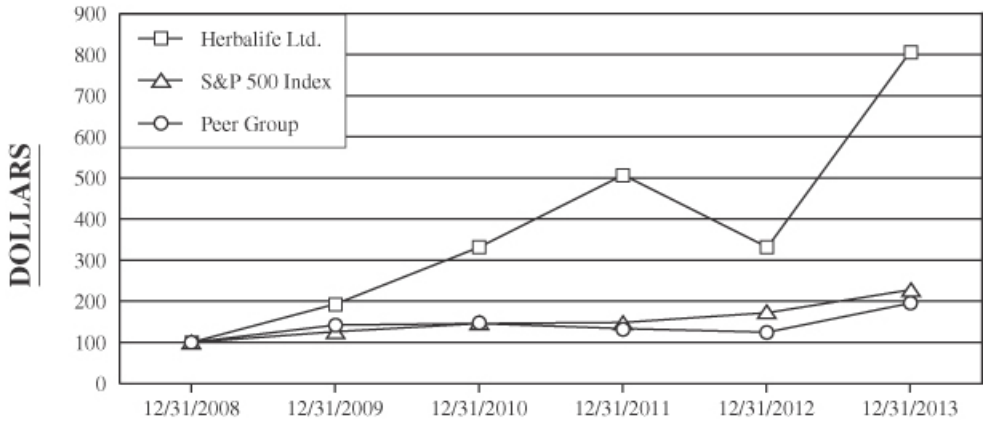
The market price of our common shares is subject to fluctuations in response to variations in our quarterly operating results, general trends in the market for our products and product candidates, economic and currency exchange issues in the foreign markets in which we operate as well as other factors, many of which are not within our control. In addition, broad market fluctuations, as well as general economic, business and political conditions may adversely affect the market for our common shares, regardless of our actual or projected performance.

The closing price of our common shares on February 12, 2014, was $65.59. The approximate number of holders of record of our common shares as of February 12, 2014 was 697. This number of holders of record does not represent the actual number of beneficial owners of our common shares because shares are frequently held in "street name" by securities dealers and others for the benefit of individual owners who have the right to vote their shares.

Performance Graph

Set forth below is information comparing the cumulative total shareholder return and share price appreciation plus dividends on our common shares with the cumulative total return of the S&P 500 Index and a market weighted index of publicly traded peers over the five year period ended December 31, 2013. The graph assumes that $100 is invested in each of our common shares, the S&P 500 Index and the index of publicly traded peers on December 31, 2008 and that all dividends were reinvested. The publicly traded companies in the peer group are Avon Products, Inc., Nature's Sunshine Products, Inc., Tupperware Corporation, Nu Skin Enterprises Inc., USANA Health Sciences Inc., Weight Watchers International, Inc. and Mannatech, Inc.

Comparison of Cumulative Five Year Total Return



	12/31/08	12/31/09	12/31/10	12/31/11	12/31/12	12/31/13
Herbalife Ltd.	$ 100.00	$ 193.36	$ 331.61	$ 508.19	$ 331.75	$ 811.53
S&P 500 Index	$ 100.00	$ 126.46	$ 145.51	$ 148.59	$ 172.37	$ 228.19
Peer Index	$ 100.00	$ 141.75	$ 145.74	$ 133.94	$ 124.59	$ 195.97

Information with Respect to Dividends

During the second quarter of 2007, the Company's board of directors adopted a regular quarterly cash dividend program. The Company's board of directors authorized a $0.10 per common share dividend each quarter from the adoption of the program through the second quarter of 2010. On August 2, 2010, the Company's board of directors approved an increase in the quarterly cash dividend to $0.13 per common share, an increase of $0.03 per common share from prior quarters. On May 2, 2011, the Company announced that its board of directors approved an increase in the quarterly cash dividend to $0.20 per common share, an increase of $0.07 per common share from prior quarters. On February 21, 2012, the Company announced that its board of directors approved an increase in the quarterly cash dividend to $0.30 per common share, an increase of $0.10 per common share from prior quarters. The aggregate amount of dividends paid and declared during fiscal year 2013, 2012, and 2011 was approximately $123.1 million, $135.1 million, and $85.5 million, respectively.

The declaration of future dividends is subject to the discretion of the Company's board of directors and will depend upon various factors, including the Company's earnings, financial condition, Herbalife Ltd.'s available distributable reserves under Cayman Islands law, restrictions imposed by the Company's credit facility entered into on March 9, 2011, as amended, or the Credit Facility, and the terms of any other indebtedness that may be outstanding, cash requirements, future prospects and other factors deemed relevant by its board of directors. The Credit Facility permits payments of dividends as long as no default or event of default exists and the consolidated leverage ratio specified in the Credit Facility is not exceeded.

Information with Respect to Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth as of December 31, 2013, information with respect to (a) number of securities to be issued upon exercise of outstanding options, warrants and rights, (b) the weighted average exercise price of outstanding options, warrants and rights and (c) the number of securities remaining available for future issuance under equity compensation plans.

	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (3) (a)	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities in Column (a))(2) (c)
Equity compensation plans approved by security holders(1)	7,454,294	$ 33.24	3,692,640
Equity compensation plans not approved by security holders	—	—	—
Total	7,454,294	$ 33.24	3,692,640

(1) Consists of five plans: The WH Holdings (Cayman Islands) Ltd. Stock Incentive Plan, the WH Holdings (Cayman Islands) Ltd. Independent Directors Stock Incentive Plan, the Herbalife Ltd. 2004 Stock Incentive Plan, the Amended and Restated Herbalife Ltd. 2005 Stock Incentive Plan, and the Amended and Restated Herbalife Ltd. Independent Directors Deferred Compensation and Stock Unit Plan. In February 2008, a shareholder approved Employee Stock Purchase Plan was implemented. The terms of these plans are summarized in Note 9, *Share-Based Compensation,* to the Consolidated Financial Statements.

(2) Includes 1.8 million common shares available for future issuance under the shareholder approved Employee Stock Purchase Plan which was implemented in February 2008.

(3) Number of securities to be issued upon exercise of stock appreciation rights was calculated using the market price at December 31, 2013.

Information with Respect to Purchases of Equity Securities by the Issuer

On April 17, 2009, our share repurchase program adopted on April 18, 2007 expired pursuant to its terms. On April 30, 2009, we announced that our board of directors authorized a new program for us to repurchase up to $300 million of our common shares during the next two years, at such times and prices as determined by our management. On May 3, 2010, our board of directors approved an increase to this repurchase program from $300 million to $1 billion. In addition, our board of directors approved the extension of the expiration date from April 2011 to December 2014.

On May 2, 2012, we entered into an agreement with Merrill Lynch International to repurchase $427.9 million of our common shares, which was the remaining authorized capacity under the repurchase program in effect at that time. Under the terms of the repurchase agreement, we paid $427.9 million on May 4, 2012 and the agreement expired on July 27, 2012. We received 5.3 million and 3.9 million of our common shares under the repurchase agreement during June 2012 and July 2012, respectively. The total number of common shares repurchased under the agreement was determined generally upon a discounted volume-weighted average share price of our common shares over the course of the agreement. On July 27, 2012, we completed the repurchase program upon the final delivery of common shares repurchased under the repurchase agreement.

On July 30, 2012, we announced that our board of directors authorized a new $1 billion share repurchase program that will expire on June 30, 2017. This new repurchase program allows us to repurchase our common shares, at such times and prices as determined by our management as market conditions warrant, and to the extent Herbalife Ltd.'s distributable reserves are available under Cayman Islands law. The Credit Facility permits us to repurchase our common shares as long as no default or event of default exists and the consolidated leverage ratio specified in the Credit Facility is not exceeded.

The following is a summary of our repurchases of common shares during the three months ended December 31, 2013:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs
October 1 — October 31	—	—	—	$ 677,621,449
November 1 — November 30	—	—	—	$ 677,621,449
December 1 — December 31	337,828	$ 74.02	337,828	$ 652,614,745
Total	337,828	$ 74.02	337,828	$ 652,614,745

Item 6. ***SELECTED FINANCIAL DATA***

The following table sets forth certain of our historical financial data. We have derived the selected historical consolidated financial data for the years ended December 31, 2013, 2012, 2011, 2010, and 2009 from our audited financial statements and the related notes. Not all periods shown below are discussed in this Annual Report on Form 10-K. The selected consolidated historical financial data set forth below are not necessarily indicative of the results of future operations and should be read in conjunction with the discussion under Item 7 — *Management's Discussion and Analysis of Financial Condition and Results of Operations*, and the historical consolidated financial statements and accompanying notes included elsewhere in this document.

	Year Ended December 31,				
	2013	2012	2011	2010	2009
	(In thousands except per share data)				
Income Statement Data:					
Net sales	$ 4,825,308	$ 4,072,330	$ 3,454,537	$ 2,734,226	$ 2,324,577
Cost of sales	963,423	812,583	680,084	558,811	493,134
Gross profit	3,861,885	3,259,747	2,774,453	2,175,415	1,831,443
Royalty overrides	1,497,556	1,338,633	1,137,560	900,248	761,501
Selling, general and administrative expenses(1)	1,629,052	1,259,667	1,074,623	887,655	773,911
Operating income(1)	735,277	661,447	562,270	387,512	296,031
Interest expense, net	18,560	10,541	2,491	7,417	5,103
Income before income taxes	716,717	650,906	559,779	380,095	290,928
Income taxes	189,192	186,944	144,820	87,212	89,036
Net income	$ 527,525	$ 463,962	$ 414,959	$ 292,883	$ 201,892
Earnings per share					
Basic	$ 5.14	$ 4.13	$ 3.53	$ 2.46	$ 1.65
Diluted	$ 4.91	$ 3.94	$ 3.32	$ 2.32	$ 1.60
Weighted average shares outstanding					
Basic	102,620	112,359	117,540	119,004	122,442
Diluted	107,445	117,856	124,846	126,495	126,194
Other Financial Data:					
Retail sales(2)	$ 7,514,041	$ 6,404,334	$ 5,427,844	$ 4,306,262	$ 3,690,061
Net cash provided by (used in):					
Operating activities	772,875	567,784	510,540	387,875	285,056
Investing activities	(150,822)	(125,000)	(92,086)	(69,136)	(71,322)
Financing activities	30,742	(371,241)	(339,008)	(261,953)	(213,327)
Depreciation and amortization	84,739	74,384	71,853	68,621	62,437
Capital expenditures(3)	162,546	122,797	90,855	68,125	60,128

	Year Ended December 31,				
	2013	2012	2011	2010	2009
	(In thousands except per share data)				
Balance Sheet Data:					
Cash and cash equivalents	$ 972,974	$ 333,534	$ 258,775	$ 190,550	$ 150,801
Receivables, net	100,326	116,139	89,660	85,612	76,958
Inventories	351,201	339,411	247,696	182,467	145,962
Total working capital	720,942	221,685	206,128	118,720	82,463
Total assets	2,473,701	1,724,143	1,463,075	1,241,110	1,152,830
Total debt	931,269	487,607	203,621	178,166	250,333
Shareholders' equity(4)	551,446	395,483	548,144	473,996	351,218
Cash dividends per common share	1.20	1.20	0.73	0.45	0.40

(1) The year ended December 31, 2009 includes severance and related expenses associated with restructuring activities of approximately $1.3 million.

(2) Retail sales represent the gross sales amount reflected on our invoices to our Members and are based on suggested retail prices. We do not receive the full retail sales amount. "Product sales" represent the actual product purchase price paid to us by our Members, after giving effect to all discounts provided to our Members referred to as "distributor allowances." "Net sales" represents product sales and shipping & handling revenues.

Retail sales data is discussed in greater detail in Item 7 —*Management's Discussion and Analysis of Financial Condition and Results of Operations.* We discuss retail sales because of its fundamental role in our systems, internal controls and operations, and its correlation to Member discounts and Royalty Overrides. In addition, information in daily and monthly reports reviewed by our management includes retail sales data.

The following represents the reconciliation of retail sales to net sales for each of the periods set forth above:

	Year Ended December 31,				
	2013	2012	2011	2010	2009
	(In thousands)				
Retail sales	$ 7,514,041	$ 6,404,334	$ 5,427,844	$ 4,306,262	$ 3,690,061
Distributor allowance	(3,313,298)	(2,927,408)	(2,483,122)	(1,968,769)	(1,696,444)
Product sales	4,200,743	3,476,926	2,944,722	2,337,493	1,993,617
Shipping & handling revenues	624,565	595,404	509,815	396,733	330,960
Net sales	$ 4,825,308	$ 4,072,330	$ 3,454,537	$ 2,734,226	$ 2,324,577

(3) Includes accrued capital expenditures. See the Consolidated Statement of Cash Flows for capital expenditures paid in cash during the years ended December 31, 2013, 2012, and 2011.

(4) During the years ended December 31, 2013, 2012, 2011, 2010, and 2009, we paid an aggregate $123.1 million, $135.1 million, $85.5 million, $53.7 million, and $48.7 million in dividends, respectively, and repurchased $297.4 million, $527.8 million, $298.8 million, $150.1 million, and $73.2 million of our common shares through open market purchases, respectively.

Item 7. *MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS*

You should read the following discussion and analysis in conjunction with Item 6 — Selected Financial Data and our consolidated financial statements and related notes, each included elsewhere in this Annual Report on Form 10-K.

We are a leading global nutrition company that sells weight management products, nutritional supplements, energy, sports & fitness products and personal care products utilizing network marketing distribution. As of December 31, 2013, we sold our products to and through a network of 3.7 million independent members, or Members, which include approximately 0.2 million China sales representatives, sales officers, and independent service providers, many of whom are simply discount customers. In China, we currently sell our products through retail stores, sales representatives, sales officers and independent service providers. We are in the process of changing our terminology to identify "distributors" as "Members." Those Members who participate in the business opportunity that our network marketing program presents are referred to as "sales leaders."

We pursue our mission of "changing people's lives" by providing high quality, science-based products to Members and their customers who seek a healthy lifestyle and we also offer a financially rewarding business opportunity to those Members who seek part time or full time income. We believe the global obesity epidemic has made our quality products more relevant and the effectiveness of our distribution network, coupled with geographic expansion, have been the primary reasons for our success throughout our 34-year operating history. As of December 31, 2013, we sold our products in 91 countries.

Our products are grouped in four principal categories: weight management; targeted nutrition; energy, sports & fitness; and outer nutrition, along with literature and promotional items. Our products are often sold through a series of related products and literature designed to simplify weight management and nutrition for consumers and maximize our Members' cross-selling opportunities.

Industry-wide factors that affect us and our competitors include the global obesity epidemic and the aging of the worldwide population, which are driving demand for weight management, nutrition and wellness-related products along with the global increase in under employment and unemployment which can affect the recruitment and retention of Members seeking part time or full time income opportunities.

While we continue to monitor the current global financial environment, we remain focused on the opportunities and challenges in retailing of our products, recruiting and retaining Members, improving Member productivity, opening new markets, further penetrating existing markets, globalizing successful Distributor Methods of Operation, or DMOs, such as Nutrition Clubs and Weight Loss Challenges, introducing new products and globalizing existing products, developing niche market segments and further investing in our infrastructure. Management also continues to monitor the Venezuelan market and especially the limited ability to repatriate cash.

We report revenue from our six regions:

- North America;
- Mexico;
- South and Central America;
- EMEA, which consists of Europe, the Middle East and Africa;
- Asia Pacific (excluding China); and
- China.

Volume Points by Geographic Region

A key non-financial measure we focus on is Volume Points on a Royalty Basis, or Volume Points, which is essentially our weighted average measure of product sales volume. Volume Points, which are unaffected by exchange rates or price changes, are used by management as a proxy for sales trends because in general, an increase in Volume Points in a particular geographic region or country indicates an increase in our local currency net sales while a decrease in Volume Points in a particular geographic region or country indicates a decrease in our local currency net sales.

We assign a Volume Point value to a product when it is first introduced into a market and the value is unaffected by subsequent exchange rate and price changes. The specific number of Volume Points assigned to a product, and generally consistent across all markets, is based on a Volume Point to suggested retail price ratio for similar products. If a product is available in different quantities, the various sizes will have different Volume Point values. In general, once assigned, a Volume Point value is consistent in each region and country and does not change from year to year. The reason Volume Points are used in the manner described above is that we use Volume Points for Member qualification and recognition purposes and therefore we attempt to keep Volume Points for a similar or like product consistent on a global basis. However, because Volume Points are a function of value rather than product type or size, they are not a reliable measure for product mix. As an example, an increase in Volume Points in a specific country or region could mean a significant increase in sales of less expensive products or a marginal increase in sales of more expensive products.

	For the Year Ended December 31,					
	2013	2012	% Change	2012	2011	% Change
	(Volume points in millions)					
North America	1,249.9	1,157.8	8.0%	1,157.8	987.1	17.3%
Mexico	864.3	815.4	6.0%	815.4	704.5	15.7%
South & Central America	966.2	740.4	30.5%	740.4	569.9	29.9%
EMEA	698.0	602.5	15.9%	602.5	545.0	10.6%
Asia Pacific (excluding China)	1,225.4	1,197.8	2.3%	1,197.8	961.6	24.6%
China	333.6	206.5	61.5%	206.5	153.8	34.3%
Worldwide	5,337.4	4,720.4	13.1%	4,720.4	3,921.9	20.4%

Average Active Sales Leaders by Geographic Region

With the continued expansion of daily consumption DMOs in our different markets and our objective to improve Member retention, we believe the Average Active Sales Leader is a useful metric. It represents the monthly average number of sales leaders that place an order, including orders of non-sales leader Members in their downline sales organization, during a given period. We rely on this metric as an indication of the engagement level of sales leaders in a given region. Changes in the Average Active Sales Leader metric may be indicative of potential for changes in annual retention levels and future sales growth.

	For the Year Ended December 31,			For the Year Ended December 31,		
	2013	2012	% Change	2012	2011	% Change
North America	72,058	66,054	9.1%	66,054	56,741	16.4%
Mexico	63,581	57,651	10.3%	57,651	47,697	20.9%
South & Central America	58,090	44,980	29.1%	44,980	34,938	28.7%
EMEA	49,650	44,098	12.6%	44,098	38,607	14.2%
Asia Pacific (excluding China)	71,542	63,255	13.1%	63,255	48,195	31.2%
China	14,808	11,683	26.7%	11,683	8,814	32.6%
Worldwide(1)	318,740	277,803	14.7%	277,803	227,308	22.2%

(1) Worldwide average active sales leaders may not equal the sum of the average active sales leaders in each region due to the calculation being an average of sales leaders active in a period, not a summation, and the fact that some sales leaders are active in more than one region but are counted only once in the worldwide amount.

Number of Sales Leaders and Retention Rates by Geographic Region as of Re-qualification Period

Our compensation system requires each sales leader to re-qualify for such status each year, prior to February, in order to maintain their 50% discount on products and be eligible to receive royalty payments. In February of each year, we demote from the rank of sales leader those Members who did not satisfy the re-qualification requirements during the preceding twelve months. The re-qualification requirement does not apply to new sales leaders (i.e. those who became sales leaders subsequent to the January re-qualification of the prior year).

Sales Leaders Statistics (Excluding China)	2013	2012	2011
		(In thousands)	
January 1 total sales leaders	583.1	501.3	434.2
January & February new sales leaders	37.1	34.8	28.9
Demoted sales leaders (did not re-qualify)	(182.8)	(151.3)	(144.8)
Other sales leaders (resigned, etc)	(1.3)	(0.8)	(0.8)
End of February total sales leaders	436.1	384.0	317.5

The Member statistics below further highlight the calculation for retention.

Sales Leaders Retention (Excluding China)	2013	2012	2011
		(In thousands)	
Sales leaders needed to re-qualify	379.6	314.9	283.2
Demoted sales leaders (did not re-qualify)	(182.8)	(151.3)	(144.8)
Total re-qualified	196.8	163.6	138.4
Retention rate	51.8%	52.0%	48.9%

The table below reflects the number of sales leaders as of the end of February of the year indicated (subsequent to the annual re-qualification date) and sales leader retention rate by year and by region.

	Number of Sales Leaders			Sales Leaders Retention Rate		
	2013	2012	2011	2013	2012	2011
North America	86,469	79,150	72,152	54.7%	51.1%	48.6%
Mexico	78,453	67,959	54,526	57.6%	59.2%	57.9%
South & Central America	79,351	65,653	50,288	53.6%	55.7%	47.3%
EMEA	57,071	55,121	49,696	60.7%	61.5%	58.6%
Asia Pacific (excluding China)	134,714	116,158	90,822	40.1%	40.2%	38.4%
Total Sales leaders	436,058	384,041	317,484	51.8%	52.0%	48.9%
China	30,304	26,262	30,543			
Worldwide Total Sales Leaders	466,362	410,303	348,027			

Sales leaders purchase most of our products for resale to other Members and consumers. The number of sales leaders by geographic region as of the quarterly reporting dates will normally be higher than the number of sales leaders by geographic region as of the re-qualification period because sales leaders who do not re-qualify

during the relevant twelve-month period will be removed from the rank of sales leader the following February. Comparisons of sales leader totals on a year-to-year basis are indicators of our recruitment and retention efforts in different geographic regions.

We provide Members with products, support materials, training, special events and a competitive compensation program. If a Member wants to pursue the Herbalife business opportunity, the Member is responsible for growing his or her business and personally pays for the sales activities related to attracting new customers and recruiting Members. Activities may include hosting events such as Herbalife Opportunity Meetings or Success Training Seminars; advertising Herbalife's products; purchasing and using promotional materials such as t-shirts, buttons and caps; utilizing and paying for direct mail and print material such as brochures, flyers, catalogs, business cards, posters and banners and telephone book listings; purchasing inventory for sale or use as samples; and training and mentoring customers and recruits on how to use Herbalife products and/or pursue the Herbalife business opportunity.

Presentation

"Retail sales" represent the suggested retail price of products we sell to our Members and is the gross sales amount reflected on our invoices. This is not the price paid to us by our Members. Our Members purchase product from us at a discount from the suggested retail price. We refer to these discounts as *"Distributor Allowance",* and we refer to retail sales less distributor allowances as *"Product Sales"*.

Total distributor allowances for 2013, 2012 and 2011 were 44.1%, 45.7% and 45.7% of Retail Sales, respectively. Distributor allowances as a percentage of retail sales may vary by country depending upon regulatory restrictions that limit or otherwise restrict distributor allowances. We also offer reduced distributor allowances with respect to certain products worldwide. Each Member's level of discount is determined by qualification based on volume of purchases. In cases where a Member has qualified for less than the maximum discount, the remaining discount, which we also refer to as a wholesale commission, is received by their sponsoring Members. Therefore, product sales are recognized net of product returns and distributor allowances.

"Net Sales" equal product sales plus *"shipping and handling revenues"*, and generally represents what we collect.

During 2013 we simplified our pricing structure for most markets, increasing suggested retail prices and reducing total shipping and handling fees, eliminating a "packaging and handling" line item from our invoices to Members, with no impact on total Member cost. In conjunction, the method for Distributor Allowances and Marketing Plan payouts now generally utilizes 90% to 95% of suggested retail price, depending on the product and market, to which we apply discounts of up to 50% for Distributor Allowances and payout rates of up to 15% for royalty overrides, up to 7% for production bonuses, and approximately 1% for the Mark Hughes bonus. Consequently, the revision to our pricing structure did not have a meaningful impact on the amounts of Distributor Allowance or payouts under our Marketing Plan and did not materially impact our consolidated Net Sales and profitability.

We do not have visibility to all of the sales from our Members to their customers, but such a figure would differ from our reported "retail sales" by factors including (a) the amount of product purchased by our Members for their own personal consumption and (b) prices charged by our Members to their customers other than our suggested retail prices. We discuss retail sales because of its fundamental role in our systems, internal controls and operations, and its correlation to Member discounts and Royalty Overrides. In addition, it is used as the basis for certain information included in daily and monthly reports reviewed by our management. However, such a measure is not in accordance with U.S. generally accepted accounting principles, or U.S. GAAP. Retail sales should not be considered in isolation from, nor as a substitute for, net sales and other consolidated income or cash flow statement data prepared in accordance with U.S. GAAP, or as a measure of profitability or liquidity. A reconciliation of retail sales to net sales is presented below under *Results of Operations*.

Our international operations have provided and will continue to provide a significant portion of our total net sales. As a result, total net sales will continue to be affected by fluctuations in the U.S. dollar against foreign

currencies. In order to provide a framework for assessing how our underlying businesses performed excluding the effect of foreign currency fluctuations, in addition to comparing the percent change in net sales from one period to another in U.S. dollars, we also compare the percent change in net sales from one period to another period using "*net sales in local currency*". Net sales in local currency is not a U.S. GAAP financial measure. Net sales in local currency removes from net sales in U.S. dollars the impact of changes in exchange rates between the U.S. dollar and the functional currencies of our foreign subsidiaries, by translating the current period net sales into U.S. dollars using the same foreign currency exchange rates that were used to translate the net sales for the previous comparable period. We believe presenting net sales in local currency is useful to investors because it allows a meaningful comparison of net sales of our foreign operations from period to period. However, net sales in local currency measures should not be considered in isolation or as an alternative to net sales in U.S. dollar measures that reflect current period exchange rates, or to other financial measures calculated and presented in accordance with U.S. GAAP.

Our *"gross profit"* consists of net sales less *"cost of sales,"* which represents our manufacturing costs, the price we pay to our raw material suppliers and manufacturers of our products as well as shipping and handling costs including duties, tariffs, and similar expenses.

While all Members can potentially profit from their activities by reselling our products for amounts greater than the prices they pay us, Members that develop, retain, and manage other Members can earn additional compensation for those activities, which we refer to as *"Royalty overrides."* Royalty overrides are our most significant operating expense and consist of:

- royalty overrides and production bonuses;
- the Mark Hughes bonus payable to some of our most senior Members; and
- other discretionary incentive cash bonuses to qualifying Members.

During 2013, 2012 and 2011, total Royalty overrides were 31.0%, 32.9% and 32.9% of our net sales, respectively. Royalty overrides are compensation to Members for the development, retention and improved productivity of their sales organizations and are paid to several levels of Members on each sale. Royalty overrides are compensation for services rendered to the Company and as such are recorded as an operating expense.

Due to restrictions on direct selling in China, our independent service providers in China are compensated with service fees instead of the distributor allowances and royalty overrides utilized in our traditional marketing program. Compensation to China independent service providers is included in selling, general and administrative expenses.

Because of local country regulatory constraints, we may be required to modify our Member incentive plans as described above. We also pay reduced royalty overrides with respect to certain products worldwide. Consequently, the total royalty override percentage may vary over time and from the percentages noted above.

Our *"contribution margins"* consist of net sales less cost of sales and royalty overrides.

"Selling, general and administrative expenses" represent our operating expenses, which include labor and benefits, sales events, professional fees, travel and entertainment, Member promotions, occupancy costs, communication costs, bank fees, depreciation and amortization, foreign exchange gains and losses and other miscellaneous operating expenses.

Most of our sales to Members outside the United States are made in the respective local currencies. In preparing our financial statements, we translate revenues into U.S. dollars using average exchange rates. Additionally, the majority of our purchases from our suppliers generally are made in U.S. dollars. Consequently, a strengthening of the U.S. dollar versus a foreign currency can have a negative impact on our reported sales and contribution margins and can generate foreign currency losses on intercompany transactions. Foreign currency exchange rates can fluctuate significantly. From time to time, we enter into foreign exchange forward and option contracts to partially mitigate our foreign currency exchange risk as discussed in further detail in Item 7A — *Quantitative and Qualitative Disclosures about Market Risk.*

Results of Operations

Our results of operations for the periods below are not necessarily indicative of results of operations for future periods, which depend upon numerous factors, including our ability to recruit new Members and retain existing Members, open new markets, further penetrate existing markets, introduce new products and programs that will help our Members increase their retail efforts and develop niche market segments.

The following table sets forth selected results of our operations expressed as a percentage of net sales for the periods indicated:

	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
Operations:			
Net sales	100.0%	100.0%	100.0%
Cost of sales	20.0	19.9	19.7
Gross profit	80.0	80.1	80.3
Royalty overrides(1)	31.0	32.9	32.9
Selling, general and administrative expenses(1)	33.8	30.9	31.1
Operating income	15.2	16.3	16.3
Interest expense	0.6	0.4	0.3
Interest income	0.2	0.1	0.2
Income before income taxes	14.8	16.0	16.2
Income taxes	3.9	4.6	4.2
Net income	10.9	11.4	12.0

(1) Compensation to our China sales employees and service fees to our independent service providers in China are included in selling, general and administrative expenses while Member compensation for all other countries is included in royalty overrides.

Changes in net sales are directly associated with the recruiting and retention of our Member force, retailing of our products, the quality and completeness of our product offerings that the Member force has to sell and the number of countries in which we operate. Management's role, both in-country and at the region and corporate level, is to provide Members with a competitive and broad product line, encourage strong teamwork and Member leadership and offer leading edge business tools and technology services to make doing business with Herbalife simple. Management uses the Member marketing program coupled with educational and motivational tools and promotions to encourage Members to increase recruiting, retention and retailing, which in turn affect net sales. Such tools include Company sponsored sales events such as Extravaganzas, Leadership Development Weekends and World Team Schools where large groups of Members gather, thus allowing them to network with other Members, learn recruiting, retention and retailing techniques from our leading Members and become more familiar with how to market and sell our products and business opportunities. Accordingly, management believes that these development and motivation programs increase the productivity of the sales leader network. The expenses for such programs are included in selling, general and administrative expenses. Sales are driven by several factors, including the number and productivity of Members and sales leaders who continually build, educate and motivate their respective distribution and sales organizations. We also use event and non-event product promotions to motivate Members to increase recruiting, retention and retailing activities. These promotions have prizes ranging from qualifying for events to product prizes and vacations. The costs of these promotions are included in selling, general and administrative expenses.

The factors described above have helped Members increase their business, which in turn helps drive Volume Point growth in our business, and thus, net sales growth. The discussion below of net sales by geographic

region further details some of the specific drivers of growth of our business and causes of sales fluctuations during the year ended December 31, 2013 as compared to the same period in 2012 and during the year ended December 31, 2012 as compared to the same period in 2011, as well as the unique growth or contraction factors specific to certain geographic regions or significant countries within a region during these periods. We believe that the correct business foundation, coupled with ongoing training and promotional initiatives, is required to increase recruiting and retention of Members and retailing of our products. The correct business foundation includes strong country management that works closely with the Member leadership, actively engaged and unified Member leadership, a broad product line that appeals to local consumer needs, a favorable regulatory environment, a scalable and stable technology platform and an attractive Member marketing plan. Initiatives, such as Success Training Seminars, Leadership Development Weekends, Promotional Events and regional Extravaganzas are integral components of developing a highly motivated and educated Member sales organization that will work toward increasing the recruitment and retention of Members.

We anticipate that our strategy will continue to include creating and maintaining growth within existing markets while expanding into new markets. In addition, new ideas and DMOs are being generated in many of our markets and are globalized where applicable through the combined efforts of Members, country management or regional and corporate management. While we support a number of different DMOs, one of the more popular DMOs is the daily consumption DMO. Under our traditional DMO, a Member typically sells to its customers on a somewhat infrequent basis (e.g., monthly) which provides fewer opportunities for interaction with their customers. Under a daily consumption DMO, a Member interacts with its customers on a more frequent basis which enables the Member to better educate and advise customers about nutrition and the proper use of the products and helps promote daily usage as well, thereby helping the Member grow his or her business. Specific examples of DMOs include the Club concept in Mexico, Premium Herbalife Opportunity Meetings in Korea, the Healthy Breakfast concept in Russia, and the Internet/Sampling and Weight Loss Challenge in the U.S. Management's strategy is to review the applicability of expanding successful country initiatives throughout a region, and where appropriate, financially support the globalization of these initiatives.

Financial Results for the year ended December 31, 2013 compared to the year ended December 31, 2012

Net sales for the year ended December 31, 2013 increased 18.5% to $4,825.3 million as compared to $4,072.3 million in 2012. In local currency, net sales for the year ended December 31, 2013 increased 19.4% as compared to the same period in 2012. The increase in net sales was primarily due to the continued successful adoption and operation of daily consumption DMOs; increased Member engagement and an increase in average active sales leaders; branding activities and increased Member recruiting.

Net income for the year ended December 31, 2013 increased 13.7% to $527.5 million, or $4.91 per diluted share, compared to $464.0 million, or $3.94 per diluted share, for the same period in 2012. The increase was primarily due to higher contribution margin driven by net sales growth discussed above, partially offset by higher selling, general and administrative expenses to support the growth of our business and for the legal and advisory services described below, higher interest expense and higher income taxes.

Net income for the year ended December 31, 2013 included approximately $29.1 million pre-tax unfavorable impact ($24.5 million post-tax) related to legal and advisory services and other expenses for the Company's response to allegations and other negative information put forward in the marketplace by a hedge fund manager which started in late 2012 and approximately $20.4 million pre-tax unfavorable impact ($15.6 million post-tax) related to expenses for the re-audit of the Company's 2010 to 2012 financial statements (See *Selling, General and Administrative Expenses* below for further discussion). Net income for year ended December 31, 2013 also included a $15.1 million pre-tax unfavorable impact ($9.8 million post-tax) related to the Venezuela Bolivar devaluation (See *Liquidity and Capital Resources — Currency Restrictions in Venezuela* below for further discussion of currency exchange rate issues in Venezuela).

Net Sales

The following chart reconciles retail sales to net sales:

Sales by Geographic Region

	Year Ended December 31,										
	2013					2012					
	Retail Sales(1)	Distributor Allowance	Product Sales	Shipping & Handling Revenues(1)	Net Sales	Retail Sales	Distributor Allowance	Product Sales	Shipping & Handling Revenues	Net Sales	Change in Net Sales
	(Dollars in millions)										
North America	$1,485.6	$ (685.4)	$ 800.2	$ 107.8	$ 908.0	$1,334.2	$ (635.8)	$ 698.4	$ 142.8	$ 841.2	7.9%
Mexico	937.6	(444.8)	492.8	69.6	562.4	802.1	(391.7)	410.4	85.7	496.1	13.4%
South & Central America	1,519.6	(718.8)	800.8	172.7	973.5	1,134.2	(544.5)	589.7	99.1	688.8	41.3%
EMEA	1,198.4	(572.1)	626.3	108.9	735.2	1,018.3	(492.7)	525.6	102.2	627.8	17.1%
Asia Pacific	1,815.3	(805.8)	1,009.5	165.1	1,174.6	1,780.6	(806.2)	974.4	165.5	1,139.9	3.0%
China	557.5	(86.4)	471.1	0.5	471.6	334.9	(56.5)	278.4	0.1	278.5	69.3%
Worldwide	$7,514.0	$ (3,313.3)	$4,200.7	$ 624.6	$4,825.3	$6,404.3	$ (2,927.4)	$3,476.9	$ 595.4	$4,072.3	18.5%

(1) During 2013 we simplified our pricing structure for most markets by increasing suggested retail prices and reducing total shipping and handling revenues by a similar amount, eliminating a “packaging and handling” line item from our invoices to Members. These changes did not materially impact our consolidated Net Sales and profitability.

North America

The North America region reported net sales of $908.0 million for the year ended December 31, 2013. Net sales increased $66.8 million, or 7.9%, for the year ended December 31, 2013, as compared to the same period in 2012. In local currency, net sales increased 8.0% for the year ended December 31, 2013, as compared to the same period in 2012. The overall increase in net sales in the region was a result of net sales growth in the U.S. of $64.0 million, or 7.8%, for the year ended December 31, 2013, as compared to the same period in 2012.

In the U.S. we continue to see the success of our Members converting their business strategy toward daily consumption DMOs, especially the Nutrition Club.

Average active sales leaders in the region increased 9.1% for the year ended December 31, 2013, as compared to the same period in 2012.

In February 2013, the region hosted a series of trainings in nine cities with approximately 8,500 attendees. In April, the region hosted a series of General market trainings in thirteen cities with approximately 7,200 attendees. In June, the region hosted a series of Latin market trainings in nine cities with approximately 12,400 attendees. In July, the region hosted a series of General Market trainings in thirteen cities with a total of approximately 7,800 attendees. In October, the region hosted a General market Extravaganza in Las Vegas and a Latin market Extravaganza in Los Angeles with attendance of approximately 11,600 and 13,000, respectively.

Mexico

The Mexico region reported net sales of $562.4 million for the year ended December 31, 2013. Net sales for the year ended December 31, 2013 increased $66.3 million, or 13.4%, as compared to the same period in 2012. In local currency, net sales for the year ended December 31, 2013 increased 10.0% as compared to the same period in 2012. The fluctuation of foreign currency rates had a favorable impact of $16.8 million on net sales for the year ended December 31, 2013.

The growth in net sales is primarily the result of increased Member engagement as well as the continued success of the Nutrition Club DMO. One of the recent growth drivers in Mexico has been the ongoing transition from home clubs to commercial clubs by many Members, which are able to generate higher volumes of sales through the servicing of more customers and longer operating hours.

Average active sales leaders in Mexico increased 10.3% for the year ended December 31, 2013, as compared to the same period in 2012.

In May, the region hosted two Leadership trainings in Puerto Vallarta and Acapulco with a total of approximately 16,200 attendees. In September, the region hosted an Extravaganza in Mexico City and in Guadalajara with a total of approximately 28,300 attendees.

South and Central America

The South and Central America region reported net sales of $973.5 million for the year ended December 31, 2013. Net sales increased $284.7 million, or 41.3%, for the year ended December 31, 2013, as compared to the same period in 2012. In local currency, net sales increased 49.0% for the year ended December 31, 2013, as compared to the same period in 2012. The fluctuation of foreign currency rates had a $52.7 million unfavorable impact on net sales for the year ended December 31, 2013. The increase in net sales for the year ended December 31, 2013, as compared to the same period in 2012, was due to an increase in net sales in almost every country in the region led by Brazil, Venezuela and Colombia. This growth was primarily driven by the adoption and expansion of daily consumption DMOs throughout the region.

In Brazil, the region's largest market, net sales increased $66.3 million, or 21.0%, for the year ended December 31, 2013, as compared to the same period in 2012. In local currency, net sales increased 33.8% for the year ended December 31, 2013, as compared to the same period in 2012. The fluctuation of foreign currency rates had a $40.2 million unfavorable impact on net sales in Brazil for the year ended December 31, 2013. The increase in net sales continues to be driven by the successful adoption of Nutrition Clubs and other daily consumption DMOs.

Venezuela, the region's second largest market, experienced a net sales increase of $124.4 million, or 87.6%, for the year ended December 31, 2013, as compared to the same period in 2012. In local currency, net sales increased 87.6% for the year ended December 31, 2013, as compared to the same period in 2012. The overall sales growth was primarily due to increased Member engagement and growth in the Nutrition Club DMO. Venezuela also had price increases of 15% in December 2012, 17% in April 2013, and 19% in July 2013, all of which contributed to the increase in sales. The Company initiated price increases in Venezuela of 30% and 23% during December 2013 in order to better align product prices with the economic conditions of the market. The overall impact of these price increases could decrease volume in 2014. During January 2014, an additional price increase was planned but not allowed after a review by local governmental agencies. Commencing in 2014, the Company has taken numerous initiatives to reduce its economic exposure to this market, including limiting product imports. The rate for which we remeasure sales in Venezuela was officially devalued from 5.3 Venezuelan Bolivars per U.S. dollar to 6.3 Venezuelan Bolivars per U.S. dollar during February 2013, and had a $46.6 million unfavorable impact on net sales in Venezuela for the year ended December 31, 2013. See *Liquidity and Capital Resources — Working Capital and Operating Activities* below for further discussion of currency exchange rate issues in Venezuela.

Average active sales leaders in the region increased 29.1% for the year ended December 31, 2013, as compared to the same period in 2012.

In February 2013, the region hosted a regional Extravaganza in Bogota, Colombia with approximately 20,200 attendees. In May, the region held three Brazil Extravaganzas with approximately 15,000 attendees. In October, Brazil hosted a World Team School event with approximately 5,500 attendees.

EMEA

The EMEA region reported net sales of $735.2 million for the year ended December 31, 2013. Net sales increased $107.4 million, or 17.1%, for the year ended December 31, 2013, as compared to the same period in 2012. In local currency, net sales increased 16.3% for the year ended December 31, 2013, as compared to the same period in 2012. The fluctuation of foreign currency rates had a favorable impact on net sales of $5.0 million for the year ended December 31, 2013. The increase in net sales for the year ended December 31, 2013 was primarily driven by increases in Russia, the United Kingdom, Spain, and Italy.

Net sales in Russia, our largest market in the region, increased $25.0 million, or 24.7%, for the year ended December 31, 2013, as compared to the same period in 2012. In local currency, net sales increased 28.2% for the year ended December 31, 2013, as compared to the same period in 2012. The fluctuation of foreign currency rates had a $3.6 million unfavorable impact on net sales in Russia for the year ended December 31, 2013. The increase in Russia was driven by the ongoing adoption of the Commercial Nutrition Club, additional sales centers which have increased access to our products and branding including the sponsorship of FC Spartak Moscow football club.

Net sales in Italy, our second largest market in the region, increased $13.4 million, or 13.7%, for the year ended December 31, 2013, as compared to the same period in 2012. In local currency, net sales increased 10.1% for the year ended December 31, 2013, as compared to the same period in 2012. The fluctuation of foreign currency rates had a $3.6 million favorable impact on net sales in Italy for the year ended December 31, 2013. Italy has now had three consecutive quarters of positive year-over-year sales growth. Management believes this is a strong indication that the market is embracing the daily consumption DMO.

Net sales in Spain, our third largest market in the region, increased $15.4 million, or 29.1%, for the year ended December 31, 2013, as compared to the same period in 2012. In local currency, net sales in Spain increased 24.7% for the year ended December 31, 2013, as compared to the same period in 2012. The fluctuation of foreign currency rates had a $2.3 million favorable impact on net sales in Spain for the year ended December 31, 2013. The increase in Spain was mainly due to the positive effect of increased Member engagement and recruitment.

Net sales in the United Kingdom increased $25.5 million, or 80.5%, for the year ended December 31, 2013, as compared to the same period in 2012. In local currency, net sales in the United Kingdom increased 83.0% for the year ended December 31, 2013, as compared to the same period in 2012. The fluctuation of foreign currency rates had a $0.8 million unfavorable impact on net sales in the United Kingdom for the year ended December 31, 2013. The increase in the United Kingdom was primarily due to the successful adoption of Nutrition Clubs and Weight Loss Challenge DMO.

Average active sales leaders in the region increased 12.6% for the year ended December 31, 2013, as compared to the same period in 2012.

In September, the region hosted four Extravaganzas including two in Russia (St. Petersburg and Krasnoyarsk), one in Istanbul, Turkey, and one in Cologne, Germany. The Germany and Turkey events had approximately 15,000 and 3,900 attendees, respectively, while the Russia events had a total of approximately 8,100 attendees. In November, South Africa hosted an Extravaganza with approximately 1,750 attendees. Also in November, Russia hosted an Extravaganza in Mongolia with approximately 1,500 attendees.

Asia Pacific

The Asia Pacific region, which excludes China, reported net sales of $1,174.6 million for the year ended December 31, 2013. Net sales increased $34.7 million, or 3.0%, for the year ended December 31, 2013, as compared to the same period in 2012. In local currency, net sales increased 4.7% for the year ended December 31, 2013, as compared to the same period in 2012. The fluctuation of foreign currency rates had an unfavorable impact of $18.6 million on net sales for the year ended December 31, 2013. The increase in net sales for the year ended December 31, 2013 was driven primarily by growth in Indonesia, South Korea, and Vietnam, partially offset by Japan and Malaysia.

Net sales in South Korea, our largest market in the region, increased $12.3 million, or 2.9%, for the year ended December 31, 2013, as compared to the same period in 2012. In local currency, net sales for the year ended December 31, 2013 were comparable to the same period in 2012. The fluctuation of foreign currency rates had a favorable impact on net sales of $12.2 million for the year ended December 31, 2013. South Korea continues to be impacted by a modest slowdown in the number of new Nutrition Clubs as well as a decline in productivity in certain Nutrition Clubs compared to the prior year period.

Net sales in Taiwan, our second largest market in the region, decreased $6.9 million, or 4.5%, for the year ended December 31, 2013, as compared to the same period in 2012. In local currency, net sales decreased 4.2% for the year ended December 31, 2013, as compared to the same period in 2012. The fluctuation of foreign currency rates had an unfavorable impact on net sales of $0.5 million for the year ended December 31, 2013. Taiwan had their first price increase in almost three years in April and volume in subsequent months was lower than normal as a result. Volume has recently begun to recover although it is still below levels from a year ago. Despite the decrease in net sales for the twelve months ended December 31, 2013 as compared to the prior twelve month period, we believe the overall trend is favorable indicating that the strategic steps taken to address Member business training practices around Nutrition Clubs since fourth quarter 2010 are proving successful.

Net sales in India, our third largest market in the region, increased $1.0 million, or 0.7%, for the year ended December 31, 2013, as compared to the same period in 2012. In local currency, net sales increased 10.4% for the year ended December 31, 2013, as compared to the same period in 2012. The fluctuation of foreign currency rates had an unfavorable impact on net sales of $14.0 million for the year ended December 31, 2013. The increase in net sales for the year ended December 31, 2013 was primarily driven by increased product access and the successful adoption of the daily consumption DMOs, especially the Nutrition Club.

Net sales in Indonesia, our fourth largest market in the region, increased $32.9 million, or 35.6%, for the year ended December 31, 2013, as compared to the same period in 2012. In local currency, net sales increased 49.6% for the year ended December 31, 2013, as compared to the same period in 2012. The fluctuation of foreign currency rates had an unfavorable impact on net sales of $13.0 million for the year ended December 31, 2013. The primary catalyst driving the sales increase in Indonesia was the growth in Nutrition Clubs.

Net sales in Malaysia, our fifth largest market in the region, decreased $11.5 million, or 9.7%, for the year ended December 31, 2013, as compared to the same period in 2012. In local currency, net sales decreased 8.2% for the year ended December 31, 2013, as compared to the same period in 2012. The fluctuation of foreign currency rates had an unfavorable impact on net sales of $1.7 million for the year ended December 31, 2013. The decrease in net sales for the twelve months ended December 31, 2013 reflects, in part, the opening of a competitor in the country on October 1st and the move of several Members to the new company. We believe this is a short term issue and that the impact will not be an issue going forward into 2014. In addition, during 2012 we saw tremendous growth in Nutrition Home Clubs and some of these clubs suffered from a lack of proper training and have declined in number and activity levels as a result. We are working with Member leadership in Malaysia to address these training issues. We believe that the underlying DMO's currently used by Members in the country (Nutrition Clubs, Road Shows, and Mega Herbalife Opportunity Meetings) provide for a solid base of growth going forward.

Average active sales leaders in the region increased 13.1% for the year ended December 31, 2013, as compared to the same period in 2012.

In June, the region hosted three regional extravaganzas, in South Korea, India and Thailand, with approximately 13,800, 13,500 and 19,000 attendees, respectively. In October, the region hosted an AWT University event in Thailand with approximately 7,300 attendees.

China

Net sales in China were $471.6 million for the year ended December 31, 2013. Net sales increased $193.1 million, or 69.3%, for the year ended December 31, 2013, as compared to the same period in 2012. In local currency,

net sales increased 64.7% for the year ended December 31, 2013, as compared to the same period in 2012. The fluctuation of foreign currency rates had a favorable impact of $12.8 million on net sales for the year ended December 31, 2013.

The increase in net sales was driven by the continuing adoption and acculturation of daily consumption DMOs. In addition, sales have benefited from Member acceptance of a trial Preferred Customer program which was launched earlier this year as well as on-line ordering.

Average active sales leaders in China increased 26.7% for the year ended December 31, 2013, as compared to the same period in 2012. We believe that the increase in Member engagement as reflected in the average active sales leader numbers is indicative of the market transitioning to daily consumption DMOs.

As of December 31, 2013, we were operating 66 retail stores in 29 provinces in China and had direct selling licenses to 25 out of the 29 provinces in which we operated. We continue to seek additional provincial licenses where appropriate.

In April the region hosted its annual China Extraordinary Tour (Honors) with approximately 8,600 attendees. In July, a Healthy & Activity Tour was held in five cities with a total of approximately 7,500 attendees. In October, the region hosted an Anniversary Rally with approximately 11,200 attendees.

Sales by Product Category

	Year Ended December 31,									
	2013					2012				
	Retail Sales	Distributor Allowance	Product Sales	Shipping & Handling Revenues	Net Sales	Retail Sales	Distributor Allowance	Product Sales	Shipping & Handling Revenues	Net Sales	% Change in Net Sales
	(Dollars in millions)										
Weight Management	$4,878.5	$ (2,220.3)	$2,658.2	$ 405.5	$3,063.7	$4,118.8	$ (1,946.8)	$2,172.0	$ 382.9	$2,554.9	19.9%
Targeted Nutrition	1,767.4	(804.4)	963.0	146.9	1,109.9	1,523.1	(719.9)	803.2	141.6	944.8	17.5%
Energy, Sports and Fitness	405.2	(184.4)	220.8	33.7	254.5	337.5	(159.5)	178.0	31.4	209.4	21.5%
Outer Nutrition	250.4	(114.0)	136.4	20.8	157.2	235.9	(111.5)	124.4	21.9	146.3	7.5%
Literature, Promotional and Other(1)	212.5	9.8	222.3	17.7	240.0	189.0	10.3	199.3	17.6	216.9	10.7%
Total	$7,514.0	$ (3,313.3)	$4,200.7	$ 624.6	$4,825.3	$6,404.3	$ (2,927.4)	$3,476.9	$ 595.4	$4,072.3	18.5%

(1) Product buybacks and returns in all product categories are included in the literature, promotional and other category.

Net sales for all product categories increased for the year ended December 31, 2013 as compared to the same period in 2012. The growth factors described in the above discussions of the individual geographic regions apply generally to all product categories.

Gross Profit

Gross profit was $3,861.9 million for the year ended December 31, 2013, as compared to $3,259.7 million for the same period in 2012. As a percentage of net sales, gross profit for the year ended December 31, 2013 was 80.0%, comparable to 80.1% for the same period in 2012. For the year ended December 31, 2013 the favorable impact from retail price increases was primarily offset by the unfavorable impact of inventory write-downs.

Royalty Overrides

Royalty Overrides were $1,497.6 million for the year ended December 31, 2013, as compared to $1,338.6 million for the same period in 2012. Royalty Overrides as a percentage of net sales was 31.0% for the year ended December 31, 2013 as compared to 32.9% for the same period in 2012. Generally, this ratio varies slightly from

period to period due to changes in the mix of products and countries because full royalty overrides are not paid on certain products and in certain countries. Compensation to our sales employees and independent service providers in China is included in selling, general and administrative expenses as opposed to Royalty Overrides where it is included for all other Members under our worldwide marketing plan. We anticipate fluctuations in Royalty Overrides as a percentage of net sales reflecting the growth prospect of our China business relative to that of our worldwide business.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were $1,629.1 million for the year ended December 31, 2013, as compared to $1,259.7 million for the same period in 2012. Selling, general and administrative expenses as a percentage of net sales were 33.8% for the year ended December 31, 2013, as compared to 30.9% for the same period in 2012.

The increase in selling, general and administrative expenses for the year ended December 31, 2013 included $72.8 million in higher salaries, bonuses and benefits; $29.1 million in expenses associated with our response to allegations and other negative information put forward by a hedge fund manager, as further discussed below; $20.4 million in expenses for the re-audit of our 2010 to 2012 financial statements; higher variable expenses related to sales growth including $31.5 million in higher Member promotion and event costs; $92.1 million in higher expenses related to China independent service providers; $17.4 million in higher non-income tax expenses such as value added tax and sales tax and $21.3 million in higher net foreign exchange loss, which included a $15.1 million net foreign exchange loss related to the remeasurement of the Company's Bolivar denominated monetary assets and liabilities resulting from the Venezuela Bolivar devaluation (See *Liquidity and Capital Resources — Currency Restrictions in Venezuela*, for further discussion of currency exchange rate issues in Venezuela).

In late 2012, a hedge fund manager publicly raised allegations regarding the legality of the Company's network marketing program and announced that the hedge fund manager had taken a significant short position regarding our common shares, leading to intense public scrutiny and significant stock price volatility. We have engaged legal and advisory services firms to assist with responding to the allegations and to perform other related services in connection to these events. For the year ended December 31, 2013, we recorded approximately $29.1 million of expenses related to this matter, of which approximately $25.7 million was related to legal, advisory and other professional service fees. We expect to continue to incur expenses related to this matter over the next several periods and the expenses are expected to vary from period to period.

As previously disclosed, on April 8, 2013, our former independent registered public accounting firm, KPMG LLP, resigned and withdrew their audit opinions for the years ended December 31, 2012, 2011, and 2010. The Company engaged PricewaterhouseCoopers LLP, or PwC, as its new independent registered public accounting firm and performed a re-audit of its prior years' financial statements. For the year ended December 31, 2013, we recorded approximately $20.4 million in re-audit fees and other related expenses.

Net Interest Expense

Net interest expense is as follows:

Net Interest Expense	Year Ended December 31, 2013	Year Ended December 31, 2012
	(Dollars in millions)	
Interest expense	$ 26.6	$ 16.7
Interest income	(8.0)	(6.2)
Net Interest Expense	$ 18.6	$ 10.5

The increase in net interest expense for the year ended December 31, 2013, as compared to the same period in 2012, was primarily due to higher outstanding balances on the Credit Facility. Due to the issuance of the convertible notes discussed in Note 15, *Subsequent Events*, interest expense will increase in future periods.

Income Taxes

Income taxes were $189.2 million for the year ended December 31, 2013, as compared to $186.9 million for the same period in 2012. As a percentage of pre-tax income, the effective income tax rate was 26.4% for the year ended December 31, 2013, as compared to 28.7% for the same period in 2012. The decrease in the effective tax rate for the year ended December 31, 2013, as compared to the same period in 2012, was primarily due to an increase of net benefits from discrete events, principally related to the expiration of statute of limitations related to certain tax contingencies and tax planning items related to certain income tax return filings, partially offset by the impact of changes in the geographic mix of the Company's income. See Note 12, *Income Taxes,* to the Consolidated Financial Statements for additional discussion.

Financial Results for the year ended December 31, 2012 compared to the year ended December 31, 2011

Net sales for the year ended December 31, 2012 increased 17.9% to $4,072.3 million as compared to $3,454.5 million in 2011. In local currency, net sales for the year ended December 31, 2012 increased 22.6% as compared to the same period in 2011. The increase in net sales was primarily due to the continued successful adoption and operation of daily consumption DMOs; increased Member engagement and an increase in average active sales leaders; branding activities and increased Member recruiting.

Net income for the year ended December 31, 2012 increased 11.8% to $464.0 million, or $3.94 per diluted share, compared to $415.0 million, or $3.32 per diluted share, for the same period in 2011. The increase was primarily due to higher contribution margin driven by net sales growth discussed above, partially offset by higher selling, general and administrative expenses to support the growth of our business, higher interest expense and higher income taxes.

Net income for the year ended December 31, 2011 included a $0.9 million pre-tax ($0.7 million post-tax) additional interest expense from the write-off of unamortized deferred financing costs resulting from the debt refinancing arrangement in March 2011. See Note 4, *Long Term Debt*, to the Consolidated Financial Statements for further information on our debt refinancing.

Net Sales

The following chart reconciles retail sales to net sales:

Sales by Geographic Region

	Year Ended December 31,										
	2012					2011					
	Retail Sales	Distributor Allowance	Product Sales	Shipping & Handling Revenues	Net Sales	Retail Sales	Distributor Allowance	Product Sales	Shipping & Handling Revenues	Net Sales	Change in Net Sales
	(Dollars in millions)										
North America	$1,334.2	$ (635.8)	$ 698.4	$ 142.8	$ 841.2	$1,111.4	$ (530.5)	$ 580.9	$ 117.7	$ 698.6	20.4%
Mexico	802.1	(391.7)	410.4	85.7	496.1	706.0	(344.4)	361.6	75.3	436.9	13.6%
South & Central America	1,134.2	(544.5)	589.7	99.1	688.8	904.9	(430.8)	474.1	80.3	554.4	24.2%
EMEA	1,018.3	(492.7)	525.6	102.2	627.8	991.0	(476.4)	514.6	100.6	615.2	2.0%
Asia Pacific	1,780.6	(806.2)	974.4	165.5	1,139.9	1,469.4	(666.7)	802.7	135.9	938.6	21.4%
China	334.9	(56.5)	278.4	0.1	278.5	245.1	(34.3)	210.8	—	210.8	32.1%
Worldwide	$6,404.3	$ (2,927.4)	$3,476.9	$ 595.4	$4,072.3	$5,427.8	$ (2,483.1)	$2,944.7	$ 509.8	$3,454.5	17.9%

North America

The North America region reported net sales of $841.2 million for the year ended December 31, 2012. Net sales increased $142.6 million, or 20.4%, for the year ended December 31, 2012, as compared to the same period in 2011. In local currency, net sales increased 20.5% for the year ended December 31, 2012, as compared to the same period in 2011. The overall increase in net sales in the region was a result of net sales growth in the U.S. of $140.0 million, or 20.7%, for the year ended December 31, 2012, as compared to the same period in 2011.

In the U.S. we continue to see the success of our Members converting their business focus toward daily consumption DMOs, especially the Nutrition Club.

Average active sales leaders in the region increased 16.4% for the year ended December 31, 2012, as compared to the same period in 2011.

In January 2012, the region hosted a U.S. Latin market Future President's Team Retreat with over 900 attendees. The region also hosted Latin market Leadership Development Weekends in February with approximately 9,400 attendees. In March 2012, we hosted our annual global Herbalife Summit event in Los Angeles, California where President Team members from around the world met and shared best practices, conducted leadership training and management awarded Members $52.3 million of Mark Hughes bonus payments related to 2011 performance. In April 2012, the region hosted General Market Leadership Development Weekends with approximately 5,000 attendees and Latin Market Leadership Development Weekends in June 2012 with approximately 13,000 attendees. In July 2012, the region hosted a series of Leadership Development Weekends with approximately 5,800 attendees. During the fourth quarter the region hosted two regional extravaganzas (one Latin Market and one General Market) with a total of approximately 20,800 attendees. The region also hosted two Future President Team Retreats (one Latin Market and one General Market) with a total of over 1,600 attendees.

Mexico

The Mexico region reported net sales of $496.1 million for the year ended December 31, 2012. Net sales for the year ended December 31, 2012 increased $59.2 million, or 13.6%, as compared to the same period in 2011. In local currency, net sales for the year ended December 31, 2012 increased 20.4% as compared to the same period in 2011. The fluctuation of foreign currency rates had an unfavorable impact of $30.1 million on net sales for the year ended December 31, 2012.

The growth in net sales is primarily the result of increased Member engagement as well as the continued success of the Nutrition Club DMO. One of the recent growth drivers in Mexico has been the ongoing transition from home clubs to commercial clubs by many Members, which are able to generate higher volumes of sales through the servicing of more customers and longer operating hours.

Average active sales leaders in Mexico increased 20.9% for the year ended December 31, 2012, as compared to the same period in 2011.

In January 2012, the region hosted a Future President's Team Retreat and Future Millionaire's Team Retreat in Cancun, Mexico with approximately 600 and 1,525 attendees, respectively. In May 2012, the region hosted Leadership Weekends in two cities with a total of approximately 15,000 attendees. In September 2012, the region hosted Extravaganzas in Mexico City and Guadalajara with approximately 21,200 and 12,200 attendees, respectively.

South and Central America

The South and Central America region reported net sales of $688.8 million for the year ended December 31, 2012. Net sales increased $134.4 million, or 24.2%, for the year ended December 31, 2012, as compared to the same period in 2011. In local currency, net sales increased 33.4% for the year ended December 31, 2012, as compared to the same period in 2011. The fluctuation of foreign currency rates had a $50.9 million unfavorable

impact on net sales for the year ended December 31, 2012. The increase in net sales for the year ended December 31, 2012, as compared to the same period in 2011, was due to an increase in net sales in almost every country in the region led by Brazil, Venezuela and Peru. This growth was primarily driven by the adoption and expansion of daily consumption DMOs throughout the region.

In Brazil, the region's largest market, net sales increased $9.2 million, or 3.0%, for the year ended December 31, 2012, as compared to the same period in 2011. In local currency, net sales increased 19.8% for the year ended December 31, 2012, as compared to the same period in 2011. The fluctuation of foreign currency rates had a $51.4 million unfavorable impact on net sales in Brazil for the year ended December 31, 2012. The increase in net sales was primarily the result of the successful adoption of Nutrition Clubs and other daily consumption DMOs.

Venezuela, the region's second largest market, experienced a net sales increase of $76.8 million, or 117.7%, for the year ended December 31, 2012, as compared to the same period in 2011. In local currency, net sales increased 117.7% for the year ended December 31, 2012, as compared to the same period in 2011. The sales growth was primarily due to increased Member engagement and growth in the Nutrition Club DMO. We also had price increases of 9.5% in January 2012 and of 15.0% in December 2012 which contributed to the increase in sales. There was no exchange rate impact to sales for the year ended December 31, 2012 as compared to the same period in 2011 as the 5.3 Venezuelan Bolivars to U.S. dollar exchange rate for which we remeasure sales in Venezuela did not change during the comparative period. See *Liquidity and Capital Resources — Working Capital and Operating Activities* below for further discussion of currency exchange rate issues in Venezuela.

Average active sales leaders in the region increased 28.7% for the year ended December 31, 2012, as compared to the same period in 2011.

In February 2012, the region hosted two Extravaganzas in Panama City, Panama and Santiago, Chile with 8,700 and 9,000 attendees, respectively. In May 2012, the region held three Extravaganzas in Brazil with a total of approximately 13,000 attendees. During the fourth quarter Brazil held a World Team School with over 4,700 attendees.

EMEA

The EMEA region reported net sales of $627.8 million for the year ended December 31, 2012. Net sales increased $12.6 million, or 2.0%, for the year ended December 31, 2012, as compared to the same period in 2011. In local currency, net sales increased 9.6% for the year ended December 31, 2012, as compared to the same period in 2011. The fluctuation of foreign currency rates had an unfavorable impact on net sales of $46.2 million for the year ended December 31, 2012. The increase in net sales for the year ended December 31, 2012 was primarily driven by increases in Russia and the United Kingdom, partially offset by a decrease in Italy.

Net sales in Russia, our largest market in the region, increased $27.9 million, or 38.0%, for the year ended December 31, 2012, as compared to the same period in 2011. In local currency, net sales increased 45.5% for the year ended December 31, 2012, as compared to the same period in 2011. The fluctuation of foreign currency rates had a $5.5 million unfavorable impact on net sales in Russia for the year ended December 31, 2012. The increase in Russia was driven by the ongoing adoption of the Commercial Nutrition Club, additional sales centers which have increased access to our products and improving brand image including the sponsorship of FC Spartak Moscow football club.

Net sales in Italy, our second largest market in the region, decreased $20.8 million, or 17.5%, for the year ended December 31, 2012, as compared to the same period in 2011. In local currency, net sales decreased 10.6% for the year ended December 31, 2012, as compared to the same period in 2011. The fluctuation of foreign currency rates had an $8.2 million unfavorable impact on net sales in Italy for the year ended December 31, 2012. The decline in Italy was driven by a decrease in Member activity.

Net sales in Spain, our third largest market in the region, increased $1.4 million, or 2.7%, for the year ended December 31, 2012, as compared to the same period in 2011. In local currency, net sales in Spain increased

11.6% for the year ended December 31, 2012, as compared to the same period in 2011. The fluctuation of foreign currency rates had a $4.6 million unfavorable impact on net sales in Spain for the year ended December 31, 2012. The increase in Spain was mainly due to the positive effect of increased Member activity which was aided by our sponsorship of FC Barcelona.

Average active sales leaders in the region increased 14.2% for the year ended December 31, 2012, as compared to the same period in 2011.

In September 2012, the region hosted three Extravaganzas in Spain, Ukraine, and Turkey with a total of over 23,200 total attendees.

Asia Pacific

The Asia Pacific region, which excludes China, reported net sales of $1,139.9 million for the year ended December 31, 2012. Net sales increased $201.3 million, or 21.4%, for the year ended December 31, 2012, as compared to the same period in 2011. In local currency, net sales increased 26.0% for the year ended December 31, 2012, as compared to the same period in 2011. The fluctuation of foreign currency rates had an unfavorable impact of $42.5 million on net sales for the year ended December 31, 2012. The increase in net sales for the year ended December 31, 2012 reflected growth in almost all the countries in the region led by South Korea, Indonesia, Malaysia and India.

Net sales in South Korea, our largest market in the region, increased $77.8 million, or 22.7%, for the year ended December 31, 2012, as compared to the same period in 2011. In local currency, net sales increased 25.2% for the year ended December 31, 2012, as compared to the same period in 2011. The fluctuation of foreign currency rates had an unfavorable impact on net sales of $8.7 million for the year ended December 31, 2012. The increase in net sales was primarily driven by the successful adoption and operation of the Nutrition Club and other daily consumption DMOs along with the Mega and Premium Herbalife Opportunity Meetings.

Net sales in Taiwan, our second largest market in the region, decreased $1.7 million, or 1.1%, for the year ended December 31, 2012, as compared to the same period in 2011. In local currency, net sales decreased 0.4% for the year ended December 31, 2012, as compared to the same period in 2011. The fluctuation of foreign currency rates had an unfavorable impact on net sales of $1.1 million for the year ended December 31, 2012. The modest decline in net sales reflects the formation of a stable platform for future growth following strategic actions taken to address certain Member business training practices around nutrition clubs, resulting in the closure of a significant number of clubs.

Net sales in India, our third largest market in the region, increased $26.8 million, or 22.9%, for the year ended December 31, 2012, as compared to the same period in 2011. In local currency, net sales increased 40.7% for the year ended December 31, 2012, as compared to the same period in 2011. The fluctuation of foreign currency rates had an unfavorable impact on net sales of $20.8 million for the year ended December 31, 2012. The increase in net sales for the year ended December 31, 2012 was primarily driven by increased product access and the successful adoption of the daily consumption DMOs, especially the Nutrition Club.

Net sales in Malaysia, our fourth largest market in the region, increased $34.2 million, or 40.6%, for the year ended December 31, 2012, as compared to the same period in 2011. In local currency, net sales increased 42.1% for the year ended December 31, 2012, as compared to the same period in 2011. The fluctuation of foreign currency rates had an unfavorable impact on net sales of $1.3 million for the year ended December 31, 2012. The increase in net sales was primarily driven by the continued success of the Road Show DMO and Mega Herbalife Opportunity Meetings which generated positive Member momentum. Also contributing to growth for the period was increased Member activity including increased activity in Nutrition Clubs.

Net sales in Indonesia, our fifth largest market in the region, increased $42.1 million, or 83.7%, for the year ended December 31, 2012, as compared to the same period in 2011. In local currency, net sales increased 96.7% for

the year ended December 31, 2012, as compared to the same period in 2011. The fluctuation of foreign currency rates had an unfavorable impact on net sales of $6.5 million for the year ended December 31, 2012. The primary catalyst driving the sales increase in Indonesia was the growth in Nutrition Clubs.

Average active sales leaders in the region increased 31.2% for the year ended December 31, 2012, as compared to the same period in 2011.

During the first quarter the region hosted a series of Spectaculars in eight countries with a total of approximately 43,000 attendees. In May 2012, the region hosted two regional extravaganzas, in South Korea and Singapore, with approximately 19,800 and 24,800 attendees, respectively. In September 2012, the region hosted an Asia Pacific University training in Macau with 11,300 attendees and a World Team School in India with 3,500 attendees.

China

Net sales in China were $278.5 million for the year ended December 31, 2012. Net sales increased $67.7 million, or 32.1%, for the year ended December 31, 2012, as compared to the same period in 2011. In local currency, net sales increased 29.1% for the year ended December 31, 2012, as compared to the same period in 2011. The fluctuation of foreign currency rates had a favorable impact of $6.4 million on net sales for the year ended December 31, 2012.

Average active sales leaders in China increased 32.6% for the year ended December 31, 2012, as compared to the same period in 2011.

As of December 31, 2012, we were operating 67 retail stores in 29 provinces in China. During May 2012, we received direct selling licenses for 8 additional provinces in China, bringing the total provinces covered by our direct selling licenses to 24 out of the 29 provinces in which we operated as of December 31, 2012.

In April 2012, the region hosted its annual China Extraordinary Tour (Honors) with approximately 12,800 attendees. During the fourth quarter China held an Anniversary Rally in Xiamen with approximately 13,400 attendees.

Sales by Product Category

	Year Ended December 31,										
	2012					2011					
	Retail Sales	Distributor Allowance	Product Sales	Shipping & Handling Revenues	Net Sales	Retail Sales	Distributor Allowance	Product Sales	Shipping & Handling Revenues	Net Sales	% Change in Net Sales
	(Dollars in millions)										
Weight Management	$4,118.8	$ (1,946.8)	$2,172.0	$ 382.9	$2,554.9	$3,479.4	$ (1,647.5)	$1,831.9	$ 326.8	$2,158.7	18.4%
Targeted Nutrition	1,523.1	(719.9)	803.2	141.6	944.8	1,272.7	(602.6)	670.1	119.5	789.6	19.7%
Energy, Sports and Fitness	337.5	(159.5)	178.0	31.4	209.4	273.6	(129.5)	144.1	25.7	169.8	23.3%
Outer Nutrition	235.9	(111.5)	124.4	21.9	146.3	238.1	(112.7)	125.4	22.4	147.8	(1.0)%
Literature, Promotional and Other(1)	189.0	10.3	199.3	17.6	216.9	164.0	9.2	173.2	15.4	188.6	15.0%
Total	$6,404.3	$ (2,927.4)	$3,476.9	$ 595.4	$4,072.3	$5,427.8	$ (2,483.1)	$2,944.7	$ 509.8	$3,454.5	17.9%

(1) Product buybacks and returns in all product categories are included in the literature, promotional and other category.

Net sales for all product categories increased for the year ended December 31, 2012 as compared to the same period in 2011, except for a slight decrease in Outer Nutrition. The growth factors described in the above discussions of the individual geographic regions apply generally to all product categories.

Gross Profit

Gross profit was $3,259.7 million for the year ended December 31, 2012, as compared to $2,774.4 million for the same period in 2011. As a percentage of net sales, gross profit for the year ended December 31, 2012 decreased to 80.1%, as compared to 80.3% for the same period in 2011, or an unfavorable net decrease of 20 basis points. The net 20 basis point decrease for the year ended December 31, 2012, as compared to the same period in 2011, was primarily due to the unfavorable impact of foreign currency fluctuations, country mix and other costs partially offset by the benefit from our net source savings initiatives and favorable changes in inventory write-downs.

Royalty Overrides

Royalty Overrides were $1,338.6 million for the year ended December 31, 2012, as compared to $1,137.6 million for the same period in 2011. Royalty Overrides as a percentage of net sales was 32.9% for both the years ended December 31, 2012 and 2011. Generally, this ratio varies slightly from period to period due to changes in the mix of products and countries because full Royalty Overrides are not paid on certain products and in certain countries. Compensation to our sales employees and independent service providers in China is included in selling, general and administrative expenses as opposed to Royalty Overrides where it is included for all other Members under our worldwide marketing plan. We anticipate fluctuations in Royalty Overrides as a percentage of net sales reflecting the growth prospect of our China business relative to that of our worldwide business.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were $1,259.7 million for the year ended December 31, 2012, as compared to $1,074.6 million for the same period in 2011. Selling, general and administrative expenses as a percentage of net sales were 30.9% for the year ended December 31, 2012, as compared to 31.1% for the same period in 2011.

The increase in selling, general and administrative expenses for the year ended December 31, 2012 included $59.7 million in higher salaries, bonuses and benefits, excluding China sales employees, $20.2 million in higher professional fees, excluding China independent service providers, higher variable expenses related to sales growth including $24.7 million in higher Member promotion and event costs, $3.9 million in higher advertising expenses, $26.7 million in higher expenses related to China sales employees and independent service providers, $10.9 million in higher non-income tax expenses such as value added tax and sales tax and $5.2 million in higher foreign exchange loss.

Net Interest Expense

Net interest expense is as follows:

Net Interest Expense	Year Ended December 31, 2012	Year Ended December 31, 2011
	(Dollars in millions)	
Interest expense	$ 16.7	$ 9.9
Interest income	(6.2)	(7.4)
Net Interest Expense	$ 10.5	$ 2.5

The increase in net interest expense for the year ended December 31, 2012, as compared to the same period in 2011, was primarily due to higher outstanding balances on the Credit Facility, and lower interest received related to non-income tax refunds.

Income Taxes

Income taxes were $186.9 million for the year ended December 31, 2012, as compared to $144.8 million for the same period in 2011. As a percentage of pre-tax income, the effective income tax rate was 28.7% for the year ended December 31, 2012, as compared to 25.9% for the same period in 2011. The increase in the effective tax rate for the year ended December 31, 2012, as compared to the same period in 2011, was primarily due to lower net benefits from discrete events, changes in the geographic mix of the Company's income, and increased accruals for tax contingencies. See Note 12, *Income Taxes,* to the Consolidated Financial Statements for additional discussion.

Liquidity and Capital Resources for fiscal years 2013, 2012, and 2011

We have historically met our working capital and capital expenditure requirements, including funding for expansion of operations, through net cash flows provided by operating activities. Variations in sales of our products directly affect the availability of funds. There are no material contractual restrictions on our ability to transfer and remit funds among our international affiliated companies. However, there are foreign currency restrictions in certain countries, such as Venezuela as discussed below, which could reduce our ability to timely obtain U.S. dollars. Even with these restrictions, we believe we will have sufficient resources, including cash flow from operating activities, to meet debt service obligations in a timely manner and be able to continue to meet our objectives.

Our existing debt has not resulted from the need to fund our normal operations, but instead has resulted from our previous and ongoing share repurchase program. Since inception in 2007, total share repurchases amounted to approximately $1.9 billion. While a significant net sales decline could potentially affect the availability of funds, many of our largest expenses are variable in nature, which we believe protects our funding in all but a dramatic net sales downturn. Further, as discussed in greater detail below, we maintain the Credit Facility, executed on March 9, 2011 and amended on July 26, 2012, which had $196.4 million of undrawn capacity as of December 31, 2013. As discussed further below, on July 26, 2012, we amended the Credit Facility and entered into a $500.0 million term loan with a syndicate of financial institutions which matures in March 2016, or the Term Loan.

We utilized the majority of the proceeds from the Term Loan to pay down our outstanding balance on our revolving credit facility, which then provided us with additional undrawn capacity. This available undrawn capacity, in addition to cash flow from operations, can be used to support general corporate purposes, including, our future share repurchase programs, dividends, and strategic investment opportunities.

We also have a cash pooling arrangement with a financial institution for cash management purposes. This cash pooling arrangement allows certain of our participating subsidiaries to withdraw cash from this financial institution based upon our aggregate cash deposits held by subsidiaries who participate in the cash pooling arrangement. We did not owe any amounts to this financial institution under the pooling arrangement as of December 31, 2013 and 2012.

For the year ended December 31, 2013, we generated $772.9 million of operating cash flow, as compared to $567.8 million for the same period in 2012. The increase in cash generated from operations was primarily due to an increase in operating income of $73.8 million driven by an 18.5% growth in net sales for the year ended December 31, 2013 as compared to the same period in 2012 and changes in accrued expenses and accrued compensation, inventories and receivables during the year ended December 31, 2013 as compared to the same period in 2012. For the year ended December 31, 2012, we generated $567.8 million of operating cash flow, as compared to $510.5 million for the same period in 2011. The increase in cash generated from operations was primarily due to an increase in operating income of $99.2 million driven by a 17.9% growth in net sales for the year ended December 31, 2012 as compared to the same period in 2011.

Capital expenditures, including accrued capital expenditures, for the years ended December 31, 2013, 2012, and 2011 were $162.5 million $122.8 million, and $90.9 million, respectively. The majority of these expenditures

represented investments in management information systems, the development of our Member internet initiatives, and the expansion of our warehouse, sales centers and manufacturing facilities domestically and internationally. We expect to incur total capital expenditures of approximately $175 million to $195 million for the full year of 2014, which includes capital expenditures associated with the Winston-Salem, North Carolina facility that was acquired December 2012. See Note 2, *Basis of Presentation*, to the Consolidated Financial Statements for further discussion of the purchase of the Winston-Salem, North Carolina facility.

We entered into a $300.0 million senior secured credit facility, or the Prior Credit Facility, comprised of a $200.0 million term loan and a revolving credit facility of $100.0 million, with a syndicate of financial institutions as lenders in July 2006. In September 2007, we amended the Prior Credit Facility, increasing the revolving credit facility by $150.0 million to $250.0 million to fund the increase in our share repurchase program. The term loan was to mature on July 21, 2013 and the revolving credit facility was to be available until July 21, 2012. The term loan bore interest at LIBOR plus a margin of 1.5%, or the base rate, which represented the prime rate offered by major U.S. banks, plus a margin of 0.50%. The revolving credit facility bore interest at LIBOR plus a margin of 1.25%, or the base rate, which represented the prime rate offered by major U.S. banks, plus a margin of 0.25%.

On March 9, 2011, we entered into a $700.0 million senior secured revolving credit facility, or the Credit Facility, with a syndicate of financial institutions as lenders and terminated the Prior Credit Facility. The Credit Facility has a five year maturity and expires on March 9, 2016. Based on our consolidated leverage ratio, U.S. dollar borrowings under the Credit Facility bear interest at either LIBOR plus the applicable margin between 1.50% and 2.50% or the base rate plus the applicable margin between 0.50% and 1.50%. The base rate under the Credit Facility represents the highest of the Federal Funds Rate plus 0.50%, one-month LIBOR plus 1.00%, and the prime rate offered by Bank of America. We, based on our consolidated leverage ratio, pay a commitment fee between 0.25% and 0.50% per annum on the unused portion of the Credit Facility. The Credit Facility also permits us to borrow limited amounts in Mexican Peso and Euro currencies based on variable rates. All obligations under the Credit Facility are unconditionally guaranteed by certain of our subsidiaries and are secured by substantially all of the assets of the U.S. subsidiaries of our parent, Herbalife Ltd.

In March 2011, we used $196.0 million in U.S. dollar borrowings under the Credit Facility to repay all amounts outstanding under the Prior Credit Facility. We incurred approximately $5.7 million of debt issuance costs in connection with the Credit Facility. These debt issuance costs were recorded as deferred financing costs on our consolidated balance sheet and are being amortized over the term of the Credit Facility.

On July 26, 2012, we amended the Credit Facility to include the Term Loan. The Term Loan is a part of the Credit Facility and is in addition to our current revolving credit facility. The Term Loan matures on March 9, 2016. We will make regular scheduled payments for the Term Loan consisting of both principal and interest components. Based on our consolidated leverage ratio, the Term Loan bears interest at either LIBOR plus the applicable margin between 1.50% and 2.50% or the base rate plus the applicable margin between 0.50% and 1.50%, which are the same terms as our revolving credit facility.

In July 2012, we used all $500.0 million of the borrowings under the Term Loan to pay down amounts outstanding under our revolving credit facility. We incurred approximately $4.5 million of debt issuance costs in connection with the Term Loan. The debt issuance costs are recorded as deferred financing costs on our consolidated balance sheet and will be amortized over the life of the Term Loan. On December 31, 2013, 2012, and 2011, the weighted average interest rate for borrowings under the Credit Facility, which included borrowings under the Term Loan as of December 31, 2013 and 2012, was 2.17%, 1.96% and 1.89%, respectively.

The Credit Facility requires us to comply with a leverage ratio and a coverage ratio. In addition, the Credit Facility contains customary covenants, including covenants that limit or restrict our ability to incur liens, incur indebtedness, make investments, dispose of assets, make certain restricted payments, pay dividends, repurchase its common shares, merge or consolidate and enter into certain transactions with affiliates. As of December 31, 2013 and 2012, we were in compliance with the debt covenants under the Credit Facility.

During the year ended December 31, 2013, we borrowed $763.0 million and paid a total of $319.2 million under the Credit Facility. During the year ended December 31, 2012, we borrowed $1,428.0 million and paid a total of $1,142.5 million under the Credit Facility. During the year ended December 31, 2011, we borrowed $859.7 million and $54.0 million under the Credit Facility and the Prior Credit Facility, respectively, and paid a total of $657.7 million and $228.9 million of the Credit Facility and Prior Credit Facility, respectively. As of December 31, 2013 and 2012, the U.S. dollar amount outstanding under the Credit Facility was $931.3 million and $487.5 million, respectively. Of the $931.3 million U.S. dollar amount outstanding under the Credit Facility as of December 31, 2013, $431.3 million was outstanding on the Term Loan and $500.0 million was outstanding on the revolving credit facility. The $487.5 million U.S. dollar amount outstanding under the Credit Facility as of December 31, 2012, was related to the Term Loan and there were no amounts outstanding on the revolving credit facility. There were no outstanding foreign currency borrowings as of December 31, 2013 and 2012 under the Credit Facility.

We use our revolving credit facility to manage normal variations in cash created by significant cash items such as taxes, dividends, share repurchases, capital expenditures and other large cash flow items. Our revolving credit facility provides us with the ability to access significant funds on a timely basis. We repay outstanding balances from cash from operations. See Note 15, *Subsequent Events*, for discussion of the issuance of convertible senior notes during February 2014.

The following summarizes our contractual obligations including interest at December 31, 2013, and the effect such obligations are expected to have on our liquidity and cash flows in future periods:

	Payments Due by Period				
	Total	2014	2015 - 2016	2017 - 2018	2019 & Thereafter
	(Dollars in millions)				
Borrowings under the senior secured credit facility(1)	$ 972.1	$101.1	$ 871.0	$ —	$ —
Operating leases	179.7	54.0	75.4	33.7	16.6
Other	86.3	22.2	29.5	16.9	17.7
Total(2)	$1,238.1	$177.3	$ 975.9	$ 50.6	$ 34.3

(1) The estimated interest payments on our Credit Facility are based on interest rates effective at December 31, 2013.

(2) Our consolidated balance sheet as of December 31, 2013 included $32.9 million in unrecognized tax benefits. The future payments related to these unrecognized tax benefits have not been presented in the table above due to the uncertainty of the amounts and potential timing of cash settlements with the tax authorities, and whether any settlement would occur.

At December 31, 2013 and December 31, 2012, the total amount of our foreign subsidiary cash and cash equivalents was $567.4 million and $321.3 million, respectively, of which $6.8 million and $6.9 million was invested in U.S. dollars as of December 31, 2013 and December 31, 2012, respectively. At December 31, 2013 and December 31, 2012, the total amount of cash and cash equivalents held by U.S. entities was $405.6 million and $12.2 million, respectively. For earnings not considered to be indefinitely reinvested, deferred taxes have been provided. For earnings considered to be indefinitely reinvested, deferred taxes have not been provided. Should we make a determination to remit the cash and cash equivalents from our foreign subsidiaries to our U.S. consolidated group for the purpose of repatriation of undistributed earnings, we would need to accrue and pay taxes. As of December 31, 2013, our U.S. consolidated group had approximately $88.1 million of permanently reinvested unremitted earnings from its subsidiaries, and if these monies were ever needed to be remitted, the impact of any tax consequences on our overall liquidity position would not be material. As of December 31, 2013, our parent had $2.0 billion of permanently reinvested unremitted earnings relating to its operating subsidiaries. We do not have any plans to repatriate these unremitted earnings to our parent; therefore, we do not have any liquidity concerns relating to these unremitted earnings and related cash and cash equivalents. See Note 12, *Income Taxes*, to the Consolidated Financial Statements for additional discussion.

Off-Balance Sheet Arrangements

At December 31, 2013 and December 31, 2012, we had no material off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of Regulation S-K.

Share Repurchases

On April 17, 2009, our share repurchase program adopted on April 18, 2007 expired pursuant to its terms. On April 30, 2009, our board of directors authorized a new program for us to repurchase up to $300 million of our common shares during the following two years, at such times and prices as determined by management, as market conditions warrant. On May 3, 2010, our board of directors approved an increase to the repurchase program from $300 million to $1 billion. In addition, our board of directors approved the extension of the expiration date from April 2011 to December 2014.

On May 2, 2012, we entered into an agreement with Merrill Lynch International to repurchase $427.9 million of our common shares, which was the remaining authorized capacity under existing repurchase program at that time. Under the terms of the repurchase agreement, we paid $427.9 million on May 4, 2012 and the agreement expired on July 27, 2012. We received 5.3 million and 3.9 million of our common shares under the repurchase agreement during June 2012 and July 2012, respectively. The total number of common shares repurchased under the agreement was determined generally upon a discounted volume-weighted average share price of our common shares over the course of the agreement. On July 27, 2012, we completed the repurchase program upon the final delivery of common shares repurchased under the repurchase agreement.

On July 30, 2012, we announced that our board of directors authorized a new $1 billion share repurchase program that will expire on June 30, 2017. This repurchase program allows us to repurchase our common shares, at such times and prices as determined by us as market conditions warrant. The Credit Facility permits us to repurchase our common shares as long as no default or event of default exists and the consolidated leverage ratio specified in the Credit Facility is not exceeded. As of December 31, 2013, the remaining authorized capacity under the repurchase program was $652.6 million.

During the year ended December 31, 2013, we repurchased 6.1 million of our common shares through open market purchases at an aggregate cost of approximately $297.4 million, or an average cost of $49.08 per share. During the year ended December 31, 2012, we repurchased 11.0 million of our common shares through open market purchases at an aggregate cost of approximately $527.8 million, or an average cost of $47.78 per share. During the year ended December 31, 2011, we repurchased 5.5 million of our common shares through open market purchases at an aggregate cost of approximately $298.8 million, or an average cost of $54.27 per share.

The number of shares issued upon vesting or exercise for certain restricted stock units and SARs granted, pursuant to our share-based compensation plans, is net of the minimum statutory withholding requirements that we pay on behalf of our employees. Although shares withheld are not issued, they are treated as common share repurchases for accounting purposes, as they reduce the number of shares that would have been issued upon vesting. These shares do not count against the authorized capacity under the repurchase program described above.

Dividends

The declaration of future dividends is subject to the discretion of our board of directors and will depend upon various factors, including our earnings, financial condition, restrictions imposed by the Credit Facility and the terms of any other indebtedness that may be outstanding, cash requirements, future prospects and other factors deemed relevant by our board of directors. The Credit Facility permits payments of dividends as long as no default or event of default exists and the consolidated leverage ratio specified in the Credit Facility is not exceeded.

During the second quarter of 2007, our board of directors adopted a regular quarterly cash dividend program. Our board of directors authorized a $0.10 per common share cash dividend each quarter from the adoption of the program through the second quarter of 2010. On August 2, 2010, we announced that our board of directors

approved an increase in the quarterly cash dividend to $0.13 per common share, an increase of $0.03 per common share from prior quarters. On May 2, 2011, we announced that our board of directors approved an increase in the quarterly cash dividend to $0.20 per common share, an increase of $0.07 per common share from prior quarters. On February 21, 2012, we announced that our board of directors approved an increase in the quarterly cash dividend to $0.30 per common share, an increase of $0.10 per common share from prior quarters.

The aggregate amount of dividends paid and declared during fiscal year 2013, 2012, and 2011, was approximately $123.1 million, $135.1 million, and $85.5 million, respectively.

Working Capital and Operating Activities

As of December 31, 2013 and December 31, 2012, we had positive working capital of $720.9 million and $221.7 million, respectively, or an increase of $499.2 million. This increase was primarily related to the increase in our cash and cash equivalents, prepaid expenses and other current assets, and inventories, partially offset by the increases in our current liabilities primarily related to our accounts payables, royalty overrides, accrued expenses, and current portion of long-term debt. The increase in inventory primarily relates to increases in finished goods to support sales growth and strategic sourcing initiatives.

We expect that cash and funds provided from operations and available borrowings under the Credit Facility will provide sufficient working capital to operate our business, to make expected capital expenditures and to meet foreseeable liquidity requirements, including payment of amounts outstanding under the Credit Facility, for the next twelve months and thereafter.

The majority of our purchases from suppliers are generally made in U.S. dollars, while sales to our Members generally are made in local currencies. Consequently, strengthening of the U.S. dollar versus a foreign currency can have a negative impact on net sales and contribution margins and can generate transaction losses on intercompany transactions. For discussion of our foreign exchange contracts and other hedging arrangements, see Item 7A — *Quantitative and Qualitative Disclosures about Market Risk.*

Currency Restrictions in Venezuela

Currency restrictions enacted by the Venezuelan government have become more restrictive and have impacted the ability our subsidiary in Venezuela, Herbalife Venezuela, to timely obtain U.S. dollars in exchange for Venezuelan Bolivars, or Bolivars, at the official foreign exchange rate from the Venezuelan government. The application and approval process continue to be delayed and our ability to timely obtain U.S. dollars at the official exchange rate remains uncertain. In recent instances, we have been unsuccessful in obtaining U.S. dollars at the official rate and it remains uncertain whether our current pending applications and future anticipated applications will be approved.

In June 2010, the Venezuelan government introduced additional regulations under a new regulated system, SITME, which was controlled by the Central Bank of Venezuela. SITME provided a mechanism to exchange Bolivars into U.S. dollars through the purchase and sale of U.S. dollar denominated bonds issued in Venezuela. However, SITME was only available in certain limited circumstances. Specifically, SITME could only be used for product purchases and was not available for other matters such as the payment of dividends. Also, SITME could only be used for amounts of up to $50,000 per day and $350,000 per month and was generally only available to the extent the applicant had not exchanged and received U.S. dollars via the CADIVI process within the previous 90 days. Effective January 1, 2012, additional laws were enacted that required companies to register with the Registry of Users of the System of Transactions with Securities in Foreign Currency, or RUSITME, prior to transacting with the SITME, the regulated system, which was controlled by the Central Bank of Venezuela.

In February 2013, the Venezuela government announced that it devalued its Bolivar currency and will eliminate the SITME regulated system. The SITME 5.3 Bolivars per U.S. dollar rate was eliminated and the CADIVI rate has been devalued from 4.3 Bolivars to 6.3 Bolivars per U.S. dollar. In March 2013, the Venezuelan

government also announced they will introduce an additional complimentary exchange mechanism known as SICAD. It is currently unknown whether Herbalife Venezuela will be able to timely access this new exchange mechanism and we are currently assessing and monitoring the restrictions and exchange rates relating to this alternative mechanism.

As an alternative exchange mechanism, we have also participated in certain bond offerings from the Venezuelan government and from Petróleos de Venezuela, S.A. or PDVSA, a Venezuelan state-owned petroleum company, where we effectively purchased bonds with our Bolivars and then sold the bonds for U.S. dollars. In other instances, we have also used other alternative legal exchange mechanisms for currency exchanges.

Highly Inflationary Economy and Accounting in Venezuela

Venezuela's inflation rate as measured using the blended National Consumer Price Index and Consumer Price Index rate exceeded a three-year cumulative inflation rate of 100% as of December 31, 2009. Accordingly, effective January 1, 2010, Venezuela was considered a highly inflationary economy. Pursuant to the highly inflationary basis of accounting under U.S. GAAP, Herbalife Venezuela changed its functional currency from the Bolivar to the U.S. dollar. Subsequent movements in the Bolivar to U.S. dollar exchange rate will impact the Company's consolidated earnings. Prior to January 1, 2010 when the Bolivar was the functional currency, movements in the Bolivar to U.S. dollar were recorded as a component of equity through other comprehensive income. Pursuant to highly inflationary accounting rules, we no longer translate Herbalife Venezuela's financial statements as its functional currency is the U.S. dollar.

Remeasurement of Herbalife Venezuela's Monetary Assets and Liabilities

Prior to February 2013, we used the SITME rate of 5.3 Bolivars per U.S. dollar to remeasure our Bolivar denominated transactions. In February 2011, Herbalife Venezuela purchased U.S. dollar denominated bonds with a face value of $20 million U.S. dollars in a bond offering from PDVSA for 86 million Bolivars and then immediately sold the bonds for $15 million U.S. dollars, resulting in an average effective conversion rate of 5.7 Bolivars per U.S. dollar. This Bolivar to U.S. dollar conversion resulted in us recording a net pre-tax loss of $1.3 million U.S. dollars during the first quarter of 2011 which is included in its consolidated statement of income for the year ended December 31, 2011. We were unsuccessful in accessing any subsequent PDVSA bond offerings and the frequency of future bond offerings is unknown. During 2011, we also accessed the SITME market in order to exchange its Bolivars to U.S. dollars. In less frequent instances, we have also accessed alternative legal exchange mechanisms, to exchange Bolivars for U.S. dollars, at less favorable rates than the SITME rate, which resulted in us recognizing $1.2 million of losses in selling, general and administration expenses included within our consolidated statement of income for the year ended December 31, 2011.

During the year ended December 31, 2012, we continued accessing the SITME market in order to exchange our Bolivars to U.S. dollars and the daily and monthly restrictions continued. In other instances, we recognized an aggregate of $4.8 million of foreign exchange losses as a result of exchanging Bolivars for U.S. dollars using alternative legal exchange mechanisms that were on average approximately 43% less favorable than the 5.3 Bolivars per U.S. dollar published SITME rate. During the year ended December 31, 2012, we have exchanged 59.2 million Bolivars for $6.4 million U.S. dollars using these alternative legal exchange mechanisms.

Following the Venezuelan government's devaluation of the Bolivar against the U.S. dollar and elimination of the SITME regulated system in February 2013, we used the new CADIVI rate of 6.3 Bolivars per U.S. dollar to remeasure our Bolivar denominated transactions. This new CADIVI rate is approximately 16% less favorable than the previously published 5.3 SITME rate. We recognized approximately $15.1 million of net foreign exchange losses within our consolidated statement of income during the first quarter of 2013, as a result of remeasuring our Bolivar denominated monetary assets and liabilities at this new CADIVI rate of 6.3 Bolivars per U.S. dollar. The majority of these foreign exchange losses related to the approximately $16.9 million devaluation of Herbalife Venezuela's Bolivar denominated cash and cash equivalents. During the year ended December 31, 2013, we also recognized $0.7 million of foreign exchange losses as a result of exchanging Bolivars for

U.S. dollars using alternative legal exchange mechanisms that were approximately 75% less favorable than the new CADIVI rate. During the year ended December 31, 2013, we exchanged 5.6 million Bolivars for $0.2 million U.S. dollars using these alternative legal exchange mechanisms. During the fourth quarter of 2013, we also submitted a bid of approximately 6.8 million Bolivars, or approximately $1.1 million U.S. dollars remeasured at the CADIVI rate, through the SICAD mechanism. We received notification from the central bank of Venezuela that the bid was approved and we are to receive a distribution of approximately $0.6 million in U.S. dollars, resulting in a foreign exchange loss of approximately $0.5 million, or an effective exchange rate of 11.3 Bolivars per U.S. dollar. As of December 31, 2013, we have not received the U.S. dollars related to this approved bid.

As of December 31, 2013 and December 31, 2012, Herbalife Venezuela's net monetary assets and liabilities denominated in Bolivars was approximately $186.9 million and $82.9 million, respectively, and included approximately $215.9 million and $99.2 million, respectively, in Bolivar denominated cash and cash equivalents. As noted above, these Bolivar denominated assets and liabilities were remeasured at the CADIVI rate as of December 31, 2013 and at the SITME rate as of December 31, 2012. We remeasured our Bolivars at the official published CADIVI rate as of December 31, 2013 given the limited availability of alternative exchange mechanisms and the uncertainty in the effective exchange rate for alternative exchange mechanisms. These remeasured amounts, including cash and cash equivalents, being reported on our consolidated balance sheet using the published CADIVI rate may not accurately represent the amount of U.S. dollars that we could ultimately realize. While we continue to monitor the exchange mechanisms and restrictions imposed by the Venezuelan government, and assess and monitor the current economic and political environment in Venezuela, there is no assurance that we will be able to exchange Bolivars into U.S. dollars on a timely basis.

Investments in Bolivar-Denominated Bonds

During the fourth quarter of 2013, we invested in Bolivar denominated bonds, or bonds, issued by the Venezuelan government. The purchase price of the bonds was approximately 25.5 million Bolivars, or approximately $4.1 million using the CADIVI rate. Although the bonds are rated below investment grade, we invested in these bonds to partially mitigate the risk of inflation on our Bolivar denominated cash and cash equivalents held by Herbalife Venezuela. We classify these bonds as long-term available-for-sale investments which are carried at fair value, inclusive of unrealized gains and losses, and net of discount accretion and premium amortization. The fair value of these bonds are determined using Level 2 inputs which include prices of similar assets traded in active markets in Venezuela and observable yield curves. Net unrealized gains and losses on these bonds are included in other comprehensive income (loss) and are net of applicable income taxes. During 2013, the Company did not sell any of its bonds. See Note 2, *Basis of Presentation*, to the Consolidated Financial Statements for further information on our purchases of bonds during the year ended December 31, 2013.

Consolidation of Herbalife Venezuela and Foreign Exchange Risk

We plan to continue our operation in Venezuela and to import products into Venezuela despite the foreign currency constraints that exist in the country. Herbalife Venezuela will continue to apply for legal exchange mechanisms to convert its Bolivars to U.S. dollars. Despite the currency exchange restrictions in Venezuela, we continue to control Herbalife Venezuela and its operations. The mere existence of the exchange restrictions discussed above does not in and of itself create a presumption that this lack of exchangeability is other-than-temporary, nor does it create a presumption that an entity should deconsolidate its Venezuelan operations. Therefore, we continue to consolidate Herbalife Venezuela in our consolidated financial statements for U.S. GAAP purposes.

We plan to utilize the CADIVI or other official rates to the extent allowable under current restrictions in order to exchange Bolivars for U.S. dollars. We also plan to access government, PDVSA bond offerings, SICAD, and alternative legal exchange mechanisms when they are made available. As discussed above, these alternative legal exchange mechanisms could cause us to recognize significant foreign exchange losses if they are less favorable than the official rate, which could also result in our Bolivar denominated cash and cash equivalents

reported on our consolidated balance sheet being significantly reduced. To illustrate our sensitivity to potential future changes in the official rate or using unfavorable alternative legal exchange mechanisms to exchange Bolivars to U.S. dollars, if the exchange rate was approximately 75% less favorable than the current 6.3 official rate and this unfavorable exchange rate was used to convert our Bolivar denominated cash and cash equivalents as of December 31, 2013, our $215.9 million in Bolivar denominated cash and cash equivalents as of December 31, 2013 would be reduced by $161.5 million and result in a corresponding foreign exchange loss to our operating profit. This 75% less favorable exchange rate is not necessarily representative of exchange rates which could be available to us for future exchanges and represents the weighted average rate that we received when using alternative exchange mechanisms during fiscal year 2013. Our ability to access the official exchange rate could impact what exchange rates will be used for remeasurement purposes in future periods. We continue to assess and monitor the current economic and political environment in Venezuela.

Although Venezuela is an important market in our South and Central America Region, Herbalife Venezuela's net sales represented approximately 6%, 4%, and 2% of our consolidated net sales for the years ended December 31, 2013, 2012, and 2011, respectively, and its total assets represented approximately 10% and 7% of our consolidated total assets as of December 31, 2013 and 2012, respectively.

Quarterly Results of Operations

	Quarter Ended							
	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012	June 30, 2012	March 31, 2012
	(In thousands except per share data)							
Operations:								
Net sales	$1,268,879	$ 1,213,543	$1,219,239	$1,123,647	$1,059,320	$ 1,016,887	$1,031,948	$964,175
Cost of sales	251,807	238,415	247,224	225,977	211,105	201,597	203,737	196,144
Gross profit	1,017,072	975,128	972,015	897,670	848,215	815,290	828,211	768,031
Royalty overrides	380,735	373,241	379,551	364,029	355,658	330,247	335,195	317,533
Selling, general and administrative expenses	454,478	409,747	400,107	364,720	332,764	324,200	306,310	296,393
Operating income	181,859	192,140	192,357	168,921	159,793	160,843	186,706	154,105
Interest expense, net	2,902	4,726	5,559	5,373	2,453	3,546	3,169	1,373
Income before income taxes	178,957	187,414	186,798	163,548	157,340	157,297	183,537	152,732
Income taxes	55,417	45,464	43,636	44,675	45,133	45,424	51,586	44,801
Net income	$ 123,540	$ 141,950	$ 143,162	$ 118,873	$ 112,207	$ 111,873	$ 131,951	$107,931
Earnings per share								
Basic	$ 1.22	$ 1.39	$ 1.39	$ 1.14	$ 1.04	$ 1.03	$ 1.13	$ 0.93
Diluted	$ 1.15	$ 1.32	$ 1.34	$ 1.10	$ 1.00	$ 0.98	$ 1.09	$ 0.88
Weighted average shares outstanding								
Basic	101,211	102,200	102,993	104,121	107,444	108,816	116,557	116,191
Diluted	107,234	107,777	107,083	108,068	112,230	113,646	121,482	122,373

Contingencies

See Note 7, *Contingencies*, to the Consolidated Financial Statements for information on our contingencies as of December 31, 2013.

Subsequent Events

See Note 15, *Subsequent Events*, to the Consolidated Financial Statements for information regarding subsequent events.

Critical Accounting Policies

U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. We regularly evaluate our estimates and assumptions related to revenue recognition, allowance for product returns, inventory, goodwill and purchased intangible asset valuations, deferred income tax asset valuation allowances, uncertain tax positions, tax contingencies, and other loss contingencies. We base our estimates and assumptions on current facts, historical experience and various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the recording of revenue, costs and expenses. Actual results could differ from those estimates. We consider the following policies to be most critical in understanding the judgments that are involved in preparing the financial statements and the uncertainties that could impact our operating results, financial condition and cash flows.

We are a nutrition company that sells a wide range of weight management products, nutritional supplements, energy, sports & fitness products and personal care products. Our products are manufactured by third party providers and manufactured in our Suzhou, China facility, and in our manufacturing facility located in Lake Forest, California, and then are sold to Members who sell Herbalife products to retail consumers or other Members. As of December 31, 2013, we sold products in 91 countries throughout the world and we are organized and managed by geographic region. We have elected to aggregate our operating segments into one reporting segment, except China, as management believes that our operating segments have similar operating characteristics and similar long term operating performance. In making this determination, management believes that the operating segments are similar in the nature of the products sold, the product acquisition process, the types of customers to whom products are sold, the methods used to distribute the products, and the nature of the regulatory environment.

We generally recognize revenue upon delivery and when both the title and risk and rewards pass to the Member or importer, or as products are sold in our retail stores in China or through our independent service providers in China. Net sales include product sales and shipping and handling revenues. Product sales are recognized net of product returns, and discounts referred to as “distributor allowances.” We generally receive the net sales price in cash or through credit card payments at the point of sale. Related royalty overrides are recorded when revenue is recognized.

Allowances for product returns, primarily in connection with our buyback program, are provided at the time the sale is recorded. This accrual is based upon historical return rates for each country and the relevant return pattern, which reflects anticipated returns to be received over a period of up to 12 months following the original sale. Historically, product returns and buybacks have not been significant. Product returns and buybacks were approximately 0.2%, 0.3%, and 0.4% of product sales for the years ended December 31, 2013, 2012, and 2011, respectively.

We adjust our inventories to lower of cost or market. Additionally we adjust the carrying value of our inventory based on assumptions regarding future demand for our products and market conditions. If future demand and market conditions are less favorable than management’s assumptions, additional inventory write-downs could be required. Likewise, favorable future demand and market conditions could positively impact future operating results if previously written down inventories are sold. We have obsolete and slow moving inventories which have been adjusted downward $32.4 million and $18.0 million to present them at their lower of cost or market in our consolidated balance sheets as of December 31, 2013 and December 31, 2012, respectively.

Goodwill and marketing related intangible assets not subject to amortization are tested annually for impairment, and are tested for impairment more frequently if events and circumstances indicate that the asset might be impaired. An impairment loss is recognized to the extent that the carrying amount exceeds the asset's fair value. As discussed below, for goodwill impairment testing, we have the option to perform a qualitative assessment of whether it is more likely than not that a reporting unit's fair value is less than its carrying amount before applying the two-step goodwill impairment test. If we conclude it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then there is no need to perform the two-step impairment test. Currently, we do not use this qualitative assessment option but we could in the future elect to use this option. For our marketing related intangible assets a similar qualitative option is also currently available. However, we currently use a discounted cash flow model, or the income approach, under the relief-from-royalty method to determine the fair value of our marketing related intangible assets in order to confirm there is no impairment required. For our marketing related intangible assets, if we do not use this qualitative assessment option, we could still in the future elect to use this option.

In order to estimate the fair value of goodwill, we also primarily use an income approach. The determination of impairment is made at the reporting unit level and consists of two steps. First, we determine the fair value of a reporting unit and compare it to its carrying amount. The determination of the fair value of the reporting units requires us to make significant estimates and assumptions. These estimates and assumptions include estimates of future revenues and expense growth rates, capital expenditures and the depreciation and amortization related to these capital expenditures, discount rates, and other inputs. Due to the inherent uncertainty involved in making these estimates, actual future results could differ. Changes in assumptions regarding future results or other underlying assumptions could have a significant impact on the fair value of the reporting unit. Second, if the carrying amount of a reporting unit exceeds its fair value, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill and other intangibles over the implied fair value as determined in Step 2 of the goodwill impairment test. Also, if during Step 1 of a goodwill impairment test we determine we have reporting units with zero or negative carrying amounts, then we perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. During Step 2 of a goodwill impairment test, the implied fair value of goodwill is determined in a similar manner as how the amount of goodwill recognized in a business combination is determined, in accordance with FASB ASC Topic 805, *Business Combinations.* We would assign the fair value of a reporting unit to all of the assets and liabilities of that reporting unit as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the price paid to acquire the reporting unit. The excess of the fair value of a reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill. As of both December 31, 2013 and December 31, 2012, we had goodwill of approximately $105.5 million and marketing related intangible assets of approximately $310.0 million. No marketing related intangibles or goodwill impairment was recorded during the years ended December 31, 2013, 2012, and 2011, as their estimated fair value significantly exceeded their carrying amounts.

Contingencies are accounted for in accordance with the FASB ASC Topic 450,*Contingencies,* or ASC 450. ASC 450 requires that we record an estimated loss from a loss contingency when information available prior to issuance of our financial statements indicates that it is probable that an asset has been impaired or a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. We also disclose material contingencies when we believe a loss is not probable but reasonably possible as required by ASC 450. Accounting for contingencies such as legal and non-income tax matters requires us to use judgment related to both the likelihood of a loss and the estimate of the amount or range of loss. Many of these legal and tax contingencies can take years to be resolved. Generally, as the time period increases over which the uncertainties are resolved, the likelihood of changes to the estimate of the ultimate outcome increases.

Deferred income tax assets have been established for net operating loss and interest carryforwards of certain foreign subsidiaries and have been reduced by a valuation allowance to reflect them at amounts estimated to be ultimately realized. Although realization is not assured, we believe it is more likely than not that the net carrying value will be realized. The amount of the carryforwards that is considered realizable, however, could change if estimates of future taxable income are adjusted. In the ordinary course of our business, there are many transactions and calculations where the tax law and ultimate tax determination is uncertain. As part of the process of

preparing our consolidated financial statements, we are required to estimate our income taxes in each of the jurisdictions in which we operate prior to the completion and filing of tax returns for such periods. These estimates involve complex issues and require us to make judgments about the likely application of the tax law to our situation, as well as with respect to other matters, such as anticipating the positions that we will take on tax returns prior to us actually preparing the returns and the outcomes of disputes with tax authorities. The ultimate resolution of these issues may take extended periods of time due to examinations by tax authorities and statutes of limitations. In addition, changes in our business, including acquisitions, changes in our international corporate structure, changes in the geographic location of business functions or assets, changes in the geographic mix and amount of income, as well as changes in our agreements with tax authorities, valuation allowances, applicable accounting rules, applicable tax laws and regulations, rulings and interpretations thereof, developments in tax audit and other matters, and variations in the estimated and actual level of annual pre-tax income can affect the overall effective income tax rate.

We account for uncertain tax positions in accordance with the FASB ASC Topic 740,*Income Taxes,* or ASC 740, which provides guidance on the determination of how tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under ASC 740, we must recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate resolution.

We account for foreign currency transactions in accordance with ASC Topic 830,*Foreign Currency Matters.* In a majority of the countries where we operate, the functional currency is the local currency. Our foreign subsidiaries' asset and liability accounts are translated for consolidated financial reporting purposes into U.S. dollar amounts at year-end exchange rates. Revenue and expense accounts are translated at the average rates during the year. Our foreign exchange translation adjustments are included in accumulated other comprehensive loss on our accompanying consolidated balance sheets. Foreign currency transaction gains and losses and foreign currency remeasurements are generally included in selling, general and administrative expenses in the accompanying consolidated statements of income.

Item 7A. ***QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK***

We are exposed to market risks, which arise during the normal course of business from changes in interest rates and foreign currency exchange rates. On a selected basis, we use derivative financial instruments to manage or hedge these risks. All hedging transactions are authorized and executed pursuant to written guidelines and procedures.

We apply FASB ASC Topic 815,*Derivatives and Hedging,* or ASC 815, which established accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. All derivatives, whether designated in hedging relationships or not, are required to be recorded on the balance sheet at fair value. If the derivative is designated as a fair-value hedge, the changes in the fair value of the derivative and the underlying hedged item are recognized concurrently in earnings. If the derivative is designated as a cash-flow hedge, changes in the fair value of the derivative are recorded in other comprehensive income (loss) and are recognized in the consolidated statements of income when the hedged item affects earnings. ASC 815 defines the requirements for designation and documentation of hedging relationships as well as ongoing effectiveness assessments in order to use hedge accounting. For a derivative that does not qualify as a hedge, changes in fair value are recognized concurrently in earnings.

A discussion of our primary market risk exposures and derivatives is presented below.

Foreign Exchange Risk

We transact business globally and are subject to risks associated with changes in foreign exchange rates. Our objective is to minimize the impact to earnings and cash flow associated with foreign exchange rate fluctuations. We enter into foreign exchange derivatives in the ordinary course of business primarily to reduce exposure to currency fluctuations attributable to intercompany transactions, translation of local currency revenue, inventory purchases subject to foreign currency exposure, and to partially mitigate the impact of foreign currency rate fluctuations. Due to the recent significant volatility in foreign exchange markets, our current strategy, in general, is to hedge some of the significant exposures on a short-term basis. We will continue to monitor the foreign exchange markets and evaluate our hedging strategy accordingly. With the exception of our foreign exchange forward contracts relating to forecasted inventory purchases and intercompany management fees discussed below, all of our foreign exchange contracts are designated as free standing derivatives for which hedge accounting does not apply. The changes in the fair value of the derivatives not qualifying as cash flow hedges are included in selling, general and administrative expenses in our consolidated statements of income.

The foreign exchange forward contracts designated as free standing derivatives are used to hedge advances between subsidiaries and to partially mitigate the impact of foreign currency fluctuations. Foreign exchange average rate option contracts are also used to mitigate the impact of foreign currency rate fluctuations. The objective of these contracts is to neutralize the impact of foreign currency movements on the operating results of our subsidiaries. The fair value of forward and option contracts is based on third-party quotes. Our foreign currency derivative contracts are generally executed on a monthly basis.

We also purchase foreign currency forward contracts in order to hedge forecasted inventory transactions and intercompany management fees that are designated as cash-flow hedges and are subject to foreign currency exposures. We applied the hedge accounting rules as required by ASC 815 for these hedges. These contracts allow us to buy and sell certain currencies at specified contract rates. As of December 31, 2013 and December 31, 2012, the aggregate notional amounts of these contracts outstanding were approximately $244.7 million and $256.9 million, respectively. At December 31, 2013, the outstanding contracts were expected to mature over the next twelve months. Our derivative financial instruments are recorded on the consolidated balance sheet at fair value based on quoted market rates. For the forecasted inventory transactions, the forward contracts are used to hedge forecasted inventory transactions over specific months. Changes in the fair value of these forward contracts, excluding forward points, designated as cash-flow hedges are recorded as a component of accumulated other comprehensive income (loss) within shareholders' equity, and are recognized in cost of sales in the consolidated statement of income during the period which approximates the time the hedged inventory is sold. We also hedge forecasted intercompany management fees over specific months. Changes in the fair value of these forward contracts designated as cash flow hedges are recorded as a component of accumulated other comprehensive loss within shareholders' equity, and are recognized in selling, general and administrative expenses in the consolidated statement of income in the period when the hedged item and underlying transaction affects earnings. As of December 31, 2013, we recorded assets at fair value of $5.7 million and liabilities at fair value of $4.4 million relating to all outstanding foreign currency contracts designated as cash-flow hedges. As of December 31, 2012, we recorded assets at fair value of $0.5 million and liabilities at fair value of $3.3 million relating to all outstanding foreign currency contracts designated as cash-flow hedges. During the years ended December 31, 2013 and 2012, the ineffective portion relating to these hedges was immaterial and the hedges remained effective as of December 31, 2013 and December 31, 2012.

As of December 31, 2013 and December 31, 2012, the majority of our outstanding foreign currency forward contracts had maturity dates of less than twelve months with the majority of freestanding derivatives expiring within three months and one month, respectively, as of December 31, 2013 and 2012. There were no foreign currency option contracts outstanding as of December 31, 2013 and December 31, 2012.

The table below describes all foreign currency forward contracts that were outstanding as of December 31, 2013 and 2012:

Foreign Currency	Average Contract Rate	Original Notional Amount (In millions)	Fair Value Gain (Loss) (In millions)
At December 31, 2013			
Buy Australian dollar sell Euro	1.55	$ 2.7	$ —
Buy Euro sell Australian dollar	1.52	4.5	0.1
Buy Euro sell Chilean peso	727.40	1.1	—
Buy Euro sell British pound	0.83	2.5	—
Buy Euro sell Indonesian rupiah	16,915.00	0.7	—
Buy Euro sell Mexican peso	17.51	150.3	4.9
Buy Euro sell Russian ruble	45.05	3.0	—
Buy Euro sell Singapore dollar	1.74	3.0	—
Buy Euro sell U.S. dollar	1.37	161.3	—
Buy British pound sell Euro	1.01	4.9	0.1
Buy Japanese yen sell U.S. dollar	104.71	2.9	—
Buy Malaysian ringgit sell U.S. dollar	3.30	5.3	—
Buy Singapore dollar sell Euro	1.71	2.0	—
Buy New Taiwan dollar sell U.S. dollar	29.54	14.9	(0.1)
Buy U.S. dollar sell Brazilian real	2.35	12.8	0.6
Buy U.S. dollar sell Euro	1.34	171.8	(4.2)
Buy U.S. dollar sell South Korean won	1,112.65	50.0	1.5
Total forward contracts		$ 593.7	$ 2.9

Foreign Currency	Average Contract Rate	Original Notional Amount (In millions)	Fair Value Gain (Loss) (In millions)
At December 31, 2012			
Buy Brazilian real sell U.S. dollar	2.08	$ 12.5	$ 0.2
Buy Chinese yuan sell U.S. dollar	6.29	1.3	—
Buy Euro sell Argentine peso	6.66	3.0	—
Buy Euro sell Australian dollar	1.27	1.4	—
Buy Euro sell Chilean peso	633.00	1.5	—
Buy Euro sell Indonesian rupiah	12,935.00	9.7	—
Buy Euro sell Mexican peso	17.18	143.7	0.3
Buy Euro sell Malaysian ringgit	4.06	15.2	(0.1)
Buy Euro sell Peruvian nuevo sol	3.41	2.0	—
Buy Euro sell U.S. dollar	1.33	82.1	(0.4)
Buy British pound sell Euro	0.82	2.4	—
Buy Japanese yen sell U.S. dollar	85.88	9.3	(0.1)
Buy South Korean won sell U.S. dollar	1,077.18	52.5	0.2
Buy Malaysian ringgit sell Euro	4.07	0.8	—
Buy Malaysian ringgit sell U.S. dollar	3.08	21.7	0.1
Buy U.S. dollar sell Brazilian real	2.05	12.6	—

Foreign Currency	Average Contract Rate	Original Notional Amount (In millions)	Fair Value Gain (Loss) (In millions)
Buy U.S. dollar sell Colombian peso	1,800.10	11.7	(0.2)
Buy U.S. dollar sell Euro	1.30	174.4	(2.9)
Buy U.S. dollar sell British pound	1.62	16.2	(0.1)
Buy U.S. dollar sell South Korean won	1,089.08	6.3	(0.1)
Buy U.S. dollar sell Mexican peso	13.12	25.4	(0.3)
Buy U.S. dollar sell Philippine peso	40.99	2.9	—
Buy U.S. dollar sell New Taiwan dollar	28.98	0.8	—
Buy U.S. dollar sell South African rand	8.54	0.7	—
Total forward contracts		$ 610.1	$ (3.4)

The majority of our foreign subsidiaries designate their local currencies as their functional currencies. At December 31, 2013 and December 31, 2012, the total amount of our foreign subsidiary cash was $567.4 million and $321.3 million, respectively, of which $6.8 million and $6.9 million, respectively, was invested in U.S. dollars. At December 31, 2013 and December 31, 2012, the total amount of cash and cash equivalents held by U.S. entities was $405.6 million and $12.2 million, respectively.

Currency restrictions enacted by the Venezuelan government have become more restrictive and have impacted the ability of our subsidiary in Venezuela, or Herbalife Venezuela, to obtain U.S. dollars in exchange for Venezuelan Bolivars, or Bolivars, at the official foreign exchange rates from the Venezuelan government. These restrictions have caused our Bolivar denominated cash and cash equivalents to increase significantly. As of December 31, 2013 and December 31, 2012, we had $215.9 million and $99.2 million cash and cash equivalents denominated in Bolivars, respectively. See Item 7 — *Management's Discussion and Analysis of Financial Condition and Results of Operations,* for discussion on how the currency restrictions in Venezuela have impacted Herbalife Venezuela's operations.

Interest Rate Risk

As of December 31, 2013, the aggregate annual maturities of the Credit Facility were expected to be $81.3 million for 2014, $100.0 million for 2015, and $750.0 million for 2016. The fair value of the Credit Facility approximates its carrying value of $931.3 million as of December 31, 2013. The fair value of the Credit Facility approximated its carrying value of $487.5 million as of December 31, 2012. The Credit Facility bears a variable interest rate, and on December 31, 2013 and December 31, 2012, the weighted average interest rate of the Credit Facility, which included borrowings under the Term Loan, was 2.17% and 1.96%, respectively.

During August 2009, we entered into four interest rate swap agreements with an effective date of December 31, 2009. The agreements collectively provided for us to pay interest for less than a four-year period at a weighted average fixed rate of 2.78% on notional amounts aggregating to $140.0 million while receiving interest for the same period at the one month LIBOR rate on the same notional amounts. These agreements expired in July 2013. These swaps at inception were designated as cash flow hedges against the variability in the LIBOR interest rate on our term loan under the Prior Credit Facility or against the variability in the LIBOR interest rate on the replacement debt. Our term loan under the Prior Credit Facility was terminated in March 2011 and refinanced with the Credit Facility as discussed further in Note 4, *Long-Term Debt*, to the Consolidated Financial Statements. Until their expiration in July 2013, the Company's swaps were effective and were designated as cash flow hedges against the variability in certain LIBOR interest rate borrowings under the Credit Facility at LIBOR plus 1.50% to 2.50%, fixing the Company's weighted average effective rate on the notional amounts at 4.28% to 5.28%. There was no hedge ineffectiveness recorded as result of this refinancing event.

We assess hedge effectiveness and measure hedge ineffectiveness at least quarterly. During the years ended December 31, 2013 and 2012, the ineffective portion relating to these hedges was immaterial and the hedges remained effective until their expiration in July 2013 and as of December 31, 2012. Consequently, all changes in the fair value of the derivatives were deferred and recorded in other comprehensive income (loss) until the related forecasted transactions were recognized in the consolidated statements of income. The fair value of the interest rate swap agreements are based on third-party quotes. At December 31, 2012, we recorded the interest rate swaps as liabilities at their fair value of $2.0 million. No amount was recorded as of December 31, 2013 because the interest rate swaps had expired.

Based on the outstanding balances of the Credit Facility at December 31, 2013, a hypothetical 50-basis-point change, in interest rates prevailing at that date, sustained for one year, would not represent a material potential net change in fair value, earnings, or cash flows.

Item 8. *FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA*

Our consolidated financial statements and notes thereto and the report of PricewaterhouseCoopers LLP, independent registered public accounting firm, are set forth in the Index to Financial Statements under Item 15 — *Exhibits and Financial Statement Schedules* of this Annual Report on Form 10-K, and are incorporated herein by reference.

Item 9. *CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE*

None.

Item 9A. *CONTROLS AND PROCEDURES*

Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act. Based on an evaluation of the Company's disclosure controls and procedures as of December 31, 2013 conducted by the Company's management, with the participation of the Chief Executive Officer and Chief Financial Officer, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective as of December 31, 2013.

Management's Report on Internal Control over Financial Reporting

The SEC, as directed by Section 404 of the Sarbanes-Oxley Act of 2002, adopted rules which require the Company to include in this Annual Report on Form 10-K, an assessment by management of the effectiveness of the Company's internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. In addition, the Company's independent auditors must attest to and report on the effectiveness of the Company's internal control over financial reporting.

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of the effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

The Company's management carried out an evaluation, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's internal control over financial reporting as of December 31, 2013 based on the framework in Internal Control — Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based upon this evaluation, under the framework in Internal Control — Integrated Framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2013.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2013 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report in Item 8 of this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act that occurred during the fourth quarter ended December 31, 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. ***OTHER INFORMATION***

None.

PART III.

Item 10. ***DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE***

The information required under this Item is incorporated herein by reference to our definitive proxy statement to be filed with the SEC no later than 120 days after the close of our fiscal year ended December 31, 2013, except that the information required with respect to our executive officers is set forth under Item 1 — *Business*, of this Annual Report on Form 10-K, and is incorporated herein by reference.

Item 11. ***EXECUTIVE COMPENSATION***

The information required under this Item is incorporated herein by reference to our definitive proxy statement to be filed with the SEC no later than 120 days after the close of our fiscal year ended December 31, 2013.

Item 12. ***SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENTAND RELATED STOCKHOLDER MATTERS***

The information required under this Item is incorporated herein by reference to our definitive proxy statement to be filed with the SEC no later than 120 days after the close of our fiscal year ended December 31, 2013, except that the information required with respect to our equity compensation plans is set forth under Item 5 — *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities* of this Annual Report on Form 10-K, and is incorporated herein by reference.

Item 13. ***CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE***

The information required under this Item is incorporated herein by reference to our definitive proxy statement to be filed with the SEC no later than 120 days after the close of our fiscal year ended December 31, 2013.

Item 14. ***PRINCIPAL ACCOUNTING FEES AND SERVICES***

The information required under this Item is incorporated herein by reference to our definitive proxy statement to be filed with the SEC no later than 120 days after the close of our fiscal year ended December 31, 2013.

PART IV

Item 15. ***EXHIBITS AND FINANCIAL STATEMENT SCHEDULES***

The following documents are filed as part of this Annual Report on Form 10-K, or incorporated herein by reference:

1. *Financial Statements.* The following financial statements of Herbalife Ltd. are filed as part of this Annual Report on Form 10-K on the pages indicated:

2. *Financial Statement Schedules.* Schedules are omitted because the required information is inapplicable, not material, or the information is presented in the consolidated financial statements or related notes.

3. *Exhibits.* The exhibits listed in the Exhibit Index immediately below are filed as part of this Annual Report on Form 10-K, or are incorporated by reference herein.

EXHIBIT INDEX

Exhibit Number	Description	Reference
3.1	Form of Amended and Restated Memorandum and Articles of Association of Herbalife Ltd.	(s)
4.1	Form of Share Certificate	(c)
4.2	Indenture between Herbalife Ltd. and Union Bank, N.A., as trustee, dated February 7, 2014, governing the 2.00% Convertible Senior Notes due 2019.	*
4.3	Form of Global Note for 2.00% Convertible Senior Note due 2019 (included as Exhibit A to exhibit 4.2 hereto)	*
10.1	Form of Indemnity Agreement between Herbalife International Inc. and certain officers and directors of Herbalife International, Inc.	(a)
10.2#	Herbalife International of America, Inc.'s Senior Executive Deferred Compensation Plan, effective January 1, 1996, as amended	(a)
10.3#	Herbalife International of America, Inc.'s Management Deferred Compensation Plan, effective January 1, 1996, as amended	(a)
10.4#	Master Trust Agreement between Herbalife International of America, Inc. and Imperial Trust Company, Inc., effective January 1, 1996	(a)
10.5#	Herbalife International Inc. 401K Profit Sharing Plan and Trust, as amended	(a)
10.6	Notice to Distributors regarding Amendment to Agreements of Distributorship, dated as of July 18, 2002 between Herbalife International, Inc. and each Herbalife Distributor	(a)
10.7#	WH Holdings (Cayman Islands) Ltd. Stock Incentive Plan, as restated, dated as of November 5, 2003	(a)
10.8#	Non-Statutory Stock Option Agreement, dated as of April 3, 2003 between WH Holdings (Cayman Islands) Ltd. and Michael O. Johnson	(a)
10.9#	Side Letter Agreement dated as of April 3, 2003 by and among WH Holdings (Cayman Islands) Ltd., Michael O. Johnson and the Shareholders listed therein	(a)
10.10#	Form of Non-Statutory Stock Option Agreement (Non-Executive Agreement)	(a)
10.11#	Form of Non-Statutory Stock Option Agreement (Executive Agreement)	(a)
10.12	Indemnity Agreement, dated as of February 9, 2004, among WH Capital Corporation and Brett R. Chapman	(a)
10.13#	First Amendment to Amended and Restated WH Holdings (Cayman Islands) Ltd. Stock Incentive Plan, dated November 5, 2003	(a)
10.14	Form of Indemnification Agreement between Herbalife Ltd. and the directors and certain officers of Herbalife Ltd.	(b)
10.15#	Herbalife Ltd. 2004 Stock Incentive Plan, effective December 1, 2004	(b)
10.16#	Amendment No. 1 to Herbalife Ltd. 2004 Stock Incentive Plan	(d)
10.17#	Form of 2004 Herbalife Ltd. 2004 Stock Incentive Plan Stock Option Agreement	(i)
10.18#	Form of 2004 Herbalife Ltd. 2004 Stock Incentive Plan Non-Employee Director Stock Option Agreement	(i)
10.19#	Amended and Restated Herbalife Ltd. 2005 Stock Incentive Plan	(e)

Exhibit Number	Description	Reference
10.20#	Form of Herbalife Ltd. 2005 Stock Incentive Plan Stock Unit Award Agreement	(m)
10.21#	Form of Herbalife Ltd. 2005 Stock Incentive Plan Stock Appreciation Right Award Agreement	(m)
10.22#	Form of Herbalife Ltd. 2005 Stock Incentive Plan Stock Unit Award Agreement applicable to Michael O. Johnson	(m)
10.23#	Form of Herbalife Ltd. 2005 Stock Incentive Plan Stock Appreciation Right Award Agreement applicable to Michael O. Johnson	(m)
10.24#	Form of Herbalife Ltd. 2005 Stock Incentive Plan Stock Unit Award Agreement applicable to Messrs. Richard P. Goudis and Brett R. Chapman	(m)
10.25#	Form of Herbalife Ltd. 2005 Stock Incentive Plan Stock Appreciation Right Award Agreement applicable to Messrs. Richard P. Goudis and Brett R. Chapman	(m)
10.26#	Form of Herbalife Ltd. 2005 Stock Incentive Plan Stock Unit Award Agreement applicable to Mr. Michael O. Johnson	(p)
10.27#	Form of Herbalife Ltd. 2005 Stock Incentive Plan Stock Appreciation Right Award Agreement applicable to Mr. Michael O. Johnson	(p)
10.28#	Form of Herbalife Ltd. 2005 Stock Incentive Plan Stock Unit Award Agreement applicable to Messrs. Brett R. Chapman and Richard Goudis	(p)
10.29#	Form of Herbalife Ltd. 2005 Stock Incentive Plan Stock Appreciation Right Award Agreement applicable to Messrs. Brett R. Chapman and Richard Goudis	(p)
10.30#	Form of Herbalife Ltd. 2005 Stock Incentive Plan Stock Unit Award Agreement	(p)
10.31#	Form of Herbalife Ltd. 2005 Stock Incentive Plan Stock Appreciation Right Award Agreement	(p)
10.32#	Herbalife Ltd. Employee Stock Purchase Plan	(r)
10.33#	Employment Agreement dated as of March 27, 2008 between Michael O. Johnson and Herbalife International of America, Inc.	(r)
10.34#	Stock Unit Award Agreement by and between Herbalife Ltd. and Michael O. Johnson, dated March 27, 2008.	(r)
10.35#	Stock Appreciation Right Award Agreement by and between Herbalife Ltd. and Michael O. Johnson, dated March 27, 2008.	(r)
10.36#	Stock Appreciation Right Award Agreement by and between Herbalife Ltd. and Michael O. Johnson, dated March 27, 2008.	(r)
10.37#	Amendment to Herbalife International Inc. 401K Profit Sharing Plan and Trust	(f)
10.38#	Form of Independent Directors Stock Appreciation Right Award Agreement	(g)
10.39#	Herbalife Ltd. Amended and Restated Independent Directors Deferred Compensation and Stock Unit Plan	(g)
10.40#	Amended and Restated Employment Agreement by and between Richard P. Goudis and Herbalife International of America, Inc., dated as of January 1, 2010.	(h)
10.41#	First Amendment to the Amended and Restated Employment Agreement by and between Richard P. Goudis and Herbalife International of America, Inc., dated as of December 28, 2010.	(k)
10.42#	Amended and Restated Employment Agreement by and between Brett Chapman and Herbalife International of America, Inc., dated as of June 1, 2010.	(j)
10.43#	First Amendment to the Amended and Restated Employment Agreement by and between Brett R. Chapman and Herbalife International of America, Inc., dated as of December 26, 2010.	(k)
10.44#	Form of Herbalife Ltd. 2005 Stock Incentive Plan Stock Unit Award Agreement	(i)
10.45#	Amended and Restated Non-Management Directors Compensation Plan(i)	

Exhibit Number	Description	Reference
10.46#	Form of Herbalife Ltd. 2005 Stock Incentive Plan Non-Employee Directors Stock Appreciation Right Award Agreement	(i)
10.47#	Severance Agreement by and between John DeSimone and Herbalife International of America, Inc., dated as of February 23, 2011.	(l)
10.48#	Amended and Restated Severance Agreement, dated as of February 23, 2011, by Desmond Walsh and Herbalife International of America, Inc.	(l)
10.49	Credit Agreement, dated as of March 9, 2011, by and among Herbalife International, Inc. ("HII"), Herbalife Ltd., Herbalife International Luxembourg S.a.R.L., certain subsidiaries of HII as guarantors, the lenders from time to time party thereto, and Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer.	(m)
10.50	First Amendment, dated July 26, 2012, to Credit Agreement, dated as of March 9, 2011, by and among Herbalife International, Inc. ("HII"), Herbalife Ltd., Herbalife International Luxembourg S.a.R.L., certain subsidiaries of HII as guarantors, the lenders from time to time party thereto, and Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer.	(p)
10.51#	Amendment to Amended and Restated Herbalife Ltd. 2005 Stock Incentive Plan	(n)
10.52#	Stock Appreciation Right Award Agreement, dated August 4, 2011, by and between Herbalife Ltd. and Michael O. Johnson	(o)
10.53	Support Agreement, dated February 28, 2013, by and between Carl C. Icahn, Herbalife Ltd., Icahn Partners Master Fund LP, Icahn Partners Master Fund II LP, Icahn Partners Master Fund III LP, Icahn Offshore LP, Icahn Partners LP, Icahn Onshore LP, Beckton Corp., Hopper Investments LLC, Barberry Corp., High River Limited Partnership, Icahn Capital LP, IPH GP LLC, Icahn Enterprises Holdings L.P., and Icahn Enterprises G.P. Inc.	(q)
10.54	Second Amendment, dated February 3, 2014, to Credit Agreement, dated as of March 9, 2011, by and among Herbalife International, Inc. ("HII"), Herbalife Ltd., Herbalife International Luxembourg S.a.R.L., certain subsidiaries of HII as guarantors, the lenders from time to time party thereto, and Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer.	(t)
10.55	Form of Forward Share Repurchase Confirmation.	*
10.56	Form of Base Capped Call Confirmation.	*
10.57	Form of Additional Capped Call Confirmation.	*
10.58#	Form of Herbalife Ltd. 2005 Stock Incentive Plan Performance Condition Stock Appreciation Right Award Agreement.	*
21.1	Subsidiaries of the Registrant	*
23.1	Consent of PricewaterhouseCoopers LLP — Independent Registered Public Accounting Firm	*
31.1	Rule 13a-14(a) Certification of Chief Executive Officer	*
31.2	Rule 13a-14(a) Certification of Chief Financial Officer	*
32.1	Section 1350 Certification of Chief Executive Officer	*
32.2	Section 1350 Certification of Chief Financial Officer	*
101.INS	XBRL Instance Document	*
101.SCH	XBRL Taxonomy Extension Schema Document	*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	*

Exhibit Number	Description	Reference
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	*

* Filed herewith.

\# Management contract or compensatory plan or arrangement.

(a) Previously filed on October 1, 2004 as an Exhibit to the Company's registration statement on Form S-1 (File No. 333-119485) and is incorporated herein by reference.

(b) Previously filed on December 2, 2004 as an Exhibit to Amendment No. 4 to the Company's registration statement on Form S-1 (File No. 333-119485) and is incorporated herein by reference.

(c) Previously filed on December 14, 2004 as an Exhibit to Amendment No. 5 to the Company's registration statement on Form S-1 (File No. 333-119485) and is incorporated herein by reference.

(d) Previously filed on February 17, 2005 as an Exhibit to the Company's registration statement on FormS-8 (File No. 333-122871) and is incorporated herein by reference.

(e) Previously filed on April 30, 2010 as an Exhibit to the Company's Current Report on Form 8-K and is incorporated herein by reference.

(f) Previously filed on May 4, 2009 as an Exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009 and is incorporated by reference.

(g) Previously filed on May 3, 2010 as an Exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 and is incorporated by reference.

(h) Previously filed on June 17, 2010 as an Exhibit to the Company's Current Report on Form 8-K and is incorporated herein by reference.

(i) Previously filed on August 2, 2010 as an Exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010 and is incorporated by reference.

(j) Previously filed on August 3, 2010 as an Exhibit to the Company's Current Report on Form 8-K and is incorporated herein by reference.

(k) Previously filed on December 29, 2010 as an Exhibit to the Company's Current Report on Form 8-K and is incorporated herein by reference.

(l) Previously filed on March 1, 2011 as an Exhibit to the Company's Current Report on Form 8-K and is incorporated herein by reference.

(m) Previously filed on May 2, 2011 as an Exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011 and is incorporated by reference.

(n) Previously filed on April 29, 2011 as an Exhibit to the Company's Current Report on Form 8-K and is incorporated herein by reference.

(o) Previously filed on August 10, 2011 as an Exhibit to the Company's Current Report on Form 8-K, and is incorporated herein by reference.

(p) Previously filed on July 30, 2012 as an Exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2012 and is incorporated herein by reference.

(q) Previously filed on March 1, 2013 as an Exhibit to the Company's Current Report on Form 8-K and is incorporated herein by reference.

(r) Previously filed on April 29, 2013 as an Exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 and is incorporated herein by reference.

(s) Previously filed on October 28, 2013 as an Exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013 and is incorporated herein by reference.

(t) Previously filed on February 7, 2014 as an Exhibit to the Company's Current Report onForm 8-K, and is incorporated herein by reference.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Herbalife Ltd.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows present fairly, in all material respects, the financial position of Herbalife Ltd. and its subsidiaries at December 31, 2013 and December 31, 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control — Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our audits (which were integrated audits in 2013 and 2012). We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Los Angeles, California
February 18, 2014

HERBALIFE LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31,	
	2013	2012
	(In thousands, except share amounts)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 972,974	$ 333,534
Receivables, net of allowance for doubtful accounts of $2,211 (2013) and $2,273 (2012)	100,326	116,139
Inventories	351,201	339,411
Prepaid expenses and other current assets	148,774	145,624
Deferred income taxes	69,845	49,339
Total current assets	1,643,120	984,047
Property, plant and equipment — at cost:		
Land and Building	22,215	22,193
Furniture and fixtures	12,298	8,625
Equipment	481,967	373,028
Building and leasehold improvements	130,244	94,902
	646,724	498,748
Less: accumulated depreciation and amortization	(327,864)	(255,862)
Net property, plant and equipment	318,860	242,886
Deferred compensation plan assets	26,821	24,267
Other assets	63,713	48,805
Deferred financing costs, net	4,896	7,462
Marketing related intangibles and other intangible assets, net	310,801	311,186
Goodwill	105,490	105,490
Total assets	$2,473,701	$1,724,143
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 82,665	$ 75,209
Royalty overrides	266,952	243,351
Accrued compensation	111,905	95,220
Accrued expenses	267,501	181,523
Current portion of long-term debt	81,250	56,302
Advance sales deposits	68,079	49,432
Income taxes payable	43,826	61,325
Total current liabilities	922,178	762,362
NON-CURRENT LIABILITIES:		
Long-term debt, net of current portion	850,019	431,305
Deferred compensation plan liability	37,226	29,454
Deferred income taxes	66,026	62,982
Other non-current liabilities	46,806	42,557
Total liabilities	1,922,255	1,328,660
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Common shares, $0.001 par value, 1.0 billion shares authorized, 101.1 million (2013) and 106.9 million (2012) shares outstanding	101	107
Paid-in capital in excess of par value	323,860	303,975
Accumulated other comprehensive loss	(19,794)	(31,695)
Retained earnings	247,279	123,096
Total shareholders' equity	551,446	395,483
Total liabilities and shareholders' equity	$2,473,701	$1,724,143

See the accompanying notes to consolidated financial statements.

HERBALIFE LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,		
	2013	2012	2011
	(In thousands, except per share amounts)		
Product sales	$ 4,200,743	$ 3,476,926	$ 2,944,722
Shipping & handling revenues	624,565	595,404	509,815
Net sales	4,825,308	4,072,330	3,454,537
Cost of sales	963,423	812,583	680,084
Gross profit	3,861,885	3,259,747	2,774,453
Royalty overrides	1,497,556	1,338,633	1,137,560
Selling, general and administrative expenses	1,629,052	1,259,667	1,074,623
Operating income	735,277	661,447	562,270
Interest expense	26,552	16,736	9,864
Interest income	7,992	6,195	7,373
Income before income taxes	716,717	650,906	559,779
Income taxes	189,192	186,944	144,820
NET INCOME	$ 527,525	$ 463,962	$ 414,959
Earnings per share			
Basic	$ 5.14	$ 4.13	$ 3.53
Diluted	$ 4.91	$ 3.94	$ 3.32
Weighted average shares outstanding			
Basic	102,620	112,359	117,540
Diluted	107,445	117,856	124,846

See the accompanying notes to consolidated financial statements.

HERBALIFE LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
		(In thousands)	
Net income	$ 527,525	$ 463,962	$ 414,959
Other comprehensive income:			
Foreign currency translation adjustment, net of income taxes of $(4,309) (2013), $283 (2012), and ($3,090) (2011)	3,152	9,821	(16,757)
Unrealized gain (loss) on derivatives, net of income taxes of $1,700 (2013), ($1,161) (2012), and $1,455 (2011)	8,654	(3,707)	6,233
Unrealized gain on available-for-sale investments, net of income taxes of $51 (2013)	95	—	—
Total other comprehensive income (loss)	11,901	6,114	(10,524)
Total comprehensive income	$ 539,426	$ 470,076	$ 404,435

See the accompanying notes to consolidated financial statements.

HERBALIFE LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Common Shares	Paid-in Capital in Excess of par Value	Accumulated Other Comprehensive Loss	Retained Earnings	Total Shareholders' Equity
	(In thousands, except per share amounts)				
Balance at December 31, 2010	$ 118	$ 249,902	$ (27,285)	$ 251,261	$ 473,996
Issuance of 3.7 million common shares from exercise of stock options, SARs, restricted stock units, employee stock purchase plan, and 0.4 million from exercise of warrants	4	26,463			26,467
Excess tax benefit from exercise of stock options, SARs and restricted stock grants		26,241			26,241
Additional capital from share based compensation		24,133			24,133
Repurchases of 6.0 million common shares	(6)	(35,427)		(286,206)	(321,639)
Dividends and dividend equivalents ($0.73 per share)		638		(86,127)	(85,489)
Net income				414,959	414,959
Foreign currency translation adjustment, net of income taxes of ($3,090)			(16,757)		(16,757)
Unrealized gain on derivatives, net of income taxes of $1,455			6,233		6,233
Balance at December 31, 2011	$ 116	$ 291,950	$ (37,809)	$ 293,887	$ 548,144
Issuance of 2.1 million common shares from exercise of stock options, SARs, restricted stock units, employee stock purchase plan, and 0.4 million from exercise of warrants	3	11,261			11,264
Excess tax benefit from exercise of stock options, SARs and restricted stock grants		29,684			29,684
Additional capital from share based compensation		28,133			28,133
Repurchases of 11.5 million common shares	(12)	(57,655)		(499,060)	(556,727)
Dividends and dividend equivalents ($1.20 per share)		602		(135,693)	(135,091)
Net income				463,962	463,962
Foreign currency translation adjustment, net of income taxes of $283			9,821		9,821
Unrealized loss on derivatives, net of income taxes of ($1,161)			(3,707)		(3,707)
Balance at December 31, 2012	$ 107	$ 303,975	$ (31,695)	$ 123,096	$ 395,483
Issuance of 0.4 million common shares from exercise of stock options, SARs, restricted stock units, and employee stock purchase plan	—	975			975
Excess tax benefit from exercise of stock options, SARs and restricted stock grants		15,566			15,566
Additional capital from share based compensation		29,492			29,492
Repurchases of 6.2 million common shares	(6)	(26,532)		(279,903)	(306,441)
Dividends and dividend equivalents ($1.20 per share)		384		(123,439)	(123,055)
Net income				527,525	527,525
Foreign currency translation adjustment, net of income taxes of $(4,309)			3,152		3,152
Unrealized gain on derivatives, net of income taxes of $1,700			8,654		8,654
Unrealized gain on available-for-sale investments, net of income taxes of $51			95		95
Balance at December 31, 2013	$ 101	$ 323,860	$ (19,794)	$ 247,279	$ 551,446

See the accompanying notes to consolidated financial statements.

HERBALIFE LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2013	2012	2011
		(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 527,525	$ 463,962	$ 414,959
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	84,739	74,384	71,853
Excess tax benefits from share-based payment arrangements	(15,566)	(29,684)	(26,241)
Share based compensation expenses	29,492	27,906	24,133
Amortization of discount and deferred financing costs	2,579	1,797	1,007
Deferred income taxes	(24,910)	(7,758)	(21,271)
Unrealized foreign exchange transaction loss (gain)	5,757	2,121	9,403
Write-off of deferred financing costs	—	—	914
Foreign exchange loss from Venezuela currency devaluation	15,116	—	—
Other	15,410	532	2,206
Changes in operating assets and liabilities:			
Receivables	9,224	(28,186)	(9,687)
Inventories	(39,878)	(82,177)	(84,880)
Prepaid expenses and other current assets	(9,405)	249	3,229
Other assets	(9,408)	(5,288)	(13,864)
Accounts payable	10,844	17,034	15,427
Royalty overrides	28,765	41,868	44,041
Accrued expenses and accrued compensation	86,039	39,440	28,749
Advance sales deposits	21,959	17,790	(1,538)
Income taxes	26,821	28,042	48,565
Deferred compensation plan liability	7,772	5,752	3,535
NET CASH PROVIDED BY OPERATING ACTIVITIES	772,875	567,784	510,540
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment	(146,958)	(121,524)	(90,408)
Proceeds from sale of property, plant and equipment	186	280	297
Investments in Venezuelan bonds	(4,050)	—	—
Deferred compensation plan assets	—	(3,756)	(1,975)
NET CASH USED IN INVESTING ACTIVITIES	(150,822)	(125,000)	(92,086)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	(123,055)	(135,091)	(85,489)
Borrowings from long-term debt	763,180	1,430,560	914,200
Principal payments on long-term debt	(319,483)	(1,146,580)	(888,865)
Deferred financing costs	—	(4,460)	(5,718)
Share repurchases	(306,441)	(556,727)	(321,639)
Excess tax benefits from share-based payment arrangements	15,566	29,684	26,241
Proceeds from exercise of stock options and sale of stock under employee stock purchase plan	975	11,373	22,262
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	30,742	(371,241)	(339,008)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(13,355)	3,216	(11,221)
NET CHANGE IN CASH AND CASH EQUIVALENTS	639,440	74,759	68,225
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	333,534	258,775	190,550
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 972,974	$ 333,534	$ 258,775
CASH PAID DURING THE YEAR			
Interest paid	$ 23,046	$ 14,268	$ 8,800
Income taxes paid	$ 197,078	$ 169,725	$ 118,906
NON CASH ACTIVITIES			
Accrued capital expenditures	$ 29,625	$ 15,310	$ 9,054

See the accompanying notes to consolidated financial statements.

HERBALIFE LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization

Herbalife Ltd., a Cayman Islands exempt limited liability company, or Herbalife, was incorporated on April 4, 2002. Herbalife Ltd. (and together with its subsidiaries, the "Company") is a leading global nutrition company that sells weight management products, nutritional supplements, energy, sports & fitness products and personal care products utilizing network marketing distribution. As of December 31, 2013, the Company sold its products to and through a network of 3.7 million Members, which included 0.2 million in China. In China, the Company currently sells its products through retail stores, sales representatives, sales officers and independent service providers. The Company reports revenue in six geographic regions: North America; Mexico; South and Central America; EMEA, which consists of Europe, the Middle East and Africa; Asia Pacific (excluding China); and China.

2. Basis of Presentation

The Company's consolidated financial statements refer to Herbalife and its subsidiaries.

New Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU, No. 2013-04,*Liabilities (Topic 405): Obligations Resulting from Joint and Several Liability Arrangements for which the Total Amount of the Obligation Is Fixed at the Reporting Date (a consensus of the FASB Emerging Issues Task Force).* This ASU addresses the recognition, measurement, and disclosure of certain obligations resulting from joint and several arrangements including debt arrangements, other contractual obligations, and settled litigation and judicial rulings. The ASU is effective for public entities for fiscal years, and interim periods within those years, beginning after December 15, 2013. The adoption of this guidance will not have a material impact on the Company's consolidated financial statements.

In March 2013, the FASB issued ASU No. 2013-05,*Foreign Currency Matters (Topic 830*): *Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity (a consensus of the FASB Emerging Issues Task Force).* This ASU addresses the accounting for the cumulative translation adjustment when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity. This ASU is effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2013. The adoption of this guidance will not have a material impact on the Company's consolidated financial statements.

In July 2013, the FASB issued ASU No. 2013-11,*Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (a consensus of the Emerging Issues Task Force).* This ASU addresses when unrecognized tax benefits should be presented as reductions to deferred tax assets for net operating loss carryforwards in the financial statements. This ASU is effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2013. Early adoption and retrospective application is permitted. The adoption of this guidance will not have a material impact on the Company's consolidated financial statements because it aligns with our current presentation.

Significant Accounting Policies

Consolidation Policy

The consolidated financial statements include the accounts of Herbalife Ltd. and its subsidiaries. All significant intercompany transactions and accounts have been eliminated.

HERBALIFE LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Foreign Currency Translation and Transactions

In the majority of the countries that the Company operates, the functional currency is the local currency. The Company's foreign subsidiaries' asset and liability accounts are translated for consolidated financial reporting purposes into U.S. dollar amounts at year-end exchange rates. Revenue and expense accounts are translated at the average rates during the year. Foreign exchange translation adjustments are included in accumulated other comprehensive loss on the accompanying consolidated balance sheets. Foreign currency transaction gains and losses, which include the cost of foreign currency derivative contracts and the related settlement gains and losses but excluding certain foreign currency derivatives designated as cash flow hedges as discussed in Note 11, *Derivative Instruments and Hedging Activities*, are included in selling, general and administrative expenses in the accompanying consolidated statements of income. The Company recorded net foreign currency transaction losses of $37.9 million, $16.7 million, and $11.4 million, for the years ended December 31, 2013, 2012, and 2011, respectively, which includes the foreign exchange impact relating to the Company's Venezuelan subsidiary, Herbalife Venezuela. Herbalife Venezuela's foreign currency financial statement impact is discussed further below within this Note.

Forward Exchange Contracts, Option Contracts and Interest Rate Swaps

The Company enters into foreign currency derivative instruments such as forward exchange contracts and option contracts in managing its foreign exchange risk on sales to Members, purchase commitments denominated in foreign currencies, and intercompany transactions and bank loans. The Company also enters into interest rate swaps in managing its interest rate risk on its variable rate credit facility. The Company does not use the contracts for trading purposes.

In accordance with FASB Accounting Standards Codification, or ASC, Topic 815,*Derivatives and Hedging*, or ASC 815, the Company designates certain of its derivative instruments as cash flow hedges and formally documents its hedge relationships, including identification of the hedging instruments and the hedged items, as well as its risk management objectives and strategies for undertaking the hedge transaction, at the time the derivative contract is executed. The Company assesses the effectiveness of the hedge both at inception and on an ongoing basis and determines whether the hedge is highly or perfectly effective in offsetting changes in cash flows of the hedged item. The Company records the effective portion of changes in the estimated fair value in accumulated other comprehensive income (loss) and subsequently reclassifies the related amount of accumulated other comprehensive income (loss) to earnings when the hedged item and underlying transaction impacts earnings. If it is determined that a derivative has ceased to be a highly effective hedge, the Company will discontinue hedge accounting for such transaction. For derivatives that are not designated as hedges, all changes in estimated fair value are recognized in the consolidated statements of income.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents are comprised primarily of foreign and domestic bank accounts, and money market funds. These cash and cash equivalents are valued based on level 1 inputs which consist of quoted prices in active markets. To reduce its credit risk, the Company monitors the credit standing of the financial institutions that hold the Company's cash and cash equivalents.

During 2011, the Company entered into a cash pooling arrangement with a financial institution for cash management purposes. This cash pooling arrangement allows certain of the Company's participating foreign locations to withdraw cash from this financial institution to the extent aggregate cash deposits held by its participating locations are available at the financial institution. To the extent any participating location on an individual basis is in an overdraft position, these overdrafts will be recorded as liabilities and reflected as financing

activities in the Company's consolidated balance sheet and consolidated statement of cash flows, respectively. As of December 31, 2013 and December 31, 2012, the Company did not owe any amounts to this financial institution.

As of December 31, 2013 and 2012, the Company's subsidiary in Venezuela, Herbalife Venezuela, had $215.9 million and $99.2 million, respectively, in Bolivar denominated cash and cash equivalents. Please see *Remeasurement of Herbalife Venezuela's Monetary Assets and Liabilities* below for a further description of Herbalife Venezuela's cash and cash equivalents balances.

Accounts Receivable

Accounts receivable consist principally of receivables from credit card companies, arising from the sale of products to the Company's Members, and receivables from importers, who are utilized in a limited number of countries to sell products to Members. The Company believes the concentration of its collection risk related to its credit card receivables is diminished due to the geographic dispersion of its receivables. The receivables from credit card companies were $72.8 million and $81.1 million as of December 31, 2013 and 2012, respectively. Substantially all of the receivables from credit card companies were current as of December 31, 2013 and 2012. Although receivables from importers can be significant, the Company performs ongoing credit evaluations of its importers and maintains an allowance for potential credit losses. The Company considers customer credit-worthiness, past and current transaction history with the customer, contractual terms, current economic industry trends, and changes in customer payment terms when determining whether collectability is reasonably assured and whether to record allowances for its receivables. If the financial condition of the Company's customers deteriorates and adversely affects their ability to make payments, additional allowances will be recorded. The Company believes that it provides adequate allowances for receivables from its Members and importers which are not material to its consolidated financial statements. During the years ended December 31, 2013, 2012 and 2011, the Company recorded $2.1 million, $2.9 million, and $2.6 million, respectively, in bad-debt expense related to allowances for the Company's receivables. As of December 31, 2013 and 2012, the majority of the Company's total outstanding accounts receivable were current.

Fair Value of Financial Instruments

The Company applies the provisions of FASB authoritative guidance as it applies to its financial and non-financial assets and liabilities. The FASB authoritative guidance clarifies the definition of fair value, prescribes methods for measuring fair value, establishes a fair value hierarchy based on the inputs used to measure fair value, and expands disclosures about fair value measurements.

The Company has estimated the fair value of its financial instruments using the following methods and assumptions:

- The carrying amounts of cash and cash equivalents, receivables and accounts payable approximate fair value due to the short-term maturities of these instruments;
- The fair value of available-for-sale investments are based on prices of similar assets traded in active markets and observable yield curves;
- The fair value of option and forward contracts are based on dealer quotes; and
- The Company's variable rate debt instruments are recorded at carrying value and are considered to approximate their fair values. See Note 4 *Long-Term Debt* for a further description.

Inventories

Inventories are stated at lower of cost (primarily on the first-in, first-out basis) or market.

HERBALIFE LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Deferred Financing Costs

Deferred financing costs represent fees and expenses related to the borrowing of the Company's long-term debt and are amortized over the term of the related debt using the interest method.

Long-Lived Assets

In December 2012, the Company purchased an approximate 800,000 square foot facility in Winston-Salem, North Carolina, for approximately $22.2 million. As of December 31, 2013 and 2012, the Company allocated $18.8 million and $3.4 million between buildings and land respectively, based on their relative fair values. As of December 31, 2013 and 2012, these amounts have been reflected in property, plant and equipment on the Company's accompanying consolidated balance sheet.

Depreciation of furniture, fixtures, and equipment (includes computer hardware and software) is computed on a straight-line basis over the estimated useful lives of the related assets, which range from three to ten years. The Company capitalizes eligible costs to acquire or develop internal-use software that are incurred subsequent to the preliminary project stage. Computer hardware and software, the majority of which is comprised of capitalized internal-use software costs, was $140.6 million and $131.5 million as of December 31, 2013 and 2012, respectively, net of accumulated depreciation. Leasehold improvements are amortized on a straight-line basis over the life of the related asset or the term of the lease, whichever is shorter. Buildings are depreciated over 40 years. Building improvements are generally depreciated over ten to fifteen years. Land is not depreciated. Depreciation and amortization expenses recorded to selling, general and administrative expenses totaled $81.1 million, $70.9 million, and $68.9 million, for the years ended December 31, 2013, 2012, and 2011, respectively.

Long-lived assets are reviewed for impairment, based on undiscounted cash flows, whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Measurement of an impairment loss is based on the estimated fair value of the asset.

Goodwill and marketing related intangible assets with indefinite lives are evaluated on an annual basis for impairment or more frequently if events or changes in circumstances indicate that the asset might be impaired. For goodwill, the Company uses a discounted cash flow approach to estimate the fair value of a reporting unit. If the fair value of the reporting unit is less than the carrying value then the implied fair value of the goodwill must be determined. If the implied fair value of the goodwill is less than its carrying value then a goodwill impairment amount is recorded for the difference. For the marketing related intangible assets, the Company uses a discounted cash flow model under the relief-from-royalty method in order to determine the fair value. If the fair value is less than its carrying value then an impairment amount is recorded for the difference. During the years ended December 31, 2013, 2012, and 2011, there were no goodwill or marketing related intangible asset impairments. At December 31, 2013, 2012, and 2011, the marketing related intangible asset balance was $310.0 million which consisted of the Company's trademark, trade name, and marketing franchise. As of December 31, 2013, 2012, and 2011, the goodwill balance was $105.5 million.

Intangible assets with finite lives are amortized over their expected lives, and are expected to be fully amortized over the next three years. As of December 31, 2013, the Company's intangible assets with finite lives decreased to $0.7 million. As of December 31, 2012, the Company's intangible assets with finite lives decreased to $1.1 million. As of December 31, 2011, the Company's intangible assets with finite lives increased to $1.7 million, net of $0.6 million amortization, due to the iChange Network acquisition. The annual amortization expense for finite life intangibles was $0.4 million, $0.6 million, and $0.6 million for the years ended December 31, 2013, 2012, and 2011, respectively. At December 31, 2013, the annual expected amortization expense is as follows: 2014 — $0.3 million; 2015 — $0.3 million; and 2016 — $0.1 million.

HERBALIFE LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Income Taxes

Income tax expense includes income taxes payable for the current year and the change in deferred income tax assets and liabilities for the future tax consequences of events that have been recognized in the Company's financial statements or income tax returns. A valuation allowance is recognized to reduce the carrying value of deferred income tax assets if it is believed to be more likely than not that a component of the deferred income tax assets will not be realized.

The Company accounts for uncertainty in income taxes in accordance with FASB authoritative guidance which clarifies the accounting and reporting for uncertainties in income taxes recognized in an enterprise's financial statements. This guidance prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. See Note 12, *Income Taxes,* for a further description on income taxes.

Royalty Overrides

A Member may earn commissions, called royalty overrides which include production bonuses, based on retail sales volume. Royalty overrides are based on the retail sales volume of certain other Members who are sponsored directly or indirectly by the Member. Royalty overrides are recorded when the products are delivered and revenue is recognized. The royalty overrides are compensation to Members for services rendered including the development, retention and the improved productivity of their sales organizations. As such royalty overrides are classified as an operating expense. Non-U.S. royalty override checks that have aged, for a variety of reasons, beyond a certainty of being paid, are taken back into income. Management has estimated this period of certainty to be three years worldwide.

Comprehensive Income

Comprehensive income consists of net income, foreign currency translation adjustments, the effective portion of the unrealized gains or losses on derivatives, and unrealized gains or losses on available-for-sale investments.

Components of accumulated other comprehensive income (loss) consisted of the following (in thousands):

	December 31,		
	2013	2012	2011
Foreign currency translation adjustment, net of tax	$(25,636)	$(28,788)	$(38,609)
Unrealized gain/(loss) on derivatives, net of tax	5,747	(2,907)	800
Unrealized gain on available-for-sale investments, net of tax	95	—	—
Total accumulated other comprehensive income (loss)	$(19,794)	$(31,695)	$(37,809)

Operating Leases

The Company leases most of its physical properties under operating leases. Certain lease agreements generally include rent holidays and tenant improvement allowances. The Company recognizes rent holiday periods on a straight-line basis over the lease term beginning when the Company has the right to the leased space. The Company also records tenant improvement allowances and rent holidays as deferred rent liabilities and amortizes the deferred rent over the terms of the lease to rent expense.

HERBALIFE LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Research and Development

The Company's research and development is performed by in-house staff and outside consultants. For all periods presented, research and development costs were expensed as incurred and were not material.

Professional Fees

The Company expenses professional fees, including legal fees, as incurred. These professional fees are included in selling, general and administrative expenses in the Company's consolidated statements of income.

Advertising

Advertising costs, including Company sponsorships, are expensed as incurred and amounted to approximately $57.9 million, $42.3 million, and $38.4 million for the years ended December 31, 2013, 2012, and 2011, respectively. These expenses are included in selling, general and administrative expenses in the accompanying consolidated statements of income.

Earnings Per Share

Basic earnings per share represents net income for the period common shares were outstanding, divided by the weighted average number of common shares outstanding for the period. Diluted earnings per share represents net income divided by the weighted average number of common shares outstanding, inclusive of the effect of dilutive securities such as outstanding stock options, SARs, stock units and warrants.

The following are the common share amounts used to compute the basic and diluted earnings per share for each period (in thousands):

	Year Ended December 31,		
	2013	2012	2011
Weighted average shares used in basic computations	102,620	112,359	117,540
Dilutive effect of exercise of equity grants outstanding	4,825	5,457	7,046
Dilutive effect of warrants	—	40	260
Weighted average shares used in diluted computations	107,445	117,856	124,846

There were an aggregate of 3.0 million, 4.0 million, and 2.1 million of equity grants, consisting of stock options, SARs, and stock units that were outstanding during the years ended December 31, 2013, 2012, and 2011, respectively, but were not included in the computation of diluted earnings per share because their effect would be anti-dilutive.

Revenue Recognition

The Company generally recognizes revenue upon delivery and when both the title and risk and rewards pass to the Member or importer, or as products are sold in retail stores in China or through the Company's independent service providers in China. Product sales are recognized net of product returns and discounts referred to as "distributor allowances." Net sales include product sales and shipping and handling revenues. Shipping and handling costs paid by the Company are included in cost of sales. The Company generally receives the net sales price in cash or through credit card payments at the point of sale. The Company currently presents

sales taxes collected from customers on a net basis. Allowances for product returns, primarily in connection with the Company's buyback program, are provided at the time the sale is recorded. This accrual is based upon historical return rates for each country and the relevant return pattern, which reflects anticipated returns to be received over a period of up to 12 months following the original sale. Allowances for product returns were $4.7 million, $3.9 million and $2.8 million as of December 31, 2013, 2012 and 2011, respectively. Product returns were $9.7 million, $11.1 million and $10.4 million during the years ended December 31, 2013, 2012 and 2011, respectively.

Share-Based Payments

The Company accounts for share-based compensation in accordance with FASB authoritative guidance which requires the measurement of share-based compensation expense for all share-based payment awards made to employees for service. The Company measures share-based compensation cost at the grant date, based on the fair value of the award, and recognizes the expense on a straight-line basis over the employee's requisite service period.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions. Such estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Company evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which the Company believes to be reasonable under the circumstances. The Company adjusts such estimates and assumptions when facts and circumstances dictate. Illiquid credit markets, volatile equity, and foreign currency have combined to increase the uncertainty inherent in such estimates and assumptions. As future events and their effects cannot be determined with precision, actual results could differ from these estimates. Changes in estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods.

Currency Restrictions in Venezuela

Currency restrictions enacted by the Venezuelan government have become more restrictive and have impacted the ability of the Company's subsidiary in Venezuela, Herbalife Venezuela, to timely obtain U.S. dollars in exchange for Venezuelan Bolivars, or Bolivars, at the official foreign exchange rate from the Venezuelan government. The application and approval process continue to be delayed and the Company's ability to timely obtain U.S. dollars at the official exchange rate remains uncertain. In recent instances, the Company has been unsuccessful in obtaining U.S. dollars at the official rate and it remains uncertain whether the Company's current pending applications and future anticipated applications will be approved.

In June 2010, the Venezuelan government introduced additional regulations under a new regulated system, SITME, which was controlled by the Central Bank of Venezuela. SITME provided a mechanism to exchange Bolivars into U.S. dollars through the purchase and sale of U.S. dollar denominated bonds issued in Venezuela. However, SITME was only available in certain limited circumstances. Specifically, SITME could only be used for product purchases and was not available for other matters such as the payment of dividends. Also, SITME could only be used for amounts of up to $50,000 per day and $350,000 per month and was generally only available to the extent the applicant had not exchanged and received U.S. dollars via the CADIVI process within the previous 90 days. Effective January 1, 2012, additional laws were enacted that required companies to register with the Registry of Users of the System of Transactions with Securities in Foreign Currency, or RUSITME, prior to transacting with the SITME, the regulated system, which was controlled by the Central Bank of Venezuela.

HERBALIFE LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

In February 2013, the Venezuela government announced that it devalued its Bolivar currency and will eliminate the SITME regulated system. The SITME 5.3 Bolivars per U.S. dollar rate was eliminated and the CADIVI rate has been devalued from 4.3 Bolivars to 6.3 Bolivars per U.S. dollar. In March 2013, the Venezuelan government also announced they will introduce an additional complimentary exchange mechanism known as SICAD. It is currently unknown whether Herbalife Venezuela will be able to timely access this new exchange mechanism and the Company is currently assessing and monitoring the restrictions and exchange rates relating to this alternative mechanism.

As an alternative exchange mechanism, the Company has also participated in certain bond offerings from the Venezuelan government and from Petróleos de Venezuela, S.A. or PDVSA, a Venezuelan state-owned petroleum company, where the Company effectively purchased bonds with its Bolivars and then sold the bonds for U.S. dollars. In other instances, the Company has also used other alternative legal exchange mechanisms for currency exchanges.

Highly Inflationary Economy and Accounting in Venezuela

Venezuela's inflation rate as measured using the blended National Consumer Price Index and Consumer Price Index rate exceeded a three-year cumulative inflation rate of 100% as of December 31, 2009. Accordingly, effective January 1, 2010, Venezuela was considered a highly inflationary economy. Pursuant to the highly inflationary basis of accounting under U.S. GAAP, Herbalife Venezuela changed its functional currency from the Bolivar to the U.S. dollar. Subsequent movements in the Bolivar to U.S. dollar exchange rate will impact the Company's consolidated earnings. Prior to January 1, 2010 when the Bolivar was the functional currency, movements in the Bolivar to U.S. dollar were recorded as a component of equity through other comprehensive income. Pursuant to highly inflationary accounting rules, the Company no longer translates Herbalife Venezuela's financial statements as its functional currency is the U.S. dollar.

Remeasurement of Herbalife Venezuela's Monetary Assets and Liabilities

Prior to February 2013, the Company used the SITME rate of 5.3 Bolivars per U.S. dollar to remeasure its Bolivar denominated transactions. In February 2011, Herbalife Venezuela purchased U.S. dollar denominated bonds with a face value of $20 million U.S. dollars in a bond offering from PDVSA for 86 million Bolivars and then immediately sold the bonds for $15 million U.S. dollars, resulting in an average effective conversion rate of 5.7 Bolivars per U.S. dollar. This Bolivar to U.S. dollar conversion resulted in the Company recording a net pre-tax loss of $1.3 million U.S. dollars during the first quarter of 2011 which is included in its consolidated statement of income for the year ended December 31, 2011. The Company was unsuccessful in accessing any subsequent PDVSA bond offerings and the frequency of future bond offerings is unknown. During 2011, the Company also accessed the SITME market in order to exchange its Bolivars to U.S. dollars. In less frequent instances, the Company has also accessed alternative legal exchange mechanisms, to exchange Bolivars for U.S. dollars, at less favorable rates than the SITME rate, which resulted in the Company recognizing $1.2 million of losses in selling, general and administration expenses included within its consolidated statement of income for the year ended December 31, 2011.

During the year ended December 31, 2012, the Company continued accessing the SITME market in order to exchange its Bolivars to U.S. dollars and the daily and monthly restrictions continued. In other instances, the Company recognized an aggregate of $4.8 million of foreign exchange losses as a result of exchanging Bolivars for U.S. dollars using alternative legal exchange mechanisms that were approximately 43% less favorable than the 5.3 Bolivars per U.S. dollar published SITME rate. During the year ended December 31, 2012, the Company exchanged 59.2 million Bolivars for $6.4 million U.S. dollars using these alternative legal exchange mechanisms.

HERBALIFE LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Following the Venezuelan government's devaluation of the Bolivar against the U.S. dollar and elimination of the SITME regulated system in February 2013, the Company uses the new CADIVI rate of 6.3 Bolivars per U.S. dollar to remeasure its Bolivar denominated transactions. This new CADIVI rate is approximately 16% less favorable than the previously published 5.3 SITME rate. The Company recognized approximately $15.1 million of net foreign exchange losses within its consolidated statement of income during the first quarter of 2013, as a result of remeasuring the Company's Bolivar denominated monetary assets and liabilities at this new CADIVI rate of 6.3 Bolivars per U.S. dollar. The majority of these foreign exchange losses related to the approximately $16.9 million devaluation of Herbalife Venezuela's Bolivar denominated cash and cash equivalents. During the year ended December 31, 2013, the Company also recognized $0.7 million of foreign exchange losses as a result of exchanging Bolivars for U.S. dollars using alternative legal exchange mechanisms that were approximately 75% less favorable than the new CADIVI rate. During the year ended December 31, 2013, the Company exchanged 5.6 million Bolivars for $0.2 million U.S. dollars using these alternative legal exchange mechanisms. During the fourth quarter of 2013, the Company also submitted a bid of approximately 6.8 million Bolivars, or approximately $1.1 million U.S. dollars remeasured using the CADIVI rate, through the SICAD mechanism. The Company received notification from the central bank of Venezuela that the bid was approved and the Company is to receive a distribution of approximately $0.6 million in U.S. dollars, resulting in a foreign exchange loss of approximately $0.5 million, or an effective exchange rate of 11.3 Bolivars per U.S. dollar. As of December 31, 2013, the Company has not received the U.S. dollars related to this approved bid.

As of December 31, 2013 and December 31, 2012, Herbalife Venezuela's net monetary assets and liabilities denominated in Bolivars was approximately $186.9 million and $82.9 million, respectively, and included approximately $215.9 million and $99.2 million, respectively, in Bolivar denominated cash and cash equivalents. As noted above, these Bolivar denominated assets and liabilities were remeasured at the CADIVI rate as of December 31, 2013 and at the SITME rate as of December 31, 2012. The Company remeasures its Bolivars at the official published CADIVI rate as of December 31, 2013 given the limited availability of alternative exchange mechanisms and the uncertainty in the effective exchange rate for alternative exchange mechanisms. These remeasured amounts, including cash and cash equivalents, being reported on the Company's consolidated balance sheet using the published CADIVI rate may not accurately represent the amount of U.S. dollars that the Company could ultimately realize. While the Company continues to monitor the exchange mechanisms and restrictions imposed by the Venezuelan government, and assess and monitor the current economic and political environment in Venezuela, there is no assurance that the Company will be able to exchange Bolivars into U.S. dollars on a timely basis.

Investments in Bolivar-Denominated Bonds

During the fourth quarter of 2013, the Company invested in Bolivar denominated bonds, or bonds, issued by the Venezuelan government. The purchase price of the bonds was approximately 25.5 million Bolivars, or approximately $4.1 million using the CADIVI rate. The Company classifies these bonds as long-term available-for-sale investments which are carried at fair value, inclusive of unrealized gains and losses, and net of discount accretion and premium amortization. The fair value of these bonds are determined using Level 2 inputs which include prices of similar assets traded in active markets in Venezuela and observable yield curves. Net unrealized gains and losses on these bonds are included in other comprehensive income (loss) and are net of applicable income taxes. During 2013, the Company did not sell any of its bonds.

HERBALIFE LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The Company's investments in these bonds as of December 31, 2013 are summarized as follows:

	Amortized Costs	Gross Unrealized Gain	Gross Unrealized Loss	Net Unrealized Gain	Market Value
			(In thousands)		
Investments in Venezuelan bonds	$ 4,042	$ 146	$ —	$ 146	$4,188

As of December 31, 2013, there have been no events or developments which would indicate the value of these bonds have been impaired. There were no bonds with gross unrealized losses as of December 31, 2013.

The amortized cost and estimated fair value of these bonds as of December 31, 2013 by contractual maturity are as follows:

	Amortized Cost	Estimated Market Value
	(In thousands)	
Contractual Maturity		
Due in 1 year or less	$ —	$ —
Due in 1-2 years	—	—
Due in 2-5 years	—	—
Due after 5 years	4,042	4,188
Total investments	$ 4,042	$ 4,188

Expected disposal dates may be less than the contractual dates as indicated in the table above.

Consolidation of Herbalife Venezuela

The Company plans to continue its operation in Venezuela and to import products into Venezuela despite the foreign currency constraints described above. Herbalife Venezuela will continue to apply for legal exchange mechanisms to convert its Bolivars to U.S. dollars. Despite the currency exchange restrictions in Venezuela, the Company continues to control Herbalife Venezuela and its operations. The mere existence of the exchange restrictions discussed above does not in and of itself create a presumption that this lack of exchangeability is other-than-temporary, nor does it create a presumption that an entity should deconsolidate its Venezuelan operations. Therefore, the Company continues to consolidate Herbalife Venezuela in its consolidated financial statements for U.S. GAAP purposes.

Although Venezuela is an important market in the Company's South and Central America Region, Herbalife Venezuela's net sales represented approximately 6%, 4%, and 2% of the Company's consolidated net sales for the years ended December 31, 2013, 2012, and 2011, respectively, and its total assets represented approximately 10% and 7% of the Company's consolidated total assets as of December 31, 2013 and 2012, respectively.

3. Inventories

Inventories consist primarily of finished goods available for resale and can be categorized as follows (in millions):

	December 31,	
	2013	2012
Weight Management, Targeted Nutrition and Energy, Sports and Fitness	$307.2	$303.8
Outer Nutrition	15.3	17.5
Literature, Promotional and Others	28.7	18.1
Total	$351.2	$339.4

HERBALIFE LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following are the major classes of inventory (in millions):

	December 31,	
	2013	2012
Raw materials	$ 23.1	$ 19.6
Work in process	2.8	1.9
Finished goods	325.3	317.9
Total	$351.2	$339.4

4. Long-Term Debt

Long-term debt consists of the following (in millions):

	December 31,	
	2013	2012
Borrowings under the senior secured credit facility	$931.3	$487.5
Capital leases	—	0.1
	931.3	487.6
Less: current portion	81.3	56.3
Long-term portion	$850.0	$431.3

On July 21, 2006, the Company entered into a $300.0 million senior secured credit facility, or the Prior Credit Facility, comprised of a $200.0 million term loan and a $100.0 million revolving credit facility, with a syndicate of financial institutions as lenders. In September 2007, the Company and its lenders amended the credit agreement, increasing the amount of the revolving credit facility by an aggregate principal amount of $150.0 million to $250.0 million primarily to finance the increase in the Company's share repurchase program. See Note 8, *Shareholders' Equity*, for further discussion of the share repurchase program and the share repurchase amounts during the years ended December 31, 2013, 2012, and 2011. The term loan bore interest at LIBOR plus a margin of 1.5%, or the base rate plus a margin of 0.50%. The revolving credit facility bore interest at LIBOR plus a margin of 1.25%, or the base rate plus a margin of 0.25%.

On March 9, 2011, the Company entered into a $700.0 million senior secured revolving credit facility, or the Credit Facility, with a syndicate of financial institutions as lenders and terminated the Prior Credit Facility. The Credit Facility has a five year maturity and expires on March 9, 2016. Based on the Company's consolidated leverage ratio, U.S. dollar borrowings under the Credit Facility bear interest at either LIBOR plus the applicable margin between 1.50% and 2.50% or the base rate plus the applicable margin between 0.50% and 1.50%. The base rate under the Credit Facility represents the highest of the Federal Funds Rate plus 0.50%, one-month LIBOR plus 1.00%, and the prime rate offered by Bank of America. The Company, based on its consolidated leverage ratio, pays a commitment fee between 0.25% and 0.50% per annum on the unused portion of the Credit Facility. The Credit Facility also permits the Company to borrow limited amounts in Mexican Peso and Euro currencies based on variable rates. All obligations under the Credit Facility are unconditionally guaranteed by certain of the Company's subsidiaries and are secured by substantially all of the assets of the U.S. subsidiaries of the Company's parent, Herbalife Ltd.

In March 2011, the Company used $196.0 million in U.S. dollar borrowings under the Credit Facility to repay all amounts outstanding under the Prior Credit Facility. The Company incurred approximately $5.7 million of debt issuance costs in connection with the Credit Facility. These debt issuance costs were recorded as deferred financing costs on the Company's consolidated balance sheet and are being amortized over the term of the Credit Facility.

HERBALIFE LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

On July 26, 2012, the Company amended the Credit Facility to include a $500.0 million term loan with a syndicate of financial institutions as lenders, or the Term Loan. The Term Loan is a part of the Credit Facility and is in addition to the Company's current revolving credit facility. The Term Loan matures on March 9, 2016. The Company will make regular scheduled payments for the Term Loan consisting of both principal and interest components. Based on the Company's consolidated leverage ratio, the Term Loan bears interest at either LIBOR plus the applicable margin between 1.50% and 2.50% or the base rate plus the applicable margin between 0.50% and 1.50% which are the same terms as the Company's revolving credit facility.

In July 2012, the Company used all $500.0 million of the borrowings under the Term Loan to pay down amounts outstanding under the Company's revolving credit facility. The Company incurred approximately $4.5 million of debt issuance costs in connection with the Term Loan. The debt issuance costs are recorded as deferred financing costs on the Company's consolidated balance sheet and will be amortized over the life of the Term Loan. On December 31, 2013 and December 31, 2012, the weighted average interest rate for borrowings under the Credit Facility, including borrowings under the Term Loan, was 2.17% and 1.96%, respectively.

The Credit Facility requires the Company to comply with a leverage ratio and a coverage ratio. In addition, the Credit Facility contains customary covenants, including covenants that limit or restrict the Company's ability to incur liens, incur indebtedness, make investments, dispose of assets, make certain restricted payments, pay dividends, repurchase its common shares, merge or consolidate and enter into certain transactions with affiliates. As of December 31, 2013 and 2012, the Company was compliant with its debt covenants under the Credit Facility. The fair value of the Company's Credit Facility, including the Term Loan, approximated its carrying value as of December 31, 2013, due to its variable interest rate which reprices frequently and represents floating market rates. The fair value of the Credit Facility is determined by utilizing Level 2 inputs as defined in Note 13, *Fair Value Measurements*, such as observable market interest rates and yield curves.

During 2013, the Company borrowed an aggregate amount of $763.0 million and paid a total amount of $319.2 million under the Credit Facility. During 2012, the Company borrowed an aggregate amount of $1,428.0 million and paid a total amount of $1,142.5 million under the Credit Facility. During 2011, the Company borrowed $859.7 million and $54.0 million under the Credit Facility and Prior Credit Facility, respectively, and paid a total of $657.7 million and $228.9 million under the Credit Facility and Prior Credit Facility, respectively. As of December 31, 2013 and December 31, 2012, the U.S. dollar amount outstanding under the Credit Facility was $931.3 million and $487.5 million, respectively. Of the $931.3 million U.S. dollar amount outstanding under the Credit Facility as of December 31, 2013, $431.3 million was outstanding on the Term Loan and $500.0 million was outstanding on the revolving credit facility. Of the $487.5 million U.S. dollar amount outstanding under the Credit Facility as of December 31, 2012, $487.5 million was outstanding on the Term Loan and no amounts were outstanding on the revolving credit facility. There were no outstanding foreign currency borrowings as of December 31, 2013 and December 31, 2012 under the Credit Facility.

As of December 31, 2013, the aggregate annual maturities of the Credit Facility were expected to be $81.3 million for 2014, $100.0 million for 2015, and $750.0 million for 2016.

Interest expense was $26.6 million, $16.7 million, and $9.9 million, for the years ended December 31, 2013, 2012, and 2011, respectively. Interest expense for the year ended December 31, 2011 included a $0.9 million write-off of unamortized deferred financing costs resulting from the extinguishment of the Prior Credit Facility, as discussed above.

5. Lease obligations

The Company has warehouse, office, furniture, fixtures and equipment leases, which expire at various dates through 2023. Under the lease agreements, the Company is also obligated to pay property taxes, insurance and maintenance costs.

HERBALIFE LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Certain leases contain renewal options. There were no material future minimum rental commitments for non-cancelable capital leases at December 31, 2013. Future minimum rental commitments for non-cancelable operating leases at December 31, 2013, were as follows (in millions):

	Operating
2014	$ 54.0
2015	45.4
2016	30.0
2017	19.0
2018	14.7
Thereafter	16.6
Total	$ 179.7

Rental expense for the years ended December 31, 2013, 2012, and 2011, was $57.5 million, $52.5 million, and $49.2 million, respectively.

Property, plant and equipment under capital leases are included in property, plant and equipment on the accompanying consolidated balance sheets as follows (in millions):

	December 31,	
	2013	2012
Equipment	—	$ 7.7
Less: accumulated depreciation	—	(7.4)
Total	—	$ 0.3

6. Employee Compensation Plans

The Company maintains a profit sharing plan pursuant to Sections 401(a) and (k) of the Internal Revenue Code of 1986, as amended, or the Code. The plan is available to substantially all employees who meet the length of service requirements. Prior to January 1, 2009, employees could elect to contribute between 2% to 17% of their compensation, and the Company would make matching contributions in an amount equal to one dollar for each dollar of deferred earnings not to exceed 3% of the participants' earnings. Participants are partially vested in the Company contributions after one year and fully vested after five years. Effective January 1, 2009, the Company amended its profit sharing plan. Starting January 1, 2009, employees may elect to contribute up to 75% of their compensation; however, contributions are limited to a maximum annual amount as set periodically by the Code. The Company will make matching contributions in an amount equal to one dollar for each dollar of deferred earnings up to the first 1%, and then make matching contributions in an amount equal to 50% of one dollar for each dollar on the subsequent 5% of deferred earnings. The contributions become fully vested after two years. The Company contributed $4.0 million, $2.7 million, and $2.5 million, to its profit sharing plan during the years ended December 31, 2013, 2012, and 2011, respectively.

The Company has non-qualified deferred compensation plans for select groups of management: the Herbalife Management Deferred Compensation Plan and the Herbalife Senior Executive Deferred Compensation Plan. The deferred compensation plans allow eligible employees to elect annually to defer up to 75% of their base annual salary and up to 100% of their annual bonus for each calendar year, or the Annual Deferral Amount. The Company makes matching contributions on behalf of each participant in the Senior Executive Deferred Compensation Plan. The Senior Executive Deferred Compensation Plan provides that the amount of the matching contributions is to be determined by the Company at its discretion. In 2013, 2012, and 2011, the Company's matching contribution was 3.5% which aligns with the 401(k) retirement plan match.

HERBALIFE LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Each participant in either of the non-qualified deferred compensation plans discussed above has, at all times, a fully vested and non-forfeitable interest in each year's contribution, including interest credited thereto, and in any Company matching contributions, if applicable. In connection with a participant's election to defer an Annual Deferral Amount, the participant may also elect to receive a short-term payout, equal to the Annual Deferral Amount plus interest. Such amount is payable in two or more years from the first day of the year in which the Annual Deferral Amount is actually deferred.

The total expense for the two non-qualified deferred compensation plans, excluding participant contributions, was $4.0 million, $2.9 million, and $0.2 million for the years ended December 31, 2013, 2012, and 2011, respectively. The total long-term deferred compensation liability under the two deferred compensation plans was $37.2 million and $29.5 million at December 31, 2013 and 2012, respectively.

The deferred compensation plans are unfunded and their benefits are paid from the general assets of the Company, except that the Company has contributed to a "rabbi trust" whose assets will be used to pay the benefits if the Company remains solvent, but can be reached by the Company's creditors if the Company becomes insolvent. The value of the assets in the "rabbi trust" was $26.8 million and $24.3 million as of December 31, 2013 and 2012, respectively.

The Company has employees in international countries that are covered by various deferred compensation plans. These plans are administered based upon the legal requirements in the countries in which they are established. The Company's compensation expenses relating to these plans were $8.4 million, $7.2 million, and $4.9 million for the years ended December 31, 2013, 2012, and 2011, respectively.

7. Contingencies

The Company is from time to time engaged in routine litigation. The Company regularly reviews all pending litigation matters in which it is involved and establishes reserves deemed appropriate by management for these litigation matters when a probable loss estimate can be made.

As a marketer of dietary and nutritional supplements, and other products that are ingested by consumers or applied to their bodies, the Company has been and is currently subjected to various product liability claims. The effects of these claims to date have not been material to the Company, and the reasonably possible range of exposure on currently existing claims is not material to the Company. The Company believes that it has meritorious defenses to the allegations contained in the lawsuits. The Company currently maintains product liability insurance with an annual deductible of $10 million.

Certain of the Company's subsidiaries have been subject to tax audits by governmental authorities in their respective countries. In certain of these tax audits, governmental authorities are proposing that significant amounts of additional taxes and related interest and penalties are due. The Company and its tax advisors believe that there are substantial defenses to governmental allegations that additional taxes are owed, and the Company is vigorously contesting the additional proposed taxes and related charges. On May 7, 2010, the Company received an assessment from the Mexican Tax Administration Service in an amount equivalent to approximately $88 million, translated at the period ended spot rate, for various items, the majority of which was Value Added Tax, or VAT, allegedly owed on certain of the Company's products imported into Mexico during the years 2005 and 2006. This assessment is subject to interest and inflationary adjustments. On July 8, 2010, the Company initiated a formal administrative appeal process. On May 13, 2011, the Mexican Tax Administration Service issued a resolution on the Company's administrative appeal. The resolution nullified the assessment. Since the Mexican Tax Administration Service can further review the tax audit findings and re-issue some or all of the original assessment, the Company commenced litigation in the Tax Court of Mexico in August 2011 to dispute the assertions made by the Mexican Tax Administration Service in the case. The Mexican Tax Administration Service

HERBALIFE LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

filed a response which was received by the Company in April 2012. The response challenged the assertions that the Company made in its August 2011 filing. Litigation in this case is currently ongoing.

Prior to the nullification of the Mexican Tax Administration Service assessment relating to the 2005 and 2006 years the Company entered into agreements with certain insurance companies to allow for the potential issuance of surety bonds in support of its appeal of the assessment. Such surety bonds, if issued, would not affect the availability of the Company's Credit Facility. These arrangements with the insurance companies remain in place in the event that the assessment is re-issued.

The Mexican Tax Administration Service commenced audits of the Company's Mexican subsidiaries for the period from January to September 2007 and on May 10, 2013, the Company received an assessment of approximately $22 million, translated at the period ended spot rate, related to that period. On July 11, 2013, the Company filed an administrative appeal disputing the assessment. The Company has not recognized a loss as the Company does not believe a loss is probable.

The Mexican Tax Administration Service audited the Company's Mexican subsidiaries for the 2011 year. The audit focused on importation and VAT issues. On June 25, 2013, the Mexican Tax Administration Service closed the audit of the 2011 year without any assessment.

The Company has not recognized a loss with respect to any of these Mexican matters as the Company, based on its analysis and guidance from its advisors, does not believe a loss is probable. Further, the Company is currently unable to reasonably estimate a possible loss or range of loss that could result from an unfavorable outcome if the assessment was re-issued or any additional assessments were to be issued for these or other periods. The Company believes that it has meritorious defenses if the assessment is re-issued or would have meritorious defenses if any additional assessment is issued.

The Company received an assessment from the Spanish Tax Authority in an amount equivalent to approximately $4.4 million translated at the period ended spot rate, for withholding taxes, interest and penalties related to payments to Spanish Members for the 2003-2004 periods. The Company appealed the assessment to the National Appellate Court (Audiencia Nacional). Based on the ruling of the National Appellate Court, substantially all of the assessment was nullified. The Company began withholding taxes on payments to Spanish Members for the 2012 year. If the Spanish Tax Authority raises the same issue in later years, the Company believes that it has meritorious defenses. The Company has not recognized a loss as the Company does not believe a loss is probable. The Company is currently unable to reasonably estimate a possible loss or range of loss that could result from an unfavorable outcome if additional assessments for other periods were to be issued.

The Company received a tax assessment in September 2009, from the Federal Revenue Office of Brazil in an amount equivalent to approximately $3.6 million U.S. dollars, translated at the period ended spot rate, related to withholding/contributions based on payments to the Company's Members during 2004. The Company has appealed this tax assessment to the Administrative Council of Tax Appeals (2nd level administrative appeal) as it believes it has meritorious defenses and it has not recognized a loss as the Company does not believe a loss is probable. The Company is currently unable to reasonably estimate the amount of the loss that may result from an unfavorable outcome if additional assessments for other periods were to be issued.

The Company received an order from a Rome Labor Court on behalf of the Social Security Authority on March 1, 2012, to pay an amount equivalent to approximately $7.4 million U.S. dollars, translated at the period ended spot rate, for social contributions, interest and penalties related to payments to Italian Members from 2002 through 2005. The Company has filed a writ with the Rome Labor Court appealing the order and the Social Security Authority filed a response brief. At a hearing on July 12, 2012, the Social Security Authority announced its intention to withdraw their claim as well as the order to pay the assessment. A hearing on this matter was

originally scheduled for October 23, 2012 but it has been postponed and is rescheduled for June 26, 2014. The Company has not recognized a loss as the Company does not believe a loss is probable.

The Korea Customs Service is currently auditing the importation activities of Herbalife Korea for the 2009 - 2013 period. If an assessment is issued, the Company would be required to pay the amount requested in order to appeal the assessment. Based on the Company's analysis and guidance from its advisors, the Company does not believe a loss is probable. Further, the Company is currently unable to reasonably estimate a possible loss or range of loss.

These matters may take several years to resolve. While the Company believes it has meritorious defenses, it cannot be sure of their ultimate resolution. Although the Company may reserve amounts for certain matters that the Company believes represent the most likely outcome of the resolution of these related disputes, if the Company is incorrect in its assessment, the Company may have to record additional expenses, when it becomes probable that an increased potential liability is warranted.

8. Shareholders' Equity

The Company had 101.1 million, 106.9 million, and 115.8 million common shares outstanding at December 31, 2013, 2012, and 2011, respectively. In December 2004, the Company authorized 7.5 million preference shares at $0.002 par value. The 7.5 million authorized preference shares remained unissued as of December 31, 2013. Preference shares may be issued from time to time in one or more series, each of such series to have such voting powers (full or limited or without voting powers), designations, preferences and relative, participating, optional or other special rights and qualifications, limitations or restrictions as determined by the Company's board of directors.

Dividends

The declaration of future dividends is subject to the discretion of the Company's board of directors and will depend upon various factors, including its earnings, financial condition, Herbalife Ltd.'s available distributable reserves under Cayman Islands law, restrictions imposed by the Credit Facility and the terms of any other indebtedness that may be outstanding, cash requirements, future prospects and other factors deemed relevant by its board of directors. The Credit Facility permits payments of dividends as long as no default or event of default exists and the consolidated leverage ratio specified in the Credit Facility is not exceeded.

During the second quarter of 2007, the Company's board of directors adopted a regular quarterly cash dividend program. The Company's board of directors authorized a $0.10 per common share cash dividend each quarter from the adoption of the program through the second quarter of 2010. On August 2, 2010, the Company announced that its board of directors approved an increase in the quarterly cash dividend to $0.13 per common share, an increase of $0.03 per common share from prior quarters. On May 2, 2011, the Company announced that its board of directors approved an increase in the quarterly cash dividend to $0.20 per common share, an increase of $0.07 per common share from prior quarters. On February 21, 2012, the Company announced that its board of directors approved an increase in the quarterly cash dividend to $0.30 per common share, an increase of $0.10 per common share from prior quarters. The aggregate amount of dividends paid and declared during the fiscal years ended December 31, 2013, 2012, and 2011 was approximately $123.1 million, $135.1 million, and $85.5 million, respectively.

Share Repurchases

On April 17, 2009, the Company's share repurchase program adopted on April 18, 2007 expired pursuant to its terms. On April 30, 2009, the Company announced that its board of directors authorized a new program for

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

the Company to repurchase up to $300 million of Herbalife common shares during the following two years, at such times and prices as determined by the Company's management as market conditions warrant. On May 3, 2010, the Company's board of directors approved an increase to this share repurchase program from $300 million to $1 billion. In addition, the Company's board of directors approved the extension of the expiration date of this share repurchase program from April 2011 to December 2014.

On May 2, 2012, the Company entered into an agreement with Merrill Lynch International to repurchase $427.9 million of its common shares, which was the remaining authorized capacity under this share repurchase program at that time. Under the terms of the repurchase agreement, the Company paid $427.9 million on May 4, 2012 and the agreement expired on July 27, 2012. The Company received 5.3 million and 3.9 million of its common shares under the repurchase agreement during June 2012 and July 2012, respectively. The total number of common shares repurchased under the agreement was determined generally upon a discounted volume-weighted average share price of the Company's common shares over the course of the agreement. On July 27, 2012, the Company completed this share repurchase program upon the final delivery of common shares repurchased under the repurchase agreement.

On July 30, 2012, the Company announced that its board of directors authorized a new $1 billion share repurchase program that will expire on June 30, 2017. This share repurchase program allows the Company to repurchase its common shares, at such times and prices as determined by the Company's management as market conditions warrant, and to the extent Herbalife Ltd.'s distributable reserves are available under Cayman Islands law. The Credit Facility permits the Company to repurchase its common shares as long as no default or event of default exists and the consolidated leverage ratio specified in the Credit Facility is not exceeded. As of December 31, 2013, the remaining authorized capacity under this share repurchase program was $652.6 million.

During the year ended December 31, 2013, the Company repurchased 6.1 million of its common shares through open market purchases at an aggregate cost of approximately $297.4 million, or an average cost of $49.08 per share. During the year ended December 31, 2012, the Company repurchased 11.0 million of its common shares through open market purchases at an aggregate cost of approximately $527.8 million, or an average cost of $47.78 per share. During the year ended December 31, 2011, the Company repurchased 5.5 million of its common shares through open market purchases at an aggregate cost of approximately $298.8 million, or an average cost of $54.27 per share.

The Company reflects the aggregate purchase price of the common shares repurchased as a reduction to shareholders' equity. The Company allocated the purchase price of the repurchased shares as a reduction to retained earnings, common shares and additional paid-in-capital.

The number of shares issued upon vesting or exercise for certain restricted stock units and SARs granted pursuant to the Company's share-based compensation plans is net of the minimum statutory withholding requirements that the Company pays on behalf of its employees. Although shares withheld are not issued, they are treated as common share repurchases in the Company's consolidated financial statements, as they reduce the number of shares that would have been issued upon vesting. These shares do not count against the authorized capacity under the share repurchase program described above.

HERBALIFE LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Accumulated Other Comprehensive Income (Loss)

The following table summarizes changes in accumulated other comprehensive income (loss) during the year ended December 31, 2013:

	Changes in Accumulated Other Comprehensive Income (Loss) by Component Year Ended December 31, 2013			
	Foreign Currency Translation Adjustments	Unrealized Gain (Loss) on Derivatives	Unrealized Gain (Loss) on Available-For-Sale Investments	Total
	(In millions)			
Beginning Balance	$ (28.8)	$ (2.9)	$ —	$(31.7)
Other comprehensive income (loss) before reclassifications, net of tax	3.2	2.4	0.1	5.7
Amounts reclassified from accumulated other comprehensive income (loss) to income, net of tax(1)	—	6.2	—	6.2
Total other comprehensive income (loss), net of reclassifications	3.2	8.6	0.1	11.9
Ending balance	$ (25.6)	$ 5.7	$ 0.1	$(19.8)

(1) See Note 11, *Derivative Instruments and Hedging Activities*, for information regarding the location in the consolidated statements of income of gains (losses) reclassified from accumulated other comprehensive income (loss) into income during the year ended December 31, 2013.

Other comprehensive income (loss) before reclassifications was net of tax benefits of $4.3 million, tax expense of $1.0 million, and tax expense of $0.1 million for foreign currency translation adjustments, unrealized gain (loss) on derivatives, and unrealized gain (loss) on available-for-sale investments, respectively, for the year ended December 31, 2013. Amounts reclassified from accumulated other comprehensive income (loss) to income was net of tax expense of $0.7 million for unrealized gain (loss) on derivatives for the year ended December 31, 2013.

9. Share-Based Compensation

The Company has five share-based compensation plans, the WH Holdings (Cayman Islands) Ltd. Stock Incentive Plan, or the Management Plan, the WH Holdings (Cayman Islands) Ltd. Independent Directors Stock Incentive Plan, or the Independent Directors Plan, the Herbalife Ltd. 2004 Stock Incentive Plan, or the 2004 Stock Incentive Plan, the Amended and Restated Herbalife Ltd. 2005 Stock Incentive Plan, or the 2005 Stock Incentive Plan, and the Amended and Restated Herbalife Ltd. Independent Directors Deferred Compensation and Stock Unit Plan, or the Independent Director Stock Unit Plan. The Management Plan provided for the grant of options to purchase common shares of Herbalife to members of the Company's management. The Independent Directors Plan provided for the grant of options to purchase common shares of Herbalife to the Company's independent directors. The 2004 Stock Incentive Plan replaced the Management Plan and the Independent Directors Plan and after the adoption thereof, no additional awards were made under either the Management Plan or the Independent Directors Plan. However, the shares remaining available for issuance under these plans were absorbed by and became available for issuance under the 2004 Stock Incentive Plan. The 2005 Stock Incentive Plan replaced the 2004 Stock Incentive Plan and after the adoption thereof, no additional awards were made under the 2004 Stock Incentive Plan. The terms of the 2005 Stock Incentive Plan are substantially similar to the terms of the 2004 Stock Incentive Plan. The 2005 Stock Incentive Plan authorizes the issuance of 14,400,000 common shares pursuant to awards granted under the plan, plus any shares that remained available

for issuance under the 2004 Stock Incentive Plan at the time of the adoption of the 2005 Stock Incentive Plan. The purpose of the Independent Directors Stock Unit Plan is to facilitate equity ownership in the Company by its independent directors through the award of stock units. At December 31, 2013, an aggregate of approximately 1.9 million common shares remain available for future issuance under the 2005 Stock Incentive Plan and the Independent Directors Stock Unit Plan.

The Company's share-based compensation plans provide for grants of stock options, SARs, and stock units, which are collectively referred to herein as awards. Stock options typically vest quarterly over a five-year period or less, beginning on the grant date. Certain SARs vest quarterly over a five-year period beginning on the grant date. Other SARs vest annually over a three-year period. The contractual term of service condition stock options and SARs is generally ten years. Stock unit awards under the 2005 Incentive Plan, or Incentive Plan Stock Units, vest annually over a three year period which is equal to the contractual term. Stock units awarded under the Independent Directors Stock Unit Plan, or Independent Director Stock Units, vest at a rate of 25% on each January 15, April 15, July 15 and October 15. In January 2009, the Company moved to granting SARs instead of stock units for its independent directors. In March 2008, the Company granted stock unit awards to its Chairman and Chief Executive Officer, which vest over a four-year period at a rate of 30% during each of the first three years and 10% during the fourth year. In February 2009, the Company granted stock units and SARs to certain employees subject to continued service, one-third of which vest on the third anniversary of the date of grant, one-third of which vest on the fourth anniversary of the date of grant, and the remaining one-third of which vest on the fifth anniversary of the date of grant. In 2010, the Company granted other stock units to certain key employees subject to continued service, one half of which vest on the first anniversary of the date of the grant, and the remaining half of which vest on the second anniversary of the date of the grant.

Awards can be subject to the following: market and service conditions, or market condition awards; performance and service conditions, or performance condition awards; market, service and performance conditions, or market and performance condition awards; or be subject only to continued service with the Company, or service condition awards. All awards granted by the Company are market condition awards, performance condition awards, market and performance condition awards, or service condition awards. Unless otherwise determined at the time of grant, the value of each stock unit shall be equal to one common share of Herbalife. The Company's stock compensation awards outstanding as of December 31, 2013 include stock options, SARs, and stock units.

In March 2008, the Company granted SARs with market conditions to its Chairman and Chief Executive Officer, which fully vested during 2012. These SARs vested at the end of four years subject to his continued employment through that date and the achievement of certain conditions related to the market value of the Company's common shares. The market conditions included targets for stock price appreciation of both a 10% and a 15% compound annual growth rate. The fair value of these SARs was determined on the date of the grant using the Monte Carlo lattice model.

In August 2011, the Company granted SARs with market and performance conditions to its Chairman and Chief Executive Officer. These awards will vest on December 31, 2014, subject to his continued employment through that date, the Company's stock price appreciating and exceeding a targeted price, and the Company's achievement of certain volume point performance targets. The fair value of these SARs was determined on the date of the grant using the Monte Carlo lattice model.

In December 2013, the Company granted SARs to certain employees with performance conditions. These awards vest 20% on June 2014, 20% on June 2015, and 60% on June 2016, subject to achievement of certain sales leader retention metrics. The fair value of these SARs was determined on the date of grant using the Black-Scholes-Merton option pricing model. The compensation expense for these grants is recognized over the vesting term using the graded vesting method.

The Company records compensation expense over the requisite service period which is equal to the vesting period. For awards granted on or after January 1, 2006, the compensation expense is recognized on a straight-line

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

basis over the vesting term. Stock-based compensation expense is included in selling, general and administrative expenses in the consolidated statements of income. For the years ended December 31, 2013, 2012, and 2011, share-based compensation expense, relating to service condition awards, amounted to $24.6 million, $22.7 million, and $19.2 million, respectively. For the years ended December 31, 2012 and 2011, share-based compensation expense, relating to market condition awards, amounted to $0.7 million and $2.9 million, respectively. No share-based compensation expense related to market condition awards was recognized in the year ended December 31, 2013, as all market condition awards had vested prior to 2013. For the year ended December 31, 2013, share-based compensation expense, relating to performance condition awards, amounted to $0.3 million. For the year ended December 31, 2013, 2012 and 2011, share-based compensation expense, relating to market and performance condition awards, amounted to $4.5 million, $4.6 million and $1.4 million, respectively. For the years ended December 31, 2013, 2012, and 2011, the related income tax benefits recognized in earnings for all awards amounted to $10.4 million, $9.5 million, and $7.5 million, respectively.

As of December 31, 2013, the total unrecognized compensation cost related to non-vested service condition stock awards was $41.6 million and the related weighted-average period over which it is expected to be recognized is approximately 1.4 years. As of December 31, 2013, the total unrecognized compensation cost related to non-vested performance condition awards was $12.7 million and the related weighted-average period over which it is expected to be recognized is approximately 1.7 years. As of December 31, 2013, the total unrecognized compensation cost related to non-vested market and performance condition awards was $4.5 million and the related weighted-average period over which it is expected to be recognized is approximately 1.0 year.

For the years ended December 31, 2013, 2012, and 2011, excess tax benefits of $15.6 million, $29.7 million, and $26.2 million, respectively, were generated and recognized from exercises of awards.

Stock units are valued at the market value on the date of grant. The fair value of service condition SARs and performance condition SARs are estimated on the date of grant using the Black-Scholes-Merton option-pricing model. The fair value of SARs with market conditions or with market and performance conditions are estimated on the date of grant using the Monte Carlo lattice model. Historically, the expected term of the SARs and stock options was based on the simple average of the average vesting period and the life of the award, or the simplified method. During the fourth quarter of 2011, the Company began calculating the expected term of its SARs based on historical data as more historical information was available. All groups of employees have been determined to have similar historical exercise patterns for valuation purposes. The expected volatility of the SARs and stock options are based upon the historical volatility of the Company's common shares and it is also validated against the volatility rates of a peer group of companies. The risk free interest rate is based on the implied yield on a U.S. Treasury zero-coupon issue with a remaining term equal to the expected term of the SARs and stock options. The expected dividend yield assumption is based on the Company's historical and expected amount of dividend payouts.

There were no stock options granted during the years ended December 31, 2013, 2012, and 2011. The following table summarizes the weighted average assumptions used in the calculation of the fair value for service condition awards for the years ended December 31, 2013, 2012, and 2011:

	SARs			Independent Director's SARs		
	Year Ended December 31,			Year Ended December 31,		
	2013	2012	2011	2013	2012	2011
Expected volatility	50.8%	48.4%	46.6%	45.2%	52.1%	49.4%
Dividends yield	1.7%	2.7%	1.5%	1.5%	2.7%	1.5%
Expected term	5.5 years	5.3 years	6.2 years	3.6 years	3.8 years	3.8 years
Risk-free interest rate	1.5%	0.7%	1.9%	0.7%	0.4%	1.0%

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

There were no performance condition awards granted during the years ended December 31, 2012 and 2011. For performance condition awards granted during the year ended December 31, 2013, the following table summarizes the weighted average assumptions used in the calculation of the fair value:

	SARs Year Ended December 31, 2013
Expected volatility	50.9%
Dividends yield	1.5%
Expected term	5.5 years
Risk-free interest rate	1.6%

There were no market condition awards or market and performance condition awards granted during the years ended December 31, 2013 and 2012. For market and performance condition awards granted during the year ended December 31, 2011, the following table summarizes the weighted average assumptions used in the calculation of the fair value:

	SARs Year Ended December 31, 2011
Expected volatility	44.0%
Dividends yield	1.4%
Expected term	5.2 years
Risk-free interest rate	1.2%

The following tables summarize the activity under all share-based compensation plans, which includes all stock awards, for the year ended December 31, 2013:

Stock Options & SARs	Awards (In thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value(1) (In millions)
Outstanding at December 31, 2012(2) (3)	11,333	$ 28.62	5.9 years	$ 119.1
Granted(4)	1,176	$ 76.40		
Exercised	(305)	$ 25.76		
Forfeited	(61)	$ 44.54		
Outstanding at December 31, 2013(2) (3) (4)	12,143	$ 33.24	5.3 years	$ 552.9
Exercisable at December 31, 2013(3)	7,327	$ 20.84	3.8 years	$ 424.0

(1) The intrinsic value is the amount by which the current market value of the underlying stock exceeds the exercise price of the stock award.

(2) Includes 0.9 million SARs with market and performance conditions.

(3) Includes 1.5 million SARs with market conditions.

(4) Includes 0.4 million SARs with performance conditions.

The weighted-average grant date fair value of service condition SARs granted during the years ended December 31, 2013, 2012, and 2011 was $30.57, $15.36, and $21.23, respectively. The weighted-average grant date fair value of SARs with performance conditions granted during the year ended December 31, 2013 was $33.04. The weighted-average grant date fair value of SARs with market and performance conditions granted

during the year ended December 31, 2011 was $17.37. The total intrinsic value of service condition stock options and SARs exercised during the years ended December 31, 2013, 2012, and 2011 was $16.1 million, $98.6 million, and $133.8 million, respectively. There were no market condition, performance condition, or market condition and performance condition SARs exercised during the years ended December 31, 2013, 2012, and 2011.

Incentive Plan and Independent Directors Stock Units	Shares (In thousands)	Weighted Average Grant Date Fair Value
Outstanding and nonvested at December 31, 2012	321.6	$ 11.70
Granted	17.0	$ 59.96
Vested	(193.7)	$ 13.88
Forfeited	(0.4)	$ 42.93
Outstanding and nonvested at December 31, 2013	144.5	$ 14.36

The total vesting date fair value of stock units which vested during the years ended December 31, 2013, 2012, and 2011 was $7.3 million, $24.3 million, and $19.8 million, respectively.

Employee Stock Purchase Plan

During 2007, the Company adopted a qualified employee stock purchase plan, or ESPP, which was implemented during the first quarter of 2008. In connection with the adoption of the ESPP, the Company has reserved for issuance a total of 2 million common shares. At December 31, 2013, approximately 1.8 million common shares remain available for future issuance. Under the terms of the ESPP, rights to purchase common shares may be granted to eligible qualified employees subject to certain restrictions. The ESPP enables the Company's eligible employees, through payroll withholdings, to purchase a limited number of common shares at 85% of the fair market value of a common share at the purchase date. Purchases are made on a quarterly basis.

10. Segment Information

The Company is a nutrition company that sells a wide range of weight management products, nutritional supplements and personal care products. The Company's products are manufactured by third party providers and by the Company in its Changsha, Hunan, China extraction facility, Suzhou, China facility and in its Lake Forest, California facility, and then are sold to Members who consume and sell Herbalife products to retail consumers or other Members. Revenues reflect sales of products by the Company to its Members and are categorized based on geographic location.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

As of December 31, 2013, the Company sold products in 91 countries throughout the world and was organized and managed by geographic regions. The Company aggregates its operating segments, excluding China, into one reporting segment, or the Primary Reporting Segment, as management believes that the Company's operating segments have similar operating characteristics and similar long term operating performance. In making this determination, management believes that the operating segments are similar in the nature of the products sold, the product acquisition process, the types of customers to whom products are sold, the methods used to distribute the products, and the nature of the regulatory environment. China has been identified as a separate reporting segment as it does not meet the criteria for aggregation. The operating information for the Primary Reporting Segment and China, and sales by product line are as follows:

	Year Ended December 31,		
	2013	2012	2011
		(In millions)	
Net Sales:			
Primary Reporting Segment:			
United States	$ 881.0	$ 816.9	$ 676.9
Mexico	562.4	496.1	436.9
South Korea	433.7	421.4	343.5
Others	2,476.6	2,059.4	1,786.4
Total Primary Reporting Segment	4,353.7	3,793.8	3,243.7
China	471.6	278.5	210.8
Total Net Sales	$ 4,825.3	$ 4,072.3	$ 3,454.5
Contribution Margin(1):			
Primary Reporting Segment:			
United States	$ 365.2	$ 359.5	$ 286.3
Mexico	251.7	205.6	191.1
South Korea	214.3	199.4	163.1
Others	1,110.5	906.5	810.0
Total Primary Reporting Segment	1,941.7	1,671.0	1,450.5
China(2)	422.7	250.1	186.4
Total Contribution Margin	$ 2,364.4	$ 1,921.1	$ 1,636.9
Selling, general and administrative expense (2)	1,629.1	1,259.7	1,074.6
Interest expense	26.6	16.7	9.9
Interest income	8.0	6.2	7.4
Income before income taxes	716.7	650.9	559.8
Income taxes	189.2	186.9	144.8
Net Income	$ 527.5	$ 464.0	$ 415.0

	Year Ended December 31,		
	2013	2012	2011
		(In millions)	
Capital Expenditures:			
United States	$121.3	$ 81.6	$60.4
Mexico	2.4	2.8	3.5
South Korea	1.8	4.1	2.1
China	12.6	15.4	6.6
Others	24.4	18.9	18.3
Total Capital Expenditures	$162.5	$122.8	$90.9

HERBALIFE LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Year Ended December 31,		
	2013	2012	2011
		(In millions)	
Net sales by product line:			
Weight Management	$ 3,063.7	$ 2,554.9	$ 2,158.7
Targeted Nutrition	1,109.9	944.8	789.6
Energy, Sports & Fitness	254.5	209.4	169.8
Outer Nutrition	157.2	146.3	147.8
Literature, Promotional and Other(3)	240.0	216.9	188.6
Total Net Sales	$ 4,825.3	$ 4,072.3	$ 3,454.5
Net sales by geographic region:			
North America	$ 908.0	$ 841.2	$ 698.6
Mexico	562.4	496.1	436.9
South & Central America	973.5	688.8	554.4
EMEA	735.2	627.8	615.2
Asia Pacific	1,174.6	1,139.9	938.6
China	471.6	278.5	210.8
Total Net Sales	$ 4,825.3	$ 4,072.3	$ 3,454.5

(1) Contribution margin consists of net sales less cost of sales and royalty overrides.

(2) Compensation to China sales employees and service fees to China independent service providers totaling $215.6 million, $123.5 million, and $96.8 million for the years ended December 31, 2013, 2012, and 2011, respectively, are included in selling, general and administrative expenses while Member compensation for all other countries is included in contribution margin.

(3) Product buybacks and returns in all product categories are included in the literature, promotional and other category.

As of December 31, 2013 and 2012, total assets for the Company's Primary Reporting Segment were $2,253.7 million and $1,607.2 million, respectively. Total assets for the China segment were $220.0 million and $116.9 million as of December 31, 2013 and 2012, respectively.

As of December 31, 2013 and 2012, goodwill allocated to the Company's reporting units included in the Company's Primary Reporting Segment was $102.4 million for both periods. Goodwill allocated to the China segment was $3.1 million as of December 31, 2013 and 2012.

As of December 31, 2013, the net property, plant and equipment located in the U.S. and in all foreign countries was $236.0 million and $82.9 million, respectively. As of December 31, 2012, the net property, plant and equipment located in the U.S. and in all foreign countries was $170.9 million and $71.9 million, respectively.

As of December 31, 2013, the deferred tax assets related to the U.S. and all foreign countries was $69.1 million and $58.7 million, respectively. As of December 31, 2012, the deferred tax assets related to the U.S. and all foreign countries was $68.4 million and $51.4 million, respectively.

The majority of the Company's foreign subsidiaries designate their local currencies as their functional currency. As of December 31, 2013 and 2012, the total amount of cash held by foreign subsidiaries reported in the Company's consolidated balance sheet was $567.4 million and $321.3 million, respectively, of which $6.8 million and $6.9 million, respectively, was maintained or invested in U.S. dollars. At December 31, 2013 and 2012, the total amount of cash and cash equivalents held by U.S. entities was $405.6 million and $12.2 million, respectively.

HERBALIFE LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

11. Derivative Instruments and Hedging Activities

Interest Rate Risk Management

The Company previously engaged in an interest rate hedging strategy for which the hedged transactions were the forecasted interest payments on the Credit Facility. The hedged risk was the variability of forecasted interest rate cash flows, where the hedging strategy involved the purchase of interest rate swaps. These interest rate swaps expired in July 2013 and the Company has not entered into new interest swap arrangements as of December 31, 2013.

During August 2009, the Company entered into four interest rate swap agreements with an effective date of December 31, 2009. The agreements collectively provided for the Company to pay interest for less than a four-year period at a weighted average fixed rate of 2.78% on notional amounts aggregating to $140.0 million while receiving interest for the same period at the one month LIBOR rate on the same notional amounts. As discussed above, these agreements expired in July 2013. These swaps at inception were designated as cash flow hedges against the variability in the LIBOR interest rate on the Company's term loan under the Prior Credit Facility or against the variability in the LIBOR interest rate on the replacement debt. The Company's term loan under the Prior Credit Facility was terminated in March 2011 and refinanced with the Credit Facility as discussed further in Note 4, *Long-Term Debt.* Until their expiration in July 2013, the Company's swaps were effective and were designated as cash flow hedges against the variability in certain LIBOR interest rate borrowings under the Credit Facility at LIBOR plus 1.50% to 2.50%, fixing the Company's weighted average effective rate on the notional amounts at 4.28% to 5.28%. There was no hedge ineffectiveness recorded as result of this refinancing event.

The Company assesses hedge effectiveness and measures hedge ineffectiveness at least quarterly. During the years ended December 31, 2013 and 2012, the ineffective portion relating to these hedges was immaterial and the hedges remained effective until their expiration in July 2013 and as of December 31, 2012. Consequently, all changes in the fair value of the derivatives were deferred and recorded in other comprehensive income (loss) until the related forecasted transactions were recognized in the consolidated statements of income. The fair value of the interest rate swap agreements were based on third-party quotes. At December 31, 2012, the Company recorded the interest rate swaps as liabilities at their fair value of $2.0 million. No amount was recorded as of December 31, 2013 because the interest rate swaps had expired.

The table below describes the interest rate swaps in aggregate, and the fair value of the liabilities that were outstanding as of December 31, 2013 and 2012:

Interest Rate	Aggregate Notional Amounts (In millions)	Average Swap Rate	Aggregate Fair Value (In millions)	Maturity Dates
At December 31, 2013				
Interest Rate Swaps	—	—	—	—
At December 31, 2012				
Interest Rate Swaps	$ 140.0	2.78%	$ (2.0)	July 2013

Foreign Currency Instruments

The Company also designates certain foreign currency derivatives, such as certain foreign currency forward and option contracts, as freestanding derivatives for which hedge accounting does not apply. The changes in the fair market value of these freestanding derivatives are included in selling, general and administrative expenses in the Company's consolidated statements of income. The Company uses foreign currency forward contracts to hedge foreign-currency-denominated intercompany transactions and to partially mitigate the impact of foreign

currency fluctuations. The Company also uses foreign currency option contracts to partially mitigate the impact of foreign currency fluctuations. The fair value of the forward and option contracts are based on third-party quotes. The Company's foreign currency derivative contracts are generally executed on a monthly basis.

The Company designates as cash-flow hedges those foreign currency forward contracts it enters into to hedge forecasted inventory purchases and intercompany management fees that are subject to foreign currency exposures. Forward contracts are used to hedge forecasted inventory purchases over specific months. Changes in the fair value of these forward contracts, excluding forward points, designated as cash-flow hedges are recorded as a component of accumulated other comprehensive income (loss) within shareholders' equity, and are recognized in cost of sales in the consolidated statement of income during the period which approximates the time the hedged inventory is sold. The Company also hedges forecasted intercompany management fees over specific months. These contracts allow the Company to sell Euros in exchange for U.S. dollars at specified contract rates. Changes in the fair value of these forward contracts designated as cash flow hedges are recorded as a component of accumulated other comprehensive income (loss) within shareholders' equity, and are recognized in selling, general and administrative expenses in the consolidated statement of income during the period when the hedged item and underlying transaction affect earnings.

As of December 31, 2013 and 2012, the aggregate notional amounts of all foreign currency contracts outstanding designated as cash flow hedges were approximately $244.7 million and $256.9 million, respectively. At December 31, 2013, these outstanding contracts were expected to mature over the next twelve months. The Company's derivative financial instruments are recorded on the consolidated balance sheet at fair value based on third-party quotes. As of December 31, 2013, the Company recorded assets at fair value of $5.7 million and liabilities at fair value of $4.4 million relating to all outstanding foreign currency contracts designated as cash-flow hedges. As of December 31, 2012, the Company recorded assets at fair value of $0.5 million and liabilities at fair value of $3.3 million relating to all outstanding foreign currency contracts designated as cash-flow hedges. The Company assesses hedge effectiveness and measures hedge ineffectiveness at least quarterly. During the years ended December 31, 2013 and 2012, the ineffective portion relating to these hedges was immaterial and the hedges remained effective as of December 31, 2013 and 2012.

As of both December 31, 2013 and 2012, the majority of the Company's outstanding foreign currency forward contracts had maturity dates of less than twelve months, with the majority of freestanding derivatives expiring within three months and one month, respectively. There were no foreign currency option contracts outstanding as of December 31, 2013 and 2012.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The table below describes all foreign currency forward contracts that were outstanding as of December 31, 2013 and 2012:

Foreign Currency	Average Contract Rate	Original Notional Amount (In millions)	Fair Value Gain (Loss) (In millions)
At December 31, 2013			
Buy Australian dollar sell Euro	1.55	$ 2.7	$ —
Buy Euro sell Australian dollar	1.52	4.5	0.1
Buy Euro sell Chilean peso	727.40	1.1	—
Buy Euro sell British pound	0.83	2.5	—
Buy Euro sell Indonesian rupiah	16,915.00	0.7	—
Buy Euro sell Mexican peso	17.51	150.3	4.9
Buy Euro sell Russian ruble	45.05	3.0	—
Buy Euro sell Singapore dollar	1.74	3.0	—
Buy Euro sell U.S. dollar	1.37	161.3	—
Buy British pound sell Euro	1.01	4.9	0.1
Buy Japanese yen sell U.S. dollar	104.71	2.9	—
Buy Malaysian ringgit sell U.S. dollar	3.30	5.3	—
Buy Singapore dollar sell Euro	1.71	2.0	—
Buy New Taiwan dollar sell U.S. dollar	29.54	14.9	(0.1)
Buy U.S. dollar sell Brazilian real	2.35	12.8	0.6
Buy U.S. dollar sell Euro	1.34	171.8	(4.2)
Buy U.S. dollar sell South Korean won	1,112.65	50.0	1.5
Total forward contracts		$ 593.7	$ 2.9

HERBALIFE LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Foreign Currency	Average Contract Rate	Original Notional Amount (In millions)	Fair Value Gain (Loss) (In millions)
At December 31, 2012			
Buy Brazilian real sell U.S. dollar	2.08	$ 12.5	$ 0.2
Buy Chinese yuan sell U.S. dollar	6.29	1.3	—
Buy Euro sell Argentine peso	6.66	3.0	—
Buy Euro sell Australian dollar	1.27	1.4	—
Buy Euro sell Chilean peso	633.00	1.5	—
Buy Euro sell Indonesian rupiah	12,935.00	9.7	—
Buy Euro sell Mexican peso	17.18	143.7	0.3
Buy Euro sell Malaysian ringgit	4.06	15.2	(0.1)
Buy Euro sell Peruvian nuevo sol	3.41	2.0	—
Buy Euro sell U.S. dollar	1.33	82.1	(0.4)
Buy British pound sell Euro	0.82	2.4	—
Buy Japanese yen sell U.S. dollar	85.88	9.3	(0.1)
Buy South Korean won sell U.S. dollar	1,077.18	52.5	0.2
Buy Malaysian ringgit sell Euro	4.07	0.8	—
Buy Malaysian ringgit sell U.S. dollar	3.08	21.7	0.1
Buy U.S. dollar sell Brazilian real	2.05	12.6	—
Buy U.S. dollar sell Colombian peso	1,800.10	11.7	(0.2)
Buy U.S. dollar sell Euro	1.30	174.4	(2.9)
Buy U.S. dollar sell British pound	1.62	16.2	(0.1)
Buy U.S. dollar sell South Korean won	1,089.08	6.3	(0.1)
Buy U.S. dollar sell Mexican peso	13.12	25.4	(0.3)
Buy U.S. dollar sell Philippine peso	40.99	2.9	—
Buy U.S. dollar sell New Taiwan dollar	28.98	0.8	—
Buy U.S. dollar sell South African rand	8.54	0.7	—
Total forward contracts		$ 610.1	$ (3.4)

The following tables summarize the derivative activity during the years ended December 31, 2013, 2012, and 2011 relating to all the Company's derivatives.

Gains and Losses on Derivative Instruments

The following table summarizes gains (losses) relating to derivative instruments recorded in other comprehensive income (loss) during the years ended December 31, 2013, 2012, and 2011:

	Amount of Gain (Loss) Recognized in Other Comprehensive Income (Loss) For the Year Ended		
	December 31, 2013	December 31, 2012	December 31, 2011
		(In millions)	
Derivatives designated as cash flow hedging instruments:			
Foreign exchange currency contracts relating to inventory and intercompany management fee hedges	$ 3.5	$ (3.3)	$ 4.1
Interest rate swaps	$ —	$ (0.6)	$ (2.1)

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As of December 31, 2013, the estimated amount of existing net gains related to cash flow hedges recorded in accumulated other comprehensive income (loss) that are expected to be reclassified into earnings over the next twelve months was $3.1 million.

The following table summarizes gains (losses) relating to derivative instruments recorded to income during the years ended December 31, 2013, 2012, and 2011:

	Amount of Gain (Loss) Recognized in Income For the Year Ended			
	December 31, 2013	December 31, 2012	December 31, 2011	Location of Gain (Loss) Recognized in Income
	(In millions)			
Derivatives designated as cash flow hedging instruments:				
Foreign exchange currency contracts relating to inventory hedges and intercompany management fee hedges(1)	$ (5.2)	$ (1.8)	$ —	Selling, general and administrative expenses
Derivatives not designated as hedging instruments:				
Foreign exchange currency contracts	$ 6.4	$ (10.0)	$ 2.7	Selling, general and administrative expenses

(1) For foreign exchange contracts designated as hedging instruments, the amounts recognized in income (loss) represent the amounts excluded from the assessment of hedge effectiveness. There were no ineffective amounts reported for derivatives designated as hedging instruments.

The following table summarizes gains (losses) relating to derivative instruments reclassified from accumulated other comprehensive loss into income during the years ended December 31, 2013, 2012, and 2011:

	Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive Loss into Income For the Year Ended			Location of Gain (Loss) Reclassified from Accumulated Other Comprehensive Loss into Income (effective portion)
	December 31, 2013	December 31, 2012	December 31, 2011	
	(In millions)			
Derivatives designated as cash flow hedging instruments:				
Foreign exchange currency contracts relating to inventory hedges	$ (4.1)	$ 0.1	$ (0.3)	Cost of sales
Foreign exchange currency contracts relating to intercompany management fee hedges	$ (0.7)	$ 4.5	$ (1.8)	Selling, general and administrative expenses
Interest rate contracts	$ (2.0)	$ (3.6)	$ (3.6)	Interest expense, net

HERBALIFE LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The Company reports its derivatives at fair value as either assets or liabilities within its consolidated balance sheet. See Note 13,*Fair Value Measurements*, for information on derivative fair values and their consolidated balance sheet location as of December 31, 2013 and 2012.

12. Income Taxes

The components of income before income taxes are as follows (in millions):

	Year Ended December 31,		
	2013	2012	2011
Domestic	$155.6	$172.3	$143.9
Foreign	561.1	478.6	415.9
Total	$716.7	$650.9	$559.8

Income taxes are as follows (in millions):

	Year Ended December 31,		
	2013	2012	2011
Current:			
Foreign	$138.1	$104.0	$103.3
Federal	68.8	82.1	55.3
State	7.2	8.6	7.4
	214.1	194.7	166.0
Deferred:			
Foreign	(16.3)	(6.3)	(11.8)
Federal	(9.4)	(2.7)	(8.7)
State	0.8	1.2	(0.7)
	(24.9)	(7.8)	(21.2)
	$189.2	$186.9	$144.8

The Company recognizes excess tax benefits associated with share-based compensation to shareholders' equity only when realized. When assessing whether excess tax benefits relating to share-based compensation have been realized, the Company follows the with-and-without approach. Under this approach, excess tax benefits related to share-based compensation are not deemed to be realized until after the utilization of all other tax benefits available to the Company, which are also subject to applicable limitations. As of December 31, 2013 and 2012, the Company had $15.4 million and $25.9 million, respectively, of unrealized excess tax benefits. The reduction primarily relates to the utilization of previously unrealized excess tax benefits. The $15.4 million of excess tax benefits at December 31, 2013 relates to foreign tax credits generated and carried forward on US federal income tax returns. If unused, tax credit carryforwards of $2.4 million will expire in 2021 and $13.0 million will expire in 2022.

Venezuela has experienced cumulative inflation of at least 100% during the three year period ended December 31, 2009. Therefore, as of January 1, 2010 the Bolivar is hyperinflationary for U.S. federal income tax purposes. As a result, because Herbalife Venezuela is considered a dual incorporated entity, it is now required to account for its operations using the Dollar Approximate Separate Transactions Method of accounting, or DASTM. See Note 2, *Basis of Presentation*, for a further discussion on Herbalife Venezuela and Venezuela's highly inflationary economy.

HERBALIFE LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The significant categories of temporary differences that gave rise to deferred tax assets and liabilities are as follows (tax effected in millions):

	Year Ended December 31,	
	2013	2012
Deferred income tax assets:		
Accruals not currently deductible	$ 53.4	$ 48.0
Tax loss carry forwards of certain foreign subsidiaries	29.2	22.0
Depreciation/amortization	3.5	13.5
Deferred compensation plan	47.4	35.6
Deferred interest expense	218.7	186.9
Accrued vacation	5.5	4.6
Inventory reserve	13.2	6.4
Hyperinflationary adjustment	—	3.5
Other	4.5	8.6
Gross deferred income tax assets	375.4	329.1
Less: valuation allowance	(247.6)	(209.3)
Total deferred income tax assets	$ 127.8	$ 119.8
Deferred income tax liabilities:		
Intangible assets	$ 113.0	$ 111.7
Unremitted foreign earnings	0.7	13.9
Other	4.5	4.5
Total deferred income tax liabilities	$ 118.2	$ 130.1
Total net deferred tax assets (liabilities)	$ 9.6	$ (10.3)

Net operating loss carryforwards of subsidiaries for 2013 and 2012 were $29.2 million and $22.0 million, respectively. If unused, net operating losses and tax credits of $3.6 million will expire between 2014 and 2023 and $25.6 million can be carried forward indefinitely. Deferred interest carryforwards of subsidiaries for 2013 and 2012 were $218.7 million and $186.9 million, respectively, and can be carried forward indefinitely.

The Company recognizes valuation allowances on deferred tax assets reported if, based on the weight of the evidence it is more likely than not that some or all of the deferred tax assets will not be realized. As of December 31, 2013 and 2012 the Company held valuation allowances against net deferred tax assets of certain subsidiaries, primarily related to deferred interest expense carryforwards and net operating loss carryforwards, in the amount of $247.6 million and $209.3 million, respectively. The change in the Company's valuation allowance during 2013 of $38.3 million was related to $36.7 million of net additions charged to income tax expense and $1.6 million of currency translation adjustments recognized within other comprehensive income. The change in the Company's valuation allowance during 2012 of $41.2 million was related to $40.2 million of net additions charged to income tax expense and $1.0 million of currency translation adjustments recognized within other comprehensive income. The change in the Company's valuation allowance during 2011 of $29.5 million was related to $31.8 million of net additions charged to income tax expense, reduced by $2.3 million of currency translation adjustments recognized within other comprehensive income.

At December 31, 2013, the Company's U.S. consolidated group had approximately $88.1 million of unremitted earnings that were permanently reinvested from certain foreign subsidiaries. In addition, at December 31, 2013, Herbalife Ltd. had approximately $2.0 billion of permanently reinvested unremitted earnings relating to its operating subsidiaries. Since these unremitted earnings have been permanently reinvested, deferred taxes were not provided on these unremitted earnings. Further, it is not practicable to determine the amount of

unrecognized deferred taxes with respect to these unremitted earnings. If the Company were to remit these unremitted earnings then it would be subject to income tax on these remittances. Deferred taxes have been accrued for earnings that are not considered indefinitely reinvested. The deferred tax liability on the unremitted foreign earnings as of December 31, 2013 and 2012 was $0.7 million and $13.9 million, respectively.

The applicable statutory income tax rate in the Cayman Islands was zero for Herbalife Ltd. for the years being reported. For purposes of the reconciliation between the provision for income taxes at the statutory rate and the provision for income taxes at the effective tax rate, a notional 35% tax rate is applied as follows (in millions):

	Year Ended December 31,		
	2013	2012	2011
		(In millions)	
Tax expense at United States statutory rate	$250.9	$227.8	$195.9
Increase (decrease) in tax resulting from:			
Differences between U.S. and foreign tax rates on foreign income, including withholding taxes	(82.1)	(97.9)	(78.1)
U.S. tax (benefit) on foreign income net of foreign tax credits	(4.7)	1.8	(8.8)
Increase (decrease) in valuation allowances	36.7	40.2	31.8
State taxes, net of federal benefit	5.7	7.3	5.2
Unrecognized tax benefits	(10.3)	6.6	1.1
Other	(7.0)	1.1	(2.3)
Total	$189.2	$186.9	$144.8

During the years ended December 31, 2012, and 2011, the Company benefited from the terms of a tax holiday in the People's Republic of China. The tax holiday commenced on January 1, 2008 and concluded on December 31, 2012. Under the terms of the holiday, the Company was subject to an 11% tax rate in 2010, a 12% tax rate in 2011, and a 12.5% tax rate in 2012. The Company was subject to the statutory tax rate of 25% in 2013.

As of December 31, 2013, the total amount of unrecognized tax benefits, including related interest and penalties was $34.6 million. If the total amount of unrecognized tax benefits was recognized, $28.4 million of unrecognized tax benefits, $3.7 million of interest and $0.8 million of penalties would impact the effective tax rate. As of December 31, 2012, the total amount of unrecognized tax benefits, including related interest and penalties was $47.1 million. If the total amount of unrecognized tax benefits was recognized, $38.2 million of unrecognized tax benefits, $5.7 million of interest and $1.7 million of penalties would impact the effective tax rate.

The Company accounts for the interest and penalties generated by tax contingencies as a component of income tax expense. During the year ended December 31, 2013, the Company recorded a reversal in interest and penalty expense related to uncertain tax positions of $1.6 million and $0.7 million, respectively. During the year ended December 31, 2012, the Company recorded an increase in interest and penalty expense related to uncertain tax positions of $0.2 million and $0.6 million, respectively. During the year ended December 31, 2011, the Company recorded an increase in interest expense and a reversal of penalty expense related to uncertain tax positions of $0.1 million and $0.1 million, respectively. As of December 31, 2013, total amount of interest and penalties related to unrecognized tax benefits recognized in the statement of financial position were $3.7 million and $0.8 million respectively. As of December 31, 2012, total amount of interest and penalties related to unrecognized tax benefits recognized in the statement of financial position were $5.7 million and $1.7 million respectively.

HERBALIFE LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following changes occurred in the amount of unrecognized tax benefits during the years ended December 31, 2013, 2012, and 2011 (in millions):

	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
Beginning balance of unrecognized tax benefits	$ 39.7	$ 32.4	$ 31.6
Additions for current year tax positions	10.3	7.8	5.5
Additions for prior year tax positions	4.1	4.5	2.0
Reductions for prior year tax positions	(3.9)	(0.1)	(0.9)
Reductions for audit settlements	(10.0)	(0.3)	(0.7)
Reductions for the expiration of statutes of limitation	(8.4)	(4.9)	(4.5)
Changes due to foreign currency translation adjustments	(1.9)	0.3	(0.6)
Ending balance of unrecognized tax benefits (excluding interest and penalties)	$ 29.9	$ 39.7	$ 32.4
Interest and penalties associated with unrecognized tax benefits	4.7	7.4	6.6
Ending balance of unrecognized tax benefits (including interest and penalties)	$ 34.6	$ 47.1	$ 39.0

The amount of income taxes the Company pays is subject to ongoing audits by taxing jurisdictions around the world. The Company's estimate of the potential outcome of any uncertain tax position is subject to management's assessment of relevant risks, facts, and circumstances existing at that time. The Company believes that it has adequately provided for these matters. However, the Company's future results may include favorable or unfavorable adjustments to its estimates in the period the audits are resolved, which may impact the Company's effective tax rate. As of December 31, 2013, the Company's tax filings are generally subject to examination in major tax jurisdictions for years ending on or after December 31, 2009.

The Company believes that it is reasonably possible that the amount of unrecognized tax benefits could decrease by up to approximately $10.7 million within the next twelve months. Of this possible decrease, $6.8 million would be due to the settlement of audits or resolution of administrative or judicial proceedings. The remaining possible decrease of $3.9 million would be due to the expiration of statute of limitations in various jurisdictions.

13. Fair Value Measurements

The Company applies the provisions of FASB ASC Topic 820,*Fair Value Measurements and Disclosures*, or ASC 820, for its financial and non-financial assets and liabilities. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 establishes a fair value hierarchy, which prioritizes the inputs used in measuring fair value into three broad levels as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 inputs are unobservable inputs for the asset or liability.

HERBALIFE LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The Company measures certain assets and liabilities at fair value as discussed throughout the notes to its consolidated financial statements. Foreign exchange currency contracts and interest rate swaps are valued using standard calculations and models. Foreign exchange currency contracts are valued primarily based on inputs such as observable forward rates, spot rates and foreign currency exchange rates at the reporting period ended date. Interest rate swaps are valued primarily based on inputs such as LIBOR and swap yield curves at the reporting period ended date. The Company's derivative assets and liabilities are measured at fair value and consisted of Level 2 inputs and their amounts are shown below at their gross values at December 31, 2013 and 2012:

Fair Value Measurements at Reporting Date Using

	Derivative Balance Sheet Location	Significant Other Observable Inputs (Level 2) Fair Value at December 31, 2013	Significant Other Observable Inputs (Level 2) Fair Value at December 31, 2012
		(In millions)	
ASSETS:			
Derivatives designated as cash flow hedging instruments:			
Foreign exchange currency contracts relating to inventory and intercompany management fee hedges	Prepaid expenses and other current assets	$ 5.7	$ 0.5
Derivatives not designated as cash flow hedging instruments:			
Foreign exchange currency contracts	Prepaid expenses and other current assets	$ 2.3	$ 0.7
		$ 8.0	$ 1.2
LIABILITIES:			
Derivatives designated as cash flow hedging instruments:			
Foreign exchange currency contracts relating to inventory and intercompany management fee hedges	Accrued expenses	$ 4.4	$ 3.3
Interest rate swaps	Accrued expenses	$ —	$ 2.0
Derivatives not designated as hedging instruments:			
Foreign exchange currency contracts	Accrued expenses	$ 0.7	$ 1.3
		$ 5.1	$ 6.6

The Company's deferred compensation plan assets consist of Company owned life insurance policies. As these policies are recorded at their cash surrender value, they are not required to be included in the fair value table above. See Note 6, *Employee Compensation Plans*, for a further description of its deferred compensation plan assets.

HERBALIFE LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following tables summarize the offsetting of the fair values of the Company's derivative assets and derivative liabilities for presentation in the Company's consolidated balance sheet at December 31, 2013 and 2012:

	Offsetting of Derivative Assets		
	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Balance Sheet	Net Amounts of Assets Presented in the Balance Sheet
	(In millions)		
December 31, 2013			
Foreign exchange currency contracts	$ 8.0	$ (3.0)	$ 5.0
Total	$ 8.0	$ (3.0)	$ 5.0
December 31, 2012			
Foreign exchange currency contracts	$ 1.2	$ (1.2)	—
Total	$ 1.2	$ (1.2)	—

	Offsetting of Derivative Liabilities		
	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Balance Sheet	Net Amounts of Liabilities Presented in the Balance Sheet
	(In millions)		
December 31, 2013			
Foreign exchange currency contracts	$ 5.1	$ (3.0)	$ 2.1
Total	$ 5.1	$ (3.0)	$ 2.1
December 31, 2012			
Foreign exchange currency contracts	$ 4.6	$ (1.2)	$ 3.4
Interest rate swaps	2.0	—	2.0
Total	$ 6.6	$ (1.2)	$ 5.4

The Company offsets all of its derivative assets and derivative liabilities in its consolidated balance sheet to the extent it maintains master netting arrangements with related financial institutions. As of December 31, 2013 and 2012, all of the Company's derivatives were subject to master netting arrangements and no collateralization was required for the Company's derivative assets and derivative liabilities.

14. Professional Fees and Other Expenses

In late 2012, a hedge fund manager publicly raised allegations regarding the legality of the Company's network marketing program and announced that the hedge fund manager had taken a significant short position regarding the Company's common shares, leading to intense public scrutiny and significant stock price volatility. The Company believes that the hedge fund manager's allegations are inaccurate and misleading. The Company has engaged legal and advisory firms to assist with responding to the allegations and to perform other related services in connection to these recent events. The Company recognizes the related expenses as a part of selling, general & administrative expenses within its consolidated statement of income. For the year ended December 31, 2013, the Company recorded approximately $29.1 million of professional fees and other expenses related to this matter.

Of the approximately $29.1 million in expenses incurred during the year ended December 31, 2013 discussed above, approximately $6.0 million was recognized for advisory retainer fees. The minimum guaranteed retainer fees were approximately $4.0 million as of December 31, 2013 and the expense recognition of these fees could accelerate based on certain conditions.

The Company also had a cash settlement liability award, or the Liability Award, outstanding as of December 31, 2013, which is tied to the Company's stock price and which only vests if certain conditions are met relating to the above matter. The fair value of the Liability Award will be revalued each quarter until settlement and the Company will recognize and adjust the expense over the expected requisite service period. The expense recognized during the year ended December 31, 2013, relating to the Liability Award was approximately $3.5 million, and is included in the approximately $29.1 million expense described above. The remaining unrecognized expense relating to the Liability Award was approximately $3.3 million as of December 31, 2013, based on the fair value of the Liability Award as of that date. The recognition of the unrecognized expense relating to the Liability Award could accelerate and change based on certain conditions.

15. Subsequent Events

On February 3, 2014, the Company announced that its board of directors authorized an increase in the existing share repurchase authorization to an available balance of $1.5 billion. The Company's former share repurchase authorization of $1 billion had an available balance of $652.6 million as of December 31, 2013.

On February 18, 2014, the Company announced that its board of directors approved a quarterly cash dividend of $0.30 per common share to shareholders of record as of March 4, 2014, payable on March 18, 2014.

During February 2014, the Company initially issued $1 billion aggregate principal amount of convertible senior notes, or Convertible Notes, in a private offering to qualified institutional buyers, pursuant to Rule 144A under the Securities Act of 1933, as amended. The Company granted an option to the initial purchasers to purchase up to an additional $150 million aggregate principal amount of Convertible Notes which was subsequently exercised in full during February 2014, resulting in a total issuance of $1.15 billion aggregate principal amount of Convertible Notes. The Convertible Notes pay interest at a rate of 2.00% per annum payable semiannually in arrears on February 15 and August 15 of each year, beginning on August 15, 2014. The Convertible Notes mature on August 15, 2019, unless earlier repurchased or converted. The Company may not redeem the Convertible Notes prior to their stated maturity date. These Convertible Notes are not puttable by the note holders other than in the context of a defined fundamental change. Upon conversion, the Convertible Notes will be settled in cash and, if applicable, the Company's common shares, based on the applicable conversion rate at such time. The Convertible Notes had an initial conversion rate of 11.5908 common shares per $1,000 principal amount of the Convertible Notes (which is equal to an initial conversion price of approximately $86.28 per common share), representing an initial conversion premium of approximately 25% above the last reported sale price of $69.02 per common share on February 3, 2014. The Company is also expected to incur approximately $26 million of deferred financing costs as a result of issuing these Convertible Notes.

During the first quarter of 2014, the $1.15 billion proceeds received from the issuance of the Convertible Notes must be allocated between total liabilities and shareholders' equity within the Company's consolidated balance sheet due to the fact the Convertible Notes may be partially settled in cash and that there is an existing equity conversion feature within the Convertible Notes that permits the Company to settle any amounts above the conversion price with its common shares. As of February 18, 2014, the $1.15 billion allocation between total liabilities and shareholders' equity had not been finalized. Preliminarily, it is expected that a majority of the $1.15 billion will be allocated to total liabilities. As a result of this required allocation, the liability component will be measured based on the fair value of the Convertible Notes which will be discounted using the nonconvertible debt interest rate; therefore, this will result in discounted debt being recognized within total liabilities

on the Company's consolidated balance sheet. The difference between the proceeds received from the Convertible Notes issuance and this discounted debt would then be allocated to shareholders' equity. Since the Company must still settle these Convertible Notes at face value at or prior to maturity, this discounted debt will be accreted up to its face value resulting in additional non-cash interest expense being recognized in subsequent periods within the Company's consolidated statements of income while the Convertible Notes remain outstanding.

In connection with the issuance of Convertible Notes, the Company paid approximately $124 million to enter into capped call transactions with respect to its common shares, or the Capped Call Transactions, with certain financial institutions. The Capped Call Transactions are expected generally to reduce the potential dilution upon conversion of the Convertible Notes in the event that the market price of the common shares is greater than the strike price of the Capped Call Transactions, with such reduction of potential dilution subject to a cap based on the cap price of the Capped Call Transactions. The cap price of the Capped Call Transactions will initially be $120.79 per common share, representing a premium of approximately 75% above the last reported sale price of $69.02 per common share on February 3, 2014, and is subject to certain adjustments under the terms of the Capped Call Transactions. As a result of this transaction, the Company's additional paid-in capital within shareholders' equity on its consolidated balance sheet was reduced by $124 million during the first quarter of 2014.

In addition, the Company paid approximately $686 million to enter into prepaid forward share repurchase transactions, or the Forward Transactions, with certain financial institutions, or Forward Counterparties, pursuant to which the Company purchased approximately 9.9 million common shares for settlement on or around the August 15, 2019 maturity date for the Convertible Notes, subject to the ability of each Forward Counterparty to elect to settle all or a portion of its Forward Transaction early. The Forward Transactions are generally expected to facilitate privately negotiated derivative transactions between the Forward Counterparties and holders of the Convertible Notes, including swaps, relating to the common shares by which holders of the Convertible Notes establish short positions relating to the common shares and otherwise hedge their investments in the Convertible Notes concurrently with, or shortly after, the pricing of the Convertible Notes. As a result of this transaction, the Company's total shareholders' equity within its consolidated balance sheet was reduced by approximately $686 million during the first quarter of 2014, with amounts being allocated between retained earnings and additional paid in capital within total shareholders' equity. The Company will also record non-cash deferred financing costs and a corresponding amount to additional paid in capital reflecting the fair value of the Forward Transactions as these transactions were also executed to facilitate the issuance of the Company's Convertible Notes as described above. As of February 18, 2014, the fair value was not finalized.

In February 2014, in connection with executing the Convertible Notes, Forward Transactions, and Capped Call Transactions, the Company also amended the Credit Facility. Pursuant to this amendment, the Company amended the terms of the Credit Facility to provide for technical amendments to the indebtedness, asset sale and dividend covenants and the cross-default event of default to accommodate the foregoing transactions. The amendment will also increase by 0.50% the highest applicable margin payable by Herbalife in the event that Herbalife's consolidated total leverage ratio exceeds 2.50 to 1.00 and increase the permitted consolidated total leverage ratio of Herbalife under the Credit Facility.

HERBALIFE LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

16. Quarterly Information (Unaudited)

	2013	2012
	(In millions, except per share data)	
First Quarter Ended March 31		
Net sales	$ 1,123.6	$ 964.2
Gross profit	897.7	768.0
Net income	118.9	107.9
Earnings per share		
Basic	$ 1.14	$ 0.93
Diluted	$ 1.10	$ 0.88
Second Quarter Ended June 30		
Net sales	$ 1,219.2	$ 1,031.9
Gross profit	972.0	828.2
Net income	143.2	132.0
Earnings per share		
Basic	$ 1.39	$ 1.13
Diluted	$ 1.34	$ 1.09
Third Quarter Ended September 30		
Net sales	$ 1,213.5	$ 1,016.9
Gross profit	975.1	815.3
Net income	142.0	111.9
Earnings per share		
Basic	$ 1.39	$ 1.03
Diluted	$ 1.32	$ 0.98
Fourth Quarter Ended December 31		
Net sales	$ 1,268.9	$ 1,059.3
Gross profit	1,017.1	848.2
Net income	123.5	112.2
Earnings per share		
Basic	$ 1.22	$ 1.04
Diluted	$ 1.15	$ 1.00

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereto duly authorized.

HERBALIFE LTD.

By: /s/ JOHN G. DESIMONE
John G. DeSimone
Chief Financial Officer

Dated: February18, 2014

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

Signature	Title	Date
/s/ MICHAEL O. JOHNSON Michael O. Johnson	Chief Executive Officer, Director, Chairman of the Board (Principal Executive Officer)	February 18, 2014
/s/ JOHN G. DESIMONE John G. DeSimone	Chief Financial Officer (Principal Financial Officer)	February 18, 2014
/s/ BOSCO CHIU Bosco Chiu	Senior Vice President and Principal Accounting Officer (Principal Accounting Officer)	February 18, 2014
/s/ LEROY T. BARNES, JR. Leroy T. Barnes, Jr.	Director	February 18, 2014
/s/ RICHARD P. BERMINGHAM Richard P. Bermingham	Director	February 18, 2014
/s/ CAROLE BLACK Carole Black	Director	February 18, 2014
/s/ PEDRO CARDOSO Pedro Cardoso	Director	February 18, 2014
/s/ RICHARD H. CARMONA Richard H. Carmona	Director	February 18, 2014
/s/ JONATHAN CHRISTODORO Jonathan Christodoro	Director	February 18, 2014
/s/ KEITH COZZA Keith Cozza	Director	February 18, 2014

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Signature	Title	Date
/s/ JEFFREY T. DUNN Jeffrey T. Dunn	Director	February 18, 2014
/s/ MICHAEL J. LEVITT Michael J. Levitt	Director	February 18, 2014
/s/ COLOMBE M. NICHOLAS Colombe M. Nicholas	Director	February 18, 2014
/s/ MARIA OTERO Maria Otero	Director	February 18, 2014
/s/ JOHN TARTOL John Tartol	Director	February 18, 2014

Exhibit 4.2

EXECUTION VERSION

HERBALIFE LTD.

(Company)

UNION BANK, N.A.

(Trustee)

2.00% Convertible Senior Notes due 2019

INDENTURE

Dated as of February 7, 2014

INDENTURE, dated as of February 7, 2014, between Herbalife Ltd., a Cayman Islands exempted company incorporated with limited liability, as issuer (the "**Company**"), and Union Bank, N.A., a national banking association, as trustee (the "**Trustee**").

RECITALS OF THE COMPANY

WHEREAS, the Company has duly authorized the creation of an issue of the Company's 2.00% Convertible Senior Notes due 2019 (the "**Notes**"), having the terms, tenor, amount and other provisions hereinafter set forth, and, to provide therefor, has duly authorized the execution and delivery of this Indenture; and

WHEREAS, all things necessary to make the Notes, when duly executed by the Company and authenticated and delivered hereunder and duly issued by the Company, the legal, valid and binding obligations of the Company, in accordance with the terms of the Notes and this Indenture, have been done and performed, and the execution of this Indenture and the issue hereunder of the Notes have in all respects been duly authorized.

NOW, THEREFORE, THIS INDENTURE WITNESSETH, for and in consideration of the premises and the purchases of the Notes by the Holders (as defined below) thereof, it is mutually agreed, for the benefit of the Company and the equal and proportionate benefit of all Holders, as follows:

ARTICLE 1.
DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 1.01 *Definitions*. The terms defined in this Section 1.01 (except as herein otherwise expressly provided or unless the context otherwise requires) for all purposes of this Indenture and of any indenture supplemental hereto shall have the respective meanings specified in this Section 1.01. The words "herein", "hereof", "hereunder" and words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other Subdivision. The word "or" is not exclusive and the word "including" means including without limitation. The terms defined in this Article include the plural as well as the singular.

"**Act**" has the meaning specified in Section 1.03 hereof.

"**Additional Amount**" has the meaning specified in Section 2.16 hereof.

"**Additional Interest**" means all amounts, if any, payable pursuant to Section 5.08 and Section 6.03 hereof. Unless the context otherwise requires, all references in this Indenture to interest include Additional Interest, if any. Any express reference to Additional Interest in this Indenture shall not be construed as excluding Additional Interest in any other text where no such express reference is made.

"**Additional Notes**" means any Notes (other than the Initial Notes) issued under this Indenture in accordance with Section 2.01 hereof, with the same terms (except, if applicable, as to (i) their issue date, (ii) the date as of which interest shall begin to accrue on such Additional Notes and (iii) any differences in transfer restrictions required or permitted by the Securities Act.

"**Additional Shares**" has the meaning specified in Section 4.06(a) hereof.

"**Affiliate**" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"**Agent Members**" has the meaning specified in Section 2.06(b) hereof.

"**Applicable Procedures**" means, with respect to any matter at any time, the policies and procedures of a Depositary, if any, that are applicable to such matter at such time.

"**Applicable Taxes**" has the meaning specified in Section 2.16 hereof.

"**Authenticating Agent**" means any Person authorized by the Trustee to act on behalf of the Trustee to authenticate Notes.

"**Averaging Period**" has the meaning specified in Section 4.04(e) hereof.

"**Bid Solicitation Agent**" means the Person appointed by the Company, from time to time, to solicit secondary market bid quotations for the Trading Price of the Notes in accordance with Section 4.01(b)(ii) hereof. The Company will be the initial Bid Solicitation Agent.

"**Board of Directors**" means either the board of directors of the Company or any duly authorized committee of that board.

"**Board Resolution**" when used with reference to the Company means a copy of a resolution certified by the Secretary or an Assistant or Associate Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"**Business Day**" means any day other than a Saturday, a Sunday or a day on which the Federal Reserve Bank of New York is authorized or required by law or executive order to close or to be closed.

"**Capital Stock**" means, for any Person, any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) the equity of such Person, but excluding any debt securities convertible into such equity.

"**Close of Business**" means 5:00 p.m., New York City time.

"**Commission**" means the Securities and Exchange Commission, as from time to time constituted, created under the Exchange Act, or, if at any time after the execution of this Indenture such Commission is not existing and performing the duties now assigned to it under the Exchange Act or the Securities Act, as applicable, then the body performing such duties at such time.

"**Common Equity**" of any Person means the Capital Stock of such Person that is generally entitled (a) to vote in the election of directors of such Person or (b) if such Person is not a corporation, to vote or otherwise participate in the selection of the governing body, partners, managers or others that will control the management or policies of such Person.

"**Common Shares**" means the common shares, par value $0.001 per share, of the Company authorized at the date of this instrument as originally executed or shares of any class or classes of common shares resulting from any reclassification or reclassifications thereof.

The term "**common shares**" includes any stock of any class of Capital Stock which has no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding up of the issuer thereof and which is not subject to redemption by the issuer thereof.

"**Company**" has the meaning specified in the first paragraph of this Indenture, and subject to the provisions of Article 9, shall include its successors and assigns.

"**Company Order**" means a written request or order signed in the name of the Company by its Chief Executive Officer, its President, or its Chief Financial Officer, any of its Vice Presidents, its Treasurer, any Assistant Treasurer, its Secretary or any Assistant Secretary.

"**Conversion Agent**" has the meaning specified in Section 5.02 hereof.

"**Conversion Date**" has the meaning specified in Section 4.02(b) hereof.

"**Conversion Notice**" has the meaning specified in Section 4.02(b) hereof.

"**Conversion Price**" means, in respect of each Note, as of any date, $1,000 *divided by* the Conversion Rate in effect on such date.

"**Conversion Rate**" means initially 11.5908 Common Shares per $1,000 principal amount of Notes, subject to adjustment as set forth herein.

"**Corporate Trust Office**" means, with respect to the office of the Trustee, the designated corporate trust office of the Trustee at which this Indenture is administered, which office at the date hereof is located at Union Bank, N.A., 120 S. San Pedro Street, #400 MC 4-102-080 Los Angeles, California 90012, Attention: Corporate Trust Administration, or such other address as the Trustee may designate from time to time by notice to the Holders and the Company, or the principal corporate trust office of any successor Trustee (or such other address as such successor Trustee may designate from time to time by notice to the Holders and the Company).

"**Custodian**" means the Trustee, as custodian with respect to the Notes (so long as the Notes constitute Global Notes), or any successor entity.

"**Daily Conversion Value**" means, for each of the 25 consecutive VWAP Trading Days during the applicable Observation Period, one-twenty fifth (1/25th) of the product of (i) the Conversion Rate in effect on such VWAP Trading Day and (ii) the Daily VWAP on such VWAP Trading Day.

"**Daily Measurement Value**" means the quotient of (a) $1,000 divided by (b) 25.

"**Daily Settlement Amount**" means, for each of the 25 consecutive VWAP Trading Days during the applicable Observation Period:

(1) an amount of cash equal to the lesser of (x) the Daily Measurement Value and (y) the Daily Conversion Value for such VWAP Trading Day; and

(2) if such Daily Conversion Value is greater than the Daily Measurement Value, a number of Common Shares equal to (i) the excess of such Daily Conversion Value over such Daily Measurement Value, divided by (ii) the Daily VWAP for such VWAP Trading Day.

"**Daily VWAP**" means, for each of the 25 consecutive VWAP Trading Days during the applicable Observation Period, the per share volume-weighted average price of the Common Shares as displayed under the heading "Bloomberg VWAP" on Bloomberg page "HLF <EQUITY> AQR" (or its equivalent successor if such page is not available) in respect of the period from the scheduled open of trading until the scheduled close of trading of the primary trading session on such VWAP Trading Day (or if such volume-weighted average price is unavailable, the market value of one Common Share on such VWAP Trading Day, reasonably determined, using a volume-weighted average method, by a nationally recognized independent investment banking firm retained for this purpose by the Company, which may include any of the Initial Purchasers). The Daily VWAP will be determined without regard to after-hours trading or any other trading outside of the regular trading session trading hours.

"**Default**" means any event that is, or with the passage of time, or the giving of notice, or both, would be, an Event of Default.

"**Depositary**" means, with respect to the Notes issuable or issued in the form of a Global Note, The Depositary Trust Company or the Person designated as Depositary by the Company pursuant to the applicable provisions of this Indenture until a successor Depositary shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Depositary" shall mean or include each Person who is then a Depositary hereunder.

"**Distributed Property**" has the meaning specified in Section 4.04(c) hereof.

"**Dividend Threshold**" has the meaning specified in Section 4.04(d) hereof.

"**Dollar**" or "**$**" means a dollar or other equivalent unit in such coin or currency of the United States of America that is legal tender for the payment of public and private debts at the time of payment.

"**Effective Date**" means, with respect to a Fundamental Change or a Make-Whole Fundamental Change, as applicable, the date such Fundamental Change or Make-Whole Fundamental Change, as applicable, occurs or becomes effective.

"**Event of Default**" has the meaning specified in Section 6.01 hereof.

"**Ex-Dividend Date**" means the first date on which the Common Shares trade on the applicable exchange or in the applicable market, regular way, without the right to receive the issuance, dividend or distribution in question.

"**Exchange Act**" means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder.

"**Form of Assignment and Transfer**" means the "Form of Assignment and Transfer" attached as Attachment 3 to the Form of Note attached hereto as Exhibit A.

"**Form of Fundamental Change Purchase Notice**" means the "Form of Fundamental Change Purchase Notice" attached as Attachment 2 to the Form of Note attached hereto as Exhibit A.

"**Form of Notice of Conversion**" means the "Form of Notice of Conversion" attached as Attachment 1 to the Form of Note attached hereto as Exhibit A.

"**Free Trade Date**" means the date that is one year after the last date of original issuance of the Notes.

"**Free Transferability Certificate**" means a certificate substantially in the form attached hereto as Exhibit B.

"**Freely Tradable**" has the meaning specified in Section 5.08(a) hereof.

A "**Fundamental Change**" shall be deemed to have occurred at the time after the Notes are originally issued when any of the following occurs:

(1) a "person" or "group" within the meaning of Section 13(d) of the Exchange Act, other than the Company, its Subsidiaries or the employee benefit plans of the Company or its Subsidiaries, files a Schedule TO or any schedule, form or other report under the Exchange Act disclosing that such person or group has become the direct or indirect "beneficial owner," as defined in Rule 13d-3 under the Exchange Act, of the Company's Common Equity representing more than 50.0% of the voting power of the Company's Common Equity (or the Company becomes aware that such a filing is required but has not been made);

(2) consummation of (A) any recapitalization, reclassification or change of the Common Shares (other than changes resulting from a subdivision or combination) pursuant to which the Common Shares would be converted into, or exchanged for, or represent solely the right to receive, shares, stock, other securities, other property or assets (including cash or any combination thereof), (B) any share

exchange, consolidation, merger or similar event involving the Company pursuant to which the Common Shares will be converted into, or exchanged for, or represent solely the right to receive, shares, stock, other securities, other property or assets (including cash or any combination thereof) or (C) any sale, lease or other transfer in one transaction or a series of transactions of all or substantially all of the consolidated assets of the Company and its Subsidiaries, taken as a whole, to any Person other than one or more of the Company's wholly owned Subsidiaries (any such share exchange, consolidation, merger, similar event, transaction or series of transactions being referred to in this clause (2) as an "**Event**"); provided, however, that any such Event described in clause (A) or (B) above where the persons that "beneficially owned," directly or indirectly, the Company's voting shares immediately prior to such event "beneficially own", directly or indirectly, more than 50.0% of the total voting power of all outstanding classes of voting shares or stock of the continuing or surviving Person or transferee or the parent thereof immediately after such Event and such holders' proportional voting power immediately after such transaction vis-à-vis each other with respect to the securities such holders receive in such transaction will be in substantially the same proportions as their respective voting power vis-à-vis each other immediately prior to such transaction will not constitute a "Fundamental Change";

(3) the holders of the Common Shares approve any plan or proposal for the Company's liquidation or dissolution; or

(4) the Common Shares (or other Common Equity into which the Notes are then convertible) cease to be listed or admitted for trading on the New York Stock Exchange, the NASDAQ Global Select Market or the NASDAQ Global Market (or any successor to the foregoing) (each such exchange or market, a "**Permitted Exchange**"), or the announcement by any such Permitted Exchange on which the Common Shares (or such other Common Equity) are then listed or admitted for trading that the Common Shares (or such other Common Equity) will no longer be so listed or admitted for trading, unless the Common Shares (or such other Common Equity) have been accepted for listing or admitted for trading on another Permitted Exchange.

Notwithstanding the foregoing, a transaction or series of transactions described in clause (2) above (whether or not giving effect to the proviso thereto) shall not constitute a "Fundamental Change" if at least 90% of the consideration received or to be received by holders of the Common Shares (excluding cash payments for fractional shares and cash payments made in respect of dissenters' appraisal rights) in connection with such transaction or transactions consists of common shares traded on a Permitted Exchange, and, as a result of such transaction or transactions, such consideration will constitute "Reference Property" for the Notes. In addition, a transaction or event that constitutes a Fundamental Change under both clause (1) and clause (2) above will be deemed to constitute a Fundamental Change solely under clause (2) of this definition of "Fundamental Change."

If any transaction in which the Common Shares are replaced by the securities of another entity occurs, following completion of any related Make-Whole Fundamental Change Period and any related Fundamental Change Purchase Date, references to the Company in this definition of "Fundamental Change" will apply to such other entity instead.

"**Fundamental Change Company Notice**" has the meaning specified in Section 3.02(a) hereof.

"**Fundamental Change Expiration Time**" has the meaning specified in Section 3.03(a)(i) hereof.

"**Fundamental Change Purchase Date**" has the meaning specified in Section 3.01 hereof.

"**Fundamental Change Purchase Notice**" has the meaning specified in Section 3.03(a)(i) hereof.

"**Fundamental Change Purchase Price**" has the meaning specified in Section 3.01 hereof.

"**Global Note**" means a Note evidencing all or part of a series of Notes, issued to the Depositary for such series or its nominee, and registered in the name of such Depositary or nominee.

"**Global Notes Legend**" has the meaning specified in the Form of Note attached hereto asExhibit A.

"**Holder**" means the Person in whose name a Note is registered in the Register.

"**Indenture**" means this Indenture as amended or supplemented from time to time.

"**Initial Notes**" has the meaning specified in Section 2.01 hereof.

"**Initial Purchasers**" means Credit Suisse Securities (USA) LLC, HSBC Securities (USA) Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. LLC, Rabo Securities USA, Inc., ING Financial Markets LLC and Mitsubishi UFJ Securities (USA), Inc.

"**Interest Payment Date**" means, with respect to the payment of interest on the Notes, each February 15 and August 15 of each year, beginning on August 15, 2014.

"**Issue Date**" means, with respect to any Note, the first date of original issuance of such Note (and not, for the avoidance of doubt, the date of issuance of any Note issued in whole or in part upon registration or transfer of, or in exchange for, or in lieu of, other Notes pursuant to Sections 2.05, 2.06, 2.07, 2.08, 2.09, 2.11, 3.07 or 4.02).

"**Last Original Issuance Date**" means (i) with respect to the Initial Notes, February 7, 2014 (or, if, after February 7, 2014, the Initial Purchasers purchase any Additional Notes pursuant to the exercise of their option to purchase Additional Notes as set forth in the Purchase Agreement, the date of the closing of such purchase of Additional Notes pursuant to the Purchase Agreement); and (ii) with respect to any Additional Notes, the last date of original issuance of such Notes.

"**Last Reported Sale Price**" of the Common Shares for any Trading Day means the closing sale price per share (or, if no closing sale price is reported, the average of the last bid and last ask prices per share or, if more than one in either case, the average of the average last bid and the average last ask prices per share) on that Trading Day as reported in composite transactions for the principal U.S. national or regional securities exchange on which the Common Shares are traded. The Last Reported Sale Price will be determined without regard to after-hours trading or any other trading outside of the regular trading session trading hours. If the Common Shares are not listed for trading on a U.S. national or regional securities exchange on the relevant Trading Day, the "Last Reported Sale Price" will be the last quoted bid price per share for the Common Shares in the over-the-counter market on the relevant date as reported by OTC Markets Group Inc. or a similar organization. If the Common Shares are not so quoted, the "Last Reported Sale Price" will be the average of the average of the mid-point of the last bid and last ask prices per share for the Common Shares on the relevant Trading Day from each of at least three nationally recognized independent investment banking firm selected by the Company for this purpose, which may include any of the Initial Purchasers. Any such determination will be conclusive absent manifest error.

"**Make-Whole Fundamental Change**" means any event that is a Fundamental Change (subject to any exceptions or exclusions to the definition other than the exclusion in the proviso to clause (2) of the definition of "Fundamental Change").

"**Make-Whole Fundamental Change Period**" has the meaning specified in Section 4.06(a) hereof.

"**Market Disruption Event**" means, if the Common Shares are listed for trading on The New York Stock Exchange or listed on another U.S. national or regional securities exchange, the occurrence or existence during the one-half hour period ending on the scheduled close of trading on any Scheduled Trading Day of any material suspension or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the stock exchange or otherwise) in the Common Shares or in any options, contracts or futures contracts relating to the Common Shares.

"**Maturity Date**" means August 15, 2019.

"**Measurement Period**" has the meaning specified in Section 4.01(b)(ii) hereof.

"**Merger Event**" has the meaning specified in Section 4.07(a) hereof.

"**Note**" or "**Notes**" has the meaning specified in the first paragraph of the Recitals of this Indenture.

"**Notice of Default**" has the meaning specified in Section 6.01(f) hereof.

"**Observation Period**" means, with respect to any Note surrendered for conversion, (i) if the relevant Conversion Date for such Note occurs prior to the 30th Scheduled Trading Day immediately preceding the Maturity Date, the 25 consecutive VWAP Trading Day period beginning on, and including, the second VWAP Trading Day immediately succeeding such Conversion Date, and (ii) if the relevant Conversion Date occurs on or after the 30th

Scheduled Trading Day immediately preceding the Maturity Date, the 25 VWAP consecutive Trading Day period beginning on, and including, the 27th Scheduled Trading Day immediately preceding the Maturity Date (if such Scheduled Trading Day is not a Trading Day, the immediately following Trading Day).

"**Offer Expiration Date**" has the meaning specified in Section 4.04(e) hereof.

"**Officer**" or "**officer**" shall mean, the Chairman of the Board of Directors, the Chief Executive Officer, the President, the Chief Financial Officer, a Vice President (whether or not designated by a number or word or words added before or after the title "Vice President"), the Treasurer, any Assistant Treasurer, the Secretary, any Assistant or Associate Secretary or the Controller of the Company.

"**Officer's Certificate**" means a certificate signed by an Officer and delivered to the Trustee.

"**Open of Business**" means 9:00 a.m., New York City time.

"**Opinion of Counsel**" means a written opinion of counsel, who may be an employee of, or counsel for, the Company or an Affiliate of the Company, or other counsel acceptable to the Trustee, that is delivered to the Trustee.

"**Outstanding**" means, with respect to the Notes any Notes authenticated by the Trustee except (i) Notes cancelled by it, (ii) Notes delivered to it for cancellation and (iii)(A) Notes replaced pursuant to Section 2.09 hereof, on and after the time such Note is replaced (unless the Trustee and the Company receive proof satisfactory to them that such Note is held by a *bona fide* purchaser), (B) Notes converted pursuant to Article 4 hereof, on and after their Conversion Date, (C) any and all Notes, as of the Maturity Date, if the Paying Agent holds, in accordance with this Indenture, money sufficient to pay all of the Notes then payable, and (D) any and all Notes owned by the Company or any other obligor upon the Notes, or for purposes of votes or consents, any Affiliate of the Company or of such other obligor, except that in determining whether the Trustee shall be protected in relying upon any request, demand, authorization, direction, notice, consent or waiver or other action that is to be made by a requisite principal amount of Outstanding Notes, only such Notes which a Responsible Officer of the Trustee actually knows to be so owned shall be disregarded.

"**Paying Agent**" means any Person authorized by the Company to pay the principal amount of, any premium on, interest on, or the Fundamental Change Purchase Price in respect of, any Notes on behalf of the Company.

"**Person**" means any individual, corporation, partnership, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

"**Physical Notes**" means permanent certificated Notes in definitive, fully registered form issued in denominations of $1,000 principal amount and integral multiples of $1,000 in excess thereof.

"**Preliminary Offering Memorandum**" means the Preliminary Offering Memorandum dated February 3, 2014 related to the offering of the Initial Notes.

"**Purchase Agreement**" means that certain Purchase Agreement, dated as of February 3, 2014, between the Company and the Initial Purchasers.

"**Reference Property**" has the meaning specified in Section 4.07(a) hereof.

"**Reference Property Unit**" has the meaning specified in Section 4.07(a) hereof.

"**Register**" and "**Registrar**" have the respective meanings specified in Section 2.06(a).

"**Regular Record Date**" means, with respect to any Interest Payment Date, February 1 (whether or not a Business Day) or August 1 (whether or not a Business Day), as the case may be, immediately preceding such Interest Payment Date.

"**Relevant Taxing Jurisdiction**" has the meaning specified in Section 2.16 hereof.

"**Reporting Event of Default**" has the meaning specified in Section 6.03(a) hereof.

"**Resale Restriction Termination Date**" has the meaning specified in Section 2.08(b)(ii).

"**Responsible Officer,**" shall mean, when used with respect to the Trustee, any officer within the corporate trust department of the Trustee, including any vice president, assistant vice president, assistant secretary, assistant treasurer, trust officer or any other officer of the Trustee who customarily performs functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of such person's knowledge of and familiarity with the particular subject and who shall have direct responsibility for the administration of this Indenture.

"**Restricted Global Note**" has the meaning specified in Section 2.08(b)(i).

"**Restricted Note**" has the meaning specified in Section 2.07(a)(i).

"**Restricted Notes Legend**" has the meaning specified in the Form of Note attached hereto asExhibit A.

"**Restricted Stock**" has the meaning specified in Section 2.07(b)(i).

"**Restricted Stock Legend**" means a legend substantially in the form set forth inExhibit C hereto.

"**Rule 144**" means Rule 144 under the Securities Act (including any successor rule thereto), as the same may be amended from time to time.

"**Scheduled Trading Day**" means (i) for all purposes other than for purposes of determining amounts due upon conversion, a day that is scheduled to be a Trading Day on the principal U.S. national or regional securities exchange or market on which the Common Shares are listed or admitted for trading; and (ii) for purposes of determining amounts due upon conversion, a day that is scheduled to be a VWAP Trading Day on the principal U.S. national or regional securities exchange or market on which the Common Shares are listed or admitted for trading. If in each of clauses (i) and (ii) above the Common Shares are not so listed or admitted for trading, then, for these purposes, "Scheduled Trading Day" means a Business Day.

"**Securities Act**" means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the Commission promulgated thereunder.

"**Significant Subsidiary**" means, with respect to any Person, a Subsidiary of such Person that would constitute a "significant subsidiary" as such term is defined in Article 1, Rule 1-02(w) of Regulation S-X, promulgated pursuant to the Securities Act, as in effect on the original date of issuance of the Notes.

"**Spin-Off**" has the meaning specified in Section 4.04(c) hereof.

"**Stock Price**" has the meaning specified in Section 4.06(c) hereof.

"**Subsidiary**" of any Person means (a) any corporation, association or other business entity other than a partnership of which more than 50% of the outstanding total voting power ordinarily entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers, trustees or other voting members of the governing body thereof is at the time owned or controlled, directly or indirectly, by the Company or by one or more other Subsidiaries, or by the Company and one or more other Subsidiaries or (b) any partnership the sole general partner or the managing general partner of which is the Company or a Subsidiary of the Company or the only general partners of which are the Company or of one or more Subsidiaries of the Company (or any combination thereof).

"**Successor Company**" has the meaning specified in Section 9.01(a) hereof.

"**Successor Subsidiary**" has the meaning specified in Section 2.16 hereof.

"**Trading Day**" means a Scheduled Trading Day on which (i) trading in the Common Shares generally occurs on The New York Stock Exchange or, if the Common Shares are not then listed on The New York Stock Exchange, on the principal other U.S. national or regional securities exchange on which the Common Shares are then listed or, if the Common Shares are not then listed on a U.S. national or regional securities exchange, on the principal other market on which the Common Shares are then traded and (ii) there is No Market Disruption Event. If the Common Shares are not so listed or traded, then, for these purposes, "Trading Day" means a Business Day.

"**Trading Price**" of the Notes on any Trading Day means the average of the secondary market bid quotations obtained by the Bid Solicitation Agent for $5,000,000 principal amount of the Notes at approximately 3:30 p.m., New York City time, on such Trading Day from three independent nationally recognized securities dealers selected by the Company, which may

include any of the Initial Purchasers; *provided* that, if three such bids cannot reasonably be obtained by the Bid Solicitation Agent but two such bids are obtained, then the average of the two bids shall be used, and if only one such bid can reasonably be obtained by the Bid Solicitation Agent that one bid shall be used. If, on any Trading Day the Bid Solicitation Agent cannot reasonably obtain at least one bid for $5,000,000 principal amount of the Notes from a nationally recognized securities dealer, then the Trading Price per $1,000 principal amount of Notes on such Trading Day will be deemed to be less than 98% of the product of (i) the Last Reported Sale Price of the Common Shares on such Trading Day and (ii) the Conversion Rate in effect on such Trading Day. Any such determination will be conclusive absent manifest error. If the Company is not acting as the Bid Solicitation Agent and the Company fails to instruct the Bid Solicitation Agent to obtain bids when required pursuant hereto, or if the Bid Solicitation Agent fails to solicit bids when required, the Trading Price per $1,000 principal amount of the Notes will be deemed to be less than 98% of the product of Last Reported Sale Price of the Common Shares and the applicable Conversion Rate on each day the Company or the Bid Solicitation Agent, as the case may be, fails to do so.

"**Trustee**" means the Person named as the "Trustee" in the first paragraph of this Indenture until a successor Trustee shall have become such pursuant to Section 10.12 hereof, and thereafter "Trustee" shall mean or include each Person who is then a Trustee hereunder.

"**U.S.**" means the United States of America.

"**Valuation Period**" has the meaning specified in Section 4.04(c) hereof.

"**Vice President,**" when used with respect to the Company or the Trustee, as applicable, means any vice president, whether or not designated by a number or a word or words added before or after the title "vice president".

"**VWAP Market Disruption Event**" means (i) a failure by the primary U.S. national or regional securities exchange or market on which the Common Shares are listed or admitted for trading to open for trading during its regular trading session or (ii) the occurrence or existence prior to 1:00 p.m., New York City time, on any Scheduled Trading Day for the Common Shares for more than one half hour period in the aggregate during regular trading hours of any suspension or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the relevant stock exchange or otherwise) in the Common Shares or in any options, contracts or future contracts relating to the Common Shares.

"**VWAP Trading Day**" means a day on which (i) there is no VWAP Market Disruption Event, and (ii) trading in the Common Shares generally occurs on The New York Stock Exchange or, if the Common Shares are not then listed on The New York Stock Exchange, on the principal other U.S. national or regional securities exchange on which the Common Shares are then listed or, if the Common Shares are not then listed on a U.S. national or regional securities exchange, on the principal other market on which the Common Shares are then listed or admitted for trading. If the Common Shares are not so listed or admitted for trading, "VWAP Trading Day" means a Business Day.

Section 1.02 *References to Interest*. Any reference to interest on, or in respect of, any Note in the Indenture shall be deemed to include Additional Interest, if, in such context, Additional Interest is, was or would be payable pursuant hereto. Any express mention of the payment of Additional Interest in any provision hereof shall not be construed as excluding Additional Interest in those provisions hereof where such express mention is not made.

Section 1.03 *Acts of Holders.* (a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided or permitted by this Indenture to be made, given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by an agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee and, where it is hereby expressly required, to the Company. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent, or of the holding by any Person of Notes, shall be sufficient for any purpose of this Indenture and (subject to Section 10.01 hereof) conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by a signer acting in a capacity other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of the execution of any such instrument or writing, or the authority of the Person executing the same, may also be proved in any other manner which the Trustee deems sufficient.

(c) The amount of Notes held by any Person executing any such instrument or writings as the Holder thereof, and the numbers of such Notes, and the date of his holding the same, may be proved by the production of such Notes or by a certificate executed, as depositary, by any trust company, bank, banker or member of a national securities exchange (wherever situated), if such certificate is in form satisfactory to the Trustee, showing that at the date therein mentioned such Person had on deposit with such depositary, or exhibited to it, the Notes therein described; or such facts may be proved by the certificate or affidavit of the Person executing such instrument or writing as the Holder thereof, if such certificate or affidavit is in form satisfactory to the Trustee. The Trustee and the Company may assume that such ownership of any Notes continues until (1) another certificate bearing a later date issued in respect of the same Notes is produced or (2) such Notes are produced by some other Person or (3) such Notes are no longer Outstanding.

(d) The fact and date of execution of any such instrument or writing and the amount and number of Notes held by the Person so executing such instrument or writing may also be proved in any other manner that the Trustee deems sufficient; and the Trustee may in any instance require further proof with respect to any of the matters referred to in this Section 1.03.

(e) The principal amount (except as otherwise contemplated in clause (ii) of the proviso to the definition of "Outstanding") and serial numbers of Notes held by any Person, and the date of holding the same, shall be proved by the Registrar.

(f) Any request, demand, authorization, direction, notice, consent, election, waiver or other Act of the Holder of any Note shall bind every future Holder of the same Note and the Holder of every Note issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Note.

(g) The Company may but shall not be obligated to set a record date for purposes of determining the identity of Holders of any Outstanding Notes entitled to vote or consent to any action by vote or consent authorized or permitted by this Indenture. Such record date shall be not less than 10 nor more than 60 days prior to the first solicitation of such consent or the date of the most recent list of Holders of such Notes furnished to the Trustee pursuant to Section 5.13 prior to such solicitation.

(h) If the Company solicits from Holders any request, demand, authorization, direction, notice, consent, election, waiver or other Act, the Company may, at its option, fix in advance a record date for the determination of Holders entitled to give such request, demand, authorization, direction, notice, consent, election, waiver or other Act, but the Company shall have no obligation to do so. If such a record date is fixed, such request, demand, authorization, direction, notice, consent, election, waiver or other Act may be given before or after such record date, but only the Holders of record at the Close of Business on the record date shall be deemed to be Holders for the purposes of determining whether Holders of the requisite proportion of the Outstanding Notes have authorized or agreed or consented to such request, demand, authorization, direction, notice, consent, election, waiver or other Act, and for that purpose the Outstanding Notes shall be computed as of the record date; *provided* that no such authorization, agreement or consent by the Holders on such record date shall be deemed effective unless it shall become effective pursuant to the provisions of this Indenture not later than six months after the record date.

ARTICLE 2.
THE NOTES

Section 2.01 *Title and Terms; Payments*.

The aggregate principal amount of Notes that may be authenticated and delivered under this Indenture is initially limited to $1,000,000,000 (subject to increase by up to $150,000,000 aggregate principal amount of Additional Notes purchased by the Initial Purchasers pursuant to the exercise of their option to purchase Additional Notes as set forth in the Purchase Agreement) (the "**Initial Notes**") except for Notes authenticated and delivered upon registration or transfer

of, or in exchange for, or in lieu of, other Notes pursuant to Sections 2.05, 2.06, 2.07, 2.08, 2.09, 2.11, 3.07 or 4.02. The Company may, without notice to or consent of the Holders, from time to time after the execution of this Indenture, execute and deliver to the Trustee for authentication Additional Notes of an unlimited aggregate principal amount, and the Trustee shall thereupon authenticate and deliver said Additional Notes to or upon receipt of a Company Order, without any further action by the Company hereunder; *provided*, *however*, that if any such Additional Notes are not fungible with the Initial Notes for federal income tax purposes, then such Additional Notes will have a separate CUSIP number. All Notes issued hereunder shall be treated as a single class for all purposes under this Indenture and shall vote together as one class on all matters with respect to the Notes.

The Notes shall be known and designated as the "2.00% Convertible Senior Notes due 2019" of the Company. The principal amount shall be payable on the Maturity Date. The Notes shall not be redeemable by the Company prior to the Maturity Date, and no sinking fund is provided for the Notes.

The principal amount of Physical Notes shall be payable at the Corporate Trust Office and at any other office or agency in Los Angeles, California or the continental United States, maintained by the Company for such purpose. Interest on Physical Notes will be payable (i) to Holders holding Physical Notes having an aggregate principal amount of $5,000,000 or less of Notes, by check mailed to such Holders at the address set forth in the Register and (ii) to Holders holding Physical Notes having an aggregate principal amount of more than $5,000,000 of Notes, either by check mailed to such Holders or, upon written application by a Holder to the Registrar not later than the relevant Regular Record Date for such interest payment, by wire transfer in immediately available funds to such Holder's account within the United States, which application shall remain in effect until the Holder notifies the Registrar to the contrary in writing. The Company will pay or cause the Paying Agent to pay principal of, and interest on, Global Notes in immediately available funds to The Depository Trust Company or its nominee, as the case may be, as the registered Holder of such Global Note, on each Interest Payment Date, Fundamental Change Purchase Date or other payment date, as the case may be.

Any Notes repurchased by the Company will be retired.

Section 2.02 *Ranking*. The Notes constitute direct unsecured obligations of the Company and are not required to be guaranteed by any of its Subsidiaries.

Section 2.03 *Denominations*. The Notes shall be issuable only in registered form without coupons and in denominations of $1,000 and any integral multiple of $1,000 in excess thereof.

Section 2.04 *Execution, Authentication, Delivery and Dating*. The Notes shall be executed by manual or facsimile signature on behalf of the Company by any one of its Chief Executive Officer, its President, its Chief Financial Officer or any of its Vice Presidents, its Treasurer, any Assistant Treasurer or its Corporate Secretary.

Notes bearing the manual or facsimile signatures of individuals who were at any time an Officer of the Company shall bind the Company, notwithstanding that such individual has ceased to hold such office prior to the authentication and delivery of such Notes or did not hold such office at the date of such Notes.

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Notes executed by the Company to the Trustee for authentication, together with a Company Order for the authentication and delivery of such Notes. The Company Order shall specify the amount of Notes to be authenticated, and shall further specify the amount of such Notes to be issued as one or more Global Notes or as one or more Physical Notes. The Trustee in accordance with such Company Order shall authenticate and deliver such Notes as provided in this Indenture and not otherwise.

Each Note shall be dated the date of its authentication.

No Note shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Note a certificate of authentication substantially in the form provided for herein executed by an authorized signatory of the Trustee by manual signature, and such certificate upon any Note shall be conclusive evidence, and the only evidence, that such Note has been duly authenticated and delivered hereunder.

Section 2.05 *Temporary Notes*. Pending the preparation of Physical Notes, the Company may execute, and upon Company Order the Trustee shall authenticate and deliver, temporary Notes that are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially of the tenor of the Physical Notes in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other variations as the Officer executing such Notes may determine, as evidenced by such Officer's execution of such Notes; *provided*, that any such temporary Notes shall bear legends on the face of such Notes as set forth in the Form of Note attached hereto as Exhibit A and Sections 2.07 and 2.11.

After the preparation of Physical Notes, the temporary Notes shall be exchangeable for Physical Notes upon surrender of the temporary Securities at any office or agency of the Company designated pursuant to Section 5.02, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Notes, the Company shall execute and the Trustee shall, upon Company Order, authenticate and deliver in exchange therefor a like principal amount of Physical Notes of authorized denominations. Until so exchanged, the temporary Notes shall in all respects be entitled to the same benefits under this Indenture as Physical Notes.

Section 2.06 *Registration; Registration of Transfer and Exchange.*

(a) The Company shall cause to be kept at the applicable Corporate Trust Office of the Trustee a register (the register maintained in such office and in any other office or agency designated pursuant to Section 5.02 being herein sometimes collectively referred to as the "**Register**") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Notes and of transfers of Notes. The Trustee is hereby appointed "Registrar" (the "**Registrar**") for the purpose of registering Notes and transfers of Notes as herein provided.

Upon surrender for registration of transfer of any Note at an office or agency of the Company designated pursuant to Section 5.02 for such purpose, the Company shall execute, and upon receipt of a Company Order the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Notes of any authorized denomination and of a like aggregate principal amount and tenor, each such Notes bearing such restrictive legends as may be required by this Indenture (including the Form of Note attached hereto as Exhibit A and Sections 2.07 and 2.11).

At the option of the Holder and subject to the other provisions of Sections 2.07 and 2.11, Notes may be exchanged for other Notes of any authorized denomination and of a like aggregate principal amount and tenor, upon surrender of the Notes to be exchanged at such office or agency. Whenever any Notes are so surrendered for exchange, the Company shall execute, and the Trustee shall, upon receipt of a Company Order, authenticate and deliver, the Notes which the Holder making the exchange is entitled to receive.

All Notes issued upon any registration of transfer or exchange of Notes shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Notes surrendered upon such registration of transfer or exchange.

Every Note presented or surrendered for registration of transfer or for exchange shall (if so required by the Company or the Trustee) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company and the Registrar duly executed by the Holder thereof or his attorney duly authorized in writing. As a condition to the registration of transfer of any Restricted Notes, the Company or the Trustee may require evidence satisfactory to them as to the compliance with the restrictions set forth in the legend on such Notes.

No service charge shall be made for any registration of transfer or exchange of Notes, but the Company and the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Notes, other than exchanges pursuant to Section 2.11 not involving any transfer.

Neither the Company nor the Registrar shall be required to exchange or register a transfer of any Security in the circumstances set forth in Section 2.11(a)(iv).

(b) Neither any members of, or participants in, the Depositary (collectively, the "**Agent Members**") nor any other Persons on whose behalf any Agent Member may act shall have any rights under this Indenture with respect to any Global Note registered in the name of the Depositary or any nominee thereof, or under any such Global Note, and the Depositary or such nominee, as the case may be, may be treated by the Company, the Trustee and any agent of the Company or the Trustee as the absolute owner and Holder of such Global Note for all purposes whatsoever. The Trustee shall have no liability, responsibility or obligation to any Agent Members or any other Person on whose behalf Agent Members may act with respect to (i) any ownership interests in the Global Note, (ii) the accuracy of the records of the Depositary or its nominee, (iii) any notice required hereunder, (iv) any payments under or with respect to the Global Note or (v) actions taken or not taken by any Agent Members.

(c) Notwithstanding the foregoing, nothing herein shall prevent the Company, the Trustee or any agent of the Company or the Trustee from giving effect to any written or electronic certification, proxy or other authorization furnished by the Depositary or such nominee, as the case may be, or impair, as between the Depositary, its Agent Members and any other Person on whose behalf an Agent Member may act, the operation of customary practices of such Persons governing the exercise of the rights of a Holder of any Note. The registered Holder of a Global Note may grant proxies and otherwise authorize any Person, including Agent Members and persons that may hold interests through Agent Members, to take any action that a Holder is entitled to take under this Indenture or the Notes.

Section 2.07 *Transfer Restrictions*.

(a) *Restricted Notes*.

(i) Every Note (and all securities issued in exchange therefor or substitution thereof) that bears, or that is required under this Section 2.07 to bear, the Restricted Notes Legend will be deemed to be a "**Restricted Note**." Each Restricted Note will be subject to the restrictions on transfer set forth in this Indenture (including in the Restricted Notes Legend) and will bear the restricted CUSIP number for the Notes unless such restrictions on transfer are eliminated or otherwise waived by written consent of the Company (including, without limitation, by the Company's delivery of the Free Transferability Certificate as provided herein), and each Holder of a Restricted Note, by such Holder's acceptance of such Restricted Note, will be deemed to be bound by the restrictions on transfer applicable to such Restricted Note.

(ii) Until the Resale Restriction Termination Date, any Note will bear the Restricted Notes Legend unless:

(A) such Note, since last held by the Company or an affiliate (within the meaning of Rule 144) of the Company, if ever, was transferred (1) to a Person other than (x) the Company or (y) an affiliate (within the meaning of Rule 144) of the Company or a Person that was an affiliate (within the meaning of

Rule 144) of the Company within the three months immediately preceding such transfer and (2) pursuant to a registration statement that was effective under the Securities Act at the time of such transfer;

(B) such Note was transferred (1) to a Person other than (x) the Company or (y) an affiliate (within the meaning of Rule 144) of the Company or a Person that was an affiliate (within the meaning of Rule 144) of the Company within the three months immediately preceding such transfer and (2) pursuant to the exemption from registration provided by Rule 144 or any similar provision then in force under the Securities Act; or

(C) the Company delivers written notice to the Trustee and the Registrar (including, without limitation, by the Company's delivery of the Free Transferability Certificate as provided herein) stating that the Restricted Notes Legend may be removed from such Note and all Applicable Procedures have been complied with.

(iii) In addition, until the Resale Restriction Termination Date:

(A) no transfer of any Note will be registered by the Registrar prior to the Resale Restriction Termination Date unless the transferring Holder delivers a notice substantially in the form of the Form of Assignment and Transfer, with the appropriate box checked, to the Trustee; and

(B) the Registrar will not register any transfer of any Note that is a Restricted Note to a Person that is an affiliate (within the meaning of Rule 144) of the Company or has been an affiliate (within the meaning of Rule 144) of the Company within the three months immediately preceding the date of such proposed transfer.

(iv) On and after the Resale Restriction Termination Date, any Note will bear the Restricted Note Legend at any time the Company determinates that, to comply with law, such Note must bear the Restricted Notes Legend.

(b) *Restricted Stock*.

(i) Every Common Share that bears, or that is required under this Section 2.07 to bear, the Restricted Stock Legend will be deemed to be **"Restricted Stock"**. Each share of Restricted Stock will be subject to the restrictions on transfer set forth in this Indenture (including in the Restricted Stock Legend) and will bear a restricted CUSIP number unless such restrictions on transfer are eliminated or otherwise waived by written consent (including, without limitation, by the Company's delivery of the Free Transferability Certificate as provided herein) of the Company, and each Holder of Restricted Stock, by such Holder's acceptance of Restricted Stock, will be deemed to be bound by the restrictions on transfer applicable to such Restricted Stock.

(ii) Until the Resale Restriction Termination Date, any Common Shares issued upon the conversion of a Note, and any Common Shares issued upon conversion of a Restricted Note, will be issued in book-entry form and will bear the Restricted Stock Legend unless the Company delivers written notice to the transfer agent for the Common Shares stating that such Common Shares need not bear the Restricted Stock Legend.

(iii) On and after the Resale Restriction Termination Date, Common Shares will be issued in book-entry form and will bear the Restricted Stock Legend at any time the Company reasonably determinates that, to comply with law, such Common Shares must bear the Restricted Stock Legend.

(c) As used in this Section 2.07, the term "transfer" means any sale, pledge, transfer, loan, hypothecation or other disposition whatsoever of any Restricted Note, any interest therein or any Restricted Stock.

Section 2.08 *Expiration of Restrictions*.

(a) *Physical Notes*. Any Physical Note (or any security issued in exchange or substitution therefor) that does not constitute a Restricted Note may be exchanged for a new Note or Notes of like tenor and aggregate principal amount that do not bear the Restricted Notes Legend required by Section 2.07. To exercise such right of exchange, the Holder of such Note must surrender such Note in accordance with the provisions of Section 2.11 and deliver any additional documentation reasonably required by the Company, the Trustee or the Registrar in connection with such exchange.

(b) *Global Notes; Resale Restriction Termination Date.*

(i) If, on the Free Trade Date, or the next succeeding Business Day if the Free Trade Date is not a Business Day, any Notes are represented by a Global Note that is a Restricted Note (any such Global Note, a "**Restricted Global Note**"), the Company will use its reasonable best efforts to effect an exchange of every beneficial interest in each Restricted Global Note for beneficial interests in Global Notes that are not subject to the restrictions set forth in the Restricted Notes Legend and in Section 2.07 hereof on or prior to the 365th day after the Issue Date of such Notes.

(ii) To effect such automatic exchange, the Company will (A) deliver to the Depositary an instruction letter for the Depositary's mandatory exchange process within a period of time that is reasonably likely to result in such exchange occurring on or prior to the 365th day after the Issue Date of the relevant Notes and (B) deliver to each of the Trustee and the Registrar a duly completed Free Transferability Certificate promptly after the Free Trade Date. The first date on which both the Trustee and the Registrar have received the Free Transferability Certificate will be known as the "**Resale Restriction Termination Date**".

(iii) Immediately upon receipt of the Free Transferability Certificate by each of the Trustee and the Registrar:

(A) the Restricted Notes Legend will be deemed removed from each of the Global Notes specified in such Free Transferability Certificate and the restricted CUSIP number will be deemed removed from each of such Global Notes and deemed replaced with an unrestricted CUSIP number;

(B) the Restricted Stock Legend will be deemed removed from any Common Shares previously issued upon conversion of the Notes; and

(C) thereafter, Common Shares issued upon conversion of the Notes, if any, will be assigned an unrestricted CUSIP number and will not bear the Restricted Stock Legend (except as provided in Section 2.07(b)(iii)) or any similar legend.

(iv) Promptly after the Resale Restriction Termination Date, the Company will provide Bloomberg LLP with a copy of the Free Transferability Certificate and will use reasonable efforts to cause Bloomberg LLP to adjust its screen page for the Notes to indicate that the Notes are no longer Restricted Notes and are then identified by an unrestricted CUSIP number.

(v) Prior to the Company's delivery of the Free Transferability Certificate and afterwards, the Company and the Trustee will comply with the Applicable Procedures and the Company will otherwise use reasonable efforts to cause each Global Note to be identified by an unrestricted CUSIP number in the facilities of the Depositary by the date the Free Transferability Certificate is delivered to the Trustee and the Registrar or as promptly as possible thereafter.

(vi) Notwithstanding anything to the contrary in Sections 2.08(b)(i), (ii), (iii) or (iv) the Company will not be required to deliver the Free Transferability Certificate if it reasonably believes that removal of the Restricted Notes Legend or the changes to the CUSIP numbers for the Notes could result in or facilitate transfers of the Notes in violation of applicable law.

Section 2.09 *Mutilated, Destroyed, Lost and Stolen Notes.* If any mutilated Note is surrendered to the Trustee, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a new Note of like tenor and principal amount and bearing a number not contemporaneously outstanding. If there shall be delivered to the Company and the Trustee (i) evidence to their satisfaction of the destruction, loss or theft of any Note and (ii) such security or indemnity as may be required by them to save each of them and any agent of either of them harmless and such other reasonable requirements as may be imposed by the Company as permitted by Section 8-405 of the Uniform Commercial Code have been satisfied, then, in the absence of notice to the Company or the Trustee that such Note has been acquired by a *bona fide* purchaser, the Company shall execute and the Trustee shall authenticate and deliver, in lieu of any such destroyed, lost or stolen Note, a new Note of like tenor and principal amount and bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost or stolen Note has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Note, pay such Note.

Upon the issuance of any new Note under this Section 2.09, the Company may require payment by the Holder of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Note issued pursuant to this Section 2.09 in lieu of any destroyed, lost or stolen Note shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Note shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Notes duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Notes.

Section 2.10 *Persons Deemed Owners.* Prior to due presentment of a Note for registration of transfer, the Company, the Trustee, the Registrar and any agent of the Company, the Trustee or the Registrar may treat the Person in whose name such Note is registered in the Register as the owner of such Note for the purpose of receiving payment of the principal and interest of such Note and for all other purposes whatsoever, whether or not such Note be overdue, and neither the Company, the Trustee, the Registrar nor any agent of the Company, the Trustee or the Registrar shall be affected by notice to the contrary.

Section 2.11 *Transfer and Exchange.*

(a) *Provisions Applicable to All Transfers and Exchanges.*

(i) Subject to the restrictions set forth in this Section 2.11, Physical Notes and beneficial interests in Global Notes may be transferred or exchanged from time to time as desired, and each such transfer or exchange will be noted by the Registrar in the Register.

(ii) All Notes issued upon any registration of transfer or exchange in accordance with this Indenture will be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture as the Notes surrendered upon such registration of transfer or exchange.

(iii) No service charge will be imposed on any Holder of a Physical Note or any owner of a beneficial interest in a Global Note for any exchange or registration of transfer, but each of the Company, the Trustee or the Registrar may require such Holder or owner of a beneficial interest to pay a sum sufficient to cover any transfer tax, assessment or other governmental charge imposed in connection with such registration of transfer or exchange.

(iv) Unless the Company specifies otherwise, none of the Company, the Trustee, the Registrar or any co-Registrar will be required to exchange or register a transfer of any Note (x) that has been surrendered for conversion or (y) as to which a Fundamental Change Purchase Notice has been delivered and not duly withdrawn, except to the extent any portion of such Note is not subject to the foregoing.

(v) The Trustee will have no obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under this Indenture or under applicable law with respect to any transfer of any interest in any Note (including any transfers between or among Depositary participants or beneficial owners of interests in any Global Note) other than to require delivery of such certificates and other documentation or evidence as are expressly required by, and to do so if and when expressly required by the terms of, this Indenture, and to examine the same to determine substantial compliance as to form with the express requirements hereof. Neither the Trustee nor any Agent shall have any responsibility or liability for any actions taken or not taken by the Depository.

(b) *In General; Transfer and Exchange of Beneficial Interests in Global Notes.* So long as the Notes are eligible for book-entry settlement with the Depositary, unless otherwise required by law, except to the extent required by Section 2.11(c):

(i) all Notes will be represented by one or more Global Notes;

(ii) every transfer and exchange of a beneficial interest in a Global Note will be effected through the Depositary in accordance with the Applicable Procedures and the provisions of this Indenture (including the restrictions on transfer set forth in Section 2.07); and

(iii) each Global Note may be transferred only as a whole and only (A) by the Depositary to a nominee of the Depositary, (B) by a nominee of the Depositary to the Depositary or to another nominee of the Depositary, or (C) by the Depositary or any such nominee to a successor Depositary or a nominee of such successor Depositary.

(c) *Transfer and Exchange of Global Notes.*

(i) Notwithstanding any other provision of this Indenture, each Global Note will be exchanged for Physical Notes if the Depositary delivers notice to the Company that:

(A) the Depositary is unwilling, unable or no longer permitted under applicable law to continue to act as Depositary; or

(B) the Depositary is no longer registered as a clearing agency under the Exchange Act or is otherwise no longer permitted under applicable law to continue as Depositary for such Global Note;

and, in each case, the Company promptly delivers a copy of such notice to the Trustee and the Company fails to appoint a successor Depositary within 90 days after receiving notice from the Depositary.

In each such case, each Global Note will be deemed surrendered to the Trustee for cancellation, and the Trustee will cause each Global Note to be cancelled in accordance with the Applicable Procedures, and the Company, in accordance with Section 2.04, will promptly execute, and, upon receipt of a Company Order, the Trustee will, in accordance with Section 2.04, will promptly authenticate and deliver, for each beneficial interest in each Global Note so exchanged, an aggregate principal amount of Physical Notes equal to the aggregate principal amount of such beneficial interest, registered in such names and in such authorized denominations as the Depositary specifies, and bearing any legends that such Physical Notes are required to bear under Section 2.07.

(ii) In addition, if (x) the Company, in its sole discretion, notifies the Trustee in writing that it wishes to terminate and exchange all or part of a Global Note for Physical Notes and the beneficial owners of the majority of the principal amount of such Global Note (or portion thereof) to be exchanged consent to such exchange, the Company may exchange all beneficial interests in such Global Note (or portion thereof) for Physical Notes by delivering a written request to the Registrar or (y) an Event of Default has occurred with regard to the Notes represented by the relevant Global Note and such Event of Default has not been cured or waived, any owner of a beneficial interest in a Global Note may deliver a written request to the Registrar to exchange such beneficial interest for Physical Notes.

In such case, (A) the Registrar will deliver notice of such request to the Company and the Trustee, which notice will identify the aggregate principal amount of such beneficial interest and the CUSIP of the relevant Global Note; (B) the Company will, in accordance with Section 2.04, promptly execute, and, upon receipt of a Company Order, the Trustee, in accordance with Section 2.04, will promptly authenticate and deliver, to such owner, for the beneficial interest so exchanged by such owner, Physical Notes registered in such owner's name having an aggregate principal amount equal to the aggregate principal amount of such beneficial interest and bearing any legends that such Physical Notes are required to bear under Section 2.07, and (C) the Registrar, in accordance with the Applicable Procedures, will cause the principal amount of such Global Note to be decreased by the aggregate principal amount of the beneficial interest so exchanged. If all of the beneficial interests in a Global Note are so exchanged, such Global Note will be deemed surrendered to the Trustee for cancellation, and the Trustee will cause such Global Note to be cancelled in accordance with the Applicable Procedures.

(d) *Transfer and Exchange of Physical Notes.*

(i) If Physical Notes are issued, a Holder may transfer a Physical Note by: (A) surrendering such Physical Note for registration of transfer to the Registrar, together with any endorsements or instruments of transfer required by any of the Company, the Trustee or the Registrar; (B) if such Physical Note is a Restricted Note, delivering any documentation that the Company, the Trustee or the Registrar require to ensure that such transfer complies with Section 2.07 and any applicable securities laws; and (C) satisfying all other requirements for such transfer set forth in this Section 2.11 and Section 2.07. Upon the satisfaction of conditions (A), (B) and (C), the Company, in accordance with Section 2.04, will promptly execute and deliver to the Trustee, and the Trustee, upon receipt of a Company Order, will, in accordance with Section 2.04, promptly authenticate and deliver, in the name of the designated transferee or transferees, one or more new Physical Notes, of any authorized denomination, having like aggregate principal amount and bearing any restrictive legends required by Section 2.07 and/or the Form of Note attached hereto as Exhibit A.

(ii) If Physical Notes are issued, a Holder may exchange a Physical Note for other Physical Notes of any authorized denominations and aggregate principal amount equal to the aggregate principal amount of the Notes to be exchanged by surrendering such Notes, together with any endorsements or instruments of transfer required by any of the Company, the Trustee or the Registrar, at any office or agency maintained by the Company for such purposes pursuant to Section 5.02. Whenever a Holder surrenders Notes for exchange, the Company, in accordance with Section 2.04, will promptly execute and deliver to the Trustee, and the Trustee, upon receipt of a Company Order, will, in accordance with Section 2.04, promptly authenticate and deliver the Notes that such Holder is entitled to receive, bearing registration numbers not contemporaneously outstanding and any restrictive legends that such Physical Notes are required to bear under Section 2.07.

(iii) If Physical Notes are issued, a Holder may transfer or exchange a Physical Note for a beneficial interest in a Global Security by (A) surrendering such Physical Note for registration of transfer or exchange, together with any endorsements or instruments of transfer required by any of the Company, the Trustee or the Registrar, at any office or agency maintained by the Company for such purposes pursuant to Section 5.05; (B) if such Physical Note is a Restricted Note, delivering any documentation the Company, the Trustee or the Registrar reasonably require to ensure that such transfer complies with Section 2.07 and any applicable securities laws; (C) satisfying all other requirements for such transfer set forth in this Section 2.11 and Section 2.07; and (D) providing written instructions to the Trustee to make, or to direct the Registrar to make, an adjustment in its books and records with respect to the applicable Global Note to reflect an increase in the aggregate principal amount of the Notes represented by such Global Note, which instructions will contain information regarding the Depositary account to be credited with such increase. Upon the satisfaction of conditions (A), (B), (C) and (D), the Trustee will cancel such Physical Note and cause, or direct the Registrar to cause, in accordance with the Applicable

Procedures, the aggregate principal amount of Notes represented by such Global Note to be increased by the aggregate principal amount of such Physical Note, and will credit or cause to be credited the account of the Person specified in the instructions provided by the exchanging Holder in an amount equal to the aggregate principal amount of such Physical Note. If no Global Notes are then Outstanding, the Company, in accordance with Section 2.04, will promptly use reasonable efforts to execute and deliver to the Trustee, and the Trustee, upon receipt of a Company Order, will, in accordance with Section 2.04, authenticate, a new Global Note in the appropriate aggregate principal amount.

Section 2.12 *Cancellation.* The Company at any time may deliver to the Trustee for cancellation any Notes previously authenticated and delivered hereunder that the Company may have acquired in any manner whatsoever, and may deliver to the Trustee for cancellation any Notes previously authenticated hereunder which the Company has not issued and sold. The Trustee shall cancel all Notes surrendered for registration of transfer, exchange, payment, purchase, repurchase, conversion or cancellation in accordance with its customary practices. If the Company shall acquire any of the Notes, such acquisition shall not operate as a redemption or satisfaction of the indebtedness represented by such Notes unless and until the same are delivered to the Trustee for cancellation. The Notes so acquired, while held by or on behalf of the Company or any of its Subsidiaries, shall not entitle the Holder thereof to convert the Notes. The Company may not issue new Notes to replace Notes it has paid in full or delivered to the Trustee for cancellation. The Company may from time to time repurchase Notes in open market purchases or negotiated transactions without giving prior notice to Holders.

The Registrar shall retain, in accordance with its customary procedures, copies of all letters, notices and other written communications received pursuant to this Section 2.12. The Company shall have the right to inspect and make copies of all such letters, notices or other written communications at any reasonable time upon the giving of reasonable written notice to the Registrar.

Section 2.13 *CUSIP Numbers*. In issuing the Notes, the Company may use "CUSIP" numbers (if then generally in use); *provided* that the Trustee shall have no liability for any defect in the CUSIP numbers as they appear on any Notes, notice, or elsewhere and; *provided further,* that any such notice may state that no representation is made as to the correctness of such numbers. The Company will promptly notify the Trustee in writing of any change in the "CUSIP" numbers.

Section 2.14 *Payment and Computation of Interest.* The Notes will bear cash interest at a rate of 2.00% per year until maturity. Interest on the Notes will accrue from, and including, the most recent date on which interest has been paid or duly provided for or, if no interest has been paid or duly provided for, from, and including, February 7, 2014. Interest will be paid to the Person in whose name a Note is registered at the Close of Business on the Regular Record Date immediately preceding the relevant Interest Payment Date semiannually in arrears on each Interest Payment Date; *provided*, alternate record dates may be established by the Company and the Trustee with respect to any interest not paid on its originally scheduled due date. Interest on the Notes shall be computed on the basis of a 360-day year consisting of twelve 30-day months. For the avoidance of doubt, the payment, or lack of payment, of interest on Notes surrendered for conversion will be governed by Section 4.03(d) hereof.

Section 2.15 *Business Day.* If any Interest Payment Date, the Maturity Date, or any Fundamental Change Purchase Date falls on a day that is not a Business Day, the required payment will be made on the next succeeding Business Day and no interest on such payment will accrue in respect of the delay.

Section 2.16 *Additional Amounts.* All payments and deliveries made by, or on behalf of, the Company under or with respect to the Notes, including, but not limited to, payments of principal (including, if applicable, the Fundamental Change Purchase Price), payments of interest and deliveries of Common Shares or other Reference Property (together with payment of cash in lieu of any fractional Common Shares) upon conversion, will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (including interest and penalties related thereto) (collectively, "**Applicable Taxes**") imposed or levied by or within the jurisdiction in which the Company is, for tax purposes, organized or resident or doing business or through which payment is made or deemed made by, or on behalf of, the Company for purposes of the tax law of that jurisdiction (or, in each case, any political subdivision or taxing authority thereof or therein) (each, as applicable, a "**Relevant Taxing Jurisdiction**"), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Company will pay to the Holder of each Note such additional amounts (the "**Additional Amounts**") as may be necessary to ensure that the net amount received by the beneficial owners after such withholding or deduction (and after deducting any Applicable Taxes on the Additional Amounts) will equal the amounts that would have been received by such beneficial owners had no such withholding or deduction been required; provided, however, that no Additional Amounts will be payable:

(a) for or on account of:

(i) any Applicable Taxes to the extent such Applicable Taxes would not have been imposed but for:

(A) the existence of any present or former connection between the Holder or beneficial owner of such Note and the Relevant Taxing Jurisdiction, including, without limitation, being or having been a national, domiciliary or resident of such Relevant Taxing Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein, but excluding the mere holding or enforcement of such Note or the receipt of payments thereunder;

(B) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of (including the Fundamental Change Purchase Price, if applicable) and interest on, such Note or the delivery of Common Shares and other Reference Property (together with payment of cash in lieu of any fractional Common Shares) upon conversion of such Note became due and payable pursuant to the terms thereof or was made or duly provided for;

(C) the failure of the Holder or beneficial owner (to the extent it is legally entitled to do so) to comply with a timely request from the Company, addressed to the Holder or beneficial owner, as the case may be, to provide certification, information, documents or other evidence concerning such Holder's or beneficial owner's nationality, residence, identity or connection with the Relevant Taxing Jurisdiction, or to make any declaration or satisfy any other reporting requirement relating to such matters, if and to the extent that due and timely compliance with such request is required by statute, regulation, treaty or administrative practice of the Relevant Taxing Jurisdiction in order to reduce or eliminate any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder or beneficial owner;

(ii) any estate, inheritance, gift, sale, transfer, personal property or similar Applicable Taxes;

(iii) any Applicable Taxes to the extent such Applicable Taxes are required to be imposed pursuant to European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meetings of November 26 and 27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, any such directives;

(iv) any Applicable Taxes to the extent such Applicable Taxes result from the presentation of any Note for payment (where presentation is required for payment) and the payment can be made without such withholding or deduction by the presentation of the Note for payment by at least one other Paying Agent in a member state of the European Union;

(v) any Applicable Taxes that are payable otherwise than by withholding from payments under or with respect to the Notes; and

(vi) any combination of Applicable Taxes referred to in the preceding clauses (i) through (v).

In addition to the foregoing, the Company will pay and indemnify the Holder or beneficial owner for any present or future stamp, issue, registration, transfer, court or documentary taxes, or any other excise or property taxes, charges or similar levies or Applicable Taxes levied by any jurisdiction on the execution, delivery, registration or enforcement of any of the Notes or any other document or instrument referred to therein, or the receipt of any payments with respect thereto (limited, solely in the case of Applicable Taxes attributable to the receipt of any payments with respect thereto, to any such taxes imposed in a Relevant Tax Jurisdiction that are not excluded under clauses (i) through (iv) and (vi) immediately above or any combination thereof).

Furthermore, Additional Amounts shall not be paid for any Applicable Taxes with respect to any payment of the principal of (including the Fundamental Change Purchase Price, if applicable) and interest on, such Note or the delivery of Common Shares or other Reference Property (together with payment of cash in lieu of any fractional Common Shares) upon conversion of such Note to a Holder, if the Holder is a fiduciary, partnership or person other than the sole beneficial owner of that payment to the extent that such payment would be required to be included in the income under the laws of the Relevant Taxing Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, a partner or member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner, member or beneficial owner been the Holder thereof.

Whenever there is mentioned in any context the delivery of Common Shares or other Reference Property (together with payment of cash in lieu of any fractional Common Shares) upon conversion of any Note or the payment of principal of (including the Fundamental Change Purchase Price, if applicable) and interest on, any Note or any other amount payable with respect to such Note, such mention shall be deemed to include payment of Additional Amounts provided for herein to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

Each Holder entitled to any Additional Amounts shall cooperate with the Company and the Trustee in providing any information or documentation reasonably requested by the Company or the Trustee to confirm the identity and/or tax status of such Holder and any affected beneficial owner (to the extent necessary to establish such Holder's entitlement to Additional Amounts) and to assist the Company or the Trustee in determining the applicable withholding tax rate and the amount of Additional Amounts payable in respect thereof. The Company will furnish to the Trustee an Officer's Certificate and any other documentation reasonably satisfactory to the Trustee evidencing payment of any Applicable Taxes so deducted or withheld and the amount of any Additional Amounts payable thereon. Copies of such documentation will be made available by the Trustee to Holders upon written request to the Trustee.

The obligations of this Section 2.16 will survive termination, defeasance or discharge of this Indenture or any transfer by a Holder or beneficial owner of its Notes and will apply *mutatis mutandis* to any jurisdiction where any successor to the Company, for tax purposes, organized or resident or doing business or through which payment is made or deemed made by, or on behalf of, any successor to the Company (or any political subdivision or taxing authority thereof or therein).

ARTICLE 3.
REPURCHASE AT THE OPTION OF THE HOLDERS

Section 3.01 *Purchase at Option of Holders upon a Fundamental Change.* If a Fundamental Change occurs at any time, then each Holder shall have the right at such Holder's option, to require the Company to purchase for cash any or all of such Holder's Notes, or any portion thereof, that is an integral multiple of $1,000 in principal amount, on a date (the "**Fundamental Change Purchase Date**") specified by the Company that is not less than 20 Business Days or more than 35 Business Days following the date on which the Company delivers the Fundamental Change Company Notice, at a purchase price equal to 100% of the principal amount of the Notes

to be purchased, plus accrued and unpaid interest thereon, if any, to, but excluding, the Fundamental Change Purchase Date (the "**Fundamental Change Purchase Price**"); *provided*, *however*, that if the Company purchases a Note on a Fundamental Change Purchase Date that is after a Regular Record Date and on or prior to the Interest Payment Date corresponding to such Regular Record Date, the Company shall instead pay such accrued and unpaid interest on such Note on the Interest Payment Date to the Holder of record of such Note as of the Close of Business on such Regular Record Date and the Fundamental Change Purchase Price shall then be equal to 100% of the principal amount of the Notes the Company purchases on such Fundamental Change Purchase Date. Notwithstanding the foregoing, no Notes may be purchased at the option of the Holders pursuant to this Section 3.01 if the principal amount of the Notes has been accelerated, and such acceleration has not been rescinded, on or prior to the Fundamental Change Purchase Date (except in the case of an acceleration resulting from a Default by the Company in the payment of the Fundamental Change Purchase Price with respect to such Notes). The Trustee will promptly return to the respective Holders thereof any Physical Notes held by it during the acceleration of the Notes (except in the case of an acceleration resulting from a Default by the Company in the payment of the Fundamental Change Purchase Price with respect to such Notes) and shall deem to be cancelled any instructions for book-entry transfer of the Notes in compliance with the Applicable Procedures, in which case, upon such return or cancellation, as the case may be, the Fundamental Change Purchase Notice with respect thereto shall be deemed to have been withdrawn.

Section 3.02 *Fundamental Change Company Notice.*

(a) On or before the fifth (5th) Business Day after the occurrence of a Fundamental Change, the Company shall provide to all Holders of the Notes, the Trustee and the Paying Agent (in the case of any Paying Agent other than the Trustee) a written notice (the "**Fundamental Change Company Notice**") of the occurrence of such Fundamental Change and of the purchase right at the option of the Holders arising as a result thereof. Such notice shall be sent by first class mail or, in the case of any Global Notes, in accordance with the Applicable Procedures for providing notices. Simultaneously with providing such Fundamental Change Company Notice, the Company shall publish a press release and publish such information on the Company's website. Each Fundamental Change Company Notice shall specify:

(i) the events causing the Fundamental Change;

(ii) the Effective Date of the Fundamental Change, whether the Fundamental Change is a Make-Whole Fundamental Change, and, if so, the Effective Date of such Make-Whole Fundamental Change;

(iii) the last date on which a Holder of Notes may exercise the purchase right pursuant to Section 3.01;

(iv) the Fundamental Change Purchase Price;

(v) the Fundamental Change Purchase Date;

(vi) the name and address of the Paying Agent and the Conversion Agent, if applicable;

(vii) the applicable Conversion Rate and any adjustments to the applicable Conversion Rate resulting from the Fundamental Change, if applicable;

(viii) if applicable, that the Notes with respect to which a Fundamental Change Purchase Notice has been delivered by a Holder may be converted only if the Holder withdraws the Fundamental Change Purchase Notice in accordance with this Indenture;

(ix) that the Holder must exercise the purchase right prior to the Fundamental Change Expiration Time;

(x) that the Holder shall have the right to withdraw any Notes surrendered for purchase prior to the Fundamental Change Expiration Time; and

(xi) the procedures that Holders must follow to require the Company to purchase their Notes.

(b) No failure of the Company to give the foregoing notices and no defect therein shall limit the Holders' repurchase rights or affect the validity of the proceedings for the repurchase of the Notes pursuant to Section 3.01.

(c) At the Company's written request, the Trustee shall give such notice in the Company's name and at the Company's expense; *provided*, *however*, that, in all cases, the text of such Fundamental Change Company Notice shall be prepared by the Company; *provided*, *further* that the Company shall have delivered to the Trustee, at least three (3) Business Days before the Fundamental Change Company Notice is required to be mailed (or such shorter period agreed to by the Trustee), an Officer's Certificate requesting that the Trustee give such notice and setting forth the complete form of such notice and the information to be stated in such notice. Neither the Trustee nor the Paying Agent shall be responsible for determining if a Fundamental Change has occurred or for delivering a Fundamental Change Company Notice to Holders.

Section 3.03 *Repurchase Procedures.*

(a) Purchases of Notes under Section 3.01 shall be made, at the option of the Holder thereof, upon:

(i) if the Notes to be purchased are Physical Notes, delivery to the Paying Agent by the Holder of a duly completed notice (the "**Fundamental Change Purchase Notice**"), in the form set forth in Attachment 2 to the Form of Note attached hereto as Exhibit A, together with the Notes duly endorsed for transfer, prior to Close of Business on the Business Day immediately preceding the Fundamental Change Purchase Date, (the "**Fundamental Change Expiration Time**"); and

(ii) if the Notes to be purchased are Global Notes, delivery of the Notes, by book-entry transfer, in compliance with the Applicable Procedures and the satisfaction of any other requirements of the Depositary in connection with tendering beneficial interests in a Global Note for purchase, by the Fundamental Change Expiration Time.

The Fundamental Change Purchase Notice in respect of any Notes to be purchased shall state:

(i) if certificated, the certificate numbers of such Notes;

(ii) the portion of the principal amount of such Notes to be purchased, which must be an integral multiple of $1,000; and

(iii) that such Notes are to be purchased by the Company pursuant to the applicable provisions of the Notes and this Indenture.

(b) *Notice to Company.* The Paying Agent shall promptly notify the Company of the receipt by it of any Fundamental Change Purchase Notice or written notice of withdrawal thereof.

Section 3.04 *Effect of Fundamental Change Purchase Notice.* Upon receipt by the Paying Agent of a Fundamental Change Purchase Notice specified in Section 3.03, the Holder of the Note in respect of which such Fundamental Change Purchase Notice was given shall (unless such Fundamental Change Purchase Notice is withdrawn in accordance with Section 3.05) thereafter be entitled to receive solely the Fundamental Change Purchase Price in cash with respect to such Note. Such Fundamental Change Purchase Price shall be paid to such Holder, subject to receipt of funds by the Paying Agent, on the later of (x) the applicable Fundamental Change Purchase Date (provided the conditions in this Article 3 have been satisfied, and subject to extensions to comply with applicable law) and (y) the time of delivery or book-entry transfer of such Note to the Paying Agent by the Holder thereof in the manner required by Section 3.01.

Section 3.05 *Withdrawal of Fundamental Change Purchase Notice.* A Fundamental Change Purchase Notice may be withdrawn (in whole or in part) by means of a written notice of withdrawal delivered to the Paying Agent in accordance with the Fundamental Change Company Notice at any time prior to the Fundamental Change Expiration Time specifying:

(a) the principal amount of the withdrawn Notes, which must be an integral multiple of $1,000, with respect to which such notice of withdrawal is being submitted;

(b) if certificated, the certificate numbers of the withdrawn Notes; and

(c) the principal amount, if any, of each Note that remains subject to the Fundamental Change Purchase Notice which must be an integral multiple of $1,000;

provided, however, that if the Notes are Global Notes, the notice must comply with the Applicable Procedures.

The Paying Agent will promptly return to the respective Holders thereof any Physical Notes with respect to which a Fundamental Change Purchase Notice has been withdrawn in compliance with the provisions of this Section 3.05.

Section 3.06 *Deposit of Fundamental Change Purchase Price*. Prior to 11:00 a.m., New York City time, on the Fundamental Change Purchase Date, the Company shall deposit with the Paying Agent (or, if the Company or a Subsidiary or an Affiliate of the Company is acting as the Paying Agent, shall segregate and hold in trust as provided herein) an amount of money (in immediately available funds if deposited on such Business Day) sufficient to pay the Fundamental Change Purchase Price of all the Notes or portions thereof that are to be purchased as of the Fundamental Change Purchase Date. If the Paying Agent holds cash sufficient to pay the Fundamental Change Purchase Price of the Notes for which a Fundamental Change Purchase Notice has been tendered and not withdrawn in accordance with this Indenture on the Fundamental Change Purchase Date, then, subject to the proviso to Section 3.01, as of such Fundamental Change Purchase (a) such Notes will cease to be Outstanding and interest will cease to accrue thereon (whether or not book-entry transfer of such Notes is made or such Notes have been delivered to the Paying Agent) and (b) all other rights of the Holders in respect thereof will terminate (other than the right to receive the Fundamental Change Purchase Price and any previously accrued and unpaid interest on such Notes upon delivery or book-entry transfer of such Notes).

Section 3.07 *Notes Purchased in Whole or in Part.* Any Note that is to be purchased pursuant to this Article 3, whether in whole or in part, shall be surrendered at the office of the Paying Agent (with due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or such Holder's attorney duly authorized in writing) and, to the extent that only a part of the Note so surrendered is to be purchased, the Company shall execute and, upon receipt of a Company Order, the Trustee shall authenticate and deliver to the Holder of such Note, without service charge, a new Note or Notes, of any authorized denomination as requested by such Holder in aggregate principal amount equal to, and in exchange for, the portion of the principal amount of the Note so surrendered that is not purchased.

Section 3.08 *Covenant To Comply with Applicable Laws upon Purchase of Notes*. In connection with any offer to purchase Notes under Sections 3.01, the Company shall, in each case if required by law, (i) comply with Rule 13e-4, Regulation 14E and any other tender offer rules under the Exchange Act that may then be applicable, (ii) file a Schedule TO or any other required schedule under the Exchange Act and (iii) otherwise comply with all U.S. federal or state securities laws applicable to the Company in connection with such purchase offer, in each case, so as to permit the rights and obligations under this Article 3 to be exercised in the time and in the manner specified under this Article 3.

Section 3.09 *Repayment to the Company*. To the extent that the aggregate amount of cash deposited by the Company pursuant to Section 3.06 exceeds the aggregate Fundamental Change Purchase Price of the Notes or portions thereof that the Company is obligated to purchase as of the Fundamental Change Purchase Date then, following the Fundamental Change Purchase Date, the Paying Agent shall promptly return any such excess to the Company.

ARTICLE 4.
CONVERSION

Section 4.01 *Right To Convert.* (a) Subject to and upon compliance with the provisions of the Indenture, each Holder shall have the right, at such Holder's option, to convert all of its Notes or any portion thereof having a principle amount equal to an integral multiple of $1,000, in accordance with Section 4.03(a) hereof, (x) prior to the Close of Business on the Business Day immediately preceding May 15, 2019, only upon satisfaction of one or more of the conditions described in Section 4.01(b) hereof, and (y) on or after May 15, 2019, at any time prior to the Close of Business on the second Scheduled Trading Day immediately preceding the Maturity Date regardless of the conditions set forth in Section 4.01(b) hereof.

(b) (i) Prior to the Close of Business on the Business Day immediately preceding May 15, 2019, a Holder may surrender Notes for conversion during any calendar quarter commencing after March 31, 2014 (and only during such calendar quarter) if the Last Reported Sale Price of the Common Shares for at least 20 Trading Days (whether or not consecutive) during the period of 30 consecutive Trading Days ending on, and including, the last Trading Day of the immediately preceding calendar quarter is greater than 130% of the applicable Conversion Price in effect on each applicable Trading Day.

(ii) Prior to the Close of Business on the Business Day immediately preceding May 15, 2019, a Holder may surrender, all or a portion of its Notes that is an integral multiple of $1,000 in principal amount for conversion during the five consecutive Business Day period immediately after any five consecutive Trading Day period (the "**Measurement Period**") in which the Trading Price per $1,000 principal amount of Notes, as determined following a request by a Holder in accordance with the procedures set forth in this Section 4.01(b)(ii), for each Trading Day of such Measurement Period was less than 98% of the product of (x) the Last Reported Sale Price of the Common Shares on such Trading Day and (y) the Conversion Rate in effect on such Trading Day. The Trading Price shall be determined by the Bid Solicitation Agent pursuant to this Section 4.01(b)(ii) and the definition of "Trading Price" set forth in Section 1.01 hereof. If not then acting as the Bid Solicitation Agent, the Company shall provide notice to the Bid Solicitation Agent of the three independent nationally recognized securities dealers selected by the Company in accordance with the definition of Trading Price, along with the appropriate contact information for each. If the Company is not acting as the Bid Solicitation Agent, the Bid Solicitation Agent shall have no obligation to determine the Trading Price of the Notes unless the Company has requested such determination in writing, and the Company shall have no obligation to make such request unless a Holder of a Note provides it with reasonable evidence that the Trading Price per $1,000 principal amount of Notes would be less than 98% of the product of (x) the Last Reported Sale Price of the Common Shares on such Trading Day and (y) the Conversion Rate in effect on such Trading Day. If a Holder provides the Company with such evidence, the Company shall instruct the Bid Solicitation Agent to (or, if the Company is acting as the Bid Solicitation Agent, the Company shall) determine the Trading Price per

$1,000 principal amount of the Notes beginning on the next Trading Day and on each successive Trading Day until the Trading Price per $1,000 principal amount of Notes for a Trading Day is greater than or equal to 98% of the product of (x) the Last Reported Sale Price of the Common Shares on such Trading Day and (y) the applicable Conversion Rate in effect on such Trading Day. Whenever the condition to conversion set forth in this Section 4.01(b)(ii) has been met, the Company shall so notify the Holders, the Trustee and the Conversion Agent (if other than the Trustee). If, at any time after the condition to conversion set forth in this Section 4.01(b)(ii) has been met, the condition to conversion set forth in this Section 4.01(b)(ii) ceases to be met, the Company will so notify the Holders, the Trustee and the Conversion Agent (if other than the Trustee) on the first Trading Day on which such condition ceases to be met.

(iii) If prior to the Close of Business on the Business Day immediately preceding May 15, 2019, the Company (x) issues to all or substantially all holders of the Common Shares any rights, options or warrants entitling them, for a period of not more than 60 calendar days after the date of such issuance, to subscribe for or purchase Common Shares, at a price per share less than the average of the Last Reported Sale Prices of the Common Shares for the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the date of announcement of such issuance; or (y) distributes to all or substantially all holders of the Common Shares the Company's assets, debt securities or rights to purchase the Company's securities, which distribution has a per share value, as reasonably determined by the Board of Directors or a committee thereof, exceeding 10% of the Last Reported Sale Price of the Common Shares on the Trading Day immediately preceding the date of announcement of such distribution, then, in either case, the Company must deliver notice of such issuance or distribution, and of the Ex-Dividend Date for such issuance or distribution, to the Holders at least 30 Scheduled Trading Days prior to the Ex-Dividend Date for such issuance or distribution. After the Company has delivered such notice, Holders may surrender their Notes for conversion at any time until the earlier of (a) the Close of Business on the Business Day immediately preceding such Ex-Dividend Date and (b) the Company's announcement that such issuance or distribution will not take place, even if the Notes are not otherwise convertible at such time. No Holder may convert any of its Notes pursuant to the conditions set forth in this Section 4.01(b)(iii) if such Holder otherwise participates in such issuance or distribution, at the same time and upon the same terms as holders of Common Shares and as a result of holding the Notes, without having to convert their Notes, as if they held a number of Common Shares equal to the applicable Conversion Rate, multiplied by the principal amount (expressed in thousands) of Notes held by such Holder.

(iv) If prior to the Close of Business on the Business Day immediately preceding May 15, 2019 (x) a Fundamental Change or a Make-Whole Fundamental Change occurs or (y) the Company is a party to (a) a consolidation, merger or binding share exchange or (b) a sale or lease or other transfer in one transaction or a series of transactions of all or substantially all of the consolidated

assets of the Company and its Subsidiaries, taken as a whole, in each case in clauses (a) and (b) of this Section 4.01(b)(iv) pursuant to which the Common Shares would be converted into cash, securities or other assets (other than, in the case of clauses (a) and (b), any such transaction to which the Company is a party solely for the purpose of changing its jurisdiction of incorporation, and which results in a reclassification, conversion or exchange of the outstanding Common Shares solely into common shares of the surviving entity, excluding cash payments for fractional shares and cash payments made in respect of dissenters' appraisal rights), then the Notes may be surrendered for conversion at any time from or after the date which is 30 Scheduled Trading Days prior to the anticipated effective date of such transaction (or, if later, the Business Day after the Company gives notice of such transaction) until the Close of Business (x) if such transaction or event is a Fundamental Change, on the Business Day immediately preceding the related Fundamental Change Purchase Date, and (y) otherwise, on the 35th Business Day immediately following the effective date for such transaction or event. The Company shall notify the Holders and the Trustee of any such transaction or event as promptly as practicable following the date the Company publicly announces such transaction but, if the Company has knowledge of such transaction at least 30 Scheduled Trading Days prior to the anticipated effective date of such transaction, in no event less than 30 Scheduled Trading Days prior to such anticipated effective date, or, if the Company does not have knowledge of such transaction at least 30 Scheduled Trading Days prior to the anticipated effective date of such transaction, within three Business Days of the date upon which the Company receives notice, or otherwise becomes aware, of such transaction, but in no event later than the actual effective date of such transaction.

Section 4.02 *Conversion Procedures*.

(a) Each Note shall be convertible at the office of the Conversion Agent and, if applicable, in accordance with the Applicable Procedures.

(b) To exercise the conversion privilege with respect to a beneficial interest in a Global Note, the Holder must comply with the Applicable Procedures for converting a beneficial interest in a Global Note and pay the funds, if any, required by Section 4.02(f) and any taxes or duties if required pursuant to Section 4.02(g), and the Conversion Agent must be informed of the conversion in accordance with the customary practice of the Depositary.

To exercise the conversion privilege with respect to any Physical Notes, the Holder of such Physical Notes shall:

(i) complete and manually sign a conversion notice in the form set forth in the Form of Notice of Conversion (the "**Conversion Notice**") or a facsimile of the Conversion Notice;

(ii) deliver the Conversion Notice, which is irrevocable, and the Note to the Conversion Agent;

(iii) if required, furnish appropriate endorsements and transfer documents;

(iv) if required, pay all transfer or similar taxes as set forth in Section 4.02(g); and

(v) if required, make any payment required under Section 4.02(f).

Notwithstanding anything herein or in the Notes to the contrary, if a Note has been submitted for repurchase pursuant to a Fundamental Change Purchase Notice such Note may not be converted except to the extent such Note has been withdrawn by the Holder or unless such Fundamental Change Purchase Notice is withdrawn in accordance with Section 3.05 hereof prior to the relevant Fundamental Change Expiration Time.

For any Note, the date on which the Holder of such Note satisfies all of the applicable requirements set forth above with respect to such Note shall be the "**Conversion Date**" with respect to such Note.

Each conversion shall be deemed to have been effected as to any such Notes (or portion thereof) surrendered for conversion at the Close of Business on the applicable Conversion Date; *provided*, *however*, that the Person in whose name any Common Shares shall be issuable upon conversion, if any, shall be treated as a stockholder of record as of the Close of Business on the last VWAP Trading Day of the applicable Observation Period. For the avoidance of doubt, until a Holder is deemed to become the holder of record of Common Shares, if any, issuable upon conversion of such Holder's Notes as contemplated in the immediately preceding sentence, such Holder shall not have any rights as a holder of Common Shares with respect to such Common Shares issuable upon conversion of such Notes. At the Close of Business on the Conversion Date for a Note, the converting Holder shall no longer be the Holder of such Note.

(c) *Endorsement*. Any Notes surrendered for conversion shall, unless Common Shares issuable on conversion are to be issued in the same name as the registration of such Notes, be duly endorsed by, or be accompanied by instruments of transfer in form satisfactory to the Company duly executed by, the Holder or its duly authorized attorney.

(d) *Physical Notes*. If any Physical Notes in a denomination greater than $1,000 shall be surrendered for partial conversion, the Company shall execute and the Trustee shall authenticate and deliver to the Holder of the Physical Notes so surrendered, without charge, new Physical Notes in authorized denominations in an aggregate principal amount equal to the unconverted portion of the surrendered Physical Notes.

(e) *Global Notes*. Upon the conversion of a beneficial interest in Global Notes, the Conversion Agent shall make a notation in its records as to the reduction in the principal amount represented thereby. The Company shall notify the Trustee in writing of any conversions of Notes effected through any Conversion Agent other than the Trustee.

(f) *Interest Due Upon Conversion*. If a Holder converts a Note during the period after the Close of Business on a Regular Record Date to the Open of Business on the Interest Payment Date corresponding to such Regular Record Date, such Holder must accompany such Note with an amount of cash equal to the amount of interest that will be payable on such Note on the corresponding Interest Payment Date; *provided*, *however*, that a Holder need not make such payment (1) if the Conversion Date follows the Regular Record Date immediately preceding the Maturity Date; (2) if the Company has specified a Fundamental Change Purchase Date that is after a Regular Record Date and on or prior to the corresponding Interest Payment Date; or (3) only to the extent of any overdue interest, if any overdue interest exists at the time of conversion with respect to such Note.

(g) *Taxes Due upon Conversion.* If a Holder converts a Note, the Company will pay any documentary, stamp or similar issue or transfer tax due on the issue of any Common Shares upon the conversion, unless the tax is due because the Holder requests that any shares be issued in a name other than the Holder's name, in which case the Holder will pay that tax.

Section 4.03 *Settlement Upon Conversion.*

(a) Except as provided in Section 4.06 and Section 4.07, if a Holder surrenders a Note for conversion, the Company will satisfy its obligation to convert the Note by delivering, on the third Business Day immediately following the final VWAP Trading Day of the Observation Period corresponding to the Conversion Date for such Note, cash and, if applicable, Common Shares consisting of the sum of the Daily Settlement Amounts for each of the 25 consecutive VWAP Trading Days during the Observation Period for such Note, *provided*, *however*, that with respect to any conversion date occurring on or after May 15, 2019, settlement will occur on the Maturity Date.

(b) *Fractional Shares*. Notwithstanding the foregoing, the Company will not issue fractional Common Shares as part of the consideration deliverable upon conversion of any Note. Instead, if the number of Common Shares deliverable upon such conversion includes a fraction of a Common Share, the Company will, in lieu of delivering such fraction of a Common Share, pay an amount of cash equal to the product of (i) such fraction of a share and (ii) the Daily VWAP on the last VWAP Trading Day of the applicable Observation Period.

(c) *Conversion of Multiple Notes by Single Holder.* If a Holder surrenders more than one Note for conversion on a single day, the number of Common Shares, if any, that the Company will deliver, and the amount of cash that the Company will pay in lieu of fractional Common Shares, if any, shall be determined based on the aggregate principal amount of Notes surrendered by such Holder.

(d) *Settlement of Accrued Interest and Deemed Payment of Principal.* If a Holder converts a Note, the Company will not adjust the Conversion Rate to account for any accrued and unpaid interest on such Note, and, subject to Section 4.02(f), the Company's delivery or payment, as the case may be, of cash and, if applicable, Common Shares into which a Note is convertible will be deemed to satisfy and discharge in full the

Company's obligation to pay the principal of, and accrued and unpaid interest, including Additional Interest, if any, on, such Note to, but excluding, the Conversion Date; *provided*, *however*, that subject to Section 4.02(f), if a Holder converts a Note after the Close of Business on a Regular Record Date and prior to the Open of Business on the corresponding Interest Payment Date, the Company will still be obligated to pay, on such Interest Payment Date, the interest due on such Interest Payment Date to the Holder of such Note as of the Close of Business on such Regular Record Date.

As a result, except as otherwise provided in the proviso to the immediately preceding sentence or in Section 4.02(f), any accrued and unpaid interest with respect to a converted Note will be deemed to be paid in full rather than cancelled, extinguished or forfeited. In addition, if the Daily Settlement Amount for any Note includes both cash and Common Shares, accrued and unpaid interest will be deemed to be paid first out of the amount of cash delivered upon such conversion.

(e) *Notices*. Whenever a Conversion Date occurs with respect to a Note, the Conversion Agent will, as promptly as possible, and in no event later than the Open of Business on the Business Day immediately following such Conversion Date, deliver to the Company and the Trustee, if it is not then the Conversion Agent, notice that a Conversion Date has occurred, which notice will state such Conversion Date, the principal amount of Notes converted on such Conversion Date and the names of the Holders that converted Notes on such Conversion Date.

(f) On the first Business Day immediately following the last VWAP Trading Day of the Observation Period applicable to any Note surrendered for conversion, the Company will deliver a written notice to the Conversion Agent and the Trustee (if not also the Conversion Agent) stating the amount of cash and the number of Common Shares, if any, that the Company is obligated to pay or deliver, as the case may be, to satisfy its conversion obligation with respect to each Note converted on such Conversion Date.

Section 4.04 *Adjustment of Conversion Rate.* The Conversion Rate will be adjusted as described in this Section 4.04, except that the Company shall not make any adjustment to the Conversion Rate if each Holder participates (other than in the case of a share split or share combination), at the same time and upon the same terms as holders of the Common Shares and as a result of holding the Notes, in any of the transactions described below without having to convert their Notes, as if it held a number of Common Shares equal to the applicable Conversion Rate, multiplied by the principal amount (expressed in thousands) of Notes held by such Holder.

(a) If the Company exclusively issues Common Shares as a dividend or distribution on all or substantially all Common Shares, or if the Company effects a share split or share combination, the Conversion Rate will be adjusted based on the following formula:

$$CR_1 = CR_0 \times \frac{OS_1}{OS_0}$$

where,

CR_0 = the Conversion Rate in effect immediately prior to the Open of Business on the Ex-Dividend Date of such dividend or distribution, or immediately prior to the Open of Business on the effective date of such share split or combination, as applicable;

CR_1 = the Conversion Rate in effect immediately after the Open of Business on such Ex-Dividend Date or such effective date, as applicable;

OS_0 = the number of Common Shares outstanding immediately prior to the Open of Business on such Ex-Dividend Date or such effective date, as applicable; and

OS_1 = the number of Common Shares that would be outstanding immediately after giving effect to such dividend or distribution, or immediately after the effectiveness of such share split or share combination, as applicable.

Any adjustment made under this Section 4.04(a) shall become effective immediately after the Open of Business on the Ex-Dividend Date for such dividend or distribution, or immediately after the Open of Business on the effective date for such share split or share combination. If any dividend or distribution of the type described in this Section 4.04(a) is declared but not so paid or made or any share split or share combination of the type described in this Section 4.04(a) is announced but not consummated, the Conversion Rate shall be immediately readjusted, effective as of the date the Board of Directors determines not to pay such dividend or distribution or to effect such share split or share combination, to the Conversion Rate that would then be in effect if such dividend or distribution had not been declared or share split or share combination had been announced.

(b) If the Company issues to all or substantially all holders of the Common Shares any rights, options or warrants entitling them, for a period of not more than 60 calendar days after the date of such issuance, to subscribe for or purchase Common Shares, at a price per share less than the average of the Last Reported Sale Prices of the Common Shares for the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the date of announcement for such issuance, the Conversion Rate will be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{OS_0 + X}{OS_0 + Y}$$

CR_0 = the Conversion Rate in effect immediately prior to the Open of Business on the Ex-Dividend Date for such issuance;

CR_1 = the Conversion Rate in effect immediately after the Open of Business on such Ex-Dividend Date;

OS_0 = the number of Common Shares outstanding immediately prior to the Open of Business on such Ex-Dividend Date;

X = the total number of Common Shares issuable pursuant to such rights, options or warrants; and

Y = the number of Common Shares equal to the aggregate price payable to exercise such rights, options or warrants*divided by* the average of the Last Reported Sale Prices of the Common Shares for the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the date of announcement of such issuance.

Any increase made under this Section 4.04(b) will be made successively whenever any such rights, options or warrants are issued and shall become effective immediately after the Open of Business on the Ex-Dividend Date for such issuance. To the extent that such rights, options or warrants are not exercised prior to their expiration or Common Shares are not delivered upon the expiration of such rights, options or warrants, the Conversion Rate shall be readjusted to the Conversion Rate that would then be in effect had the increase in the Conversion Rate with respect to the issuance of such rights, options or warrants been made on the basis of delivery of only the number of Common Shares actually delivered. If such rights, options or warrants are not so issued, or if such rights, options or warrants are not exercised prior to their expiration, the Conversion Rate shall be readjusted to be the Conversion Rate that would then be in effect if such issuance had not occurred.

For purposes of this Section 4.04(b) and clause (x) of Section 4.01(b)(iii) hereof, in determining whether any rights, options or warrants entitle the holders of the Common Shares to subscribe for or purchase Common Shares at a price per share less than such average of the Last Reported Sale Prices of the Common Shares for the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the date of announcement of such issuance, and in determining the aggregate offering price of such Common Shares, there shall be taken into account any consideration received by the Company for such rights, options or warrants and any amount payable on exercise thereof, the value of such consideration, if other than cash, to be determined by the Board of Directors.

(c) If the Company distributes "shares" (which term, for purposes of this Section 4.04(c), shall be deemed to mean Capital Stock), evidences of its indebtedness, other assets or property of the Company or rights, options or warrants to acquire its shares or other securities, to all or substantially all holders of the Common Shares, excluding:

(i) dividends, distributions, rights, options or warrants as to which an adjustment is effected pursuant to Section 4.04(a) hereof or Section 4.04(b) hereof;

(ii) dividends or distributions paid exclusively in cash as to which an adjustment is effected pursuant to Section 4.04(d) hereof;

(iii) regular cash dividends that do not exceed the Dividend Threshold in effect on the Ex-Dividend Date for such regular cash dividend; and

(iv) Spin-Offs as to which the provisions set forth below in this Section 4.04(c) shall apply;

(any of such shares of Capital Stock, evidences of indebtedness, assets, property, rights, options or warrants to acquire Capital Stock or other securities of the Company, the "**Distributed Property**"), then the Conversion Rate shall be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{SP_0}{SP_0 - FMV}$$

where,

CR_0 = the Conversion Rate in effect immediately prior to the Open of Business on the Ex-Dividend Date for such distribution;

CR_1 = the Conversion Rate in effect immediately after the Open of Business on such Ex-Dividend Date;

SP_0 = the average of the Last Reported Sale Prices of the Common Shares for the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the Ex-Dividend Date for such distribution; and

FMV = the fair market value (as determined by the Board of Directors) of Distributed Property distributed with respect to each outstanding Common Share as of the Open of Business on the Ex-Dividend Date for such distribution.

If "FMV" (as defined above) is equal to or greater than the "SP_0" (as defined above), in lieu of the foregoing increase, each Holder shall receive, in respect of each $1,000 principal amount of Notes it holds, at the same time and upon the same terms as holders of the Common Shares, the amount and kind of Distributed Property that such Holder would have received as if such Holder owned a number of Common Shares equal to the Conversion Rate in effect immediately prior to the record date for the distribution.

Any increase made pursuant to the immediately preceding formula in this Section 4.04(c) will become effective immediately after the Open of Business on the Ex-Dividend Date for such distribution. If such distribution is not so paid or made, the Conversion Rate shall be readjusted to be the Conversion Rate that would then be in effect if such distribution had not been declared.

With respect to an adjustment pursuant to this Section 4.04(c) where there has been a payment of a dividend or other distribution on the Common Shares of any class or series of shares, or any similar equity interest, of or relating to any Subsidiaries of the Company or business units of the Company, and such shares or similar equity interest is listed or quoted (or will be listed or quoted upon the consummation of the distribution) on a U.S. national securities exchange or a reasonably comparable non-U.S. equivalent (a "**Spin-Off**"), the Conversion Rate will be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{FMV_0 + MP_0}{MP_0}$$

where,

CR_0 = the Conversion Rate in effect immediately prior to the Open of Business on the Ex-Dividend Date for such Spin-Off;

CR_1 = the Conversion Rate in effect immediately after the Open of Business on the Ex-Dividend Date for such Spin-Off;

FMV_0 = the average of the Last Reported Sale Prices of the shares or similar equity interest distributed to holders of Common Shares applicable to one Common Share over the first 10 consecutive Trading Day period after, but excluding, the effective date of the Spin-Off (the "**Valuation Period**"); and

MP_0 = the average of the Last Reported Sale Prices of the Common Shares over the Valuation Period.

Any increase made pursuant to the immediately preceding formula in this Section 4.04(c),will become effective immediately after the Open of Business on the Ex-Dividend Date for such Spin-Off. If the distribution constituting such Spin-Off is not so paid or made, the Conversion Rate shall be readjusted to be the Conversion Rate that would then be in effect if such distribution had not been declared.

If a Holder converts a Note and the first VWAP Trading Day of the Observation Period applicable to such Note occurs after the first Trading Day of the Valuation Period for a Spin-Off, but on or before the last Trading Day of the Valuation Period for such Spin-Off, then the reference in the above definition of "FMV_0" to "10" Trading Days shall be deemed replaced with such lesser number of Trading Days as have elapsed from, and including, the first Trading Day of the Valuation Period for such Spin-Off to, but excluding, the first VWAP Trading Day of such Observation Period. If a Holder converts a Note and one or more VWAP Trading Days of the Observation Period for such Note occurs on or after the Ex-Dividend Date for a Spin-Off but on or prior to the first Trading Day of the Valuation Period for such Spin-Off, such Observation Period will be suspended from, and including, the first such Trading Day to, and including, the first Trading Day of the Valuation Period for such Spin-Off and will resume immediately after the first Trading Day of the Valuation Period for such Spin-Off, with the reference in the above definition of "FMV_0" to "10 consecutive" Trading Days deemed replaced with a reference to "one (1)" Trading Day.

(d) If any cash dividend or distribution (other than a regular, quarterly cash dividend that does not exceed $0.30 per Common Share, subject to adjustment as set forth below (such figure, as so adjusted from time to time, the "**Dividend Threshold**")) is made to all or substantially all holders of the Common Shares, the Conversion Rate shall be adjusted based on the following formula:

$$CR_1 = CR_0 \times \frac{SP_0 - T}{SP_0 - C}$$

where,

CR_0 = the Conversion Rate in effect immediately prior to the Open of Business on the Ex-Dividend Date for such dividend or distribution;

CR_1 = the Conversion Rate in effect immediately after the Open of Business on the Ex-Dividend Date for such dividend or distribution;

SP_0 = the average of the Last Reported Sale Prices of the Common Shares on the three consecutive Trading Day period immediately preceding the Ex-Dividend Date for such dividend or distribution;

T = the Dividend Threshold; *provided*, *however*, that if the dividend or distribution is not a regular quarterly cash dividend, then the Dividend Threshold will be deemed to be zero; and

C = the amount in cash per share that the Company distributes to all or substantially all holders of the Common Shares.

The Dividend Threshold is subject to adjustment in a manner inversely proportional to adjustments to the Conversion Rate; *provided*, *however*, that no adjustment will be made to the Dividend Threshold for any adjustment to the Conversion Rate under this Section 4.04(d).

If "C" (as defined above) is equal to or greater than "SP_0" (as defined above), in lieu of the foregoing increase, each Holder shall receive, for each $1,000 principal amount of Notes it holds, at the same time and upon the same terms as holders of Common Shares, the amount of cash that such Holder would have received if such Holder had owned a number of Common Shares equal to the Conversion Rate in effect immediately prior to the record date for such cash dividend or distribution. Any increase under this Section 4.04(d) shall become effective immediately after the Open of Business on the Ex-Dividend Date for such dividend or distribution. If such dividend or distribution is not so paid, the Conversion Rate shall be readjusted, effective as of the date the Board of Directors determines not to pay such dividend or distribution, to the Conversion Rate that would then be in effect if such dividend or distribution had not been declared.

(e) If the Company or any of its Subsidiaries make a payment in respect of a tender offer or exchange offer for the Common Shares, to the extent that the cash and value of any other consideration included in the payment per Common Share exceeds the Last Reported Sale Price of the Common Shares on the Trading Day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender or exchange offer (such last date, the "**Offer Expiration Date**"), the Conversion Rate shall be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{AC + (SP_1 \times OS_1)}{OS_0 \times SP_1}$$

where,

CR_0 = the Conversion Rate in effect immediately prior to the Close of Business on the Offer Expiration Date;

CR_1 = the Conversion Rate in effect immediately after the Close of Business on the Offer Expiration Date;

AC = the aggregate value of all cash and any other consideration (as determined by the Board of Directors) paid or payable for Common Shares purchased in such tender or exchange offer;

OS_0 = the number of Common Shares outstanding immediately prior to the expiration time of the tender or exchange offer on the Offer Expiration Date (prior to giving effect to the purchase of all shares accepted for purchase or exchange in such tender or exchange offer);

OS_1 = the number of Common Shares outstanding immediately after the expiration time of the tender or exchange offer on the Offer Expiration Date (after giving effect to the purchase of all shares accepted for purchase or exchange in such tender or exchange offer); and

SP_1 = the average of the Last Reported Sale Prices of the Common Shares over the 10 consecutive Trading Day period commencing on, and including, the Trading Day next succeeding the Offer Expiration Date (the "**Averaging Period**").

If a Holder converts a Note and the first VWAP Trading Day of the Observation Period for such Note occurs after the first Trading Day of the Averaging Period for such tender or exchange offer, but on or before the last Trading Day of the Averaging Period for such tender or exchange offer, the reference in the above definition of "SP_1" to "10" shall be deemed replaced with such lesser number of Trading Days as have elapsed from, and including, the first Trading Day of the Averaging Period for such tender or exchange offer to, but excluding, the first VWAP Trading Day of such Observation Period. If a Holder converts a Note and one or more VWAP Trading Days of the Observation Period for such Note occurs on or after the Offer Expiration Date for a tender or exchange offer,

but on or prior to the first Trading Day in the Averaging Period for such tender or exchange offer, such Observation Period will be suspended on the first such Trading Day and will resume immediately after the first Trading Day of the Averaging Period for such tender or exchange offer and the reference in the above definition of "SP_1" to "10" shall be deemed replaced with a reference to "one."

(f) *Special Settlement Provisions.*

Notwithstanding anything to the contrary herein, if a Holder converts a Note and:

(A) the record date, effective date or Offer Expiration Date for any event that requires an adjustment to the Conversion Rate under any of Sections 4.04(a) through (e) hereof occurs:

1. on or after the first VWAP Trading Day of such Observation Period; and

2. on or prior to the last VWAP Trading Day of such Observation Period; and

(B) the Daily Settlement Amount for any VWAP Trading Day in such Observation Period that occurs on or prior to such record date, effective date or Offer Expiration Date:

1. includes Common Shares that do not entitle their holder to participate in such event; and

2. is calculated based on a Conversion Rate that is not adjusted on account of such event;

then on account of such conversion, the Company will, on such record date, effective date or Offer Expiration Date, treat such Holder, as a result of having converted such Notes, as though it were the record holder of a number of Common Shares equal to the total number of Common Shares that:

(A) are deliverable as part of the Daily Settlement Amount:

1. for a VWAP Trading Day in such Observation Period that occurs on or prior to such record date, effective date or Offer Expiration Date; and

2. is calculated based on a Conversion Rate that is not adjusted for such event; and

(B) if not for this provision, would not entitle such Holder to participate in such event.

In addition, notwithstanding anything to the contrary herein, if a Holder converts a Note and the Daily Settlement Amount for any VWAP Trading Day during the Observation

Period applicable to such Note (i) is calculated based on a Conversion Rate adjusted on account of any event described in Section 4.04(a) through Section 4.04(e) and (ii) includes any Common Share that, but for this provision, would entitle the Holder to participate in such event, then, although the Company will otherwise treat such Holder as the holder of record of such Common Shares on the last VWAP Trading Day of such Observation Period, the Company shall not permit such Holder to participate in such event on account of such Common Shares.

(g) *Poison Pill*. If a Holder converts a Note, on any VWAP Trading Day in the Observation Period applicable to such Note, the Holder converting such Note will receive, in addition to any Common Shares to which it is entitled in connection with such conversion, the rights under any shareholders rights plan of the Company in effect at such time, unless prior to the applicable Conversion Date, the rights have separated from the Common Shares, in which case, the Conversion Rate will be adjusted at the time of separation as if the Company distributed to all holders of the Common Shares, Distributed Property as described in Section 4.04(c) hereof, subject to readjustment in the event of the expiration, termination or redemption of such rights. In all other cases, the issuance of rights pursuant to a rights plan will not result in an adjustment to the Conversion Rate pursuant to Section 4.04(c) hereof.

(h) *Deferral of Adjustments*. Notwithstanding anything to the contrary herein, the Company will not be required to adjust the Conversion Rate unless such adjustment would require an increase or decrease of at least one percent (1%) in the Conversion Rate; *provided, however*, that the Company shall carry forward any adjustment that is less than one percent (1%) of the Conversion Rate, shall take such carried-forward adjustments into account in any subsequent adjustment, and shall make such carried-forward adjustments, regardless of whether the aggregate adjustment is less than one percent (1%), (i) annually on the anniversary of the first date of issue of the Notes and (ii) otherwise (A) on each VWAP Trading Day during the Observation Period with respect to a Note surrendered for conversion or (B) prior to any Fundamental Change Purchase Date, unless such adjustment has already been made.

(i) *Limitation on Adjustments*. Except as stated in this Section 4.04, the Company will not adjust the Conversion Rate for the issuance of Common Shares or any securities convertible into or exchangeable for Common Shares or the right to purchase Common Shares or such convertible or exchangeable securities. Notwithstanding anything herein or in the Notes to the contrary, if the application of the formulas in Sections 4.04(a) through (e) hereof would result in a decrease in the Conversion Rate, then, except to the extent of any readjustment to the Conversion Rate, no adjustment to the Conversion Rate will be made (other than as a result of a reverse share split or share combination).

In addition, notwithstanding anything to the contrary herein, the Conversion Rate will not be adjusted:

(i) on account of share repurchases that are not tender offers referred to in Section 4.04(e) hereof, including structured or derivative transactions, or transactions pursuant to a share repurchase program approved by the Board of Directors or otherwise;

(ii) upon the issuance of any Common Shares pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on the Company's securities and the investment of additional optional amounts in Common Shares under any plan;

(iii) upon the issuance of any Common Shares or options or rights to purchase those shares pursuant to any present or future employee, director or consultant benefit plan, program or agreement of or assumed by the Company or any of its Subsidiaries;

(iv) upon the issuance of any Common Shares pursuant to any option, warrant, right or exercisable, exchangeable or convertible security not described in Section 4.04(i)(iii) immediately above and outstanding as of the date the Notes were first issued;

(v) for a change in the par value of the Common Shares; or

(vi) for accrued and unpaid interest on the Notes, if any.

In addition, the Company will not undertake any action that would result in the Company being required, pursuant to this Indenture, to adjust the Conversion Rate such that the Conversion Price per Common Share will be less than the par value per Common Share.

(j) For purposes of this Section 4.04, the number of Common Shares at any time outstanding shall not include shares held in the treasury of the Company so long as the Company does not pay any dividend or make any distribution on Common Shares held in the treasury of the Company, but shall include shares issuable in respect of scrip certificates issued in lieu of fractions of Common Shares.

(k) Whenever the Company is required to calculate or make adjustments to the Conversion Rate, the Company will do so to the nearest 1/10,000th of a Common Share, rounding any additional decimal places up or down in a commercially reasonable manner.

Section 4.05 *Discretionary and Voluntary Adjustments*.

(a) *Discretionary Adjustments*. Whenever any provision of this Indenture requires the Company to calculate the Last Reported Sale Prices, the Daily VWAPs or any function thereof over a span of multiple days (including during an Observation Period and the Stock Price for purposes of a Make-Whole Fundamental Change), the Board of Directors will make appropriate adjustments to each to account for any adjustment to the Conversion Rate that becomes effective, or any event requiring an adjustment to the Conversion Rate where the effective date, Ex-Dividend Date or Offer Expiration Date, as applicable, of the event occurs, at any time during the period when such Last Reported Sale Prices, the Daily VWAPs or function thereof is to be calculated.

(b) *Voluntary Adjustments*. To the extent permitted by applicable law and applicable requirements of The New York Stock Exchange, the Company is permitted to increase the Conversion Rate of the Notes by any amount for a period of at least 20 Business Days if the Board of Directors determines that such increase would be in the Company's best interest. To the extent permitted by applicable law and applicable requirements of The New York Stock Exchange, the Company may also (but is not required to) increase the Conversion Rate to avoid or diminish income tax to holders of Common Shares or rights to purchase Common Shares in connection with a dividend or distribution of shares (or rights to acquire shares) or similar event.

Section 4.06 *Adjustment to Conversion Rate Upon Conversion in Connection with a Make-Whole Fundamental Change*

(a) *Increase in the Conversion Rate.* If a Make-Whole Fundamental Change occurs and a Holder elects to convert its Notes in connection with such Make-Whole Fundamental Change, then the Company shall, to the extent provided herein, increase the Conversion Rate for the Notes so surrendered for conversion by a number of additional Common Shares (the "**Additional Shares**"), as described in this Section 4.06. A conversion of Notes shall be deemed for these purposes to be "in connection with" a Make-Whole Fundamental Change if the relevant Conversion Notice is received by the Conversion Agent during the period from, and including, the Effective Date of the Make-Whole Fundamental Change up to, and including, the Close of Business on the Business Day immediately prior to the related Fundamental Change Purchase Date or, if such Make-Whole Fundamental Change is not also a Fundamental Change, the 35th Business Day immediately following the Effective Date for such Make-Whole Fundamental Change (such period, the "**Make-Whole Fundamental Change Period**").

(b) *Cash Mergers*. Notwithstanding anything to the contrary herein, if the consideration paid to holders of the Common Shares in any Make-Whole Fundamental Change described in clause (2) of the definition of "Fundamental Change" is comprised entirely of cash, then, for any conversion of Notes following the Effective Date of such Make-Whole Fundamental Change, the payment and delivery obligations upon the conversion of a Note shall be calculated based solely on the Stock Price for such Make-Whole Fundamental Change and shall be deemed to be a cash amount equal to the applicable Conversion Rate (including any adjustment as described in this Article 4) multiplied by such Stock Price. In such event, the Company's conversion obligation will be determined and paid to Holders in cash on the third Business Day following the applicable Conversion Date. Otherwise, the Company will settle any conversion of the Notes following the Effective Date for a Make-Whole Fundamental Change in accordance with Section 4.03 hereof (but subject to Section 4.04 hereof).

(c) *Determining the Number of Additional Shares.* The number of Additional Shares, if any, by which the Conversion Rate will be increased for a Holder that converts its Notes in connection with a Make-Whole Fundamental Change shall be determined by reference to the table attached as Schedule A hereto, based on the Effective Date of such Make-Whole Fundamental Change and the price (the "**Share Price**") paid (or deemed paid) per Common Share in the Make-Whole Fundamental Change, as determined under

the two immediately following sentences. If the holders of the Common Shares receive only cash in a Make-Whole Fundamental Change described in clause (2) of the definition of "Fundamental Change," the Share Price shall be the cash amount paid per Common Share. Otherwise, the Share Price shall be the average of the Last Reported Sale Prices of the Common Shares over the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the Effective Date of the Make-Whole Fundamental Change.

(d) *Interpolation and Limits*. The exact Share Prices and Effective Dates may not be set forth in the table in Schedule A, in which case:

(i) if the Share Price is between two Share Prices in the table or the Effective Date is between two dates in the table, the number of Additional Shares shall be determined by a straight-line interpolation between the number of Additional Shares set forth for the higher and lower Share Prices and the earlier and later dates, as applicable, based on a 365- or 366-day year, as applicable;

(ii) if the Share Price is greater than $200.00 per share (subject to adjustment in the same manner as the Share Prices set forth in the column headings of the table in Schedule A hereof), no Additional Shares will be added to the Conversion Rate; and

(iii) if the Share Price is less than $69.02 per share (subject to adjustments in the same manner as the Share Prices set forth in the column headings of the table in Schedule A hereof), no Additional Shares will be added to the Conversion Rate.

Notwithstanding the foregoing, in no event will the Conversion Rate be increased on account of a Make-Whole Fundamental Change to exceed 14.4885 Common Shares per $1,000 principal amount of Notes, subject to adjustments in the same manner as the Conversion Rate is required to be adjusted as set forth in Section 4.04 hereof.

The Share Prices set forth in the column headings of the table in Schedule A hereto shall be adjusted as of any date on which the Conversion Rate of the Notes is otherwise required to be adjusted. The adjusted Share Prices shall equal the Share Prices applicable immediately prior to such adjustment, multiplied by a fraction, the numerator of which is the Conversion Rate immediately prior to such adjustment giving rise to the Share Price adjustment and the denominator of which is the Conversion Rate as so adjusted. The number of Additional Shares set forth in such table shall be adjusted in the same manner and at the same time as the Conversion Rate is required to be adjusted as set forth in Section 4.04.

(e) *Notices*. The Company shall notify the Holders of the Effective Date of any Make-Whole Fundamental Change and issue a press release announcing such Effective Date no later than five Business Days after such Effective Date.

Section 4.07 *Effect of Recapitalization, Reclassification, Consolidation, Merger or Sale*.

(a) *Merger Event*. In the case of:

(i) any recapitalization, reclassification or change of the Common Shares (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a split, subdivision or combination);

(ii) any consolidation, merger or combination involving the Company;

(iii) any sale, lease or other transfer to a third party of the consolidated assets of the Company and its Subsidiaries substantially as an entirety; or

(iv) any binding share exchange;

and, in each case, as a result of which the Common Shares would be converted into, or exchanged for, or represent solely the right to receive, shares, stock, other securities, other property or assets (including cash or any combination thereof) (such shares, stock, securities, property or assets, "**Reference Property**," and the amount and kind of Reference Property that a holder of one Common Share would be entitled to receive on account of such transaction, a "**Reference Property Unit**") (any such event, a "**Merger Event**"), then, notwithstanding anything to the contrary herein or in the Notes, at the effective time of such Merger Event, the consideration due upon conversion of any Notes, and the conditions to any such conversion, will be determined in the same manner as if each reference to any number of Common Shares in this Article 4 were instead a reference to the same number of Reference Property Units. For these purposes, the Daily VWAP or Last Reported Sale Price of any Reference Property Unit or portion thereof that does not consist of a class of securities will be the fair value of such Reference Property Unit or portion thereof, as applicable, determined in good faith by the Company (or in the case of cash denominated in U.S. Dollars, the face amount thereof). The Company (and such other Persons, if any, specified in the immediately following paragraph) shall, as a condition precedent to such Merger Event execute and deliver to the Trustee a supplemental indenture hereto in form reasonably satisfactory to the Trustee giving effect to the provisions of this Section 4.07.

The Company shall not become a party to any Merger Event unless its terms are consistent with this Section 4.07. Such supplemental indenture described in the first paragraph of this Section 4.07(a) shall provide for adjustments which shall be as nearly equivalent to the adjustments provided for in this Article 4 in the judgment of the Board of Directors or the board of directors of the successor Person. If, in the case of any such Merger Event, the Reference Property receivable thereupon by a holder of Common Shares includes shares of stock, securities or other property or assets (including cash or any combination thereof) of a Person other than the successor or purchasing Person, as the case may be, in such Merger Event, then such indenture shall also be executed by such other Person.

(b) *Notice of Supplemental Indentures*. The Company shall cause written notice of the execution of such supplemental indenture to be mailed to each Holder, at the address of such Holder as it appears on the register of the Notes maintained by the Registrar, within 20 calendar days after execution thereof. Failure to deliver such notice shall not affect the legality or validity of such supplemental indenture. The above provisions of this Section 4.07 shall similarly apply to successive Merger Events.

(c) *Composition of the Reference Property Unit.* If the Reference Property in any Merger Event consists of more than a single type of consideration (determined based in part upon any form of shareholder election), then the composition of the Reference Property Unit will be deemed to be (i) the weighted average, per Common Share, of the types and amounts of consideration received, per Common Share, by the holders of a majority of the Common Shares that affirmatively make such an election or (ii) if no holders of Common Shares affirmatively make such election, the types and amounts of consideration actually received by the holders of the Common Shares. The Company shall notify Holders of the weighted average as soon as practicable after such determination is made.

(d) *Adjustment to the Dividend Threshold.* In connection with any adjustment to the conversion right pursuant to this Section 4.07, the Company shall also adjust the Dividend Threshold based on the number of common shares comprising the reference property and (if applicable) the value of any non-stock consideration comprising the Reference Property. If the Reference Property is composed solely of non-stock consideration, then the Dividend Threshold shall be zero.

(e) *Cash Merger Events*. Notwithstanding anything to the contrary herein or in the Notes, if the Reference Property Unit consists entirely of cash, then the Company shall settle all conversions of Notes within three Business Days of the relevant Conversion Date.

Section 4.08 *Certain Covenants*.

(a) *Reservation of Shares.* To the extent necessary to satisfy its obligations under this Indenture, prior to issuing any Common Shares, the Company will reserve out of its authorized but unissued Common Shares a sufficient number of Common Shares to permit the conversion of the Notes.

(b) *Certain other Covenants.* The Company covenants that all Common Shares that may be issued upon conversion of Notes shall be issued in book-entry format, shall be newly issued shares or treasury shares, shall be duly authorized, validly issued, fully paid and non-assessable and shall be free from preemptive rights and free from any tax, lien or charge (other than those created by the Holder or due to a change in registered owner). The Company shall list or cause to have quoted any Common Shares to be issued upon conversion of Notes on each national securities exchange or over-the-counter or other domestic market on which the Common Shares are then listed or quoted. For the avoidance of doubt, the Company is under no obligation to register, under the Securities Act, the issuance of any Common Shares due upon settlement of the conversion of any Note.

Section 4.09 *Responsibility of Trustee*. The Trustee and any Conversion Agent shall not at any time be under any duty or responsibility to any Holder of Notes to determine or calculate the

Conversion Rate, to determine whether any facts exist which may require any adjustment of the Conversion Rate, or to confirm the accuracy of any such adjustment when made or the appropriateness of the method employed, or herein or in any supplemental indenture provided to be employed, in making the same. The Trustee and any other Conversion Agent shall not be accountable with respect to the validity or value (or the kind or amount) of any Common Shares or of any cash or other securities or property that may at any time be issued or delivered upon the conversion of any Notes; and the Trustee and the Conversion Agent make no representations with respect thereto. Neither the Trustee nor any Conversion Agent shall be responsible for any failure of the Company to issue, transfer or deliver any Common Shares or stock certificates or other securities or property or cash upon the surrender of any Notes for the purpose of conversion or to comply with any of the duties, responsibilities or covenants of the Company contained in this Article 4. The rights, privileges, protections, immunities and benefits given to the Trustee, including without limitation its right to be compensated, reimbursed and indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder, including its capacity as Conversion Agent.

Section 4.10 *Notice of Adjustment to the Trustee.* Whenever the Conversion Rate is adjusted as herein provided, the Company shall promptly (i) file with the Trustee and any Conversion Agent (if other than the Trustee) an Officer's Certificate setting forth the Conversion Rate after such adjustment and setting forth a brief statement of the facts requiring such adjustment; *provided* that unless and until a Responsible Officer of the Trustee shall have received such Officer's Certificate, the Trustee shall not be deemed to have knowledge of any adjustment of the Conversion Rate and may assume that the last Conversion Rate of which it has knowledge is still in effect and (ii) deliver written notice to the Holders, at his or her last address appearing on the Register provided for in Section 2.06 of this Indenture, stating that such adjustment has become effective and the Conversion Rate or conversion privilege as adjusted. Failure to deliver such notice shall not affect the legality, effectiveness or validity of any such adjustment and shall not be an Event of Default under this Indenture.

Section 4.11 *Notice to Holders.*

(a) *Notice to Holders Prior to Certain Actions.* The Company shall deliver written notices of the events specified below at the times specified below and containing the information specified below unless, in each case, (i) pursuant to this Indenture, the Company is already required to deliver notice of such event containing at least the information specified below at an earlier time or (ii) the Company, at the time it is required to deliver a notice, does not have knowledge of all of the information required to be included in such notice, in which case, the Company shall (A) deliver notice at such time containing only the information that it has knowledge of at such time (if it has knowledge of any such information at such time), and (B) promptly upon obtaining knowledge of any such information not already included in a notice delivered by the Company, deliver notice to each Holder containing such information. In each case, the failure by the Company to give such notice, or any defect therein, shall not affect the legality or validity of such event.

(i) *Issuances, Distributions, and Dividends and Distributions*. If the Company (A) announces any issuance of any rights, options or warrants that

would require an adjustment in the Conversion Rate pursuant to Section 4.04(b) hereof; (B) authorizes any distribution that would require an adjustment in the Conversion Rate pursuant to Section 4.04(c) hereof (including any separation of rights from the Common Shares described in Section 4.04(g) hereof); or (C) announces any dividend or distribution that would require an adjustment in the Conversion Rate pursuant to Section 4.04(d) hereof, then the Company shall deliver to the Holders, as promptly as practicable after the holders of the Common Shares are notified of such event, notice describing such issuance, dividend or distribution, as the case may be, and stating the expected Ex-Dividend Date and record date for such issuance, dividend or distribution, as the case may be. In addition, the Company shall deliver to the Holders written notice if the consideration included in such issuance, dividend or distribution, or the Ex-Dividend Date or record date of such issuance, dividend or distribution, as the case may be, changes.

(ii) *Tender and Exchange Offers.* If the Company announces any tender or exchange offer that could require an adjustment in the Conversion Rate pursuant to Section 4.04(e) hereof, the Company shall deliver to the Holders on the day it announces such tender or exchange offer, and, if the Company is required to file with the Commission a Schedule TO in connection with such tender or exchange offer, an additional written notice (i) when the Company first files such Schedule TO, which notice shall include the address at which such Schedule TO is available on the Commission's EDGAR system (or any successor thereto), and (ii) whenever the Company files an amendment to such Schedule TO, which notice shall include the address at which such amendment is available on the Commission's EDGAR system (or any successor thereto).

(iii) *Voluntary Increases*. If the Company increases the Conversion Rate pursuant to Section 4.05(b), the Company shall deliver notice to the Holders at least two Scheduled Trading Days prior to the date on which such increase will become effective, which notice shall state the date on which such increase will become effective and the amount by which the Conversion Rate will be increased.

(iv) *Dissolutions, Liquidations and Winding-Ups*. If there is a voluntary or involuntary dissolution, liquidation or winding-up of the Company, the Company shall deliver notice to the Holders at promptly as possible, but in any event prior to the earlier of (i) the date on which such dissolution, liquidation or winding-up, as the case may be, is expected to become effective or occur, and (ii) the date as of which it is expected that holders of Common Shares of record shall be entitled to exchange their Common Shares for securities or other property deliverable upon such dissolution, liquidation or winding-up, as the case may be, which notice shall state the expected effective date and record date for such event, as applicable, and the amount and kind of property that a holder of one Common Share is expected to be entitled, or may elect, to receive in such event. The Company shall deliver an additional written notice to Holders, as promptly as practicable, whenever the expected effective date or record date, as applicable, or the amount and kind of property that a holder of one Common Share is expect to be entitled to receive in such event, changes.

Section 4.12 *Certain Requirements of the New York Stock Exchange.*

Notwithstanding anything to the contrary herein or in the Notes, the Company shall not enter into any transaction, or take any other action, that would result in any increase to the Conversion Rate (whether pursuant to Section 4.04(b) through (e) or Section 4.06) that would result, in the aggregate, in the Notes being convertible into a number of Common Shares in excess of any limitations imposed by the continued listing standards of The New York Stock Exchange, without complying, if applicable, with the shareholder approval rules contained in such listing standards.

ARTICLE 5.
COVENANTS

Section 5.01 *Payment of Principal, Interest and Fundamental Change Purchase Price.*

The Company covenants and agrees that it will cause to be paid the principal of (including the Fundamental Change Purchase Price), accrued and unpaid interest, if any, on each of the Notes (and, for the avoidance of doubt, all related Additional Amounts, if applicable) at the places, at the respective times and in the manner provided herein and in the Notes.

Section 5.02 *Maintenance of Office or Agency.*

The Company will maintain in Los Angeles, California (or such other place in the continental United States), an office of the Paying Agent, an office of the Registrar and an office or agency where Notes may be surrendered for conversion ("**Conversion Agent**") and where notices and demands to or upon the Company in respect of the Notes and this Indenture may be served. The Company will give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office or the office or agency of the Trustee in Los Angeles, California.

The Company may also from time to time designate as co-registrars one or more other offices or agencies where the Notes may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; *provided* that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in Los Angeles, California (or such other place in the continental United States), for such purposes. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency. The terms "Paying Agent" and "Conversion Agent" include any such additional or other offices or agencies, as applicable.

The Company hereby initially designates the Trustee as the Paying Agent, Registrar, Custodian and Conversion Agent, and the Corporate Trust Office shall be considered as one such office or agency of the Company for each of the aforesaid purposes. The Company or its Affiliates may act as Paying Agent or Registrar, until and unless an Event of Default shall have occurred under this Indenture, at which time the Trustee shall be the Paying Agent.

With respect to any Global Note, the Corporate Trust Office of the Trustee or any Paying Agent shall be the place of payment where such Global Note may be presented or surrendered for payment or conversion or for registration of transfer or exchange, or where successor Notes may be delivered in exchange therefor; *provided, however*, that any such payment, conversion, presentation, surrender or delivery effected pursuant to the Applicable Procedures for such Global Note shall be deemed to have been effected at the place of payment for such Global Note in accordance with the provisions of this Indenture.

Section 5.03 *Provisions as to Paying Agent.*

(a) If the Company shall appoint a Paying Agent other than the Trustee, the Company will cause such Paying Agent to execute and deliver to the Trustee an instrument in which such agent shall agree with the Trustee, subject to the provisions of this Section 5.03:

(i) that it will hold all sums held by it as such agent for the payment of the principal of, any premium on, accrued and unpaid interest, if any, on, or any Fundamental Change Purchase Price for, the Notes (and, for the avoidance of doubt, all related Additional Amounts, if applicable) held in trust for the benefit of the holders of the Notes;

(ii) that it will give the Trustee prompt written notice of any failure by the Company to make any payment of the principal of, any premium on, accrued and unpaid interest, if any, on, or any Fundamental Change Purchase Price for, the Notes when the same shall be due and payable; and

(iii) that at any time during the continuance of an Event of Default, upon request of the Trustee, it will forthwith pay to the Trustee all sums so held in trust.

The Company shall, on or before each due date of the principal of, any premium on, accrued and unpaid interest, if any, on, or any Fundamental Change Purchase Price for, the Notes, deposit with the Paying Agent a sum sufficient to pay such principal, premium, accrued and unpaid interest, or any Fundamental Change Purchase Price (and, for the avoidance of doubt, all related Additional Amounts, if applicable), as the case may be, and (unless such Paying Agent is the Trustee) the Company will promptly notify the Trustee in writing of any failure to take such action, *provided* that, if such deposit is made on the due date, such deposit must be received by the Paying Agent by 11:00 a.m., New York City time, on such date.

(b) If the Company shall act as its own Paying Agent, it will, on or before each due date of the principal of, any premium on, accrued and unpaid interest, if any, on, or any Fundamental Change Purchase Price for, the Notes, set aside, segregate and hold in trust for the benefit of the Holders of the Notes a sum sufficient to pay such amount (and, for the avoidance of doubt, all related Additional Amounts, if applicable), so

becoming due and will promptly notify the Trustee in writing of any failure to take such action and of any failure by the Company to make any such payment when the same shall become due and payable.

(c) Anything in this Section 5.03 to the contrary notwithstanding, the Company may, at any time, for the purpose of obtaining a satisfaction and discharge of this Indenture, or for any other reason, pay or cause to be paid to the Trustee all sums held in trust by the Company or any Paying Agent hereunder as required by this Section 5.04, such sums to be held by the Trustee upon the trusts herein contained and upon such payment by the Company or any Paying Agent to the Trustee, the Company or such Paying Agent shall be released from all further liability with respect to such sums.

(d) Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of, any premium on, accrued and unpaid interest, if any, on, or any Fundamental Change Purchase Price for, any Note and remaining unclaimed for two years after such principal, premium, accrued and unpaid interest, or any Fundamental Change Purchase Price has become due and payable shall be paid to the Company on request of the Company contained in an Officer's Certificate, or (if then held by the Company) shall be discharged from such trust; and the Holder of such Note shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease;

(e) To the extent the Company maintains a Paying Agent in a member state of the European Union, the Company will ensure that it maintains at least one Paying Agent in a member state of the European Union that will not be obligated to withhold or deduct tax pursuant to the European Union Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of November 26 and 27, 2000 on the taxation of savings income, or any law implementing, or complying with or introduced in order to conform to, such directive.

Section 5.04 *Reports.*

The Company will file with the Trustee, within 15 calendar days after it is required to file the same with the Commission (after giving effect to any grace period provided by Rule 12b-25 under the Exchange Act), copies of the quarterly and annual reports and of the information, documents and other reports, if any, that it is required to file with the Commission pursuant to Section 13 or 15(d) of the Exchange Act. Any such report, information or document that the Company files with the Commission through the EDGAR system (or any successor thereto) will be deemed to be delivered to the Trustee for the purposes of this Section 5.04 at the time of such filing through the EDGAR system (or such successor thereto); *provided, however*, that the Trustee shall have no responsibility to determine whether such filings have been made;*provided, further*, that the Company shall not be required to deliver to the Trustee any material for which the Company is in good faith seeking, or has received, confidential treatment by the Commission.

Delivery of any such reports, information and documents to the Trustee shall be for informational purposes only, and the Trustee's receipt of such reports, information and documents shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officer's Certificates).

At any time the Company is not subject to Section 13 or 15(d) of the Exchange Act, the Company will, so long as any of the Notes or the Common Shares, if any, delivered upon conversion of the Notes will, at such time, constitute "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, promptly provide to the Trustee and will, upon written request, provide to any Holder, beneficial owner or prospective purchaser of such Notes or such Common Shares the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act to facilitate the resale of such Notes or such Common Shares pursuant to Rule 144A under the Securities Act. The Company shall take such further action as any Holder or beneficial owner of any Note or such Common Shares may reasonably request from time to time to enable such Holder or beneficial owner to sell such Notes or Common Shares in accordance with Rule 144A under the Securities Act, as such rule may be amended from time to time.

Section 5.05 *Statements as to Defaults.* The Company is required to deliver to the Trustee, within 120 days after the end of each fiscal year, an Officer's Certificate stating whether or not to the knowledge of the signers thereof the Company is in default in the performance and observance of any of the terms, provisions and conditions of this Indenture (without regard to any period of grace or requirement of notice provided under this Indenture) and, if the Company is in default, specifying all such Default or Event of Defaults and the nature and the status thereof of which they may have knowledge. In addition, the Company shall deliver to the Trustee, as soon as possible, and in any event within 30 calendar days after the Company becomes aware of the occurrence of any Default or Event of Default, an Officer's Certificate setting forth the details of such Default or Event of Default, its status and the action that the Company proposes to take with respect thereto. Such Officer's Certificate shall also comply with any additional requirements set forth in Section 5.07 hereof. The Trustee shall not be deemed to have notice of any Default or Event of Default unless a Responsible Officer of the Trustee has actual knowledge thereof.

Section 5.06 *Additional Interest Notice*. If Additional Interest is payable by the Company pursuant to Section 5.08 hereof or Section 6.03 hereof, the Company shall deliver to the Trustee an Officer's Certificate, prior to the Regular Record Date for each applicable Interest Payment Date, to that effect stating (a) the amount of such Additional Interest that is payable and (b) the date on which such interest is payable. Unless and until a Responsible Officer of the Trustee receives at the Corporate Trust Office such a certificate, the Trustee may assume without inquiry that no such Additional Interest is payable. If the Company has paid Additional Interest directly to the Persons entitled to it, the Company shall deliver to the Trustee an Officer's Certificate setting forth the particulars of such payment.

Section 5.07 *Compliance Certificate and Opinions of Counsel*.

(a) Except as otherwise expressly provided in this Indenture, upon any application or request by the Company to the Trustee to take any action under any provision of this Indenture, the Company shall furnish to the Trustee an Officer's Certificate stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with, except that in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or request, no additional certificate or opinion need be furnished.

(b) Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include:

(i) a statement that each individual signing such certificate or opinion has read such covenant or condition and the definitions herein relating thereto;

(ii) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(iii) a statement that, in the opinion of each such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(iv) a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

(c) All applications, requests, certificates, statements or other instruments given under this Indenture shall be without personal recourse to any individual giving the same and may include an express statement to such effect.

Section 5.08 *Additional Interest*.

(a) If, at any time during the six-month period beginning on, and including, the date which is six months after the Last Original Issuance Date of any Notes, the Company fails to timely file any periodic report that the Company is required to file with the Commission pursuant to Section 13 or 15(d) of the Exchange Act, as applicable (other than current reports on Form 8-K), or such Notes are not otherwise freely tradable (including pursuant to Rule 144) by Holders other than "persons" who are, or, at any time during the three months immediately preceding the date of the proposed transfer, were "affiliates" (as such terms are defined in Rule 144) (whether as a result of restrictions pursuant to U.S. securities law or the terms of the Indenture or the Notes) ("**Freely Tradable**"), the Company shall pay Additional Interest that will accrue on such Notes at the rate of 0.50% per annum of the principal amount of such Notes then Outstanding for

each day during such period for which the Company's failure to file has occurred and is continuing or for which the restrictions on transfer are applicable; *provided* that such period shall end on the date that is one year from the Last Original Issuance Date of such Notes.

(b) The Company will use its reasonable best efforts to cause each Note, to bear an unrestricted CUSIP number no later than the 365th day after the Last Original Issuance Date of such Note, subject to the Depositary's procedures. If, and for so long as, the Restricted Notes Legend has not been removed from any Notes, any Notes are assigned a restricted CUSIP number or any Notes are not otherwise Freely Tradable, in each case as of the 365th day after the Last Original Issuance Date of such Notes, the Company will pay Additional Interest on such Notes. Such Additional Interest will accrue on such Notes at the rate of 0.50% per annum of the principal amount of such Notes then Outstanding until such Restricted Notes Legend is removed, such Notes are assigned an unrestricted CUSIP number and such Notes are Freely Tradable. At such time as the Company notifies the Trustee to remove the Restricted Notes Legend from any Notes, such legend will be deemed removed from any Global Note representing such Notes and an unrestricted CUSIP number for such Notes will be deemed to be the CUSIP number for such Notes.

(c) Such Additional Interest that is payable shall be payable in arrears on each Interest Payment Date following accrual in the same manner as regular interest on the Applicable Notes, and will be separate and distinct from, and in addition to, any Additional Interest that may accrue at the Company's election as the sole remedy relating to a Reporting Event of Default pursuant to Section 6.03 hereof.

Section 5.09 *Corporate Existence*. Subject to Article 9, the Company will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence, rights (charter and statutory) and franchises; *provided*, *however*, that the Company shall not be required to preserve any such right or franchise if, in the judgment of the Company, the preservation thereof is no longer desirable in the conduct of the business of the Company.

Section 5.10 *Restriction on Resales*. The Company shall not, and shall procure that no Affiliate of the Company shall, resell any of the Notes that have been reacquired by the Company or any of such Affiliate.

Section 5.11 *Company to Furnish Trustee Names and Addresses of Holders.* The Registrar will preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of all Holders. If at any time the Trustee is not the Registrar, the Company will furnish or cause to be furnished to the Trustee

(a) semi-annually, not later than the 15th day after each Regular Record Date, a list, in such form as the Trustee may reasonably require, containing all the information in the possession or control of the Company, or any of its Paying Agents other than the Trustee, of the names and addresses of the Holders, as of such preceding Regular Record Date, and

(b) at such other times as the Trustee may request in writing, within 30 days after the receipt by the Company of any such request, a list of similar form and content as of a date not more than 15 days prior to the time such list is furnished.

ARTICLE 6.
REMEDIES

Section 6.01 *Events of Default*. Each of the following events shall be an "**Event of Default**" with respect to the Notes:

(a) default in any payment of interest on any Note when due and payable, and the default continues for a period of 30 calendar days;

(b) default in the payment of the principal or premium, if any, on any Note (including the Fundamental Change Purchase Price) when due and payable on the Maturity Date, upon required repurchase, upon declaration of acceleration or otherwise;

(c) failure by the Company to comply with its obligations under Article 4 hereof to convert the Notes into cash and, if applicable, Common Shares upon exercise of a Holder's conversion right and such failure continues for three (3) Business Days;

(d) failure by the Company to comply with its obligations under Article 9 hereof;

(e) failure by the Company to issue a notice in accordance with the provisions of Section 3.02 hereof or Section 4.01(b)(iii) or (iv) hereof;

(f) failure by the Company for 60 days after written notice from the Trustee or the Holders of at least 25% in principal amount of the Notes then Outstanding (a copy of which notice, if given by Holders, must also to be given to the Trustee) has been received by the Company to comply with any of its other agreements contained in the Notes or this Indenture (other than a covenant or warranty a default in whose performance or whose breach is elsewhere in this Section 6.01 specifically provided for or that is not applicable to the Notes), which notice shall state that it is a "**Notice of Default**" hereunder;

(g) default by the Company or any of its Subsidiaries with respect to any mortgage, agreement or other instrument under which there may be outstanding, or by which there may be secured or evidenced, any indebtedness for money borrowed in excess of $100,000,000 (or its foreign currency equivalent at the time) in the aggregate of the Company and/or any of the Subsidiaries of the Company, whether such indebtedness now exists or shall hereafter be created (i) resulting in such indebtedness becoming or being declared due and payable or (ii) constituting a failure to pay the principal or interest of any such indebtedness when due and payable at its stated maturity, upon redemption, upon required repurchase, upon declaration of acceleration or otherwise;

(h) a final judgment for the payment of $100,000,000 (or its foreign currency equivalent at the time) or more (excluding any amounts covered by insurance or bond)

rendered against the Company or any of its Significant Subsidiaries by a court of competent jurisdiction, which judgment is not discharged, stayed, vacated, paid or otherwise satisfied within 60 days after (i) the date on which the right to appeal thereof has expired if no such appeal has commenced, or (ii) the date on which all rights to appeal have been extinguished; or

(i) the Company or any Significant Subsidiary of the Company shall commence a voluntary case or other proceeding seeking the liquidation, reorganization or other relief with respect to the Company or such Significant Subsidiary or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of the Company or such Significant Subsidiary of the Company or any substantial part of the Company's or such Significant Subsidiary of the Company's property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due; or

(j) an involuntary case or other proceeding shall be commenced against the Company or any Significant Subsidiary of the Company seeking liquidation, reorganization or other relief with respect to the Company or such Significant Subsidiary of the Company or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of the Company or such Significant Subsidiary of the Company or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 90 consecutive days.

Section 6.02 *Acceleration; Rescission and Annulment*.

(a) If an Event of Default (other than an Event of Default specified in Section 6.01(i) hereof or Section 6.01(j) hereof with respect to the Company) occurs and is continuing, and is known to a Responsible Officer of the Trustee, the Trustee by notice to the Company, or the Holders of at least 25% in principal amount of the Notes then Outstanding by written notice to the Company and the Trustee, may, and the Trustee at the request of such Holders shall, declare 100% of the principal of, premium, if any, and accrued and unpaid interest, if any, on all the Notes then Outstanding to be due and payable immediately. If an Event of Default specified in Section 6.01(i) or Section 6.01(j) with respect to the Company occurs and is continuing, 100% of the principal of, premium, if any, and accrued and unpaid interest, if any, on all Notes shall automatically become due and payable.

(b) Notwithstanding anything to the contrary herein, the provisions of Section 6.02(a), however, are subject to the conditions that if, at any time after the principal of, and accrued and unpaid interest, if any, on, the Notes shall have been so declared due and payable, and before any judgment or decree for the payment of the monies due shall have been obtained as herein provided:

(i) the Company pays or delivers, as the case may be, or deposits with the Trustee an amount of cash and the number of Common Shares, if any (solely to settle outstanding conversions), sufficient to pay all matured installments of interest upon all the Notes, all cash and Common Shares, if any, due upon the conversion of any and all converted Notes, and the principal of and accrued and unpaid interest, if any, on all Notes which shall have become due otherwise than by acceleration (with interest on such principal and, to the extent that payment of such interest is enforceable under applicable law, on overdue installments of interest, at the rate or rates, if any, specified in the Notes to the date of such payment or deposit), and such amount as shall be sufficient to cover all amounts owing under the Indenture to the Trustee and its agents and counsel;

(ii) rescission would not conflict with any judgment or decree of a court of competent jurisdiction; and

(iii) any and all Events of Default under this Indenture, other than the non-payment of the principal of the Notes that became due because of the acceleration, shall have been cured, waived or otherwise remedied as provided herein,

then, the Holders of a majority of the aggregate principal amount of Notes then Outstanding, by written notice to the Company and to the Trustee, may waive all Defaults and Events of Default with respect to the Notes (other than a Default or an Event of Default resulting from the failure to pay the Fundamental Change Purchase Price, to pay or deliver, as the case may be, the amount of cash and, if applicable, Common Shares due upon conversion of a Note, or with respect to another covenant or provision of the Indenture that cannot be modified or amended without the consent of each affected Holder) and may rescind and annul the declaration of acceleration resulting from such Defaults or Events of Default (other than those resulting from the failure to pay the Fundamental Change Purchase Price, to pay or deliver, as the case may be, the amount of cash and, if applicable, Common Shares due upon conversion of a Note, or with respect to another covenant or provision of the Indenture that cannot be modified or amended without the consent of each affected Holder) and their consequences; *provided, however*, that no such rescission or annulment will extent to or will affect any subsequent Default or shall impair any right consequent on such Default.

Section 6.03 *Additional Interest*.

(a) Notwithstanding Section 6.02 hereof, to the extent the Company elects, the sole remedy for an Event of Default under Section 6.01(f) relating to the Company's failure to comply with Section 5.04 hereof (such Event of Default, a "**Reporting Event of Default**"), will consist exclusively of the right to receive Additional Interest on the Notes at a rate per year equal (i) 0.25% per annum of the principal amount of the Notes outstanding for each day during the first 90 days such Event of Default has occurred and is continuing, beginning on and including, the day on which such Event of Default occurred and (ii) 0.50% of the principal amount of the Notes outstanding for each day during the next 90 days such Event of Default has occurred and is continuing, beginning

on, and including, the 91st day after the day such Event of Default occurred. Such Additional Interest shall be payable in arrears at the same time and in the same manner as regular interest on the Notes.

(b) On the 181st day after the date on which the Reporting Event of Default occurred (if such Reporting Event of Default has not been cured or waived prior to such 181st day), the Notes will be subject to acceleration as provided in Section 6.02(a) hereof.

(c) In order to elect to pay the Additional Interest as the sole remedy during the first 180 days after the occurrence of a Reporting Event of Default, the Company must notify all Holders, the Trustee and the Paying Agent of such election prior to the beginning of such 180-day period. Upon the Company's failure to timely give such notice, the Notes shall be immediately subject to acceleration as provided in Section 6.02 hereof. In the event the Company does not elect to pay Additional Interest following a Reporting Event of Default or the Company elected to pay Additional Interest but does not pay the Additional Interest when due, the Notes will be subject to acceleration as provided in Section 6.02 hereof. Except as provided in the Section 6.03(d) below, nothing in this Section 6.03 shall affect the rights of Holders of Notes in the event of the occurrence of any other Event of Default.

(d) Such Additional Interest will be payable in arrears on each Interest Payment Date following accrual in the same manner as regular interest on the Notes and will be separate and distinct from, and in addition to, any Additional Interest that may accrue pursuant to Section 5.08. In the event that the Company is required to pay Additional Interest to holders of Notes pursuant to this Indenture, the Company will provide written notice ("**Additional Interest Notice**") to the Trustee of its obligation to pay Additional Interest no later than fifteen days prior to the proposed payment date for the Additional Interest, and the Additional Interest Notice shall set forth the amount of Additional Interest to be paid by the Company on such payment date. The Trustee shall not at any time be under any duty or responsibility to any holder of Notes to determine the Additional Interest, or with respect to the nature, extent, or calculation of the amount of Additional Interest owed, or with respect to the method employed in such calculation of the Additional Interest.

(e) No Additional Interest described in this Section 6.03 shall accrue on account of a Reporting Event of Default, and no right to declare the principal or other amounts due and payable in respect of the Notes shall exist on account of a Reporting Event of Default once such Reporting Event of Default has been cured.

Section 6.04 *Control by Majority.* At any time, the Holders of a majority of the aggregate principal amount of the then Outstanding Notes may direct in writing the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture or, subject to the Trustee's duties under Article 11 hereof, that the Trustee determines to be unduly prejudicial to the rights of a Holder or to the Trustee, or that would involve the Trustee in personal liability. Prior to taking any action hereunder, the Trustee will be entitled to indemnification satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action.

Section 6.05 *Limitation on Suits.* Subject to Section 6.06 hereof, no Holder may pursue a remedy with respect to this Indenture or the Notes unless:

(a) such Holder has previously delivered to the Trustee written notice that an Event of Default has occurred and is continuing;

(b) the Holders of at least 25% of the aggregate principal amount of the then Outstanding Notes deliver to the Trustee a written request that the Trustee pursue a remedy with respect to such Event of Default;

(c) such Holder or Holders have offered and, if requested, provided to the Trustee reasonable indemnity satisfactory to the Trustee against any loss, liability or other expense of compliance with such written request;

(d) the Trustee has not complied with such written request within 60 days after receipt of such written request and offer of indemnity or security; and

(e) during such 60-day period, the Holders of a majority of the aggregate principal amount of the then Outstanding Notes did not deliver to the Trustee a direction inconsistent with such written request.

Section 6.06 *Rights of Holders to Receive Payment and to Convert* Notwithstanding anything to the contrary elsewhere in this Indenture, the right, which is absolute and unconditional, of any Holder to receive payment of the principal of, interest on, the Fundamental Change Purchase Price for, on or after the respective due date, and to convert its Notes and receive the payment or delivery of cash and, if applicable, Common Shares due with respect to such Notes in accordance with Article 4 hereof (including, for the avoidance of doubt, the right to receive any related Additional Amounts, if applicable), or to bring suit for the enforcement of any such payment or conversion rights, will not be impaired or affected without the consent of such Holder and will not be subject to the requirements of Section 6.05 hereof.

Section 6.07 *Collection of Indebtedness; Suit for Enforcement by Trustee* If an Event of Default specified in Section 6.01(a), 6.01(b) or 6.01(c) hereof occurs and is continuing, the Trustee is authorized to recover judgment in its own name and as trustee of an express trust against the Company for the whole amount of principal of, interest on, the Fundamental Change Purchase Price for, and the amount of cash and, if applicable, Common Shares due upon the conversion of, the Notes, as the case may be, and such further amount as is sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, as well as any other amounts that may be due under Section 10.07 hereof.

Section 6.08 *Trustee May Enforce Claims Without Possession of Notes.* All rights of action and claims under this Indenture or the Notes may be prosecuted and enforced by the Trustee without the possession of any of the Notes or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as

trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the compensation, and reasonable expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders in respect of which such judgment has been recovered.

Section 6.09 *Trustee May File Proofs of Claim.* The Trustee is authorized to file such proofs of claim and other papers or documents as may be necessary or advisable to have the claims of the Trustee and the Holders allowed in any judicial proceedings relative to the Company, its creditors or its property and, unless prohibited by law or applicable regulations, will be entitled to collect, receive and distribute any money or other property payable or deliverable on any such claims, and any custodian in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee, and, in the event that the Trustee consents to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 10.07 hereof. To the extent that the payment of any such compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 10.07 hereof out of the estate in any such proceeding, will be denied for any reason, payment of the same will be secured by a lien on, and is paid out of, any and all distributions, dividends, money, securities and other properties that the Holders may be entitled to receive in such proceeding, whether in liquidation or under any plan of reorganization or arrangement or otherwise. Nothing herein contained will be deemed to authorize the Trustee to authorize or consent to, or to accept or to adopt on behalf of any Holder, any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

Section 6.10 *Restoration of Rights and Remedies*. If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case, subject to any determination in such proceeding, the Company, the Trustee and the Holders shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

Section 6.11 *Rights and Remedies Cumulative*. Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Notes in Section 2.09 hereof, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 6.12 *Delay or Omission Not a Waiver*. No delay or omission of the Trustee or of any Holder to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article 6 or by law to the Trustee or to the Holders may be exercised from time to time and as often as may be deemed expedient by the Trustee (subject to the limitations contained in this Indenture) or by the Holders, as the case may be.

Section 6.13 *Priorities*. If the Trustee collects any money pursuant to this Article 6, it will pay out the money in the following order:

FIRST: to the Trustee, its agents and attorneys for amounts due under this Indenture, including payment of all compensation, expenses and liabilities incurred, and all advances made, by the Trustee and the costs and expenses of collection;

SECOND: to the Holders, for any amounts due and unpaid on the principal of, premium on, accrued and unpaid interest on, Fundamental Change Purchase Price for, and any cash due upon conversion of, any Note, without preference or priority of any kind, according to such amounts due and payable on all of the Notes; and

THIRD: the balance, if any, to the Company or to such other party as a court of competent jurisdiction directs.

The Trustee may fix a record date and payment date for any payment to the Holders pursuant to this Section 6.13. If the Trustee so fixes a record date and a payment date, at least 15 calendar days prior to such record date, the Trustee will deliver to each Holder a written notice, which notice will state such record date, such payment date and the amount of such payment.

Section 6.14 *Undertaking for Costs*. All parties to this Indenture agree, and each Holder, by such Holder's acceptance of a Note, shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; *provided*, *however*, that the provisions of this Section 6.14 shall not apply to any suit instituted by the Trustee, to any suit instituted by any Holder, or group of Holders, holding in the aggregate more than 10% in aggregate principal amount of the Notes then Outstanding, or to any suit instituted by any Holder for the enforcement of the payment of the principal of, any premium on, accrued and unpaid interest, if any, on, Fundamental Change Purchase Price for, any Note on or after the due date expressed or provided for in this Indenture or to any suit for the enforcement of the right to convert any Note in accordance with the provisions of Article 4 hereof (or, for the avoidance of doubt, to enforce the payment of any related Additional Amounts, if applicable).

Section 6.15 *Waiver of Stay, Extension and Usury Laws.* The Company covenants that, to the extent that it may lawfully do so, it will not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law wherever enacted, now or at any time hereafter in force, that may affect the covenants or the performance of this Indenture; and the Company, to the extent that it may lawfully do so, hereby expressly waives all benefit or advantage of any such law, and covenants that it will not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but will instead suffer and permit the execution of every such power as though no such law has been enacted.

ARTICLE 7.
SATISFACTION AND DISCHARGE

Section 7.01 *Discharge of Liability on Notes.* When (a) the Company shall deliver to the Registrar for cancellation all Notes theretofore authenticated (other than any Notes that have been destroyed, lost or stolen and in lieu of or in substitution for which other Notes shall have been authenticated and delivered) and not theretofore canceled, or (b) all the Notes not theretofore canceled or delivered to the Trustee for cancellation shall have become due and payable (whether on the Maturity Date, on any Fundamental Change Purchase Date, upon conversion or otherwise) and the Company shall deposit with the Trustee, in trust, or deliver to the Holders, an amount of cash and, if applicable, Common Shares (solely to settle amounts due with respect to outstanding conversions), sufficient to pay all amounts due on all of such Notes (other than any Notes that shall have been mutilated, destroyed, lost or stolen and in lieu of or in substitution for which other Notes shall have been authenticated and delivered) not theretofore canceled or delivered to the Trustee for cancellation, including principal and interest due, accompanied, except in the event the Notes are due and payable solely in cash at the Maturity Date or upon an earlier Fundamental Change Purchase Date, by a verification report as to the sufficiency of the deposited amount from an independent certified accountant or other financial professional reasonably satisfactory to the Trustee, and if the Company shall also pay or cause to be paid all other sums payable hereunder by the Company, then this Indenture shall cease to be of further effect (except as to (i) rights hereunder of Holders to receive from such trust all amounts owing upon the Notes and the other rights, duties and obligations of Holders, as beneficiaries hereof with respect to the amounts, if any, so deposited with the Trustee and (ii) the rights, obligations and immunities of the Trustee hereunder), and the Trustee, on written demand of the Company accompanied by an Officer's Certificate and an Opinion of Counsel and at the cost and expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture; the Company, however, hereby agrees to reimburse the Trustee for any costs or expenses thereafter reasonably incurred by the Trustee, including the fees and expenses of its counsel, and to compensate the Trustee for any services thereafter reasonably rendered by the Trustee in connection with this Indenture or the Notes.

Section 7.02 *Deposited Monies to Be Held in Trust by Trustee.* Subject to Section 7.04 hereof, all monies and Common Shares, as the case may be, deposited with the Trustee pursuant to Section 7.01 hereof shall be held in trust for the sole benefit of the Holders of the Notes, and such monies and Common Shares shall be applied by the Trustee to the payment, either directly or through any Paying Agent (including the Company if acting as its own Paying Agent), to the Holders of the particular Notes for the payment or settlement of which such monies or Common Shares, or both, as the case may be, have been deposited with the Trustee, of all sums or amounts due and to become due thereon for principal and interest, if any.

Section 7.03 *Paying Agent to Repay Monies Held.* Upon the satisfaction and discharge of this Indenture, all monies and Common Shares, as the case may be, then held by any Paying Agent (if other than the Trustee) shall, upon written request of the Company, be repaid to it or paid to the Trustee, and thereupon such Paying Agent shall be released from all further liability with respect to such monies and Common Shares, or both, as the case may be.

Section 7.04 *Return of Unclaimed Monies.* Subject to the requirements of applicable law, any monies and Common Shares deposited with or paid to the Trustee for payment of the principal of or interest, if any, on the Notes and not applied but remaining unclaimed by the Holders of the Notes for two (2) years after the date upon which the principal of or interest, if any, on such Notes, as the case may be, shall have become due and payable, shall be repaid to the Company by the Trustee on demand, and all liability of the Trustee shall thereupon cease with respect to such monies and Common Shares; and the Holder shall thereafter look only to the Company for any payment or delivery that such Holder may be entitled to collect unless an applicable abandoned property law designates another Person.

Section 7.05 *Reinstatement*. If the Trustee or the Paying Agent is unable to apply any money or Common Shares, or both, as the case may be, in accordance with Section 7.02 hereof by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Company's obligations under the Indenture and the Notes shall be revived and reinstated as though no deposit had occurred pursuant to Section 7.01 hereof until such time as the Trustee or the Paying Agent is permitted to apply all such money and Common Shares in accordance with Section 7.02 hereof; *provided*, *however*, that if the Company makes any payment of interest on, principal of or payment or delivery in respect of any Note following the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Notes to receive such payment from the money or Common Shares, if any, held by the Trustee or Paying Agent.

ARTICLE 8.
SUPPLEMENTAL INDENTURES

Section 8.01 *Supplemental Indentures Without Consent of Holders*.

Without the consent of any Holder, the Company and the Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

(a) to cure any ambiguity, omission, defect or inconsistency in this Indenture or the Notes that does not adversely affect the rights of the Holders in any material respect;

(b) to conform the terms of this Indenture or the Notes to the "Description of the Notes" in the Preliminary Offering Memorandum, as supplemented by the pricing term sheet related to the offering of the Notes as evidenced in an Officer's Certificate delivered by the Company to the Trustee;

(c) (i) to evidence the succession by a Successor Company and to provide for the assumption by a Successor Company of the Company's obligations under the Indenture and (ii) to make any changes necessary to provide for conversion of the Notes into cash and, if applicable, Reference Property (including with respect to any changes to the Dividend Threshold);

(d) to add guarantees with respect to the Notes;

(e) to secure the Notes;

(f) to add to the Company's covenants such further covenants, restrictions or conditions for the benefit of the Holders or surrender any right or power conferred upon the Company by the Indenture;

(g) to make any other change that does not adversely affect the rights of any Holder (other than any Holder that consents to such change);

(h) to provide for a successor Trustee; or

(i) to comply with the Applicable Procedures.

Section 8.02 *Supplemental Indentures With Consent of Holders*.

With the consent of the Holders of not less than a majority in principal amount of the Outstanding Notes affected by such supplemental indenture (including, without limitation, consents obtained in connection with a purchase of, or tender or exchange offer for, Notes), (i) the Company, and the Trustee may enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of modifying in any manner the rights of the Holders under this Indenture and (ii) any past Default or compliance with any covenants or provisions of this Indenture may be waived (other than a Default or an Event of Default resulting from the failure to pay the principal of, interest on, the Fundamental Change Purchase Price for, or to pay or deliver, as the case may be, the amount of cash and, if applicable, Common Shares due upon conversion of a Note (and, for the avoidance of doubt, any related Additional Amounts, if applicable)); *provided*, *however*, that no such supplemental indenture or waiver shall, without the consent of the Holder of each Outstanding Note affected thereby:

(a) reduce the percentage in aggregate principal amount of Notes then Outstanding necessary to waive any past Default or Event of Default;

(b) reduce the rate of interest on any Note or extend the time for payment of interest on any Note;

(c) reduce the principal of or premium, if any, on any Note or change the Maturity Date of any Note;

(d) change the place or currency of payment on any Note;

(e) make any change that impairs or adversely affects the conversion rights of any Notes;

(f) reduce the Fundamental Change Purchase Price of any Note or amend or modify in any manner adverse to the rights of the Holders of the Notes the Company's obligation to pay the Fundamental Change Purchase Price, whether through an amendment or waiver of provisions in the covenants, definitions or otherwise;

(g) impair the right of any Holder of Notes to receive payment of principal of, and interest, if any, on, its Notes, or the right to receive payment or delivery, as the case may be, of the amount of cash and, if applicable, Common Shares due upon conversion of its Notes on or after the due dates therefor or to institute suit for the enforcement of any such payment or delivery, as the case may be, with respect to such Holder's Notes;

(h) modify the ranking provisions of this Indenture in a manner that is adverse to the rights of the Holders of the Notes;

(i) modify any provision of this Indenture relating to the payment of Additional Amounts in a manner that is adverse to any Holders of the Notes; or

(j) make any change to the provisions of this Article 8 that requires each Holder's consent or in the waiver provisions of this Indenture if such change is adverse to the rights of Holders of the Notes.

It shall not be necessary for any Act or consent of Holders under this Section 8.02 to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act or consent shall approve the substance thereof. The Company may, but shall not be obligated to, fix a record date for the purpose of determining the Persons entitled to consent to any indenture supplemental hereto. If a record date is fixed, the Holders on such record date, or their duly designated proxies, and only such Persons, shall be entitled to consent to such supplemental indenture, whether or not such Holders remain Holders after such record date; *provided* that, unless such consent shall have become effective by virtue of the requisite percentage having been obtained prior to the date which is 90 calendar days after such record date, any such consent previously given shall automatically and without further action by any Holder be cancelled and of no further effect.

Section 8.03 *Notice of Amendment or Supplement.* After an amendment or supplement under this Article 8 becomes effective, the Company shall provide to the Holders a written notice briefly describing such amendment or supplement. However, the failure to give such notice to all the Holders, or any defect in the notice, shall not impair or affect the validity of the amendment or supplement.

Section 8.04 *Trustee to Sign Amendments, Etc.* The Trustee shall sign any amendment or supplement authorized pursuant to this Article 8 if the amendment or supplement does not adversely affect the rights, duties, liabilities or immunities of the Trustee. If it does, the Trustee may, but need not, sign it. In signing or refusing to sign such amendment or supplement, the Trustee shall receive, and, shall be fully protected in conclusively relying upon, an Officer's Certificate and an Opinion of Counsel provided at the expense of the Company providing that such amendment or supplement is authorized or permitted by the Indenture and is the legal, valid and binding obligation of the Company, enforceable against it in accordance with its terms.

ARTICLE 9.
SUCCESSOR COMPANY

Section 9.01 *Company May Consolidate, Etc. on Certain Terms.* The Company shall not amalgamate or consolidate with, consummate a binding share exchange with, merge with or into or convey, transfer or lease its properties and assets substantially as an entirety to another Person, unless:

(a) the resulting, surviving transferee or successor Person (the "**Successor Company**"), if not the Company, shall be (and, if the Company will remain a party to the Notes and this Indenture after giving effect to such transaction and the requirements in respect thereof under this Indenture, is) a corporation organized or incorporated and existing under the laws of the Cayman Islands, the United Kingdom, the Republic of Ireland or the United States of America, any State thereof or the District of Columbia, and the Successor Company (if not the Company) shall expressly assume, by supplemental indenture, executed and delivered to the Trustee, in form satisfactory to the Trustee, all of the obligations of the Company under the Notes and this Indenture as applicable to the Notes;

(b) immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing under this Indenture with respect to the Notes;

(c) if, upon the occurrence of any such transaction, the Notes would become convertible into, or exchangeable for, securities issued by an issuer other than the resulting, surviving, transferee or successor corporation pursuant to the terms of this Indenture, then (x) such securities are Common Equity securities issued by a corporation organized or incorporated and existing under the laws of the Cayman Islands, the United Kingdom, the Republic of Ireland or the United States of America, any State thereof or the District of Columbia and (y) if such resulting, surviving, transferee or successor corporation is a wholly owned subsidiary of the issuer of such securities based on which the Notes have become convertible or exchangeable, such other issuer shall fully and unconditionally guarantee on a senior basis the resulting, surviving, transferee or successor corporation's obligations under the Notes; and

(d) all the conditions specified in this Article 9 are met.

As used in this Article 9, the term "corporation" shall include any entity that is (i) incorporated in the Cayman Islands as an exempted limited liability company, (ii) incorporated and registered in the Republic of Ireland as a public limited company, or (iii) incorporated under the laws of England and Wales as a public limited company and, in each case, that is treated as a corporation for purposes of U.S. federal income taxes.

Upon any such amalgamation, consolidation, merger, conveyance, share exchange, transfer or lease, the Successor Company (if not the Company) shall succeed to, and may exercise every right and power of the Company under this Indenture, and (except in the case of a lease) the Company shall be discharged from its obligations under the Notes and the Indenture except in the case of any such lease.

For purposes of this Section 9.01, (i) in the case of an amalgamation, consolidation, merger or binding share exchange pursuant to which the Company becomes a Subsidiary of one of its Subsidiaries (the "**Successor Subsidiary**") and holders of Common Shares prior to such transaction become holders of Common Equity of such Successor Subsidiary, the term "successor" shall be deemed to refer to the Successor Subsidiary and (ii) the conveyance, transfer or lease of the properties and assets of one or more Subsidiaries of the Company substantially as an entirety to another Person, which properties and assets, if held by the Company instead of such Subsidiary or Subsidiaries, would constitute the properties and assets of the Company substantially as an entirety on a consolidated basis, shall be deemed to be the transfer of the properties and assets of the Company substantially as an entirety to another Person.

Section 9.02 *Successor Corporation to Be Substituted.* In case of any such amalgamation, consolidation, merger, share exchange, conveyance, transfer or lease and upon the assumption by the Successor Company (if other than the Company), by supplemental indenture, executed and delivered to the Trustee and satisfactory in form to the Trustee, of the due and punctual payment of the principal of and premium (including any Fundamental Change Purchase Price), if any, accrued and unpaid interest, if any, on all of the Notes, the due and punctual delivery or payment, as the case may be, of any consideration due upon conversion of the Notes and the due and punctual performance of all of the covenants and conditions of this Indenture to be performed by the Company under this Indenture, such Successor Company shall succeed to and be substituted for, and may exercise every right and power of, the Company under this Indenture, with the same effect as if it had been named herein as the party of the first part; *provided*, *however*, that in the case of a conveyance, transfer or lease to one or more of its Subsidiaries of all or substantially all of the properties and assets of the Company, the Notes will remain convertible based on the Common Shares and into cash and, if applicable, Common Shares in accordance with Section 4.03 hereof, but subject to adjustment (if any) in accordance with Section 4.07 hereof. Such Successor Company thereupon may cause to be signed, and may issue either in its own name or in the name of the Company any or all of the Notes issuable hereunder which theretofore shall not have been signed by the Company and delivered to the Trustee; and, upon the order of such Successor Company instead of the Company and subject to all the terms, conditions and limitations in this Indenture prescribed, the Trustee shall authenticate and shall deliver, or cause to be authenticated and delivered, any Notes that previously shall have been signed and delivered by the officers of the Company to the Trustee for authentication, and any Notes that such Successor Company thereafter shall cause to be signed and delivered to the Trustee for that purpose. All the Notes so issued shall in all respects have the same legal rank and benefit under this Indenture as the Notes theretofore or thereafter issued in accordance with the terms of this Indenture as though all of such Notes had been issued at the date of the execution hereof. In the event of any such amalgamation, consolidation, merger, share exchange, conveyance or transfer (but not in the case of a lease), the Person named as the "Company" in the first paragraph of this Indenture as of the date hereof or any successor that shall thereafter have become such in the manner prescribed in this Article 9 may be dissolved, wound up and liquidated at any time thereafter and, except in the case of a lease, such Person shall be released from its liabilities as obligor and maker of the Notes and from its obligations under this Indenture.

In case of any such amalgamation, consolidation, merger, share exchange, conveyance, transfer or lease, such changes in phraseology and form (but not in substance) may be made in the Notes thereafter to be issued as may be appropriate.

Section 9.03 *Officer's Certificate and Opinion of Counsel to Be Given to Trustee.* In the case of any such amalgamation, merger, share exchange, consolidation, conveyance, transfer or lease the Trustee shall receive an Officer's Certificate and an Opinion of Counsel stating that any such amalgamation, consolidation, merger, share exchange, conveyance, transfer or lease and any such assumption and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture, complies with the provisions of this Indenture.

ARTICLE 10.
THE TRUSTEE

Section 10.01 *Duties and Responsibilities of Trustee.*

(a) The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants or obligations shall be read into this Indenture against the Trustee. In case an Event of Default has occurred (which has not been cured or waived) and the Trustee has notice of such fact, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care in their exercise, as a prudent person would use in the conduct of his or her own affairs.

(b) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(i) prior to the occurrence of an Event of Default and after the curing or waiving of all Events of Default which may have occurred:

(A) the duties and obligations of the Trustee shall be determined solely by the express provisions of this Indenture and applicable law, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(B) in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but, in the case of any such certificates or opinions which by any provisions hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture (but need not confirm or investigate the accuracy of any mathematical calculations or other facts stated therein);

(ii) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer or Officers of the Trustee, unless the Trustee was negligent in ascertaining the pertinent facts;

(iii) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the written direction of the Holders of not less than a majority in principal amount of the Notes at the time Outstanding determined as provided in Section 1.03 relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture;

(iv) whether or not therein provided, every provision of this Indenture relating to the conduct or affecting the liability of, or affording protection to, the Trustee shall be subject to the provisions of this Section;

(v) the Trustee shall not be liable in respect of any payment (as to the correctness of amount, entitlement to receive or any other matters relating to payment) or notice effected by the Company or any Paying Agent or any records maintained by any co-Registrar with respect to the Notes; and

(vi) if any party fails to deliver a notice relating to an event the fact of which, pursuant to this Indenture, requires notice to be sent to the Trustee, the Trustee may conclusively rely on its failure to receive such notice as reason to act as if no such event occurred.

None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

Section 10.02 *Notice of Defaults.* If a Default has occurred and is continuing which a Responsible Officer of the Trustee has actual knowledge of, the Trustee shall provide notice thereof to each Holder within 90 days after the occurrence thereof. Except in the case of a default in the payment of principal (including the Fundamental Change Purchase Price) of, or interest on, any Note or a payment or delivery, as the case may be, of the amount of cash and, if applicable, Common Shares due upon conversion, the Trustee shall be protected in withholding such notice if and so long as it in good faith determines that the withholding of such notice is in the interest of the Holders of Notes.

Section 10.03 *Reliance on Documents, Opinions, Etc.* Except as otherwise provided in Section 10.01:

(a) the Trustee may conclusively rely and shall be protected in acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture, note, coupon or other paper or document (whether in its original or facsimile form) believed by it in good faith to be genuine and to have been signed or presented by the proper party or parties;

(b) any request, direction, order or demand of the Company mentioned herein shall be sufficiently evidenced by an Officer's Certificate (unless other evidence in respect thereof be herein specifically prescribed); and any resolution of the Board of Directors may be evidenced to the Trustee by a Board Resolution;

(c) the Trustee may consult with counsel of its own selection and any advice or opinion of counsel shall be full and complete authorization and protection in respect of any action taken or omitted by it hereunder in good faith and in accordance with such advice or opinion of counsel;

(d) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order or direction of any of the Holders pursuant to the provisions of this Indenture (including upon the occurrence and during the continuance of an Event of Default), unless such Holders shall have offered to the Trustee security or indemnity satisfactory to it against any loss, expenses and liabilities which may be incurred therein or thereby;

(e) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture or other paper or document;

(f) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed by it with due care hereunder;

(g) the Trustee shall not be liable for any action taken, suffered, or omitted to be taken by it in good faith and reasonably believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture;

(h) in no event shall the Trustee be responsible or liable for special, indirect, consequential or punitive loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action;

(i) the Trustee shall not be deemed to have notice of any Default or Event of Default unless written notice of any event which is in fact such a Default or Event of Default is received by a Responsible Officer of the Trustee at the Corporate Trust Office of the Trustee, and such notice references the Notes and the Indenture;

(j) the rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder, and each agent, custodian and other Person employed to act hereunder;

(k) the Trustee shall not be required to give any bond or surety in respect of the performance of its powers and duties hereunder;

(l) the Trustee may request that the Company deliver a certificate setting forth the names of individuals and/or titles of officers authorized at such time to take specified actions pursuant to this Indenture; and

(m) the permissive rights of the Trustee enumerated herein shall not be construed as duties.

Section 10.04 *No Responsibility for Recitals, Etc.* The recitals contained herein and in the Notes (except in the Trustee's certificate of authentication) shall be taken as the statements of the Company, and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Notes. The Trustee shall not be accountable for the use or application by the Company of any Notes or the proceeds of any Notes authenticated and delivered by the Trustee in conformity with the provisions of this Indenture.

Section 10.05 *Trustee, Paying Agents, Exchange Agents or Registrar May Own Notes.* The Trustee, any Paying Agent, any Conversion Agent or Registrar, in its individual or any other capacity, may become the owner or pledgee of Notes with the same rights it would have if it were not Trustee, Paying Agent, Conversion Agent or Registrar.

Section 10.06 *Monies to be Held in Trust* All monies and properties received by the Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received. Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as may be agreed in writing from time to time by the Company and the Trustee.

Section 10.07 *Compensation and Expenses of Trustee.* The Company covenants and agrees to pay to the Trustee from time to time, and the Trustee shall be entitled to, such compensation for all services rendered by it hereunder in any capacity (which shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust) as mutually agreed to from time to time in writing between the Company and the Trustee, and the Company will pay or reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances reasonably incurred or made by the Trustee in accordance with any of the provisions of this Indenture (including the reasonable compensation and the expenses and disbursements of its counsel and of all Persons not regularly in its employ) except any such expense, disbursement or advance as may arise from its negligence or willful misconduct.

The Company also covenants to indemnify the Trustee (or any officer, director or employee of the Trustee), in any capacity under this Indenture and its agents and any Authenticating Agent for, and to hold them harmless against, any and all loss, liability, claim or expense incurred without negligence or willful misconduct on the part of the Trustee or such officers, directors, employees and agent or Authenticating Agent, as the case may be, and arising out of or in connection with the acceptance or administration of this trust or in any other capacity

hereunder, including the costs and expenses of defending themselves against any claim (whether asserted by the Company, a Holder or any other Person) of liability in the premises. The Trustee shall notify the Company promptly of any claim for which it may seek indemnity. Failure by the Trustee to so notify the Company shall not relieve the Company of its obligations hereunder. The Company shall defend the claim and the Trustee shall cooperate in the defense. The Trustee may have one firm of separate counsel except in the event local counsel shall be required and the Company shall pay the reasonable fees and expenses of such counsel and local counsel, as applicable. The Company need not pay for any settlement made without its consent, which consent shall not be unreasonably withheld.

The obligations of the Company under this Section 10.07 to compensate or indemnify the Trustee and to pay or reimburse the Trustee for expenses, disbursements and advances shall be secured by a lien prior to that of the Notes upon all property and funds held or collected by the Trustee as such, except funds held in trust for the benefit of the Holders of particular Notes. The obligation of the Company under this Section shall survive the satisfaction and discharge of this Indenture and the resignation or removal of the Trustee.

When the Trustee and its agents and any Authenticating Agent incur expenses or render services after an Event of Default specified in Section 6.01(h) and 6.01(i) with respect to the Company occurs, the expenses and the compensation for the services are intended to constitute expenses of administration under any bankruptcy, insolvency or similar laws.

Section 10.08 *Officer's Certificate as Evidence*. Except as otherwise provided in Section 10.01, whenever in the administration of the provisions of this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or omitting any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or willful misconduct on the part of the Trustee, be deemed to be conclusively proved and established by an Officer's Certificate delivered to the Trustee.

Section 10.09 *Conflicting Interests of Trustee.* If the Trustee has or shall acquire a conflicting interest within the meaning of Section 310 of the Trust Indenture Act of 1939 (as in force at the date of this Indenture), the Trustee shall either eliminate such interest or resign, to the extent and in the manner provided by, and subject to the provisions of, this Indenture.

Section 10.10 *Eligibility of Trustee.* There shall at all times be a Trustee hereunder which shall be a Person that has a combined capital and surplus of at least $50,000,000 (or if such Person is a member of a bank holding company system, its bank holding company shall have a combined capital and surplus of at least $50,000,000). If such Person publishes reports of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority, then for the purposes of this Section the combined capital and surplus of such Person shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 10.10, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

Section 10.11 *Resignation or Removal of Trustee.*

(a) The Trustee may at any time resign by giving written notice of such resignation to the Company and to the Holders of Notes. Upon receiving such notice of resignation, the Company shall promptly appoint a successor trustee by written instrument, in duplicate, executed by order of the Board of Directors, one copy of which instrument shall be delivered to the resigning Trustee and one copy to the successor trustee. If no successor trustee shall have been so appointed and have accepted appointment thirty (30) days after the mailing of such notice of resignation to the Holders, the resigning Trustee may, upon ten (10) Business Days' notice to the Company and the Holders, appoint a successor identified in such notice or may petition, at the expense of the Company, any court of competent jurisdiction for the appointment of a successor trustee, or, if any Holder who has been a bona fide Holder of a Note or Notes for at least six (6) months may, subject to the provisions of Section 6.14, on behalf of himself and all others similarly situated, petition any such court for the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a successor trustee.

(b) In case at any time any of the following shall occur:

(i) the Trustee shall fail to comply with Section 10.09 after written request therefor by the Company or by any Holder who has been a bona fide Holder of a Note or Notes for at least six (6) months; or

(ii) the Trustee shall cease to be eligible in accordance with the provisions of Section 10.10 and shall fail to resign after written request therefor by the Company or by any such Holder; or

(iii) the Trustee shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation;

then, in any such case, the Company may remove the Trustee and appoint a successor trustee by written instrument, in duplicate, executed by order of the Board of Directors, one copy of which instrument shall be delivered to the Trustee so removed and one copy to the successor trustee, or, subject to the provisions of Section 6.14, any Holder who has been a bona fide Holder of a Note or Notes for at least six (6) months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor trustee; *provided, however*, that if no successor trustee shall have been appointed and have accepted appointment thirty (30) days after either the Company or the Holders has removed the Trustee, the Trustee so removed may petition at the Company's expense any court of competent jurisdiction for an appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, remove the Trustee and appoint a successor trustee.

(c) The Holders of a majority in aggregate principal amount of the Notes at the time Outstanding may at any time remove the Trustee and nominate a successor

trustee which shall be deemed appointed as successor trustee unless, within ten (10) days after notice to the Company of such nomination, the Company objects thereto, in which case the Trustee so removed or any Holder, or if such Trustee so removed or any Holder fails to act, the Company, upon the terms and conditions and otherwise as in Section 10.11(a) provided, may petition any court of competent jurisdiction for an appointment of a successor trustee.

(d) Any resignation or removal of the Trustee and appointment of a successor trustee pursuant to any of the provisions of this Section 10.11 shall become effective upon acceptance of appointment by the successor trustee as provided in Section 10.12.

Section 10.12 *Acceptance by Successor Trustee.* Any successor trustee appointed as provided in Section 10.11 shall execute, acknowledge and deliver to the Company and to its predecessor trustee an instrument accepting such appointment hereunder, and thereupon the resignation or removal of the predecessor trustee shall become effective and such successor trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, duties and obligations of its predecessor hereunder, with like effect as if originally named as Trustee herein; but, nevertheless, on the written request of the Company or of the successor trustee, the Trustee ceasing to act shall, upon payment of any amount then due it pursuant to the provisions of Section 10.07, execute and deliver an instrument transferring to such successor trustee all the rights and powers of the Trustee so ceasing to act. Upon request of any such successor trustee, the Company shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor trustee all such rights and powers. Any Trustee ceasing to act shall, nevertheless, retain a lien upon all property and funds held or collected by such Trustee as such, except for funds held in trust for the benefit of Holders of particular Notes, to secure any amounts then due it pursuant to the provisions of Section 10.07.

No successor trustee shall accept appointment as provided in this Section 10.12 unless, at the time of such acceptance, such successor trustee shall be qualified under the provisions of Section 10.09 and be eligible under the provisions of Section 10.10.

Upon acceptance of appointment by a successor trustee as provided in this Section 10.12, the Company (or the former Trustee, at the written direction of the Company) shall mail or cause to be mailed notice of the succession of such trustee hereunder to the Holders of Notes at their addresses as they shall appear on the Register. If the Company fails to mail such notice within ten (10) days after acceptance of appointment by the successor trustee, the successor trustee shall cause such notice to be mailed at the expense of the Company.

Section 10.13 *Succession by Merger, Etc.* Any corporation into which the Trustee may be merged or exchanged or with which it may be consolidated, or any corporation resulting from any merger, exchange or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Trustee (including any trust created by this Indenture), shall be the successor to the Trustee hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto, *provided* that in the case of any corporation succeeding to all or substantially all of the corporate trust business of the Trustee, such corporation shall be qualified under the provisions of Section 10.09 and eligible under the provisions of Section 10.10.

In case at the time such successor to the Trustee shall succeed to the trusts created by this Indenture, any of the Notes shall have been authenticated but not delivered, any such successor to the Trustee may adopt the certificate of authentication of any predecessor Trustee or Authenticating Agent appointed by such predecessor Trustee, and deliver such Notes so authenticated; and in case at that time any of the Notes shall not have been authenticated, any successor to the Trustee or any Authenticating Agent appointed by such successor trustee may authenticate such Notes in the name of the successor trustee; and in all such cases such certificates shall have the full force that is provided in the Notes or in this Indenture; *provided*, *however*, that the right to adopt the certificate of authentication of any predecessor Trustee or authenticate Notes in the name of any predecessor Trustee shall apply only to its successor or successors by merger, exchange or consolidation.

Section 10.14 *Trustee's Application for Instructions from the Company.* Any application by the Trustee for written instructions from the Company (other than with regard to any action proposed to be taken or omitted to be taken by the Trustee that affects the rights of the Holders of the Notes under this Indenture) may, at the option of the Trustee, set forth in writing any action proposed to be taken or omitted by the Trustee under this Indenture and the date on and/or after which such action shall be taken or such omission shall be effective. The Trustee shall not be liable for any action taken by, or omission of, the Trustee in accordance with a proposal included in such application on or after the date specified in such application (which date shall not be less than three (3) Business Days after the date any officer of the Company actually receives such application, unless any such officer shall have consented in writing to any earlier date) unless prior to taking any such action (or the effective date in the case of an omission), the Trustee shall have received written instructions in response to such application specifying the action to be taken or omitted.

ARTICLE 11.
MISCELLANEOUS

Section 11.01 *Effect on Successors and Assigns.* All agreements of the Company, the Trustee, the Registrar, the Paying Agent, the Bid Solicitation Agent and the Conversion Agent in this Indenture and the Notes will bind their respective successors.

Section 11.02 *Governing Law*. This Indenture and the Notes, and any claim, controversy or dispute arising under or related to the Indenture or the Notes, will be governed by, and construed in accordance with, the laws of the State of New York.

Section 11.03 *No Note Interest Created*. Nothing in this Indenture or in the Notes, expressed or implied, shall be construed to constitute a security interest under the Uniform Commercial Code or similar legislation, as now or hereafter enacted and in effect, in any jurisdiction.

Section 11.04 *Benefits of Indenture*. Nothing in this Indenture or in the Notes, expressed or implied, will give to any Person, other than the parties hereto, any Paying Agent, any Conversion Agent, any Authenticating Agent, any Registrar or their successors hereunder or the Holders of the Notes, any benefit or any legal or equitable right, remedy or claim under this Indenture.

Section 11.05 *Calculations.* Except as otherwise provided in this Indenture, the Company shall be responsible for making all calculations called for under the Indenture and the Notes. These calculations include, but are not limited to, determinations of the Last Reported Sale Prices and Daily VWAPs of the Common Shares, accrued interest, Additional Interest, if any, and Additional Amounts, if any, payable on the Notes and the Conversion Rate. The Company shall make all these calculations in good faith and, absent manifest error, its calculations will be final and binding on Holders. The Company shall provide a schedule of its calculations to each of the Trustee and the Conversion Agent, and each of the Trustee and the Conversion Agent is entitled to rely conclusively upon the accuracy of the Company's calculations without independent verification. The Trustee shall forward the Company's calculations to any Holders upon the written request of that Holder.

Section 11.06 *Execution in Counterparts.* This Indenture may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute but one and the same instrument. The exchange of copies of this Indenture and of signature pages by facsimile or PDF transmission shall constitute effective execution and delivery of this Indenture as to the parties hereto and may be used in lieu of the original Indenture for all purposes. Signatures of the parties hereto transmitted by facsimile or PDF shall be deemed to be their original signatures for all purposes.

Section 11.07 *Notices, Etc. to Trustee and Company.*

(a) Except as otherwise provided herein, any request, demand, authorization, direction, notice, consent, election, waiver or Act of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with,

(i) the Trustee by any Holder or by the Company shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing (including facsimile) or electronically in PDF format to or with the Trustee at its Corporate Trust Office; or

(ii) the Company by the Trustee or by any Holder shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid (and, in the case of securities held in book-entry form, by electronic transmission), to the Company addressed to it at 800 West Olympic Blvd., Suite 406, Los Angeles, CA 90015, Attention: General Counsel or at any other address furnished in writing to the Trustee by the Company prior to such mailing or electronically in PDF format.

(b) The Company or the Trustee, by notice given to the other in the manner provided in this Section 11.08, may designate additional or different addresses for subsequent notices or communications.

(c) Whenever the Company is required to deliver notice to the Holders, the Company will, by the date it is required to deliver such notice to the Holders, deliver a copy of such notice to the Trustee, the Paying Agent, the Registrar and the Conversion Agent. Each notice to the Trustee, the Paying Agent, the Registrar and the Conversion

Agent shall be sufficiently given if in writing and mailed, first-class postage prepaid to the Corporate Trust Office of the Trustee or such address most recently indicated by the Trustee, the Paying Agent, the Registrar or the Conversion Agent, as the case may be, in writing to the Company.

(d) Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by the Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

(e) Where this Indenture provides for notice of any event to a Holder of a Global Note, such notice shall be sufficiently given if given to the Depositary for such Note (or its designee), pursuant to its Applicable Procedures, not later than the latest date (if any), and not earlier than the earliest date (if any), prescribed for the giving of such notice.

Section 11.08 *No Recourse Against Others.* No director, officer, employee, incorporator or stockholder of the Company shall have any liability for any obligations of the Company under the Notes, the Indenture or any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder, by accepting a Note, waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes.

Section 11.09 *Tax Withholding.* Each Holder agrees, and each beneficial owner of an interest in a Note by its acquisition of such interest is deemed to agree, that if the Company or other applicable withholding agent pays withholding taxes (such as backup withholding) on behalf of the Holder or beneficial owner as a result of an adjustment to the Conversion Rate, the Company or other applicable withholding agent may, at its option, set off such payments against payments of cash and Common Shares on the Note (or, in certain circumstances, against any payments on the Common Shares).

Section 11.10 *Waiver of Jury Trial.* EACH OF THE COMPANY AND THE TRUSTEE HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS INDENTURE, THE NOTES OR THE TRANSACTION CONTEMPLATED HEREBY.

Section 11.11 *U.S.A. Patriot Act.* The parties hereto acknowledge that in accordance with Section 326 of the U.S.A. Patriot Act, the Trustee, like all financial institutions and in order to help fight the funding of terrorism and money laundering, is required to obtain, verify, and record information that identifies each person or legal entity that establishes a relationship or opens an account with the Trustee. The parties to this Indenture agree that they will provide the Trustee with such information as it may request in order for the Trustee to satisfy the requirements of the U.S.A. Patriot Act.

Section 11.12 *Force Majeure.* In no event shall the Trustee be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by,

directly or indirectly, forces beyond its control, including, without limitation, strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services; it being understood that the Trustee shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

[Remainder of the page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed as of the day and year first above written.

HERBALIFE LTD.

By: /s/ John DeSimone
Name: John DeSimone
Title: Chief Financial Officer

UNION BANK, N.A.,
as Trustee

By: /s/ Timothy P. Miller
Name: Timothy P. Miller
Title: Vice President

SCHEDULE A

The following table sets forth the number of Additional Shares by which the Conversion Rate shall be increased pursuant to Section 4.06 based on the Share Price and the dates set forth below.

	Stock Price								
Effective Date	**$69.02**	**$75.00**	**$80.00**	**$86.275**	**$100.00**	**$125.00**	**$150.00**	**$175.00**	**$200.00**
February 7, 2014	2.8977	2.5773	2.1183	1.6759	1.0099	0.4228	0.1628	0.0445	0.0026
August 15, 2014	2.8977	2.5773	2.1183	1.6759	1.0099	0.4222	0.1589	0.0411	0.0015
August 15, 2015	2.8977	2.5773	2.1183	1.6759	1.0238	0.4104	0.1460	0.0331	0.0004
August 15, 2016	2.8977	2.5773	2.1183	1.6594	0.9747	0.3579	0.1108	0.0168	0.0000
August 15, 2017	2.8977	2.5032	2.0110	1.5264	0.8280	0.2507	0.0527	0.0010	0.0000
August 15, 2018	2.8977	2.2357	1.7003	1.1914	0.5190	0.0807	0.0006	0.0000	0.0000
August 15, 2019	2.8977	1.7425	0.9092	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

EXHIBIT A

[FORM OF FACE OF SECURITY]

NO AFFILIATE (AS DEFINED IN RULE 144 UNDER THE SECURITIES ACT) OF THE COMPANY OR PERSON THAT HAS BEEN AN AFFILIATE (AS DEFINED IN RULE 144 UNDER THE SECURITIES ACT) OF THE COMPANY DURING THE IMMEDIATELY PRECEDING THREE MONTHS MAY PURCHASE, OTHERWISE ACQUIRE OR HOLD THIS SECURITY OR A BENEFICIAL INTEREST HEREIN.

[For Global Notes, include the following legend (the "**Global Notes Legend**"):]

[THIS SECURITY IS A GLOBAL NOTE WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE THEREOF. THIS SECURITY MAY NOT BE EXCHANGED IN WHOLE OR IN PART FOR A SECURITY REGISTERED, AND NO TRANSFER OF THIS SECURITY IN WHOLE OR IN PART MAY BE REGISTERED, IN THE NAME OF ANY PERSON OTHER THAN SUCH DEPOSITARY OR A NOMINEE THEREOF (OR TO A SUCCESSOR DEPOSITARY OR NOMINEE THEREOF), EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE.]

[For all Notes that are Restricted Notes, include the following legend (the "**Restricted Notes Legend**"):]

[THIS SECURITY AND THE COMMON SHARES, IF ANY, ISSUABLE UPON CONVERSION OF THIS SECURITY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND ACCORDINGLY, PRIOR TO THE RESALE RESTRICTION TERMINATION DATE (AS DEFINED BELOW), MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE ACQUIRER:

(1) REPRESENTS THAT IT AND ANY ACCOUNT FOR WHICH IT IS ACTING IS A "QUALIFIED INSTITUTIONAL BUYER" (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) AND THAT IT EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO EACH SUCH ACCOUNT, AND

(2) AGREES FOR THE BENEFIT OF THE COMPANY THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY OR ANY BENEFICIAL INTEREST HEREIN PRIOR TO THE RESALE RESTRICTION TERMINATION DATE (AS DEFINED BELOW), EXCEPT:

(A) TO HERBALIFE LTD. (THE "COMPANY") OR ANY SUBSIDIARY THEREOF, OR

(B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, OR

(C) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, OR

(D) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT OR ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

THE "RESALE RESTRICTION TERMINATION DATE" MEANS THE DATE: (A) THAT IS AT LEAST ONE YEAR AFTER THE LAST ORIGINAL ISSUANCE DATE OF THE NOTES; AND (B) ON WHICH THE COMPANY HAS INSTRUCTED THE TRUSTEE THAT THIS LEGEND WILL NO LONGER APPLY IN ACCORDANCE WITH THE PROCEDURES DESCRIBED IN THE INDENTURE.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH (2)(D) ABOVE, THE COMPANY AND THE TRUSTEE FOR THIS SECURITY OR THE TRANSFER AGENT FOR THE COMMON SHARES, AS APPLICABLE, RESERVE THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.]

Herbalife Ltd.

2.00% Convertible Senior Notes due 2019

No.: [ ]

CUSIP:	[ ] [; *provided* that, at such time as the Company provides the Free Transferability Certificate to the Trustee and the Registrar, this CUSIP number will be deemed removed and replaced with the CUSIP number [ ].]
ISIN:	[ ] [; *provided* that, at such time as the Company provides the Free Transferability Certificate to the Trustee and the Registrar, this ISIN number will be deemed removed and replaced with the ISIN number [ ].]
Principal Amount $	[ ] [*For Global Notes, include the following*: as revised by the Schedule of Increases and Decreases in the Global Note attached hereto]

Herbalife Ltd., a Cayman Islands exempted company incorporated with limited liability (the "**Company**"), promises to pay to [ ] [*include* "*Cede & Co." for Global Security*] or registered assigns, the principal amount of [*add principal amount in words*] $[ ] [*For Global Notes, include the following*: , as revised by the Schedule of Increases and Decreases in the Global Note attached hereto,] on August 15, 2019 (the "**Maturity Date**").

Interest Payment Dates: February 15 and August 15.

Regular Record Dates: February 1 and August 1.

Additional provisions of this Security are set forth on the other side of this Security.

IN WITNESS WHEREOF, Herbalife Ltd. has caused this instrument to be signed manually or by facsimile by one of its duly authorized Officers.

HERBALIFE LTD.

By: _____
Name:
Title:

This is one of the Notes of the series designated herein, referred to in the within-mentioned Indenture.

Dated:

UNION BANK, N.A., as Trustee

By: _____
Authorized Signatory

[FORM OF REVERSE OF NOTE]

Herbalife Ltd.

2.00% Convertible Senior Notes due 2019

This Note is one of a duly authorized issue of securities of the Company (herein called the "**Notes**"), issued under the Indenture dated as of February 7, 2014 by and between the Company and Union Bank, N.A., herein called the "**Trustee**," and reference is hereby made to the Indenture for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Notes and of the terms upon which the Notes are, and are to be, authenticated and delivered. In the event of a conflict between the terms of the Indenture and this Note, the terms of the Indenture shall govern.

The Company will pay cash interest on the unpaid principal amount of this Note at a rate of 2.00% per year. Interest will accrue from the most recent date on which interest has been paid or duly provided for or, if no interest has been paid or duly provided for, from, and including, [*insert February 7, 2014 for Initial Notes*]. Except as provided in the Indenture, interest will be paid to the Person in whose name this Note is registered at the Close of Business on the Regular Record Date immediately preceding the relevant Interest Payment Date semiannually in arrears on each Interest Payment Date; *provided* that, if any Interest Payment Date, Maturity Date or Fundamental Change Purchase Date with respect to this Note falls on a day that is not a Business Day, the required payment will be made on the next succeeding Business Day and no interest on such payment will accrue in respect of the delay. Interest on the Notes shall be computed on the basis of a 360-day year consisting of twelve 30-day months. Except as provided in the Indenture, no interest shall be paid with respect to Notes surrendered for conversion.

This Note does not benefit from a sinking fund.

As provided in and subject to the provisions of the Indenture, upon the occurrence of a Fundamental Change the Holder of this Note will have the right, at such Holder's option, to require the Company to purchase this Note, or any portion of this Note such that the principal amount of this Note that is not purchased equals $1,000 or an integral multiple of $1,000 in excess thereof, on the Fundamental Change Purchase Date at a price equal to the Fundamental Change Purchase Price for such Fundamental Change Purchase Date.

As provided in and subject to the provisions of the Indenture, the Holder hereof has the right, at its option (i) during certain periods and upon the occurrence of certain conditions specified in the Indenture, prior to the Close of Business on the Business Day immediately preceding May 15, 2019, and (ii) on or after May 15, 2019, at any time prior to the Close of Business on the second Scheduled Trading Day immediately preceding the Maturity Date, to convert this Note or a portion of this Note such that the principal amount of this Note that is not converted equals $1,000 or an integral multiple of $1,000 in excess thereof, into an amount of cash and, if applicable, Common Shares as determined in accordance with Article 4 of the Indenture.

As provided in and subject to the provisions of the Indenture, the Company will make all payments in respect of the Fundamental Change Purchase Price for, and the principal amount of, this Note to the Holder that surrenders this Note to the Paying Agent to collect such payments in respect of this Note. The Company will pay cash amounts in money of the United States that at the time of payment is legal tender for payment of public and private debts.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Notes to be effected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in principal amount of the Notes at the time Outstanding. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Notes at the time Outstanding, on behalf of the Holders of all Notes, to waive compliance by the Company with certain provisions of the Indenture and certain past Defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Note shall be conclusive and binding upon such Holder and upon all future Holders of this Note and of any Note issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Note.

As provided in and subject to the provisions of the Indenture, the Holder of this Note shall not have the right to institute any proceeding with respect to the Indenture, or for the appointment of a receiver or trustee, or for any other remedy thereunder, unless such Holder shall have previously given the Trustee written notice of a continuing Event of Default with respect to the Note, the Holders of not less than 25% in principal amount of the Notes at the time Outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default as Trustee and offered the Trustee indemnity satisfactory to it, and the Trustee shall have failed to institute any such proceeding, for 60 days after receipt of such notice, request and offer of indemnity, and shall not have received from the Holders of a majority in principal amount of Notes at the time Outstanding a direction inconsistent with such request. The foregoing shall not apply to any suit instituted by the Holder of this Note for the enforcement of any payment of the principal hereof, premium, if any, or interest hereon, the Fundamental Change Purchase Price, and the amount of cash and, if applicable, Common Shares due upon conversion of this Note or after the respective due dates expressed in the Indenture.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay or deliver, as the case may be, the principal of (including the Fundamental Change Purchase Price), premium, interest on and the amount of cash and, if applicable, Common Shares due upon conversion of this Note (and, for the avoidance of doubt, any related Additional Amounts, if applicable) at the time, place and rate, and in the coin and currency herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Note is registrable in the Register, upon surrender of this Note for registration of transfer to the Trustee, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Registrar duly executed by, the Holder hereof or its attorney duly authorized in writing, and thereupon a new Note of this series and of like tenor for the same aggregate principal amount will be issued to the designated transferee.

The Notes are issuable only in registered form without coupons in denominations of $1,000 and integral multiples of $1,000 in excess thereof. As provided in the Indenture and subject to certain limitations therein set forth, the Notes are exchangeable for a like aggregate principal amount of Notes and of like tenor of a different authorized denomination, as requested by the Holder surrendering the same.

Prior to due presentment of this Note for registration of transfer, the Company, the Trustee and any agent of the Company or Trustee may treat the Person in whose name the Note is registered as the owner hereof for all purposes, whether or not this Note be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

Customary abbreviations may be used in the name of a Holder or an assignee, such as TEN COM (= tenants in common), TEN ENT (= tenants by the entirety), JT TEN (= joint tenants with rights of survivorship and not as tenants in common), CUST (= custodian) and U/G/M/A (= Uniform Gift to Minors Act).

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

All defined terms used in this Note that are defined in the Indenture shall have the meanings assigned to them in the Indenture. If any provision of this Note limits, qualifies or conflicts with a provision of the Indenture, such provision of the Indenture shall control.

This Note shall not become valid or become obligatory for any purpose until the certificate of authentication shall been signed manually by the Trustee or a duly authorized Authenticating Agent under the Indenture.

[FORM OF NOTICE OF CONVERSION]

To: Herbalife Ltd.

The undersigned owner of this Note hereby irrevocably exercises the option to convert this Note, or a portion hereof (whose principal amount equals $1,000 or an integral multiple of $1,000 in excess thereof) below designated, into an amount of cash and, if applicable, Common Shares in accordance with the terms of the Indenture referred to in this Note, and directs that any cash payable and any Common Shares issuable and deliverable upon conversion, together with any Notes representing any unconverted principal amount hereof, be paid and/or issued and/or delivered, as the case may be, to the registered Holder hereof unless a different name is indicated below.

Subject to certain exceptions set forth in the Indenture, if this notice is being delivered during the period after the Close of Business on a Regular Record Date to the Open of Business on the Interest Payment Date corresponding to such Regular Record Date, this notice must be accompanied by payment of an amount equal to the interest payable on such Interest Payment Date on the principal amount of this Note to be converted. If any Common Shares are to be issued in the name of a Person other than the undersigned, the undersigned will pay all transfer taxes payable with respect to such issuance and transfer as set forth in the Indenture.

Principal amount to be converted (if less than all):

$

Dated:

Signature(s)
(Sign exactly as your name appears on the other side of this Note)

Signature Guarantee
(Signature(s) must be guaranteed by an institution which is a member of one of the following recognized signature Guarantee Programs: (i) The Notes Transfer Agent Medallion Program (STAMP); (ii) The New York Stock Exchange Medallion Program (MNSP); (iii) The Stock Exchange Medallion Program (SEMP) or (iv) another guarantee program acceptable to the Trustee.)

Fill in if a check is to be issued, or Common Shares or Notes are to be registered, otherwise than to or in the name of the registered Holder.

(Name)

(Address)

Please print name and address (including zip code)

(Social Security or other Taxpayer Identifying Number)

Dated:

Signature(s)
(Sign exactly as such Person's name appears above)

Signature Guarantee
(Signature(s) must be guaranteed by an institution which is a member of one of the following recognized signature Guarantee Programs: (i) The Notes Transfer Agent Medallion Program (STAMP); (ii) The New York Stock Exchange Medallion Program (MNSP); (iii) The Stock Exchange Medallion Program (SEMP) or (iv) another guarantee program acceptable to the Trustee.)

[FORM OF FUNDAMENTAL CHANGE PURCHASE NOTICE]

To: Herbalife Ltd.

The undersigned registered owner of this Note hereby requests and instructs Herbalife Ltd. to pay to the registered holder hereof, in accordance with the applicable provisions of the Indenture referred to in this Note, the Fundamental Change Purchase Price on the Fundamental Change Purchase Date pursuant to Article 3 of such Indenture.

Principal amount to be purchased (if less than all):

$

Certificate number (if Notes are in certificated form)

Dated:

Signature(s)
(Sign exactly as your name appears on the other side of this Note)

Social Security or Other Taxpayer Identification Number

[FORM OF ASSIGNMENT AND TRANSFER]

For value received,

hereby sell(s), assign(s) and transfer(s) unto

(Please insert social security or Taxpayer Identification Number of assignee)

the within Note, and hereby irrevocably constitutes and appoints to transfer the said Note on the books of the Company, with full power of substitution in the premises.

In connection with any transfer of the within Note occurring prior to the Resale Restriction Termination Date, as defined in the Indenture governing such Note, the undersigned confirms that such Note is being transferred:

☐ To Herbalife Ltd. or a subsidiary thereof; or

☐ Pursuant to a registration statement which has become effective under the Securities Act of 1933, as amended; or

☐ To a qualified institutional buyer in compliance with Rule 144A under the Securities Act of 1933, as amended; or

☐ Pursuant to an exemption from registration provided by Rule 144 under the Securities Act of 1933, as amended, or any other available exemption from the registration requirements of the Securities Act of 1933, as amended.

TO BE COMPLETED BY PURCHASER IF THE THIRD BOX ABOVE IS CHECKED

The undersigned represents and warrants that it is purchasing this Note for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act and is aware that the sale to it is being made in reliance on Rule 144A and acknowledges that it has received such information regarding the Company as the undersigned has requested pursuant to Rule 144A or has determined not to request such information and that it is aware that the transferor is relying upon the undersigned's foregoing representations in order to claim the exemption from registration provided by Rule 144A.

Date: Signed:

Unless one of the above boxes is checked, the Trustee will refuse to register any of the Notes evidenced by this certificate in the name of any Person other than the registered Holder thereof, *provided* that if the fourth box is checked, the Company or the Trustee may require, prior to registering any such transfer of the Notes, in its sole discretion, such legal opinions, certifications and other information as the Company or the Trustee may reasonably request to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

If none of the foregoing boxes is checked, the Trustee or Registrar shall not be obligated to register this Note in the name of any Person other than the Holder hereof unless and until the conditions to any such transfer of registration set forth herein and in Section 2.11 of the Indenture shall have been satisfied.

Dated:

Signature(s)

(Sign exactly as your name appears on the other side of this Note)

Signature Guarantee

(Signature(s) must be guaranteed by an institution which is a member of one of the following recognized signature Guarantee Programs: (i) The Notes Transfer Agent Medallion Program (STAMP); (ii) The New York Stock Exchange Medallion Program (MNSP); (iii) The Stock Exchange Medallion Program (SEMP) or (iv) another guarantee program acceptable to the Trustee)

[*Insert for Global Note*]

SCHEDULE OF INCREASES AND DECREASES IN THE GLOBAL NOTE
Initial Principal Amount of Global Note:

Date	Amount of Increase in Principal Amount of Global Note	Amount of Decrease in Principal Amount of Global Note	Principal Amount of Global Note After Increase or Decrease	Notation by Registrar, Note Custodian or authorized signatory of Trustee

EXHIBIT B

[FORM OF FREE TRANSFERABILITY CERTIFICATE]

Officer's Certificate

[NAME OF OFFICER], the [TITLE] of Herbalife Ltd., a Cayman Islands exempted company incorporated with limited liability (the "**Company**") does hereby certify, in connection with the sale of $[ ] aggregate principal amount of the Company's 2.00% Convertible Senior Notes due 2019 (the "**Notes**") pursuant to the terms of the Indenture, dated as of February 7, 2014 (as may be amended or supplemented from time to time, the "**Indenture**"), by and among the Company and Union Bank, N.A. (the "**Trustee**"), that:

1. The undersigned is permitted to sign this "Officer's Certificate" on behalf of the Company, as the term "Officer's Certificate" is defined in the Indenture.

2. The undersigned has read the Indenture and the definitions therein relating thereto.

3. In the opinion of the undersigned, the undersigned has made such examination as is necessary to enable the undersigned to express an informed opinion as to whether or not all conditions precedent to the delivery of this certificate provided for in the Indenture have been complied with.

4. To the best knowledge of the undersigned, all conditions precedent described herein as provided for in the Indenture have been complied with.

In accordance with Section 2.08 of the Indenture, the Company hereby instructs the Trustee as follows:

As of , 201 , the Restricted Notes Legend may be deemed removed from the Global Notes and all Applicable Procedures have been complied with.

[*Signature page follows.*]

IN WITNESS WHEREOF, we have signed this certificate as of [ ].

Herbalife Ltd.

By: _____
Name:
Title:

EXHIBIT C

[FORM OF RESTRICTED STOCK LEGEND]

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND ACCORDINGLY, PRIOR TO THE RESALE RESTRICTION TERMINATION DATE (AS DEFINED BELOW), MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE ACQUIRER:

(1) REPRESENTS THAT IT AND ANY ACCOUNT FOR WHICH IT IS ACTING IS A "QUALIFIED INSTITUTIONAL BUYER" (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) AND THAT IT EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO EACH SUCH ACCOUNT, AND

(2) AGREES FOR THE BENEFIT OF THE COMPANY THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY OR ANY BENEFICIAL INTEREST HEREIN PRIOR TO THE DATE THAT IS THE LATER OF (X) ONE YEAR AFTER THE LAST ORIGINAL ISSUE DATE HEREOF OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY RULE 144 UNDER THE SECURITIES ACT OR ANY SUCCESSOR PROVISION THERETO AND (Y) SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAW, EXCEPT:

(A) TO HERBALIFE LTD. (THE "COMPANY") OR ANY SUBSIDIARY THEREOF, OR

(B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, OR

(C) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, OR

(D) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT OR ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

THE "RESALE RESTRICTION TERMINATION DATE" MEANS THE DATE: (A) THAT IS AT LEAST ONE YEAR AFTER THE LAST ORIGINAL ISSUANCE DATE OF THE NOTES (INCLUDING ISSUANCE OF ADDITIONAL NOTES PURSUANT TO THE EXERCISE OF THE INITIAL PURCHASER'S OPTION TO PURCHASE ADDITIONAL NOTES); AND (B) ON WHICH THE COMPANY HAS INSTRUCTED THE TRUSTEE THAT THIS LEGEND WILL NO LONGER APPLY IN ACCORDANCE WITH THE PROCEDURES DESCRIBED IN THE INDENTURE.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH (2)(D) ABOVE, THE COMPANY AND THE TRANSFER AGENT FOR THIS

SECURITY RESERVE THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

Exhibit 10.55

February 3, 2014

To: Herbalife Ltd.
990 West 190th Street
Torrance, CA 90502
Attn: Richard Caloca
Telephone: (310) 851-2300

From: [*Insert Dealer name and address*]

Re: Issuer Forward Repurchase Transaction

Ladies and Gentlemen:

The purpose of this communication (this "**Confirmation**") is to set forth the terms and conditions of the Transaction entered into between [*Insert Dealer name*] ("**Dealer**") and Herbalife Ltd. ("**Counterparty**") on the Trade Date specified below (the "**Transaction**"). This Confirmation constitutes a "Confirmation" as referred to in the ISDA Master Agreement specified below.

1. This Confirmation is subject to, and incorporates, the definitions and provisions of the 2006 ISDA Definitions (including the Annex thereto) (the **2006 Definitions**") and the definitions and provisions of the 2002 ISDA Equity Derivatives Definitions (the "**Equity Definitions**", and together with the 2006 Definitions, the "**Definitions**"), in each case as published by the International Swaps and Derivatives Association, Inc. ("**ISDA**"). In the event of any inconsistency between the 2006 Definitions and the Equity Definitions, the Equity Definitions will govern. The Transaction is a Share Forward Transaction.

Certain defined terms used herein have the meanings assigned to them in the Indenture to be dated as of February 7, 2014 between Counterparty and Union Bank, N.A., as trustee (the "**Indenture**") relating to the $1 billion principal amount of 2.00% convertible senior notes due August 15, 2019 (the "**Convertible Notes**"). In the event of any inconsistency between the terms defined in the Indenture and this Confirmation, this Confirmation shall govern. References herein to sections of the Indenture are based on the draft of the Indenture most recently reviewed by the parties at the time of execution of this Confirmation. If any relevant sections of the Indenture are changed, added or renumbered between the execution of this Confirmation and the execution of the Indenture, the parties will amend this Confirmation in good faith to preserve the economic intent of the parties based on the draft of the Indenture so reviewed. The parties further acknowledge that references to the Indenture herein are references to the Indenture as in effect on the date of its execution and if the Indenture is amended following its execution, any such amendment will be disregarded for purposes of this Confirmation unless the parties agree otherwise in writing. The Transaction is subject to early unwind if the closing of the Convertible Notes is not consummated for any reason, as set forth below in Section 8(b).

This Confirmation evidences a complete and binding agreement between Dealer and Counterparty as to the terms of the Transaction to which this Confirmation relates. This Confirmation shall be subject to an agreement (the "**Agreement**") in the form of the 2002 ISDA Master Agreement as if Dealer and Counterparty had executed an agreement in such form (without any Schedule, except for the election that the "Cross Default" provisions of Section 5(a)(vi) shall apply to Counterparty with a "Threshold Amount" of USD 100.0 million and with the phrase ", or becoming capable at such time of being declared," deleted from Section 5(a)(vi)(1) of the Agreement, and with the elections set forth in this Confirmation). The Transaction shall be the only transaction under the Agreement.

All provisions contained in, or incorporated by reference to, the Agreement will govern this Confirmation except as expressly modified herein. In the event of any inconsistency between this Confirmation and either the Equity Definitions or the Agreement, this Confirmation shall govern.

2. The terms of the particular Transaction to which this Confirmation relates are as follows:

General Terms:

Trade Date:	February 3, 2014
Effective Date:	February 7, 2014, subject to cancellation of the Transaction as provided in Section 8(b) "Early Unwind," below.
Seller:	Dealer
Buyer:	Counterparty
Shares:	The common shares, $0.001 par value, of Counterparty (Ticker Symbol: "HLF").
Number of Shares:	Initially [ ] Shares, as reduced on each Valuation Date by the Daily Number of Shares for such Valuation Date.
Daily Number of Shares:	(a) For any Valuation Date occurring prior to the first day of the Final Valuation Period, the number of Shares specified by Dealer in the related Settlement Notice (as defined below under "Valuation Dates") and (b) for each Valuation Date occurring on or after the Final Valuation Period Start Date, the lesser of (i) the Final Period Daily Number and (ii) the Number of Shares on such Valuation Date; *provided* that (x) if a Market Disruption Event occurs on any Valuation Date in the Final Valuation Period and Calculation Agent determines that such Valuation Date is a Disrupted Day only in part, the Calculation Agent will reduce the Daily Number of Shares for such Valuation Date and shall designate one or more additional Valuation Dates at the end of the Final Valuation Period as the Valuation Date(s) for the remaining Daily Number of Shares and (y) Dealer may increase the Daily Number of Shares on any Valuation Date during the Final Valuation Period by delivery of a Settlement Notice specifying the additional Daily Number of Shares for such Valuation Date to Counterparty. For the avoidance of doubt, the aggregate of the Daily Number of Shares for all Valuation Dates shall equal the initial Number of Shares; and *provided further* that, if the final Settlement Date has not occurred pursuant to the preceding proviso as of the Final Disruption Date, then Dealer shall have the right to elect that the Final Disruption Date shall be considered the final Settlement Date. "**Final Disruption Date**" means (x) with respect to any Valuation Date occurring on or after the Final Valuation Period Start Date, the eighth Scheduled Trading Day immediately following the Maturity Date (as defined in the Indenture) and (y) with respect to any other Valuation Date, the eighth Scheduled Trading Day immediately following such Valuation Date.
Final Period Daily Number:	[ ] Shares
Prepayment:	Applicable
Prepayment Amount:	$[ ]
Prepayment Date:	The Effective Date; *provided* that no cancellation of the Transaction has occurred as provided in Section 8(b) hereof.

Variable Obligation:	Not Applicable
Exchange:	The New York Stock Exchange
Related Exchange(s):	All Exchanges
Calculation Agent:	Dealer. Upon receipt of written request from Counterparty, the Calculation Agent shall promptly provide Counterparty with a written explanation describing in reasonable detail any calculation, adjustment or determination made by it (including any quotations, market data or information from internal or external sources used in making such calculation, adjustment or determination, as the case may be, but without disclosing Dealer's proprietary models or other information that may be proprietary or subject to contractual, legal or regulatory obligations to not disclose such information), and shall use commercially reasonable efforts to provide such written explanation within five (5) Exchange Business Days from the receipt of such request.
Settlement Terms:	
Physical Settlement:	Applicable. In lieu of Section 9.2(a)(iii) of the Equity Definitions, Dealer will deliver to Counterparty the Daily Number of Shares for each Valuation Date on the related Settlement Date. Section 9.11 of the Equity Definitions shall be amended by excluding any representations therein to the extent relating to restrictions, obligations, limitations or requirements under applicable securities or other laws or otherwise arising as a result of the fact that Counterparty is the Issuer of the Shares.
Restricted Certificated Shares:	Notwithstanding anything to the contrary in the Equity Definitions, Dealer may, in whole or in part, deliver Shares in certificated form (and/or by delivery of a Share transfer form to Counterparty or its transfer agent, as applicable) representing the Number of Shares to be Delivered to Counterparty in lieu of delivery through the Clearance System.
Valuation Dates:	(a) Any Exchange Business Day following the Effective Date designated by Dealer as a Valuation Date in a written notice (a "**Settlement Notice**") to Counterparty, which notice shall specify the Daily Number of Shares for such Valuation Date and (b) each Exchange Business Day in the Final Valuation Period that is not a Disrupted Day in full.
Final Valuation Period:	The period of consecutive Exchange Business Days equal in number to (i) the Number of Shares as of the Final Valuation Period Start Date *divided by* (ii) the Final Period Daily Number, beginning with, and including, the Final Valuation Period Start Date (or, if such date is not an Exchange Business Day, the next following Exchange Business Day).

Final Valuation Period Start Date:	The 27th Scheduled Trading Day (as defined in the Indenture) immediately preceding the Maturity Date (as defined in the Indenture).
Settlement Date:	With respect to each Valuation Date, the date that is one Settlement Cycle following such Valuation Date.
Market Disruption Event:	Section 6.3(a) of the Equity Definitions is hereby amended (A) by deleting the words "during the one hour period that ends at the relevant Valuation Time, Latest Exercise Time, Knock-in Valuation Time or Knock-out Valuation Time, as the case may be" in clause (ii) thereof, and (B) by replacing the words "or (iii) an Early Closure." therein with "(iii) an Early Closure, or (iv) a Regulatory Disruption." Section 6.3(d) of the Equity Definitions is hereby amended by deleting the remainder of the provision following the term "Scheduled Closing Time" in the fourth line thereof.
Regulatory Disruption:	Any event that Dealer, in its reasonable discretion and in good faith, based on advice of counsel, determines makes it appropriate with regard to any legal, regulatory or self-regulatory requirements or related policies and procedures for Dealer to refrain from or decrease any market activity in connection with the Transaction. Dealer shall notify Counterparty as soon as reasonably practicable that a Regulatory Disruption has occurred and the Valuation Date(s) affected by it.
Dividends:	
Dividend Payment:	In lieu of Section 9.2(a)(iii) of the Equity Definitions, Dealer will pay to Counterparty the relevant Dividend Amount on each Dividend Payment Date.
Dividend Amount:	(a) 100% of any cash dividend or distribution per Share declared by Counterparty and paid to holders of Shares the ex-dividend date for which occurs during the period from, and including, the Effective Date to, but excluding, the final Valuation Date, *multiplied by* (b) the Number of Shares on such ex-dividend date (after giving effect to any reduction on such ex-dividend date, if such ex-dividend date is a Valuation Date).
Dividend Payment Date:	Each date that is five Exchange Business Days after the date on which the relevant Dividend Amount is paid or distributed by Counterparty to holders of Shares.
Share Adjustments:	
Method of Adjustment:	Calculation Agent Adjustment. For the avoidance of doubt, any dividend or distribution of the type described in Sections 11.2(e)(i) or 11.2(e)(ii)(A) of the Equity Definitions, the Calculation Agent shall make a proportional adjustment to the Number of Shares to reflect such dividend or distribution.

Extraordinary Events:

New Shares:	In the definition of New Shares in Section 12.1(i) of the Equity Definitions, the text in clause (i) shall be deleted in its entirety and replaced with "publicly quoted, traded or listed on any of the New York Stock Exchange, the NASDAQ Global Select Market or the NASDAQ Global Market (or their respective successors)".
Consequences of Merger Events:	In addition to, and without limitation of, Section 12.2 of the Equity Definitions, if, in connection with any Merger Event, (i) the consideration for the Shares includes (or, at the option of a holder of the Shares, may include) shares of an entity or person that is not a corporation or is not organized under the laws of the United States, any State thereof or the District of Columbia, the United Kingdom, the Republic of Ireland or the Cayman Islands or (ii) the counterparty to the Transaction following such Merger Event will not be a corporation or will not be the Issuer of the relevant Shares following such Merger Event (after giving effect to the provisions of this Confirmation in respect thereof, as determined by the Calculation Agent), then Cancellation and Payment may apply at Dealer's sole election. In addition, if the consideration for the Shares includes (or, at the option of a holder of the Shares, may include) shares of an entity or person that is organized under the laws of the United Kingdom or the Republic of Ireland and the Calculation Agent determines, in its sole discretion, that (A)(x) treating such shares as "Reference Property" (as defined in the Indenture) or (y) Cancellation and Payment not applying to the Transaction with respect to such Merger Event, in either case of clause (x) or clause (y), will have a material adverse effect on any combination of the following: Dealer's rights or obligations in respect of the Transaction, on its hedging activities in respect of the Transaction or on the costs (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position) of engaging in any of the foregoing, and (B) Dealer cannot promptly avoid the occurrence of each such material adverse effect by amending the terms of this Confirmation (whether because amendments would not avoid such occurrence or because Counterparty fails to agree promptly to such amendments) then Cancellation and Payment may apply at Dealer's sole election.
Notice of Merger Consideration:	Upon the occurrence of a Merger Event that causes the Shares to be converted into the right to receive more than a single type of consideration (determined based in part upon any form of stockholder election), Counterparty shall reasonably promptly (but in any event prior to the relevant merger date) notify the Calculation Agent of (i) the weighted average of the types and amounts of consideration received by the holders of Shares entitled to receive cash, securities or other property or assets with respect to or in exchange for such Shares in any Merger Event who affirmatively make such an election and (ii) the details of the adjustment made under the Indenture in respect of such Merger Event.

Share-for-Share:	Modified Calculation Agent Adjustment
Share-for-Other:	Modified Calculation Agent Adjustment or Cancellation and Payment (Calculation Agent Determination), as determined by Dealer in its sole discretion
Share-for-Combined:	Component Adjustment or Cancellation and Payment (Calculation Agent Determination), as determined by Dealer in its sole discretion
Tender Offer:	Applicable
Share-for-Share:	Modified Calculation Agent Adjustment
Share-for-Other:	Modified Calculation Agent Adjustment
Share-for-Combined:	Modified Calculation Agent Adjustment
Nationalization, Insolvency or Delisting:	Cancellation and Payment (Calculation Agent Determination); *provided* that in addition to the provisions of Section 12.6(a)(iii) of the Equity Definitions, it shall also constitute a Delisting if the Shares are not immediately re-listed, re-traded or re-quoted on any of the New York Stock Exchange, the NASDAQ Global Market or the NASDAQ Global Select Market (or their respective successors); if the Shares are immediately re-listed, re-traded or re-quoted on any such exchange or quotation system, such exchange or quotation system shall be deemed to be the Exchange. In addition, (i) the definition of "Announcement Date" in Section 12.1(l) of the Equity Definitions shall be amended by by deleting subsection (v) thereof in its entirety and replacing it with "(v) in the case of Insolvency, the date of (A) the institution of a proceeding or presentation of a petition or the passing of a resolution (or the convening of a meeting to pass a resolution or the proposing of a written resolution) that leads to Insolvency within the meaning of subsection (A) of the definition thereof, (B) the first public announcement of the institution of a proceeding or presentation of a petition or passing of a resolution (or other analogous procedure in any jurisdiction) that leads to the Insolvency or (C) the occurrence of any of the events specified in Section 5(a)(vii)(1) through (9) of the ISDA Master Agreement with respect to that Issuer" and (ii) Section 12.6(a)(ii) of the Equity Definitions is hereby amended by (1) inserting "(A)" after "means" in the first line thereof and replacing "(A)" and "(B)" in the third and fourth lines thereof with "(1)" and "(2)" respectively, (2) deleting from the fourth line thereof the word "or" after the word "official" and inserting a comma therefor, (3) inserting at the end of renumbered subsection (2) thereof the following wording, "or, under the laws of the Cayman Islands, any other impediment to or restriction on the transfer of any Share arises or becomes applicable including, without limitation, where (x) any transfer of a Share or alteration of the status of the members of the Issuer would be void unless a court of the Cayman Islands orders otherwise or (y) any transfer of a Share not being a transfer with the sanction of a liquidator, and any

	alteration in the status of the Issuer's members would be void" and (4) deleting the semi-colon at the end of renumbered subsection (2) thereof and inserting the following words therefor "or (B) at Dealer's option, the occurrence of any of the events specified in Section 5(a)(vii)(1) through (9) of the ISDA Master Agreement with respect to that Issuer.".
Additional Disruption Events:	
Change in Law:	Applicable; provided that Section 12.9(a)(ii) of the Equity Definitions is hereby amended by (i) replacing the phrase "the interpretation" in the third line thereof with the phrase ", or public announcement of, the formal or informal interpretation", (ii) by replacing the word "Shares" where it appears in clause (X) thereof with the words "Hedge Position" and (iii) by immediately following the word "Transaction" in clause (X) thereof, adding the phrase "in the manner contemplated by Dealer on the Trade Date or in another commercially reasonable manner (it being understood that such party need not take any action that does not meet the Avoidance Criteria)"; provided further that (i) any determination as to whether (A) the adoption of or any change in any applicable law or regulation (including, for the avoidance of doubt and without limitation, (x) any tax law or (y) adoption or promulgation of new regulations authorized or mandated by existing statute) or (B) the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), in each case, constitutes a "Change in Law" shall be made without regard to Section 739 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 or any similar legal certainty provision in any legislation enacted, or rule or regulation promulgated, on or after the Trade Date, and (ii) Section 12.9(a)(ii) of the Equity Definitions is hereby amended by replacing the parenthetical beginning after the word "regulation" in the second line thereof the words "(including, for the avoidance of doubt and without limitation, (x) any tax law or (y) adoption or promulgation of new regulations authorized or mandated by existing statute)". "Avoidance Criteria" means, with respect to an action, as determined by the Calculation Agent in good faith, that (i) such action is legal and complies with all applicable regulations, rules (including by self-regulatory organizations) and policies, (ii) if such party is to establish one or more alternative Hedge Positions, there is sufficient liquidity in those alternative Hedge Positions available for that Hedging Party to hedge and (iii) by taking such action, there would not be a material risk that such Hedging Party would incur, any one or more of an increased performance cost, increased hedging cost or increased capital charges.
Insolvency Filing:	Applicable.
Failure to Deliver:	Applicable.

Hedging Disruption:	Applicable, subject to the limitations and other provisions set forth in Section 8(c) below; provided that: (i) Section 12.9(a)(v) of the Equity Definitions is hereby modified by inserting the following three sentences at the end of such Section: "Such inability described in phrases (A) or (B) above shall not constitute a "Hedging Disruption" if such inability results solely from the Hedging Party's creditworthiness or financial position. For the avoidance of doubt, the term "equity price risk" shall be deemed to include, but shall not be limited to, stock price and volatility risk. And, for the further avoidance of doubt, any such transactions or assets referred to in phrases (A) or (B) above must be available on commercially reasonable pricing terms"; and (ii) Section 12.9(b)(iii) of the Equity Definitions is hereby amended by inserting in the third line thereof, after the words "to terminate the Transaction", the words "or a portion of the Transaction affected by such Hedging Disruption".
Increased Cost of Hedging:	Applicable; *provided* that, (i) such increased cost described in Section 12.9(a)(vi) of the Equity Definitions shall not constitute an "Increased Cost of Hedging" if such increased cost results solely from the Hedging Party's creditworthiness or financial position and (ii) the Hedging Party will use good faith efforts to avoid such increased cost (it being understood that such party need not take any action that does not meet the Avoidance Criteria).
Determining Party:	For all Additional Disruption Events and Extraordinary Events, Dealer. Upon receipt of written request from Counterparty, the Determining Party shall promptly provide Counterparty with a written explanation describing in reasonable detail any calculation, adjustment or determination made by it (including any quotations, market data or information from internal or external sources used in making such calculation, adjustment or determination, as the case may be, but without disclosing Dealer's proprietary models or other information that may be proprietary or subject to contractual, legal or regulatory obligations to not disclose such information), and shall use commercially reasonable efforts to provide such written explanation within five (5) Exchange Business Days from the receipt of such request.
Non-Reliance:	Applicable
Agreements and Acknowledgments Regarding Hedging Activities:	Applicable
Additional Acknowledgments:	Applicable

3. Account Details:

(a) Account for payments to Counterparty:

HSBC-HLF Stock Option
SWIFT: MRMDUS33
Account #: 001846884
Address: 660 S. Figueroa Street, Suite 800
Los Angeles, CA 90017

Account for delivery of Shares to Counterparty:

ComputerShare
520 Pike Street, Suite 1220
Seattle, WA 98101

(b) Account for payments to Dealer:

[*Insert Dealer account information*]

4. Offices:

The Office of Counterparty for the Transaction is: Inapplicable, Counterparty is not a Multibranch Party.

The Office of Dealer for the Transaction is: [ ]

5. Notices: For purposes of this Confirmation:

(a) Address for notices or communications to Counterparty:

Herbalife Ltd.
990 West 190th Street
Torrance, CA 90502
Attn: Richard Caloca
Telephone: (310) 851-2300

With a copy to:
Herbalife Ltd.
800 Olympic Blvd.
Suite 406
Los Angeles, CA 90015
Attn: Jim Berklas

(b) Address for notices or communications to Dealer:

[*Insert Dealer contact information*]

6. Representations, Warranties and Agreements.

(a) In addition to the representations and warranties in the Agreement and those contained elsewhere herein, Counterparty represents and warrants to and for the benefit of, and agrees with, Dealer as follows:

(i) On the Trade Date (A) none of Counterparty and its officers and directors is aware of any material nonpublic information regarding Counterparty or the Shares and (B) all reports and other documents filed by Counterparty with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), when considered as a whole (with the more recent such reports and documents deemed to amend inconsistent statements contained in any earlier such reports and documents), do not contain any untrue statement of a material fact or any omission of a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances in which they were made, not misleading.

(ii) Without limiting the generality of Section 13.1 of the Equity Definitions, Counterparty acknowledges that Dealer is not making any representations or warranties or taking any position or expressing any view with respect to the treatment of the Transaction under any accounting standards including ASC Topic 260, *Earnings Per Share*, ASC Topic 815, *Derivatives and Hedging*, or ASC Topic 480, *Distinguishing Liabilities from Equity* and ASC 815-40, *Derivatives and Hedging – Contracts in Entity's Own Equity* (or any successor issue statements) or under FASB's Liabilities & Equity Project.

(iii) (A) On or prior to the Trade Date, Counterparty shall deliver to Dealer a resolution of Counterparty's board of directors authorizing the Transaction and (B) on the Effective Date, Counterparty shall deliver to Dealer a solvency certificate with respect to Dealer signed by an authorized officer of Counterparty certifying the solvency of Counterparty as of the Trade Date and as of the Effective Date (after giving effect to Counterparty's payment of amounts required to be paid by Counterparty on such date under the Transaction and the other transactions described under "Use of Proceeds" in the offering memorandum related to the offering of the Convertible Notes), which solvency certificate is reasonably satisfactory to Dealer.

(iv) Counterparty is not entering into this Confirmation to create actual or apparent trading activity in the Shares (or any security convertible into or exchangeable for Shares) or to raise or depress or otherwise manipulate the price of the Shares (or any security convertible into or exchangeable for Shares) or otherwise in violation of the Exchange Act.

(v) Counterparty is not, and after giving effect to the transactions contemplated hereby will not be, required to register as an "investment company" as such term is defined in the Investment Company Act of 1940, as amended.

(vi) On and immediately after each of the Trade Date and the Prepayment Date, (A) Counterparty is not "insolvent" (as such term is defined under Section 101(32) of the U.S. Bankruptcy Code (Title 11 of the United States Code) (the "**Bankruptcy Code**")), (B) Counterparty would be able to purchase the Shares with an aggregate purchase price equal to the Premium in compliance with the laws of the jurisdiction of Counterparty's incorporation and Counterparty's constitutional documents and (C) for the purposes of Cayman Islands law, Counterparty is able to pay its debts.

(vii) Counterparty understands no obligations of Dealer to it hereunder will be entitled to the benefit of deposit insurance and that such obligations will not be guaranteed by any Affiliate of Dealer or any governmental agency.

(viii) (A) On the Trade Date, (B) on each day during the period from, and including, the 27th Scheduled Trading Day immediately preceding the Maturity Date (as defined in the Indenture) to, and including, the 25th VWAP Trading Day (as defined in the Indenture) thereafter (the "**Final Observation Period**"), (C) on each day during any "Observation Period" (as defined in the Indenture) (other than the Final Observation Period) applicable to the Relevant Convertible Notes, (D) on each Valuation Date and (E) on each day during any Early Termination Period (as defined below), neither Counterparty nor any "affiliate" or "affiliated purchaser" (each as defined in Rule 10b-18 of the Exchange Act ("**Rule 10b-18**")) shall directly or indirectly (including, without limitation, by means of any cash-settled or other derivative instrument other than the Transaction) purchase, offer to purchase, place any bid or limit order that would effect a purchase of, or commence any tender offer relating to, any Shares (or an equivalent interest, including a unit of beneficial interest in a trust or limited partnership or a depository share) or any security convertible into or exchangeable or exercisable for Shares other than, for the avoidance of doubt, the forward transactions described under "Use of Proceeds" in the offering memorandum related to the offering of the Convertible Notes (the "**Specified Share Forwards**"); unless, solely in the case of clauses (C), (D) or (E) above (and solely to the extent that a binding agreement to effect such purchase activity during the

relevant "Observation Period" (as defined in the Indenture) (other than the Final Observation Period) or Early Termination Period or on the relevant Valuation Date, as applicable, had been entered into prior to notice of such period to Counterparty (whether under the Indenture or from Dealer, as applicable)), Counterparty has provided written notice (which notice shall be deemed to contain a representation and warranty that, as of the time such notice is given, Counterparty is not in possession of, and is not delivering such notice on the basis of, material nonpublic information with respect to Counterparty or the Shares) to Dealer of the relevant purchase activity not later than the Scheduled Trading Day immediately preceding the first day on which such purchase activity will occur; *provided* that (I) Counterparty shall provide written notice (which notice shall be deemed to contain a representation and warranty that, as of the time such notice is given, Counterparty is not in possession of, and is not delivering such notice on the basis of, material nonpublic information with respect to Counterparty or the Shares) to Dealer of the end of such purchase activity not later than the last day of such purchase activity, (II) Counterparty acknowledges and agrees that any notice under this Section 6(a)(viii) may result in a Regulatory Disruption or Excess Ownership Position (as defined below but with the reference to "9%" in clause (1) of the definition thereof replaced with a reference to "5%", a "**Relevant Excess Ownership Position**") to the extent the relevant purchase activity coincides with any period referred to in clauses (C), (D) or (E) above and (III) the Calculation Agent may make a corresponding adjustment in respect of any one or more of the terms relevant to the exercise, settlement or payment of the Options (including, for the avoidance of doubt, a postponement or extension pursuant to Section 8(d)) to the extent necessary to preserve the fair value of the Options to Dealer after taking into account such Regulatory Disruption or Relevant Excess Ownership Position (as appropriate to reflect the additional costs (including, but not limited to, hedging mismatches and market losses) and expenses incurred by Dealer in connection with its hedging activities (including the unwinding of any hedge position) as a result of such Regulatory Disruption or Relevant Excess Ownership Position); *provided further* that (a) this Section 6(a)(viii) shall not limit Counterparty's ability (or the ability of any "affiliate" or "affiliated purchaser" of Counterparty), (i) pursuant to its employee incentive plans, to re-acquire Shares in connection with the related equity transactions; (ii) to withhold shares to cover exercise price and/or tax liabilities associated with such equity transactions; or (iii) to grant Shares and options to "affiliates" or "affiliated purchasers" (as defined in Rule 10b-18) or the ability of such affiliates or affiliated purchasers to acquire such Shares or options, in connection with Counterparty's compensatory plans for directors, officers and employees or any agreements with respect to the compensation of directors, officers or employees of any entities that are acquisition targets of Counterparty, so long as, in the case of clause (i), (ii) or (iii) of this proviso, any such re-acquisition, withholding, grant, acquisition or other purchase does not constitute a "Rule 10b-18 Purchase" (as defined in Rule 10b-18) and (b) Counterparty or such "affiliate" or "affiliated purchaser" may purchase Shares in privately negotiated (off-market) transactions that do not, directly or indirectly, involve purchases on the Exchange and are not "Rule 10b-18 purchases" (as defined in Rule 10b-18), in each case without Dealer's consent.

(ix) (A) (i) On the Trade Date, (ii) on each day during the Final Observation Period, (iii) on each day during any "Observation Period" (as defined in the Indenture) (other than the Final Observation Period) applicable to the Relevant Convertible Notes, (iv) on each Valuation Date and (v) in the event an Early Termination Date is designated with respect to the Transaction or a portion thereof or the Transaction or a portion thereof is cancelled pursuant to Article 12 of the Equity Definitions, in either case, on each day during a period starting on or about such Early Termination Date as reasonably determined by Dealer and notified to Counterparty (an "**Early Termination Period**"), in each case, the Shares or securities that are convertible into, or exchangeable or exercisable for, Shares, are not, and shall not be, subject to a "restricted period," as such term is defined in Regulation M under the Exchange Act ("**Regulation M**") (determined, for the avoidance of doubt, after giving effect to any applicable exceptions set forth in Sections 101(b) and 102(b) of Regulation M) and (B), without limiting the generality of the immediately preceding clause (A), Counterparty shall not engage in any "distribution," as such term is defined in Regulation M, other than a distribution meeting the requirements of the exceptions set forth in sections 101(b) and 102(b) of Regulation M, during (i) the period from, and including, the Trade Date to, and including, the second Exchange Business Day thereafter, (ii) the period comprised of the Final Observation Period and the period from, and including, the last day of the Final Observation Period to, and including, the second Exchange Business Day thereafter, (iii) the period comprised of any such Observation Period (other than the Final Observation Period) and the period from, and including, the last day of such Observation Period (other than the Final Observation Period) to, and including, the second Exchange Business Day thereafter, (iv) the period from, and including, any Valuation Date to, and including, the

second Exchange Business Day thereafter or (v) the period comprised of any such Early Termination Period and the period from, and including, the last day of such Early Termination Period to, and including, the second Exchange Business Day thereafter, as applicable; *unless*, solely in the case of clauses (A)(iii), (A)(iv), (A)(v), (B)(iii), (B)(iv) or (B)(v) above (and solely to the extent that a binding agreement to effect the "distribution" that would give rise to the relevant "restricted period" during the relevant "Observation Period" (as defined in the Indenture) (other than the Final Observation Period) or Early Termination Period or on the relevant Valuation Date, as applicable, had been entered into prior to notice of such period to Counterparty (whether under the Indenture or from Dealer, as applicable)), Counterparty has provided written notice (which notice shall be deemed to contain a representation and warranty that, as of the time such notice is given, Counterparty is not in possession of, and is not delivering such notice on the basis of, material nonpublic information with respect to Counterparty or the Shares) to Dealer of the relevant "restricted period" not later than the Scheduled Trading Day immediately preceding the first day of such "restricted period"; *provided* that (I) Counterparty shall provide written notice (which notice shall be deemed to contain a representation and warranty that, as of the time such notice is given, Counterparty is not in possession of, and is not delivering such notice on the basis of, material nonpublic information with respect to Counterparty or the Shares) to Dealer of the end of such "restricted period" not later than the last day of such "restricted period", (II) Counterparty acknowledges and agrees that any notice under this Section 6(a)(ix) may result in a Regulatory Disruption or Relevant Excess Ownership Position to the extent the relevant transaction coincides with any period referred to in the case of clauses (iii), (iv) or (v) above and (III) the Calculation Agent may make a corresponding adjustment in respect of any one or more of the terms relevant to the exercise, settlement or payment of the Options (including, for the avoidance of doubt, a postponement or extension pursuant to Section 8(d)) to the extent necessary to preserve the fair value of the Options to Dealer after taking into account such Regulatory Disruption or Relevant Excess Ownership Position (as appropriate to reflect the additional costs (including, but not limited to, hedging mismatches and market losses) and expenses incurred by Dealer in connection with its hedging activities (including the unwinding of any hedge position) as a result of such Regulatory Disruption or Relevant Excess Ownership Position).

(x) To Counterparty's knowledge, based on due inquiry, no state or local (including non-U.S. jurisdictions) law, rule, regulation or regulatory order applicable to the Shares (not including laws, rules, regulations or regulatory orders of any jurisdiction that are generally applicable to equity securities of U.S.-incorporated issuers that are listed on the Exchange solely as a result of Dealer's and/or its affiliates' activities, assets or business, other than Dealer's hedging activities in connection with the Transaction) would give rise to any reporting, consent, registration or other requirement (including without limitation a requirement to obtain prior approval from any person or entity) as a result of Dealer or its affiliates owning or holding (however defined) Shares in connection with the Transaction.

(xi) Counterparty (A) is capable of evaluating investment risks independently, both in general and with regard to all transactions and investment strategies involving a security or securities; (B) will exercise independent judgment in evaluating the recommendations of any broker-dealer or its associated persons, unless it has otherwise notified the broker-dealer in writing; and (C) has total assets of at least $50 million.

(xii) *Reserved*.

(xiii) (A)(i) Counterparty understands that the Transaction is subject to complex risks, which it has duly considered and which may arise without warning and may at times be volatile, and that losses may occur quickly and in unanticipated magnitude; (ii) Counterparty has duly authorized its entry into the Transaction and such action does not violate any laws of its jurisdiction of incorporation, organization or residence; (iii) Counterparty has consulted with its legal, financial and accounting advisor(s) and has reached its own conclusions about the Transaction, and any legal, regulatory, tax, accounting or economic consequences arising from the Transaction; and (iv) the board of directors of Counterparty (the "**Board"**) and/or any duly appointed committee of directors of Counterparty to which responsibility for approving and authorizing this Transaction has been duly delegated by the Board (the "**Relevant Committee**") has concluded that the Transaction is suitable for Counterparty, for its commercial benefit and in its best interests, in light of its own investment objectives, financial condition and expertise. (B) The Transaction has been duly approved and authorized by the Board or the Relevant Committee after due consideration by the Board and/or the Relevant Committee of the matters.

(xiv) The representations and warranties of Counterparty set forth in Section 3 of the Agreement and Section 1(a) of the Purchase Agreement between Issuer and Credit Suisse Securities (USA) LLC, HSBC Securities (USA) Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. LLC and the other initial purchasers party thereto (the "**Purchase Agreement**"), are true and correct as of the respective dates as of which such representations and warranties are made thereunder and are hereby deemed to be repeated to Dealer as if set forth herein.

(b) Each of Dealer and Counterparty agrees and represents that it is an "eligible contract participant" as defined in Section 1a(18) of the U.S. Commodity Exchange Act, as amended.

(c) Counterparty acknowledges that the offer and sale of the Transaction to it is intended to be exempt from registration under the Securities Act of 1933, as amended (the "**Securities Act**"), by virtue of Section 4(2) thereof. Accordingly, Counterparty represents and warrants to Dealer that (i) it has the financial ability to bear the economic risk of its investment in the Transaction and is able to bear a total loss of its investment, (ii) it is an "accredited investor" as that term is defined in Regulation D as promulgated under the Securities Act, (iii) it is entering into the Transaction for its own account without a view to the distribution or resale thereof and (iv) the assignment, transfer or other disposition of the Transaction has not been and will not be registered under the Securities Act and is restricted under this Confirmation, the Securities Act and state securities laws.

(d) Counterparty agrees and acknowledges that Dealer is a "financial institution" and a "financial participant" within the meaning of Sections 101(22), 101(53C) and 101(22A) of Title 11 of the United States Code (the "**Bankruptcy Code**"). The parties hereto further agree and acknowledge that it is the intent of the parties that (A) this Confirmation is a "securities contract," as such term is defined in Section 741(7) of the Bankruptcy Code, with respect to which each payment and delivery hereunder or in connection herewith is a "termination value," "payment amount" or "other transfer obligation" within the meaning of Section 362 of the Bankruptcy Code and a "settlement payment," within the meaning of Section 546 of the Bankruptcy Code, and (B) Dealer is entitled to the protections afforded by, among other sections, Sections 362(b)(6), 362(o), 546(e), 548(d)(2), 555 and 561 of the Bankruptcy Code.

(e) Counterparty shall deliver to Dealer opinions of counsel, from U.S. and Cayman Islands counsel to the Issuer, dated as of the Effective Date and reasonably acceptable to Dealer in form and substance, with respect to the matters set forth in Section 3(a) of the Agreement and Sections 6(a)(v) and 6(a)(xiii) of this Confirmation (replacing, solely for these purposes and solely with respect to Section 6(a)(xiii), the words "On the Trade Date and at all times until termination or earlier expiration of the Transaction" with the words "On the Trade Date"), subject to customary assumptions, qualifications and exceptions.

7. Matters Relating to Agent.

(a) In connection with the Transaction confirmed hereby, the Agent, a broker-dealer registered under the Exchange Act will be responsible for: (a) effecting the Transaction (though the Agent shall not be responsible for negotiating the terms of the Transaction), (b) issuing all required confirmations and statements to Counterparty relating to the Transaction, (c) as between Dealer and the Agent, extending or arranging for the extension of any credit to Counterparty in connection with the Transaction, (d) maintaining required books and records relating to the Transaction, (e) complying, to the extent applicable, with Rule 15c3-1 under the Exchange Act and (f) unless otherwise permitted under applicable law or applicable interpretations thereof, receiving, delivering and safeguarding funds and securities in compliance with Rule 15c3-3 under the Exchange Act.

(b) The Agent is acting hereunder solely in its capacity as agent (and not as principal or guarantor) in connection with the Transaction entered into between Counterparty and Dealer, pursuant to instructions received from Counterparty and Dealer, and shall have no responsibility or liability to Counterparty or Dealer arising from any failure by either of them to pay or perform any obligation hereunder. Each of Counterparty and Dealer acknowledges the foregoing and agrees that it will proceed solely against the other to collect or recover any funds or securities owing to it in connection with or arising from the Transaction. The Agent shall not be deemed to have endorsed or guaranteed the Transaction confirmed hereby and shall have no responsibility or liability to either Counterparty or Dealer except for gross negligence or willful misconduct in the performance of its duties as agent.

(c) Dealer is regulated by the Financial Services Authority and is a member of the London Stock Exchange, the Irish Stock Exchange, Virt-x and ISMA. Dealer has entered into the Transaction as principal. The time of the Transaction shall be notified to Counterparty upon request.

8. Other Provisions.

(a) *Repurchase Notices.* Counterparty shall, on any day on which Counterparty effects any repurchase of Shares, promptly give Dealer a written notice of such repurchase (a "**Repurchase Notice**") on such day, if, following such repurchase, the Notice Percentage as determined on such date is (i) greater than 4.5% and (ii) greater by 0.5% than the Notice Percentage included in the immediately preceding Repurchase Notice (or, in the case of the first such Repurchase Notice, greater than the Notice Percentage as of the date hereof). The "**Notice Percentage**" as of any day is the fraction, expressed as a percentage, the numerator of which is the Number of Shares for the Transaction and the denominator of which is the number of Shares outstanding on such day.

Counterparty agrees to indemnify and hold harmless Dealer, its affiliates and its assignees and their respective directors, officers, employees, agents and controlling persons (Dealer and each such person being an "**Indemnified Party**") from and against any and all losses (including losses relating to Dealer's hedging activities as a consequence of becoming, or of the risk of becoming, a Section 16 "insider", including without limitation, any forbearance from hedging activities or cessation of hedging activities and any losses in connection therewith with respect to any Transaction), claims, damages and liabilities (or actions in respect thereof), joint or several, to which such Indemnified Party may become subject, under the Securities Act, the Exchange Act, under other applicable securities laws, under any other state or federal law, regulation or regulatory order or otherwise, relating to or arising out of a failure by Counterparty to provide Dealer with a Repurchase Notice on the day and in the manner set forth above. Counterparty shall be relieved from liability under this indemnity resulting from an action to the extent that Counterparty both (i) has not received notice that such action has commenced within 60 calendar days thereof and (ii) is materially prejudiced as a result of not receiving such notice. If for any reason the foregoing indemnification is unavailable to any Indemnified Party or insufficient to hold harmless any Indemnified Party, then Counterparty shall contribute, to the maximum extent permitted by law, to the amount paid or payable by the Indemnified Party as a result of such loss, claim, damage or liability. In addition, Counterparty will reimburse any Indemnified Party for all expenses (including reasonable counsel fees and expenses) as they are incurred (after notice to Counterparty) in connection with the investigation of, preparation for or defense or settlement of any pending or threatened claim or any action, suit or proceeding arising therefrom, whether or not such Indemnified Party is a party thereto and whether or not such claim, action, suit or proceeding is initiated or brought by or on behalf of Counterparty. This indemnity shall survive the completion of the Transaction and any assignment and/or delegation of the Transaction made pursuant to the Agreement and/or this Confirmation shall inure to the benefit of any permitted assignee of Dealer.

(b) *Early Unwind.* In the event the sale by Counterparty of the "Initial Securities" (as defined in the Purchase Agreement) is not consummated with the initial purchasers for any reason by the close of business in New York on February 7, 2014 (or such later date as agreed upon by the parties, which in no event shall be later than February 21, 2014) (February 7, 2014 or such later date being the "**Early Unwind Date**"), the Transaction shall automatically terminate (the "**Early Unwind**"), on the Early Unwind Date and (i) the Transaction and all of the respective rights and obligations of Dealer and Counterparty thereunder shall be cancelled and terminated and (ii) following the payment or delivery, as applicable, referred to below, each party shall be released and discharged by the other party from and agrees not to make any claim against the other party with respect to any obligations or liabilities of the other party arising out of and to be performed in connection with the Transaction either prior to or after the Early Unwind Date (other than under the indemnity under the second paragraph of Section 8(a)); *provided* that, except to the extent that the Early Unwind Date occurred as a result of a breach of the Purchase Agreement by Dealer (or its affiliate, as applicable) in its capacity as initial purchaser Counterparty shall pay to Dealer an amount in cash equal to the aggregate amount of costs and expenses relating to the unwinding of Dealer's hedging activities in respect of the Transaction (including market losses incurred in reselling any Shares purchased by Dealer or its affiliates in connection with such hedging activities, unless Counterparty agrees to purchase any such Shares at the cost at which Dealer purchased such Shares) or, at the election of Counterparty, deliver to Dealer (at the times, and in the amounts, reasonably requested by Dealer) Shares with a value equal to such amount, as commercially reasonably determined by the Calculation Agent, in which event the parties shall enter into customary and commercially reasonable documentation relating to the registered or exempt resale of such Shares (in which case, the Calculation Agent shall make any adjustment to the number of such Shares that is necessary, in its reasonable judgment, to compensate Dealer for any discount from the public market price of the Shares incurred on the sale of such Shares in a private placement) (it being understood, for the avoidance of doubt, that Counterparty shall have the right to elect that an exempt, as opposed to registered, resale of such Shares shall apply in accordance with the requirements set forth herein); *provided* that, if Counterparty makes such election to deliver Shares, notwithstanding

the foregoing, the number of Shares so delivered will not exceed a number of Shares equal to two *multiplied by* the Number of Shares (with such Number of Shares determined, for the avoidance of doubt, as if the relevant Convertible Notes had been issued).

(c) *Transfer or Assignment*. Dealer may transfer any of its rights or obligations under the Transaction with the prior written consent of Counterparty, such consent not to be unreasonably withheld; *provided* that Dealer may transfer or assign without any consent of Counterparty its rights and obligations hereunder, in whole or in part, to (i) any of its affiliates (A) with a credit quality equivalent to Dealer or Dealer's guarantor or (B) whose obligations hereunder will be guaranteed, pursuant to the terms of a customary guarantee in a form used by Dealer or its relevant affiliate for similar transactions, by Dealer, an affiliate of Dealer with credit quality equivalent to Dealer or Dealer's parent entity or other guarantor, or (ii) if an Excess Ownership Position (as defined below) or Hedging Disruption exists, but only to the extent of such Excess Ownership Position or to the extent such assignment would eliminate such Hedging Disruption, to any other third party with a rating for its long term, unsecured and unsubordinated indebtedness equal to or better than A- by Standard and Poors Rating Group, Inc. or its successor ("**S&P**"), or A3 by Moody's Investor Service, Inc. or its successor ("**Moody's**") or, if either S&P or Moody's ceases to rate such debt, at least an equivalent rating or better by a substitute rating agency mutually agreed by Counterparty and Dealer. Dealer shall promptly notify Counterparty of any such assignment provided for above. If at any time at which (1) the Equity Percentage exceeds 9%, (2) Dealer, Dealer Group (as defined below) or any person whose ownership position would be aggregated with that of Dealer or Dealer Group (Dealer, Dealer Group or any such person, a "**Dealer Person**") under any state or federal bank holding company or banking laws, or other federal, state or local regulations or regulatory orders applicable to ownership of Shares ("**Applicable Laws**"), owns, beneficially owns, constructively owns, controls, holds the power to vote or otherwise meets a relevant definition of ownership in excess of a number of Shares equal to (x) the number of Shares that would, in Dealer's reasonable judgment based on advice of counsel, give rise to reporting or registration obligations or other requirements (including obtaining prior approval by a state or federal regulator) of a Dealer Person under Applicable Laws and with respect to which such requirements have not been met or the relevant approval has not been received *minus* (y) 1% of the number of Shares outstanding on the date of determination (either such condition described in clause (1) or (2), an "**Excess Ownership Position**"), or (3) a Hedging Disruption has occurred and is continuing, if Dealer, in its discretion, is unable to effect a transfer or assignment to a third party in accordance with the requirements set forth above after using its commercially reasonable efforts on pricing terms reasonably acceptable to Dealer such that an Excess Ownership Position or a Hedging Disruption, as the case may be, no longer exists, Dealer may designate any Scheduled Trading Day as an Early Termination Date with respect to a portion (the "**Terminated Portion**") of the Transaction, such that such Excess Ownership Position or Hedging Disruption, as the case may be, no longer exists. In the event that Dealer so designates an Early Termination Date with respect to a portion of the Transaction, a payment or delivery shall be made pursuant to Section 6 of the Agreement and Section 8(a) of this Confirmation as if (i) an Early Termination Date had been designated in respect of a Transaction having terms identical to the Terminated Portion of the Transaction, (ii) Counterparty shall be the sole Affected Party with respect to such partial termination and (iii) such portion of the Transaction shall be the only Terminated Transaction. The "**Equity Percentage**" as of any day is the fraction, expressed as a percentage, (A) the numerator of which is the number of Shares that Dealer and any of its affiliates subject to aggregation with Dealer for purposes of the "beneficial ownership" test under Section 13 of the Exchange Act and all persons who may form a "group" (within the meaning of Rule 13d-5(b)(1) under the Exchange Act) with Dealer (collectively, "**Dealer Group**") "beneficially own" (within the meaning of Section 13 of the Exchange Act) without duplication on such day and (B) the denominator of which is the number of Shares outstanding on such day.

(d) *Right to Extend*. Dealer may, as Dealer determines appropriate in good faith, postpone or add, in whole or in part, any Valuation Date or Settlement Date or any other date of valuation or delivery by Dealer, in which event the Calculation Agent shall make appropriate adjustments to the Number of Shares and the Daily Number of Shares with respect to any affected Valuation Date, to the extent Dealer determines, in its reasonable discretion based on advice of counsel in the case of the immediately following clause (ii), that such postponement or addition is reasonably necessary or appropriate (i) to preserve Dealer's commercially reasonable hedging or hedge unwind activity hereunder in light of existing liquidity conditions in the cash market or the stock borrow market or other relevant market or (ii) to enable Dealer to effect purchases of Shares in connection with its hedging, hedge unwind or settlement activity hereunder in a manner that would, if Dealer were Counterparty or an affiliated purchaser of Counterparty, be in compliance with applicable legal, regulatory or self-regulatory requirements, or with related policies and procedures applicable to Dealer and the Transaction.

(e) *Alternative Calculations and Payment on Early Termination and on Certain Extraordinary Events*. If Dealer shall owe Counterparty any amount pursuant to Article 12 of the Equity Definitions or pursuant to Section 6 of the Agreement (a "**Payment Obligation**"), Counterparty shall have the right, in its sole discretion, to require Dealer to satisfy any such Payment Obligation by the Share Termination Alternative (as defined below) by giving irrevocable telephonic notice to Dealer, confirmed in writing within one Scheduled Trading Day, no later than 9:30 A.M. New York City time on the relevant Early Termination Date or date of cancellation or termination in respect of an Extraordinary Event, as applicable ("**Notice of Share Termination**"); *provided* that if Counterparty does not elect to require Dealer to satisfy its Payment Obligation by the Share Termination Alternative, Dealer shall have the right, in its sole discretion, to elect to satisfy its Payment Obligation by the Share Termination Alternative, notwithstanding Counterparty's failure to elect or election to the contrary; and *provided further* that Counterparty shall not have the right to so elect (but, for the avoidance of doubt, Dealer shall have the right to so elect) in the event of (i) an Insolvency (as amended by this Confirmation), a Nationalization or a merger event, in each case, in which the consideration or proceeds to be paid to holders of Shares consists solely of cash, (ii) an Insolvency Filing, (iii) an Event of Default in which Counterparty is the Defaulting Party or a Termination Event in which Counterparty is the Affected Party, which Event of Default or Termination Event resulted from an event or events within Counterparty's control or (iv) the Bankruptcy of Counterparty. Upon such Notice of Share Termination, the following provisions shall apply on the Scheduled Trading Day immediately following the relevant merger date, Announcement Date, Early Termination Date or date of cancellation or termination in respect of an Extraordinary Event, as applicable:

Share Termination Alternative:	Applicable and means that Dealer shall deliver to Counterparty the Share Termination Delivery Property on the date on which the Payment Obligation would otherwise be due pursuant Article 12 of the Equity Definitions or Section 6 of the Agreement, as applicable, or such later date as the Calculation Agent may reasonably determine (the "**Share Termination Payment Date**"), in satisfaction of the Payment Obligation.
Share Termination Delivery Property:	A number of Share Termination Delivery Units, as calculated by the Calculation Agent, equal to the Payment Obligation divided by the Share Termination Unit Price. The Calculation Agent shall adjust the Share Termination Delivery Property by replacing any fractional portion of the aggregate amount of a security therein with an amount of cash equal to the value of such fractional security based on the values used to calculate the Share Termination Unit Price.
Share Termination Unit Price:	The value of property contained in one Share Termination Delivery Unit on the date such Share Termination Delivery Units are to be delivered as Share Termination Delivery Property, as determined by the Calculation Agent in its discretion by commercially reasonable means and notified by the Calculation Agent to Dealer at the time of notification of the Payment Obligation.
Share Termination Delivery Unit:	In the case of a Termination Event, Event of Default, Delisting or Additional Disruption Event, one Share or, in the case of an Insolvency or Nationalization, one Share or a unit consisting of the number or amount of each type of property received by a holder of one Share (without consideration of any requirement to pay cash or other consideration in lieu of fractional amounts of any securities) in such Insolvency or Nationalization, as applicable. If such Insolvency or Nationalization involves a choice of consideration to be received by holders, such holder shall be deemed to have elected to receive the maximum possible amount of cash.

Other applicable provisions:	If Share Termination Alternative is applicable, the provisions of Sections 9.8, 9.9, 9.10 and 9.11 (except that the Representation and Agreement contained in Section 9.11 of the Equity Definitions shall be modified by excluding any representations therein relating to restrictions, obligations, limitations or requirements under applicable securities or other laws or otherwise arising as a result of the fact that Counterparty is the issuer of the Shares or any portion of the Share Termination Delivery Units) of the Equity Definitions will be applicable as if "Physical Settlement" applied to the Transaction, except that all references to "Shares" shall be read as references to "Share Termination Delivery Units."

(f) *No Netting and Set-off*. Notwithstanding any provision of the Agreement (including without limitation Section 6(f) thereof) and this Confirmation (including without limitation this Section 8(f)) or any other agreement between the parties to the contrary, each party waives any and all rights it may have to set off obligations arising under the Agreement and the Transaction against other obligations between the parties, whether arising under any other agreement, applicable law or otherwise.

(g) *Equity Rights*. Dealer acknowledges and agrees that this Confirmation is not intended to convey to it rights with respect to the Transaction that are senior to the claims of common stockholders in the event of Counterparty's bankruptcy. For the avoidance of doubt, the parties agree that the preceding sentence shall not apply at any time other than during Counterparty's bankruptcy to any claim arising as a result of a breach by Counterparty of any of its obligations under this Confirmation or the Agreement. For the avoidance of doubt, the parties acknowledge that this Confirmation is not secured by any collateral that would otherwise secure the obligations of Counterparty herein under or pursuant to any other agreement.

(h) *Payment by Counterparty*. In the event that an Early Termination Date occurs or is designated with respect to the Transaction as a result of a Termination Event or an Event of Default (other than an Event of Default arising under Section 5(a)(ii) or 5(a)(iv) of the Agreement) after Counterparty's payment of the Prepayment Amount in full and, as a result, Counterparty owes to Dealer an amount calculated under Section 6(e) of the Agreement, such amount shall be deemed to be zero.

(i) *Reserved*.

(j) *Staggered Settlement*. If Dealer reasonably determines it is appropriate with respect to any applicable legal, regulatory or self-regulatory requirements (including any requirements relating to Dealer's hedging activities with respect to the Transaction) or restrictions, or with related policies and procedures applicable to Dealer and the Transaction, and/or to avoid an Excess Ownership Position, Dealer may, by notice to Counterparty prior to any Settlement Date (a "**Nominal Settlement Date**"), elect to deliver the Shares or Share Termination Delivery Units, as applicable, on one or more dates (each, a "**Staggered Settlement Date**") or at two or more times on the Nominal Settlement Date as follows:

(i) in such notice, Dealer will specify to Counterparty the related Staggered Settlement Dates (each of which will be on or prior to such Nominal Settlement Date) or delivery times and how it will allocate the Shares it is required to deliver among the Staggered Settlement Dates or delivery times; and

(ii) the aggregate number of Shares that Dealer will deliver to Counterparty hereunder on all such Staggered Settlement Dates and delivery times will equal the number of Shares that Dealer would otherwise be required to deliver on such Nominal Settlement Date.

(k) *Disclosure*. Effective from the date of commencement of discussions concerning the Transaction, Counterparty and each of its employees, representatives, or other agents may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the Transaction and all materials of any kind (including opinions or other tax analyses) that are provided to Counterparty relating to such tax treatment and tax structure.

(l) *Additional Termination Events*. The occurrence of (x) an event of default with respect to Counterparty under the terms of the Convertible Notes as set forth in Section 6.01 of the Indenture that results in the Convertible Notes becoming or being declared immediately due and payable under the terms of Section 6.02(a) of the Indenture, or (y) an Amendment Event shall be an Additional Termination Event with respect to which the Transaction is the sole Affected Transaction and Counterparty is the sole Affected Party, and Dealer shall be the party entitled to designate an Early Termination Date pursuant to Section 6(b) of the Agreement.

"**Amendment Event**" means that Counterparty amends, modifies, supplements or obtains a waiver in respect of any term of the Indenture or the Convertible Notes governing the principal amount, coupon, maturity, repurchase obligation of Counterparty, redemption right of Counterparty, any term relating to conversion of the Convertible Notes (including changes to the conversion price, conversion settlement dates or conversion conditions), or any term that would require consent of the holders of not less than 100% of the principal amount of the Convertible Notes to amend, in each case without the prior consent of Dealer.

(m) *Governing Law; Jurisdiction*. **THIS CONFIRMATION SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK (WITHOUT REFERENCE TO ITS CHOICE OF LAW DOCTRINE).**

(n) *Waiver of Jury Trial*. EACH OF COUNTERPARTY AND DEALER HEREBY IRREVOCABLY WAIVES (ON ITS OWN BEHALF AND, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ON BEHALF OF ITS STOCKHOLDERS) ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THE TRANSACTION OR THE ACTIONS OF COUNTERPARTY OF ITS AFFILIATES OR DEALER OR ITS AFFILIATES IN THE NEGOTIATION, PERFORMANCE OR ENFORCEMENT HEREOF.

(o) *Wall Street Transparency and Accountability Act of 2010*. The parties hereby agree that none of (v) Section 739 of the Wall Street Transparency and Accountability Act of 2010 ("**WSTAA**"), (w) any similar legal certainty provision in any legislation enacted, or rule or regulation promulgated, on or after the Trade Date, (x) the enactment of WSTAA or any regulation under the WSTAA, (y) any requirement under WSTAA nor (z) an amendment made by WSTAA, shall limit or otherwise impair either party's rights to terminate, renegotiate, modify, amend or supplement this Confirmation or the Agreement, as applicable, arising from a termination event, force majeure, illegality, increased costs, regulatory change or similar event under this Confirmation, the Equity Definitions incorporated herein, or the Agreement (including, but not limited to, rights arising from Change in Law, Hedging Disruption, Increased Cost of Hedging, Loss of Stock Borrow, Increased Cost of Stock Borrow, an Excess Ownership Position or Illegality (as defined in the Agreement)).

(p) *Foreign Account Tax Compliance Act and HIRE Act*. "Tax" and "Indemnifiable Tax" each as defined in Section 14 of the Agreement shall not include (i) any tax imposed on payments treated as dividends from sources within the United States under Section 871(m) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or any regulations issued thereunder or (ii) any U.S. federal withholding tax imposed or collected pursuant to Sections 1471 through 1474 of the Code, any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code (a "**FATCA Withholding Tax**"). For the avoidance of doubt, a FATCA Withholding Tax is a Tax the deduction or withholding of which is required by applicable law for the purposes of Section 2(d) of the Agreement. Counterparty shall promptly upon request by Dealer, provide tax forms and documents required to be delivered pursuant to Section 1471(b) or Section 1472(b)(1) of the Code and any other forms and documents reasonably requested by Dealer.

(q) *ISDA 2013 EMIR Portfolio Reconciliation, Dispute Resolution and Disclosure Protocol* Parts I to III of the attachment to the ISDA 2013 EMIR Portfolio Reconciliation, Dispute Resolution and Disclosure Protocol published by the International Swaps and Derivatives Association Inc. on 19 July 2013 and available on the ISDA website (www.isda.org) (the "**PDD Protocol**") are incorporated into and apply to the Agreement as if set out in full in the Agreement but with the following amendments and elections:

(i) The definition of "Adherence Letter" is deleted and references to "Adherence Letter", "such party's Adherence Letter" and "Adherence Letter of such party" are deemed to be references to this Section 8(q).

(ii) References to "Implementation Date" are deemed to be references to the Trade Date.

(iii) The definition of "Protocol" is deemed to be deleted.

(iv) The definitions of "Portfolio Data Sending Entity" and "Portfolio Data Receiving Entity" are replaced with the following:

"Portfolio Data Receiving Entity" means Counterparty, subject to Part I(2)(a) above.

"Portfolio Data Sending Entity" means Dealer, subject to Part I(2)(a) above.

(v) *Local Business Days for the purposes of portfolio reconciliation and dispute resolution.*

(A) Dealer specifies the following place(s) for the purposes of the definition of Local Business Day as it applies to it for the purposes of portfolio reconciliation and dispute resolution only: London.

(B) Counterparty specifies the following place(s) for the purposes of the definition of Local Business Day as it applies to it for the purposes of portfolio reconciliation and dispute resolution only: New York.

(vi) *Contact details for the purposes of portfolio reconciliation and dispute resolution.* Notwithstanding Section 5 above and unless otherwise agreed between the parties in writing, the following items shall be delivered to the respective parties as follows:

(A) Notices to Dealer:

Portfolio Data:	[ ]
Notice of a discrepancy:	[ ]
Dispute Notice:	[ ]

(B) Notices to Counterparty:

Portfolio Data:	richardc@herbalife.com
Notice of a discrepancy:	richardc@herbalife.com
Dispute Notice:	richardc@herbalife.com

Any notice given by email in accordance with this Section 8(q) will be deemed effective on the date it is delivered unless the date of that delivery (or attempted delivery) is not a Local Business Day (in respect of the receiving party) or, subject to Part I(1)(a)(iv) of the PDD Protocol, that communication is delivered (or attempted) after the close of business on a Local Business Day (in respect of the receiving party), in which case that communication will be deemed given and effective on the first following day that is a Local Business Day (in respect of the receiving party).

(vii) *Use of a third party service provider.* For the purposes of Part I(3)(b), Dealer and Counterparty confirm that they may use a third party service provider as may be separately agreed between them in writing from time to time.

[*Signatures to follow on separate page*]

Please confirm that the foregoing correctly sets forth the terms of our agreement by executing the copy of this Confirmation enclosed for that purpose and returning it to us.

Yours sincerely,

[DEALER]

By: _____
Name:
Title:

Confirmed as of the date first above written:

HERBALIFE LTD.

By: _____
Name:
Title:

Exhibit 10.56

Opening Transaction

To: Herbalife Ltd.

From: [*Insert Dealer name and address*]

Re: Base Capped Call Transaction

Date: February 3, 2014

Dear Sir(s):

The purpose of this communication (this "**Confirmation**") is to set forth the terms and conditions of the above-referenced transaction entered into on the Trade Date specified below (the "**Transaction**") between [*Insert Dealer name*] ("**Dealer**") and Herbalife Ltd. ("**Counterparty**"). The additional terms of the Transaction shall be set forth in a Trade Notification in the form of Schedule A hereto (the "**Trade Notification**"), which shall supplement, form a part of, and be subject to this Confirmation. This communication, together with the Trade Notification, constitutes a "Confirmation" as referred to in the Agreement specified below.

1. This Confirmation is subject to, and incorporates, the definitions and provisions of the 2006 ISDA Definitions (the "**2006 Definitions**") and the definitions and provisions of the 2002 ISDA Equity Derivatives Definitions (the "**Equity Definitions**", and together with the 2006 Definitions, the "**Definitions**"), in each case as published by the International Swaps and Derivatives Association, Inc. ("**ISDA**"). Certain defined terms used herein have the meanings assigned to them in the Indenture to be dated as of February 7, 2014 between Counterparty and Union Bank, N.A., as trustee (the "**Indenture**") relating to the $1 billion principal amount of 2.00% convertible senior notes due 2019 (the "**Convertible Notes**"). In the event of any inconsistency between the terms defined in the Indenture and this Confirmation, this Confirmation shall govern. References herein to sections of the Indenture are based on the draft of the Indenture most recently reviewed by the parties at the time of execution of this Confirmation. If any relevant sections of the Indenture are changed, added or renumbered between the execution of this Confirmation and the execution of the Indenture, the parties will amend this Confirmation in good faith to preserve the economic intent of the parties based on the draft of the Indenture so reviewed. The parties further acknowledge that references to the Indenture herein are references to the Indenture as in effect on the date of its execution and if the Indenture is amended following its execution, any such amendment will be disregarded for purposes of this Confirmation unless the parties agree otherwise in writing. The Transaction is subject to early unwind if the closing of the Convertible Notes is not consummated for any reason, as set forth below in Section 8(j).

Each party is hereby advised, and each such party acknowledges, that the other party has engaged in, or refrained from engaging in, substantial financial transactions and has taken other material actions in reliance upon the parties' entry into the Transaction to which this Confirmation relates on the terms and conditions set forth below.

This Confirmation, together with the Trade Notification, evidences a complete and binding agreement between Dealer and Counterparty as to the terms of the Transaction to which this Confirmation relates. This Confirmation and the Trade Notification shall be subject to an agreement (the "**Agreement**") in the form of the 1992 ISDA Master Agreement (Multicurrency—Cross Border), as published by ISDA, as if Dealer and Counterparty had executed an agreement in such form on the date hereof (but without any Schedule except for (i) the election of Loss and Second Method and US Dollars ("**USD**") as the

Termination Currency, (ii) the replacement of the word "third" in the last line of Section 5(a)(i) with the word "first", and (iii) the election that the "Cross Default" provisions of Section 5(a)(vi) shall apply to Counterparty with a "Threshold Amount" of USD 100.0 million and with the phrase ", or becoming capable at such time of being declared," deleted from Section 5(a)(vi)(1) of the Agreement). The Transaction shall be the only Transaction under the Agreement.

All provisions contained in, or incorporated by reference to, the Agreement will govern this Confirmation and the Trade Notification except as expressly modified herein. In the event of any inconsistency between this Confirmation, the Trade Notification, the Agreement, the 2006 Definitions and/or the Equity Definitions, as the case may be, the following will prevail in the order of precedence indicated: (i) the Trade Notification, (ii) this Confirmation, (iii) the Agreement, (iv) the Equity Definitions and (v) the 2006 Definitions.

2. The Transaction constitutes a Share Option Transaction for purposes of the Equity Definitions. Set forth below are the terms and conditions that, together with the terms and conditions set forth in the Trade Notification, shall govern the Transaction to which this Confirmation relates:

General Terms:

Trade Date:	February 3, 2014
Effective Date:	The closing date of the initial issuance of the Convertible Notes.
Option Style:	Modified American, as described under "Procedures for Exercise" below.
Option Type:	Call
Seller:	Dealer
Buyer:	Counterparty
Shares:	The Common Shares of Counterparty, par value USD0.001 per share (Ticker Symbol: "HLF").
Number of Options:	1,000,000. Notwithstanding anything to the contrary herein, in the Equity Definitions or in the Agreement, as of any date prior to the end of the Hedge Period the Number of Options will not exceed the number of Options with respect to which Dealer has established its Hedge Positions with respect to the Transaction as of such date, subject to reduction upon the exercise, termination or other early unwind of any Options hereunder.
Option Entitlement:	As of any date, a number of Shares per Option equal to the "Conversion Rate" (as defined in the Indenture, but without regard to any adjustments to the Conversion Rate pursuant to Section 4.04(f), 4.05(b) or 4.06(a) of the Indenture) as of such date.
Strike Price:	As of any date, an amount in USD, rounded to the nearest cent (with 0.5 cents being rounded upwards), equal to USD1,000 *divided by* the Option Entitlement as of such date.
Cap Price:	USD120.7850
Applicable Percentage:	[ ]%

Number of Shares:	The product of (i) the Number of Options, (ii) the Option Entitlement and (iii) the Applicable Percentage.
Premium:	As specified in the Trade Notification, to be the sum of the Daily Premium Amounts for each Exchange Business Day that is not a Disrupted Day in full during the Hedge Period. Section 2.4 of the Equity Definitions will not apply to the Transaction.
Daily Premium Amount:	For each Exchange Business Day that is not a Disrupted Day in full during the Hedge Period, an amount in USD determined by the Calculation Agent by reference to the table set forth in Schedule B hereto based on the Hedge Reference Price for such Exchange Business Day. If the exact Hedge Reference Price for such Exchange Business Day does not appear in such table, the Daily Premium Amount for such Exchange Business Day shall be determined by the Calculation Agent by linear interpolation or extrapolation, as applicable, using the two closest Hedge Reference Prices appearing in such table.
Initial Premium Payment:	Counterparty shall pay to Dealer the Initial Premium on the Initial Premium Payment Date.
Initial Premium:	USD[ ]
Initial Premium Payment Date:	The Effective Date
Additional Premium Payment:	(i) If the Additional Premium Amount is greater than zero, then Counterparty shall pay to Dealer such Additional Premium Amount on the Additional Premium Payment Date and (ii) if the Additional Premium Amount is less than zero, then Dealer shall pay to Counterparty the absolute value of such Additional Premium Amount on the Additional Premium Payment Date.
Additional Premium Amount:	As specified in the Trade Notification, to be an amount in USD equal to the Premium minus the Initial Premium.
Additional Premium Payment Date:	As specified in the Trade Notification, to be the third Currency Business Day immediately following the Hedge Completion Date.
Exchange:	The New York Stock Exchange
Related Exchange:	All Exchanges

Hedge Period Terms:

Hedge Period:	The period from, and including, the first Scheduled Trading Day immediately following the Trade Date to, and including, the fifth Exchange Business Day that is not a Disrupted Day in full immediately following the Trade Date.

Hedge Completion Date:	The last day of the Hedge Period.
Hedge Reference Price:	For each Exchange Business Day that is not a Disrupted Day in full during the Hedge Period, the volume-weighted average price at which Dealer effects transactions to establish its initial hedge of the equity price risk and market risk under the Transaction on such Exchange Business Day.
Market Disruption Event:	For purposes of determining any Hedge Reference Price: The third and fourth lines of Section 6.3(a) of the Equity Definitions are hereby amended by deleting the words "during the one hour period that ends at the relevant Valuation Time" and replacing them with "at any time prior to the relevant Valuation Time". Section 6.3(d) of the Equity Definitions is hereby amended by deleting the remainder of the provision following the term "Scheduled Closing Time" in the fourth line thereof. Any Scheduled Trading Day on which, as of the date hereof, the Exchange is scheduled to close prior to its normal close of trading shall be deemed not to be a Scheduled Trading Day; if a closure of the Exchange prior to its normal close of trading on any Scheduled Trading Day is scheduled following the date hereof, then such Scheduled Trading Day shall be deemed to be a Disrupted Day in full.
Disrupted Day:	For purposes of determining any Hedge Reference Price: Without limiting the generality of Section 6.4 of the Equity Definitions, any Scheduled Trading Day on which a Regulatory Disruption occurs shall also constitute a Disrupted Day.
Regulatory Disruption:	In the event that Dealer concludes, in its reasonable discretion and in good faith, based on advice of counsel, that it is appropriate with respect to any legal, regulatory or self-regulatory requirements or related policies and procedures (whether or not such requirements, policies or procedures are imposed by law or have been voluntarily adopted by Dealer), for it to refrain from purchasing or selling Shares on any Scheduled Trading Day or Days, Dealer shall use its reasonable efforts to notify Counterparty in writing that a Regulatory Disruption has occurred on such Scheduled Trading Day or Days (for the avoidance of doubt, without being required to specify or otherwise communicate to Counterparty the nature of such Regulatory Disruption).

Hedge Period Disruption:	Notwithstanding anything to the contrary in the Equity Definitions, to the extent that a Disrupted Day occurs in the Hedge Period, the Calculation Agent may, in its good faith and commercially reasonable discretion, extend the Hedge Period. If any such Disrupted Day is a Disrupted Day because of a Market Disruption Event (including, for the avoidance of doubt, a Regulatory Disruption as provided herein), the Calculation Agent shall determine whether (i) such Disrupted Day is a Disrupted Day in full, in which case the Daily Premium Amount, if any, for such Disrupted Day shall not be included for purposes of determining the Premium or (ii) such Disrupted Day is a Disrupted Day only in part, in which case the Hedge Reference Price for such Disrupted Day shall be determined by the Calculation Agent based on transactions in the Shares effected by or on behalf of Dealer before the relevant Market Disruption Event occurred and/or after the relevant Market Disruption Event ended, and the Daily Premium Amount for such Disrupted Day (and, if applicable, the Daily Premium Amount for any subsequent Exchange Business Day that is not a Disrupted Day in full during the Hedge Period), including the weighting thereof for purposes of determining the Premium, shall be adjusted in a commercially reasonable manner by the Calculation Agent for purposes of determining the Premium, with such adjustments based on, among other factors, the transactions in the Shares effected by or on behalf of Dealer before the relevant Market Disruption Event occurred and/or after the relevant Market Disruption Event ended and the volume, historical trading patterns and price of the Shares. If a Disrupted Day occurs during the Hedge Period, and each of the nine immediately following Scheduled Trading Days is a Disrupted Day, then the Calculation Agent, in its good faith and commercially reasonable discretion, may deem such ninth Scheduled Trading Day to be an Exchange Business Day that is not a Disrupted Day and determine the Hedge Reference Price for such ninth Scheduled Trading Day using its good faith estimate of the value of the Shares on such ninth Scheduled Trading Day based on the volume, historical trading patterns and price of the Shares and such other factors as it deems appropriate.
Procedures for Exercise:	
Exercise Date:	Each Conversion Date.
Conversion Date:	Each “Conversion Date” (as defined in the Indenture) occurring during the Exercise Period for Convertible Notes (such Convertible Notes, each in denominations of USD1,000 principal amount, the “**Relevant Convertible Notes**” for such Conversion Date).

Exercise Period:	The period from and excluding the Trade Date to and including the Expiration Date.
Expiration Date:	The earlier of (i) the last day on which any Convertible Notes remain outstanding and (ii) the second "Scheduled Trading Day" (as defined in the Indenture) immediately preceding the "Maturity Date" (as defined in the Indenture).
Automatic Exercise on Conversion Dates:	On each Conversion Date, a number of Options equal to (i) the number of Relevant Convertible Notes for such Conversion Date in denominations of USD1,000 principal amount *minus* (ii) the number of Applicable Conversion Options (as defined below), if any, corresponding to such Conversion Date shall be automatically exercised, subject to "Notice of Exercise" below.
Excluded Convertible Notes:	Relevant Convertible Notes surrendered for conversion on any date prior to the start of the Final Conversion Period (as defined below). The provisions of Section 8(d) below will apply to the exercise of any Options hereunder in connection with the conversion of any Excluded Convertible Notes.
Notice Deadline:	In respect of any exercise of Options hereunder, the Scheduled Trading Day (as defined in the Indenture) immediately preceding the first Scheduled Trading Day of the relevant "Observation Period" (as defined in the Indenture but determined, for the avoidance of doubt, without regard to Section 4.06(b) of the Indenture), subject to "Notice of Exercise" below; *provided* that in the case of any exercise of Options hereunder in connection with the conversion of any Relevant Convertible Notes for any Conversion Date occurring during the period starting on the 30th Scheduled Trading Day immediately preceding the Maturity Date (the "**Final Conversion Period**"), the Notice Deadline shall be 5:00 PM, New York City time, on the "Scheduled Trading Day" (as defined in the Indenture) immediately preceding the "Maturity Date" (as defined in the Indenture).
Notice of Exercise:	Notwithstanding anything to the contrary in the Equity Definitions, Dealer shall have no obligation to make any payment or delivery in respect of any exercise of Options hereunder unless Counterparty notifies Dealer in writing prior to 5:00 PM, New York City time, on the Notice Deadline in respect of such exercise of (i) the number of Convertible Notes being converted on such Exercise Date (including, if applicable, whether all or any portion of such Convertible Notes are Convertible Notes as to which additional Shares would be added to the "Conversion Rate" (as defined in the Indenture) pursuant to Section 4.06(a) of the Indenture (the "**Make-Whole Convertible Notes**")), (ii) the scheduled settlement

date under the Indenture for the Relevant Convertible Notes for the related Conversion Date, and (iii) the first Scheduled Trading Day of the Observation Period (as defined in the Indenture but determined, for the avoidance of doubt, without regard to Section 4.06(b) of the Indenture) for such Relevant Convertible Notes; *provided* that in the case of any exercise of Options hereunder in connection with the conversion of any Relevant Convertible Notes for any Conversion Date occurring during the Final Conversion Period, the content of such notice shall be as set forth in clause (i) above. For the avoidance of doubt, if Counterparty fails to give such notice when due in respect of any exercise of Options hereunder, Dealer's obligation to make any payment or delivery in respect of such exercise shall be permanently extinguished, and late notice shall not cure such failure; *provided* that notwithstanding the foregoing, such notice, except in connection with the conversion of any Relevant Convertible Notes for any Conversion Date occurring during the Final Conversion Period, shall be effective (including for purposes of Section 8(d) below) if given after the Notice Deadline, but prior to 5:00 PM New York City time, on the fifth Exchange Business Day following the Notice Deadline, in which event the Calculation Agent shall have the right to adjust the Delivery Obligation as appropriate to reflect the additional costs (including, but not limited to, hedging mismatches and market losses) and expenses incurred by Dealer in connection with its hedging activities (including the unwinding of any hedge position) as a result of Dealer not having received such notice on or prior to the Notice Deadline.

Dealer's Telephone Number and Telex and/or Facsimile Number and Contact Details for purpose of Giving Notice:

[*Insert Dealer contact information*]

Settlement Terms:

Settlement Date: For any Exercise Date, the settlement date for the Shares, if any, and cash to be delivered in respect of the Relevant Convertible Notes for the Conversion Date occurring on such Exercise Date under the terms of the Indenture; *provided* that the Settlement Date shall not be prior to the latest of (i) the date three Exchange Business Days following the final day of the relevant Observation Period (as defined in the Indenture but determined, for the avoidance of doubt, without regard to Section 4.06(b) of the Indenture, except that, if there is no Observation Period (as defined in the Indenture) applicable to the Relevant Convertible Notes as a result of such

provisions of the Indenture, then such date referred to above in this clause (i) will be deemed to be the date as promptly as commercially reasonably practicable following the related settlement date for the Relevant Convertible Notes), (ii) the Exchange Business Day immediately following the date on which Counterparty gives notice to Dealer of such Settlement Date prior to 5:00 PM, New York City time, and (iii) the Exchange Business Day immediately following the date Counterparty provides the Notice of Delivery Obligation prior to 5:00 PM, New York City time.

Delivery Obligation: In lieu of the obligations set forth in Sections 8.1 and 9.1 of the Equity Definitions, and subject to "Notice of Exercise" above, in respect of any Exercise Date, Dealer will deliver to Counterparty on the related Settlement Date a number of Shares equal to the product of (i) the Applicable Percentage and (ii) the aggregate number of Shares, if any, that Counterparty is obligated to deliver to the holder(s) of the Relevant Convertible Notes for such Conversion Date pursuant to Section 4.03(a) of the Indenture (except that such aggregate number of Shares shall be determined without taking into consideration any rounding pursuant to Section 4.03(b) of the Indenture and shall be rounded down to the nearest whole number and cash shall be delivered in lieu of fractional shares, if any, resulting from such rounding) (such product, the "**Convertible Obligation**"); *provided* that (i) if the Convertible Obligation exceeds the Capped Convertible Obligation, then the Delivery Obligation shall be the Capped Convertible Obligation; and (ii) the Convertible Obligation (and, for the avoidance of doubt, the Capped Convertible Obligation) shall be determined excluding any Shares, if any, and cash that Counterparty is obligated to deliver to holder(s) of the Relevant Convertible Notes as a direct or indirect result of any adjustments to the Conversion Rate pursuant to Sections 4.04(f), 4.05(b) or 4.06(a) of the Indenture and any interest payment that Counterparty is (or would have been) obligated to deliver to holder(s) of the Relevant Convertible Notes for such Conversion Date; and *provided further* that if such exercise relates to the conversion of Relevant Convertible Notes in connection with which holders thereof are entitled to receive additional Shares and/or cash pursuant to the adjustments to the Conversion Rate set forth in Section 4.06(a) of the Indenture, then, notwithstanding the foregoing, the Delivery Obligation shall include the Applicable Percentage of such additional Shares, except that the Delivery Obligation shall be capped so that the value of the Delivery Obligation per Option (with the value of any Shares included in the Delivery Obligation determined by the Calculation Agent using the "Daily

	VWAP" (as defined in the Indenture) on the last day of the relevant Observation Period (as defined in the Indenture but determined, for the avoidance of doubt, without regard to Section 4.06(b) of the Indenture)) does not exceed the amount as determined by the Calculation Agent that would be payable by Dealer pursuant to Section 6 of the Agreement if such Conversion Date were an Early Termination Date resulting from an Additional Termination Event with respect to which the Transaction (except that, for purposes of determining such amount, (x) the Number of Options shall be deemed to be equal to the number of Options exercised on such Exercise Date and (y) such amount payable will be determined as if Sections 4.04(f), 4.05(b) or 4.06(a) of the Indenture were deleted) was the sole Affected Transaction and Counterparty was the sole Affected Party (determined without regard to Section 8(a) of this Confirmation). For the avoidance of doubt, if the "Daily Conversion Value" (as defined in the Indenture) for each VWAP Trading Day (as defined in the Indenture) occurring in the relevant Observation Period (as defined in the Indenture but determined, for the avoidance of doubt, without regard to Section 4.06(b) of the Indenture) is less than or equal to USD40.00, Dealer will have no Delivery Obligation hereunder in respect of the relevant Conversion Date.
Capped Convertible Obligation:	In respect of an Exercise Date occurring on a Conversion Date, the Convertible Obligation that would apply if the "Daily VWAP" for each "VWAP Trading Day" in the "Observation Period" (as defined in the Indenture but determined, for the avoidance of doubt, without regard to Section 4.06(b) of the Indenture) were the lesser of (x) the Cap Price and (y) the actual Daily VWAP for such VWAP Trading Day.
Applicable Limit Price:	On any day, the opening price as displayed under the heading "Op" on Bloomberg page "HLF <equity>" (or any successor thereto).
Notice of Delivery Obligation:	No later than the Exchange Business Day immediately following the last day of the relevant Observation Period (as defined in the Indenture) (or, if earlier, the settlement date for the Shares, if any, and cash delivered upon conversion of the Relevant Convertible Notes), Counterparty shall give Dealer notice of the final number of Shares, if any, and amount of cash comprising the relevant Convertible Obligation; *provided* that, with respect to any Exercise Date occurring during the Final Conversion Period, Counterparty may provide Dealer with a single notice of the aggregate number of Shares, if any, and amount of cash comprising the Convertible Obligations for all Exercise Dates occurring during such period (it being understood, for the avoidance of

doubt, that the requirement of Counterparty to deliver such notice shall not limit Counterparty's obligations with respect to Notice of Exercise or Dealer's obligations with respect to Delivery Obligation, each as set forth above, in any way).

Other Applicable Provisions: To the extent Dealer is obligated to deliver Shares hereunder, the provisions of Sections 9.1(c), 9.8, 9.9, 9.10 and 9.11 of the Equity Definitions will be applicable as if "Physical Settlement" applied to the Transaction; *provided* that the Representation and Agreement contained in Section 9.11 of the Equity Definitions shall be modified by excluding any representations therein to the extent relating to restrictions, obligations, limitations or requirements under applicable securities or other laws or otherwise that exist as a result of the fact that Buyer is the issuer of the Shares.

Restricted Certificated Shares: Notwithstanding anything to the contrary in the Equity Definitions, Dealer may, in whole or in part, deliver Shares in certificated form (and/or by delivery of a Share transfer form to Counterparty or its Transfer Agent, as applicable) representing the Number of Shares to be Delivered to Counterparty in lieu of delivery through the Clearance System.

Adjustments:

Method of Adjustment: Notwithstanding Section 11.2 of the Equity Definitions, (i) upon the occurrence of any event or condition set forth in Section 4.04(a), (b), (c), (d), (e) and 4.05(a) of the Indenture (an "**Adjustment Event**"), the Calculation Agent shall make (A) a corresponding adjustment in accordance with the methodology set forth in the Indenture to one or more of the Number of Options, the Option Entitlement and any other variable relevant to the exercise, settlement or payment of the Transaction (other than the Cap Price), to the extent an analogous adjustment is made under the Indenture and (B) a corresponding adjustment to the Cap Price to the extent any adjustment is made to the Strike Price pursuant to clause (A) above; and (ii) upon the occurrence of any Potential Adjustment Event, the Calculation Agent may, in its commercially reasonable discretion but without duplication of any adjustment pursuant to clause (i) above, make any further adjustment consistent with the Calculation Agent Adjustment set forth in Section 11.2(c) of the Equity Definitions (as modified pursuant to this Confirmation, including Section 8(r) below) to the Cap Price to the extent necessary to preserve the fair value of the Options to Dealer, after taking into account such Potential Adjustment Event; *provided* that in no event shall the Cap Price be less than the Strike Price; *provided further* that the parties agree that neither a Share repurchase transaction referred to under

	Section 4.04(i)(i) of the Indenture nor the Specified Share Forwards (as define below), in either case, shall constitute a Potential Adjustment Event under Section 11.2(e)(v) of the Equity Definitions. Immediately upon the occurrence of any Adjustment Event, Counterparty shall notify the Calculation Agent of such Adjustment Event; and once the adjustments to be made to the terms of the Indenture and the Relevant Convertible Notes in respect of such Adjustment Event have been determined, Counterparty shall immediately notify the Calculation Agent in writing of the details of such adjustments. If Counterparty or its board of directors is permitted or required to exercise discretion under the terms of the Indenture with respect to any determination, calculation or adjustment (including, without limitation, pursuant to Section 4.05(a) of the Indenture or in connection with any proportional adjustments or the determination of the fair value of any securities, property, rights or other assets) (any such determination, calculation or adjustment, a "**Counterparty Determination**"), Counterparty shall consult with Dealer with respect thereto and, if the Calculation Agent disagrees in good faith with such Counterparty Determination, notwithstanding anything herein to the contrary, the Calculation Agent shall make the relevant determination, calculation or adjustment for purposes of this Transaction (and for the avoidance of doubt, such determination, calculation or adjustment shall be made (A) in accordance with the methodology set forth in the Indenture, except as set forth in this paragraph, and (B) using, where relevant, variables determined by the Calculation Agent).
Extraordinary Dividend:	Any dividend, or portion thereof, with respect to the Shares that the Calculation Agent determines to be an "extraordinary" dividend, including, for the avoidance of doubt, any cash dividend or distribution on the Shares with an ex-dividend date occurring on or after the Trade Date and on or prior to the Expiration Date the amount of which differs from the Ordinary Dividend Amount for such dividend or distribution. If no such ex-dividend date occurs within a regular quarterly dividend period, an ex-dividend date with a cash dividend or distribution of zero shall be deemed to have occurred on the last Scheduled Trading Day of such regular quarterly dividend period.
Ordinary Dividend Amount:	For any regularly quarterly dividend period, USD 0.30 for the first cash dividend or distribution on the Shares for which the ex-dividend date falls within such period, and zero for any subsequent dividend or distribution on the Shares for which the ex-dividend date falls within the same period.

Extraordinary Events:

Merger Events:	Notwithstanding Section 12.1(b) of the Equity Definitions, a "Merger Event" means the occurrence of any event or condition set forth in the definition of "Merger Event" in Section 4.07(a) of the Indenture.
Consequences of Merger Events/Tender Offers:	Notwithstanding Sections 12.2 and 12.3 of the Equity Definitions, (i) upon the occurrence of a Merger Event, the Calculation Agent shall make (A) the corresponding adjustment in respect of any adjustment under the Indenture to any one or more of the nature of the Shares, the Number of Options, the Option Entitlement and any other variable relevant to the exercise, settlement or payment for the Transaction (other than the Cap Price), to the extent an analogous adjustment is made under the Indenture in respect of such Merger Event; *provided* that such adjustment shall be made without regard to any adjustment to the Conversion Rate for the issuance of additional Shares as set forth in Section 4.04(f), 4.05(b) or 4.06(a) of the Indenture and (B) a corresponding adjustment to the Cap Price to the extent any adjustment is made to the Strike Price pursuant to clause (A) above; and (ii) upon the occurrence of a Merger Event that results in an adjustment under the Indenture and/or upon the occurrence of a Tender Offer, the Calculation Agent may, in its commercially reasonable discretion, make any further adjustment to the Cap Price consistent with the Modified Calculation Agent Adjustment set forth in Section 12.2(e) or 12.3(d) of the Equity Definitions, as applicable; *provided* that in no event shall the Cap Price be less than the Strike Price; *provided further* that if (i) the consideration for the Shares includes (or, at the option of a holder of the Shares, may include) shares of an entity or person that is not a corporation or is not organized under the laws of the United States, any State thereof or the District of Columbia, the United Kingdom, the Republic of Ireland or the Cayman Islands or (ii) the counterparty to the Transaction following such Merger Event will not be a corporation or will not be the Issuer of the relevant Shares following such Merger Event (after giving effect to the provisions of this Confirmation in respect thereof, as determined by the Calculation Agent), then Cancellation and Payment (Calculation Agent Determination) may apply at Dealer's sole election. In addition, if the consideration for the Shares includes (or, at the option of a holder of the Shares, may include) shares of an entity or person that is organized under the laws of the United Kingdom or the Republic of Ireland and the Calculation Agent determines, in its sole

	discretion, that (A)(x) treating such shares as "Reference Property" (as defined in the Indenture) or (y) Cancellation and Payment not applying to the Transaction with respect to such Merger Event, in either case of clause (x) or clause (y), will have a material adverse effect on any combination of the following: Dealer's rights or obligations in respect of the Transaction, on its hedging activities in respect of the Transaction or on the costs (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position) of engaging in any of the foregoing, and (B) Dealer cannot promptly avoid the occurrence of each such material adverse effect by amending the terms of this Confirmation (whether because amendments would not avoid such occurrence or because Counterparty fails to agree promptly to such amendments) then Cancellation and Payment (Calculation Agent Determination) may apply at Dealer's sole election.
Notice of Merger Consideration:	Upon the occurrence of a Merger Event that causes the Shares to be converted into the right to receive more than a single type of consideration (determined based in part upon any form of stockholder election), Counterparty shall reasonably promptly (but in any event prior to the relevant merger date) notify the Calculation Agent of (i) the weighted average of the types and amounts of consideration received by the holders of Shares entitled to receive cash, securities or other property or assets with respect to or in exchange for such Shares in any Merger Event who affirmatively make such an election and (ii) the details of the adjustment made under the Indenture in respect of such Merger Event.
Tender Offer:	Applicable to the extent provided above under the heading "Consequences of Merger Events/Tender Offers."
Consequences of Announcement Event:	If an Announcement Event occurs, then on the earliest to occur of the date on which the transaction described in such Announcement Event (as amended or modified) is cancelled, withdrawn, discontinued, otherwise terminated or results in a Merger Date or Tender Offer Date, as applicable, or the Expiration Date, Early Termination Date or other date of cancellation or termination in respect of any Option (the "**Announcement Event Adjustment Date**"), the Calculation Agent will determine the cumulative economic effect on the relevant Options of the Announcement Event (without duplication in respect of any other adjustment or cancellation valuation made pursuant to this Confirmation, the Equity Definitions or the Agreement, regardless of whether the Announcement Event actually results in a Merger Event or Tender Offer, and taking into account such

	factors as the Calculation Agent may commercially reasonably determine, including, without limitation, changes in volatility, expected dividends, stock loan rate or liquidity relevant to the Shares or the Transaction whether within a commercially reasonable period of time prior to or after the Announcement Event or for any commercially reasonable period of time such changes are in effect, including, without limitation, if applicable, the period from the Announcement Event to the relevant Announcement Event Adjustment Date); *provided* that, for the avoidance of doubt the occurrence of an Announcement Event Adjustment Date in respect of the cancellation, withdrawal, discontinuation or other termination of the transaction described in an Announcement Event (as amended or modified) shall not preclude the occurrence of a later Announcement Event with respect to such transaction. If the Calculation Agent determines that such cumulative economic effect on any Option is material, then on the Announcement Event Adjustment Date for such Option, the Calculation Agent may make such adjustment to the Cap Price as the Calculation Agent determines appropriate to account for such economic effect, which adjustment shall be effective immediately prior to the exercise, termination or cancellation of such Option, as the case may be.
Announcement Event:	(i) The public announcement of any Merger Event or Tender Offer or the intention to enter into a Merger Event or Tender Offer, (ii) the public announcement by Counterparty of an intention to solicit or enter into, or to explore strategic alternatives or other similar undertaking that may include, a Merger Event or Tender Offer or (iii) any subsequent public announcement of a change to a transaction or intention that is the subject of an announcement of the type described in clause (i) or (ii) of this sentence (including, without limitation, a new announcement, whether or not by the same party, relating to such a transaction or intention or the announcement of a withdrawal from, or the abandonment or discontinuation of, such a transaction or intention) (in each case, whether such announcement is made by Counterparty or a third party); *provided* that, for the avoidance of doubt, the occurrence of an Announcement Event with respect to any transaction or intention shall not preclude the occurrence of a later Announcement Event with respect to such transaction or intention.
Announcement Date:	The definition of "Announcement Date" in Section 12.1 of the Equity Definitions is hereby amended by (i) replacing the words "a firm" with the word "any" in the second and fourth lines thereof, (ii) replacing the word "leads to the" with the words ", if completed, would lead to a" in the third and the fifth

	lines thereof, (iii) replacing the words "voting shares" with the word "Shares" in the fifth line thereof, (iv) inserting the words "by any entity" after the word "announcement" in the second and the fourth lines thereof and (v) by deleting subsection (v) thereof in its entirety and replacing it with "(v) in the case of Insolvency, the date of (A) the institution of a proceeding or presentation of a petition or the passing of a resolution (or the convening of a meeting to pass a resolution or the proposing of a written resolution) that leads to Insolvency within the meaning of subsection (A) of the definition thereof, (B) the first public announcement of the institution of a proceeding or presentation of a petition or passing of a resolution (or other analogous procedure in any jurisdiction) that leads to the Insolvency or (C) the occurrence of any of the events specified in Section 5(a)(vii)(1) through (9) of the ISDA Master Agreement with respect to that Issuer".
Nationalization, Insolvency or Delisting:	Cancellation and Payment (Calculation Agent Determination); *provided* that in addition to the provisions of Section 12.6(a)(iii) of the Equity Definitions, it will also constitute a Delisting if the Exchange is located in the United States and the Shares are not immediately re-listed, re-traded or re-quoted on any of the New York Stock Exchange, the NASDAQ Global Select Market or the NASDAQ Global Market (or their respective successors); if the Shares are immediately re-listed, re-traded or re-quoted on any such exchange or quotation system, such exchange or quotation system shall thereafter be deemed to be the Exchange.
Additional Disruption Events:	
(a) Change in Law:	Applicable; *provided* that Section 12.9(a)(ii) of the Equity Definitions is hereby amended by (i) replacing the phrase "the interpretation" in the third line thereof with the phrase ", or public announcement of, the formal or informal interpretation", (ii) by replacing the word "Shares" where it appears in clause (X) thereof with the words "Hedge Position" and (iii) by immediately following the word "Transaction" in clause (X) thereof, adding the phrase "in the manner contemplated by Dealer on the Trade Date or in another commercially reasonable manner (it being understood that such party need not take any action that does not meet the Avoidance Criteria)"; *provided further* that (i) any determination as to whether (A) the adoption of or any change in any applicable law or regulation (including, for the avoidance of doubt and without limitation, (x) any tax law or (y) adoption or promulgation of new regulations authorized or mandated by existing statute) or (B) the promulgation of or any change in the interpretation

by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), in each case, constitutes a "Change in Law" shall be made without regard to Section 739 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 or any similar legal certainty provision in any legislation enacted, or rule or regulation promulgated, on or after the Trade Date, and (ii) Section 12.9(a)(ii) of the Definitions is hereby amended by replacing the parenthetical beginning after the word "regulation" in the second line thereof the words "(including, for the avoidance of doubt and without limitation, (x) any tax law or (y) adoption or promulgation of new regulations authorized or mandated by existing statute)". "**Avoidance Criteria**" means, with respect to an action, as determined by the Calculation Agent in good faith, that (i) such action is legal and complies with all applicable regulations, rules (including by self-regulatory organizations) and policies, (ii) if such party is to establish one or more alternative Hedge Positions, there is sufficient liquidity in those alternative Hedge Positions available for that Hedging Party to hedge and (iii) by taking such action, there would not be a material risk that such Hedging Party would incur, any one or more of an increased performance cost, increased hedging cost or increased capital charges.

(b) Failure to Deliver: Applicable

(c) Insolvency Filing: Applicable

(d) Hedging Disruption: Applicable, subject to the limitations and other provisions set forth in Section 8(g) below;*provided* that:

(i) Section 12.9(a)(v) of the Equity Definitions is hereby modified by inserting the following three sentences at the end of such Section:

"Such inability described in phrases (A) or (B) above shall not constitute a "Hedging Disruption" if such inability results solely from the Hedging Party's creditworthiness or financial position. For the avoidance of doubt, the term "equity price risk" shall be deemed to include, but shall not be limited to, stock price and volatility risk. And, for the further avoidance of doubt, any such transactions or assets referred to in phrases (A) or (B) above must be available on commercially reasonable pricing terms"; and

(ii) Section 12.9(b)(iii) of the Equity Definitions is hereby amended by inserting in the third line thereof, after the words "to terminate the Transaction", the words "or a portion of the Transaction affected by such Hedging Disruption".

(e) Increased Cost of Hedging:	Applicable; *provided* that, (i) such increased cost described in Section 12.9(a)(vi) of the Equity Definitions shall not constitute an "Increased Cost of Hedging" if such increased cost results solely from the Hedging Party's creditworthiness or financial position and (ii) the Hedging Party will use good faith efforts to avoid such increased cost (it being understood that such party need not take any action that does not meet the Avoidance Criteria).
Hedging Party:	Dealer
Determining Party:	Dealer
Non-Reliance:	Applicable
Agreements and Acknowledgments Regarding Hedging Activities:	Applicable
Additional Acknowledgments:	Applicable
3. Calculation Agent:	Dealer. Upon receipt of written request from Counterparty, the Calculation Agent shall promptly provide Counterparty with a written explanation describing in reasonable detail any calculation, adjustment or determination made by it (including any quotations, market data or information from internal or external sources used in making such calculation, adjustment or determination, as the case may be, but without disclosing Dealer's proprietary models or other information that may be proprietary or subject to contractual, legal or regulatory obligations to not disclose such information), and shall use commercially reasonable efforts to provide such written explanation within five (5) Exchange Business Days from the receipt of such request.

4. Account Details:

Dealer Payment Instructions:

[*Insert Dealer account information*]

Counterparty Payment Instructions:

HSBC-HLF Stock Option
SWIFT: MRMDUS33
Account #: 001846884
Address: 660 S. Figueroa Street, Suite 800
Los Angeles CA 90017

Counterparty Transfer Agent for Purposes of Share delivery:

ComputerShare
520 Pike Street, Suite 1220
Seattle, WA 98101

5. Offices:

The Office of Dealer for the Transaction is:

[ ]

The Office of Counterparty for the Transaction is:

Not applicable

6. Notices: For purposes of this Confirmation:

(a) Address for notices or communications to Counterparty:

Herbalife Ltd.
990 West 190th Street
Torrance, CA 90502
Tel: (310) 851-2300
Attn: Richard Caloca

With a copy to:

Herbalife Ltd.
800 Olympic Blvd.
Suite 406
Los Angeles, CA 90015
Attn: Jim Berklas

(b) Address for notices or communications to Dealer:

To: [*Insert Dealer contact information*]

7. Representations, Warranties and Agreements:

(a) In addition to the representations and warranties in the Agreement and those contained elsewhere herein, Counterparty represents and warrants to and for the benefit of, and agrees with, Dealer as follows:

(i) On the Trade Date, (A) none of Counterparty and its officers and directors is aware of any material nonpublic information regarding Counterparty or the Shares and (B) all reports and other documents filed by Counterparty with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), when considered as a whole (with the more recent such reports and documents deemed to amend inconsistent statements contained in any earlier such reports and documents), do not contain any untrue statement of a material fact or any omission of a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances in which they were made, not misleading.

(ii) (A) On each day during the period from, and including, the Trade Date to, and including, the Hedge Completion Date (the "**Relevant Hedging Period**"), (B) on each day during the period from, and including, the 27th Scheduled Trading Day immediately preceding the Maturity Date (as defined in the Indenture) to, and including, the 25th VWAP Trading Day (as defined in the Indenture) thereafter (the "**Final Observation Period**"), (C) on each day during any "Observation Period" (as defined in the Indenture) (other than the Final Observation Period) applicable to the Relevant Convertible Notes and (D) on each day during any Early Termination Period (as defined below), neither Counterparty nor any "affiliate" or "affiliated purchaser" (each as defined in Rule 10b-18 of the Exchange Act ("**Rule 10b-18**")) shall directly or indirectly (including, without limitation, by means of any cash-settled or other derivative instrument other than the Transaction) purchase, offer to purchase, place any bid or limit order that would effect a purchase of, or commence any tender offer relating to, any Shares (or an equivalent interest, including a unit of beneficial interest in a trust or limited partnership or a depository share) or any security convertible into or exchangeable or exercisable for Shares other than, for the avoidance of doubt, the forward transactions described under "Use of Proceeds" in the offering memorandum

related to the offering of the Convertible Notes (the "**Specified Share Forwards**"); *unless*, solely in the case of clauses (C) or (D) above (and solely to the extent that a binding agreement to effect such purchase activity during the relevant "Observation Period" (as defined in the Indenture) (other than the Final Observation Period) or Early Termination Period, as applicable, had been entered into prior to notice of such period to Counterparty (whether under the Indenture or from Dealer, as applicable)), Counterparty has provided written notice (which notice shall be deemed to contain a representation and warranty that, as of the time such notice is given, Counterparty is not in possession of, and is not delivering such notice on the basis of, material nonpublic information with respect to Counterparty or the Shares) to Dealer of the relevant purchase activity not later than the Scheduled Trading Day immediately preceding the first day on which such purchase activity will occur; *provided* that (I) Counterparty shall provide written notice (which notice shall be deemed to contain a representation and warranty that, as of the time such notice is given, Counterparty is not in possession of, and is not delivering such notice on the basis of, material nonpublic information with respect to Counterparty or the Shares) to Dealer of the end of such purchase activity not later than the last day of such purchase activity, (II) Counterparty acknowledges and agrees that any notice under this Section 8(a)(ii) may result in a Regulatory Disruption or Excess Ownership Position (as defined below but with the reference to "9%" in clause (1) of the definition thereof replaced with a reference to "5%", a "**Relevant Excess Ownership Position**") to the extent the relevant purchase activity coincides with any period referred to in clauses (C) or (D) above and (III) the Calculation Agent may make a corresponding adjustment in respect of any one or more of the terms relevant to the exercise, settlement or payment of the Options (including, for the avoidance of doubt, a postponement or extension pursuant to Section 8(e)) to the extent necessary to preserve the fair value of the Options to Dealer after taking into account such Regulatory Disruption or Relevant Excess Ownership Position (as appropriate to reflect the additional costs (including, but not limited to, hedging mismatches and market losses) and expenses incurred by Dealer in connection with its hedging activities (including the unwinding of any hedge position) as a result of such Regulatory Disruption or Relevant Excess Ownership Position); *provided further* that (a) this Section 7(a)(ii) shall not limit Counterparty's ability (or the ability of any "affiliate" or "affiliated purchaser" of Counterparty), (i) pursuant to its employee incentive plans, to re-acquire Shares in connection with the related equity transactions; (ii) to withhold shares to cover exercise price and/or tax liabilities associated with such equity transactions; or (iii) to grant Shares and options to "affiliates" or "affiliated purchasers" (as defined in Rule 10b-18) or the ability of such affiliates or affiliated purchasers to acquire such Shares or options, in connection with Counterparty's compensatory plans for directors, officers and employees or any agreements with respect to the compensation of directors, officers or employees of any entities that are acquisition targets of Counterparty, so long as, in the case of clause (i), (ii) or (iii) of this proviso, any such re-acquisition, withholding, grant, acquisition or other purchase does not constitute a "Rule 10b-18 Purchase" (as defined in Rule 10b-18) and (b) Counterparty or such "affiliate" or "affiliated purchaser" may purchase Shares in privately negotiated (off-market) transactions that do not, directly or indirectly, involve purchases on the Exchange and are not "Rule 10b-18 purchases" (as defined in Rule 10b-18), in each case without Dealer's consent.

(iii) Without limiting the generality of Section 13.1 of the Equity Definitions, Counterparty acknowledges that Dealer is not making any representations or warranties with respect to the treatment of the Transaction under any accounting standards including FASB Statements 128, 133 (as amended), 149 or 150, EITF Issue No. 00-19, 01-6, 03-6 or 07-5(or any successor issue statements) or under FASB's Liabilities & Equity Project.

(iv) Without limiting the generality of Section 3(a)(iii) of the Agreement, the Transaction will not violate Rule 13e-1 or Rule 13e-4 under the Exchange Act.

(v) (A) On or prior to the Trade Date, Counterparty shall deliver to Dealer a resolution of Counterparty's board of directors authorizing the Transaction and (B) on the Effective Date, Counterparty shall deliver to Dealer a solvency certificate with respect to Dealer signed by an authorized officer of Counterparty certifying the solvency of Counterparty as of the Trade Date and as of the Effective Date (after giving effect to Counterparty's payment of amounts

required to be paid by Counterparty on such date under the Transaction and the other transactions described under "Use of Proceeds" in the offering memorandum related to the offering of the Convertible Notes), which solvency certificate is reasonably satisfactory to Dealer.

(vi) Counterparty is not entering into this Confirmation to create actual or apparent trading activity in the Shares (or any security convertible into or exchangeable for Shares) or to raise or depress or otherwise manipulate the price of the Shares (or any security convertible into or exchangeable for Shares) or to otherwise violate the Exchange Act.

(vii) Counterparty is not, and after giving effect to the transactions contemplated hereby will not be, required to register as an "investment company" as such term is defined in the Investment Company Act of 1940, as amended.

(viii) On and immediately after each of the Trade Date, the Initial Premium Payment Date and the Additional Premium Payment Date, (A) Counterparty is not "insolvent" (as such term is defined under Section 101(32) of the U.S. Bankruptcy Code (Title 11 of the United States Code) (the "**Bankruptcy Code**")), (B) Counterparty would be able to purchase the Shares with an aggregate purchase price equal to the Premium in compliance with the laws of the jurisdiction of Counterparty's incorporation and Counterparty's Constitutional documents and (C) for the purposes of Cayman Islands law, Counterparty is able to pay its debts.

(ix) The representations and warranties of Counterparty set forth in Section 3 of the Agreement and Section 1(a) of the Purchase Agreement between Issuer and Credit Suisse Securities (USA) LLC, HSBC Securities (USA) Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. LLC and the other, as representatives of the initial purchasers party thereto (the "**Purchase Agreement**"), are true and correct as of the respective dates as of which such representations and warranties are made thereunder and are hereby deemed to be repeated to Dealer as if set forth herein.

(x) (A) (i) On each day during the Relevant Hedging Period, (ii) on each day during the Final Observation Period, (iii) on each day during any "Observation Period" (as defined in the Indenture) (other than the Final Observation Period) applicable to the Relevant Convertible Notes and (iv) in the event an Early Termination Date is designated due to an Additional Termination Event pursuant to Section 8(d)(ii), on each day during a period starting on or about such Early Termination Date as reasonably determined by Dealer and notified to Counterparty (an "**Early Termination Period**"), in each case, the Shares or securities that are convertible into, or exchangeable or exercisable for, Shares, are not, and shall not be, subject to a "restricted period," as such term is defined in Regulation M under the Exchange Act ("**Regulation M**") (determined, for the avoidance of doubt, after giving effect to any applicable exceptions set forth in Sections 101(b) and 102(b) of Regulation M) and (B), without limiting the generality of the immediately preceding clause (A), Counterparty shall not engage in any "distribution," as such term is defined in Regulation M, other than a distribution meeting the requirements of the exceptions set forth in sections 101(b) and 102(b) of Regulation M, during (i) the period comprised of the Relevant Hedging Period and the period from, and including, Hedge Completion Date to, and including, the second Exchange Business Day thereafter, (ii) the period comprised of the Final Observation Period and the period from, and including, the last day of the Final Observation Period to, and including, the second Exchange Business Day thereafter, (iii) the period comprised of any such Observation Period (other than the Final Observation Period and the period from, and including, the last day of such Observation Period (other than the Final Observation Period) to, and including, the second Exchange Business Day thereafter or (iv) the period comprised of any such Early Termination Period and the period from, and including, the last day of such Early Termination Period to, and including, the second Exchange Business Day thereafter, as applicable; *unless*, solely in the case of clauses (A)(iii), (A)(iv), (B)(iii) or (B)(iv) above (and solely to the extent that a binding agreement to effect the "distribution" that would give rise to the relevant "restricted period" during the relevant "Observation Period" (as defined in the Indenture) (other than the Final Observation Period) or Early Termination Period, as applicable, had been entered into prior to notice of such period to Counterparty (whether under the Indenture or from Dealer, as applicable)), Counterparty has provided written notice (which notice shall be deemed to contain a

representation and warranty that, as of the time such notice is given, Counterparty is not in possession of, and is not delivering such notice on the basis of, material nonpublic information with respect to Counterparty or the Shares) to Dealer of the relevant "restricted period" not later than the Scheduled Trading Day immediately preceding the first day of such "restricted period"; *provided* that (I) Counterparty shall provide written notice (which notice shall be deemed to contain a representation and warranty that, as of the time such notice is given, Counterparty is not in possession of, and is not delivering such notice on the basis of, material nonpublic information with respect to Counterparty or the Shares) to Dealer of the end of such "restricted period" not later than the last day of such "restricted period", (II) Counterparty acknowledges and agrees that any notice under this Section 8(a)(x) may result in a Regulatory Disruption or Relevant Excess Ownership Position to the extent the relevant transaction coincides with any period referred to in the case of clauses (iii) or (iv) above and (III) the Calculation Agent may make a corresponding adjustment in respect of any one or more of the terms relevant to the exercise, settlement or payment of the Options (including, for the avoidance of doubt, a postponement or extension pursuant to Section 8(e)) to the extent necessary to preserve the fair value of the Options to Dealer after taking into account such Regulatory Disruption or Relevant Excess Ownership Position (as appropriate to reflect the additional costs (including, but not limited to, hedging mismatches and market losses) and expenses incurred by Dealer in connection with its hedging activities (including the unwinding of any hedge position) as a result of such Regulatory Disruption or Relevant Excess Ownership Position).

(xi) Counterparty (A) is capable of evaluating investment risks independently, both in general and with regard to all transactions and investment strategies involving a security or securities, (B) will exercise independent judgment in evaluating the recommendations of any broker-dealer or its associated persons, unless it has otherwise notified the broker-dealer in writing, and (C) has total assets of at least $50 million.

(xii) To Counterparty's knowledge, based on due inquiry, no state or local (including non-U.S. jurisdictions) law, rule, regulation or regulatory order applicable to the Shares (not including laws, rules, regulations or regulatory orders of any jurisdiction that are generally applicable to equity securities of U.S.-incorporated issuers that are listed on the Exchange solely as a result of Dealer's and/or its affiliates' activities, assets or business, other than Dealer's hedging activities in connection with the Transaction) would give rise to any reporting, consent, registration or other requirement (including without limitation a requirement to obtain prior approval from any person or entity) as a result of Dealer or its affiliates owning or holding (however defined) Shares in connection with the Transaction.

(xiii) Counterparty is entering into this Confirmation and the Transaction in good faith and not as part of a plan or scheme to evade the prohibitions of Rule 10b5-1 under the Exchange Act ("**Rule 10b5-1**") or any other antifraud or anti-manipulation provisions of the federal or applicable state securities laws and that it has not entered into or altered, and will not enter into or alter, any corresponding or hedging transaction or position with respect to the Transaction. Counterparty acknowledges that it is the intent of the parties that the Transaction comply with the requirements of paragraphs (c)(1)(i)(A) and (B) of Rule 10b5-1 and that the Transaction shall be interpreted to comply with the requirements of Rule 10b5-1(c).

(xiv) Counterparty acknowledges and agrees that it has no right to, and will not seek to, control or influence Dealer's decision to make any "purchases or sales" (within the meaning of Rule 10b5-1(c)(1)(i)(B)(3)) under the Transaction, including, without limitation, Dealer's decision to enter into any hedging transactions. Counterparty represents and warrants that it has consulted with its own advisors as to the legal aspects of its adoption and implementation of this Confirmation and the Trade Notification under Rule 10b5-1.

(xv) Counterparty acknowledges and agrees that any amendment, modification, waiver or termination of this Confirmation or the Trade Notification must be effected in accordance with the requirements of Rule 10b5-1(c). Without limiting the generality of the foregoing, to the extent required by Rule 10b5-1(c), any such amendment, modification, waiver or termination of this Confirmation or the Trade Notification shall be made in good faith and not as

part of a plan or scheme to evade the prohibitions of Rule 10b-5, and, to the extent prohibited by Rule 10b5-1(c), no such amendment, modification, waiver or termination of, or settlement election under, this Confirmation or the Trade Notification be made at any time at which Counterparty or any officer, director, manager or similar person of Counterparty is aware of any material non-public information regarding the Shares or Counterparty.

(xvi) (A)(i) Counterparty understands that the Transaction is subject to complex risks, which it has duly considered and which may arise without warning and may at times be volatile, and that losses may occur quickly and in unanticipated magnitude; (ii) Counterparty has duly authorized its entry into the Transaction and such action does not violate any laws of its jurisdiction of incorporation, organization or residence; (iii) Counterparty has consulted with its legal, financial and accounting advisor(s) and has reached its own conclusions about the Transaction, and any legal, regulatory, tax, accounting or economic consequences arising from the Transaction; and (iv) the board of directors of Counterparty (the "**Board**") and/or any duly appointed committee of directors of Counterparty to which responsibility for approving and authorizing this Transaction has been duly delegated by the Board (the "**Relevant Committee**") has concluded that the Transaction is suitable for Counterparty, for its commercial benefit and in its best interests, in light of its own investment objectives, financial condition and expertise. (B) The Transaction has been duly approved and authorized by the Board or the Relevant Committee after due consideration by the Board and/or the Relevant Committee of the matters.

(b) Each of Dealer and Counterparty agrees and represents that it is an "eligible contract participant" as defined in Section 1a(18) of the U.S. Commodity Exchange Act, as amended.

(c) Each of Dealer and Counterparty acknowledges that the offer and sale of the Transaction to it is intended to be exempt from registration under the Securities Act of 1933, as amended (the "**Securities Act**"), by virtue of Section 4(2) thereof. Accordingly, Counterparty represents and warrants to Dealer that (i) it has the financial ability to bear the economic risk of its investment in the Transaction and is able to bear a total loss of its investment and its investments in and liabilities in respect of the Transaction, which it understands are not readily marketable, are not disproportionate to its net worth, and it is able to bear any loss in connection with the Transaction, including the loss of its entire investment in the Transaction, (ii) it is an "accredited investor" as that term is defined in Regulation D as promulgated under the Securities Act, (iii) it is entering into the Transaction for its own account and without a view to the distribution or resale thereof, (iv) the assignment, transfer or other disposition of the Transaction has not been and will not be registered under the Securities Act and is restricted under this Confirmation, the Securities Act and state securities laws, and (v) its financial condition is such that it has no need for liquidity with respect to its investment in the Transaction and no need to dispose of any portion thereof to satisfy any existing or contemplated undertaking or indebtedness and is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts, the terms, conditions and risks of the Transaction.

(d) Each of Dealer and Counterparty agrees and acknowledges that Dealer is a "financial institution," "swap participant" and "financial participant" within the meaning of Sections 101(22), 101(53C) and 101(22A) of Title 11 of the United States Code (the "**Bankruptcy Code**"). The parties hereto further agree and acknowledge (A) that this Confirmation is (i) a "securities contract," as such term is defined in Section 741(7) of the Bankruptcy Code, with respect to which each payment and delivery hereunder is a "settlement payment," as such term is defined in Section 741(8) of the Bankruptcy Code, and (ii) a "swap agreement," as such term is defined in Section 101(53B) of the Bankruptcy Code, with respect to which each payment and delivery hereunder is a "transfer," as such term is defined in Section 101(54) of the Bankruptcy Code, and (B) that Dealer is entitled to the protections afforded by, among other sections, Sections 362(b)(6), 362(b)(17), 546(e), 546(g), 555 and 560 of the Bankruptcy Code.

(e) Counterparty shall deliver to Dealer opinions of counsel, from U.S. and Cayman Islands counsel to the Issuer, dated as of the Effective Date and reasonably acceptable to Dealer in form and substance, with respect to the matters set forth in Section 3(a) of the Agreement, subject to customary assumptions, qualifications and exceptions.

(f) Counterparty acknowledges that:

(i) During the term of the Transaction, Dealer and its affiliates may buy or sell Shares or other securities or buy or sell options or futures contracts or enter into swaps or other derivative securities in order to establish, adjust or unwind its hedge position with respect to the Transaction;

(ii) Dealer and its affiliates may also be active in the market for the Shares other than in connection with hedging activities in relation to the Transaction;

(iii) Dealer shall make its own determination as to whether, when or in what manner any hedging or market activities in Counterparty's securities shall be conducted and shall do so in a manner that it deems appropriate to hedge its price and market risk with respect to the Hedge Reference Price and/or the Daily VWAP (as defined in the Indenture);

(iv) Any market activities of Dealer and its affiliates with respect to the Shares may affect the market price and volatility of the Shares, as well as the Hedge Reference Price and/or the Daily VWAP (as defined in the Indenture), each in a manner that may be adverse to Counterparty; and

(v) The Transaction is a derivatives transaction with embedded optionality; Dealer may purchase shares for its own account at an average price that may be greater than, or less than, the price paid by Counterparty under the terms of the Transaction.

8. Other Provisions:

(a) *Alternative Calculations and Payment on Early Termination and on Certain Extraordinary Events*. If Dealer shall owe Counterparty any amount pursuant to "Consequences of Merger Events/Tender Offers" above or Sections 12.6, 12.7 or 12.9 of the Equity Definitions or pursuant to Section 6(d)(ii) of the Agreement (a "**Payment Obligation**"), Counterparty shall have the right, in its sole discretion, to require Dealer to satisfy any such Payment Obligation by the Share Termination Alternative (as defined below) by giving irrevocable telephonic notice to Dealer, confirmed in writing within one Scheduled Trading Day, between the hours of 9:00 A.M. and 4:00 P.M. New York City time on the relevant merger date, announcement date, Early Termination Date or date of cancellation or termination in respect of an Additional Disruption Event ("**Notice of Share Termination**"); *provided* that if Counterparty does not elect to require Dealer to satisfy its Payment Obligation by the Share Termination Alternative, Dealer shall have the right, in its sole discretion, to elect to satisfy its Payment Obligation by the Share Termination Alternative, notwithstanding Counterparty's failure to elect or election to the contrary; and *provided further* that Counterparty shall not have the right to so elect (but, for the avoidance of doubt, Dealer shall have the right to so elect) in the event of (i) an Insolvency (as amended by this Confirmation), a Nationalization or a merger event, in each case, in which the consideration or proceeds to be paid to holders of Shares consists solely of cash, (ii) an Insolvency Filing, (iii) an Event of Default in which Counterparty is the Defaulting Party or a Termination Event in which Counterparty is the Affected Party, which Event of Default or Termination Event resulted from an event or events within Counterparty's control or (iv) the Bankruptcy of Counterparty. Upon such Notice of Share Termination, the following provisions shall apply on the Scheduled Trading Day immediately following the relevant merger date, announcement date, Early Termination Date or date of cancellation or termination in respect of an Additional Disruption Event, as applicable:

Share Termination Alternative:	Applicable and means that Dealer shall deliver to Counterparty the Share Termination Delivery Property on the date on which the Payment Obligation would otherwise be due pursuant to "Consequences of Merger Events/Tender Offers" above, Section 12.7 or 12.9 of the Equity Definitions or Section 6(d)(ii) of the Agreement, as applicable (the "**Share Termination Payment Date**"), in satisfaction of the Payment Obligation.
Share Termination Delivery Property:	A number of Share Termination Delivery Units, as calculated by the Calculation Agent, equal to the Payment Obligation divided by the

	Share Termination Unit Price. The Calculation Agent shall adjust the Share Termination Delivery Property by replacing any fractional portion of the aggregate amount of a security therein with an amount of cash equal to the value of such fractional security based on the values used to calculate the Share Termination Unit Price.
Share Termination Unit Price:	The value of property contained in one Share Termination Delivery Unit on the date such Share Termination Delivery Units are to be delivered as Share Termination Delivery Property, as determined by the Calculation Agent in its discretion by commercially reasonable means and notified by the Calculation Agent to Dealer at the time of notification of the Payment Obligation.
Share Termination Delivery Unit:	In the case of a Termination Event, Event of Default, Delisting or Additional Disruption Event, one Share or, in the case of an Insolvency, Nationalization or Merger Event, one Share or a unit consisting of the number or amount of each type of property received by a holder of one Share (without consideration of any requirement to pay cash or other consideration in lieu of fractional amounts of any securities) in such Insolvency, Nationalization or Merger Event. If such Insolvency, Nationalization or Merger Event involves a choice of consideration to be received by holders, such holder shall be deemed to have elected to receive the maximum possible amount of cash.
Other applicable provisions:	If Share Termination Alternative is applicable, the provisions of Sections 9.8, 9.9 and 9.11 of the Equity Definitions will be applicable as if "Physical Settlement" applied to the Transaction, except that all references to "Shares" shall be read as references to "Share Termination Delivery Units"; *provided* that the Representation and Agreement contained in Section 9.11 of the Equity Definitions shall be modified by excluding any representations therein relating to restrictions, obligations, limitations or requirements under applicable securities or other laws or otherwise as a result of the fact that Counterparty is the issuer of any Share Termination Delivery Units (or any part thereof).

(b) *Disposition of Hedge Shares.* Counterparty hereby agrees that if, in the good faith reasonable judgment of Dealer, the Shares (the "**Hedge Shares**") acquired by Dealer for the purpose of hedging its obligations pursuant to the Transaction cannot be sold in the U.S. public market by Dealer without registration under the Securities Act, Counterparty shall, at its election: (i) in order to allow Dealer to sell the Hedge Shares in a registered offering, make available to Dealer an effective registration statement under the Securities Act to cover the resale of such Hedge Shares and (A) enter into an agreement, in form and substance reasonably satisfactory to Dealer, substantially in the form of an underwriting agreement for a registered offering, (B) provide accountant's "comfort" letters in customary form for registered offerings of equity securities, (C) provide disclosure opinions of nationally recognized outside counsel to Counterparty reasonably acceptable to Dealer, (D) provide other customary opinions, certificates and closing documents customary in form for registered offerings of equity securities and (E) afford Dealer a reasonable opportunity to conduct a "due diligence" investigation with respect to Counterparty customary in scope for underwritten offerings of equity securities; *provided, however*, that if Dealer, in its sole reasonable discretion, is not satisfied with access to due diligence materials, the results of its due diligence investigation, or the procedures and documentation for the registered offering referred to above, then clause (ii) or clause (iii) of this Section 8(b) shall apply at the election of Counterparty; (ii) in order to allow Dealer to sell the Hedge Shares in a private placement, to enter into a private placement agreement substantially similar to private placement purchase agreements customary for private placements of equity securities, in form and substance reasonably satisfactory to Dealer, including customary representations, covenants, blue sky and other governmental filings and/or registrations, indemnities to Dealer, due diligence rights (for Dealer or any designated buyer of the Hedge Shares from Dealer), opinions and certificates and such other documentation as is customary for private placements agreements,

all reasonably acceptable to Dealer (in which case, the Calculation Agent shall make any adjustments to the terms of the Transaction that are necessary, in its reasonable judgment, to compensate Dealer for any discount from the public market price of the Shares incurred on the sale of Hedge Shares in a private placement); or (iii) purchase the Hedge Shares from Dealer at the VWAP Price on such Exchange Business Days, and in the amounts, requested by Dealer. "**VWAP Price**" means, on any Exchange Business Day, the per Share volume-weighted average price as displayed under the heading "Bloomberg VWAP" on Bloomberg page HLF <equity> VAP (or any successor thereto) in respect of the period from 9:30 a.m. to 4:00 p.m. (New York City time) on such Exchange Business Day (or if such volume-weighted average price is unavailable, the market value of one Share on such Exchange Business Day, as determined by the Calculation Agent using a volume-weighted method).

(c) *Repurchase Notices*. Counterparty shall, on any day on which Counterparty effects any repurchase of Shares, promptly give Dealer a written notice of such repurchase (a "**Repurchase Notice**") on such day if, following such repurchase, the Notice Percentage as determined on such day is (i) greater than 6% and (ii) greater by 0.5% than the Notice Percentage included in the immediately preceding Repurchase Notice (or, in the case of the first such Repurchase Notice, greater than the Notice Percentage as of the date hereof). The "**Notice Percentage**" as of any day is the fraction, expressed as a percentage, the numerator of which is the Number of Shares and the denominator of which is the number of Shares outstanding on such day.

Counterparty agrees to indemnify and hold harmless Dealer, its affiliates and its assignees and their respective directors, officers, employees, agents and controlling persons (Dealer and each such person being an "**Indemnified Party**") from and against any and all losses (including losses relating to Dealer's hedging activities as a consequence of becoming, or of the risk of becoming, a Section 16 "insider", including without limitation, any forbearance from hedging activities or cessation of hedging activities and any losses in connection therewith with respect to any Transaction), claims, damages and liabilities (or actions in respect thereof), joint or several, to which such Indemnified Party may become subject, under the Securities Act, the Exchange Act, under other applicable securities laws, under any other state or federal law, regulation or regulatory order or otherwise, relating to or arising out of a failure by Counterparty to provide Dealer with a Repurchase Notice on the day and in the manner set forth above. Counterparty shall be relieved from liability under this indemnity resulting from an action to the extent that Counterparty both (i) has not received notice that such action has commenced within 60 calendar days thereof and (ii) is materially prejudiced as a result of not receiving such notice. If for any reason the foregoing indemnification is unavailable to any Indemnified Party or insufficient to hold harmless any Indemnified Party, then Counterparty shall contribute, to the maximum extent permitted by law, to the amount paid or payable by the Indemnified Party as a result of such loss, claim, damage or liability. In addition, Counterparty will reimburse any Indemnified Party for all expenses (including reasonable counsel fees and expenses) as they are incurred (after notice to Counterparty) in connection with the investigation of, preparation for or defense or settlement of any pending or threatened claim or any action, suit or proceeding arising therefrom, whether or not such Indemnified Party is a party thereto and whether or not such claim, action, suit or proceeding is initiated or brought by or on behalf of Counterparty. This indemnity shall survive the completion of the Transaction and any assignment and/or delegation of the Transaction made pursuant to the Agreement and/or this Confirmation shall inure to the benefit of any permitted assignee of Dealer.

(d) *Additional Termination Events*.

(i) The occurrence of (x) an event of default with respect to Counterparty under the terms of the Convertible Notes as set forth in Section 6.01 of the Indenture that results in the Convertible Notes becoming or being declared immediately due and payable under the terms of Section 6.02(a) of the Indenture, or (y) an Amendment Event shall be an Additional Termination Event with respect to which the Transaction is the sole Affected Transaction and Counterparty is the sole Affected Party, and Dealer shall be the party entitled to designate an Early Termination Date pursuant to Section 6(b) of the Agreement.

"**Amendment Event**" means that Counterparty amends, modifies, supplements or obtains a waiver in respect of any term of the Indenture or the Convertible Notes governing the principal amount, coupon, maturity, repurchase obligation of Counterparty, redemption right of

Counterparty, any term relating to conversion of the Convertible Notes (including changes to the conversion price, conversion settlement dates or conversion conditions), or any term that would require consent of the holders of not less than 100% of the principal amount of the Convertible Notes to amend, in each case without the prior consent of Dealer.

(ii) Notwithstanding anything to the contrary in this Confirmation, the receipt by Dealer from Counterparty, within the applicable time period set forth under "Notice of Exercise" above, of any Notice of Exercise in respect of the exercise of any Options that, according to such Notice of Exercise, relate to Relevant Convertible Notes that are Excluded Convertible Notes shall constitute an Additional Termination Event as provided in this paragraph and shall not result in the exercise of any Options. Upon receipt of any such Notice of Exercise, Dealer shall designate an Exchange Business Day following such Additional Termination Event as an Early Termination Date with respect to the portion of the Transaction corresponding to a number of Options (the "**Applicable Conversion Options**") equal to the lesser of (A) the aggregate principal amount of Excluded Convertible Notes specified in such Notice of Exercise, *divided by* USD1,000, and (B) the Number of Options as of the date Dealer designates such Early Termination Date and, as of such date, the Number of Options shall be reduced by the number of Applicable Conversion Options. Any payment hereunder with respect to such termination (the "**Early Conversion Unwind Payment**") shall be calculated pursuant to Section 6 of the Agreement as if (1) an Early Termination Date had been designated in respect of a Transaction having terms identical to the Transaction and a Number of Options equal to the number of Applicable Conversion Options (which shall, solely for purposes of determining such amount, be deemed not to constitute "Applicable Conversion Options" under such hypothetical Transaction), (2) Counterparty were the sole Affected Party with respect to such Additional Termination Event, (3) the terminated portion of the Transaction were the sole Affected Transaction and (4) solely for purposes of determining such amount, the Conversion Date in respect of the corresponding Relevant Convertible Notes had not occurred and such Relevant Convertible Notes remain outstanding (and, in determining the amount payable pursuant to Section 6 of the Agreement, the Calculation Agent shall not take into account any adjustments to the "Conversion Rate" (as defined in the Indenture) pursuant to Section 4.04(f), 4.05(b) or 4.06(a) of the Indenture); *provided* that, the Early Conversion Unwind Payment shall not be greater than (x) the Applicable Percentage *multiplied by* (y) the number of Applicable Conversion Options *multiplied by* (z) the excess of (I) the "Conversion Rate" (as defined in the Indenture without taking into account any adjustments to the "Conversion Rate" (as defined in the Indenture) pursuant to Section 4.04(f), 4.05(b) or 4.06(a) of the Indenture), *multiplied by* the Applicable Limit Price on the settlement date for the cash and Shares, if any, to be delivered pursuant to Section 4.03(a) of the Indenture in respect of the Excluded Convertible Notes relating to such Early Conversion Unwind Payment, *over* (II) USD1,000.

(iii) Within five Scheduled Trading Days promptly following any Repayment Event (as defined below), Counterparty shall notify Dealer of such Repayment Event and the aggregate principal amount of Convertible Notes subject to such Repayment Event (any such notice, a "**Repayment Notice**"); *provided* that such Repayment Notice shall contain an acknowledgement by Counterparty of its responsibilities under applicable securities laws, and in particular Section 9 and 10(b) of the Exchange Act and the rules and regulations promulgated thereunder and shall remake the representations set forth in Section 7(a)(i)(A), in each case in respect of such repurchase and delivery of such Repayment Notice. The receipt by Dealer from Counterparty of any Repayment Notice shall constitute an Additional Termination Event as provided in this paragraph. Upon receipt of any such Repayment Notice, Dealer shall designate an Exchange Business Day following receipt of such Repayment Notice as an Early Termination Date with respect to the portion of the Transaction corresponding to a number of Options (the "**Repayment Options**") equal to the lesser of (A) the aggregate principal amount of such Convertible Notes specified in such Repayment Notice, *divided by* USD1,000, and (B) the Number of Options as of the date Dealer designates such Early Termination Date and, as of such date, the Number of Options shall be reduced by the number of Repayment Options. Any payment hereunder with respect to such termination (the "**Repayment Unwind Payment**") shall be calculated pursuant to Section 6 of the Agreement as if (1) an Early Termination Date had been designated in respect of a Transaction having terms identical to the Transaction and a Number of Options equal to the

number of Repayment Options, (2) Counterparty were the sole Affected Party with respect to such Additional Termination Event, (3) the terminated portion of the Transaction were the sole Affected Transaction and (4) solely for purposes of determining such amount, the Relevant Repayment Event had not yet occurred and the relevant Convertible Notes remain outstanding. "**Repayment Event**" means that (i) any Convertible Notes are repurchased (whether in connection with or as a result of a fundamental change, howsoever defined, or for any other reason) by Counterparty or any of its subsidiaries, (ii) any Convertible Notes are delivered to Counterparty or any of its subsidiaries in exchange for delivery of any property or assets of such party (howsoever described), (iii) any principal of any of the Convertible Notes is repaid prior to the final maturity date of the Convertible Notes (for any reason other than as a result of an acceleration of the Convertible Notes that results in an Additional Termination Event pursuant to the preceding Section 8(a)(i)), or (iv) any Convertible Notes are exchanged by or for the benefit of the holders thereof for any other securities of Counterparty or any of its subsidiaries (or any other property, or any combination thereof) pursuant to any exchange offer or similar transaction. For the avoidance of doubt, any conversion of Convertible Notes pursuant to the terms of the Indenture shall not constitute a Repayment Event. Counterparty acknowledges and agrees that (x) it will immediately cancel pursuant to Section 2.12 of the Indenture any Convertible Notes that are subject to any Repayment Event and (y) each such Convertible Note that is subject to a Repayment Event will be deemed to no longer be outstanding for all purposes hereunder.

(e) *Right to Extend.* Dealer may postpone or add, in whole or in part, as Dealer determines appropriate in good faith, any Settlement Date or any other date of valuation or delivery by Dealer, with respect to any relevant Options (in which event the Calculation Agent shall make appropriate adjustments to the Delivery Obligation), to the extent Dealer determines, in its reasonable discretion based on advice of counsel in the case of the immediately following clause (ii), that such extension is reasonably necessary or appropriate (i) to preserve Dealer's commercially reasonable hedging or hedge unwind activity hereunder in light of existing liquidity conditions in the cash market or the stock borrow market or other relevant market or (ii) to enable Dealer to effect purchases of Shares in connection with its hedging, hedge unwind or settlement activity hereunder in a manner that would, if Dealer were Counterparty or an affiliated purchaser of Counterparty, be in compliance with applicable legal, regulatory or self-regulatory requirements, or with related policies and procedures applicable to Dealer and the Transaction.

(f) *Staggered Settlement*. If Dealer reasonably determines it is appropriate with respect to any applicable legal, regulatory or self-regulatory requirements (including any requirements relating to Dealer's hedging activities with respect to the Transaction) or restrictions, or with related policies and procedures applicable to Dealer and the Transaction, and/or to avoid an Excess Ownership Position, Dealer may, by notice to Counterparty prior to any Settlement Date (a "**Nominal Settlement Date**"), elect to deliver the Shares or Share Termination Delivery Units, as applicable, on one or more dates (each, a "**Staggered Settlement Date**") or at two or more times on the Nominal Settlement Date as follows:

(i) in such notice, Dealer will specify to Counterparty the related Staggered Settlement Dates (each of which will be on or prior to such Nominal Settlement Date) or delivery times and how it will allocate the Shares or Share Termination Delivery Units, as applicable, it is required to deliver under "Delivery Obligation" (above) among the Staggered Settlement Dates or delivery times; and

(ii) the aggregate number of Shares or Share Termination Delivery Units, as applicable, that Dealer will deliver to Counterparty hereunder on all such Staggered Settlement Dates and delivery times will equal the number of Shares or Share Termination Delivery Units, as applicable, that Dealer would otherwise be required to deliver on such Nominal Settlement Date.

(g) *Transfer and Assignment*. Either party may transfer any of its rights or obligations under the Transaction with the prior written consent of the non-transferring party, such consent not to be unreasonably withheld; *provided* that Dealer may transfer or assign without any consent of Counterparty its rights and obligations hereunder, in whole or in part, to (i) any of its affiliates (A) with a credit quality equivalent to Dealer or Dealer's guarantor or (B) whose obligations hereunder will be guaranteed, pursuant to the terms of a customary guarantee in a form used by Dealer or its relevant affiliate for similar transactions, by Dealer, an affiliate of Dealer with credit quality equivalent to Dealer or Dealer's parent

entity or other guarantor, or (ii) if an Excess Ownership Position (as defined below) or Hedging Disruption exists, but only to the extent of such Excess Ownership Position or to the extent such assignment would eliminate such Hedging Disruption, to any other third party with a rating for its long term, unsecured and unsubordinated indebtedness equal to or better than A- by Standard and Poors Rating Group, Inc. or its successor ("**S&**P"), or A3 by Moody's Investor Service, Inc. or its successor ("**Moody's**") or, if either S&P or Moody's ceases to rate such debt, at least an equivalent rating or better by a substitute rating agency mutually agreed by Counterparty and Dealer. Dealer shall promptly notify Counterparty of any such assignment provided for above. If at any time at which (1) the Equity Percentage exceeds 9%, (2) Dealer, Dealer Group (as defined below) or any person whose ownership position would be aggregated with that of Dealer or Dealer Group (Dealer, Dealer Group or any such person, a "**Dealer Person**") under any state or federal bank holding company or banking laws, or other federal, state or local regulations or regulatory orders applicable to ownership of Shares ("**Applicable Laws**"), owns, beneficially owns, constructively owns, controls, holds the power to vote or otherwise meets a relevant definition of ownership in excess of a number of Shares equal to (x) the number of Shares that would, in Dealer's reasonable judgment based on advice of counsel, give rise to reporting or registration obligations or other requirements (including obtaining prior approval by a state or federal regulator) of a Dealer Person under Applicable Laws and with respect to which such requirements have not been met or the relevant approval has not been received *minus* (y) 1% of the number of Shares outstanding on the date of determination (either such condition described in clause (1) or (2), an "**Excess Ownership Position**"), or (3) a Hedging Disruption has occurred and is continuing, if Dealer, in its discretion, is unable to effect a transfer or assignment to a third party in accordance with the requirements set forth above after using its commercially reasonable efforts on pricing terms reasonably acceptable to Dealer such that an Excess Ownership Position or a Hedging Disruption, as the case may be, no longer exists, Dealer may designate any Scheduled Trading Day as an Early Termination Date with respect to a portion (the "**Terminated Portion**") of the Transaction, such that such Excess Ownership Position or Hedging Disruption, as the case may be, no longer exists. In the event that Dealer so designates an Early Termination Date with respect to a portion of the Transaction, a payment or delivery shall be made pursuant to Section 6 of the Agreement and Section 8(a) of this Confirmation as if (i) an Early Termination Date had been designated in respect of a Transaction having terms identical to the Terminated Portion of the Transaction, (ii) Counterparty shall be the sole Affected Party with respect to such partial termination and (iii) such portion of the Transaction shall be the only Terminated Transaction. The "**Equity Percentage**" as of any day is the fraction, expressed as a percentage, (A) the numerator of which is the number of Shares that Dealer and any of its affiliates subject to aggregation with Dealer for purposes of the "beneficial ownership" test under Section 13 of the Exchange Act and all persons who may form a "group" (within the meaning of Rule 13d-5(b)(1) under the Exchange Act) with Dealer (collectively, "**Dealer Group**") "beneficially own" (within the meaning of Section 13 of the Exchange Act) without duplication on such day and (B) the denominator of which is the number of Shares outstanding on such day.

(h) *Equity Rights*. Dealer acknowledges and agrees that this Confirmation is not intended to convey to it rights with respect to the Transaction that are senior to the claims of common stockholders in the event of Counterparty's bankruptcy. For the avoidance of doubt, the parties agree that the preceding sentence shall not apply at any time other than during Counterparty's bankruptcy to any claim arising as a result of a breach by Counterparty of any of its obligations under this Confirmation or the Agreement. For the avoidance of doubt, the parties acknowledge that this Confirmation is not secured by any collateral that would otherwise secure the obligations of Counterparty herein under or pursuant to any other agreement.

(j) *No Netting and Set-off*. Notwithstanding any provision of the Agreement (including without limitation Section 6(f) thereof) and this Confirmation (including without limitation this Section 8(j)) or any other agreement between the parties to the contrary, each party waives any and all rights it may have to set off obligations arising under the Agreement and the Transaction against other obligations between the parties, whether arising under any other agreement, applicable law or otherwise.

(j) *Early Unwind*. In the event the sale by Counterparty of the "Initial Securities" (as defined in the Purchase Agreement) is not consummated with the initial purchasers for any reason by the close of business in New York on February 7, 2014 (or such later date as agreed upon by the parties, which in no event shall be later than February 21, 2014) (February 7, 2014 or such later date being the "**Early Unwind Date**"), the Transaction shall automatically terminate (the "**Early Unwind**"), on the Early Unwind

Date and (i) the Transaction and all of the respective rights and obligations of Dealer and Counterparty thereunder shall be cancelled and terminated and (ii) following the payment or delivery, as applicable, referred to below, each party shall be released and discharged by the other party from and agrees not to make any claim against the other party with respect to any obligations or liabilities of the other party arising out of and to be performed in connection with the Transaction either prior to or after the Early Unwind Date (other than under the indemnity under the second paragraph of Section 8(c)); *provided* that, except to the extent that the Early Unwind Date occurred as a result of a breach of the Purchase Agreement by Dealer (or its affiliate, as applicable) in its capacity as initial purchaser Counterparty shall pay to Dealer an amount in cash equal to the aggregate amount of costs and expenses relating to the unwinding of Dealer's hedging activities in respect of the Transaction (including market losses incurred in reselling any Shares purchased by Dealer or its affiliates in connection with such hedging activities, unless Counterparty agrees to purchase any such Shares at the cost at which Dealer purchased such Shares) or, at the election of Counterparty, deliver to Dealer (at the times, and in the amounts, reasonably requested by Dealer) Shares with a value equal to such amount, as commercially reasonably determined by the Calculation Agent, in which event the parties shall enter into customary and commercially reasonable documentation relating to the registered or exempt resale of such Shares (in which case, the Calculation Agent shall make any adjustment to the number of such Shares that is necessary, in its reasonable judgment, to compensate Dealer for any discount from the public market price of the Shares incurred on the sale of such Shares in a private placement) (it being understood, for the avoidance of doubt, that Counterparty shall have the right to elect that an exempt, as opposed to registered, resale of such Shares shall apply in accordance with the requirements set forth herein); *provided* that, if Counterparty makes such election to deliver Shares, notwithstanding the foregoing, the number of Shares so delivered will not exceed a number of Shares equal to two *multiplied by* the Number of Shares (with such Number of Shares determined, for the avoidance of doubt, as if the relevant Convertible Notes had been issued and the Hedge Completion Date had occurred).

(k) *Designation by Dealer*. Notwithstanding any other provision in this Confirmation to the contrary requiring or allowing Dealer to purchase, sell, receive or deliver any Shares or other securities to or from Counterparty, Dealer may designate any of its affiliates to purchase, sell, receive or deliver such Shares or other securities and otherwise to perform Dealer's obligations in respect of the Transaction and any such designee may perform such obligations. Dealer shall be discharged of its obligations to Counterparty to the extent of any such performance.

(l) *Disclosure*. Effective from the date of commencement of discussions concerning the Transaction, Counterparty and each of its employees, representatives, or other agents may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the Transaction and all materials of any kind (including opinions or other tax analyses) that are provided to Counterparty relating to such tax treatment and tax structure.

(m) *Counterparts*. This Confirmation may be executed in several counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

(n) *Waiver of Trial by Jury.* EACH OF COUNTERPARTY AND DEALER HEREBY IRREVOCABLY WAIVES (ON ITS OWN BEHALF AND, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ON BEHALF OF ITS STOCKHOLDERS) ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THE TRANSACTION OR THE ACTIONS OF COUNTERPARTY OF ITS AFFILIATES OR DEALER OR ITS AFFILIATES IN THE NEGOTIATION, PERFORMANCE OR ENFORCEMENT HEREOF.

(o) *Submission to Jurisdiction.* Each party hereby irrevocably and unconditionally submits for itself and its property in any legal action or proceeding by the other party against it relating to the Transaction to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the exclusive jurisdiction of the Supreme Court of the State of New York, sitting in New York County, the courts of the United States of America for the Southern District of New York, and appellate courts from any thereof.

(p) *Governing Law*. THIS CONFIRMATION SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK (WITHOUT REFERENCE TO ITS CHOICE OF LAW DOCTRINE).

(q) [*Reserved*]

(r) *Amendments to Equity Definitions.*

(i) Section 11.2(a) of the Equity Definitions is hereby amended by (1) deleting the words "a diluting or concentrative" and replacing them with the words "a material" and (2) adding the phrase "or options on the Shares" at the end of the sentence.

(ii) Section 11.2(c) of the Equity Definitions is hereby amended by (1) replacing the words "a diluting or concentrative" with "a material", (2) adding the phrase "or options on the Shares" following the words "the theoretical value of the relevant Shares", (3) deleting the words "diluting or concentrative" following the words "the Calculation Agent determines appropriate to account for that" and (4) deleting the phrase "(provided that no adjustments will be made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relative to the relevant Shares)" and replacing it with the phrase "(and, for the avoidance of doubt, other than in the case of a Share split, reverse Share split or equivalent transaction, adjustments may be made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relative to the relevant Shares)."

(iii) Section 11.2(e)(vii) of the Equity Definitions is hereby amended by (1) deleting the words "that may have a diluting or concentrative" and replacing them with the words "that is the result of a corporate event involving Issuer or its securities that could reasonably be expected to have a material" and (2) adding the phrase "or options on the Shares" at the end of the sentence.

(iv) Section 12.6(a)(ii) of the Equity Definitions is hereby amended by (1) inserting "(A)" after "means" in the first line thereof and replacing "(A)" and "(B)" in the third and fourth lines thereof with "(1)" and "(2)" respectively, (2) deleting from the fourth line thereof the word "or" after the word "official" and inserting a comma therefor, (3) inserting at the end of renumbered subsection (2) thereof the following wording, "or, under the laws of the Cayman Islands, any other impediment to or restriction on the transfer of any Share arises or becomes applicable including, without limitation, where (x) any transfer of a Share or alteration of the status of the members of the Issuer would be void unless a court of the Cayman Islands orders otherwise or (y) any transfer of a Share not being a transfer with the sanction of a liquidator, and any alteration in the status of the Issuer's members would be void" and (4) deleting the semi-colon at the end of renumbered subsection (2) thereof and inserting the following words therefor "or (B) at Dealer's option, the occurrence of any of the events specified in Section 5(a)(vii)(1) through (9) of the ISDA Master Agreement with respect to that Issuer."

(v) Section 12.9(b)(i) of the Equity Definitions is hereby amended by (1) replacing "either party may elect" with "Dealer may elect" and (2) replacing "notice to the other party" with "notice to Counterparty" in the first sentence of such section.

(s) *General Obligations Law of New York.* With respect to the Transaction, (i) this Confirmation is a "qualified financial contract", as such term is defined in Section 5-701(b)(2) of the General Obligations Law of New York (the "**General Obligations Law**"); (ii) this Confirmation constitutes a "confirmation in writing sufficient to indicate that a contract has been made between the parties" hereto, as set forth in Section 5-701(b)(3)(b) of the General Obligations Law; and (iii) this Confirmation constitutes a prior "written contract" as set forth in Section 5-701(b)(1)(b) of the General Obligations Law, and each party hereto intends and agrees to be bound by this Confirmation, as supplemented by the related Trade Notification.

(t) *Foreign Account Tax Compliance Act and HIRE Act.* "Tax" and "Indemnifiable Tax" each as defined in Section 14 of the Agreement shall not include (i) any tax imposed on payments treated as dividends from sources within the United States under Section 871(m) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or any regulations issued thereunder or (ii) any U.S. federal withholding tax imposed or collected pursuant to Sections 1471 through 1474 of the Code, any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code (a "**FATCA Withholding Tax**"). For the avoidance of doubt, a FATCA Withholding Tax is a Tax the deduction or

withholding of which is required by applicable law for the purposes of Section 2(d) of the Agreement. Counterparty shall promptly upon request by Dealer, provide tax forms and documents required to be delivered pursuant to Section 1471(b) or Section 1472(b)(1) of the Code and any other forms and documents reasonably requested by Dealer.

Counterparty hereby agrees (a) to check this Confirmation carefully and immediately upon receipt so that errors or discrepancies can be promptly identified and rectified and (b) to confirm that the foregoing (in the exact form provided by Dealer) correctly sets forth the terms of the agreement between Dealer and Counterparty with respect to the Transaction, by manually signing this Confirmation or this page hereof as evidence of agreement to such terms and providing the other information requested herein and immediately returning an executed copy to Dealer.

Yours faithfully,

[DEALER]

By: _____
Name:
Title:

Agreed and Accepted By:

HERBALIFE LTD.

By: _____
Name:
Title:

SCHEDULE A
TRADE NOTIFICATION

To: Herbalife Ltd.

From: [*Insert Dealer name and address*]

Re: Base Capped Call Transaction

Date: [ ], 2014

Dear Sir(s):

The purpose of this Trade Notification is to notify you of certain terms in the Transaction entered into between [*Insert Dealer name*] ("**Dealer**") and Herbalife Ltd. ("**Counterparty**") with the Trade Date of February 3, 2014.

This Trade Notification supplements, forms part of, and is subject to the Confirmation dated as of February 3, 2014 (the "**Confirmation**") between Dealer and Counterparty, as amended and supplemented from time to time.

Hedge Completion Date:	[ ]
Premium:	USD [ ]
Additional Premium Amount:	USD [ ]
Additional Premium Payment Date:	[ ]

Exchange Business Day	Hedge Reference Price	Daily Premium Amount
1.		
2.		
3.		
4.		
5.		
…		

Yours faithfully,

[DEALER]

By: _____
Name:
Title:

SCHEDULE B

Hedge Reference Price	Daily Premium Amount

Exhibit 10.57

Opening Transaction

To: Herbalife Ltd.

From: [*Insert Dealer name and address*]

Re: Additional Capped Call Transaction

Date: February 7, 2014

Dear Sir(s):

The purpose of this communication (this "**Confirmation**") is to set forth the terms and conditions of the above-referenced transaction entered into on the Trade Date specified below (the "**Transaction**") between [*Insert Dealer name*] ("**Dealer**") and Herbalife Ltd. ("**Counterparty**"). The additional terms of the Transaction shall be set forth in a Trade Notification in the form of Schedule A hereto (the "**Trade Notification**"), which shall supplement, form a part of, and be subject to this Confirmation. This communication, together with the Trade Notification, constitutes a "Confirmation" as referred to in the Agreement specified below.

1. This Confirmation is subject to, and incorporates, the definitions and provisions of the 2006 ISDA Definitions (the "**2006 Definitions**") and the definitions and provisions of the 2002 ISDA Equity Derivatives Definitions (the "**Equity Definitions**", and together with the 2006 Definitions, the "**Definitions**"), in each case as published by the International Swaps and Derivatives Association, Inc. ("**ISDA**"). Certain defined terms used herein have the meanings assigned to them in the Indenture to be dated as of February 7, 2014 between Counterparty and Union Bank, N.A., as trustee (the "**Indenture**") relating to the $1 billion principal amount of 2.00% convertible senior notes due 2019 and the additional $150 million principal amount of 2.00% convertible senior notes due 2019 issued pursuant to the option exercised on the date hereof (the "**Convertible Notes**"). In the event of any inconsistency between the terms defined in the Indenture and this Confirmation, this Confirmation shall govern. References herein to sections of the Indenture are based on the Indenture as executed. The parties further acknowledge that references to the Indenture herein are references to the Indenture as in effect on the date of its execution and if the Indenture is amended following its execution, any such amendment will be disregarded for purposes of this Confirmation unless the parties agree otherwise in writing. The Transaction is subject to early unwind if the closing of the Convertible Notes is not consummated for any reason, as set forth below in Section 8(j).

Each party is hereby advised, and each such party acknowledges, that the other party has engaged in, or refrained from engaging in, substantial financial transactions and has taken other material actions in reliance upon the parties' entry into the Transaction to which this Confirmation relates on the terms and conditions set forth below.

This Confirmation, together with the Trade Notification, evidences a complete and binding agreement between Dealer and Counterparty as to the terms of the Transaction to which this Confirmation relates. This Confirmation and the Trade Notification shall be subject to an agreement (the "**Agreement**") in the form of the 1992 ISDA Master Agreement (Multicurrency—Cross Border), as published by ISDA, as if Dealer and Counterparty had executed an agreement in such form on the date hereof (but without any Schedule except for (i) the election of Loss and Second Method and US Dollars ("**USD**") as the Termination Currency, (ii) the replacement of the word "third" in the last line of Section 5(a)(i) with the

word “first”, and (iii) the election that the “Cross Default” provisions of Section 5(a)(vi) shall apply to Counterparty with a “Threshold Amount” of USD 100.0 million and with the phrase “, or becoming capable at such time of being declared,” deleted from Section 5(a)(vi)(1) of the Agreement). The Transaction shall be the only Transaction under the Agreement.

All provisions contained in, or incorporated by reference to, the Agreement will govern this Confirmation and the Trade Notification except as expressly modified herein. In the event of any inconsistency between this Confirmation, the Trade Notification, the Agreement, the 2006 Definitions and/or the Equity Definitions, as the case may be, the following will prevail in the order of precedence indicated: (i) the Trade Notification, (ii) this Confirmation, (iii) the Agreement, (iv) the Equity Definitions and (v) the 2006 Definitions.

2. The Transaction constitutes a Share Option Transaction for purposes of the Equity Definitions. Set forth below are the terms and conditions that, together with the terms and conditions set forth in the Trade Notification, shall govern the Transaction to which this Confirmation relates:

General Terms:

Trade Date:	February 7, 2014
Effective Date:	The closing date of the Convertible Notes issued pursuant to the option to purchase additional Convertible Notes exercised on the date hereof.
Option Style:	Modified American, as described under “Procedures for Exercise” below.
Option Type:	Call
Seller:	Dealer
Buyer:	Counterparty
Shares:	The Common Shares of Counterparty, par value USD0.001 per share (Ticker Symbol: “HLF”).
Number of Options:	150,000. Notwithstanding anything to the contrary herein, in the Equity Definitions or in the Agreement, as of any date prior to the end of the Hedge Period the Number of Options will not exceed the number of Options with respect to which Dealer has established its Hedge Positions with respect to the Transaction as of such date, subject to reduction upon the exercise, termination or other early unwind of any Options hereunder.
Option Entitlement:	As of any date, a number of Shares per Option equal to the “Conversion Rate” (as defined in the Indenture, but without regard to any adjustments to the Conversion Rate pursuant to Section 4.04(f), 4.05(b) or 4.06(a) of the Indenture) as of such date.
Strike Price:	As of any date, an amount in USD, rounded to the nearest cent (with 0.5 cents being rounded upwards), equal to USD1,000 *divided by* the Option Entitlement as of such date.
Cap Price:	USD120.7850
Applicable Percentage:	[ ]%

Number of Shares:	The product of (i) the Number of Options, (ii) the Option Entitlement and (iii) the Applicable Percentage.
Premium:	As specified in the Trade Notification, to be the sum of the Daily Premium Amounts for each Exchange Business Day that is not a Disrupted Day in full during the Hedge Period. Section 2.4 of the Equity Definitions will not apply to the Transaction.
Daily Premium Amount:	For each Exchange Business Day that is not a Disrupted Day in full during the Hedge Period, an amount in USD determined by the Calculation Agent by reference to the table set forth in Schedule B hereto based on the Hedge Reference Price for such Exchange Business Day. If the exact Hedge Reference Price for such Exchange Business Day does not appear in such table, the Daily Premium Amount for such Exchange Business Day shall be determined by the Calculation Agent by linear interpolation or extrapolation, as applicable, using the two closest Hedge Reference Prices appearing in such table.
Initial Premium Payment:	Counterparty shall pay to Dealer the Initial Premium on the Initial Premium Payment Date.
Initial Premium:	USD[ ]
Initial Premium Payment Date:	The Effective Date
Additional Premium Payment:	(i) If the Additional Premium Amount is greater than zero, then Counterparty shall pay to Dealer such Additional Premium Amount on the Additional Premium Payment Date and (ii) if the Additional Premium Amount is less than zero, then Dealer shall pay to Counterparty the absolute value of such Additional Premium Amount on the Additional Premium Payment Date.
Additional Premium Amount:	As specified in the Trade Notification, to be an amount in USD equal to the Premium *minus* the Initial Premium.
Additional Premium Payment Date:	As specified in the Trade Notification, to be the third Currency Business Day immediately following the Hedge Completion Date.
Exchange:	The New York Stock Exchange
Related Exchange:	All Exchanges

Hedge Period Terms:

Hedge Period:	The period from, and including, the first Scheduled Trading Day immediately following the Trade Date to, and including, the first Exchange Business Day that is not a Disrupted Day in full immediately following the Trade Date.

Hedge Completion Date:	The last day of the Hedge Period.
Hedge Reference Price:	For each Exchange Business Day that is not a Disrupted Day in full during the Hedge Period, the volume-weighted average price at which Dealer effects transactions to establish its initial hedge of the equity price risk and market risk under the Transaction on such Exchange Business Day.
Market Disruption Event:	For purposes of determining any Hedge Reference Price: The third and fourth lines of Section 6.3(a) of the Equity Definitions are hereby amended by deleting the words "during the one hour period that ends at the relevant Valuation Time" and replacing them with "at any time prior to the relevant Valuation Time". Section 6.3(d) of the Equity Definitions is hereby amended by deleting the remainder of the provision following the term "Scheduled Closing Time" in the fourth line thereof. Any Scheduled Trading Day on which, as of the date hereof, the Exchange is scheduled to close prior to its normal close of trading shall be deemed not to be a Scheduled Trading Day; if a closure of the Exchange prior to its normal close of trading on any Scheduled Trading Day is scheduled following the date hereof, then such Scheduled Trading Day shall be deemed to be a Disrupted Day in full.
Disrupted Day:	For purposes of determining any Hedge Reference Price: Without limiting the generality of Section 6.4 of the Equity Definitions, any Scheduled Trading Day on which a Regulatory Disruption occurs shall also constitute a Disrupted Day.
Regulatory Disruption:	In the event that Dealer concludes, in its reasonable discretion and in good faith, based on advice of counsel, that it is appropriate with respect to any legal, regulatory or self-regulatory requirements or related policies and procedures (whether or not such requirements, policies or procedures are imposed by law or have been voluntarily adopted by Dealer), for it to refrain from purchasing or selling Shares on any Scheduled Trading Day or Days, Dealer shall use its reasonable efforts to notify Counterparty in writing that a Regulatory Disruption has occurred on such Scheduled Trading Day or Days (for the avoidance of doubt, without being required to specify or otherwise communicate to Counterparty the nature of such Regulatory Disruption).

Hedge Period Disruption:	Notwithstanding anything to the contrary in the Equity Definitions, to the extent that a Disrupted Day occurs in the Hedge Period, the Calculation Agent may, in its good faith and commercially reasonable discretion, extend the Hedge Period. If any such Disrupted Day is a Disrupted Day because of a Market Disruption Event (including, for the avoidance of doubt, a Regulatory Disruption as provided herein), the Calculation Agent shall determine whether (i) such Disrupted Day is a Disrupted Day in full, in which case the Daily Premium Amount, if any, for such Disrupted Day shall not be included for purposes of determining the Premium or (ii) such Disrupted Day is a Disrupted Day only in part, in which case the Hedge Reference Price for such Disrupted Day shall be determined by the Calculation Agent based on transactions in the Shares effected by or on behalf of Dealer before the relevant Market Disruption Event occurred and/or after the relevant Market Disruption Event ended, and the Daily Premium Amount for such Disrupted Day (and, if applicable, the Daily Premium Amount for any subsequent Exchange Business Day that is not a Disrupted Day in full during the Hedge Period), including the weighting thereof for purposes of determining the Premium, shall be adjusted in a commercially reasonable manner by the Calculation Agent for purposes of determining the Premium, with such adjustments based on, among other factors, the transactions in the Shares effected by or on behalf of Dealer before the relevant Market Disruption Event occurred and/or after the relevant Market Disruption Event ended and the volume, historical trading patterns and price of the Shares. If a Disrupted Day occurs during the Hedge Period, and each of the nine immediately following Scheduled Trading Days is a Disrupted Day, then the Calculation Agent, in its good faith and commercially reasonable discretion, may deem such ninth Scheduled Trading Day to be an Exchange Business Day that is not a Disrupted Day and determine the Hedge Reference Price for such ninth Scheduled Trading Day using its good faith estimate of the value of the Shares on such ninth Scheduled Trading Day based on the volume, historical trading patterns and price of the Shares and such other factors as it deems appropriate.
Procedures for Exercise:	
Exercise Date:	Each Conversion Date.
Conversion Date:	Each “Conversion Date” (as defined in the Indenture) occurring during the Exercise Period for Convertible Notes that are not “Relevant Convertible Notes” under, and as defined in, the confirmation between the parties hereto regarding the Base Capped Call Transaction dated February 3, 2014 (the “**Base**

	Capped Call Transaction Confirmation") (such Convertible Notes, each in denominations of USD1,000 principal amount, the "**Relevant Convertible Notes**" for such Conversion Date). For the purposes of determining whether any Convertible Notes will be Relevant Convertible Notes hereunder or under the Base Capped Call Transaction Confirmation, Convertible Notes that are converted pursuant to the Indenture shall be allocated first to the Base Capped Call Transaction Confirmation until all Options thereunder are exercised or terminated.
Exercise Period:	The period from and excluding the Trade Date to and including the Expiration Date.
Expiration Date:	The earlier of (i) the last day on which any Convertible Notes remain outstanding and (ii) the second "Scheduled Trading Day" (as defined in the Indenture) immediately preceding the "Maturity Date" (as defined in the Indenture).
Automatic Exercise on Conversion Dates:	On each Conversion Date, a number of Options equal to (i) the number of Relevant Convertible Notes for such Conversion Date in denominations of USD1,000 principal amount *minus* (ii) the number of Applicable Conversion Options (as defined below), if any, corresponding to such Conversion Date shall be automatically exercised, subject to "Notice of Exercise" below.
Excluded Convertible Notes:	Relevant Convertible Notes surrendered for conversion on any date prior to the start of the Final Conversion Period (as defined below). The provisions of Section 8(d) below will apply to the exercise of any Options hereunder in connection with the conversion of any Excluded Convertible Notes.
Notice Deadline:	In respect of any exercise of Options hereunder, the Scheduled Trading Day (as defined in the Indenture) immediately preceding the first Scheduled Trading Day of the relevant "Observation Period" (as defined in the Indenture but determined, for the avoidance of doubt, without regard to Section 4.06(b) of the Indenture), subject to "Notice of Exercise" below; *provided* that in the case of any exercise of Options hereunder in connection with the conversion of any Relevant Convertible Notes for any Conversion Date occurring during the period starting on the 30th Scheduled Trading Day immediately preceding the Maturity Date (the "**Final Conversion Period**"), the Notice Deadline shall be 5:00 PM, New York City time, on the "Scheduled Trading Day" (as defined in the Indenture) immediately preceding the "Maturity Date" (as defined in the Indenture).
Notice of Exercise:	Notwithstanding anything to the contrary in the Equity Definitions, Dealer shall have no obligation to

	make any payment or delivery in respect of any exercise of Options hereunder unless Counterparty notifies Dealer in writing prior to 5:00 PM, New York City time, on the Notice Deadline in respect of such exercise of (i) the number of Convertible Notes being converted on such Exercise Date (including, if applicable, whether all or any portion of such Convertible Notes are Convertible Notes as to which additional Shares would be added to the "Conversion Rate" (as defined in the Indenture) pursuant to Section 4.06(a) of the Indenture (the "**Make-Whole Convertible Notes**")), (ii) the scheduled settlement date under the Indenture for the Relevant Convertible Notes for the related Conversion Date and (iii) the first Scheduled Trading Day of the Observation Period (as defined in the Indenture but determined, for the avoidance of doubt, without regard to Section 4.06(b) of the Indenture) for such Relevant Convertible Notes; *provided* that in the case of any exercise of Options hereunder in connection with the conversion of any Relevant Convertible Notes for any Conversion Date occurring during the Final Conversion Period, the content of such notice shall be as set forth in clause (i) above; *provided*, *further*, that any "Notice of Exercise" delivered to Dealer pursuant to the Base Capped Call Transaction Confirmation shall be deemed to be a Notice of Exercise pursuant to this Confirmation and the terms of such Notice of Exercise shall apply, *mutatis mutandis*, to this Confirmation. For the avoidance of doubt, if Counterparty fails to give such notice when due in respect of any exercise of Options hereunder, Dealer's obligation to make any payment or delivery in respect of such exercise shall be permanently extinguished, and late notice shall not cure such failure; *provided* that notwithstanding the foregoing, such notice, except in connection with the conversion of any Relevant Convertible Notes for any Conversion Date occurring during the Final Conversion Period, shall be effective (including for purposes of Section 8(d) below) if given after the Notice Deadline, but prior to 5:00 PM New York City time, on the fifth Exchange Business Day following the Notice Deadline, in which event the Calculation Agent shall have the right to adjust the Delivery Obligation as appropriate to reflect the additional costs (including, but not limited to, hedging mismatches and market losses) and expenses incurred by Dealer in connection with its hedging activities (including the unwinding of any hedge position) as a result of Dealer not having received such notice on or prior to the Notice Deadline.
Dealer's Telephone Number and Telex and/or Facsimile Number and Contact Details for purpose of Giving Notice:	[*Insert Dealer contact information*]

Settlement Terms:

Settlement Date:	For any Exercise Date, the settlement date for the Shares, if any, and cash to be delivered in respect of the Relevant Convertible Notes for the Conversion Date occurring on such Exercise Date under the terms of the Indenture; *provided* that the Settlement Date shall not be prior to the latest of (i) the date three Exchange Business Days following the final day of the relevant Observation Period (as defined in the Indenture but determined, for the avoidance of doubt, without regard to Section 4.06(b) of the Indenture, except that, if there is no Observation Period (as defined in the Indenture) applicable to the Relevant Convertible Notes as a result of such provisions of the Indenture, then such date referred to above in this clause (i) will be deemed to be the date as promptly as commercially reasonably practicable following the related settlement date for the Relevant Convertible Notes), (ii) the Exchange Business Day immediately following the date on which Counterparty gives notice to Dealer of such Settlement Date prior to 5:00 PM, New York City time, and (iii) the Exchange Business Day immediately following the date Counterparty provides the Notice of Delivery Obligation prior to 5:00 PM, New York City time.
Delivery Obligation:	In lieu of the obligations set forth in Sections 8.1 and 9.1 of the Equity Definitions, and subject to "Notice of Exercise" above, in respect of any Exercise Date, Dealer will deliver to Counterparty on the related Settlement Date a number of Shares equal to the product of (i) the Applicable Percentage and (ii) the aggregate number of Shares, if any, that Counterparty is obligated to deliver to the holder(s) of the Relevant Convertible Notes for such Conversion Date pursuant to Section 4.03(a) of the Indenture (except that such aggregate number of Shares shall be determined without taking into consideration any rounding pursuant to Section 4.03(b) of the Indenture and shall be rounded down to the nearest whole number and cash shall be delivered in lieu of fractional shares, if any, resulting from such rounding) (such product, the "**Convertible Obligation**"); *provided* that (i) if the Convertible Obligation exceeds the Capped Convertible Obligation, then the Delivery Obligation shall be the Capped Convertible Obligation; and (ii) the Convertible Obligation (and, for the avoidance of doubt, the Capped Convertible Obligation) shall be determined excluding any Shares, if any, and cash that Counterparty is obligated to deliver to holder(s) of the Relevant Convertible Notes as a direct or

	indirect result of any adjustments to the Conversion Rate pursuant to Sections 4.04(f), 4.05(b) or 4.06(a) of the Indenture and any interest payment that Counterparty is (or would have been) obligated to deliver to holder(s) of the Relevant Convertible Notes for such Conversion Date; and *provided further* that if such exercise relates to the conversion of Relevant Convertible Notes in connection with which holders thereof are entitled to receive additional Shares and/or cash pursuant to the adjustments to the Conversion Rate set forth in Section 4.06(a) of the Indenture, then, notwithstanding the foregoing, the Delivery Obligation shall include the Applicable Percentage of such additional Shares, except that the Delivery Obligation shall be capped so that the value of the Delivery Obligation per Option (with the value of any Shares included in the Delivery Obligation determined by the Calculation Agent using the "Daily VWAP" (as defined in the Indenture) on the last day of the relevant Observation Period (as defined in the Indenture but determined, for the avoidance of doubt, without regard to Section 4.06(b) of the Indenture)) does not exceed the amount as determined by the Calculation Agent that would be payable by Dealer pursuant to Section 6 of the Agreement if such Conversion Date were an Early Termination Date resulting from an Additional Termination Event with respect to which the Transaction (except that, for purposes of determining such amount, (x) the Number of Options shall be deemed to be equal to the number of Options exercised on such Exercise Date and (y) such amount payable will be determined as if Sections 4.04(f), 4.05(b) or 4.06(a) of the Indenture were deleted) was the sole Affected Transaction and Counterparty was the sole Affected Party (determined without regard to Section 8(a) of this Confirmation). For the avoidance of doubt, if the "Daily Conversion Value" (as defined in the Indenture) for each VWAP Trading Day (as defined in the Indenture) occurring in the relevant Observation Period (as defined in the Indenture but determined, for the avoidance of doubt, without regard to Section 4.06(b) of the Indenture) is less than or equal to USD40.00, Dealer will have no Delivery Obligation hereunder in respect of the relevant Conversion Date.
Capped Convertible Obligation:	In respect of an Exercise Date occurring on a Conversion Date, the Convertible Obligation that would apply if the "Daily VWAP" for each "VWAP Trading Day" in the "Observation Period" (as defined in the Indenture but determined, for the avoidance of doubt, without regard to Section 4.06(b) of the Indenture) were the lesser of (x) the Cap Price and (y) the actual Daily VWAP for such VWAP Trading Day.

Applicable Limit Price:	On any day, the opening price as displayed under the heading "Op" on Bloomberg page "HLF <equity>" (or any successor thereto).
Notice of Delivery Obligation:	No later than the Exchange Business Day immediately following the last day of the relevant Observation Period (as defined in the Indenture) (or, if earlier, the settlement date for the Shares, if any, and cash delivered upon conversion of the Relevant Convertible Notes), Counterparty shall give Dealer notice of the final number of Shares, if any, and amount of cash comprising the relevant Convertible Obligation; *provided* that, with respect to any Exercise Date occurring during the Final Conversion Period, Counterparty may provide Dealer with a single notice of the aggregate number of Shares, if any, and amount of cash comprising the Convertible Obligations for all Exercise Dates occurring during such period (it being understood, for the avoidance of doubt, that the requirement of Counterparty to deliver such notice shall not limit Counterparty's obligations with respect to Notice of Exercise or Dealer's obligations with respect to Delivery Obligation, each as set forth above, in any way).
Other Applicable Provisions:	To the extent Dealer is obligated to deliver Shares hereunder, the provisions of Sections 9.1(c), 9.8, 9.9, 9.10 and 9.11 of the Equity Definitions will be applicable as if "Physical Settlement" applied to the Transaction; *provided* that the Representation and Agreement contained in Section 9.11 of the Equity Definitions shall be modified by excluding any representations therein to the extent relating to restrictions, obligations, limitations or requirements under applicable securities or other laws or otherwise that exist as a result of the fact that Buyer is the issuer of the Shares.
Restricted Certificated Shares:	Notwithstanding anything to the contrary in the Equity Definitions, Dealer may, in whole or in part, deliver Shares in certificated form (and/or by delivery of a Share transfer form to Counterparty or its Transfer Agent, as applicable) representing the Number of Shares to be Delivered to Counterparty in lieu of delivery through the Clearance System.

Adjustments:

Method of Adjustment:	Notwithstanding Section 11.2 of the Equity Definitions, (i) upon the occurrence of any event or condition set forth in Section 4.04(a), (b), (c), (d), (e) and 4.05(a) of the Indenture (an "**Adjustment Event**"), the Calculation Agent shall make (A) a corresponding adjustment in accordance with the methodology set forth in the Indenture to one or more of the Number of Options, the Option Entitlement and any other variable relevant to the exercise, settlement or payment of the Transaction (other than

the Cap Price), to the extent an analogous adjustment is made under the Indenture and (B) a corresponding adjustment to the Cap Price to the extent any adjustment is made to the Strike Price pursuant to clause (A) above; and (ii) upon the occurrence of any Potential Adjustment Event, the Calculation Agent may, in its commercially reasonable discretion but without duplication of any adjustment pursuant to clause (i) above, make any further adjustment consistent with the Calculation Agent Adjustment set forth in Section 11.2(c) of the Equity Definitions (as modified pursuant to this Confirmation, including Section 8(r) below) to the Cap Price to the extent necessary to preserve the fair value of the Options to Dealer, after taking into account such Potential Adjustment Event; *provided* that in no event shall the Cap Price be less than the Strike Price; *provided further* that the parties agree that neither a Share repurchase transaction referred to under Section 4.04(i)(i) of the Indenture nor the Specified Share Forwards (as defined below), in either case, shall constitute a Potential Adjustment Event under Section 11.2(e)(v) of the Equity Definitions. Immediately upon the occurrence of any Adjustment Event, Counterparty shall notify the Calculation Agent of such Adjustment Event; and once the adjustments to be made to the terms of the Indenture and the Relevant Convertible Notes in respect of such Adjustment Event have been determined, Counterparty shall immediately notify the Calculation Agent in writing of the details of such adjustments.

If Counterparty or its board of directors is permitted or required to exercise discretion under the terms of the Indenture with respect to any determination, calculation or adjustment (including, without limitation, pursuant to Section 4.05(a) of the Indenture or in connection with any proportional adjustments or the determination of the fair value of any securities, property, rights or other assets) (any such determination, calculation or adjustment, a "**Counterparty Determination**"), Counterparty shall consult with Dealer with respect thereto and, if the Calculation Agent disagrees in good faith with such Counterparty Determination, notwithstanding anything herein to the contrary, the Calculation Agent shall make the relevant determination, calculation or adjustment for purposes of this Transaction (and for the avoidance of doubt, such determination, calculation or adjustment shall be made (A) in accordance with the methodology set forth in the Indenture, except as set forth in this paragraph, and (B) using, where relevant, variables determined by the Calculation Agent).

Extraordinary Dividend:	Any dividend, or portion thereof, with respect to the Shares that the Calculation Agent determines to be an "extraordinary" dividend, including, for the avoidance of doubt, any cash dividend or distribution on the Shares with an ex-dividend date occurring on or after the Trade Date and on or prior to the Expiration Date the amount of which differs from the Ordinary Dividend Amount for such dividend or distribution. If no such ex-dividend date occurs within a regular quarterly dividend period, an ex-dividend date with a cash dividend or distribution of zero shall be deemed to have occurred on the last Scheduled Trading Day of such regular quarterly dividend period.
Ordinary Dividend Amount:	For any regularly quarterly dividend period, USD 0.30 for the first cash dividend or distribution on the Shares for which the ex-dividend date falls within such period, and zero for any subsequent dividend or distribution on the Shares for which the ex-dividend date falls within the same period.

Extraordinary Events:

Merger Events:	Notwithstanding Section 12.1(b) of the Equity Definitions, a "Merger Event" means the occurrence of any event or condition set forth in the definition of "Merger Event" in Section 4.07(a) of the Indenture.
Consequences of Merger Events/Tender Offers:	Notwithstanding Sections 12.2 and 12.3 of the Equity Definitions, (i) upon the occurrence of a Merger Event, the Calculation Agent shall make (A) the corresponding adjustment in respect of any adjustment under the Indenture to any one or more of the nature of the Shares, the Number of Options, the Option Entitlement and any other variable relevant to the exercise, settlement or payment for the Transaction (other than the Cap Price), to the extent an analogous adjustment is made under the Indenture in respect of such Merger Event; *provided* that such adjustment shall be made without regard to any adjustment to the Conversion Rate for the issuance of additional Shares as set forth in Section 4.04(f), 4.05(b) or 4.06(a) of the Indenture and (B) a corresponding adjustment to the Cap Price to the extent any adjustment is made to the Strike Price pursuant to clause (A) above; and (ii) upon the occurrence of a Merger Event that results in an adjustment under the Indenture and/or upon the occurrence of a Tender Offer, the Calculation Agent may, in its commercially reasonable discretion, make any further adjustment to the Cap Price consistent with the Modified Calculation Agent Adjustment set forth in Section 12.2(e) or 12.3(d) of the Equity Definitions, as applicable; *provided* that in no event shall the Cap Price be less than the Strike Price; *provided further* that if (i) the consideration for the

	Shares includes (or, at the option of a holder of the Shares, may include) shares of an entity or person that is not a corporation or is not organized under the laws of the United States, any State thereof or the District of Columbia, the United Kingdom, the Republic of Ireland or the Cayman Islands or (ii) the counterparty to the Transaction following such Merger Event will not be a corporation or will not be the Issuer of the relevant Shares following such Merger Event (after giving effect to the provisions of this Confirmation in respect thereof, as determined by the Calculation Agent), then Cancellation and Payment (Calculation Agent Determination) may apply at Dealer's sole election. In addition, if the consideration for the Shares includes (or, at the option of a holder of the Shares, may include) shares of an entity or person that is organized under the laws of the United Kingdom or the Republic of Ireland and the Calculation Agent determines, in its sole discretion, that (A)(x) treating such shares as "Reference Property" (as defined in the Indenture) or (y) Cancellation and Payment not applying to the Transaction with respect to such Merger Event, in either case of clause (x) or clause (y), will have a material adverse effect on any combination of the following: Dealer's rights or obligations in respect of the Transaction, on its hedging activities in respect of the Transaction or on the costs (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position) of engaging in any of the foregoing, and (B) Dealer cannot promptly avoid the occurrence of each such material adverse effect by amending the terms of this Confirmation (whether because amendments would not avoid such occurrence or because Counterparty fails to agree promptly to such amendments) then Cancellation and Payment (Calculation Agent Determination) may apply at Dealer's sole election.
Notice of Merger Consideration:	Upon the occurrence of a Merger Event that causes the Shares to be converted into the right to receive more than a single type of consideration (determined based in part upon any form of stockholder election), Counterparty shall reasonably promptly (but in any event prior to the relevant merger date) notify the Calculation Agent of (i) the weighted average of the types and amounts of consideration received by the holders of Shares entitled to receive cash, securities or other property or assets with respect to or in exchange for such Shares in any Merger Event who affirmatively make such an election and (ii) the details of the adjustment made under the Indenture in respect of such Merger Event.

Tender Offer:	Applicable to the extent provided above under the heading "Consequences of Merger Events/Tender Offers."
Consequences of Announcement Event:	If an Announcement Event occurs, then on the earliest to occur of the date on which the transaction described in such Announcement Event (as amended or modified) is cancelled, withdrawn, discontinued, otherwise terminated or results in a Merger Date or Tender Offer Date, as applicable, or the Expiration Date, Early Termination Date or other date of cancellation or termination in respect of any Option (the "**Announcement Event Adjustment Date**"), the Calculation Agent will determine the cumulative economic effect on the relevant Options of the Announcement Event (without duplication in respect of any other adjustment or cancellation valuation made pursuant to this Confirmation, the Equity Definitions or the Agreement, regardless of whether the Announcement Event actually results in a Merger Event or Tender Offer, and taking into account such factors as the Calculation Agent may commercially reasonably determine, including, without limitation, changes in volatility, expected dividends, stock loan rate or liquidity relevant to the Shares or the Transaction whether within a commercially reasonable period of time prior to or after the Announcement Event or for any commercially reasonable period of time such changes are in effect, including, without limitation, if applicable, the period from the Announcement Event to the relevant Announcement Event Adjustment Date); *provided* that, for the avoidance of doubt the occurrence of an Announcement Event Adjustment Date in respect of the cancellation, withdrawal, discontinuation or other termination of the transaction described in an Announcement Event (as amended or modified) shall not preclude the occurrence of a later Announcement Event with respect to such transaction. If the Calculation Agent determines that such cumulative economic effect on any Option is material, then on the Announcement Event Adjustment Date for such Option, the Calculation Agent may make such adjustment to the Cap Price as the Calculation Agent determines appropriate to account for such economic effect, which adjustment shall be effective immediately prior to the exercise, termination or cancellation of such Option, as the case may be.
Announcement Event:	(i) The public announcement of any Merger Event or Tender Offer or the intention to enter into a Merger Event or Tender Offer, (ii) the public announcement by Counterparty of an intention to solicit or enter into, or to explore strategic alternatives or other similar undertaking that may include, a Merger Event or Tender Offer or (iii) any subsequent public announcement of a change to a transaction or

	intention that is the subject of an announcement of the type described in clause (i) or (ii) of this sentence (including, without limitation, a new announcement, whether or not by the same party, relating to such a transaction or intention or the announcement of a withdrawal from, or the abandonment or discontinuation of, such a transaction or intention) (in each case, whether such announcement is made by Counterparty or a third party); *provided* that, for the avoidance of doubt, the occurrence of an Announcement Event with respect to any transaction or intention shall not preclude the occurrence of a later Announcement Event with respect to such transaction or intention.
Announcement Date:	The definition of "Announcement Date" in Section 12.1 of the Equity Definitions is hereby amended by (i) replacing the words "a firm" with the word "any" in the second and fourth lines thereof, (ii) replacing the word "leads to the" with the words ", if completed, would lead to a" in the third and the fifth lines thereof, (iii) replacing the words "voting shares" with the word "Shares" in the fifth line thereof, (iv) inserting the words "by any entity" after the word "announcement" in the second and the fourth lines thereof and (v) by deleting subsection (v) thereof in its entirety and replacing it with "(v) in the case of Insolvency, the date of (A) the institution of a proceeding or presentation of a petition or the passing of a resolution (or the convening of a meeting to pass a resolution or the proposing of a written resolution) that leads to Insolvency within the meaning of subsection (A) of the definition thereof, (B) the first public announcement of the institution of a proceeding or presentation of a petition or passing of a resolution (or other analogous procedure in any jurisdiction) that leads to the Insolvency or (C) the occurrence of any of the events specified in Section 5(a)(vii)(1) through (9) of the ISDA Master Agreement with respect to that Issuer".
Nationalization, Insolvency or Delisting:	Cancellation and Payment (Calculation Agent Determination); *provided* that in addition to the provisions of Section 12.6(a)(iii) of the Equity Definitions, it will also constitute a Delisting if the Exchange is located in the United States and the Shares are not immediately re-listed, re-traded or re-quoted on any of the New York Stock Exchange, the NASDAQ Global Select Market or the NASDAQ Global Market (or their respective successors); if the Shares are immediately re-listed, re-traded or re- quoted on any such exchange or quotation system, such exchange or quotation system shall thereafter be deemed to be the Exchange.

Additional Disruption Events:

(a)	Change in Law:	Applicable; *provided* that Section 12.9(a)(ii) of the Equity Definitions is hereby amended by (i) replacing the phrase "the interpretation" in the third line thereof with the phrase ", or public announcement of, the formal or informal interpretation", (ii) by replacing the word "Shares" where it appears in clause (X) thereof with the words "Hedge Position" and (iii) by immediately following the word "Transaction" in clause (X) thereof, adding the phrase "in the manner contemplated by Dealer on the Trade Date or in another commercially reasonable manner (it being understood that such party need not take any action that does not meet the Avoidance Criteria)"; *provided further* that (i) any determination as to whether (A) the adoption of or any change in any applicable law or regulation (including, for the avoidance of doubt and without limitation, (x) any tax law or (y) adoption or promulgation of new regulations authorized or mandated by existing statute) or (B) the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), in each case, constitutes a "Change in Law" shall be made without regard to Section 739 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 or any similar legal certainty provision in any legislation enacted, or rule or regulation promulgated, on or after the Trade Date, and (ii) Section 12.9(a)(ii) of the Definitions is hereby amended by replacing the parenthetical beginning after the word "regulation" in the second line thereof the words "(including, for the avoidance of doubt and without limitation, (x) any tax law or (y) adoption or promulgation of new regulations authorized or mandated by existing statute)". "**Avoidance Criteria**" means, with respect to an action, as determined by the Calculation Agent in good faith, that (i) such action is legal and complies with all applicable regulations, rules (including by self-regulatory organizations) and policies, (ii) if such party is to establish one or more alternative Hedge Positions, there is sufficient liquidity in those alternative Hedge Positions available for that Hedging Party to hedge and (iii) by taking such action, there would not be a material risk that such Hedging Party would incur, any one or more of an increased performance cost, increased hedging cost or increased capital charges.
(b)	Failure to Deliver:	Applicable
(c)	Insolvency Filing:	Applicable

(d) Hedging Disruption:	Applicable, subject to the limitations and other provisions set forth in Section 8(g) below;*provided* that: (i) Section 12.9(a)(v) of the Equity Definitions is hereby modified by inserting the following three sentences at the end of such Section: "Such inability described in phrases (A) or (B) above shall not constitute a "Hedging Disruption" if such inability results solely from the Hedging Party's creditworthiness or financial position. For the avoidance of doubt, the term "equity price risk" shall be deemed to include, but shall not be limited to, stock price and volatility risk. And, for the further avoidance of doubt, any such transactions or assets referred to in phrases (A) or (B) above must be available on commercially reasonable pricing terms"; and (ii) Section 12.9(b)(iii) of the Equity Definitions is hereby amended by inserting in the third line thereof, after the words "to terminate the Transaction", the words "or a portion of the Transaction affected by such Hedging Disruption".
(e) Increased Cost of Hedging:	Applicable; *provided* that, (i) such increased cost described in Section 12.9(a)(vi) of the Equity Definitions shall not constitute an "Increased Cost of Hedging" if such increased cost results solely from the Hedging Party's creditworthiness or financial position and (ii) the Hedging Party will use good faith efforts to avoid such increased cost (it being understood that such party need not take any action that does not meet the Avoidance Criteria).
Hedging Party:	Dealer
Determining Party:	Dealer
Non-Reliance:	Applicable
Agreements and Acknowledgments Regarding Hedging Activities:	Applicable
Additional Acknowledgments:	Applicable

3. Calculation Agent: Dealer. Upon receipt of written request from Counterparty, the Calculation Agent shall promptly provide Counterparty with a written explanation describing in reasonable detail any calculation, adjustment or determination made by it (including any quotations, market data or information from internal or external sources used in making such calculation, adjustment or determination, as the case may be, but without disclosing Dealer's proprietary models or other information that may be proprietary or subject to contractual, legal or regulatory obligations to not disclose such information), and shall use commercially reasonable efforts to provide such written explanation within five (5) Exchange Business Days from the receipt of such request.

4. Account Details:

Dealer Payment Instructions:

[*Insert Dealer account information*]

Counterparty Payment Instructions:

HSBC-HLF Stock Option
SWIFT: MRMDUS33
Account #: 001846884
Address: 660 S. Figueroa Street, Suite 800
Los Angeles CA 90017

Counterparty Transfer Agent for Purposes of Share delivery:

ComputerShare
520 Pike Street, Suite 1220
Seattle, WA 98101

5. Offices:

The Office of Dealer for the Transaction is:

[ ]

The Office of Counterparty for the Transaction is:

Not applicable

6. Notices: For purposes of this Confirmation:

(a) Address for notices or communications to Counterparty:

Herbalife Ltd.
990 West 190th Street
Torrance, CA 90502
Tel: (310) 851-2300
Attn: Richard Caloca

With a copy to:
Herbalife Ltd.
800 Olympic Blvd.
Suite 406
Los Angeles, CA 90015
Attn: Jim Berklas

(b) Address for notices or communications to Dealer:

To: [*Insert Dealer contact information*]

7. Representations, Warranties and Agreements:

(a) In addition to the representations and warranties in the Agreement and those contained elsewhere herein, Counterparty represents and warrants to and for the benefit of, and agrees with, Dealer as follows:

(i) On the Trade Date, (A) none of Counterparty and its officers and directors is aware of any material nonpublic information regarding Counterparty or the Shares and (B) all reports and other documents filed by Counterparty with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), when considered as a whole (with the more recent such reports and documents deemed to amend inconsistent statements contained in any earlier such reports and documents), do not contain any untrue statement of a material fact or any omission of a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances in which they were made, not misleading.

(ii) (A) On each day during the period from, and including, the Trade Date to, and including, the Hedge Completion Date (the "**Relevant Hedging Period**"), (B) on each day during the period from, and including, the 27th Scheduled Trading Day immediately preceding the Maturity Date (as defined in the Indenture) to, and including, the 25th VWAP Trading Day (as defined in the Indenture) thereafter (the "**Final Observation Period**"), (C) on each day during any "Observation Period" (as defined in the Indenture) (other than the Final Observation Period) applicable to the Relevant Convertible Notes and (D) on each day during any Early Termination Period (as defined below), neither Counterparty nor any "affiliate" or "affiliated purchaser" (each as defined in Rule 10b-18 of the Exchange Act ("**Rule 10b-18**")) shall directly or indirectly (including, without limitation, by means of any cash-settled or other derivative instrument other than the Transaction) purchase, offer to purchase, place any bid or limit order that would effect a purchase of, or commence any tender offer relating to, any Shares (or an equivalent interest, including a unit of beneficial interest in a trust or limited partnership or a depository share) or any security convertible into or exchangeable or exercisable for Shares other than, for the avoidance of doubt, the forward transactions described under "Use of Proceeds" in the offering memorandum related to the offering of the Convertible Notes (the "**Specified Share Forwards**"); *unless*, solely in the case of clauses (C) or (D) above (and solely to the extent that a binding agreement to effect such purchase activity during the relevant "Observation Period" (as defined in the Indenture) (other than the Final Observation Period) or Early Termination Period, as applicable, had been entered into prior to notice of such period to Counterparty (whether under the Indenture or from Dealer, as applicable)), Counterparty has provided written notice (which notice shall be deemed to contain a representation and warranty that, as of the time such notice is given, Counterparty is not in possession of, and is not delivering such notice on the basis of, material nonpublic information with respect to Counterparty or the Shares) to Dealer of the relevant purchase activity not later than the Scheduled Trading Day immediately preceding the first day on which such purchase activity will occur; *provided* that (I) Counterparty shall provide written notice (which notice shall be deemed to contain a representation and warranty that, as of the time such notice is given, Counterparty is not in possession of, and is not delivering such notice on the basis of, material nonpublic information with respect to Counterparty or the Shares) to Dealer of the end of such purchase activity not later than the last day of such purchase activity, (II) Counterparty acknowledges and agrees that any notice under this Section 8(a)(ii) may result in a Regulatory Disruption or Excess Ownership Position (as defined below but with the reference to "9%" in clause (1) of the definition thereof replaced with a reference to "5%", a "**Relevant Excess Ownership Position**") to the extent the relevant purchase activity coincides with any period referred to in clauses (C) or (D) above and (III) the Calculation Agent may make a corresponding adjustment in respect of any one or more of the terms relevant to the exercise, settlement or payment of the Options (including, for the avoidance of doubt, a postponement or extension

pursuant to Section 8(e)) to the extent necessary to preserve the fair value of the Options to Dealer after taking into account such Regulatory Disruption or Relevant Excess Ownership Position (as appropriate to reflect the additional costs (including, but not limited to, hedging mismatches and market losses) and expenses incurred by Dealer in connection with its hedging activities (including the unwinding of any hedge position) as a result of such Regulatory Disruption or Relevant Excess Ownership Position); *provided further* that (a) this Section 7(a)(ii) shall not limit Counterparty's ability (or the ability of any "affiliate" or "affiliated purchaser" of Counterparty), (i) pursuant to its employee incentive plans, to re-acquire Shares in connection with the related equity transactions; (ii) to withhold shares to cover exercise price and/or tax liabilities associated with such equity transactions; or (iii) to grant Shares and options to "affiliates" or "affiliated purchasers" (as defined in Rule 10b-18) or the ability of such affiliates or affiliated purchasers to acquire such Shares or options, in connection with Counterparty's compensatory plans for directors, officers and employees or any agreements with respect to the compensation of directors, officers or employees of any entities that are acquisition targets of Counterparty, so long as, in the case of clause (i), (ii) or (iii) of this proviso, any such re-acquisition, withholding, grant, acquisition or other purchase does not constitute a "Rule 10b-18 Purchase" (as defined in Rule 10b-18) and (b) Counterparty or such "affiliate" or "affiliated purchaser" may purchase Shares in privately negotiated (off-market) transactions that do not, directly or indirectly, involve purchases on the Exchange and are not "Rule 10b-18 purchases" (as defined in Rule 10b-18), in each case without Dealer's consent.

(iii) Without limiting the generality of Section 13.1 of the Equity Definitions, Counterparty acknowledges that Dealer is not making any representations or warranties with respect to the treatment of the Transaction under any accounting standards including FASB Statements 128, 133 (as amended), 149 or 150, EITF Issue No. 00-19, 01-6, 03-6 or 07-5(or any successor issue statements) or under FASB's Liabilities & Equity Project.

(iv) Without limiting the generality of Section 3(a)(iii) of the Agreement, the Transaction will not violate Rule 13e-1 or Rule 13e-4 under the Exchange Act.

(v) (A) On or prior to the Trade Date, Counterparty shall deliver to Dealer a resolution of Counterparty's board of directors authorizing the Transaction and (B) on the Effective Date, Counterparty shall deliver to Dealer a solvency certificate with respect to Dealer signed by an authorized officer of Counterparty certifying the solvency of Counterparty as of the Trade Date and as of the Effective Date (after giving effect to Counterparty's payment of amounts required to be paid by Counterparty on such date under the Transaction and the other transactions described under "Use of Proceeds" in the offering memorandum related to the offering of the Convertible Notes), which solvency certificate is reasonably satisfactory to Dealer.

(vi) Counterparty is not entering into this Confirmation to create actual or apparent trading activity in the Shares (or any security convertible into or exchangeable for Shares) or to raise or depress or otherwise manipulate the price of the Shares (or any security convertible into or exchangeable for Shares) or to otherwise violate the Exchange Act.

(vii) Counterparty is not, and after giving effect to the transactions contemplated hereby will not be, required to register as an "investment company" as such term is defined in the Investment Company Act of 1940, as amended.

(viii) On and immediately after each of the Trade Date, the Initial Premium Payment Date and the Additional Premium Payment Date, (A) Counterparty is not "insolvent" (as such term is defined under Section 101(32) of the U.S. Bankruptcy Code (Title 11 of the United States Code) (the "**Bankruptcy Code**")), (B) Counterparty would be able to purchase the Shares with an aggregate purchase price equal to the Premium in compliance with the laws of the jurisdiction of Counterparty's incorporation and Counterparty's Constitutional documents and (C) for the purposes of Cayman Islands law, Counterparty is able to pay its debts.

(ix) The representations and warranties of Counterparty set forth in Section 3 of the Agreement and Section 1(a) of the Purchase Agreement between Issuer and Credit Suisse

Securities (USA) LLC, HSBC Securities (USA) Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. LLC and the other, as representatives of the initial purchasers party thereto (the "**Purchase Agreement**"), are true and correct as of the respective dates as of which such representations and warranties are made thereunder and are hereby deemed to be repeated to Dealer as if set forth herein.

(x) (A) (i) On each day during the Relevant Hedging Period, (ii) on each day during the Final Observation Period, (iii) on each day during any "Observation Period" (as defined in the Indenture) (other than the Final Observation Period) applicable to the Relevant Convertible Notes and (iv) in the event an Early Termination Date is designated due to an Additional Termination Event pursuant to Section 8(d)(ii), on each day during a period starting on or about such Early Termination Date as reasonably determined by Dealer and notified to Counterparty (an "**Early Termination Period**"), in each case, the Shares or securities that are convertible into, or exchangeable or exercisable for, Shares, are not, and shall not be, subject to a "restricted period," as such term is defined in Regulation M under the Exchange Act ("**Regulation M**") (determined, for the avoidance of doubt, after giving effect to any applicable exceptions set forth in Sections 101(b) and 102(b) of Regulation M) and (B), without limiting the generality of the immediately preceding clause (A), Counterparty shall not engage in any "distribution," as such term is defined in Regulation M, other than a distribution meeting the requirements of the exceptions set forth in sections 101(b) and 102(b) of Regulation M, during (i) the period comprised of the Relevant Hedging Period and the period from, and including, Hedge Completion Date to, and including, the second Exchange Business Day thereafter, (ii) the period comprised of the Final Observation Period and the period from, and including, the last day of the Final Observation Period to, and including, the second Exchange Business Day thereafter, (iii) the period comprised of any such Observation Period (other than the Final Observation Period and the period from, and including, the last day of such Observation Period (other than the Final Observation Period) to, and including, the second Exchange Business Day thereafter or (iv) the period comprised of any such Early Termination Period and the period from, and including, the last day of such Early Termination Period to, and including, the second Exchange Business Day thereafter, as applicable; *unless*, solely in the case of clauses (A)(iii), (A)(iv), (B)(iii) or (B)(iv) above (and solely to the extent that a binding agreement to effect the "distribution" that would give rise to the relevant "restricted period" during the relevant "Observation Period" (as defined in the Indenture) (other than the Final Observation Period) or Early Termination Period, as applicable, had been entered into prior to notice of such period to Counterparty (whether under the Indenture or from Dealer, as applicable)), Counterparty has provided written notice (which notice shall be deemed to contain a representation and warranty that, as of the time such notice is given, Counterparty is not in possession of, and is not delivering such notice on the basis of, material nonpublic information with respect to Counterparty or the Shares) to Dealer of the relevant "restricted period" not later than the Scheduled Trading Day immediately preceding the first day of such "restricted period"; *provided* that (I) Counterparty shall provide written notice (which notice shall be deemed to contain a representation and warranty that, as of the time such notice is given, Counterparty is not in possession of, and is not delivering such notice on the basis of, material nonpublic information with respect to Counterparty or the Shares) to Dealer of the end of such "restricted period" not later than the last day of such "restricted period", (II) Counterparty acknowledges and agrees that any notice under this Section 7(a)(x) may result in a Regulatory Disruption or Relevant Excess Ownership Position to the extent the relevant transaction coincides with any period referred to in the case of clauses (iii) or (iv) above and (III) the Calculation Agent may make a corresponding adjustment in respect of any one or more of the terms relevant to the exercise, settlement or payment of the Options (including, for the avoidance of doubt, a postponement or extension pursuant to Section 8(e)) to the extent necessary to preserve the fair value of the Options to Dealer after taking into account such Regulatory Disruption or Relevant Excess Ownership Position (as appropriate to reflect the additional costs (including, but not limited to, hedging mismatches and market losses) and expenses incurred by Dealer in connection with its hedging activities (including the unwinding of any hedge position) as a result of such Regulatory Disruption or Relevant Excess Ownership Position).

(xi) Counterparty (A) is capable of evaluating investment risks independently, both in general and with regard to all transactions and investment strategies involving a security or securities, (B) will exercise independent judgment in evaluating the recommendations of any broker-dealer or its associated persons, unless it has otherwise notified the broker-dealer in writing, and (C) has total assets of at least $50 million.

(xii) To Counterparty's knowledge, based on due inquiry, no state or local (including non-U.S. jurisdictions) law, rule, regulation or regulatory order applicable to the Shares (not including laws, rules, regulations or regulatory orders of any jurisdiction that are generally applicable to equity securities of U.S.-incorporated issuers that are listed on the Exchange solely as a result of Dealer's and/or its affiliates' activities, assets or business, other than Dealer's hedging activities in connection with the Transaction) would give rise to any reporting, consent, registration or other requirement (including without limitation a requirement to obtain prior approval from any person or entity) as a result of Dealer or its affiliates owning or holding (however defined) Shares in connection with the Transaction.

(xiii) Counterparty is entering into this Confirmation and the Transaction in good faith and not as part of a plan or scheme to evade the prohibitions of Rule 10b5-1 under the Exchange Act ("**Rule 10b5-1**") or any other antifraud or anti-manipulation provisions of the federal or applicable state securities laws and that it has not entered into or altered, and will not enter into or alter, any corresponding or hedging transaction or position with respect to the Transaction. Counterparty acknowledges that it is the intent of the parties that the Transaction comply with the requirements of paragraphs (c)(1)(i)(A) and (B) of Rule 10b5-1 and that the Transaction shall be interpreted to comply with the requirements of Rule 10b5-1(c).

(xiv) Counterparty acknowledges and agrees that it has no right to, and will not seek to, control or influence Dealer's decision to make any "purchases or sales" (within the meaning of Rule 10b5-1(c)(1)(i)(B)(3)) under the Transaction, including, without limitation, Dealer's decision to enter into any hedging transactions. Counterparty represents and warrants that it has consulted with its own advisors as to the legal aspects of its adoption and implementation of this Confirmation and the Trade Notification under Rule 10b5-1.

(xv) Counterparty acknowledges and agrees that any amendment, modification, waiver or termination of this Confirmation or the Trade Notification must be effected in accordance with the requirements of Rule 10b5-1(c). Without limiting the generality of the foregoing, to the extent required by Rule 10b5-1(c), any such amendment, modification, waiver or termination of this Confirmation or the Trade Notification shall be made in good faith and not as part of a plan or scheme to evade the prohibitions of Rule 10b-5, and, to the extent prohibited by Rule 10b5-1(c), no such amendment, modification, waiver or termination of, or settlement election under, this Confirmation or the Trade Notification be made at any time at which Counterparty or any officer, director, manager or similar person of Counterparty is aware of any material non-public information regarding the Shares or Counterparty.

(xvi) (A) (i) Counterparty understands that the Transaction is subject to complex risks, which it has duly considered and which may arise without warning and may at times be volatile, and that losses may occur quickly and in unanticipated magnitude; (ii) Counterparty has duly authorized its entry into the Transaction and such action does not violate any laws of its jurisdiction of incorporation, organization or residence; (iii) Counterparty has consulted with its legal, financial and accounting advisor(s) and has reached its own conclusions about the Transaction, and any legal, regulatory, tax, accounting or economic consequences arising from the Transaction; and (iv) the board of directors of Counterparty (the "**Board**") and/or any duly appointed committee of directors of Counterparty to which responsibility for approving and authorizing this Transaction has been duly delegated by the Board (the "**Relevant Committee**") has concluded that the Transaction is suitable for Counterparty, for its commercial benefit and in its best interests, in light of its own investment objectives, financial condition and expertise. (B) The Transaction has been duly approved and authorized by the Board or the Relevant Committee after due consideration by the Board and/or the Relevant Committee of the matters.

(b) Each of Dealer and Counterparty agrees and represents that it is an "eligible contract participant" as defined in Section 1a(18) of the U.S. Commodity Exchange Act, as amended.

(c) Each of Dealer and Counterparty acknowledges that the offer and sale of the Transaction to it is intended to be exempt from registration under the Securities Act of 1933, as amended (the "**Securities Act**"), by virtue of Section 4(2) thereof. Accordingly, Counterparty represents and warrants to Dealer that (i) it has the financial ability to bear the economic risk of its investment in the Transaction and is able to bear a total loss of its investment and its investments in and liabilities in respect of the Transaction, which it understands are not readily marketable, are not disproportionate to its net worth, and it is able to bear any loss in connection with the Transaction, including the loss of its entire investment in the Transaction, (ii) it is an "accredited investor" as that term is defined in Regulation D as promulgated under the Securities Act, (iii) it is entering into the Transaction for its own account and without a view to the distribution or resale thereof, (iv) the assignment, transfer or other disposition of the Transaction has not been and will not be registered under the Securities Act and is restricted under this Confirmation, the Securities Act and state securities laws, and (v) its financial condition is such that it has no need for liquidity with respect to its investment in the Transaction and no need to dispose of any portion thereof to satisfy any existing or contemplated undertaking or indebtedness and is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts, the terms, conditions and risks of the Transaction.

(d) Each of Dealer and Counterparty agrees and acknowledges that Dealer is a "financial institution," "swap participant" and "financial participant" within the meaning of Sections 101(22), 101(53C) and 101(22A) of Title 11 of the United States Code (the "**Bankruptcy Code**"). The parties hereto further agree and acknowledge (A) that this Confirmation is (i) a "securities contract," as such term is defined in Section 741(7) of the Bankruptcy Code, with respect to which each payment and delivery hereunder is a "settlement payment," as such term is defined in Section 741(8) of the Bankruptcy Code, and (ii) a "swap agreement," as such term is defined in Section 101(53B) of the Bankruptcy Code, with respect to which each payment and delivery hereunder is a "transfer," as such term is defined in Section 101(54) of the Bankruptcy Code, and (B) that Dealer is entitled to the protections afforded by, among other sections, Sections 362(b)(6), 362(b)(17), 546(e), 546(g), 555 and 560 of the Bankruptcy Code.

(e) Counterparty shall deliver to Dealer opinions of counsel, from U.S. and Cayman Islands counsel to the Issuer, dated as of the Effective Date and reasonably acceptable to Dealer in form and substance, with respect to the matters set forth in Section 3(a) of the Agreement, subject to customary assumptions, qualifications and exceptions.

(f) Counterparty acknowledges that:

(i) During the term of the Transaction, Dealer and its affiliates may buy or sell Shares or other securities or buy or sell options or futures contracts or enter into swaps or other derivative securities in order to establish, adjust or unwind its hedge position with respect to the Transaction;

(ii) Dealer and its affiliates may also be active in the market for the Shares other than in connection with hedging activities in relation to the Transaction;

(iii) Dealer shall make its own determination as to whether, when or in what manner any hedging or market activities in Counterparty's securities shall be conducted and shall do so in a manner that it deems appropriate to hedge its price and market risk with respect to the Hedge Reference Price and/or the Daily VWAP (as defined in the Indenture);

(iv) Any market activities of Dealer and its affiliates with respect to the Shares may affect the market price and volatility of the Shares, as well as the Hedge Reference Price and/or the Daily VWAP (as defined in the Indenture), each in a manner that may be adverse to Counterparty; and

(v) The Transaction is a derivatives transaction with embedded optionality; Dealer may purchase shares for its own account at an average price that may be greater than, or less than, the price paid by Counterparty under the terms of the Transaction.

8. Other Provisions:

(a) *Alternative Calculations and Payment on Early Termination and on Certain Extraordinary Events*. If Dealer shall owe Counterparty any amount pursuant to "Consequences of Merger Events/Tender Offers" above or Sections 12.6, 12.7 or 12.9 of the Equity Definitions or pursuant to Section 6(d)(ii) of the Agreement (a "**Payment Obligation**"), Counterparty shall have the right, in its sole discretion, to require Dealer to satisfy any such Payment Obligation by the Share Termination Alternative (as defined below) by giving irrevocable telephonic notice to Dealer, confirmed in writing within one Scheduled Trading Day, between the hours of 9:00 A.M. and 4:00 P.M. New York City time on the relevant merger date, announcement date, Early Termination Date or date of cancellation or termination in respect of an Additional Disruption Event ("**Notice of Share Termination**"); *provided* that if Counterparty does not elect to require Dealer to satisfy its Payment Obligation by the Share Termination Alternative, Dealer shall have the right, in its sole discretion, to elect to satisfy its Payment Obligation by the Share Termination Alternative, notwithstanding Counterparty's failure to elect or election to the contrary; and *provided further* that Counterparty shall not have the right to so elect (but, for the avoidance of doubt, Dealer shall have the right to so elect) in the event of (i) an Insolvency (as amended by this Confirmation), a Nationalization or a merger event, in each case, in which the consideration or proceeds to be paid to holders of Shares consists solely of cash, (ii) an Insolvency Filing, (iii) an Event of Default in which Counterparty is the Defaulting Party or a Termination Event in which Counterparty is the Affected Party, which Event of Default or Termination Event resulted from an event or events within Counterparty's control or (iv) the Bankruptcy of Counterparty. Upon such Notice of Share Termination, the following provisions shall apply on the Scheduled Trading Day immediately following the relevant merger date, announcement date, Early Termination Date or date of cancellation or termination in respect of an Additional Disruption Event, as applicable:

Share Termination Alternative:	Applicable and means that Dealer shall deliver to Counterparty the Share Termination Delivery Property on the date on which the Payment Obligation would otherwise be due pursuant to "Consequences of Merger Events/Tender Offers" above, Section 12.7 or 12.9 of the Equity Definitions or Section 6(d)(ii) of the Agreement, as applicable (the "**Share Termination Payment Date**"), in satisfaction of the Payment Obligation.
Share Termination Delivery Property:	A number of Share Termination Delivery Units, as calculated by the Calculation Agent, equal to the Payment Obligation divided by the Share Termination Unit Price. The Calculation Agent shall adjust the Share Termination Delivery Property by replacing any fractional portion of the aggregate amount of a security therein with an amount of cash equal to the value of such fractional security based on the values used to calculate the Share Termination Unit Price.
Share Termination Unit Price:	The value of property contained in one Share Termination Delivery Unit on the date such Share Termination Delivery Units are to be delivered as Share Termination Delivery Property, as determined by the Calculation Agent in its discretion by commercially reasonable means and notified by the Calculation Agent to Dealer at the time of notification of the Payment Obligation.
Share Termination Delivery Unit:	In the case of a Termination Event, Event of Default, Delisting or Additional Disruption Event, one Share or, in the case of an Insolvency, Nationalization or Merger Event, one Share or a unit consisting of the number or amount of each type of property received by a holder of one Share (without consideration of any requirement to

	pay cash or other consideration in lieu of fractional amounts of any securities) in such Insolvency, Nationalization or Merger Event. If such Insolvency, Nationalization or Merger Event involves a choice of consideration to be received by holders, such holder shall be deemed to have elected to receive the maximum possible amount of cash.
Other applicable provisions:	If Share Termination Alternative is applicable, the provisions of Sections 9.8, 9.9 and 9.11 of the Equity Definitions will be applicable as if "Physical Settlement" applied to the Transaction, except that all references to "Shares" shall be read as references to "Share Termination Delivery Units"; *provided* that the Representation and Agreement contained in Section 9.11 of the Equity Definitions shall be modified by excluding any representations therein relating to restrictions, obligations, limitations or requirements under applicable securities or other laws or otherwise as a result of the fact that Counterparty is the issuer of any Share Termination Delivery Units (or any part thereof).

(b) *Disposition of Hedge Shares.* Counterparty hereby agrees that if, in the good faith reasonable judgment of Dealer, the Shares (the "**Hedge Shares**") acquired by Dealer for the purpose of hedging its obligations pursuant to the Transaction cannot be sold in the U.S. public market by Dealer without registration under the Securities Act, Counterparty shall, at its election: (i) in order to allow Dealer to sell the Hedge Shares in a registered offering, make available to Dealer an effective registration statement under the Securities Act to cover the resale of such Hedge Shares and (A) enter into an agreement, in form and substance reasonably satisfactory to Dealer, substantially in the form of an underwriting agreement for a registered offering, (B) provide accountant's "comfort" letters in customary form for registered offerings of equity securities, (C) provide disclosure opinions of nationally recognized outside counsel to Counterparty reasonably acceptable to Dealer, (D) provide other customary opinions, certificates and closing documents customary in form for registered offerings of equity securities and (E) afford Dealer a reasonable opportunity to conduct a "due diligence" investigation with respect to Counterparty customary in scope for underwritten offerings of equity securities; *provided, however*, that if Dealer, in its sole reasonable discretion, is not satisfied with access to due diligence materials, the results of its due diligence investigation, or the procedures and documentation for the registered offering referred to above, then clause (ii) or clause (iii) of this Section 8(b) shall apply at the election of Counterparty; (ii) in order to allow Dealer to sell the Hedge Shares in a private placement, to enter into a private placement agreement substantially similar to private placement purchase agreements customary for private placements of equity securities, in form and substance reasonably satisfactory to Dealer, including customary representations, covenants, blue sky and other governmental filings and/or registrations, indemnities to Dealer, due diligence rights (for Dealer or any designated buyer of the Hedge Shares from Dealer), opinions and certificates and such other documentation as is customary for private placements agreements, all reasonably acceptable to Dealer (in which case, the Calculation Agent shall make any adjustments to the terms of the Transaction that are necessary, in its reasonable judgment, to compensate Dealer for any discount from the public market price of the Shares incurred on the sale of Hedge Shares in a private placement); or (iii) purchase the Hedge Shares from Dealer at the VWAP Price on such Exchange Business Days, and in the amounts, requested by Dealer. "**VWAP Price**" means, on any Exchange Business Day, the per Share volume-weighted average price as displayed under the heading "Bloomberg VWAP" on Bloomberg page HLF <equity> VAP (or any successor thereto) in respect of the period from 9:30 a.m. to 4:00 p.m. (New York City time) on such Exchange Business Day (or if such volume-weighted average price is unavailable, the market value of one Share on such Exchange Business Day, as determined by the Calculation Agent using a volume-weighted method).

(c) *Repurchase Notices.* Counterparty shall, on any day on which Counterparty effects any repurchase of Shares, promptly give Dealer a written notice of such repurchase (a "**Repurchase Notice**") on such day if, following such repurchase, the Notice Percentage as determined on such day is (i) greater than 6% and (ii) greater by 0.5% than the Notice Percentage included in the immediately preceding Repurchase Notice (or, in the case of the first such Repurchase Notice, greater than the Notice Percentage as of the date hereof). The "**Notice Percentage**" as of any day is the fraction, expressed as a percentage, the numerator of which is the Number of Shares and the denominator of which is the number of Shares outstanding on such day.

Counterparty agrees to indemnify and hold harmless Dealer, its affiliates and its assignees and their respective directors, officers, employees, agents and controlling persons (Dealer and each such person being an "**Indemnified Party**") from and against any and all losses (including losses relating to Dealer's hedging activities as a consequence of becoming, or of the risk of becoming, a Section 16 "insider", including without limitation, any forbearance from hedging activities or cessation of hedging activities and any losses in connection therewith with respect to any Transaction), claims, damages and liabilities (or actions in respect thereof), joint or several, to which such Indemnified Party may become subject, under the Securities Act, the Exchange Act, under other applicable securities laws, under any other state or federal law, regulation or regulatory order or otherwise, relating to or arising out of a failure by Counterparty to provide Dealer with a Repurchase Notice on the day and in the manner set forth above. Counterparty shall be relieved from liability under this indemnity resulting from an action to the extent that Counterparty both (i) has not received notice that such action has commenced within 60 calendar days thereof and (ii) is materially prejudiced as a result of not receiving such notice. If for any reason the foregoing indemnification is unavailable to any Indemnified Party or insufficient to hold harmless any Indemnified Party, then Counterparty shall contribute, to the maximum extent permitted by law, to the amount paid or payable by the Indemnified Party as a result of such loss, claim, damage or liability. In addition, Counterparty will reimburse any Indemnified Party for all expenses (including reasonable counsel fees and expenses) as they are incurred (after notice to Counterparty) in connection with the investigation of, preparation for or defense or settlement of any pending or threatened claim or any action, suit or proceeding arising therefrom, whether or not such Indemnified Party is a party thereto and whether or not such claim, action, suit or proceeding is initiated or brought by or on behalf of Counterparty. This indemnity shall survive the completion of the Transaction and any assignment and/or delegation of the Transaction made pursuant to the Agreement and/or this Confirmation shall inure to the benefit of any permitted assignee of Dealer.

(d) *Additional Termination Events*.

(i) The occurrence of (x) an event of default with respect to Counterparty under the terms of the Convertible Notes as set forth in Section 6.01 of the Indenture that results in the Convertible Notes becoming or being declared immediately due and payable under the terms of Section 6.02(a) of the Indenture, or (y) an Amendment Event shall be an Additional Termination Event with respect to which the Transaction is the sole Affected Transaction and Counterparty is the sole Affected Party, and Dealer shall be the party entitled to designate an Early Termination Date pursuant to Section 6(b) of the Agreement.

"**Amendment Event**" means that Counterparty amends, modifies, supplements or obtains a waiver in respect of any term of the Indenture or the Convertible Notes governing the principal amount, coupon, maturity, repurchase obligation of Counterparty, redemption right of Counterparty, any term relating to conversion of the Convertible Notes (including changes to the conversion price, conversion settlement dates or conversion conditions), or any term that would require consent of the holders of not less than 100% of the principal amount of the Convertible Notes to amend, in each case without the prior consent of Dealer.

(ii) Notwithstanding anything to the contrary in this Confirmation, the receipt by Dealer from Counterparty, within the applicable time period set forth under "Notice of Exercise" above, of any Notice of Exercise in respect of the exercise of any Options that, according to such Notice of Exercise, relate to Relevant Convertible Notes that are Excluded Convertible Notes shall constitute an Additional Termination Event as provided in this paragraph and shall not result in the exercise of any Options. Upon receipt of any such Notice of Exercise, Dealer shall designate an Exchange Business Day following such Additional Termination Event as an Early Termination Date with respect to the portion of the Transaction corresponding to a number of Options (the "**Applicable Conversion Options**") equal to the lesser of (A) the aggregate principal amount of Excluded Convertible Notes specified in such Notice of Exercise, *divided by* USD1,000, and (B) the Number of Options as of the date Dealer designates such Early Termination Date and, as of such date, the Number of Options shall be reduced by the number of Applicable Conversion

Options. Any payment hereunder with respect to such termination (the "**Early Conversion Unwind Payment**") shall be calculated pursuant to Section 6 of the Agreement as if (1) an Early Termination Date had been designated in respect of a Transaction having terms identical to the Transaction and a Number of Options equal to the number of Applicable Conversion Options (which shall, solely for purposes of determining such amount, be deemed not to constitute "Applicable Conversion Options" under such hypothetical Transaction), (2) Counterparty were the sole Affected Party with respect to such Additional Termination Event, (3) the terminated portion of the Transaction were the sole Affected Transaction and (4) solely for purposes of determining such amount, the Conversion Date in respect of the corresponding Relevant Convertible Notes had not occurred and such Relevant Convertible Notes remain outstanding (and, in determining the amount payable pursuant to Section 6 of the Agreement, the Calculation Agent shall not take into account any adjustments to the "Conversion Rate" (as defined in the Indenture) pursuant to Section 4.04(f), 4.05(b) or 4.06(a) of the Indenture); *provided* that, the Early Conversion Unwind Payment shall not be greater than (x) the Applicable Percentage *multiplied by* (y) the number of Applicable Conversion Options *multiplied by* (z) the excess of (I) the "Conversion Rate" (as defined in the Indenture without taking into account any adjustments to the "Conversion Rate" (as defined in the Indenture) pursuant to Section 4.04(f), 4.05(b) or 4.06(a) of the Indenture), *multiplied by* the Applicable Limit Price on the settlement date for the cash and Shares, if any, to be delivered pursuant to Section 4.03(a) of the Indenture in respect of the Excluded Convertible Notes relating to such Early Conversion Unwind Payment, *over* (II) USD1,000.

(iii) Within five Scheduled Trading Days promptly following any Repayment Event (as defined below), Counterparty shall notify Dealer of such Repayment Event and the aggregate principal amount of Convertible Notes subject to such Repayment Event (any such notice, a "**Repayment Notice**"); *provided* that such Repayment Notice shall contain an acknowledgement by Counterparty of its responsibilities under applicable securities laws, and in particular Section 9 and 10(b) of the Exchange Act and the rules and regulations promulgated thereunder and shall remake the representations set forth in Section 7(a)(i)(A), in each case in respect of such repurchase and delivery of such Repayment Notice; *provided*, *further* that, any "Repayment Notice" delivered to Dealer pursuant to the Base Capped Call Transaction Confirmation shall deemed to be a Repayment Notice pursuant to this Confirmation and the terms of such Repayment Notice shall apply, *mutatis mutandis*, to this Confirmation. The receipt by Dealer from Counterparty of any Repayment Notice shall constitute an Additional Termination Event as provided in this paragraph. Upon receipt of any such Repayment Notice, Dealer shall designate an Exchange Business Day following receipt of such Repayment Notice as an Early Termination Date with respect to the portion of the Transaction corresponding to a number of Options (the "**Repayment Options**") equal to the lesser of (A) (x) the aggregate principal amount of such Convertible Notes specified in such Repayment Notice, *divided by* USD1,000, *minus* (y) the number of Repayment Options (as defined in the Base Capped Call Transaction Confirmation), if any, that relate to such Convertible Notes (and for the purposes of determining whether any Options under this Confirmation or under the Base Capped Call Transaction Confirmation will be among the Repayment Options hereunder or under, and as defined in, the Base Capped Call Transaction Confirmation, the Convertible Notes specified in such Repayment Notice shall be allocated first to the Base Capped Call Transaction Confirmation until all Options thereunder are exercised or terminated), and (B) the Number of Options as of the date Dealer designates such Early Termination Date and, as of such date, the Number of Options shall be reduced by the number of Repayment Options. Any payment hereunder with respect to such termination (the "**Repayment Unwind Payment**") shall be calculated pursuant to Section 6 of the Agreement as if (1) an Early Termination Date had been designated in respect of a Transaction having terms identical to the Transaction and a Number of Options equal to the number of Repayment Options, (2) Counterparty were the sole Affected Party with respect to such Additional Termination Event, (3) the terminated portion of the Transaction were the sole Affected Transaction and (4) solely for purposes of determining such amount, the Relevant Repayment Event had not yet occurred and the relevant Convertible Notes remain outstanding. "**Repayment Event**" means that (i) any Convertible Notes are repurchased (whether in connection with or as a result of a fundamental change, howsoever defined, or for any other reason) by Counterparty or any of its subsidiaries, (ii)

any Convertible Notes are delivered to Counterparty or any of its subsidiaries in exchange for delivery of any property or assets of such party (howsoever described), (iii) any principal of any of the Convertible Notes is repaid prior to the final maturity date of the Convertible Notes (for any reason other than as a result of an acceleration of the Convertible Notes that results in an Additional Termination Event pursuant to the preceding Section 8(a)(i)), or (iv) any Convertible Notes are exchanged by or for the benefit of the holders thereof for any other securities of Counterparty or any of its subsidiaries (or any other property, or any combination thereof) pursuant to any exchange offer or similar transaction. For the avoidance of doubt, any conversion of Convertible Notes pursuant to the terms of the Indenture shall not constitute a Repayment Event. Counterparty acknowledges and agrees that (x) it will immediately cancel pursuant to Section 2.12 of the Indenture any Convertible Notes that are subject to any Repayment Event and (y) each such Convertible Note that is subject to a Repayment Event will be deemed to no longer be outstanding for all purposes hereunder.

(e) *Right to Extend.* Dealer may postpone or add, in whole or in part, as Dealer determines appropriate in good faith, any Settlement Date or any other date of valuation or delivery by Dealer, with respect to any relevant Options (in which event the Calculation Agent shall make appropriate adjustments to the Delivery Obligation), to the extent Dealer determines, in its reasonable discretion based on advice of counsel in the case of the immediately following clause (ii), that such extension is reasonably necessary or appropriate (i) to preserve Dealer's commercially reasonable hedging or hedge unwind activity hereunder in light of existing liquidity conditions in the cash market or the stock borrow market or other relevant market or (ii) to enable Dealer to effect purchases of Shares in connection with its hedging, hedge unwind or settlement activity hereunder in a manner that would, if Dealer were Counterparty or an affiliated purchaser of Counterparty, be in compliance with applicable legal, regulatory or self-regulatory requirements, or with related policies and procedures applicable to Dealer and the Transaction.

(f) *Staggered Settlement*. If Dealer reasonably determines it is appropriate with respect to any applicable legal, regulatory or self-regulatory requirements (including any requirements relating to Dealer's hedging activities with respect to the Transaction) or restrictions, or with related policies and procedures applicable to Dealer and the Transaction, and/or to avoid an Excess Ownership Position, Dealer may, by notice to Counterparty prior to any Settlement Date (a "**Nominal Settlement Date**"), elect to deliver the Shares or Share Termination Delivery Units, as applicable, on one or more dates (each, a "**Staggered Settlement Date**") or at two or more times on the Nominal Settlement Date as follows:

(i) in such notice, Dealer will specify to Counterparty the related Staggered Settlement Dates (each of which will be on or prior to such Nominal Settlement Date) or delivery times and how it will allocate the Shares or Share Termination Delivery Units, as applicable, it is required to deliver under "Delivery Obligation" (above) among the Staggered Settlement Dates or delivery times; and

(ii) the aggregate number of Shares or Share Termination Delivery Units, as applicable, that Dealer will deliver to Counterparty hereunder on all such Staggered Settlement Dates and delivery times will equal the number of Shares or Share Termination Delivery Units, as applicable, that Dealer would otherwise be required to deliver on such Nominal Settlement Date.

(g) *Transfer and Assignment*. Either party may transfer any of its rights or obligations under the Transaction with the prior written consent of the non-transferring party, such consent not to be unreasonably withheld; *provided* that Dealer may transfer or assign without any consent of Counterparty its rights and obligations hereunder, in whole or in part, to (i) any of its affiliates (A) with a credit quality equivalent to Dealer or Dealer's guarantor or (B) whose obligations hereunder will be guaranteed, pursuant to the terms of a customary guarantee in a form used by Dealer or its relevant affiliate for similar transactions, by Dealer, an affiliate of Dealer with credit quality equivalent to Dealer or Dealer's parent entity or other guarantor, or (ii) if an Excess Ownership Position (as defined below) or Hedging Disruption exists, but only to the extent of such Excess Ownership Position or to the extent such assignment would eliminate such Hedging Disruption, to any other third party with a rating for its long term, unsecured and unsubordinated indebtedness equal to or better than A- by Standard and Poors Rating Group, Inc. or its successor ("**S&**P"), or A3 by Moody's Investor Service, Inc. or its successor ("**Moody's**") or, if either S&P or Moody's ceases to rate such debt, at least an equivalent rating or better by a substitute rating agency

mutually agreed by Counterparty and Dealer. Dealer shall promptly notify Counterparty of any such assignment provided for above. If at any time at which (1) the Equity Percentage exceeds 9%, (2) Dealer, Dealer Group (as defined below) or any person whose ownership position would be aggregated with that of Dealer or Dealer Group (Dealer, Dealer Group or any such person, a "**Dealer Person**") under any state or federal bank holding company or banking laws, or other federal, state or local regulations or regulatory orders applicable to ownership of Shares ("**Applicable Laws**"), owns, beneficially owns, constructively owns, controls, holds the power to vote or otherwise meets a relevant definition of ownership in excess of a number of Shares equal to (x) the number of Shares that would, in Dealer's reasonable judgment based on advice of counsel, give rise to reporting or registration obligations or other requirements (including obtaining prior approval by a state or federal regulator) of a Dealer Person under Applicable Laws and with respect to which such requirements have not been met or the relevant approval has not been received *minus* (y) 1% of the number of Shares outstanding on the date of determination (either such condition described in clause (1) or (2), an "**Excess Ownership Position**"), or (3) a Hedging Disruption has occurred and is continuing, if Dealer, in its discretion, is unable to effect a transfer or assignment to a third party in accordance with the requirements set forth above after using its commercially reasonable efforts on pricing terms reasonably acceptable to Dealer such that an Excess Ownership Position or a Hedging Disruption, as the case may be, no longer exists, Dealer may designate any Scheduled Trading Day as an Early Termination Date with respect to a portion (the "**Terminated Portion**") of the Transaction, such that such Excess Ownership Position or Hedging Disruption, as the case may be, no longer exists. In the event that Dealer so designates an Early Termination Date with respect to a portion of the Transaction, a payment or delivery shall be made pursuant to Section 6 of the Agreement and Section 8(a) of this Confirmation as if (i) an Early Termination Date had been designated in respect of a Transaction having terms identical to the Terminated Portion of the Transaction, (ii) Counterparty shall be the sole Affected Party with respect to such partial termination and (iii) such portion of the Transaction shall be the only Terminated Transaction. The "**Equity Percentage**" as of any day is the fraction, expressed as a percentage, (A) the numerator of which is the number of Shares that Dealer and any of its affiliates subject to aggregation with Dealer for purposes of the "beneficial ownership" test under Section 13 of the Exchange Act and all persons who may form a "group" (within the meaning of Rule 13d-5(b)(1) under the Exchange Act) with Dealer (collectively, "**Dealer Group**") "beneficially own" (within the meaning of Section 13 of the Exchange Act) without duplication on such day and (B) the denominator of which is the number of Shares outstanding on such day.

(h) *Equity Rights*. Dealer acknowledges and agrees that this Confirmation is not intended to convey to it rights with respect to the Transaction that are senior to the claims of common stockholders in the event of Counterparty's bankruptcy. For the avoidance of doubt, the parties agree that the preceding sentence shall not apply at any time other than during Counterparty's bankruptcy to any claim arising as a result of a breach by Counterparty of any of its obligations under this Confirmation or the Agreement. For the avoidance of doubt, the parties acknowledge that this Confirmation is not secured by any collateral that would otherwise secure the obligations of Counterparty herein under or pursuant to any other agreement.

(j) *No Netting and Set-off*. Notwithstanding any provision of the Agreement (including without limitation Section 6(f) thereof) and this Confirmation (including without limitation this Section 8(j)) or any other agreement between the parties to the contrary, each party waives any and all rights it may have to set off obligations arising under the Agreement and the Transaction against other obligations between the parties, whether arising under any other agreement, applicable law or otherwise.

(j) *Early Unwind*. In the event the sale by Counterparty of the "Option Securities" (as defined in the Purchase Agreement) is not consummated with the initial purchasers for any reason by the close of business in New York on February 7, 2014 (or such later date as agreed upon by the parties, which in no event shall be later than February 21, 2014) (February 7, 2014 or such later date being the "**Early Unwind Date**"), the Transaction shall automatically terminate (the "**Early Unwind**"), on the Early Unwind Date and (i) the Transaction and all of the respective rights and obligations of Dealer and Counterparty thereunder shall be cancelled and terminated and (ii) following the payment or delivery, as applicable, referred to below, each party shall be released and discharged by the other party from and agrees not to make any claim against the other party with respect to any obligations or liabilities of the other party arising out of and to be performed in connection with the Transaction either prior to or after the Early Unwind Date (other than under the indemnity under the second paragraph of Section 8(c)); *provided* that,

except to the extent that the Early Unwind Date occurred as a result of a breach of the Purchase Agreement by Dealer (or its affiliate, as applicable) in its capacity as initial purchaser Counterparty shall pay to Dealer an amount in cash equal to the aggregate amount of costs and expenses relating to the unwinding of Dealer's hedging activities in respect of the Transaction (including market losses incurred in reselling any Shares purchased by Dealer or its affiliates in connection with such hedging activities, unless Counterparty agrees to purchase any such Shares at the cost at which Dealer purchased such Shares) or, at the election of Counterparty, deliver to Dealer (at the times, and in the amounts, reasonably requested by Dealer) Shares with a value equal to such amount, as commercially reasonably determined by the Calculation Agent, in which event the parties shall enter into customary and commercially reasonable documentation relating to the registered or exempt resale of such Shares (in which case, the Calculation Agent shall make any adjustment to the number of such Shares that is necessary, in its reasonable judgment, to compensate Dealer for any discount from the public market price of the Shares incurred on the sale of such Shares in a private placement) (it being understood, for the avoidance of doubt, that Counterparty shall have the right to elect that an exempt, as opposed to registered, resale of such Shares shall apply in accordance with the requirements set forth herein); *provided* that, if Counterparty makes such election to deliver Shares, notwithstanding the foregoing, the number of Shares so delivered will not exceed a number of Shares equal to two *multiplied by* the Number of Shares (with such Number of Shares determined, for the avoidance of doubt, as if the relevant Convertible Notes had been issued and the Hedge Completion Date had occurred).

(k) *Designation by Dealer*. Notwithstanding any other provision in this Confirmation to the contrary requiring or allowing Dealer to purchase, sell, receive or deliver any Shares or other securities to or from Counterparty, Dealer may designate any of its affiliates to purchase, sell, receive or deliver such Shares or other securities and otherwise to perform Dealer's obligations in respect of the Transaction and any such designee may perform such obligations. Dealer shall be discharged of its obligations to Counterparty to the extent of any such performance.

(l) *Disclosure*. Effective from the date of commencement of discussions concerning the Transaction, Counterparty and each of its employees, representatives, or other agents may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the Transaction and all materials of any kind (including opinions or other tax analyses) that are provided to Counterparty relating to such tax treatment and tax structure.

(m) *Counterparts*. This Confirmation may be executed in several counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

(n) *Waiver of Trial by Jury.* EACH OF COUNTERPARTY AND DEALER HEREBY IRREVOCABLY WAIVES (ON ITS OWN BEHALF AND, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ON BEHALF OF ITS STOCKHOLDERS) ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THE TRANSACTION OR THE ACTIONS OF COUNTERPARTY OF ITS AFFILIATES OR DEALER OR ITS AFFILIATES IN THE NEGOTIATION, PERFORMANCE OR ENFORCEMENT HEREOF.

(o) *Submission to Jurisdiction.* Each party hereby irrevocably and unconditionally submits for itself and its property in any legal action or proceeding by the other party against it relating to the Transaction to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the exclusive jurisdiction of the Supreme Court of the State of New York, sitting in New York County, the courts of the United States of America for the Southern District of New York, and appellate courts from any thereof.

(p) *Governing Law*. THIS CONFIRMATION SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK (WITHOUT REFERENCE TO ITS CHOICE OF LAW DOCTRINE).

(q) [*Reserved*]

(r) *Amendments to Equity Definitions.*

(i) Section 11.2(a) of the Equity Definitions is hereby amended by (1) deleting the words "a diluting or concentrative" and replacing them with the words "a material" and (2) adding the phrase "or options on the Shares" at the end of the sentence.

(ii) Section 11.2(c) of the Equity Definitions is hereby amended by (1) replacing the words "a diluting or concentrative" with "a material", (2) adding the phrase "or options on the Shares" following the words "the theoretical value of the relevant Shares", (3) deleting the words "diluting or concentrative" following the words "the Calculation Agent determines appropriate to account for that" and (4) deleting the phrase "(provided that no adjustments will be made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relative to the relevant Shares)" and replacing it with the phrase "(and, for the avoidance of doubt, other than in the case of a Share split, reverse Share split or equivalent transaction, adjustments may be made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relative to the relevant Shares)."

(iii) Section 11.2(e)(vii) of the Equity Definitions is hereby amended by (1) deleting the words "that may have a diluting or concentrative" and replacing them with the words "that is the result of a corporate event involving Issuer or its securities that could reasonably be expected to have a material" and (2) adding the phrase "or options on the Shares" at the end of the sentence.

(iv) Section 12.6(a)(ii) of the Equity Definitions is hereby amended by (1) inserting "(A)" after "means" in the first line thereof and replacing "(A)" and "(B)" in the third and fourth lines thereof with "(1)" and "(2)" respectively, (2) deleting from the fourth line thereof the word "or" after the word "official" and inserting a comma therefor, (3) inserting at the end of renumbered subsection (2) thereof the following wording, "or, under the laws of the Cayman Islands, any other impediment to or restriction on the transfer of any Share arises or becomes applicable including, without limitation, where (x) any transfer of a Share or alteration of the status of the members of the Issuer would be void unless a court of the Cayman Islands orders otherwise or (y) any transfer of a Share not being a transfer with the sanction of a liquidator, and any alteration in the status of the Issuer's members would be void" and (4) deleting the semi-colon at the end of renumbered subsection (2) thereof and inserting the following words therefor "or (B) at Dealer's option, the occurrence of any of the events specified in Section 5(a)(vii)(1) through (9) of the ISDA Master Agreement with respect to that Issuer."

(v) Section 12.9(b)(i) of the Equity Definitions is hereby amended by (1) replacing "either party may elect" with "Dealer may elect" and (2) replacing "notice to the other party" with "notice to Counterparty" in the first sentence of such section.

(s) *General Obligations Law of New York.* With respect to the Transaction, (i) this Confirmation is a "qualified financial contract", as such term is defined in Section 5-701(b)(2) of the General Obligations Law of New York (the "**General Obligations Law**"); (ii) this Confirmation constitutes a "confirmation in writing sufficient to indicate that a contract has been made between the parties" hereto, as set forth in Section 5-701(b)(3)(b) of the General Obligations Law; and (iii) this Confirmation constitutes a prior "written contract" as set forth in Section 5-701(b)(1)(b) of the General Obligations Law, and each party hereto intends and agrees to be bound by this Confirmation, as supplemented by the related Trade Notification.

(t) *Foreign Account Tax Compliance Act and HIRE Act.* "Tax" and "Indemnifiable Tax" each as defined in Section 14 of the Agreement shall not include (i) any tax imposed on payments treated as dividends from sources within the United States under Section 871(m) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or any regulations issued thereunder or (ii) any U.S. federal withholding tax imposed or collected pursuant to Sections 1471 through 1474 of the Code, any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code (a "**FATCA Withholding Tax**"). For the avoidance of doubt, a FATCA Withholding Tax is a Tax the deduction or withholding of which is required by applicable law for the purposes of Section 2(d) of the Agreement. Counterparty shall promptly upon request by Dealer, provide tax forms and documents required to be delivered pursuant to Section 1471(b) or Section 1472(b)(1) of the Code and any other forms and documents reasonably requested by Dealer.

Counterparty hereby agrees (a) to check this Confirmation carefully and immediately upon receipt so that errors or discrepancies can be promptly identified and rectified and (b) to confirm that the foregoing (in the exact form provided by Dealer) correctly sets forth the terms of the agreement between Dealer and Counterparty with respect to the Transaction, by manually signing this Confirmation or this page hereof as evidence of agreement to such terms and providing the other information requested herein and immediately returning an executed copy to Dealer.

Yours faithfully,

[DEALER]

By: _____
Name:
Title:

Agreed and Accepted By:

HERBALIFE LTD.

By: _____
Name:
Title:

SCHEDULE A
TRADE NOTIFICATION

To: Herbalife Ltd.

From: [*Insert Dealer name and address*]

Re: Additional Capped Call Transaction

Date: [ ], 2014

Dear Sir(s):

The purpose of this Trade Notification is to notify you of certain terms in the Transaction entered into between [*Insert Dealer name*] ("**Dealer**") and Herbalife Ltd. ("**Counterparty**") with the Trade Date of February 7, 2014.

This Trade Notification supplements, forms part of, and is subject to the Confirmation dated as of February 7, 2014 (the "**Confirmation**") between Dealer and Counterparty, as amended and supplemented from time to time.

Hedge Completion Date:	[ ]
Premium:	USD [ ]
Additional Premium Amount:	USD [ ]
Additional Premium Payment Date:	[ ]

Exchange Business Day	Hedge Reference Price	Daily Premium Amount
1.		
...		

Yours faithfully,

[DEALER]

By: _____
Name:
Title:

Schedule B

Hedge Reference Price	Daily Premium Amount

HERBALIFE LTD.
2005 STOCK INCENTIVE PLAN

STOCK APPRECIATION RIGHT AWARD AGREEMENT

STOCK APPRECIATION RIGHT AGREEMENT (this "Agreement") dated as of December , 2013(the "Grant Date") between HERBALIFE LTD. (the "Company"), and ("Participant").

WHEREAS, pursuant to the Herbalife Ltd. 2005 Stock Incentive Plan (the "Plan"), the Committee desires to grant to Participant an award of stock appreciation rights; and

WHEREAS, Participant desires to accept such award subject to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements contained herein, the Company and Participant, intending to be legally bound, hereby agree as follows:

1. Grant.

(a) The Company hereby grants to the Participant an Award of Stock Appreciation Rights (the "Award") in accordance with Section 8 of the Plan and subject to the terms and conditions set forth herein and in the Plan (each as amended from time to time). Each Stock Appreciation Right represents the right to receive, upon exercise of the Stock Appreciation Right pursuant to this Agreement, from the Company, a payment, paid in Common Shares, par value $.001 per share, of the Company (the "Common Shares"), equal to (i) the excess of the Fair Market Value, on the date of exercise, of one Common Share (as adjusted from time to time pursuant to Section 12 of the Plan) over the Base Price (as defined below) of the Stock Appreciation Right, divided by (ii) the Fair Market Value, on the date of exercise, of one Common Share, subject to terms and conditions set forth herein and in the Plan (each as amended from time to time).

(b) The "Base Price" for the Stock Appreciation Right shall be $ per share (subject to adjustment as set forth in Section 12 of the Plan).

(c) Except as otherwise defined herein, capitalized terms used herein shall have the meanings set forth in the Plan.

2. Time for Exercise; Amount of Vesting

(a) Subject to Section 2(b), Section 2(c) and Section 3, the applicable percentage (as determined below) of any then-unvested portion of the Award will become vested and exercisable on June 21st of the year following the Committee's determination, in its sole discretion, of the average of the annual sales leader retention rates of the Company for its fiscal years 2013, 2014 and 2015. The applicable percentage of any then-unvested portion of the Award shall be determined as follows (without rounding):

Average of the Company's Annual Sales Leader Retention Rates 2013-2015	**Applicable Percentage (Vesting)**
50% or more	100%
45% - 49.99%	75%
42% - 44.99%	50%
Less than 42%	0

The following example illustrates how the average of the Company's annual sales leader retention rates is intended to be calculated following the completion of the Company's 2015 fiscal year (these numbers are provided merely for illustration and are not actual results):

EXAMPLE ONLY

Fiscal Year	Retention Rate
2013	48.00%
2014	49.00%
2015	50.00%
Average:	**49.00%**

In this example, the average of the Company's 2013-2015 annual sales leader retention rates is 49%, resulting in 75% of the then-unvested portion of the award becoming vested and exercisable by the recipient. For the avoidance of doubt, any unvested portion of the Award that does not vest as a result of the satisfaction of the criteria above shall be forfeited as of the Vesting Date.

(b) Notwithstanding the foregoing, in the event that the Committee determines that the Company's annual sales leader retention rate (i) for 2013 is 50% or more, 20% of the Award shall become vested and exercisable, and (ii) for 2014 is 50% or more, 20% of the Award shall become vested and exercisable, in each case on and as on June 21st of the year following the date of any such determination by the Committee (i.e., June 21, 2014 if earlier that year the Committee had determined that the Company's 2013 annual sales leader retention rate was 50% or more).

(c) In the event of a Change of Control, the Committee as constituted immediately before such Change of Control may, in its sole discretion, accelerate the vesting and exercisability of this Award upon such Change of Control or take such other actions as provided in Section 13 of the Plan.

3. Expiration. The Award shall expire on the tenth (10th) anniversary of the date hereof; provided, however, that the Award may earlier terminate as provided in this Paragraph 3 and/or in Section 13 of the Plan.

(a) Upon termination of Participant's employment with the Company for any reason, if the Award has not yet vested and become exercisable (after giving effect to any acceleration of vesting pursuant to this Agreement or otherwise), the Award will terminate on the date of such termination of employment.

(b) Upon termination of Participant's employment with the Company, if the Award has not yet vested and become exercisable, the Award will terminate in accordance with the following:

(i) if Participant's employment with the Company is terminated for Cause, the Award will terminate on the date of such termination;

(ii) if Participant's employment with the Company is terminated by reason of Participant's death or disability (as such term is defined in Section 22(e) of the Code), the Award will terminate on the date that is ninety (90) days immediately following the date of such termination;

(iii) if Participant's employment with the Company is terminated for any reason other than death, disability or Cause, the Award will terminate on the date that is thirty (30) days immediately following the date of such termination.

(c) Notwithstanding anything herein to the contrary, if Participant's employment with the Company is terminated for any reason other than a termination by the Company for Cause, and at any time during the thirty-day period following the effective date of such termination of employment Participant is subject to a "trading blackout" or "quiet period" with respect to the Common Shares or if the Company determines, upon the advice of legal counsel, that Participant may not to trade in the Common Shares due to Participant's possession of material non-public information, the Company shall extend the period during which Participant may exercise his Award, provided that the Award is vested and exercisable, until the later of (i) the expiration date of the Award determined pursuant to Paragraph 2(b) and (ii) the date that is thirty days following the first date on which Participant is no longer subject to such restrictions on trading with respect to the Common Shares.

(d) For purposes of this Agreement, the term "Cause" shall have the meaning ascribed to such term in any written employment agreement between Participant and the Company or one or more of its Subsidiaries, as the same may be amended or modified from time to time, or if Participant is not party to any such written employment agreement, then the term "Cause" shall mean the occurrence of any of the following acts or circumstances: (i) conviction of a felony, a crime of moral turpitude, dishonesty, breach of trust or unethical business conduct,

or any crime involving the Company or any of its Subsidiaries; (ii) willful misconduct, willful or gross neglect, fraud, misappropriation or embezzlement; (iii) performance of Participant's duties in a manner that is detrimental to the Company or any of its Subsidiaries, including, but not limited to that which results in, the severe deterioration of the financial performance of the Company or any of its Subsidiaries; (iv) failure to adhere to the reasonable/lawful directions of the Chief Executive Officer of the Company or the Board, to adhere to the Company's or any Subsidiary's policies or practices or to devote substantially all of Participant's business time and efforts to the business of the Company; (v) breach of any provision of any agreement, including an employment agreement, between Participant and the Company or any of its Subsidiaries, which covers confidentiality or proprietary information or contains nonsolicitation or non-competition provisions; or (vi) breach in any material respect of the terms and provisions of Participant's employment agreement, if any, or any agreement between Participant and the Company or any of its Subsidiaries.

4. Method of Exercise. The Award may be exercised by delivery to the Company (attention: Secretary) of a notice of exercise in the form specified by the Company specifying the number of shares with respect to which the Award is being exercised.

5. Fractional Shares. No fractional shares may be purchased upon any exercise.

6. Compliance with Legal Requirements.

(a) The Award shall not be exercisable and no Common Shares shall be issued or transferred pursuant to this Agreement or the Plan unless and until the Tax Withholding Obligation (as defined below), and all legal requirements applicable to such issuance or transfer have, in the opinion of counsel to the Company, been satisfied. Such legal requirements may include, but are not limited to, (i) registering or qualifying such Common Shares under any state or federal law or under the rules of any stock exchange or trading system, (ii) satisfying any applicable law or rule relating to the transfer of unregistered securities or demonstrating the availability of an exemption from applicable laws, (iii) placing a restricted legend on the Common Shares issued pursuant to the exercise of the Award, or (iv) obtaining the consent or approval of any governmental regulatory body.

(b) Participant understands that the Company is under no obligation to register for resale the Common Shares issued upon exercise of the Award. The Company may impose such restrictions, conditions or limitations as it determines appropriate as to the timing and manner of any exercise of the Award and/or any resales by Participant or other subsequent transfers by Participant of any Common Shares issued as a result of the exercise of the Award, including without limitation (i) restrictions under an insider trading policy, (ii) restrictions that may be necessary in the absence of an effective registration statement under the Securities Act of 1933, as amended, covering the Award and/or the Common Shares underlying the Award and (iii) restrictions as to the use of a specified brokerage firm or other agent for exercising the Award and/or for such resales or other transfers. The sale of the shares underlying the Award must also comply with other applicable laws and regulations governing the sale of such shares.

7. Shareholder Rights. Participant shall not be deemed a shareholder of the Company with respect to any of the Common Shares subject to the Award, except to the extent that such shares shall have been purchased and transferred to Participant.

8. Withholding Taxes.

(a) Participant is liable and responsible for all taxes owed in connection with the Award, regardless of any action the Company takes with respect to any tax withholding obligations that arise in connection with the Award. The Company does not make any representation or undertaking regarding the treatment of any tax withholding in connection with the grant, vesting or settlement of the Award or the subsequent sale of Common Shares issuable pursuant to the Award. The Company does not commit and is under no obligation to structure the Award to reduce or eliminate Participant's tax liability.

(b) Prior to any event in connection with the Award (e.g., vesting or payment in respect of the Award) that the Company determines may result in any domestic or foreign tax withholding obligation, whether national, federal, state or local, including any social tax obligation (the "Tax Withholding Obligation"), Participant is required to arrange for the satisfaction of the amount of such Tax Withholding Obligation in a manner acceptable to the Company.

(c) Unless the Committee provides otherwise, at any time not less than five (5) business days before any Tax Withholding Obligation arises (e.g., at the time the Award is exercised, in whole or in part), Participant shall notify the Company of Participant's election to pay Participant's Tax Withholding Obligation by wire transfer, cashier's check or other means permitted by the Company. In such case, Participant shall satisfy his or her tax withholding obligation by paying to the Company on such date as it shall specify an amount that the Company determines is sufficient to satisfy the expected Tax Withholding Obligation by (i) wire transfer to such account as the Company may direct, (ii) delivery of a cashier's check payable to the Company, Attn: General Counsel, at the Company's principal executive offices, or such other address as the Company may from time to time direct, or (iii) such other means as the Company may establish or permit. Participant agrees and acknowledges that prior to the date the Tax Withholding Obligation arises, the Company will be required to estimate the amount of the Tax Withholding Obligation and accordingly may require the amount paid to the Company under this Paragraph 8(c) to be more than the minimum amount that may actually be due and that, if Participant has not delivered payment of a sufficient amount to the Company to satisfy the Tax Withholding Obligation (regardless of whether as a result of the Company underestimating the required payment or Participant failing to timely make the required payment), the additional Tax Withholding Obligation amounts shall be satisfied such other means as the Committee deems appropriate.

9. Assignment or Transfer Prohibited. The Award may not be assigned or transferred otherwise than by will or by the laws of descent and distribution, and may be exercised during the life of Participant only by Participant or Participant's guardian or legal representative. Neither the Award nor any right hereunder shall be subject to attachment, execution or other similar process. In the event of any attempt by Participant to alienate, assign, pledge,

hypothecate or otherwise dispose of the Award or any right hereunder, except as provided for herein, or in the event of the levy or any attachment, execution or similar process upon the rights or interests hereby conferred, the Company may terminate the Award by notice to Participant, and the Award shall thereupon become null and void.

10. Committee Authority. Any question concerning the interpretation of this Agreement or the Plan, any adjustments required to be made under this Agreement or the Plan, and any controversy that may arise under this Agreement or the Plan shall be determined by the Committee in its sole and absolute discretion. All decisions by the Committee shall be final and binding.

11. Application of the Plan. The terms of this Agreement are governed by the terms of the Plan, as it exists on the date of hereof and as the Plan is amended from time to time. In the event of any conflict between the provisions of this Agreement and the provisions of the Plan, the terms of the Plan shall control, except as expressly stated otherwise herein. As used herein, the term "Section" generally refers to provisions within the Plan, and the term "Paragraph" refers to provisions of this Agreement.

12. No Right to Continued Employment. Nothing in the Plan, in this Agreement or any other instrument executed pursuant thereto or hereto shall confer upon Participant any right to continued employment with the Company or any of its subsidiaries or affiliates.

13. Further Assurances. Each party hereto shall cooperate with each other party, shall do and perform or cause to be done and performed all further acts and things, and shall execute and deliver all other agreements, certificates, instruments, and documents as any other party hereto reasonably may request in order to carry out the intent and accomplish the purposes of this Agreement and the Plan.

14. Entire Agreement. This Agreement and the Plan together set forth the entire agreement and understanding between the parties as to the subject matter hereof and supersede all prior oral and written and all contemporaneous or subsequent oral discussions, agreements and understandings of any kind or nature.

15. Successors and Assigns. The provisions of this Agreement will inure to the benefit of, and be binding on, the Company and its successors and assigns and Participant and Participant's legal representatives, heirs, legatees, distributees, assigns and transferees by operation of law, whether or not any such person will have become a party to this Agreement and agreed in writing to join herein and be bound by the terms and conditions hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

HERBALIFE LTD.

(Participant Name)

Michael O. Johnson
Chairman and Chief Executive Officer

EXHIBIT 21.1

SUBSIDIARIES

HBL Luxembourg
Holdings S.à R.L.
HBL, Ltd.
HBL (Gibraltar) Limited
HBL Products S.A. (Switzerland)
Herbalife (China) Health Products Ltd.
Herbalife (NZ) Limited
Herbalife (UK) Limited
Herbalife Africa S.à R.L
Herbalife Asia Pacific Services Limited
Herbalife Australasia Pty, Ltd.
Herbalife Bela, LLC
Herbalife Bolivia, Ltda.
Herbalife Bulgaria EOOD
Herbalife (Cambodia) Co., Ltd.
Herbalife Central America LLC
Herbalife China, LLC
Herbalife Czech Republic, s.r.o
Herbalife d.o.o. (Croatia)
Herbalife Del Ecuador, S.A.
Herbalife Denmark ApS
Herbalife Distribution Ltd.
Herbalife Dominicana, S.A.
Herbalife Europe Limited
Herbalife Foreign Sales Corporation
Herbalife Hungary Trading, Limited also known as (Herbalife Magyarorszag Kereskedelmi Kft.)
Herbalife Internacional de México, S.A. de C.V
Herbalife International (Thailand), Ltd.
Herbalife International (Netherlands) B.V.
Herbalife International (Thailand), Ltd.
Herbalife International Argentina, S.A.
Herbalife International Belgium, S.A.
Herbalife International Communications, LLC
Herbalife International Costa Rica, Sociedad de Responsabilidad Limitada

Herbalife International del Colombia

Herbalife International Del Ecuador, S.A.

Herbalife International Deutschland GmbH

Herbalife International Distribution, Inc.

Herbalife International Do Brasil Ltda.

Herbalife International España, S.A.

Herbalife International Finland OY

Herbalife International France, S.A.

Herbalife International Greece S.A.

Herbalife International India Private Limited

Herbalife International Luxembourg S.à R.L.

Herbalife International of America, Inc.

Herbalife International of Europe, Inc.

Herbalife International of Hong Kong Limited

Herbalife International of Israel (1990) Ltd.

Herbalife International Philippines, Inc.

Herbalife International Products N.V.

Herbalife International Russia 1995 Ltd.

Herbalife International Singapore, Pte. Ltd.

Herbalife International South Africa, Ltd.

Herbalife International Urunleri Tic. Ltd. Sti.

Herbalife International, Inc.

Herbalife International, S.A.

Herbalife Italia S.p.A.

Herbalife Kazakhstan LLP

Herbalife Korea Co., Ltd.

Herbalife Latin America – Comercial Exportadora Ltda.

Herbalife Ltd.

Herbalife Luxembourg Distribution S.à R.L.

Herbalife Macau Limited

Herbalife (Shanghai) Management Co., Ltd.

Herbalife Manufacturing LLC

Herbalife Mexicana, S.A. de C.V.

Herbalife Mongolia LLC

Herbalife NatSource (Hunan) Natural Products Co., Ltd.

Herbalife Natural Products LP

Herbalife Norway Products AS

Herbalife of Canada, Ltd.

Herbalife of Ghana Limited

Herbalife of Japan K.K.

Herbalife Paraguay S.R.L.

Herbalife Peru S.R.L.

Herbalife Polska Sp.z o.o

Herbalife Products Malaysia SDN. BHD.

Herbalife Products De México, S.A. de C.V.

Herbalife Puerto Rico, LLC

Herbalife RO S.R.L.

Herbalife Slovakia, s.r.o.

Herbalife Sweden Aktiebolag

Herbalife Taiwan, Inc.

Herbalife Ukraine, LLC

Herbalife Uruguay S.R.L.

Herbalife Vietnam SMLLC

Herbalife Worldwide Events, LLC

Herbalife Zambia Limited

HIL Swiss International GmbH

HLF (Gibraltar) Limited

HLF Colombia Ltd.

HLF Luxembourg Distribution S.à R.L.

HLF Luxembourg Holdings S.à R.L.

HV Holdings Ltd.

iChange Network, Inc.

I.C.S. Herbalife MA, S.R.L.

Importadora y Distribuidora Herbalife International de Chile, Limitada

Limited Liability Company Herbalife International RS

NatSource Pharmaceutical and Chemicals (Changsha) Co., Ltd.

Promotions One, Inc.

PT Herbalife Indonesia

Servicios Integrales HIM, S.A. de C.V.

Vida Herbal Suplementos Alimenticios, C.A.

WH Capital Corporation

WH Intermediate Holdings Ltd.

WH Luxembourg Holdings S.à R.L.

WH Luxembourg Intermediate Holdings S.à R.L.

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-173876, 333-166513, 333-149922, 333-129885, 333-122871, and 333-116335) of Herbalife Ltd. of our report dated February 18, 2014 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Los Angeles, California
February 18, 2014

Exhibit 31.1

RULE 13a-14(a) CERTIFICATION

I, Michael O. Johnson, certify that:

1. I have reviewed this Annual Report on Form 10-K of Herbalife Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Michael O. Johnson
Michael O. Johnson
Chief Executive Officer

Date: February 18, 2014

Exhibit 31.2

RULE 13a-14(a) CERTIFICATION

I, John G. DeSimone, certify that:

1. I have reviewed this Annual Report on Form 10-K of Herbalife Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ John G. DeSimone
John G. DeSimone
Chief Financial Officer

Date: February 18, 2014

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
Pursuant to 18 U.S.C. Section 1350 Adopted
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Herbalife Ltd., or the Company, on Form 10-K for the period ended December 31, 2013 as filed with the Securities and Exchange Commission on the date hereof, or the Report, I, Michael O. Johnson, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that: (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Michael O. Johnson
Michael O. Johnson
Chief Executive Officer

Date: February 18, 2014

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
Pursuant to 18 U.S.C. Section 1350
Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Herbalife Ltd., or the Company, on Form 10-K for the period ended December 31, 2013 as filed with the Securities and Exchange Commission on the date hereof, or the Report, I, John G. DeSimone, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that: (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ John G. DeSimone
John G. DeSimone
Chief Financial Officer

Date: February 18, 2014

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.