

HERBALIFE LTD.
Form DEF 14A
September 27, 2005
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant
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Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

Herbalife Ltd.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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HERBALIFE LTD.

September 26, 2005

Dear Fellow Shareholder:

We are pleased to enclose information about the Annual General Meeting of Shareholders of Herbalife Ltd. (the Company), to be held on Wednesday, November 2, 2005, at 4:00 p.m., Pacific Standard Time, at The Park Hyatt Hotel at 2151 Avenue of the Stars, Los Angeles, CA 90067. As discussed in more detail in the enclosed Proxy Statement, at the meeting you will be asked to consider proposals to:

1. Elect three directors, each for a term of three years;
2. Approve the Company's 2005 Stock Incentive Plan;
3. Approve the Company's Executive Incentive Plan; and
4. Ratify the appointment of the Company's independent registered public accountants for fiscal 2005.

MY FELLOW DIRECTORS AND I HAVE UNANIMOUSLY APPROVED THE PROPOSALS INCLUDED HEREIN AND RECOMMEND YOU VOTE FOR THEIR APPROVAL.

Best Regards,

MICHAEL O. JOHNSON
Chief Executive Officer

YOUR VOTE IS IMPORTANT.

ALL SHAREHOLDERS ARE CORDIALLY INVITED TO ATTEND THE MEETING IN PERSON. HOWEVER, IN ORDER TO ASSURE YOUR REPRESENTATION AT THE MEETING, YOU ARE REQUESTED TO COMPLETE, SIGN AND DATE THE ENCLOSED PROXY CARD AND RETURN IT AS PROMPTLY AS POSSIBLE.

HERBALIFE LTD.

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS
To Be Held Wednesday, November 2, 2005

To the Shareholders:

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Shareholders of Herbalife Ltd., a Cayman Islands exempted limited liability company (the Company), will be held on Wednesday, November 2, 2005, at 4:00 p.m., Pacific Standard Time, at The Park Hyatt Hotel at 2151 Avenue of the Stars, Los Angeles, California 90067 for the following purposes:

1. To elect three directors, each for a term of three years.
2. To approve the Company's 2005 Stock Incentive Plan.
3. To approve the Company's Executive Incentive Plan.
4. To ratify the appointment of the Company's independent registered public accountants for fiscal 2005.
5. To act upon such other matters as may properly come before the Annual General Meeting of Shareholders.

Each of the above proposals will be proposed as Ordinary Resolutions as permitted by the Companies Law (2004 Revision).

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice. Only shareholders of record at the close of business on September 16, 2005, are entitled to notice of and to vote at the meeting and any subsequent adjournment(s) or postponement(s) of the meeting.

All shareholders are cordially invited to attend the meeting in person. **However, to assure your representation at the meeting, you are urged to mark, sign, date and return the enclosed proxy card as promptly as possible.** Shareholders attending the meeting may vote in person even if they have returned a proxy card.

Sincerely,

BRETT R. CHAPMAN
General Counsel and Secretary

Los Angeles, California

September 26, 2005

HERBALIFE LTD.

c/o Herbalife International, Inc.
1800 Century Park East
Los Angeles, California 90067

**PROXY STATEMENT FOR 2005
ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Herbalife Ltd. (we, our, us, Herbalife and the Company), is calling an Annual General Meeting of Shareholders (the Meeting), to be held on Wednesday, November 2, 2005, at 4:00 p.m., Pacific Standard Time, at The Park Hyatt Hotel at 2151 Avenue of the Stars, Los Angeles, California 90067.

At the Meeting, our shareholders will be asked to consider proposals to:

1. Elect three directors, each for a term of three years;
2. Approve the Company s 2005 Stock Incentive Plan;
3. Approve the Company s Executive Incentive Plan;
4. Ratify the appointment of the Company s independent registered public accountants for fiscal 2005; and
5. To act upon such other matters as may properly come before the Meeting.

Our Board of Directors unanimously recommends that you vote in favor of the proposals outlined herein. **YOUR VOTE IS VERY IMPORTANT.** Whether or not you plan to attend the Meeting, please take the time to vote by completing and returning the enclosed proxy card.

You should carefully read this Proxy Statement in its entirety prior to voting on the proposals outlined herein. This Proxy Statement is dated September 26, 2005, and is first being mailed to shareholders of the Company on or about September 26, 2005.

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THE ANNUAL GENERAL MEETING OF SHAREHOLDERS

Information Concerning Solicitation and Voting

Place, Time and Date of Meeting This Proxy Statement is being furnished to the Company's shareholders in connection with the solicitation of proxies on behalf of our Board of Directors for use at the Meeting to be held on Wednesday, November 2, 2005, at 4:00 p.m., Pacific Standard Time, and at any subsequent adjournment(s) or postponement(s) of the Meeting, for the purposes set forth herein and in the accompanying Notice of Annual General Meeting of Shareholders. The Meeting will be held at the Park Hyatt Hotel, 2151 Avenue of the Stars, Los Angeles, California 90067. Our telephone number is c/o Herbalife International, Inc. at (310) 410-9600.

Record Date and Voting Securities Only shareholders of record at the close of business on September 16, 2005 (the Record Date), are entitled to notice of and to vote at the Meeting. The Company has one series of Common Shares outstanding. As of September 16, 2005, 69,324,921 Common Shares, representing the same number of votes, were issued and outstanding and held of record by 1,357 registered holders.

Voting. Each shareholder is entitled to one vote for each Common Share held on the Record Date on all matters submitted for consideration at the Meeting. A quorum, representing the holders of not less than a majority of the issued and outstanding Common Shares entitled to vote at the Meeting, must be present or represented by proxy for the transaction of business at the Meeting. Abstentions will be counted in establishing a quorum.

The affirmative vote of a plurality of the votes cast at the meeting is required for the election of directors. A properly executed proxy marked "Abstain" with respect to the election of one or more directors will not be voted with respect to the director or directors indicated, although it will be counted for purposes of determining whether there is a quorum.

For each other proposal, the affirmative vote of the holders of a majority of the outstanding Common Shares entitled to vote at the Meeting that are present in person or by proxy and who do vote on the item will be required for approval. A properly executed proxy marked "Abstain" with respect to any such matter will not be voted, although it will be counted for purposes of determining whether there is a quorum.

If you hold your Common Shares in street name through a broker or other nominee, your broker or nominee may not be permitted to exercise voting discretion with respect to some of the matters to be acted upon. Thus, if you do not give your broker or nominee specific instructions, your Common Shares may not be voted on those matters and will not be counted in determining the number of votes necessary for approval. Common Shares represented by such broker non-votes will, however, be counted in determining whether there is a quorum.

If you are a beneficial shareholder and your broker holds your shares in its name, the broker is permitted to vote your Common Shares on the election of directors and the ratification of KPMG LLP as our independent registered public accountants, even if the broker does not receive voting instructions from you. Under the rules of the New York Stock Exchange (NYSE), your broker may not vote your Common Shares on the proposals relating to the Company's 2005 Stock Incentive Plan and Executive Incentive Plan. Without your voting instructions on these items a broker non-vote will occur.

Revocability of Proxies Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before its use by (a) delivering to the Secretary of the Company a written notice of revocation or a duly executed proxy bearing a later date or (b) attending the Meeting and voting in person.

Solicitation Expenses. This solicitation of proxies is made by the Board of Directors and all related costs will be borne by the Company. Proxies may be solicited by certain of our directors, officers and

regular employees, without additional compensation, personally, by telephone, facsimile or electronic mail. Except as described above, we do not presently intend to solicit proxies other than by mail.

An investment group led by Whitney & Co., LLC (Whitney) and Golden Gate Private Equity, Inc. (Golden Gate Capital and together with Whitney, the Equity Sponsors), who collectively hold approximately 60.1% of the Company s Common Shares, have indicated that they will vote their shares in favor of each of the proposals contained in this Proxy Statement. Please be advised that should the Equity Sponsors vote as they have indicated, their vote is sufficient to satisfy the quorum and voting requirements under the Company s Amended and Restated Memorandum and Articles of Association (the Memorandum and Articles of Association) and Cayman Islands law, as currently in effect, necessary to adopt the proposals set forth in this Proxy Statement.

This Proxy Statement contains summaries of certain documents, but you are urged to read the documents themselves for complete information. The summaries are qualified in their entirety by reference to the complete text of the agreements and the Memorandum and Articles of Association. In the event that any of the terms, conditions or other provisions of any such agreement or the Memorandum and Articles of Association is inconsistent with or contrary to the description or terms in this Proxy Statement, such agreement or document will control. Each of these documents, as well as those documents referenced in this Proxy Statement as being available in print upon request, are available upon request to the Company by following the procedures described under Additional Information Annual Report, Financial and Additional Information.

**PROPOSAL 1:
THE ELECTION OF DIRECTORS**

The Memorandum and Articles of Association presently provide for not less than one nor more than fifteen directors. The Memorandum and Articles of Association divide the Board of Directors into three classes, with the terms of office of the directors of each class ending in different years. The current terms of office of Class I directors end at the Meeting. The current terms of office of Classes II and III end at the annual general meetings in 2006 and 2007, respectively. Currently each class has four directors.

The nominees for Class I are to be voted upon at the Meeting. The Board of Directors has nominated Peter M. Castleman, Michael O. Johnson and John Tartol for election as Class I directors to serve three-year terms expiring at the 2008 annual general meeting. Mr. Tartol's nomination was recommended by the nominating and corporate governance committee of the Board of Directors. The Board of Directors has resolved that the number of our directors will decrease from 12 to 11 after the Meeting. Accordingly, following the election that takes place at the Meeting, Class I will have three directors.

The Company did not receive any nominations for director from any shareholders.

The persons named as proxies on the accompanying proxy card intend to vote the Common Shares as to which they are granted authority to vote for the election of the nominees listed above. The form of proxy does not permit shareholders to vote for a greater number of persons than three. Although the Board of Directors does not know of any reason why any nominee will be unavailable for election, in the event any nominee should be unavailable at the time of the Meeting, the proxies may be voted for a substitute nominee as selected by the Board of Directors.

The table below sets forth information about the three nominees and the directors whose terms of office continue beyond the Meeting.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR MESSRS. CASTLEMAN, JOHNSON AND TARTOL, AS DIRECTORS.

NOMINEES

Name and Experience	Class	Director Since
<p><i>Peter M. Castleman</i> is the Chairman of our Board of Directors. Mr. Castleman is Managing Partner of Whitney, a position that he has held for more than a decade. Prior to joining Whitney over fifteen years ago, Mr. Castleman was with Morgan Stanley & Co. and prior to that with J.P. Morgan & Co., Inc. Mr. Castleman received his MBA from Harvard Business School and his undergraduate degree from Duke University. Mr. Castleman is currently a director of several private companies. He was previously a director of numerous other companies, including The North Face, Inc., Advance Paradigm, Eon Labs Inc., and Pharmanex, Inc.</p>	I	2002
<p><i>Michael O. Johnson</i> is Chief Executive Officer of the Company. Mr. Johnson joined the Company in April 2003 after 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 <i>Audio Times</i> 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 is currently a director of Univision Communications, Inc., a television company serving Spanish-speaking Americans. Mr. Johnson received his Bachelor of Arts in Political Science from Western State College.</p>	I	2003

John Tartol has been an independent Herbalife distributor for 24 years and a member of the International Chairman's Club since 2000. He is active in training other Herbalife distributors all over the world and has served on various strategy and planning groups for Herbalife. He is also active on behalf of various charities in his community and worldwide on behalf of the Herbalife Family Foundation. He has a bachelor's degree in finance from the University of Illinois.

I

CONTINUING DIRECTORS

Name and Experience	Class	Director Since
<p>Kenneth J. Diekroeger is a Managing Director of Golden Gate Capital, a position he has held since its inception in 2000. From 1996 to 2000, Mr. Diekroeger was a managing director and partner with American Industrial Partners. Earlier in his career, Mr. Diekroeger was a consultant at Bain & Company. Mr. Diekroeger received his MBA from Stanford University and his Bachelor of Science in Industrial Engineering from Stanford University. He is currently a director of several private companies.</p>	II	2002
<p>James H. Fordyce is a partner with certain Whitney-affiliated entities and has been with Whitney since July 1996. Prior to joining Whitney, Mr. Fordyce was with Heller Financial and prior to that with Chemical Bank. Mr. Fordyce received his MBA from Fordham University and his undergraduate degree from Lake Forest College. Mr. Fordyce currently is a director of several private companies.</p>	II	2002
<p>Leon Waisbein has been an independent Herbalife distributor for 14 years. A member of the Chairman's Club since 1995, Mr. Waisbein has built a successful organization in more than 30 countries. He has been active in training Herbalife distributors around the world, and is a member of various strategy and planning groups for Herbalife. He is Chairman of a charity foundation supporting disabled children and an active volunteer for the Herbalife Family Foundation. He has a bachelor's degree in life science.</p>	II	2005
<p>Charles L. Orr is self-employed as an independent director and advisor to companies operating in the e-commerce, financial services and direct selling industries. From 1993 through 2000, Mr. Orr was President and CEO of Shaklee Corporation which included the brand names of Harry and David, Jackson and Perkins and Shaklee. From 2003 to the present, Mr. Orr has served as the Chairman of the Scientific Advisory Board for Swiss Medica, Inc., a Toronto-based bio-science marketing and distribution company. Mr. Orr served as a director of Provident Mutual Life Insurance Company from 1995 through 2002. His prior business affiliations include CIGNA, Continental Insurance, Federated Investors, RCA Computer Systems, Southwestern Life and Xerox. Mr. Orr received his MBA from the University of Connecticut and his Bachelor of Arts from Wesleyan University. He is an advisor to several private companies, a former director of Provident Mutual Life Insurance Company and currently serves as a board member of the Direct Selling Education Foundation, a position he has held since 2001, and of Swiss Medica, Inc., a position he has held since 2005.</p>	II	2002

Jesse T. Rogers is a Managing Director of Golden Gate Capital, a position he has held since its inception in 2000. Prior to joining Golden Gate Capital, Mr. Rogers was a partner at Bain & Company for over ten years, where he served as the West Coast head of the consumer products practice and founded Bain & Company's worldwide Private Equity Group. Mr. Rogers received his MBA from Harvard Business School and his Bachelor of Arts from Stanford University. He is currently a director of several private companies and previously served as a director of Beringer Wine Estates and Bain & Company.

III 2002

Leroy T. Barnes, Jr. is the retired Vice President and Treasurer of PG&E Corporation, a position he held from 2001 to 2005. From 1997 to 2001, Mr. Barnes was Vice President and Treasurer of Gap, Inc. Prior to that, Mr. Barnes was with Pacific Telesis Group/SBC Communications and prior to that with UC Press. Earlier in his career, Mr. Barnes was a consultant at Deloitte & Touche. Mr. Barnes received his Bachelors and Masters degrees from Stanford University, and his MBA in Finance from Stanford Business School. Mr. Barnes is a member of the boards of directors of Longs Drug Stores, Inc., a retail drug store chain, the McClatchy Newspaper Company, Inc., a newspaper and Internet publisher, and Citizens Communications, Inc., a telecommunications-focused company.

III 2004

Richard P. Bermingham is President of Marlena Partners, a spec home builder located in San Clemente, California. Mr. Bermingham has over 40 years of business experience and was Chairman of the Board of Bermingham Investment Company from 1997 to 2004. From 1994 to 1997, Mr. Bermingham was the Vice Chairman of the Board of American Golf. Mr. Bermingham worked for Collins Food International, which was acquired by Sizzler International, Inc., from 1967 to 1994. He served as the Chief Executive Officer and a member of the board of directors of the publicly traded company for the period from 1987 to 1994. Mr. Bermingham currently serves on the boards of Jordano's, Inc., Special Value Expansion Fund, LLC, Interactive Health, Inc. and Encanto Restaurants LLC, the latter two of which are companies controlled by Whitney or affiliates thereof. Additionally, Mr. Bermingham serves on the Advisory Board of Missouri River Plastics. Mr. Bermingham was a certified public accountant and received his Bachelor of Science from the University of Colorado.

III 2004

Peter Maslen is CEO of The Hanson Maslen Group, LLC, which he co-founded in 2003. From 1999 to 2003, he served as President of Starbucks Coffee International. Prior to that, he was President of Tricon Restaurants Central Europe, a spin-off from PepsiCo where he held senior management positions in Asia and Europe. Earlier, with Mars, Inc., Mr. Maslen held various leadership roles around the world.

III 2004

Director Independence

Our Board of Directors has affirmatively determined that Messrs. Barnes, Bermingham, Maslen and Orr are independent under section 303A.02 of the NYSE listing standards and the Company's Categorical Standards of Independence, which are attached hereto as Appendix A. The NYSE's independence guidelines include a series of objective tests, such as that the director is not an employee of the Company and has not engaged in various types of business dealings involving the Company, which would prevent a director from being independent. None of the Company's independent directors had any relationships that violated these tests. We currently expect that over the course of approximately three years the number of our directors will decrease to nine. We anticipate that the percentage of independent directors on our board will increase over such time.

As a result of the disposition agreement and voting agreement by and among certain affiliates of our Equity Sponsors described under Certain Relationships and Related Transactions, we are deemed to be a controlled company within the meaning of the NYSE listing standards. Among other things, our status as a controlled company means that we are not subject to all of the NYSE corporate governance requirements that would otherwise be applicable, such as certain requirements set forth in Sections 303A.01 (regarding independent directors), 303A.04 (regarding the nominating and corporate governance committee), and 303A.05 (regarding the compensation committee). For example, as a controlled company we are not required to have independent directors comprise a majority of the members of our Board of Directors. When and if we cease to be a controlled company, we will comply with the additional requirements within the time frames prescribed by the NYSE listing standards.

Board Meetings

The Board of Directors met 12 times during fiscal 2004. All Board members attended at least 75% of the aggregate number of Board meetings and committee meetings held while such individuals were serving on the Board of Directors, with the exception of Mr. Prescott Ashe, who attended two of the three meetings of the committee on which he served prior to stepping down from the Board of Directors. Under the Company's *Principles of Corporate Governance*, which are available on the Company's Investor Relations website www.herbalife.com/index.cfm, by following the links to Investor Relations and Corporate Governance, each director is expected to dedicate sufficient time, energy and attention to ensure the diligent performance of his or her duties, including by attending meetings of the shareholders of the Company, the Board of Directors and committees of which he or she is a member. The Company was not required to, and did not hold, an annual general meeting in 2004.

It is the policy of the Board of Directors to hold four regularly scheduled meetings which are followed by executive sessions of non-management directors without the presence of management. Additional meetings of the Board of Directors and executive sessions of non-management directors may be held from time to time as required. Mr. Peter M. Castleman, the Chairman of the Board of Directors, serves as the presiding director at the executive sessions of non-management directors.

Director Compensation

Prior to July 29, 2005, each independent director received \$25,000 per year for services as a director (\$35,000 per year for the Chairman of the Audit Committee), plus (1) \$5,000 for each board meeting attended by the director in person or \$1,000 per board meeting attended telephonically, and (2) \$2,500 for each meeting of a committee of the Board of Directors which the director attended either in person or telephonically. Each non-independent director received \$1,000 per year for services as a director. Effective July 29, 2005, each non-employee director receives \$25,000 per year for services as a director (\$40,000 per year for the Chairman of the Audit Committee and \$30,000 for the Chair of all other committees), plus (1) \$5,000 for each board meeting attended by the director in person or \$1,000 per board meeting attended telephonically, (2) \$2,500 for each committee meeting attended either in person or telephonically and (3) \$100,000 annual equity grant equivalent for independent directors. Additionally, Mr. Orr, who has served as a director since 2002, was granted options to purchase 25,000 Common Shares at a strike price of \$0.88 and options to purchase 25,000 Common Shares at a strike price of \$3.52. In April 2005, Mr. Orr was granted options to purchase 41,667 Common Shares at a strike price of \$14.93. Mr. Burdick a director since 2002, was granted options to purchase 25,000 Common Shares at a strike price of \$0.88 and options to purchase 25,000 Common Shares at a strike price of \$3.52. Mr. Burdick was also granted options to purchase 150,000 Common Shares at a strike price of \$0.88 and options to purchase 150,000 Common Shares at a strike price of \$3.52. Messrs. Barnes, Birmingham and Maslen were each awarded options to purchase 62,500 Common Shares at a strike price of \$14.00 per share upon the listing of our Common Shares on the NYSE.

Shareholder Communications with the Board of Directors

Shareholders and other parties interested in communicating directly with the Board of Directors, non-management directors as a group or individual directors, including Mr. Castleman as the presiding director of executive sessions of non-management directors, may do so by writing to Herbalife Ltd., c/o Corporate Secretary, 1800 Century Park East, Los Angeles, CA 90067, or by email at corpsec@herbalife.com, indicating to whose attention the communication should be directed. Under a process approved by the nominating and corporate governance committee for handling letters received by the Company and addressed to non-management directors, the Secretary of the Company reviews all such correspondence and forwards to the non-management directors a summary and/or copies of any such correspondence that, in the opinion of the Secretary, deal with the functions of the Board of Directors or committees thereof or that he otherwise determines requires their attention. Directors may at any time review a log of all correspondence received by the Company that is addressed to members of the Board of Directors and request copies of any such correspondence. Concerns relating to accounting, internal controls or auditing matters are immediately brought to the attention of the Company's internal audit department and handled in accordance with procedures established by the audit committee with respect to such matters.

Committees of the Board

Our Board of Directors has a standing audit committee, nominating and corporate governance committee and compensation committee.

Audit Committee

Our audit committee consists of Messrs. Barnes, Birmingham and Maslen, each of whom are independent as defined in Section 303A.02 of the NYSE listing standards. As required by Section 303A.07 of the NYSE listing standards, the Board of Directors has determined that each of Messrs. Barnes, Birmingham and Maslen are financially literate, and that Mr. Birmingham is an audit committee financial expert, as defined in Item 401(h) of Regulation S-K. Mr. Barnes currently serves on the audit committee of three public companies in addition to that of the Company. However, as required by Section 303A.07 of the NYSE listing standards, the Board of Directors has determined that such simultaneous service would not impair his ability to effectively serve on the Company's audit committee.

The principal duties of the audit committee are as follows:

- to monitor the integrity of the Company's financial reporting process and systems of internal controls regarding finance, accounting and reporting;
- to monitor the independence and performance of the Company's independent auditors and internal auditing department; and
- to provide an avenue of communication among the independent auditors, management, the internal auditing department and the Board of Directors.

Our Board of Directors has adopted a written charter for the audit committee which is available on the Company's website at www.herbalife.com/index.cfm by following the links to Investor Relations and Corporate Governance, as Appendix B to this Proxy Statement and in print to any shareholder who requests it. In fiscal 2004, the audit committee met five times.

Nominating and Corporate Governance Committee

Our nominating and corporate governance committee consists of Messrs. Castleman, Barnes, Diekroger and Johnson, of whom Mr. Barnes is independent as defined in Section 303A.02 of the NYSE listing standards.

The principal duties of the nominating and corporate governance committee are as follows:

- to recommend to our Board of Directors proposed nominees for election to the Board of Directors by the shareholders at annual general meetings, based on an annual review as to the renominations of incumbents, as well as to recommend proposed nominees for election by the Board of Directors to fill vacancies that occur between annual general meetings of shareholders; and
- to make recommendations to the Board of Directors regarding corporate governance matters and practices.

Working closely with the full Board of Directors, the nominating and corporate governance committee develops criteria for open board positions, taking into account such factors as it deems appropriate, including, among others, the current composition of the Board of Directors, the range of talents, experiences and skills that would best complement those already represented on the Board of Directors, the balance of management and independent directors and the need for financial or other specialized expertise. Applying these criteria, the nominating and corporate governance committee considers candidates for director suggested by its members and other directors, as well as management and shareholders. The nominating and corporate governance committee also retains a third-party executive search firm on an ad-hoc basis to identify and review candidates upon request of the committee from time to time.

Once the nominating and corporate governance committee has identified a prospective nominee, whether the prospective nominee is recommended by a shareholder or otherwise, it makes an initial determination as to whether to conduct a full evaluation, taking into account the information provided to the nominating and corporate governance committee with the recommendation of the candidate as well as the nominating and corporate governance committee's own knowledge, supplemented as appropriate by inquiries to third parties. The preliminary determination is based primarily on the need for additional directors and the likelihood that the prospective nominee can satisfy the criteria that the nominating and corporate governance committee has established. If the committee determines, in consultation with the Chairman of the Board of Directors and other directors as appropriate, that additional consideration is warranted, it may request the third-party search firm to gather additional information about the prospective nominee's background and experience and to report its findings to the nominating and corporate governance committee. The committee then evaluates the prospective nominee against the specific criteria that it has established for the position, as well as the standards and qualifications set out in the Company's *Principles of Corporate Governance*, including:

- business experience and skills;
- independence;
- judgment;
- integrity;
- the ability to commit sufficient time and attention to board activities; and
- the absence of potential conflicts with the Company's interests.

If the nominating and corporate governance committee decides, on the basis of its preliminary review, to proceed with further consideration, the committee members, as well as other directors as appropriate, interview the nominee. After completing this evaluation and interview, the nominating and corporate governance committee makes a recommendation to the full Board of Directors, which makes the final determination whether to nominate the candidate after considering the nominating and corporate governance committee's report.

A shareholder who wishes to recommend a prospective nominee for the Board of Directors should notify the Company's Secretary or any member of the nominating and corporate governance committee in writing with the supporting materials the shareholder considers appropriate, as described under Additional Information Shareholders Nominations. The nominating and corporate governance committee will also consider whether to nominate any person nominated by a shareholder pursuant to the provisions of the Memorandum and Articles of Association relating to shareholder nominations as described in Additional Information Shareholder Proposals for the 2006 Annual General Meeting.

Our Board of Directors has adopted a written charter for the nominating and corporate governance committee, which is available on the Company's website at www.herbalife.com/index.cfm by following the links to Investor Relations and Corporate Governance or in print to any shareholder who requests it. In fiscal 2004, the nominating and corporate governance committee met one time.

Compensation Committee

Our compensation committee currently consists of Messrs. Rogers, Bermingham, Fordyce and Maslen, of whom Messrs. Bermingham and Maslen are independent as defined in Section 303A.02 of the NYSE listing standards.

The principal duties of the compensation committee are as follows:

- reviewing and approving corporate goals and objectives relevant to the compensation of the Company's Chief Executive Officer;
- evaluating the performance of the Chief Executive Officer and, either as a committee or together with the other independent directors, determining and approving the compensation level for the Chief Executive Officer; and
- making recommendations to the Board of Directors regarding compensation of other executive officers and certain compensation plans.

Our Board of Directors has adopted a written charter for the compensation committee which is available on the Company's Investor Relations website at www.herbalife.com/index.cfm by following the links to Investor Relations and Corporate Governance or in print to any shareholder who requests it. In fiscal 2004, the compensation committee met six times.

Compensation Committee Report

The following is the report of the compensation committee of the Board of Directors with respect to executive compensation for the reporting period of January 1, 2004 through December 31, 2004. The compensation committee oversees the Company's overall compensation structure, policies and programs, including the compensation of the Chief Executive Officer and other executive officers of the Company listed in the Summary Compensation Table appearing on page 27. During fiscal 2004, the compensation committee consisted of Jesse Rogers, James Fordyce, Ken Diekroeger, Steven Rodgers (through June 8, 2004), Peter Maslen (commencing December 13, 2004), and Richard Bermingham (commencing December 13, 2004), and met six times.

Compensation Philosophy

The purpose of the compensation committee's executive compensation policies is to attract, motivate and retain high-quality key executives and provide incentives for the attainment of Herbalife's strategic goals and objectives. It is the compensation committee's practice to provide a mix of cash and equity-based compensation that it believes is appropriate to align the interests of executives with those of Herbalife's shareholders.

The key elements of executive compensation are base salary, annual performance incentive awards and long-term equity-based incentive awards that have generally been in the form of stock options. As a new public company, the compensation committee's focus during the reporting period was on continuing the assembly of a highly qualified top-management team to resolve legacy issues and move the Company successfully forward. Compensation philosophy was dictated by labor-market demands for recruiting experienced talent from outside the existing organization, and frequently from outside the industry, with an appropriate balance between recognizing performance and risks. This generally resulted in total compensation levels for the Named Executive Officers, as defined below, that the compensation committee believes were in the upper-quartile of competitive practice for similar companies.

Since the end of fiscal 2004, the compensation committee has retained an independent consultant to assist in formulating the ongoing pay philosophy and program structure for Herbalife. It is the compensation committee's intent to emphasize variable performance-based compensation and continue to deliver upper-quartile pay when earned for corresponding results. There will also be an emphasis on equity compensation and executive ownership.

Base Salary

The compensation committee periodically reviews and determines the base salaries of the Named Executive Officers. Its determination with respect to the base salary of the Chief Executive Officer is subject to approval by the entire Board of Directors. In each case, the compensation committee takes into account the results achieved by the executive, scope of responsibilities and experience and competitive salary practices among peers.

Performance-Based Annual Incentive Awards

Earned annual incentives for fiscal 2004 were either as specified in hiring agreements or set according to a goal-driven annual incentive plan. The plan considered overall corporate net income and, as applicable, financial goals by region, country and department. There were also individual goals. Weightings varied by position, as did market-related target award levels and the range of threshold to maximum payment opportunities.

For those Named Executive Officers, including the Chief Executive Officer, whose awards were determined according to the plan, earned awards generally exceeded the target awards. This is because of strong financial performance in relation to the stated goals. Special one-time bonuses were also paid in association with the Company's refinancing and initial public offering during the reporting period. Earned awards were paid in cash following the end of the year, unless voluntarily deferred by the executive into unfunded investment accounts or Company stock units under the Company's Senior Executive Deferred Compensation Plan.

Long-Term Incentive Awards

Long term-term incentive awards attributable to the reporting period consisted solely of stock options granted under the Company's 2004 Stock Incentive Plan. Stock options were the chosen long-term incentive vehicle because the compensation committee believed that they would be most effective in

linking potential executive rewards to shareholder returns, and provide high potential performance leverage commensurate with the risks associated with the new public company's success.

Stock options granted during the reported period were at 100% of fair market value on the grant dates with the exception of certain stock options granted in September 2004, shortly before the Company's initial public offering. The grants were for ten-year terms, with annual installment vesting generally over five years as related to continued employment. Grant amounts were either as specified in hiring agreements or determined at time of grant. In all cases, the grant amounts were discretionary and took into account competitive reasonableness, job level, individual contribution, past grant history, and other relevant factors. The Chief Executive Officer recommended grants for the other Named Executive Officers, for review and approval by the compensation committee. The Chief Executive Officer's options were determined by the compensation committee.

Compensation for the Chief Executive Officer

Mr. Johnson entered into an employment agreement with Herbalife when he joined the Company in April 2003, which specified certain terms of his initial and continuing pay package. The Board of Directors' general view was that Mr. Johnson outperformed a set of demanding goals, including aggressive corporate net income targets for fiscal 2004. He was rewarded with a salary increase that brought him to the approximate competitive median. He also earned his annual incentive at the top of the earn-out schedule, plus a special cash award, all of which added to \$2,450,000. The compensation committee approved an option grant to him for 500,000 Common Shares, on the same terms as options granted to other Named Executive Officers during fiscal 2004. The grant was to provide him with additional carried-interest ownership in the Company and increased incentive to build shareholder value. Further, it was to encourage his continued employment retention.

Internal Revenue Code Section 162(m)

Section 162(m) of the Internal Revenue Code (the "Code") limits the annual tax deduction of a public corporation for compensation in excess of \$1 million for each of its chief executive officer and four other highest paid executive officers, unless the requirements for performance-based compensation are satisfied.

As a new public company during the reporting period, Herbalife was subject to certain exemptions from Section 162(m) under transition rules of the Code. Therefore, the compensation committee believes that all compensation attributable to the period qualified for deductibility by the Company. However, due to ambiguities and uncertainties in the application of Section 162(m) there can be no assurances. In order to preserve the ability to fully deduct future compensation from annual incentives and eligible equity grants, the Company is seeking shareholder approval of the Executive Incentive Plan and the 2005 Stock Incentive Plan at the Meeting, as described in "Proposal 2-Approval of the 2005 Stock Incentive Plan" on page 13 and "Proposal 3-Approval of the Herbalife Ltd. Executive Incentive Plan" on page 21.

COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS

Jesse Rogers, *Chairman*
Richard Bermingham
James Fordyce
Peter Maslen

Compensation Committee Interlocks and Insider Participation

From January 1 through December 15, 2004, the compensation committee consisted of Messrs. Ken Diekroeger, James Fordyce, Jesse Rogers and Steven Rodgers. As of December 16, 2004, the

compensation committee consisted of Messrs. James Fordyce, Jesse Rogers, Richard Bermingham and Peter Maslen.

Mr. Steven Rodgers served as President and Treasurer of the Company until December of 2003.

Messrs. Diekroger, Fordyce, Jesse Rogers and Steven Rodgers are affiliated with our Equity Sponsors, and as a result, had an interest in the matters and the relationships with respect to our Equity Sponsors below under Certain Relationships and Related Transactions.

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**PROPOSAL 2:
APPROVAL OF THE 2005 STOCK INCENTIVE PLAN**

On September 23, 2005, the Board of Directors, upon the recommendation of the compensation committee, adopted a resolution unanimously approving, and is recommending to the shareholders for their approval, the 2005 Stock Incentive Plan (the 2005 Plan). The 2005 Plan will be effective upon approval by the shareholders. The Board of Directors has determined that the approval of the 2005 Plan is advisable and in the best interests of the Company and its shareholders and should be considered for approval by the shareholders.

Purposes and Effects of the Proposal

The Company currently maintains one active stock incentive plan for the purpose of granting stock-based compensation awards, the Herbalife Ltd. 2004 Stock Incentive Plan (the 2004 Plan). As of September 1, 2005, there were 10,685,144 Common Shares subject to outstanding stock options, and a total of 2,038,095 Common Shares remained available for new award grants under the 2004 Plan. If the 2005 Plan is approved, no further awards will be granted under the 2004 Plan. However, the shares remaining available for issuance under the 2004 Plan will be absorbed by and become available for issuance under the 2005 Plan. In addition, Common Shares subject to outstanding awards that expire or are forfeited, terminated or otherwise cancelled or paid in cash in lieu of shares under the 2004 Plan, if any, will become available for awards under the 2005 Plan.

The Company believes that incentives and stock-based compensation awards motivate its employees, directors and consultants to focus on the objective of creating shareholder value and promoting the success of the Company. The Company also believes that incentive compensation plans are an important tool for attracting, retaining and motivating highly qualified, skilled employees, directors and consultants. As noted above, the Board of Directors approved the 2005 Plan, in part, because the number of shares available under the 2004 Plan does not provide flexibility to adequately provide for future incentives.

The 2005 plan authorizes the issuance of 4,000,000 Common Shares pursuant to awards, plus any shares that remain available for issuance under the 2004 Plan. In addition to the number of shares described in the preceding sentences, any shares associated with awards under the 2004 Plan that expire or are forfeited, terminated or otherwise cancelled or that are settled in cash in lieu of shares under the 2004 Plan shall become available for issuance under the 2005 Plan. The 2005 Plan further provides that each Common Share subject to a stock option or stock appreciation right award under the 2005 Plan will count against the aggregate share limit as one (1) share; however, each Common Share issued under the 2005 Plan with respect to restricted stock, stock units, performance units, or dividend equivalents will count against the aggregate share limit as two (2) shares. The per person, per year limit on shares subject to all awards granted under the 2005 Plan is 1,250,000. The per person, per year limit on the amount, in cash, that may be payable pursuant to that portion of a performance unit that is intended to satisfy the requirements for performance based compensation under Section 162(m) of the Code of \$5,000,000.

The terms of the 2005 Plan are substantially similar to the terms of the 2004 Plan; however, there are certain differences intended to provide the Company with greater flexibility in granting awards to employees, directors and consultants. Primarily, the 2005 Plan eliminates the separate sublimit contained in the 2004 Plan for awards of restricted stock, stock units and performance units, and replaces it with the fungible share formula described above. Although awards under the 2004 Plan to date have generally been in the form of stock options, the Board of Directors approved this departure from the 2004 Plan to give the compensation committee greater flexibility to grant awards in other forms. In addition, minimum vesting restrictions were eliminated for stock options, restricted stock, and stock units in order to allow the compensation committee to provide different vesting schedules in appropriate circumstances. Finally, the 2005 Plan expands the award types under the plan to provide for the grant of dividend equivalents.

Summary of the 2005 Plan

The following summary of the material provisions of the 2005 Plan is qualified in its entirety by the complete text of the 2005 Plan, a copy of which is attached as Appendix C hereto.

General. The 2005 Plan provides for the grant of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock, stock units, performance units and dividend equivalents. Incentive stock options granted under the 2005 Plan are intended to qualify as incentive stock options within the meaning of Section 422 of the Code. Nonqualified stock options are stock options that are not intended to qualify as incentive stock options under the Code. See Federal Income Tax Information below for a discussion of the tax treatment of awards that may be granted under the 2005 Plan.

Eligibility. Any person who is a current or prospective director, officer, employee or consultant of the Company or any of its subsidiaries is eligible to be selected as a recipient of an award under the 2005 Plan. Incentive stock options may only be granted to employees of the Company and its subsidiaries.

Shares Subject to the 2005 Plan. The maximum number of Common Shares that may be issued pursuant to awards granted under the 2005 Plan is 4,000,000, plus (i) any shares that remain available for issuance under either the 2004 Plan and (ii) any awards under the 2004 Plan that expire or are forfeited, terminated or otherwise cancelled, or that are settled in cash in lieu of shares under the 2004 Plan. The aggregate number of Common Shares that may be issued pursuant to the exercise of incentive stock options granted under the 2005 Plan shall not exceed 4,000,000. In addition, shares issuable under the 2005 Plan are subject to certain adjustments for corporate transactions, as described in Adjustments below.

Any shares subject to awards under the 2005 Plan that expire or are forfeited, terminated or otherwise cancelled, or that are settled in cash in lieu of shares, will become available for subsequent awards under the 2005 Plan. Common Shares tendered or withheld in payment of an option and Common Shares withheld or tendered for taxes will not result in additional Common Shares becoming available for subsequent awards under the 2005 Plan.

The 2005 Plan provides that each Common Share issued under awards other than options or stock appreciation rights will count against the number of Common Shares available under the 2005 Plan as two (2) shares. Common Shares issued under options or stock appreciation rights count against the Common Shares available under the 2005 Plan as one (1) share. Any Common Shares that again become available for grant under the 2005 Plan shall be added back as one (1) Common Share if such shares were subject to options or stock appreciation rights, and as two (2) Common Shares if such shares were subject to awards other than options or stock appreciation rights.

The 2005 Plan also provides for a per person, per year limit on shares subject to all awards granted under the 2005 Plan of 1,250,000, and a per person, per year limit on the amount, in cash, that may be payable pursuant to that portion of a performance unit that is intended to satisfy the requirements for performance based compensation under Section 162(m) of the Code of \$5,000,000.

Administration. The 2005 Plan will be administered by the compensation committee, or in the absence of a Compensation Committee, the Board of Directors itself (such administering body of the 2005 Plan, the Committee); provided that, (i) with respect to any award that is intended to satisfy SEC Rule 16b-3, the Committee must be consist solely of two or more directors, each of whom is a non-employee director for purposes of Rule 16b-3; and (ii) with respect to any award that is intended to qualify as performance-based compensation under Section 162(m) of the Code, the Committee must be consist solely of two or more directors, each of whom is an outside director for purposes of Section 162(m) of the Code.

The Committee will have full and final authority administer the 2005 Plan, to select the persons to whom awards will be granted under the 2005 Plan, to grant awards, to determine the terms and conditions of those awards, to interpret and construe the 2005 Plan and to exercise its discretion with respect to powers and rights granted to it under the 2005 Plan.

Stock Options. The 2005 Plan authorizes the Committee to grant incentive stock options and nonqualified stock options. The terms and conditions of options granted under the 2005 Plan will be determined by the Committee in its discretion, subject to certain restrictions contained in the 2005 Plan. Among the restrictions on the Committee's discretion are the following:

- **Exercise Price.** The per share exercise price for options may not be less than 100% of the fair market value of Common Shares on the date of grant, except in the case of an option granted to an employee of a company acquired by the Company in assumption and substitution of an option held by such employee at the time such company is acquired.
- **Option Term.** An option must expire within 10 years of its date of grant.
- **No Repricing.** The 2005 Plan prohibits the repricing of outstanding options other than in connection with certain corporate transactions as described in Adjustments below.

The exercise price of an option may be paid through various means specified by the Committee, including in cash, by delivery of Common Shares previously acquired by the optionee or by cashless exercise procedures permitted and established by the Committee.

Stock Appreciation Rights. The 2005 Plan authorizes the Committee to grant stock appreciation rights (SARs). A SAR represents the right to receive, upon exercise, an amount equal to the difference between the value of Common Shares on the date of exercise and the exercise price of the SAR, subject to limitations imposed by the Committee in its discretion. SARs may be granted alone or in tandem with other awards granted under the 2005 Plan. In general, the Committee determines, in its discretion, the terms and conditions of SARs granted under the 2005 Plan, subject to the terms of the 2005 Plan, including the same restrictions applicable with respect to options granted under the 2005 Plan described above. SARs granted in tandem with an option will have the same terms and conditions as the option with respect to which it was granted. SARs may be settled in Common Shares, cash or a combination thereof, as determined by the Committee. Notwithstanding the forgoing description, it should be noted that the enactment of Section 409A of the Code has created some uncertainty regarding the treatment of SARs that were not granted before December 31, 2004 and vested on that date.

Restricted Stock and Stock Units. The 2005 Plan authorizes the Committee to grant awards of restricted stock and stock units with time-based vesting or performance-based vesting. A stock unit represents the right to receive a specified number of Common Shares upon vesting or at a later date permitted in the award agreement. Restricted stock and stock units may be settled in Common Shares, cash, or a combination thereof, as determined by the Committee. The terms and conditions of restricted stock and stock units will be determined by the Committee in its discretion, subject to certain restrictions contained in the 2005 Plan. Among the restrictions on the Committee's discretion are the following:

- **Minimum Performance Period.** Restricted stock and stock units that are subject to performance conditions may not be earned for a performance period of less than one year from the date of grant, except in the event of a change in control of the Company or the grantee's death or disability.
- **Voting and Dividend Rights.** Unless otherwise determined by the Committee, awards of restricted stock will have full voting and dividend rights.

Performance Units. The 2005 Plan authorizes the Committee to grant performance units payable in cash, Common Shares, or a combination thereof, based upon the achievement of specified performance goals during a specified performance period. Subject to the 2005 Plan, the performance goals, performance

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period and other terms and conditions applicable to performance awards will be specified by the Committee and set forth in the award agreement. Subject to the terms of the 2005 Plan, the performance goals, performance period and other terms and conditions of performance units will be determined by the Committee in its discretion; provided that the performance period shall not be less than one year.

Performance-Based Awards. Section 162(m) of the Code limits the Company's federal income tax deduction for compensation paid to any of the officers named in its Proxy Statement. The limit is US\$1,000,000 per officer per year, with certain exceptions. This deductibility cap does not apply to performance-based compensation, if approved in advance by the Company's shareholders. The 2005 Plan provides that all or a portion of an award of performance units or an award of restricted stock or stock units that are subject to performance-based vesting may be designed to qualify as deductible performance-based compensation.

The performance criteria for that portion of any award of performance units, restricted stock or stock units that is intended to qualify as deductible performance-based compensation will be a measure based on one or more Qualifying Performance Criteria, as defined below. Notwithstanding satisfaction of any performance goals, the number of Common Shares granted, issued, retained and/or vested under an award of restricted stock, stock units, and the amount paid under an award of performance units, may be reduced by the Committee on the basis of such further considerations as the Committee in its sole discretion shall determine. No award of performance units, restricted stock or stock units granted under the 2005 Plan that is intended to satisfy the requirements for performance based compensation under Section 162(m) of the Code will be payable unless the Committee certifies in writing that the applicable performance goals have been satisfied.

Qualifying Performance Criteria. The performance criteria for any award of restricted stock, stock units or performance units that is intended to satisfy the requirements for performance based compensation under Section 162(m) of the Code shall be any one or more of the following performance criteria, either individually, alternatively or in any combination, applied to either the Company as a whole or to a business unit or subsidiary, either individually, alternatively or in any combination, and measured either annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, to previous years' results or to a designated comparison group, in each case as specified by the Committee: (i) cash flow (before or after dividends), (ii) earnings per share (including earnings before interest, taxes, depreciation and amortization), (iii) stock price, (iv) return on equity, (v) total stockholder return, (vi) return on capital (including return on total capital or return on invested capital), (vii) return on assets or net assets, (viii) market capitalization, (ix) economic value added, (x) debt leverage (debt to capital), (xi) revenue, (xii) income or net income, (xiii) operating income, (xiv) operating profit or net operating profit, (xv) operating margin or profit margin, (xvi) return on operating revenue, (xvii) cash from operations, (xviii) operating ratio, (xix) operating revenue, or (xx) customer service. The Committee shall appropriately adjust any evaluation of performance under a Qualifying Performance Criteria to exclude any of the following events that occurs during a performance period: (i) asset write-downs, (ii) litigation or claim judgments or settlements, (iii) the effect of changes in tax law, accounting principles or other such laws or provisions affecting reported results, (iv) accruals for reorganization and restructuring programs, and (v) any extraordinary non-recurring items as described in Accounting Principles Board Opinion No. 30 and/or in management's discussion and analysis of financial condition and results of operations appearing in the Company's annual report to shareholders for the applicable year.

Dividend Equivalents. The 2005 Plan authorizes the Committee to grant dividend equivalents independently or in tandem with any award. Dividend equivalents are payable in cash, Common Shares, or stock units in an amount equivalent to the dividends that would have been paid on Common Shares had the shares been outstanding from the date an Award was granted. Dividend equivalents may be granted with conditions as determined by the Committee, including that such amounts (if any) shall be deemed to have been reinvested in additional Common Shares.

Adjustments. Upon an increase or decrease in the number of issued Common Shares resulting from a reorganization, reclassification, combination of shares, stock split, reverse stock split, spin-off, dividend (other than regular, cash dividends), or otherwise, the number of shares authorized for issuance under the 2005 Plan, and the number of shares covered by each outstanding stock award and the price per share of common stock covered by each outstanding stock award, may be proportionately adjusted by the Committee to reflect such increase or decrease, unless the terms of the transaction provide otherwise.

Change in Control. Unless otherwise provided for under the terms of the transaction, the Committee may provide that any or all of the following shall occur in connection with a change in control, or upon termination of the Participant's employment following a change in control:

- the acceleration of the vesting and/or exercisability of any outstanding award such that it will become fully vested and/or immediately exercisable as to all or a portion of the Common Shares covered thereby;
- the substitution of shares of the surviving or successor company for Common Shares covered by any outstanding award;
- the conversion any outstanding award into a right to receive cash and/or other property; and/or
- the termination of any outstanding award upon or following the consummation of the change in control.

Restrictions on Transfer. Unless the Committee specifies otherwise, awards granted under the 2005 Plan may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated other than by will or the laws of descent and distribution, and each award is exercisable only by the plan participant during his or her lifetime.

Plan Amendments. The Board of Directors may amend or terminate all or any part of the 2005 Plan at any time and in any manner; provided that, (i) the Company's shareholders must approve any amendment or termination if shareholder approval is required under any applicable law, regulation, or NYSE or other applicable listing requirement; and (ii) Participants must consent to any amendment or termination that would materially impair their rights under outstanding awards, unless the Committee determines that the amendment or termination is either required or advisable to satisfy any applicable law or regulation or to meet the requirements of any accounting standard or avoid adverse financial accounting consequences thereunder. The Committee may modify the provisions of any award at any time and in any manner as may be necessary for it to conform to local rules and regulations in any jurisdiction outside the United States.

Plan Duration. The 2005 Plan was adopted by the Board of Directors on September 23, 2005, but no awards may be granted under the 2005 Plan until it has been approved by shareholders. No award may be granted under the 2005 Plan after the tenth anniversary of the date the 2005 Plan is approved by the shareholders, but any award granted prior to that date may extend beyond that date.

New Plan Benefits. Because benefits under the 2005 Plan will depend on the Committee's actions and the fair market value of Common Shares at various future dates, it is not possible to determine the benefits that will be received by directors, executive officers and other employees if the 2005 Plan is approved by the Company's shareholders.

Federal Income Tax Consequences of the 2005 Plan

The following is only a summary of the effect of U.S. federal income taxation upon the participant and the Company with respect to the grant and exercise of awards under the 2005 Plan, is not complete, does not discuss the income tax laws of any state or foreign country in which a participant may reside, and is

subject to change. Participants in the 2005 Plan should consult their own tax advisors regarding the specific tax consequences to them of participating in the 2005 Plan.

Incentive Stock Options. Pursuant to the 2005 Plan, employees may be granted options that are intended to qualify as incentive stock options under the provisions of Section 422 of the Code. Except as described in the following two sentences, the employee is generally not taxed and the Company is not entitled to a deduction on the grant or exercise of an incentive stock option, so long as the option is exercised while the employee is employed by the Company or its subsidiaries, or within three months following termination of employment (one year if termination is due to permanent disability). The amount by which the fair market value of the shares acquired upon exercise of the option exceeds the exercise price will be included as a positive adjustment in the calculation of the employee's alternative minimum taxable income in the year of exercise. The alternative minimum tax imposed on individual taxpayers is generally equal to the amount by which a specified percentage of the individual's alternative minimum taxable income (reduced by certain exemption amounts) exceeds his or her regular income tax liability for the year.

If the employee disposes of shares acquired upon exercise of an incentive stock option at any time within one year after the date of exercise or two years after the date of grant of the option (such a disposition is referred to as a disqualifying disposition), then the employee will recognize (i) capital gain in an amount equal to the excess, if any, of the sales price over the fair market value of the shares on the date of exercise; (ii) ordinary income in an amount equal to the excess, if any, of the lesser of the sales price or the fair market value of the shares on the date of exercise over the exercise price of the option; and (iii) capital loss equal to the excess, if any, of the exercise price over the sales price.

In the event of a disqualifying disposition, the Company will generally be entitled to a deduction in an amount equal to the amount of ordinary income recognized by the employee. If the employee sells shares acquired upon exercise of an incentive stock option at any time after the first anniversary of the date of exercise and the second anniversary of the date of grant of the option, then the employee will recognize long-term capital gain or loss equal to the difference between the sales price and the exercise price of the option, and the Company will not be entitled to any deduction.

Nonqualified Stock Options. Pursuant to the 2005 Plan, eligible individuals may be granted options that do not qualify for treatment as incentive stock options (referred to as nonqualified stock options). The grant of a nonqualified stock option is generally not a taxable event for the optionee. Upon exercise of a nonqualified stock option, the optionee will generally recognize ordinary income in an amount equal to the excess of the fair market value of the shares on the date of exercise over the exercise price, and the Company will be entitled to a deduction equal to such amount. A subsequent disposition of the shares will give rise to capital gain or loss equal to the difference between the sales price and the sum of the exercise price paid with respect to the shares plus the ordinary income recognized with respect to the shares. Any capital gain or loss on the subsequent disposition of shares acquired through the exercise of a nonqualified stock option will generally be treated as a long-term or short-term capital gain or loss, depending on whether the holding period for the shares exceeds one year at the time of the disposition.

Stock Appreciation Rights. Pursuant to the 2005 Plan, eligible individuals may be granted SARs. The grant of SARs is generally not a taxable event for the grantee. Upon exercise of a SAR, the grantee will generally recognize ordinary income in an amount equal to the fair market value on the date of exercise of the shares or other property received upon exercise of the SAR, and the Company will be entitled to a deduction equal to such amount. A subsequent disposition of any shares received by the grantee upon the exercise of a SAR will give rise to capital gain or loss equal to the difference between the sales price and the ordinary income recognized with respect to the shares. Any capital gain or loss on the subsequent disposition of such shares will generally be treated as a long-term or short-term capital gain or loss, depending on whether the holding period for the shares exceeds one year at the time of the disposition.

Restricted Stock. Pursuant to the 2005 Plan, eligible individuals may be granted restricted stock. Unless the grantee makes a timely election under Section 83(b) of the Code, he or she will generally not recognize any taxable income until the restrictions on the shares expire or are removed, at which time the grantee will recognize ordinary income in an amount equal to the excess of the fair market value of the shares at that time over the purchase price for the restricted shares, if any. If the grantee makes an election under Section 83(b) within 30 days after receiving shares of restricted stock, he or she will recognize ordinary income on the date of receipt equal to the excess of the fair market value of the shares on that date over the purchase price, if any, for the restricted shares, if any. The Company will generally be entitled to a deduction equal to the amount of ordinary income recognized by the grantee at the time such income is recognized by the grantee.

Stock Units. Pursuant to the 2005 Plan, eligible individuals may be granted stock units. The grant of a stock unit is generally not a taxable event for the grantee. In general, the grantee will not recognize any taxable income until the Common Shares subject to the stock unit (or cash equal to the value of such shares) are distributed to him or her without of any restrictions, at which time the grantee will recognize ordinary income equal to the excess of the fair market value of the shares (or cash) at that time over the purchase price for the shares, if any. The Company will generally be entitled to a deduction equal to the amount of ordinary income recognized by the grantee at the time such income is recognized by the grantee.

Performance Units. Pursuant to the 2005 Plan, eligible individuals may be granted performance units. The grant of a performance unit is generally not a taxable event for the grantee. Upon payment of a performance unit, the grantee will recognize ordinary income equal to the fair market value of any Common Shares or cash received. The Company will generally be entitled to a deduction equal to the amount of ordinary income recognized by the grantee at the time such income is recognized by the grantee.

Dividend Equivalents. Pursuant to the 2005 Plan, eligible individuals may be granted dividend equivalents. Upon payment of amounts associated with a dividend equivalent, the grantee will recognize ordinary income equal to the fair market value of any Common Shares or cash received. The Company will generally be entitled to a deduction equal to the amount of ordinary income recognized by the grantee at the time such income is recognized by the grantee.

Withholding of Taxes. Generally, the Company will be required to withhold applicable taxes with respect to any ordinary income recognized by a grantee in connection with awards granted under the 2005 Plan. The grantee may be required to pay the withholding taxes to the Company or make other provisions satisfactory to the Company for the payment of the withholding taxes as a condition to the exercise of options or the receipt of unrestricted stock pursuant to stock units and performance units. Special rules will apply in cases where a grantee pays the exercise or purchase price of an award, or the applicable withholding tax obligations, by delivering previously owned Common Shares or by reducing the number of shares otherwise issuable pursuant to the award. Such a delivery of shares will in certain circumstances result in the recognition of income with respect to those shares.

Other Tax Issues. Awards to eligible individuals under the 2005 Plan may provide for accelerated vesting or payment in the event of a change in control of the Company. In that event, and depending upon the individual circumstances of the holder of the award, certain amounts with respect to such awards may constitute excess parachute payments under the golden parachute provisions of the Code. Pursuant to these provisions, a grantee will be subject to a 20% excise tax on any excess parachute payment and the Company will be denied any deduction with respect to such payment.

As noted above, Section 162(m) of the Code limits the Company's federal income tax deduction for compensation paid to any of the officers named in its Proxy Statement. In certain instances the Company may be denied a compensation deduction for awards granted to certain Company officers that do not

qualify as performance-based compensation to the extent their aggregate compensation exceeds US\$1,000,000 in a given year.

Vote Required

The affirmative vote of the holders of a majority of the outstanding Common Shares entitled to vote at the Meeting that are present in person or by proxy and who do vote is required for approval of the 2005 Plan.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE APPROVAL OF THE 2005 PLAN.

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**PROPOSAL 3:
APPROVAL OF THE HERBALIFE LTD. EXECUTIVE INCENTIVE PLAN**

On September 23, 2005, our Board of Directors, upon recommendation by the compensation committee, adopted a resolution unanimously approving, and is recommending to the shareholders for their approval, the Herbalife Ltd. Executive Incentive Plan (the Incentive Plan) to govern the award and payment of annual bonuses to certain Company executives. Shareholder approval will permit us to deduct payments under the Incentive Plan for federal income tax purposes.

The purpose of the Incentive Plan is to enable us to attract, motivate, reward and retain our executive officers by providing them with incentive compensation based upon our success. The Board of Directors also believes that the Incentive Plan serves the Company's best interest by focusing management's attention on the achievement of those goals that the Board of Directors determines to be strategically and operationally important for the Company.

The Incentive Plan is intended to satisfy the requirements for performance-based compensation within the meaning of Section 162(m) of the Code. The Board of Directors believes that it is in the best interests of the Company and its shareholders to ensure that bonuses to be paid to its executive officers are deductible by the Company for federal income tax purposes. Accordingly, the Company has structured the Incentive Plan to satisfy the requirements of Section 162(m) of the Code for performance-based compensation. Generally, Section 162(m) of the Code prevents a company from receiving a federal income tax deduction for compensation paid to a Named Executive Officer, as defined in Item 402 Regulation S-K, in excess of \$1 million for any year, unless that compensation is performance-based. One of the requirements of performance-based compensation for purposes of Section 162(m) of the Code is that the corporation's shareholders have approved the material terms of a performance-based compensation plan, including the employees eligible to receive compensation under the plan, a description of the business criteria on which the performance goal is based, and the maximum amount of compensation that could be paid to any employee under the plan, or the formula used to calculate the amount of compensation to be paid to the employee.

The following summary of the material features of the Incentive Plan is qualified in its entirety by reference to the complete text of the Incentive Plan. The full text of the Incentive Plan is attached hereto as Appendix D.

Administration

The Incentive Plan shall be administered by the compensation committee, which shall consist of two or more outside directors as such term is defined under Section 162(m) of the Code. The compensation committee shall have complete authority to make any and all decisions regarding the administration of the Incentive Plan, including interpreting the terms and provisions of the Incentive Plan, selecting the participants to receive awards under the Incentive Plan, determining the terms of the awards made under the Incentive Plan, and establishing any incentive program under the Incentive Plan.

The compensation committee may delegate various functions to a subcommittee or certain officers of the Company to the extent such delegation is not inconsistent with Section 162(m) of the Code.

Eligibility

Participants in the Incentive Plan are the Company's Chief Executive Officer and such other executives of the Company as selected by the compensation committee.

Establishment of Incentive Program

Within 90 days after the end of each fiscal year, the compensation committee may establish an incentive program under the Incentive Plan for the current year by determining the performance criteria to be used to determine amounts payable to participants under the Incentive Plan and the performance bonus

amount payable to each participant under the Incentive Plan, which amount will be based upon one or more performance criteria and/or the level of achievement with respect thereto. In its sole discretion, the compensation committee may also reduce, but may not increase, an individual's incentive calculated under an award under the Incentive Plan.

The performance criteria can be measured individually or in combination and can be applied to the Company's performance as a whole or, alternatively, individual business units or subsidiaries of the Company. The performance criteria can be measured either annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, to previous years' results or to a designated comparison group. The performance criteria will include one or more of the following: (i) cash flow before or after dividends, (ii) earnings per share, including earnings before interest, taxes, depreciation and amortization, (iii) stock price, (iv) return on equity, (v) total stockholder return, (vi) return on capital, including return on total capital or return on invested capital, (vii) return on assets or net assets, (viii) market capitalization, (ix) economic value added, (x) debt leverage (debt to capital), (xi) revenue, (xii) income or net income, (xiii) operating income, (xiv) operating profit or net operating profit, (xv) operating margin or profit margin, (xvi) return on operating revenue, (xvii) cash from operations, (xviii) operating ratio, (xix) operating revenue or (xx) customer service.

The maximum amount payable to any participant with respect to a year shall not exceed \$5,000,000.

Committee Certification and Determination of Awards

As soon as practicable after the end of each fiscal year, the compensation committee will certify, in writing, the level of achievement with respect to the performance criteria and targets established under the Incentive Plan for each executive officer who is subject to Section 162(m) of the Code.

Payment of Awards

Following the compensation committee's determination of awards to be paid to participants, such awards shall be paid in cash, or in the compensation committee's discretion, in Common Shares, which Common Shares will be issued pursuant to and subject to the limitations of the 2005 Plan, if approved by shareholders, or another plan approved by the shareholders of the Company, or any combination thereof.

Duration and Amendment

The Board of Directors may suspend or terminate the Incentive Plan at any time. Additionally, the Board of Directors may amend the Incentive Plan as it deems advisable except that no amendment which is material for purposes of shareholder approval imposed by applicable law, including the requirement of Section 162(m) of the Code, shall be effective without the approval of the shareholders of the Company.

New Plan Benefits

The bonuses, if any, that will be paid to the participants for any fiscal year are subject to the discretion of the compensation committee and, therefore, are not determinable at this time.

Vote Required

The affirmative vote of the holders of a majority of the outstanding Common Shares entitled to vote at the Annual General Meeting of Shareholders that are present in person or by proxy and who do vote is required for approval of the Incentive Plan.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE APPROVAL OF THE EXECUTIVE INCENTIVE PLAN.

**PROPOSAL 4:
THE RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS**

The audit committee has selected KPMG LLP as the Company's independent registered public accountants for the fiscal year ending December 31, 2005. Services provided to the Company and its subsidiaries by KPMG LLP in fiscal 2003 and 2004 are described under *Fees to Independent Registered Public Accountants for Fiscal 2003 and 2004* below. Additional information regarding the audit committee is provided in the Report of the Audit Committee below.

The Company has been advised that representatives of KPMG LLP will be present at the Meeting where they will have an opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions.

In the event shareholders do not ratify the appointment of KPMG LLP, the appointment will be reconsidered by the audit committee and the Board of Directors.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR RATIFICATION OF THE APPOINTMENT OF KPMG LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS FOR FISCAL 2005.

Audit Committee Report

The audit committee is responsible for monitoring our financial auditing, accounting, and financial reporting processes and our system of internal controls, and selecting the independent public accounting firm on behalf of the Board of Directors. Our management has primary responsibility for our internal controls and reporting process. Our independent registered public accounting firm, KPMG LLP, is responsible for performing an independent audit of our consolidated financial statements, management's assessment of the effectiveness of our internal control over financial reporting and the effectiveness of our internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States) and issuing an opinion thereon. In this context, the audit committee met regularly and held discussions with management and our external auditors, KPMG LLP. Management represented to the audit committee that the consolidated financial statements for the fiscal year 2004 were prepared in accordance with generally accepted accounting principles.

The audit committee hereby reports as follows:

- The audit committee has reviewed and discussed the audited consolidated financial statements and accompanying management's discussion and analysis of financial condition and results of operations with our management and KPMG LLP. This discussion included KPMG LLP's judgments about the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the financial statements.
- The audit committee also discussed with KPMG LLP the matters required to be discussed by the applicable Statements on Auditing Standards, including SAS No. 61 and No. 90, as amended (Communication with Audit Committees).
- KPMG LLP also provided to the audit committee the written disclosures and the letter required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and the audit committee has discussed with KPMG LLP the accounting firm's independence. The audit committee also considered whether non-audit services provided by KPMG LLP during the last fiscal year were compatible with maintaining the accounting firm's independence.

Based on the reviews and discussions referred to above, the audit committee has recommended to the Board of Directors that the audited consolidated financial statements be included in our Annual Report on Form 10-K for the year ended December 31, 2004, for filing with the Securities and Exchange Commission. The audit committee also selected, subject to shareholder ratification, KPMG LLP to serve as our independent registered public accounting firm for the year ending December 31, 2005.

AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

Richard P. Bermingham, *Chairman*

Leroy T. Barnes, Jr.

Peter Maslen

Fees to Independent Registered Public Accountants for Fiscal 2003 and 2004

The following services were provided by KPMG LLP during fiscal 2003 and 2004:

	2003	2004
Audit Fees(1)	\$ 1,026,000	\$ 3,612,000
Audit-related fees(2)	125,000	194,000
Tax fees(3)	582,000	1,649,000
All other fees(4)		
Total	\$ 1,733,000	\$ 5,455,000

(1) Audit Fees-Audit fees were billed for the following services: Audit and Sarbanes-Oxley Section 404 certification (2004 only).

(2) Audit-Related Fees-Audit-related fees were billed for the following services: assistance with Sarbanes-Oxley Section 404.

(3) Tax Fees-Tax fees were billed for the following services: tax compliance and international tax guidance.

(4) All Other Fees-All other fees were billed for the following services: project management and consulting relating to various information technology projects, distributor process improvements and supply chain management.

Pre-Approval Policy

The audit committee adopted the pre-approval policies and procedures for certain audit and non-audit services which the Company's independent auditors have historically provided. Pursuant to those policies and procedures, the Company's external auditor cannot be engaged to provide any audit or non-audit services to the Company unless the engagement is pre-approved by the audit committee in compliance with the Sarbanes-Oxley Act of 2002. The audit, audit related, tax and other fees and services described above were pre-approved for 2004. The pre-approval policy was adopted by the Company in late 2003 and therefore such fees and services were not pre-approved for 2003.

MANAGEMENT**Directors and Executive Officers**

Biographical information follows for each person who serves as a director and/or an executive officer of the Company. The table sets forth certain information regarding these individuals. Ages are as of September 30, 2005.

Name	Age	Position with the Company	Director/Officer Since	Class
Peter M. Castleman	49	Chairman of the Board	2002	I
Michael O. Johnson	51	Chief Executive Officer, Director	2003	I
Gregory Probert	49	President, Chief Operating Officer	2003	
Henry Burdick	63	Vice Chairman, Director	2002	I
Richard Goudis	44	Chief Financial Officer	2004	
Brett R. Chapman	50	General Counsel	2003	
Leroy T. Barnes, Jr.	53	Director	2004	III
Richard P. Birmingham	65	Director		