

August 29, 2016

By Email

Janet Ammerman
Federal Trade Commission
Bureau of Consumer Protection
Division of Marketing Practices
600 Pennsylvania Ave NW
CC-8528
Washington, DC 20580

Brad Winter
Federal Trade Commission
Bureau of Consumer Protection
Division of Enforcement
600 Pennsylvania Ave NW
CC-9528
Washington, DC 20530

Re: Independent Compliance Auditor for Herbalife

Dear Ms. Ammerman and Mr. Winter:

We write to express our interest in serving as the Independent Compliance Auditor (“ICA”) for Herbalife (“Herbalife”) pursuant to the Stipulated Order for Permanent Injunction and Monetary Judgment (“Order”).

Overview

Pallas Global Group, LLC (“Pallas Global”) has unparalleled expertise in the context of monitorships, and our team members have deep experience in issues arising out of corporate compliance and regulatory oversight. Pallas Global principals have supervised some of the largest, most noteworthy monitorships in the country. Our team members have also served as government-appointed monitors and independent consultants for Fortune 500 companies. Our team includes experts in corporate ethics, compliance, governance, and risk management.

Forensic Risk Alliance (“FRA”), the investigative consultant with whom we would partner, if selected, has expertise in data analytics and extensive monitorship and compliance experience. FRA employs over 90 professionals, including forensic accountants, data analysts, financial analysts, former investment bankers, legal professionals, software engineers, and certified

computer examiners. FRA has extensive experience working on complex and high profile engagements requiring objectivity and independence in the context of regulatory oversight of multinational corporations. FRA has worked on five of the largest Foreign Corrupt Practices Act (“FCPA”) monitorships implemented by the Department of Justice (“DOJ”), is currently engaged on a New York Department of Financial Services (“DFS”) monitorship of an international bank, and has been appointed to support the monitoring team in accordance with the City of Ferguson Consent Decree.

We submit that our team’s substantial monitorship experience coupled with our deep expertise in corporate compliance renders Pallas Global uniquely qualified to act as the ICA for Herbalife.

A. Executive Summary

Pallas Global’s team of seasoned experts will quickly gain a solid understanding of the legal requirements as set forth in the Order, develop clear evaluation and testing protocols, and establish sensible, sustainable recommendations to ensure remediation. Our approach is characterized by working collaboratively with the company to gain a thorough understanding of the company’s current policies and practices and any remediation already undertaken. This initial phase of the assignment will include interviews, on-site visits, and document review to master the details of Herbalife’s current practices. This thorough process will allow us to narrowly tailor our recommendations and data analytics solutions to address the terms of the Order in a cost-effective manner.

As described in detail in Section C, our forensic accounting team has substantial experience in data collection, analysis and compliance testing. Based on this experience and our review of the Order, we expect this process to include:

- Data mapping Herbalife’s IT systems, focusing on Herbalife’s financial systems, including customer master lists, vendor master lists and product list inventory;
- Identifying additional key ledgers and accounts that may be used to conceal accounting irregularities;
- Analyzing extracted data with particular focus on Retail Sales, Preferred Customers, Rewardable Personal Consumption, Multi-Level Compensation and Purchased Business Locations;
- Creating a data querying methodology, along with tailored software and algorithms;
- Integrating our data analytics approach into Internal Audit, Operational Risk Management, Compliance and Controls Audits, and daily monitoring; and
- Setting in place a process for revisiting and re-performing the risk assessment to ensure that the data analytics is appropriately tailored for ongoing review.

B. Personnel

The principal ICA team members would be Bonnie Jonas, Tiffany Moller, Kenneth Handal, Richard Rudolph and FRA team members, Francis McLeod, Greg Mason, Stacy Fresch, Phillip Design and Joseph Cheriathundam. (Biographies Attached).

Bonnie Jonas

Bonnie Jonas is a co-founder of Pallas Global. Ms. Jonas served for 18 years as an Assistant United States Attorney in the U.S. Attorney's Office for the Southern District of New York (the "SDNY"). Ms. Jonas's most recent position with the SDNY was as Deputy Chief of the Criminal Division, from 2013 to 2016. She also served as the SDNY's Financial Fraud Coordinator for President Obama's Financial Fraud Enforcement Task Force and as Co-Chief of the General Crimes Unit.

During her tenure in the SDNY, Ms. Jonas investigated and prosecuted many of DOJ's most historic and complex matters. Ms. Jonas investigated and prosecuted individuals at WorldCom, Royal Ahold, Aurora Foods, and Commerzbank and prosecuted and oversaw reforms through corporate monitorships of Deutsche Bank, Toyota, and General Motors.

Tiffany Moller

Tiffany Moller is a co-founder of Pallas Global. She served as an Assistant United States Attorney in the SDNY, where she served in the Securities Fraud Unit. During her tenure, Ms. Moller investigated and prosecuted significant white collar crime and securities fraud cases. She also briefed and argued cases before the U.S. Court of Appeals for the Second Circuit. Prior to her tenure in the SDNY, Ms. Moller worked as an associate at Sullivan & Cromwell.

Most recently, from 2014-2016, Ms. Moller served as an Assistant Deputy Commissioner and the first-ever Chief of Compliance and Oversight for the New York City Police Department ("NYPD"). Ms. Moller was responsible for coordinating NYPD's response to oversight bodies as well as overseeing the largest municipal monitorship in the country. Ms. Moller's responsibilities included developing, implementing and supervising NYPD programs to comply with federal, state and local laws and advising the NYPD generally on high profile legal matters.

Kenneth Handal

Kenneth Handal is an expert in corporate ethics and compliance, governance, and risk management with almost 40 years of experience as an attorney. He most recently served as General Counsel and Chief Ethics and Compliance Officer for the not-for-profit New York Racing Association, Inc. Prior to that assignment, Mr. Handal was President of Governance, Risk and Compliance for Guidepost Solutions LLC ("Guidepost"), a firm specializing in investigations,

compliance, monitoring and risk management solutions. From 2004 to 2009, Mr. Handal was the Executive Vice President, General Counsel and Corporate Secretary of CA Technologies, Inc. (“CA,” formerly Computer Associates). Mr. Handal oversaw the company’s compliance with its deferred prosecution agreement concerning conduct prior to 2004. During his tenure, Mr. Handal established the company’s Global Risk and Compliance Group.

Richard Rudolph

Richard Rudolph was a Director in Deutsche Bank’s New York office and served as Regional Head of the Anti-Fraud and Forensics Division. Prior to his nine-year tenure at Deutsche Bank, he served for 27 years as a Special Agent with the Federal Bureau of Investigation (“FBI”). While at the FBI, he was the recipient of the Attorney General’s Award for Outstanding Achievement and also received the FBI’s Director’s Award for Excellence in Investigations.

Frances McLeod

Ms. McLeod is a founding partner of FRA and is a former investment banker. She has over 23 years of experience advising clients on sanctions, anti-corruption, fraud, internal controls, asset tracing, and money laundering issues. Ms. McLeod has been involved in all of FRA’s monitorship work as well as with four of the firm’s five DOJ monitorships. She is currently the lead FRA partner on the firm’s engagement by DFS on the monitorship of an international bank, and she is assisting the DOJ-appointed monitor to the City of Ferguson Consent Decree.

Greg Mason

Mr. Mason is a founding partner of FRA. He is an expert in complex database architecture and programming, mass data analysis, and data mining in the context of investigations, disputes, and litigation. Mr. Mason co-led the FRA team that created procedures to collect and validate Holocaust victim claims. The system he created was responsible for distributing \$1.25 billion in repatriated funds. He is presently acting on behalf of the independent examiners of several Swiss banks and has extensive experience testing compliance in the context of sanctions, money laundering and fraud. Mr. Mason has served as an expert in multiple cases for regulators including DOJ, the U.S. Securities and Exchange Commission (“SEC”), the Federal Trade Commission (“FTC”) and the UK Serious Fraud Office.

Stacy Fresch

Ms. Fresch is a partner in the Washington, D.C. office of FRA. She has over 20 years of private and public sector experience providing advice on financial accounting and reporting matters and related auditing issues. Ms. Fresch has successfully directed numerous cross-border forensic accounting investigations and assisted corporations, boards of directors and audit committees in their responses to SEC and DOJ inquiries. She also has a wealth of experience investigating accounting irregularities and bribery allegations, and completing financial restatement projects.

Prior to joining FRA in 2016, Ms. Fresch was a Managing Director for KPMG in the forensics practice, where she was responsible for leading complex litigation-support assignments, and supporting global compliance reviews. Between 2010 and 2014, Ms. Fresch served as an Assistant Chief Accountant in the SEC's Division of Enforcement where she completed a variety of financial and accounting fraud investigations of SEC registrants, corporate officers, external auditors, and other third parties. Ms. Fresch testified on behalf of the SEC in U.S. District Court for the Northern District of Texas.

Phillip Desing

Mr. Desing is a partner in the Washington, D.C. office of FRA. He was a Special Agent for the FBI for over 26 years and is a certified public accountant. During his career, he worked on a variety of complex fraud investigations as part of the FCPA Task Force with DOJ's Fraud Section and the SEC. Mr. Desing was a Managing Director at KPMG, where he assisted international clients with internal investigations. Prior to joining FRA, Mr. Desing was a Senior Investigator at Weatherford International, where he was responsible for conducting fraud and misconduct investigations. He also worked with the Independent Compliance Monitor team to strengthen Weatherford's anti-corruption policies and procedures.

Joseph Cheriathundam

Mr. Cheriathundam has over 20 years of experience leveraging data analytics for matters relating to fraud, the False Claims Act, anti-money laundering, FCPA, mortgage servicing, and the gaming industry. He previously served as a Managing Director of StoneTurn Group, where he led their data analytic activity and served on their Monitorship Data Team, specifically monitoring a mortgage servicing company.

Organization of the Team

Bonnie Jonas will lead the ICA team. Ms. Jonas has extensive experience leading and overseeing teams evaluating, reviewing and monitoring the performance of complex, multinational companies. Ms. Jonas, along with Ms. Moller, FRA personnel, and Messrs. Handal and Rudolph, will perform policy review, interviews, training assessments, and incident reviews. Ms. Jonas, Ms. Moller and Mr. Handal will perform compliance reviews and validate Herbalife's remediation efforts. Ms. Jonas, Ms. Moller and Mr. Handal will also prepare reports and court submissions. Ms. McLeod will lead the FRA team supporting the monitor by providing statistical and data analysis, information technology, and testing. Mr. Mason will design the database architecture, conduct the data extraction, and manage the data analytics and testing, assisted by Mr. Cheriathundam. Ms. Fresch will provide auditing and technical accounting expertise on compliance with U.S. GAAP. Mr. Desing will provide additional accounting and investigative support.

Our ICA team members do not have any existing or expected significant time commitments that would limit their availability for work on the ICA team as described in the scope of work above. FRA has a number of significant current engagements, however, these FRA team members have sufficient availability to fully participate in the testing and data analysis required as set forth in the Order.

C. Qualifications

Each of the ICA team members has extensive experience monitoring, evaluating, and reviewing the performance of complex institutions, including experience in monitoring settlements, consent decrees, and court orders.

Bonnie Jonas

Serving more than 18 years as an Assistant United States Attorney and former Deputy Chief of the Criminal Division in the SDNY, Ms. Jonas has extensive experience preparing for and participating in court proceedings, including drafting written court submissions and meeting court deadlines. As detailed below, Ms. Jonas has significant experience monitoring, evaluating and analyzing the conduct of corporations.

- 1) *Deutsche Bank AG – Non-Prosecution Agreement:* Ms. Jonas led the investigation and negotiated the resolution with Deutsche Bank AG, which arose out of Deutsche Bank's involvement in a fraudulent tax shelter scheme. She supervised a team of agents and prosecutors and reviewed extensive documentation related to multiple, complex tax shelters. Ms. Jonas supervised the independent expert who was retained by Deutsche Bank pursuant to the non-prosecution agreement that Deutsche Bank entered into with the SDNY.

- 2) *United States v. Toyota Motor Corporation*: Ms. Jonas led the investigation and first-ever federal prosecution of an automotive company. Toyota was charged with making misleading public statements to its consumers and concealing from its regulator a lethal safety-related issue (a problem with accelerators getting stuck at partially depressed levels). Ms. Jonas led a team of agents and prosecutors who engaged in a massive document review, conducted witness interviews and data analysis as part of the investigation. The resolution resulted in a forfeiture of approximately \$1.2 billion and an independent monitor was appointed, whom Ms. Jonas supervised. In connection with that resolution, Ms. Jonas regularly conferred with the monitor and his staff and reviewed the monitor's progress reports, findings, and recommendations.

- 3) *United States v. General Motors Company*: Ms. Jonas led the investigation and prosecution of the second federal criminal prosecution of an automotive company. General Motors was charged with engaging in a scheme to conceal a deadly safety defect from its U.S. regulator and committing wire fraud. The investigation involved extensive document review and multiple witness interviews. The resolution resulted in a financial penalty of approximately \$900 million and an independent monitor was appointed, whom Ms. Jonas supervised.

Tiffany Moller

As the first-ever Chief of Compliance and Oversight for the largest municipal agency in the country, Pallas Global co-founder Tiffany Moller has significant experience monitoring and evaluating the performance of a large organization as well as experience monitoring settlements, writing reports, and meeting deadlines. Ms. Moller's responsibilities included developing, implementing and overseeing NYPD programs to comply with federal, state and local laws. Ms. Moller was responsible for coordinating the NYPD's response to a court-imposed monitor, as well as to other oversight bodies. Ms. Moller's responsibilities included preparing the NYPD's response to the monitor's bi-annual reports as well as responding to reports issued by other NYPD oversight bodies, including the Inspector General for the NYPD and the Commission to Combat Police Corruption. As a federal prosecutor in the U.S. Attorney's Office for the SDNY, Ms. Moller has significant experience preparing for and participating in court proceedings and drafting court submissions for the SDNY as well as for the Second Circuit.

Kenneth Handal

Over his 40-year career, Mr. Handal has extensive expertise monitoring, evaluating and reviewing the performance of organizations, including experience in monitoring settlements.

- 1) *New York Racing Association, Inc.*: Mr. Handal most recently served as General Counsel and Chief Ethics and Compliance Officer for NYRA. Mr. Handal was brought into NYRA after violations of New York state law resulted in a state investigation and the termination of the CEO and general counsel. Mr. Handal designed and implemented a new compliance and ethics program and new corporate governance procedures, and he supervised the legal function.
- 2) *Science Applications International Corporation*: Mr. Handal served as President for Governance, Risk and Compliance at Guidepost, a global consulting, investigative and security firm. During his tenure, he served as an independent compliance consultant for Science Applications International Corporation, a large defense contractor in McLean, Virginia, in preparation for the company's entry into a deferred prosecution agreement with the SDNY concerning fraudulent billing practices. The assignment was completed within the anticipated deadlines and budget.
- 3) *CA Technologies, Inc.*: Mr. Handal was hired by CA as General Counsel, Chief Ethics and Compliance Officer, and Corporate Secretary after a corporate accounting and obstruction of justice prosecution. He negotiated, implemented, and monitored a corporate deferred prosecution agreement that included extensive ethics and compliance reforms. He also oversaw the company's global legal department of more than 60 lawyers. Mr. Handal subsequently formed and headed the company's Global Risk and Compliance Department, which included the functions for compliance, internal audit, internal controls, enterprise risk management, corporate governance, and security. In these positions, he was responsible for setting and executing budgets for his departments.

Richard Rudolph

Mr. Rudolph has expertise in monitoring and evaluating the performance of organizations, including skills in statistical analysis, data analysis, information technology, and risk assessment.

- 1) *Deutsche Bank*: In his position as Regional Head of Anti-Fraud and Forensics at Deutsche Bank, Mr. Rudolph managed several programs focused on reducing risk and investigating fraud across a complex organization. Mr. Rudolph designed a program to identify employees who were not in compliance with corporate policies and regulatory guidelines. He led a team who developed metrics to determine employee noncompliance, conducted risk assessments relating to specific employees, and established a monitoring methodology to audit future compliance. He supervised the

development of a global standardized case management system to track security incidents and investigations with statistical reporting.

Mr. Rudolph instituted and managed procedures on forensic-driven investigations. He utilized data management systems to develop a Global Enhanced Client Background Screening Program to identify risks associated with the establishment of business relationships in emerging markets and high-risk sectors. Mr. Rudolph utilized data analytics to identify gaps in adherence to policies and developed a global standardized case management system to track all security incidents, including investigative analysis and statistical reporting.

Mr. Rudolph has managed investigations involving significant losses to Deutsche Bank, including allegations of employee misconduct and other compliance matters. In that role, he identified an employee theft of \$13M. Through subsequent investigation and data analysis, Mr. Rudolph and his team traced the flow of funds and recovered over \$10M.

- 2) *Federal Bureau of Investigation:* Prior to joining Deutsche Bank, Mr. Rudolph had a distinguished 27-year career with the FBI. During his career in the FBI, Mr. Rudolph led an investigative team across multiple jurisdictions, which convicted many high ranking members of organized crime families operating in the New York metropolitan area. In one investigation, he was instrumental in gathering data covering a ten-year period to establish organized crime's control over the window replacement industry in New York City. Mr. Rudolph testified as an expert witness in several court proceedings during the course of the ten-year investigation.

FRA

Pallas Global's forensic consultant, FRA, has extensive experience monitoring, auditing, evaluating and reviewing the performance of organizations subject to government settlements and consent decrees. FRA routinely reports and presents its findings to government regulators and corporations. FRA's expertise in data analytics, information technology, and data management lies at the core of its foundation. With highly skilled and internationally experienced staff, FRA has delivered numerous data analytics solutions for many leading corporations within anticipated deadlines and budgets.

Frances McLeod

Ms. McLeod has led FRA's team on countless forensic investigations related to financial misconduct and fraud in multi-jurisdictional litigations. Ms. McLeod has been involved in all of FRA's monitorship work. She is the lead partner on FRA's ongoing assignment supporting a DFS-appointed monitor, and she is assisting the DOJ-appointed monitor to the City of Ferguson Consent Decree. Ms. McLeod was also responsible for FRA's design and

implementation of the claims evaluation and administration systems of the \$1.3 billion Swiss Bank and \$2.5 billion German Slave Labor Holocaust settlements. Ms. McLeod has also provided expert testimony in anti-terror financing cases. Ms. McLeod has led the FRA teams on the monitoring engagements listed below.

- 1) *DFS-Appointed Independent Monitorship*: FRA is currently engaged in providing forensic and compliance assessment support to the DFS-appointed independent monitor in determining an international bank's compliance with federal and New York state laws. In addition, as part of the monitorship team, FRA is assessing the bank's corporate governance and compliance structure, analyzing the timeliness and effectiveness of the bank's remediation, and reviewing the organization's current reporting structure and compliance culture.
- 2) *Integrated Self-Service Solutions, Security Systems and Services Company*: FRA was retained by the DOJ-appointed monitor of a NYSE-listed technology company to provide forensic accounting support as part of the worldwide FCPA compliance review of the company. The company had entered into a deferred prosecution arising out of business dealings in China, Indonesia, and Russia. FRA assists in monitoring and testing the company's internal controls and books and records and makes recommendations for improvement of internal controls and compliance. FRA reports to the monitor and to DOJ.
- 3) *Oil Services Company*: FRA was retained by the DOJ-appointed monitor of a Swiss oil services company pursuant to a plea agreement related to FCPA and export control violations. FRA is providing forensic accounting support as part of the worldwide FCPA compliance review of the company, including the testing of internal controls. FRA has conducted compliance reviews of the company's operations in Asia, Africa, the Middle East, and Latin America.
- 4) *Global Energy Company*: In 2013, a global energy company entered into a deferred prosecution agreement with DOJ. The agreement required a worldwide review of its compliance program, as well as the appointment of a compliance monitor for a period of three years. FRA was engaged, together with a law firm, to conduct a global compliance review, which included monitoring and testing the company's system of internal controls. FRA trained the company's internal auditors with respect to compliance testing.
- 5) *Technip S.A.*: FRA provided forensic support in connection with the monitorship of Technip S.A. ("Technip"), an international oil services company. FRA was retained to provide forensic accounting and electronic discovery services as part of the company's worldwide review of its compliance program in connection with anti-bribery measures and export control compliance. The monitorship was imposed as a result of Technip's resolution with DOJ and the SEC. FRA conducted an extensive review of Technip's

global operations, involving in-country data collection, key personnel interviews, and substantial data review and analysis. As part of FRA's work, FRA made recommendations for improvements to internal controls and trained Technip's internal audit group on implementing an effective compliance and ethics program. Ms. McLeod and her team also worked closely with Technip's French Monitor and his counsel to adopt FRA's compliance testing and monitoring methodology. The FRA team presented its findings and recommendations regarding the company's anti-bribery and corruption compliance in a manner consistent with French data blocking restrictions.

Greg Mason

Mr. Mason is an expert in complex database architecture and programming, mass data analysis, and data mining in the context of investigations, disputes, and litigation. He has significant experience working on data analysis, data management, and information technology as demonstrated by some of his prior work listed below.

- 1) *Native American Rights Fund Settlement*: The Native American Rights Fund sued the federal government seeking an accounting for approximately 300,000 individual account holders whose funds were held in trust by the federal government resulting in a settlement of \$3.4 billion. Mr. Mason performed data analytics and statistical analysis based on the standardization, conversion, and review of over 140 million transaction records relating to the property income and oil revenue income of over 300,000 trust beneficiaries.
- 2) *Settlement for Former Slave and Forced Laborers*: FRA was appointed by a New York-based non-profit organization to develop systems that disbursed DEM 10 billion in restitution payments to Jewish claimants in connection with the German Slave Labor Holocaust settlements. Mr. Mason led FRA's team in building a system that evaluated tens of thousands of claims and paid qualifying claimants by issuing payment files directly to the escrow account held by Citibank. Mr. Mason also provided reports to the court-appointed Special Master and the German Ministry of Finance. FRA maintained a complete audit trail and reported quarterly to all stakeholders, including the U.S., Israeli, and German governments, and authorized non-profit organizations.
- 3) *Swiss Banks Claims Resolution Tribunal*: FRA was appointed by the Claims Resolution Tribunal in Zurich, Switzerland to re-develop the system for evaluating and paying out claims made in connection with the \$1.25 billion Swiss Banks Settlement. This required the development of complex name-matching algorithms, the presentation and programming of claim criteria, and the preparation of progress reports to the Swiss Banks and the Special Master with respect to methodology, audit trail, metrics, and valuation of claims paid. In connection with this assignment, Mr. Mason managed the constraints of Swiss Bank secrecy laws, numerous sets of banking data, and the sensitivity of the settlement.

- 4) *Multinational Antitrust Litigation*: FRA assisted a large group of claimants from across the EU in their action against a group of airlines alleging overcharging related to, among other things, freight costs. These claims were part of follow-on litigation triggered by major antitrust proceedings in a variety of jurisdictions. Mr. Mason and his team conducted extensive data reviews and hosted the claimants' database while undertaking complex data analysis to calculate damages.
- 5) *European Logistics/Shipping Company*: FRA assisted a European company with compliance assessments of a number of their offices located in high-risk jurisdictions, including India, Russia and the Commonwealth of Independent States. Together with key compliance personnel and a major law firm, FRA visited these jurisdictions, performing data analytics on financial transactions and systems, and interviewing local management to assess compliance control risks. In addition, Mr. Mason assisted the client by developing a data-driven method to identify and control third-party vendors across key business organizations.

Stacy Fresch

Ms. Fresch is an expert in managing large-scale financial and forensic accounting engagements, including assisting clients responding to SEC and DOJ inquiries, investigating accounting irregularities, and completing financial restatement projects. She has significant experience analyzing complex accounting issues, summarizing extensive amounts of data related to detailed accounting records, and providing technical accounting advice on compliance with U.S. GAAP in a variety of areas, including revenue recognition. She has prepared financial statement disclosures, including restated 10-Ks and 10-Q SEC filings, and evaluated numerous corporations' compliance with U.S. federal securities laws. Ms. Fresch's experience includes the following:

- 1) *Investigation and Restatement of Global Self-Service Banking Company*: Ms. Fresch directed an international team that assessed, analyzed, and summarized the financial impact of over 170 restatement issues for a \$3 billion global self-service banking and electronic security manufacturing company originally under investigation by the SEC and DOJ for revenue recognition issues. She prepared restated multi-period 10-K and 10Q SEC filings and corresponding disclosure schedules and assisted the company in preparing a comprehensive remediation plan to address material weaknesses and significant deficiencies identified during the engagement.
- 2) *Investigation and Restatement of \$3 Billion Global Networking Company*: Ms. Fresch managed an international team with resources in the U.S., Canada, Mexico, Asia, and Europe that reviewed and summarized detailed accounting records and compiled, categorized, and analyzed the financial impact of 5,000 accounting entries during a multi-year restatement. Ms. Fresch also assisted company executives in completing SEC filings,

including a restated 10-K, five 10-Qs, and an additional 10-K within a seven-month period.

- 3) *Audit Plan Related to False Claim Act Allegations:* Ms. Fresch directed an international team that reviewed, quantified, and summarized detailed accounting records related to alleged billing issues under an administrative agreement between a multinational marine logistics service company and the U.S. Department of Navy. The team's findings were provided to the company and DOJ for settlement negotiations related to alleged claims in a lawsuit brought under the whistleblower provision of the False Claims Act.
- 4) *Internal Controls and Financial Reporting Improvements:* Ms. Fresch coordinated an international team that analyzed over 8,000 manual accounting transactions and developed and implemented policy, process, and procedure improvements related to the efficiency, effectiveness, and controls for the company's financial statement closing process.

Phillip Desing

Mr. Desing has been involved in monitoring, evaluating, and reviewing the performance of multinational institutions for most of his career. As a Senior Investigator in the Office of Global Compliance of Weatherford, Mr. Desing's responsibilities included conducting compliance reviews of Weatherford's global operations. He also conducted investigations into allegations involving fraud, conflicts of interest, and other matters related to improper conduct involving company employees, third-party affiliates, and vendors. Before joining Weatherford, Mr. Desing was a Managing Director at KPMG, where he assisted a variety of international clients with internal investigations. During his 26-year career with the FBI, Mr. Desing specialized in conducting domestic and international investigations into fraud and misconduct related to corruption and financial impropriety. Mr. Desing's experience at the FBI includes the following:

- 1) *Golden Pacific National Bank:* Mr. Desing led the Golden Pacific National Bank investigation that involved a \$290 million bank fraud and money laundering. After a four-month trial and extensive testimony by Mr. Desing, the CEO, Chairman of the Board, and an Executive Vice President were convicted of twenty-two counts of fraud.
- 2) *European Engineering Conglomerate:* Mr. Desing headed a global investigation into improper payments to business consultants in over 50 countries. The investigation focused on the company's failure to implement sufficient accounting and finance controls, including a lack of central records and inadequate reviews by employees responsible for authorizing transactions. Following the investigation, three subsidiaries pleaded guilty to criminal charges, and the company agreed to retain an independent compliance monitor for a term of four years.

- 3) *Iraq Oil-for-Food Program*: Mr. Desing conducted a complex, large-scale investigation of a global engineering company for books and records and fraud violations related to illegal payments to the Iraqi government.

Joseph Cheriathundam

Mr. Cheriathundam has over 20 years of data collection, validation, assimilation, analysis, and management experience. He led the national data analytic activity for a mid-size forensic accounting firm and the regional data analytic activity for Deloitte. He served on the data team for multiple monitorships, including for a medical equipment manufacturing company addressing FCPA issues and a mortgage servicing company matter involving DFS.

- 1) *Mutual Fund*: Mr. Cheriathundam led the data analytic effort in support of an independent consultant for a mutual fund company responding to a \$140M fine related to after-market trading violations. Mr. Cheriathundam reviewed source data, investigated trading activity, reviewed account transactions, calculated gains, compared profits and losses to a buy-and-hold strategy, performed review of third-party computations, commented on methodology, and made recommendations.
- 2) *Iraq Reconstruction*: Mr. Cheriathundam was the technical leader in charge of assessment, collection, normalization, analysis, and reporting of all U.S. government financial data for Iraq Reconstruction (~\$40B). He supported the Special Inspector General's response to the congressional mandate for a forensic review of these disbursements. He oversaw the development of a secure case management tool that provided details of identified anomalies, prioritization of entities to review, and a mechanism for tracking case status.

In addition to these key team members, FRA will provide experienced forensic accountants and data analysts at more junior levels, if necessary, to balance budgetary constraints.

D. Prior Experience And References

REFERENCES FOR BONNIE JONAS

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REFERENCES FOR FRA

Monitorship Experience

DFS-Appointed Independent Monitorship

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FRA Team Member:
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Greg Mason
Phillip Desing (in-house)

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Global Energy Company

FRA Team Member:
Frances McLeod

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Technip S.A.

FRA Team Members:

Frances McLeod

Greg Mason

John Harrison

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E. Proposed Activities

We anticipate engaging in the following activities to perform the Scope of Work.

- **Methods of obtaining information**

Data Mapping and Extraction: FRA will identify all relevant data sources through a data mapping exercise and by conducting interviews with key Herbalife personnel responsible for managing data repositories. These data sources will likely consist of electronic and potentially paper-based data, IT, and archived personnel and other relevant custodians' files.

In general, the focus will be on the following sources:

- Financial Systems – depending on the type of system, number of systems and volume of data, an extract of all related systems during the relevant time frame would be requested. This would include:
 - General Ledger
 - Accounts Payable
 - Accounts Receivable – specifically such that the Retail Sales Data is provided (to include all data in section I.C. of the Order)
 - Customer Master List - to include flags to distinguish Preferred Customers, Retail Customers, and Business Opportunity Participants
 - Vendor Master List
 - Product List Inventory
- ERP Systems
 - Participant (HR) detail (to include information to identify downline relationships for all Business Opportunity Participants across time)
 - Participant compensation detail by category and date
- Audited (Corporate Financial Reports) and Independent 3rd Party data sources (for data verification and data integrity check purposes)
 - Trial Balances
 - Income Statements
 - Balance Sheets
 - Bank Statements
- Other data sources – Depending on the completeness of data repositories outlined above, identification of additional sources of information may be necessary such as paper files and disparate electronic files (spreadsheets, emails etc.)

- **Methods of analyzing information**

Once data has been extracted from the various relevant systems and data repositories, FRA will conduct its analysis with particular focus on Retail Sales, Preferred Customers, Rewardable Personal Consumption, Multi-Level Compensation, and Purchased Business Locations. The process will involve standardizing and linking the data collected to provide meaningful analysis of sums, totals, patterns, and gaps. The outline of that process is set out below:

- Standardize and convert data into format that can be analyzed efficiently (using SQL Server)
- Link various data sources
- Develop dynamic coding to perform calculations referenced in the Scope Of Work
- Perform analysis on complete data set to isolate relevant transactional data for further review and potential detailed follow up
- Perform on-site review of supporting documentation for isolated data identified during analysis

- **Methods of reporting information**

Reporting will be tailored to the requirements identified in the Scope Of Work and will be based on data collected related to Retail Sales, Preferred Customers, Rewardable Personal Consumption, Multi-Level Compensation, and Purchased Business Locations.

- Summary and analysis data:
 - Retail Sales
 - Summary of available information and any potential gaps
 - Profitability analysis
 - Analysis of profitability vs. product purchasing
 - Analysis of profitability monitoring
 - Preferred Customer Analysis
 - Preferred vs. non-preferred customer analysis
 - Analysis of discounting and other benefits
 - Preferred customer sales analysis
 - Personal Consumption
 - Calculation of rewardable personal consumption
 - Product purchase vs. rewardable personal consumption
 - Multi-Level Compensation
 - Compensation in line with retail profitability analysis
 - Participant type analysis

- Timeline analysis (focusing on specific “look-back” periods)
- Training analysis
- Purchasing entity analysis
- Analysis of third-party fees (including “headhunter fees”)
- Annual calculations of sales (total net and rewardable sales)
- Leased or Purchased Business Location analysis

- **Frequency of Proposed Activities**

The initial stages of the assignment will be more time and cost intensive. Initially, the ICA team will focus on interviews, data identification, collection, and standardization to gain an in-depth understanding of Herbalife’s data and infrastructure. This process will help the ICA team in designing and refining the data analytics to assess compliance with the Order.

Ongoing reporting can be implemented by analyzing live data or through automated analysis of data extracted periodically. An integrated analytics tool will be deployed to ensure timeliness and flexibility of the reports. Designing and implementing the integrated analytics tool will require a greater investment of time and resources early in the engagement; however, following process standardization, the analytics tool will reduce costs throughout the term of the project as the analysis will be driven by standard extracts from electronic data systems and will deliver faster periodic reporting.

We will establish periodic reporting (e.g. quarterly and annually) as well as necessary reporting on red flags. We recommend that sufficient time be allowed between reporting periods to permit Herbalife to clarify and respond to findings, observations and recommendations and to implement recommendations as appropriate. Our approach will establish a process for revisiting and re-performing control audits to ensure that the focus of data analytics is appropriate and tailored as we move forward with the engagement. We expect this to become more automated as recommendations are implemented and reporting becomes standardized during the course of the monitorship.

- **Personnel responsible for the various activities described in the Scope of Work and the number of hours anticipated to be devoted to specific aspects of the project by month or quarter, including the number of hours that would be spent on site at Herbalife’s headquarters in Los Angeles**

We have included in the attached budget a general timeline and task outline for our initial and ongoing analyses. The budget includes the personnel along with the estimated cost and time required to be spent on-site at Herbalife’s headquarters.

- **Coordination with Herbalife to arrange visits, on-site records reviews, and interviews**

Bonnie Jonas would be the main point of contact between the ICA team and Herbalife. Ms. Jonas will work with Herbalife to arrange visits, on-site reviews and interviews.

F. Potential Conflicts Of Interest Or Bias

Our ICA team members do not have any potential or perceived conflicts of interest or biases.

G. Estimated Costs





We would welcome the opportunity to meet in person with FTC staff to discuss our application further. Please do not hesitate to contact me at 212-508-5515 to arrange a time to meet or should you have any further questions.

Very truly yours,

Bonnie Jonas



ESTIMATED COSTS





BIOGRAPHIES OF KEY ICA TEAM MEMBERS

Bonnie Jonas



Pallas Global Group
Co-founder
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Bonnie Jonas served for 18 years as an Assistant United States Attorney in the U.S. Attorney's Office for the Southern District of New York (the "SDNY"). Ms. Jonas's most recent position with the SDNY was as Deputy Chief of the Criminal Division, from 2013 to 2016. She also served as the SDNY's Financial Fraud Coordinator for President Obama's Financial Fraud Enforcement Task Force and as Co-Chief of the General Crimes Unit.

During her tenure in the SDNY, Ms. Jonas investigated and prosecuted many of the Department of Justice's most historic and complex matters. Ms. Jonas investigated and prosecuted individuals at WorldCom, Royal Ahold, Aurora Foods, and Commerzbank and prosecuted and oversaw reforms through corporate monitorships of Deutsche Bank, Toyota, and General Motors.

Ms. Jonas was an attorney with the law firm Paul, Weiss, Rifkind, Wharton & Garrison and a law clerk for the Honorable Reena Raggi of the U.S. District Court for the Eastern District of New York. Earlier in her career, Ms. Jonas worked as a consultant at Peterson Consulting, where she evaluated settlement amounts in connection with pending asbestos litigation.

Ms. Jonas is a graduate of the Wharton School at the University of Pennsylvania and Columbia Law School. She has been the keynote speaker, lecturer and panelist for investment professionals, lawyers, business school students, and law enforcement officials on corporate governance, corporate culture, and enforcement trends in the financial industry.

Over the course of her career, she has been recognized with prestigious national awards, including the Director's Award for Superior Performance by a Litigative Team for the WorldCom case; Council of the Inspectors General on Integrity and Efficiency, Gaston L. Gianni, Jr. Better Government Award for the Toyota Prosecution; 2014 Recipient of The National Association of Former United States Attorneys' Exceptional Service Award; 2015 Recipient of New York County Lawyers' Association Award for Outstanding Public Service.

Tiffany Moller



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Tiffany Moller served as an Assistant United States Attorney in the Southern District of New York (the “SDNY”), where she served in the Securities Fraud Unit. During her tenure, Ms. Moller investigated and prosecuted significant white collar crime and securities fraud cases and briefed and argued cases before the U.S. Court of Appeals for the Second Circuit. Prior to her tenure in the SDNY, Ms. Moller worked as an associate at Sullivan and Cromwell, the New York law firm.

Most recently, from 2014-2016, Ms. Moller served as an Assistant Deputy Commissioner and the first-ever Chief of Compliance and Oversight for the New York City Police Department (the “NYPD”). Ms. Moller was responsible for coordinating NYPD’s response to recently created oversight bodies, including the largest municipal monitorship in the country. Ms. Moller’s responsibilities included developing, implementing, and overseeing NYPD programs to comply with federal, state and local laws, and advising the NYPD generally on high profile legal matters.

Ms. Moller is a graduate of Vanderbilt University and a summa cum laude graduate of the Washington College of Law at American University, where she was the Executive Editor of the Law Review and the recipient of the Outstanding Graduate Award.

Ms. Moller began her career with a federal court clerkship, serving as a law clerk for the Chief Judge of the U.S. District Court for the Eastern District of Virginia.

Ms. Moller currently serves on the board of trustees for the Practising Law Institute, the boards of directors of the Southampton Arts Center and the Boys Club of New York, which nurtures and mentors young boys, and the Council of Advisors for Weil Cornell Medical Center. She previously served as a director of the Children’s Cancer and Blood Foundation.

Kenneth V. Handal



Consultant

Kenneth Handal is an expert in corporate ethics, compliance, governance, and risk management, with almost 40 years of experience as an attorney. He most recently served as General Counsel, Chief Ethics and Compliance Officer for the not-for-profit New York Racing Association, Inc. Prior to that, Mr. Handal was President of Governance, Risk and Compliance for Guidepost Solutions LLC (“Guidepost”), a firm specializing in investigations, compliance, monitoring, and risk management solutions. During his tenure at Guidepost, Mr. Handal served as Independent Compliance Consultant for SAIC, a large defense contractor in McLean, Virginia in preparation for the company’s entry into a deferred prosecution agreement with the Southern District of New York concerning fraudulent billing practices.

From 2004 to 2009, Mr. Handal was the Executive Vice President, General Counsel and Corporate Secretary of CA Technologies, Inc. (“CA,” formerly Computer Associates), and he established and led the company’s Global Risk and Compliance Group. At CA, he oversaw the company’s compliance with its deferred prosecution agreement concerning conduct prior to 2004. Prior to joining CA, Mr. Handal was Associate General Counsel and Compliance Counsel for Altria, then the parent company of Philip Morris, Kraft Foods, and Miller Beer, where he also oversaw critical areas of the company’s litigation. Before joining Altria, he was a partner with the law firm of Arnold & Porter, an Assistant United States Attorney for the Southern District of New York, Criminal Division, and served as a law clerk to Judge Robert A. Ainsworth, Jr., of the U.S. Court of Appeals for the Fifth Circuit.

Mr. Handal currently serves on the Board of Advisors and audit and compliance committee of the Hospital for Special Surgery. He has served on the boards of the National Center for Missing & Exploited Children, the Legal Aid Society, the Association of the Bar of the City of New York Fund, Inc., New York Lawyers for the Public Interest, the International League for Human Rights, the Brooklyn Academy of Music, the Convent of the Sacred Heart, and Corporate Counsel magazine. He established the in-house pro bono programs at CA and Altria. Mr. Handal earned his law degree from The University of Chicago Law School, where he was managing editor of the Law Review, and his undergraduate degree from Georgetown University.

Richard Rudolph



Consultant

Richard Rudolph was a Director in Deutsche Bank's New York office and served as Regional Head of the Anti-Fraud and Forensics Division. Prior to his nine-year tenure at Deutsche Bank, he served for 27 years as a Special Agent with the Federal Bureau of Investigation (the "FBI"). While at the FBI, he was the recipient of the Attorney General's Award for Outstanding Achievement and also received the FBI's Director's Award for Excellence in Investigations. Mr. Rudolph currently acts as an independent consultant for the FBI conducting extensive background investigations on personnel seeking high-level security clearances.

Mr. Rudolph has expertise in monitoring and evaluating the performance of organizations, including skills in statistical analysis, data analysis, information technology, and risk assessment. In his position as Regional Head of Anti-Fraud and Forensics at Deutsche Bank, he managed several programs focused on reducing risk and investigating fraud across the complex organization. Mr. Rudolph designed a program to identify employees who were not in compliance with corporate policies and regulatory guidelines. He led a team who developed metrics to determine employee noncompliance, conducted risk assessments relating to specific employees, and established a monitoring methodology to audit future compliance. He supervised the development of a global standardized case management system to track security incidents and investigations with statistical reporting.

Mr. Rudolph instituted and managed procedures on forensic-driven investigations and has utilized data management systems to develop a Global Enhanced Client Background Screening Program to identify risks associated with the establishment of business relationships in emerging markets and high-risk sectors. Mr. Rudolph utilized data analytics to identify gaps in adherence to policies and developed a global standardized case management system to track all security incidents, including investigative analysis and statistical reporting.

During his career in the FBI, Mr. Rudolph led an investigative team across multiple jurisdictions, which convicted many high ranking members of organized crime families operating in the New York metropolitan area. In one investigation, he was instrumental in gathering data covering a ten-year period to establish organized crime's control over the window replacement industry in New York City. Mr. Rudolph testified as an expert witness in several court proceedings during the course of the ten-year investigation.



Frances McLeod

Partner, Providence

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Frances is one of the co-founders of FRA and its Managing Partner. She has over 23 years of experience advising clients in various jurisdictions on issues involving anti-corruption (FCPA/OECD/Bribery Act), fraud, internal control and anti-money laundering arising out of internal and external investigations, related civil and criminal litigation and in a compliance context. She also advises a number of European clients on data protection and privacy-related matters in the context of US-driven eDiscovery requests, with an emphasis on providing practical solutions that balance potential conflicts of law.

Frances is leading the FRA team supporting the DFS-appointed monitor of an international bank. She and her team are reviewing compliance policies and procedures and designing and implementing transactional testing to assess their efficacy. In addition, she and her team are conducting forensic accounting and data analytics in support of the FATCA investigative elements of the monitorship. She is currently working with two French CAC 40 companies and their monitors to conduct anti-bribery and corruption compliance reviews after DOJ deferred prosecution agreements. She is also currently leading a team providing forensic accounting and data analytics support to a DOJ-appointed monitor of a US oil services company. She is the lead partner for FRA supporting the DOJ-appointed monitor in accordance with the City of Ferguson Consent Decree.

Frances was also responsible for the design and implementation of the claims evaluation and administration systems of the \$1.3 billion Swiss Bank and \$2.5 billion German Slave Labor Holocaust settlements. In order to develop appropriate systems for such complex and challenging claims, she drew on her experience in banking, evaluating long tail liabilities, corporate and banking/insurance archaeology, forensic accounting, and asset tracing.

Prior to founding FRA, Frances spent seven years in investment banking, working in the M&A divisions of Lazard and Schroders in London, and HSBC in Indonesia.

Frances has a Master's degree in Oriental Studies from Wadham College, Oxford University, UK. She is bilingual in English and German, and speaks fluent French and Mandarin. Frances shares her time between the Providence and Washington, D.C. offices.



Greg Mason

Partner, Providence

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Greg Mason is a partner and one of the co-founders of FRA. His expertise lies in database architecture and programming, software design, mass data analysis, and data mining for the purposes of investigations, disputes, and litigation.

Greg has served as an expert in multiple cases for the US DOJ FATCA/Swiss Banks Program. He provided forensic accounting and data analytics advice to the Independent Examiner of several Swiss Banks that declared themselves Category 2, 3, and 4 under the Program.

Greg was the key technical analyst on a high-profile FCPA matter, where he analyzed a global oil services company's internal financial database that comprised over 21 million transactions in over 25 countries for presentation to SEC investigators. He has also developed a tailored database and eDiscovery platform to review documents and capture electronic financial information for the forensic audit of over 500 bank accounts in an investigation of bribery allegations in connection with a Central Asian government's privatization of its national oil company.

Greg advised on a complex US-EU securities class action where he developed an eDiscovery strategy and technical analysis solution compliant with European privacy laws. This assignment involved managing data from three different countries, seven cities and multiple offices. Greg has also developed FRA's mobile eDiscovery solution that allows multiple terabytes of data to be processed remotely in compliance with jurisdictional data protection, commercial secrecy and bank secrecy laws.

Greg has provided investigative and forensic accounting consulting, complex financial analysis, eDiscovery processing, and transactional data reconstruction and reconciliation in response to a UN Oil-for-Food investigation.

After graduating from Radford University in Virginia with a degree in Statistics and Mathematics, Greg spent three years performing statistical testing and analysis for the U.S. Department of Defense, evaluating the performance of sophisticated defense systems. He then moved to the Disputes and Investigations Group at PricewaterhouseCoopers, before co-founding FRA in 1999. He has expertise in many database tools and programming languages as well as in complex financial and transactional analysis. Greg is based in the Providence office.



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Phillip is a Partner in the Washington, D.C. office of FRA. He has over 34 years of experience as a Special Agent of the FBI and as a certified public accountant. Phillip has extensive experience in corporate fraud investigations and the remediation of bribery and corruption.

Prior to joining FRA in 2016, Phillip was a Senior Investigator at Weatherford International (“Weatherford”). While at Weatherford, he was responsible for investigating allegations of fraud involving conflicts of interest, third-party affiliates and vendors. Phillip also conducted compliance reviews of Weatherford’s global operations. In 2014-2015, Phillip worked with an Independent Compliance Monitor team to strengthen Weatherford’s anti-corruption policies and procedures.

Prior to his time at Weatherford, Phillip was a Managing Director in the Forensic Practice of KPMG LLP. While at KPMG, Phillip was involved in a variety of investigations and Foreign Corrupt Practices Act matters and worked on behalf of boards of directors, officers and/or senior management, and outside counsel.

Before joining KPMG in 2008, Phillip served as a Special Agent for the FBI for 26 years. During his career with the FBI, Phillip conducted significant fraud investigations. From 2006-2008, Phillip worked on the FCPA Task Force with DOJ’s Fraud Section and the SEC to investigate FCPA violations. Phillip holds a Bachelor’s degree in Business Administration from the University of Cincinnati. He is a Certified Public Accountant (CPA) and a Certified Fraud Examiner (CFE).



Stacy Fresch

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Stacy Fresch is a Partner in the Washington, D.C. office of FRA. She has over 20 years of private and public sector experience providing advice on financial accounting and reporting matters and related auditing issues. Stacy has successfully directed numerous cross-border forensic accounting investigations and assisted corporations, boards of directors and audit committees in responding to SEC and DOJ inquiries. She also has a wealth of experience investigating accounting irregularities and bribery allegations, and completing financial statement restatements.

Prior to joining FRA in 2016, Stacy was a Managing Director for KPMG in the Forensics practice, where she was responsible for investigating allegations of fraud involving third-party affiliates and vendors, procurement, leading complex litigation-support assignments, and supporting global compliance reviews for FCPA settlements.

Prior to her time at KPMG, Stacy served as an Assistant Chief Accountant in the SEC's Division of Enforcement where she completed a variety of financial and accounting fraud investigations of SEC registrants, corporate officers, external auditors, and other third parties. She has led teams of forensic experts on multi-jurisdictional assignments related to whistleblower provisions under the False Claims Act, compliance with anti-bribery, books and records and internal control provisions of the FCPA. Stacy has also assisted companies with drafting SEC filings, restated 10-Qs and multi-period 10-Ks. Stacy has testified on behalf of the SEC in the U.S. District Court for the Northern District of Texas.

Stacy is a Certified Public Accountant (CPA) and a Certified Fraud Examiner (CFE). She received her MBA at the College of William and Mary, and earned her Bachelor's degree in Economics at Dickinson College.

Joseph Cheriathundam

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Mr. Cheriathundam has 25 years of data collection, quality assurance, assimilation, analysis, and management experience. He specializes in analyzing financial data and providing forensic services to organizations addressing regulatory and compliance issues.

For the last 12 years, Joseph has led data operations for national and regional practices within forensic consulting firms. As Managing Director of Forensic and Compliance Data Analytics for StoneTurn Group, he led the technical data analytic efforts on a number of data projects and provided comprehensive reports. He also supported companies addressing government inquiries of False Claims Act matters by reviewing source data, designing data requests, and overseeing data collection.

Prior to his time at StoneTurn Group, Joseph led Deloitte's Data Analytic Group in Washington, D.C. He coordinated all technical aspects of a number of data projects, including the development of policies and procedures for data management. In particular, Joseph was the technical leader in charge of assessment, collection, normalization, analysis, and reporting of all U.S. government financial disbursements for Iraq Reconstruction (\$40B). He supported the Special Inspector General's response to the congressional mandate for a full forensic review of these disbursements. In that role, he oversaw the development of a secure case management tool that provided details of identified anomalies, prioritization of entities for review, and a mechanism for tracking case status. He additionally performed a number of other fraud, waste and abuse analyses in the private sector for commercial clients.

Joseph earned his Bachelor and a Master of Science from Virginia Polytechnic Institute and State University, and received an Advanced Business Analytics Certification from the Kelley School of Business at the University of Indiana.