

# **Team National**

## **POLICIES AND PROCEDURES**

The Policies and Procedures are incorporated into and are an integral part of the Independent Marketing Director (hereafter "IMD") Agreement. These policies apply to Team National, Inc. (hereafter "TN") and related companies. Together with the terms and conditions contained in the IMD Agreement, these policies constitute the entire agreement between TN and the IMD. IMDs in violation of these policies may be subject to immediate discipline up to and including termination of the IMD agreement, IMD privileges, sales organizations and compensation.

TN reserves the right to amend these policies and TN's Compensation Plan, as necessary, to assure proper operations and comply with a change in applicable laws. Such amendment or modification will be binding and in effect immediately after posting to the TN website.

### **1. IMD QUALIFICATIONS**

- A. IMD must be of legal age in his/her state of residence.
- B. Social security number is required with IMD Agreements for state and federal tax purposes.
  - a. Corporations, partnerships, and joint ventures must supply a Federal Tax ID number, in lieu of social security number.
  - b. Applications for corporations, partnerships, or joint ventures must be signed by an officer, partner or venturer who thereby becomes individually responsible for the acts and omissions of the company and its performance under the IMD Agreement. Only the person signing the IMD Agreement may conduct the IMD business of a corporation, partnership or joint venture.

### **2. HOSTING OF OTHER IMDs**

- A. Applicant and host are responsible for the complete and accurate submission of each IMD Agreement.
- B. In hosting other IMDs, no IMD shall state or infer that any state or federal regulatory authority has reviewed, endorsed, or approved Team National, its products and services, or TN Compensation Plan.
- C. IMD shall not provide any personal claims of projected or anticipated income or earnings.
- D. No compensation in any form is paid for the act of hosting or sponsoring another IMD.
- E. Married persons and other persons residing in the same household shall have the same host. Married persons may have separate IMD identities but may not be in each other's organization.
- F. IMD shall not have simultaneous beneficial interests in a separate line of sponsorship.
- G. A shareholder, partner or member in a TN entity may not become an IMD.

### **3. INDEPENDENT CONTRACTOR STATUS**

- A. IMD is an independent contractor and not an employee, servant, co-partner, or joint venture of TN.
  - a. IMDs will not be treated as an employee for federal or state income tax purposes, nor will IMDs be employees for purpose of the Federal Unemployment Tax Act, Federal Insurance Contributions Act, the Social Security Act, or any other state or federal unemployment or employment security act.
  - b. IMD shall be responsible for the reporting and payment of all applicable federal and state income and self-employment taxes, sales taxes, local taxes, and local business and license fees that may become applicable as a result of the IMD's activities under the IMD Agreement.
  - c. IMDs are solely responsible for all acts and omissions while performing obligations under the IMD Agreement and indemnify and hold TN harmless. TN does not provide liability insurance.
- B. IMDs shall be solely responsible for determining their activities and hours in fulfilling responsibilities.
- C. IMD in good standing who resigns may be eligible to become a TN IMD again after six months in accordance with Section 12 below.
- D. TN reserves the right to reject IMD transfer and reinstatement requests.
- E. If an IMD resigns or is terminated, the former IMD will not have access to the TN personal website and other IMD related information and tools. Within 5 days of the voluntary or involuntary cancellation of the IMD Agreement, the person must discontinue using the TN name, trademarks, trade names, service marks, and other intellectual property, and all derivatives of such marks and intellectual property, in any postings and social networking sites. A social networking site which previously identified the person as a TN IMD must conspicuously disclose that he or she is no longer a TN IMD.
- F. IMD is forbidden to reproduce or utilize TN names, logos, trademarks acronyms, or any imitation thereof, and may not contract or commit TN to any obligation whatsoever. However, IMDs are allowed to utilize the TN IMD logo according to the policies herein.

#### 4. INDEPENDENT MARKETING DIRECTOR RESPONSIBILITIES

- A. IMD presentations to prospective IMDs or customers shall be complete, truthful, and consistent with official TN literature and sales aids. In the conduct of its business, IMDs shall safeguard and promote the reputation of the products and services of TN and shall refrain from all conduct which might be harmful to such reputation which is inconsistent with the public interest. IMDs shall avoid all discourteous, deceptive, misleading, unethical or immoral conduct or practices.
- B. IMD shall be responsible for all expenses incurred in the pursuit of the IMD's activities unless agreed to by TN, in writing, prior to incurring such expense.
- C. IMDs receive no exclusive territory and shall make no claim that an exclusive territory was granted.
- D. IMDs shall be responsible for monitoring the activities of their commissionable downline in regards to compliance with TN policies and shall report all probable and actual violations to TN.
- E. IMD Agreement does not constitute the sale of a franchise or distributorship, and no fees or purchases are required for the right to offer TN memberships, products and/or services.
- F. IMD compensation is based exclusively on sales of TN products and services to bona fide customers.
- G. IMD can refer to himself or team by name (i.e. Whatever It Takes) when joining a business association like the Chamber of Commerce. IMDs are also allowed to utilize the TN IMD logo as part of the chamber listing and IMDs can verbalize that they are Independent Marketing Directors or independent representatives of TN according to the policies herein.
- H. IMD cannot (video or voice) record a meeting, event or any other TN venue without the express written consent of TN and in accordance with the applicable state and federal laws governing such activities.

#### 5. ADDITIONAL CONDITIONS

- A. TN website information and online brochures may be printed and distributed, but not altered. DVDs and other copyrighted material may not be reproduced.
- B. IMDs who have reached the **Presidential Director level** may advertise **using pre-approved ads** found on TN's website. Ads must be placed verbatim, adding only the IMD name, phone number, and TN personal website address. No blind ads are allowed.
- C. IMDs who have reached the **Presidential Director level** may participate in media interviews, including radio, television, newspapers, magazines, internet or other applicable forms of communication regarding TN or their TN business. If an IMD desires to participate in a media interview, the IMD is highly encouraged to obtain the proposed interview questions at least 72 hours before the interview to prepare for the questions. If the IMD would like to receive guidance, please contact your upline Platinum or email corporate at [tnmediarelations@bign.com](mailto:tnmediarelations@bign.com) a minimum of 48 hours before the planned interview. IMDs must represent themselves as Independent Marketing Directors or independent representatives. For IMDs who have not reached the Presidential Director level, if a member of the press or media, including blogs with 1,000 or more unique monthly visitors, contacts the IMD about TN or IMD's TN business, IMD must contact the TN corporate office at [tnmediarelations@bign.com](mailto:tnmediarelations@bign.com) before responding or disclosing information. TN may request that the IMD not respond to the inquiry or direct the inquiry to the TN corporate office. Regardless of level, IMDs are not allowed to proactively contact the media or distribute a press release that includes information about TN, its membership, products or opportunity without prior written approval from TN.
- D. The primary function of TN is to sell memberships, which include products and services to the general consuming public. TN realizes that IMDs may wish to purchase products for personal or family use in reasonable amounts, which are not made solely for purposes of qualification or advancement. Notwithstanding this policy, TN has adopted a requirement that an IMD make at least two (2) membership sales per twelve (12) months to remain bonus qualified.
- E. As with other leading direct selling companies, TN has adopted a 70% rule. Under this rule, IMDs who purchase tangible products for resale, may not order additional product or services unless they have sold or used (for personal or family use) at least 70% of previously purchased products.
- F. If IMD has purchased products, services, or sales aids for inventory purposes while the IMD Agreement was in effect, all unencumbered products or services in a resalable condition, in possession of the IMD, which have been purchased within twelve (12) months of cancellation, shall be repurchased by the Host or TN. The repurchase shall be at one hundred percent (100%) of the original net cost to the participant returning such goods, taking into account sales made by or through such participant prior to notification to TN of the election to cancel. In addition, TN will honor statutory mandated buyback requirements of inventory type products, services, or sales aids in every jurisdiction. Any contrary provision herein notwithstanding, no previously referenced refund shall be made by TN regarding the purchase by an IMD made prior to any reorder of the same or identical merchandise. This includes purchases previously represented by the terminating IMD as having been either resold or utilized for personal or family use under TN's 70% Rule referenced before.
- G. TN shall have the right to direct the IMD to discontinue a sales practice which, in the sole opinion of TN, is unfair or not in the best interest of TN.

- H. TN reserves the right to terminate an IMD agreement at any time for cause when it is determined the IMD has violated the provisions of the IMD agreement, including the provisions of these policies and procedures as they may be amended or the provisions of applicable laws and standards of fair dealing. Upon termination, access to the TN personal website and related IMD tools, as well as future commissions, bonuses, or other payments, shall end.
- I. Applicant IMD represents that in making application to TN, he or she has not received or relied upon, from TN or any other person, any of the following representations:
  - a. The IMD business may, can or will be profitable;
  - b. An initial investment in product, services and/or sales aids or any portion thereof may be earned back to the IMD through the operation of the business;
  - c. A guaranteed market exists for the TN products or services;
  - d. TN will make up financial losses which the IMD may incur;
  - e. TN or any person acting on behalf of TN has outlets or sales for TN products or services or will assist the IMD in obtaining outlets or sales for TN products or services;
  - f. TN or any person acting on behalf of TN will provide marketing programs or systems for use in the marketing of TN products and services by the IMD;
  - g. The IMD, or the IMD Agreement, has been filed with, registered with, or otherwise accepted or approved by a state or federal office, department or authority or that the market demand will enable the IMD to earn a profit from the business opportunity;
  - h. Locations will be provided or assistance given in finding locations for IMD's use or operation.
- J. IMDs authorize TN to use their name, testimonials, and/or likeness in TN advertising and promotional materials. IMDs consent to and authorize the use and reproduction of all photographs and videos taken by or supplied to TN. IMDs further consent to the use and reproduction of quotes, testimonials, stories, conversations for print, electronic publicity, marketing, and promotional purposes, without permission and remuneration.
- K. It is strictly forbidden to market a membership package to a family member who is already covered by the previous purchase of a membership package. There are exceptions to this rule as follows: (1) If the parents of a grown child purchase a premium membership and the grown child owns a business, the grown child may purchase a premium membership to cover his/her business and employees. (2) If the parents of a grown child purchase a premium membership, the membership will cover the grown child's spouse, but not his/her in-laws. A membership may be purchased by either the in-laws or the grown child to cover the in-laws.
- L. TN shall not be responsible for acts beyond TN's control, including but not limited to fire, flood, storms, power outages, labor disputes, earthquake, equipment failures, supplier failures, or other difficulties that may prevent TN from performing the obligations under this agreement.

## 6. TRADEMARK, LOGO AND INTERNET USAGE

TN maintains an official corporate website. TN IMDs are allowed to promote their business on the internet through an approved company program which allows IMDs to purchase custom TN websites which are personalized with the IMD's name, message and contact information. These websites give the IMD a professional and company approved presence on the internet. Only websites developed by TN may be used by IMDs. Websites purchased or developed about TN without permission or registration is strictly prohibited. No IMD may independently design a website that uses the names, logos or product descriptions of the company, TN copyrighted material and video nor may an IMD use "blind" ads which are ultimately associated with company memberships, products or compensation plan as follows:

- A. **Trademarks and Copyrights.** IMDs may not use TN trade names, trademarks, designs, images or symbols without prior written permission, except as outlined in this section. Video or audio recordings of company events, training and/or speeches are also copyrighted, and may not be distributed without written permission. The name *Team National* is registered to TN, is of great value to the company, and is supplied for use only in an authorized manner. Use of the TN name on an item not produced or authorized by the company is prohibited.
- B. **TN IMD Logo.** IMD may use the specifically designed TN IMD logo as applicable. Using other TN logos requires written approval. Please see the following logo examples:

Logo Approved for IMD Use



Corporate Logo NOT Approved for IMD Use



- a. Applicable uses of the TN IMD logo include registered TN blogs, TN personal websites, Platinum websites, email signature lines, approved promotional items, chamber of commerce type listings, car magnets and signage, and with approved advertising listings according to the advertising policies. Other uses of the IMD logo on items not produced or authorized by TN are prohibited. For example, IMDs are not allowed to use the IMD logo to create marketing materials which includes but is not limited to business cards, flyers, apparel, products and training materials. IMDs are also restricted from using the TN IMD logo as a profile picture or avatar, or in a way associated with inappropriate products, services or competing businesses.
  - b. Increasing the logo size and changing the logo file name is prohibited. IMDs may not remove, distort or alter any element of the TN IMD logo. IMDs may decrease the size for formatting purposes without decreasing the legibility of any components of the TN IMD Logo.
  - c. IMDs are not allowed to display TN IMD logo in a manner that in TN's sole opinion is misleading, unfair, defamatory, obscene or otherwise objectionable. Placement that suggests preferential treatment or affiliation with, partnership, sponsorship, or endorsement by TN is strictly prohibited.
  - d. TN will periodically conduct internet audits for appropriate use of TN IMD Logo use. TN reserves the right to request changes, edit IMD created content and/or discontinue service for activities that violate TN policies.
- C. **Photos or Graphics.** Photos or graphics uploaded to a TN IMD website and social networking sites must be in good taste and of high quality. IMDs must have TN's permission to use any photography representing products, logos, and/or trademarks, etc.
- D. **Content.** Only TN memberships, products and/or opportunities may be promoted on TN approved websites. Only TN sponsored or TN related events may be promoted on TN calendars. Promotion of or recruiting for companies other than TN on a TN IMD website is prohibited.
- a. IMDs are responsible for the creation of their own content. IMDs may not post any material that violates copyright law or creative commons licenses. IMDs are prohibited from copying or reposting content created by TN. Linking to TN content is allowed.
- E. **Internet SPAM Standards.** Reports of spamming may be sent to [nospam@bign.com](mailto:nospam@bign.com). Unsolicited broadcast distribution of email, like "bulk mail" or "SPAM", is strictly prohibited.
- a. IMDs may send general mailings to their downline organizations and their direct upline sponsors.
  - b. IMDs may send communication to individuals who are 'opt-in' subscribers, who have initiated a request to be included in bulk emailing, newsletter or other standardized communications.
    - i. The email address of the opt-in subscriber must be verified at the time of subscription, either with a welcome email confirming subscription and opt-out procedures, or with a confirmation email describing the required action to receive further emails.
    - ii. Opt-in communications must contain an opt-out link on every mailing and opt-out requests must be removed from the mailing list with 10 days of the request.
  - c. Email communications to subscribers must adhere to guideline outlined by TN and internet bulk email laws. Prohibited emails include but are not limited to the following:
    - i. *Unsolicited Email Spamming.* IMDs are not allowed to transmit mass, unsolicited emails to promote TN, its membership, products or opportunity to people they do not know, or who have not given permission to contact them. IMDs may use lists specifically approved by TN, compiled from a legitimate genealogical listing of the IMD's downline organization or created through the collection of verified subscribers.
    - ii. *Spam Linking.* Spam linking is defined as multiple consecutive submissions of the same or similar content into blogs, wikis, guest books, websites or other publicly accessible online discussion boards or forums and is not allowed. This includes blog spamming, blog comment spamming and/or spamdexing. Comments IMDs make on blogs, forums, guest books etc. must be useful, unique, informative and relevant.
- F. **Use of Third Party Intellectual Property.** If IMDs use the trademarks, trade names, service marks, copyrights, or intellectual property of a third party in a posting, it is their responsibility to ensure they receive the proper license to use such intellectual property, and paid the appropriate license fee. IMDS must properly reference Third-party intellectual property and adhere to restrictions and conditions that the owner of the intellectual property places on the use of its property.
- G. **Domain Names, Email Addresses and Online Aliases.** IMDs are not allowed to use or register *Team National* or any of TN's trademarks, product names, or any derivatives, for any Internet domain name, email address, social networking profiles, or online aliases. Additionally, IMDs cannot use or register domain names, email addresses, display names and/or online aliases that could cause confusion, or be misleading or deceptive, in that they cause individuals to believe or assume the communication is from, or is the property of TN. Examples of the improper use of TN are: *TeamNationalgal@msn.com*; *www.TeamNationalisgreat.com*; *facebook.com/TeamNationalfan*; *www.TeamNational.com/official*, or Team National showing up as the sender of an email.

- H. **Redirecting Domain Name.** IMDs are allowed to use personalized domain names only when the display and destination URL are redirected to a registered external website or TN Platinum website (see IMD Websites). Redirecting from a custom URL to a Team National personal website, a TN corporate website or any website that is maintained by Team National is prohibited. IMDs are not allowed to use or register any domain name that utilizes Team National, or any of TN trademarks including product names. IMDs must not portray a URL that could lead users to assume they are being directed to a TN corporate site, violate a policy herein, or be considered inappropriate or misleading.
- I. **Linking.** Links may not be made from an IMD website unless the content is provided, maintained or authorized by TN. Authorized usage include links to BigN.com, an IMD's TN Personal website, TN Platinum website or authorized external websites, blogs and forums, and for related TN communication. The communication cannot violate the terms and conditions of TN policies. Unauthorized linking includes, but is not limited to, links that in TN's sole opinion is misleading, unfair, defamatory, obscene or otherwise objectionable. Link placement that suggests preferential treatment, affiliation with, sponsorship, or endorsement by TN is strictly prohibited.
  - a. TN will periodically conduct internet audits for appropriate use of TN related websites. TN reserves the right to request changes, edit IMD created content and/or to discontinue service for activities that violate TN policies.
- J. **Edits of Websites.** IMD personal websites and Platinum websites may be edited by TN to conform to TN's policies and other standards of technical correctness (punctuation, grammar, etc.) and compliance, and for any other reason deemed necessary by TN. Any contest of edits must be reported by the IMD not more than 30 days from the edit date. All notification must be delivered by email to webmaster@bign.com. The decisions of TN are final.
- K. **Lawful use of the Internet.** TN supports all laws and regulations regarding use of the Internet and all other applicable communication medium. Any person associated with a TN program found in violation of said policies, shall be immediately terminated from TN.

## 7. SOCIAL NETWORKING SITES (FACEBOOK / TWITTER/ LINKEDIN)

IMDs may use social networking sites (i.e. Facebook, Twitter, LinkedIn, blogs, etc.) to share information about TN memberships and business opportunity. However, these sites may not be used to sell TN memberships and products. Profiles in social communities where TN is referenced must clearly identify the IMD as an Independent Marketing Director and include a personal photo of the IMD as the main profile picture. When participating in those communities, IMDs must avoid inappropriate conversations, comments, images, video, audio, applications or any other adult, profane, discriminatory or vulgar content. The determination of what is *inappropriate* is at TN's sole discretion.

- A. **Online Advertising, Templates and Approval.** IMDs who have reached the **Presidential Director level** or above may advertise or promote the TN business using approved tools, templates, ads, or images in accordance with the policies in this document. If an IMD desires to design online marketing materials, the designs must be submitted to the TN compliance department at [tncompliance@bign.com](mailto:tncompliance@bign.com) for consideration and inclusion as an approved template. Unless an IMD receives specific written approval from TN to use such designs, the request shall be deemed denied.
- B. **IMDs Posting Responsibilities.** IMDs are personally responsible for their postings, all other online activity conducted on behalf of their business, and activities that can be traced back to the company. This applies even if an IMD does not own or operate a blog, website, or Social Network site.
- C. **Identification as a TN IMD.** IMDs must disclose their full name on all social media postings, and conspicuously identify themselves as a TN IMD. Anonymous postings or use of an alias is prohibited.
- D. **Truthfulness in Online Postings.** It is the IMDs' obligation to ensure their postings and other online marketing activities are truthful, are not deceptive and do not mislead customers or potential IMDs. This includes, but is not limited to, false or deceptive postings relating to the TN membership, products, income opportunity, services, and/or biographical information and credentials. This may also include spam linking (or blog spam), unethical search engine optimization (SEO) tactics, misleading click-through ads (i.e. having the display URL of a PPC campaign appear to direct to a TN corporate site when it goes elsewhere), unapproved banner ads, and unauthorized press releases. This requires that IMDs fact-check material before posting online. IMDs should also check their postings for spelling, punctuation, and grammatical accuracies. Use of offensive language is prohibited. TN will be the sole determinant as to whether specific activities are misleading or deceptive.
- E. **Respecting Privacy.** IMDs must not engage in gossip or advance rumors about individuals, companies, or competitive products or services. IMDs may not list the names of individuals or entities on their postings unless they have the written permission from the applicable parties.
- F. **Prohibited Postings.** IMDs may not make postings, or link to any postings or other material that:
  - a. Is sexually explicit, obscene, or pornographic;
  - b. Is offensive, profane, hateful, threatening, harmful, defamatory, libelous, discriminatory or harassing (i.e. based on race, ethnicity, religion, gender, physical disability, or otherwise);

- c. Is graphically violent, including any violent video game images;
  - d. Is solicitous of any unlawful behavior;
  - e. Engages in personal attacks on an individual, group, or entity;
  - f. Is in violation of any intellectual property rights of the company or a third party.
- G. **Responding to Negative Posts.** Do not respond to negative posts, instead report negative posts to the Company at [tnsocialmedia@bign.com](mailto:tnsocialmedia@bign.com). Responding to such negative posts simply fuels a discussion with someone carrying a grudge that does not hold themselves to the same high standards as TN, and therefore damages the reputation and goodwill of TN. Additionally, replying to negative posts makes the posts appear more relevant to search engines and can raise its position in search results.
- H. **Online Classifieds.** IMDs may not use online classifieds (including Craigslist) to list, sell or retail TN memberships or products. IMDs who have reached presidential or above may use online classifieds (including Craigslist) for prospecting, recruiting, and informing the public about TN and the TN business opportunity, provided TN approved templates and images are used. If a link or URL is provided, it must link to the IMD's TN personal website or registered external website.
- I. **EBay / Online Auctions / Online Retailing.** IMDs may not list or sell TN memberships or products on eBay, other online auctions, or online retailing, nor may IMDs enlist or knowingly allow a third party (customer) to sell TN memberships or products on eBay.
- J. **Banner Advertising.** IMDs, having reached the **Presidential level** and above, in accordance with our advertising policy may place banner advertisements on a website provided TN approved templates and images are used. Banner advertisements must link to IMD personal websites. Blind ads or web pages that make membership, product or income claims that are ultimately associated with TN are prohibited.
- K. **Digital Media Submission (YouTube, iTunes, PhotoBucket, etc.).** An IMD may upload, submit or publish TN related audio or photo content as long as it aligns with TN values and is in compliance with TN policies. These submissions must clearly identify the person as a TN IMD (either in the content itself and/or in the content description tag), must comply with all copyright and legal requirements, and must state that the IMD is solely responsible for the content. An IMD may not upload, submit or publish content (video, audio, presentations or computer files) received from TN or captured at TN events or in buildings owned or operated by TN without prior written permission.
  - a. *Video Submissions.* Videos that market, recruit, testify or discuss TN must be approved by TN. Both the script and the final product must be submitted to [tnsocialmedia@bign.com](mailto:tnsocialmedia@bign.com) before the video is posted on the internet. Video Blogs or Videos that primarily discuss another topic but mention TN may be uploaded and embedded in a registered IMD website so long as such video does not violate the terms and conditions of TN policies.
    - i. Videos created by an IMD that mentions TN must have the following elements prominently displayed in the video:
      1. IMD Name
      2. Status as an Independent Marketing Director
      3. Whether a disclaimer must be added to your video content is at TN's sole discretion.
    - ii. TN will periodically conduct internet audits for appropriate use of TN related videos. TN reserves the right to request changes, edit IMD created content and/or discontinue service for activities that violate TN policies.
  - b. *Audio Postings.* Platinum and Double Platinum Presidential Directors are allowed to request approved audio postings to their Platinum websites.
- L. **Sponsored Links / Pay-Per-Click (PPC) Ads.** Sponsored links or PPC ads are acceptable according to TN policies. The display and destination URL must be linked to the IMD personal website or a registered external website (see IMD Websites) and must not portray a URL that could lead the user to assume they are being directed to a TN corporate site, or be inappropriate or misleading.

## 8. IMD WEBSITES

TN IMDs are allowed 3 types of websites: (1) TN Personal Website, (2) TN Platinum Website, and (3) registered blogs. Websites that do not meet one of the criteria below and are not approved in writing by TN are strictly prohibited. Prohibited websites include but are not limited to: Non-registered websites that use blind advertising to collect contact information; websites that feature TN training materials or corporate information; websites that make product and/or income claims.

- A. **TN Personal Websites.** IMDs have the option of subscribing to a TN personal website. IMDs are solely responsible and liable for the content they add to their TN personal website and must regularly review the content (every 30 days) to ensure it is accurate and relevant. IMDs may not alter the branding of the TN personal website and may not use the TN personal website to promote, market, or sell non-TN products, services or business opportunities. Specifically, IMDs may not alter the look (placement, sizing, etc.) or functionality of the following:
  - a. The TN IMD Logo
  - b. The IMD's Name

Since TN personal websites reside on the TN domain, TN reserves the right to receive and disseminate analytics and information regarding the usage of applicable IMD websites. TN will terminate an IMD's access to the TN personal website upon IMD's resignation or termination of the IMD agreement. If applicable, TN will remove the Team National Business Exchange (TNBE) listing upon website termination since a TN personal website is a requirement of the TNBE. Upon IMD resignation or termination, an IMD is no longer in good standing since the term applies to an IMD who has completed and signed the IMD agreement and has not resigned or been terminated.

- B. **TN Platinum Websites.** IMDs who reach Platinum Presidential status have the option to create a Platinum website or leader's team site. IMDs are solely responsible and liable for the content they add to the TN Platinum website and must review the content every 30 days for accuracy. TN will terminate access to the TN Platinum website upon IMD's resignation or termination of the IMD agreement.
- C. **External Websites (Blogs).** The term TN personal website refers to the IMD website offered by TN for a monthly or annual fee. The term registered external website refers to an IMD's TN approved external website (if applicable) or other TN approved web presence that is hosted on non-TN servers and has no official affiliation with TN. IMDs are not allowed to monetize personal websites or registered external websites through affiliate programs, adSense, or similar programs.
  - a. IMDs are allowed one external website specifically a blog or website developed on a blogging platform developed for the primary purpose of marketing or promoting TN memberships, products and/or opportunity. IMDs who wish to develop an external website must:
    - i. Subscribe to a TN personal website;
    - ii. Register the external website with TN online at mybignbusiness.com
    - iii. Adhere to the branding and image usage policies described in this document;
    - iv. Agree to modify the website to comply with current or future TN policies;
    - v. Agree to remove all references to TN within 5 days from your registered external website in the event of the voluntary or involuntary cancellation of the IMD Agreement.
- D. **External Website Content.** IMDs are solely responsible and liable for their website content, messaging, claims, and information and must ensure their website appropriately represents and enhances the TN brand and adheres to TN policies. IMD websites must not contain disingenuous popup ads, promotions or malicious code. Decisions and corrective actions are at TN's sole discretion.
- E. **Team National IMD Image Mandate.** To avoid confusion, the following three elements must be prominently displayed at the top of every page of registered external websites:
  - a. TN IMD Logo
  - b. IMD Full Name and Title
  - c. IMD PhotoEvery page must also include a link to IMD's TN personal website, and/or the TN Corporate website. Although TN brand themes and images are desirable for consistency, the IMD external website landing page needs to clearly state it is an IMD site, and not a TN Corporate site.
- F. **External Sites Must Exclusively Promote Team National.** An IMD's registered external website must contain content that is exclusive to TN and may only advertise the TN membership and opportunity. Sites or profiles that use TN trademarks or service marks must exclusively promote TN.
- G. **No eCommerce or Stock-and-Sell Retailing.** Registered external websites must only facilitate the entry into the IMD TN personal website, and/or build the IMD's business mailing list. IMDs may not stock and sell TN memberships or establish an eCommerce environment that facilitates this model.
- H. **Team National Hotlinks.** When directing readers to registered external site, it must be clear to a reasonable reader (from a combination of the link and surrounding context) that the link will be reverting to the site of a TN IMD. Attempts to mislead web traffic into believing they are going to a TN corporate website, when in fact they *land* at an IMD's site will not be allowed. The determination as to what is misleading or what constitutes a *reasonable reader* will be at TN's sole discretion.

## 9. TESTIMONIAL ACTIVITIES

One of the most powerful stories an IMD has to tell is the story of personal experience with the TN opportunity. However, not all the income and lifestyle advantages IMDs believe they have experienced are appropriate for posting on the Internet. Government agencies establish guidelines of what can and cannot be said and even a true experience may not conform to regulatory guidelines. Appropriate testimonial can be placed on social media websites according to the above regulations and following guidelines:

- A. **IMDs can:**
  - a. Reference a better home and family life
  - b. Discuss whatever lifestyle advantages you enjoy because of your TN home based business
  - c. Insure separation of the opportunity from the retail sale. In other words, make clear that a person does not have to be an IMD to purchase a membership package or purchase a membership package to be an IMD; savings testimonials are separate from the IMD opportunity.

**B. IMDs cannot:**

- a. Specify income claims or commitments to income
- b. State that success is guaranteed
- c. Mention that a specific amount of inventory must be purchased or that an investment be made
- d. Claim or imply that a product can diagnose, cure, treat or prevent a disease or medical condition
- e. Try to "get around" rules by saying: "I'm not allowed to tell you, but my weekly checks are for..."

**10. PROHIBITION OF LOANS TO PURCHASERS OF MEMBERSHIPS**

- A. In response to conflicts arising from IMD loans to purchasers of memberships, IMDs are prohibited from loaning funds to prospective customers or IMD recruit candidates for purposes of purchasing TN consumer memberships. This policy arises from instances of past confusion, in which IMD accelerates prospective consumer purchases by advancing funds to consumers for membership purchases. In general, the primary intent of the lending IMD is to achieve immediate full sales volume points in the marketing plan rather than an award of points in phased approach as the new purchaser makes payments to TN under TN's financing program. In multiple instances, consumers, who have chosen to terminate loan payments to lending IMD, simultaneously seek refunds from TN, causing conflicting positions between TN, the consumer and the IMD who has advanced the loans. This scenario is damaging to the goodwill of TN and marketing organization. Since TN offers financing to customers, such conflicts are unnecessary and unwelcomed. Therefore, such IMD loans are expressly prohibited and a violation of this policy will subject the breaching IMD to immediate termination.
- B. TN offers financing for consumer purchases and thus strongly discourages customers to seek outside financing. Other than TN's standard three day right of cancellation on membership contracts, no TN refund will be offered, under any circumstances, to a customer who chooses to borrow money for a membership and subsequently defaults on his/her agreement with a third party lender.

**11. CONFLICTS OF INTEREST**

- A. TN allows IMDs to conduct their business as a corporation, LLC, trust or partnership. It is agreed that since the entity is under the control of its owners or principals, the actions of individual owners or beneficiaries as they may affect TN and the IMD are critical to TN's business. Therefore, it is agreed that actions of the ownership entity shareholders, officers, directors, trustees, beneficiaries, agents, employees or other related or interested parties and the actions of such parties, which are in contravention to TN's policies shall be attributable to the corporate, LLC, trust or partnership entity.
  - a. In the event that any of the ownership entity shareholders, officers, directors, trustees, beneficiaries, agents, employees or other related parties shall terminate ownership interests as an IMD, any breaching actions by such parties that continue to have a beneficial financial interest, directly or indirectly, in the IMD status shall be attributable to the IMD.
- B. Members of IMD's household may operate together as one entity. Household is defined as husband, wife, parties to a statutory recognized domestic partnership and dependents. Note: Children of legal age to contract and at least 18 years of age are not considered a part of their parents' household.
  - a. TN recognizes that members of the same household may belong to competing direct selling opportunities. Although the actions of the parties are normally in good faith, in some circumstances, there is an abuse of relationships in which the non-TN household member is engaged in recruitment, solicitation or raiding of the IMD sales organization. The IMD is responsible to prevent raiding or recruiting activity by their co-household member. The recruiting activity of the non-TN household member shall be attributed to the IMD, subjecting the IMD to disciplinary action up to and including termination of the IMD agreement and all commission payments.
- C. For the term of the IMD Agreement and for three (3) years thereafter, an IMD agrees that he/she shall not disrupt, damage, impair or impede the business of TN, whether by way of interfering with, or raiding its IMDs, customers, employees, suppliers, vendors, manufacturers or otherwise. "Disrupting" or "interfering" shall include, but not be limited to, direct or indirect solicitation, sponsorship, or recruitment of TN IMDs for other direct selling business opportunities, products or services. A violation of this provision shall result in the termination of the IMD Agreement and all commission payments.
- D. Violation of the items above cannot be remedied by damages alone; therefore TN, at its discretion, may obtain additional injunctive relief in a court of competent jurisdiction.

**12. SALE OR TRANSFER OF BUSINESS**

An IMD business may be sold or transferred with written approval from TN. TN reserves the right to approve or disapprove IMD's change of business names, formation of partnerships, corporations, and trusts for tax, estate planning, and limited liability purposes. If TN approves such a change, the organization's name and the names of the principals of the organization must appear on the distributorship along with a social security number or federal identification number. It is prohibited to make changes to attempt to circumvent or violate TN

rules including as it rates to raiding, soliciting, targeting, cross-sponsoring, or interfering. If it is subsequently determined that changes were made to attempt to circumvent or violate TN rules, TN shall be entitled to reverse and void the sale or transfer, terminate the IMD status, and reposition the entire downline accordingly.

- A. IMDs may not add a co-applicant to their IMD business and thereafter, remove their name from the imd business, as an effort to circumvent TN's sale, assign, delegate, or merger procedure. The primary IMD must wait twelve (12) months after adding a co-applicant to the IMD business before being allowed to remove his or her name from the IMD business.
- B. Current and former IMDs who desire to transfer their IMD business or reactivate their IMD status respectively, are allowed to do so in a new location with no downline, not an existing location.
- C. IMDs who own multiple pay centers must sell or transfer all of the centers to the prospective buyer. No individual pay centers may be sold or transferred unless that pay center constitutes the entire business of the selling IMD.
- D. A written offer to sell must be given to the IMD's host, as well as every hosting bonus qualified upline host past two Platinum Presidential Directors.
  - a. Only after each of these hosts has declined the offer, may the IMD make the same offer to anyone who has never been an IMD or anyone who has or had in interest in an IMD business.
- E. If the IMD business is a partnership, joint venture, or corporation, the majority partner(s) of the partnership or joint venture, or the majority shareholder(s) of the corporation must sign the sale or release of the business.
- F. The sale of an IMD's business to an existing IMD cannot be combined with the purchasing IMD's business or pay centers. The business purchased will be a "stand alone" business, just as if it was purchased by someone who was not an existing IMD. Any level of achievement reached by the selling IMD will not be combined with the purchasing IMD's level of achievement, including Presidential levels.
- G. If an IMD has been with TN for 18 months or more and has not been bonus qualified in 6 months, the IMD is eligible to change location or host according to section B. above by utilizing the IMD Change of Location and/or Host Agreement.
- H. An IMD's business (in good standing) and an active membership are willable.

### 13. **PRIVACY POLICY**

Any names obtained from TN during the operation of the independent business with TN is proprietary information and the exclusive property of TN and are to be used only with specific written permission from TN. Any misuse, sale, sharing of, rental or lease of any such names or lists of names, during or after the term of this Agreement, shall be considered a breach of the Agreement and may result in the immediate termination of the IMD Agreement and in the termination of all commissions and overrides to the IMD by TN. Further, the violation of this regulation cannot be remedied by damages alone; therefore TN can receive additional injunctive relief in a court of competent jurisdiction.

### 14. **RESOLUTION OF DISPUTES**

In the event of a dispute between an IMD and TN as to respective rights, duties and obligations, the resolution process shall require that the IMD submit a written request for review by the Corporate Compliance Committee of TN. If no resolution has been achieved within 60 days of submission of the written request for consideration, either party shall be entitled to submit the dispute to binding arbitration under the Commercial Rules of the American Arbitration Association with arbitration to occur at Ft. Lauderdale. The arbitrator shall award, in addition to declaratory relief and compensatory damages, reasonable attorney's fees and costs to the prevailing party. The decision of the arbitrator shall be final and shall be entitled to enforcement in any court of competent jurisdiction. This provision shall not prohibit TN or any IMD from seeking permanent or preliminary injunctive relief in any court of competent jurisdiction. This provision expressly preempts any filing or prosecution of any claims in any court, state or federal, to avoid mandatory binding arbitration, except for injunctive relief. This Agreement is governed under the laws of the State of Florida. This provision shall survive the cancellation or expiration of the Agreement. Any modification of this arbitration provision shall not apply retroactively to any dispute which arose or which TN had notice of before the date of modification.

### 15. **TRADE SECRETS**

The IMD may receive or learn of business secrets of TN. The term "business secrets" shall mean, but not by way of limitation, the following: Personal or financial information regarding TN and its personnel; IMD names, addresses and phone numbers, including lists thereof; intended or prospective TN business, marketing and compensation programs. The IMD agrees neither to disclose nor to utilize, directly or indirectly, the business secrets of TN for any purpose whatsoever. A violation of this regulation shall result in immediate termination of the IMD Agreement and in the termination of all commissioned payments to the

IMD. Further, the violation of this regulation cannot be remedied by damages alone; therefore TN can receive additional injunctive relief in a court of competent jurisdiction.

#### **16. SHARING OF INFORMATION WITH THIRD PARTIES**

TN will only share IMD information with TN agents or business partners for the purposes of performing the services contracted. The agents and business partners are restricted from sharing TN personal information (name, address, telephone number, e-mail address, etc.) with third party entities without IMD's prior consent. TN will comply with court orders, subpoenas, or other such requests by authorities demanding information regarding an IMD's tax withholding and financial compensation records assuming the request is accompanied by a properly prepared and signed authorization.

#### **17. TN CHARGEBACK POLICY**

If a customer cancels his or her membership package by charging back the Company, bonus points created by the charge back will be removed from binary, all the way upline. Likewise, any customer who paid in full and cancels with a refund will cause bonus points to be charged back upline.

If a customer with a finance plan cancels, any or all payments that are charged back will be removed from binary. If a customer with a finance plan does not receive a refund, bonus points remain in binary.

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## **DSA Code of Ethics**

### **Preamble**

The Direct Selling Association, recognizing that companies engaged in direct selling assume certain responsibilities toward customers arising out of the personal-contact method of distribution of their products and services, hereby sets forth the basic fair and ethical principles and practices to which member companies of the association will continue to adhere in the conduct of their business.

### **A. Code of Conduct**

#### **1. Deceptive or Unlawful Consumer or Recruiting Practices**

a. No member company of the Association or independent salesperson for a member company shall engage in any deceptive, false, unethical or unlawful consumer or recruiting practice. Member companies shall ensure that no statements, promises or testimonials are made that are likely to mislead consumers or prospective salespeople.

b. Member companies and their independent salespeople must comply with all requirements of law. While this Code does not restate all legal obligations, compliance with all pertinent laws by member companies and their independent salespeople is a condition of acceptance by and continuing membership in DSA.

c. Member companies shall conduct their activities toward other members in compliance with this Code and all pertinent laws.

d. Information provided by member companies and their independent salespeople to prospective or current independent salespeople concerning the opportunity and related rights and obligations shall be accurate and complete. Member companies and their independent salespeople shall not make any factual representation to prospective independent salespeople that cannot be verified or make any promise that cannot be fulfilled. Member companies and their independent salespeople shall not present any selling opportunity to any prospective independent salesperson in a false, deceptive or misleading manner.

e. Member companies and their independent salespeople shall not induce a person to purchase products or services based upon the representation that a consumer can recover all or part of the purchase price by referring prospective consumers, if such reductions or recovery are violative of applicable referral sales laws.

f. Member companies shall provide to their independent salespeople either a written agreement to be signed by both the member company and the independent salesperson, or a written statement containing the essential details of the relationship between the independent salesperson and the member company. Member companies shall inform their independent salespeople of their legal obligations, including their responsibility to handle any applicable licenses, registrations and taxes.

g. Member companies shall provide their independent salespeople with periodic accounts including, as applicable, sales, purchases, details of earnings, commissions, bonuses, discounts, deliveries, cancellations and other relevant data, in accordance with the member company's arrangement with the independent salesperson. All monies due shall be paid and any withholdings made in a commercially reasonable manner.

h. Independent salespeople shall respect any lack of commercial experience of consumers. Independent salespeople shall not abuse the trust of individual consumers, or exploit a consumer's age, illness, handicap, lack of understanding or unfamiliarity with a language.

*1a. This section does not bring "proselytizing" or "salesforce raiding" disputes under the Code's jurisdiction, unless such disputes involve allegations of deceptive, unethical or unlawful recruiting practices or behaviors aimed at potential salespeople. In those cases, the section applies. As used in this section, "unethical" means violative of the U.S. DSA Code of Ethics.*

*The DSA Code Administrator has the authority to make a determination of what is a deceptive, unlawful or unethical consumer or recruiting practice under the Code using prevailing legal standards as a guide. Compliance with any particular law, regulation or DSA Code of Ethics provision is not a defense to such a determination by the DSA Code Administrator that a practice is deceptive, unlawful or unethical. For example, in a sale to a consumer, compliance with the Federal Trade Commission Cooling-Off Rule does not bar the DSA Code Administrator from making a determination that a particular sales practice is deceptive, unlawful or unethical and that a refund or compensation is required.*

*1. and 2. These sections cover communications about your own company or another company. For example, a distributor for company A makes misleading statements about company B and/or its products to consumers or prospective salespeople.*

## **2. Products, Services and Promotional Materials**

a. The offer of products or services for sale by member companies of the Association shall be accurate and truthful as to price, grade, quality, make, value, performance, quantity, currency of model and availability. A consumer's order for products and services shall be fulfilled in a timely manner.

b. Member companies shall not make misleading comparisons of another company's direct selling opportunity, products or services. Any comparison must be based on facts that can be objectively substantiated. Member companies shall not denigrate any other member company, business, product or service – directly or by implication – in a false or misleading manner and shall not take unfair advantage of the goodwill attached to the trade name and symbol of any company, business, product or service.

c. Promotional literature, advertisements and mailings shall not contain product descriptions, claims, photos or illustrations that are false, deceptive or misleading. (Promotional literature shall contain the name and address or telephone number of the member company and may include the telephone number of the individual independent salesperson).

d. Independent salespeople shall offer consumers accurate information regarding: price, credit terms; terms of payment; a cooling-off period, including return policies; terms of guarantee; after-sales service; and delivery dates. Independent salespeople shall give understandable and accurate answers to questions from consumers. To the extent claims are made with respect to products, independent salespeople shall make only those product claims authorized by the member company.

## **3. Terms of Sale**

a. A written order or receipt shall be delivered to the customer at or prior to the time of the initial sale. In the case of a sale made through the mail, telephone, Internet, or other non face-to-face means, a copy of the order form shall have been previously provided, be included in the initial order, or be provided in printable or downloadable form through the Internet. The order form must set forth clearly, legibly and unambiguously:

1. Terms and conditions of sale, including the total amount the consumer will be required to pay, including all interest, service charges and fees, and other costs and expenses as required by federal and state law;
2. Identity of the member company and the independent salesperson, and contain the full name, permanent address and telephone number of the member company or the independent salesperson, and all material terms of the sale; and
3. Terms of a guarantee or a warranty, details and any limitations of after-sales service, the name and address of the guarantor, the length of the guarantee, and the remedial action available to the consumer.

Alternatively, this information may be provided with other accompanying literature provided with the product or service.

- b. Member companies and their salespeople shall offer a written, clearly stated cooling off period permitting the consumer to withdraw from a purchase order within a minimum of three days from the date of the purchase transaction and receive a full refund of the purchase price.
- c. Member companies and their independent salespeople offering a right of return, whether or not conditioned upon certain events, shall provide it in writing.

#### **4. Warranties and Guarantees**

The terms of any warranty or guarantee offered by the seller in connection with the sale shall be furnished to the buyer in a manner that fully conforms to federal and state warranty and guarantee laws and regulations. The manufacturer, distributor and/or seller shall fully and promptly perform in accordance with the terms of all warranties and guarantees offered to consumers.

#### **5. Identification and Privacy**

- a. At the beginning of sales presentations independent salespeople shall truthfully and clearly identify themselves, their company, the nature of their company's products or services, and the reason for the solicitation. Contact with the consumer shall be made in a polite manner and during reasonable hours. A demonstration or sales presentation shall stop upon the consumer's request.
- b. Member companies and independent salespeople shall take appropriate steps to safeguard the protection of all private information provided by a consumer, a prospective consumer, or other independent salespeople.

#### **6. Pyramid Schemes**

For the purpose of this Code, pyramid or endless chain schemes shall be considered consumer transactions actionable under this Code. The Code Administrator shall determine whether such pyramid or endless chain schemes constitute a violation of this Code in accordance with applicable federal, state and/or local law or regulation.

*6. The definition of an "illegal pyramid" is based upon existing standards of law as reflected in In the matter of Amway, 93 FTC 618 (1979) and the anti-pyramid laws of Kentucky, Louisiana, Montana, Oklahoma, and Texas. In accordance with these laws, member companies shall remunerate direct sellers primarily on the basis of sales of products, including services, purchased by any person for actual use or consumption. Such remuneration may include compensation based on sales to individual direct sellers for their own actual use or consumption.*

#### **7. Inventory Purchases**

a. Any member company with a marketing plan that involves selling products directly or indirectly to independent salespeople shall clearly state, in its recruiting literature, sales manual, or contract with the independent salespeople, that the company will repurchase on reasonable commercial terms currently marketable inventory, in the possession of that salesperson and purchased by that salesperson for resale prior to the date of termination of the salesperson's business relationship with the company or its independent salespeople. For purposes of this Code, "reasonable commercial terms" shall include the repurchase of marketable inventory within twelve (12) months from the salesperson's date of purchase at not less than 90 percent of the salesperson's original net cost less appropriate set offs and legal claims, if any. For purposes of this Code, products shall not be considered "currently marketable" if returned for repurchase after the products' commercially reasonable usable or shelf life period has passed; nor shall products be considered "currently marketable" if the company clearly discloses to salespeople prior to purchase that the products are seasonal, discontinued, or special promotion products and are not subject to the repurchase obligation.

*7a. The purpose of the buyback is to eliminate the potential harm of "inventory loading;" i.e., the practice of loading up salespeople with inventory they are unable or unlikely to be able to sell or use within a reasonable time period. Inventory loading has historically been accomplished by giving sellers financial incentives for sales without regard to ultimate sales to or use by actual consumers. The repurchase provisions of the Code are meant to deter inventory loading and to protect distributors from financial harm which might result from inventory loading.*

*"Inventory" is considered to include both tangible and intangible product; i.e., both goods and services. "Current marketability" of inventory shall be determined on the basis of the specific condition of the product. Factors to be*

considered by the Code Administrator when determining "current marketability" are condition of the goods and whether or not the products have been used or opened.

*Changes in marketplace demand, product formulation, or labeling are not sufficient grounds for a claim by the company that a product is no longer "marketable." Nor does the ingestible nature of certain products limit per se the current marketability of those products. Government regulation which may arguably restrict or limit the ultimate resalability of a product does not limit its "current marketability" for purposes of the Code.*

*State statutes mandate that certain buyback provisions required by law must be described in a direct seller's contract. While acknowledging that the contract is probably the most effective place for such information, the DSA Code allows for placement of the provision in either "recruiting literature or contract." The DSA Code is meant to emphasize that the disclosure must be in writing and be clearly stated. Wherever disclosed, the buyback requirement shall be construed as a contractual obligation of the company.*

*A company shall not place any unreasonable (e.g., procedural) impediments in the way of salespeople seeking to sell back products to the company.*

*The buyback process should be as efficient as possible and designed to facilitate buyback of products. The buyback provisions apply to all terminating distributors who otherwise qualify for such repurchase, including distributors who are not new to a particular company, or those who have left a company to sell for another company.*

**b.** Any member company with a marketing plan which requires independent salespeople to purchase company-produced promotional materials, sales aids or kits shall clearly state, in its recruiting literature, sales manual or contract with the independent salespeople, that the company will repurchase these items on reasonable commercial terms.

Any member company with a marketing plan which provides its independent salespeople with any financial benefit related to the sales of company-produced promotional materials, sales aids or kits shall clearly state, in its recruiting literature, sales manual or contract with the independent salespeople, that the company will repurchase, on reasonable commercial terms, currently marketable company-produced promotional materials, sales aids or kits.

A member company shall clearly state in its recruiting literature, sales manual or contract with the independent salespeople if any items not otherwise covered by this Section are ineligible for repurchase by the company.

*7b. 1998 amendments made it clear that sales aids, kits and promotional materials, while not inventory or necessarily intended for resale, are subject to the repurchase requirement if a company requires their purchase or if there is a financial incentive associated with their sale. It was recognized that "loading" of these items can cause the same harm to plan participants as loading of "inventory."*

*With respect to the final paragraph of Section 7b., disclosure of an item's eligibility or ineligibility for the buyback is key. Provided that repurchase is not required by this Code provision, for those items a company chooses not to repurchase, the company should clearly and conspicuously disclose to the buyer that the items are not subject to the repurchase requirement. Under such disclosure, a refusal to take an item back will not constitute a violation providing the member is acting in good faith and not attempting to evade the repurchase requirement.*

## **8. Earnings Representations**

No member company shall misrepresent the actual or potential sales or earnings of its independent salespeople. Any earnings or sales representations that are made by member companies shall be based on documented facts.

*8. There is ample legal precedent in the form of FTC decisions to afford guidance on the subject of earnings representations. While not controlling, these precedents should be used by the Code Administrator in making determinations as to the substantiation of company earnings claims.*

*The Code's simple prohibition of misrepresentations was intended, in part, to avoid unduly encumbering start-up companies that have little or no actual earnings history with their compensation plan or established companies that are testing or launching new compensation plans. The prohibition approach is meant to require that companies in these circumstances need only ensure that their promotional literature and public statements clearly*

*indicate that the compensation plan is new and that any charts, illustrations and stated examples of income under the plan are potential in nature and not based upon the actual performance of any individual(s).*

## **9. Inventory Loading**

A member company shall not require or encourage an independent salesperson to purchase inventory in an amount which unreasonably exceeds that which can be expected to be resold and/or consumed within a reasonable period of time. Member companies shall take reasonable steps to ensure that independent salespeople receiving compensation for downline sales volume are consuming, using or reselling the products and services they purchase in order to qualify to receive compensation.

*9. See, Code Explanatory §7a. regarding inventory loading.*

## **10. Payment of Fees**

Neither member companies nor their independent salespeople shall ask individuals to assume unreasonably high entrance fees, training fees, franchise fees, fees for promotional materials or other fees related solely to the right to participate in the direct selling business. Any fees charged to become an independent salesperson shall relate directly to the value of materials, products or services provided in return.

*10. High entrance fees can be an element of pyramid schemes, in which individuals are encouraged to expend large upfront costs, without receiving product of like value. These fees then become the mechanism driving the pyramid and placing participants at risk of financial harm. Some state laws have requirements that fees be returned similar to the repurchase provisions delineated in Code §7a. The Code eliminates the harm of large fees by prohibiting unreasonably high fees. The Code Administrator is empowered to determine when a fee is "unreasonably high." For example, if a refund is offered for only a portion of an entrance fee, to cover what could be described as inventory, and there is nothing else given or received for the balance of the entrance fee, such as a training program, that portion of the entrance fee may be deemed to be unreasonably high by the Code Administrator. This Code section reinforces the provision in Code Part B. Responsibilities and Duties requiring companies to address the Code violations of their independent contractor salesforce.*

## **11. Training and Materials**

a. Member companies shall provide adequate training to enable independent salespeople to operate ethically.

b. Member companies shall prohibit their independent salespeople from marketing or requiring the purchase by others of any materials that are inconsistent with the member company's policies and procedures.

c. Independent salespeople selling member company-approved promotional or training materials, whether in hard copy or electronic form, shall:

1. Use only materials that comply with the same standards used by the member company,
2. Not make the purchase of such materials a requirement of other independent salespeople,
3. Provide such materials at not more than the price at which similar material is available generally in the marketplace, and
4. Offer a written return policy that is the same as the return policy of the member company the independent salesperson represents.

d. Member companies shall take diligent, reasonable steps to ensure that promotional or training materials produced by their independent salespeople comply with the provisions of this Code and are not false, misleading or deceptive.

## **B. Responsibilities and Duties**

### **1. Prompt Investigation and No Independent Contractor Defense**

a. Member companies shall establish, publicize and implement complaint handling procedures to ensure prompt resolution of all complaints.

b. In the event any consumer shall complain that the salesperson or representative offering for sale the products or services of a member company has engaged in any improper course of conduct pertaining to the sales presentation of its goods or services, the member company shall promptly investigate the complaint and shall take such steps as it may find appropriate and necessary under the circumstances to cause the redress of any wrongs which its investigation discloses to have been committed.

c. Member companies will be considered responsible for Code violations by their solicitors and representatives where the Administrator finds, after considering all the facts, that a violation of the Code has occurred. For the purposes of this Code, in the interest of fostering consumer protection, companies shall voluntarily not raise the independent contractor status of salespersons distributing their products or services under its trademark or trade name as a defense against Code violation allegations and such action shall not be construed to be a waiver of the companies' right to raise such defense under any other circumstance.

d. The members subscribing to this Code recognize that its success will require diligence in creating an awareness among their employees and/or the independent wholesalers and retailers marketing the member's products or services of the member's obligations under the Code. No subscribing party shall in any way attempt to persuade, induce or coerce another party to breach this Code, and the subscribers hereto agree that the inducing of the breach of this Code is considered a violation of the Code.

e. Individual salespeople are not bound directly by this Code, but as a condition of participation in a member company's distribution system, shall be required by the member company with whom they are affiliated to adhere to rules of conduct meeting the standards of this Code.

f. This Code is not law but its obligations require a level of ethical behavior from member companies and independent salespeople that is consistent with applicable legal requirements. Failure to comply with this Code does not create any civil law responsibility or liability. When a company leaves the DSA membership, a company is no longer bound by this Code. However, the provisions of this Code remain applicable to events or transactions that occurred during the time a company was a member of DSA.

## **2. Required Publication**

a. All member companies are required to submit to DSA, along with its application for membership or in the case of existing members along with their next dues payment, a proposed program as to how the company plans on publicizing DSA's Code of Ethics to its sales people and consumers. The plan shall contain, at a minimum, one of the following:

1. an inclusion on the company's web site of DSA's Code of Ethics with a step-by-step explanation as to how to file a complaint; or
2. a link from the company's web site to DSA's Code of Ethics with a clear, bold faced statement as to how to make the connection; or
3. an inclusion of the company's Code of Ethics, or its complainant process, in its web site, or with an explanation of how a complainant may appeal to the DSA Code Administrator in the event the complainant is not satisfied with the resolution under the company code, or the company's complaint process, with a reference to the web site of DSA's Code of Ethics.

b. All members, after submission of their program, are required to state annually, along with paying their dues, that the program remains effective or indicate any change.

## **3. Code Responsibility Officer**

Each member company and pending member company is required to designate a DSA Code Responsibility Officer. The Code Responsibility Officer is responsible for facilitating compliance with the Code by their company and responding to inquiries by the DSA Code Administrator. He or she will also serve as the primary contact at the company for communicating the principles of the DSA Code of Ethics to their independent salespeople, company employees, customers and the general public.

## **4. Extraterritorial Effect**

Each member company shall comply with the World Federation of Direct Selling Associations' Code of Conduct with regard to direct selling activities outside of the United States to the extent that the WFDSA Code is not inconsistent with U.S. law, unless those activities fall under the jurisdiction of the code of conduct of another country's DSA to which the member company also belongs.

## **C. Administration**

### **1. Interpretation and Execution**

The Board of Directors of the Direct Selling Association shall appoint a Code Administrator to serve for a fixed term to be set by the Board prior to appointment. The Board shall have the authority to discharge the Administrator for cause only. The Board shall provide sufficient authority to enable the Administrator to properly discharge the responsibilities entrusted to the Administrator under this Code. The Administrator will be responsible directly and solely to the Board. The Board of Directors will establish all regulations necessary to administer the provisions of this Code.

## **2. Code Administrator**

a. The Administrator shall be a person of recognized integrity, knowledgeable in the industry, and of a stature that will command respect by the industry and from the public. He shall appoint a staff adequate and competent to assist him in the discharge of his duties. During his term of office, neither the Administrator nor any member of his staff shall be an officer, director, employee, or substantial stockholder in any member or affiliate of the DSA. The Administrator shall disclose all holdings of stock in any member company prior to appointment and shall also disclose any subsequent purchases of such stock to the Board of Directors. The Administrator shall also have the same rights of indemnification as the Directors and Officers have under the bylaws of the Direct Selling Association.

b. The Administrator shall establish, publish and implement transparent complaint handling procedures to ensure prompt resolution of all complaints.

c. The Administrator, in accordance with the regulations established by the Board of Directors as provided herein, shall hear and determine all charges against members subscribing hereto, affording such members or persons an opportunity to be heard fully. The Administrator shall have the power to originate any proceedings, and shall at all times have the full cooperation of all members.

## **3. Procedure**

a. The Administrator shall determine whether a violation of the Code has occurred in accordance with the regulations promulgated hereunder. The Administrator shall answer as promptly as possible all queries posed by members relating to the Code and its application, and, when appropriate, may suggest, for consideration by the Board of Directors, new regulations, definitions, or other implementations to make the Code more effective.

b. If, in the judgment of the Code Administrator, a complaint is beyond the Administrator's scope of expertise or resources, the Code Administrator may decline to exercise jurisdiction in the matter and may, in his or her discretion, recommend to the complainant another forum in which the complaint can be addressed.

c. The Administrator shall undertake through his office to maintain and improve all relations with better business bureaus and other organizations, both private and public, with a view toward improving the industry's relations with the public and receiving information from such organizations relating to the industry's sales activities.

## **D. Regulations for enforcement of DSA Code of Ethics**

### **1. Receipt of Complaint**

Upon receipt of a complaint from a bona fide consumer or where the Administrator has reason to believe that a member has violated the Code of Ethics, the Administrator shall forward a copy of the complaint, if any, to the accused member together with a letter notifying the member that a preliminary investigation of a specified possible violation pursuant to Section 3 is being conducted and requesting the member's cooperation in supplying necessary information, documentation and explanatory comment. If a written complaint is not the basis of the Administrator's investigation, then the Administrator shall provide written notice as to the basis of his reason to believe that a violation has occurred. Further, the Code Administrator shall honor any requests for confidential treatment of the identity of the complaining party made by that party.

### **2. Cooperation with the Code Administrator**

In the event a member refuses to cooperate with the Administrator and refuses to supply necessary information, documentation and explanatory comment, the Administrator shall serve upon the member, by registered mail, a notice affording the member an opportunity to appear before the Appeals Review Panel on a certain date to show cause why its membership in the Direct Selling Association should not be terminated. In the event the member refuses to cooperate with the Administrator or to request a review by the Appeals Review Panel, the DSA Board of Directors, or a designated part thereof, may vote to terminate the membership of the member.

### **3. Informal Investigation and Disposition Procedure**

a. The Administrator shall conduct a preliminary investigation, making such investigative contacts as are necessary to reach an informed decision as to the alleged Code violation. If the Administrator determines, after the informal investigation, that there is no need for further action or that the Code violation allegation lacks merit, further investigation and administrative action on the matter shall terminate and the complaining party shall be so notified.

b. The Administrator may, at his discretion, remedy an alleged Code violation through informal, oral and written communication with the accused member company.

c. If the Administrator determines that the allegation has sufficient merit, in that the apparent violations are of such a nature, scope or frequency so as to require remedial action pursuant to Part E and that the best interests of consumers, the association and the direct selling industry require remedial action, he shall notify the member of his decision, the reasoning and facts which produced it, and the nature of the remedy he believes should be effected. The Administrator's notice shall offer the member an opportunity to voluntarily consent to accept the suggested remedies without the necessity of a Section 4 hearing. If the member desires to dispose of the matter in this informal manner it will, within 20 days, advise the Administrator, in writing, of its willingness to consent. The letter to the Administrator may state that the member's willingness to consent does not constitute an admission or belief that the Code has been violated.

#### **4. Appeals Review Panel**

An Appeals Review Panel consisting of five representatives from active member companies shall be selected by the Executive Committee of DSA's Board of Directors. Each member shall serve for a term of three years. The five members shall be selected in a manner that represents a cross-section of the industry. When an appeal is made by a member company, the Chairman of the DSA Board of Directors shall select three of the five members of the Appeals Review Panel to constitute a three-person panel to review the appeal, and shall name one of them Chairman of that panel. When possible, no company of the three shall sell a product that specifically competes with the Appellant, and every effort shall be made to avoid conflicts in selecting the panel. If for any reason, a member of the panel cannot fulfill his or her duties or fill out a term for any reason, the Chairman of the Board of DSA can replace that person with a new appointment for the remainder of the unfulfilled term with the concurrence of the Executive Committee.

#### **5. Appeals Review Procedure**

a. If a member company objects to the imposition of a remedial action by the Administrator, it shall have a right to request a review of the Administrator's decision by the Appeals Review Panel. A member company must make such a request in writing submitted to the Administrator within 14 days of being notified of the remedial action by the Administrator. Within 10 days of receiving such a request, the Administrator shall notify the Chairman of the Board of DSA who at that time shall select the three-person panel in accordance with Section 4 above. That selection shall take place within 30 days of the member's request for the review.

b. As soon as the panel has been selected, the Administrator shall inform the Appellant of the names of the panelists, including the name of the chairman of the panel. Within 14 days of that notification, the Administrator shall send a copy of the Complaint and all relevant documents, including an explanation of the basis of the decision to impose remedial action, to the panelists with copies to the Appellant. Upon receipt of such information, the Appellant shall have 14 days to file with the panel its reasons for arguing that remedial action should not be imposed along with any additional documents that are relevant. Copies of that information should also be sent to the Administrator.

c. Once the information has been received by the panelists from both the Administrator and the member company, the panel will complete its review within 30 days or as soon thereafter as practicable. The panel shall decide whether the Administrator's decision to impose remedial action was reasonable under all of the facts and circumstances involved and shall either confirm the Administrator's decision, overrule it, or impose a lesser sanction under Part E. The panel shall be free to contact the Administrator and the Appellant and any other persons who may be relevant witnesses to the Complaint, formally or informally as deemed appropriate. A decision by the panel shall be final and shall be promptly communicated both to the Administrator and the Appellant. The costs involved in the appeal such as costs of photocopying, telephone, fax, and mailing, shall be borne by the Appellant.

#### **6. Codes of Ethics of Member Companies**

##### **a. Approval By Administrator**

1. If a complaint is against a member company that has a code of ethics which has been registered with the DSA Code of Ethics Administrator, and the Administrator has issued an opinion that the company code is compatible with DSA's Code of Ethics, the Complainant must first exhaust all remedies under the company code of ethics before filing a complaint with DSA's Code Administrator. If the Complainant has exhausted those remedies and is of the opinion that the company's disposition of the Complaint was unsatisfactory, the Complainant can appeal the company's decision to the DSA Code Administrator. The Complainant must first notify the company of the intent to appeal to DSA. The Complainant must also forward all relevant documentation from the company code proceeding to DSA's Administrator.
2. After receiving such an appeal, the Administrator shall confer with the company to obtain any additional information concerning the matter as well as an explanation for the company's decision. The Administrator shall decide whether the company's resolution of the complaint was reasonable under all of

the facts and circumstances involved. If the Administrator decides in the negative, the Administrator shall work with the company in an effort to resolve the matter satisfactorily to all parties. If the Administrator finds that the member company will not cooperate in that effort, the Administrator can impose remedial action in accordance with DSA's Code of Ethics. The Complainant shall bear all costs of an appeal from a decision under a company code, including such costs as photocopying, telephone, fax, and mailing charges.

#### **b. Alternative Enforcement Process**

In certain instances, a member company may provide a process whereby complaints can be addressed and which provide an equally acceptable vehicle for complaint resolution. In such instances – provided the process has been formally reviewed and approved by the DSA Code Administrator – the member company's process may be substituted for and the member company relieved of, adherence to the provision of Section D. Regulations for Enforcement of the DSA Code of Ethics.\* In order for a member company's enforcement process to be approved as an alternative to Section D, the process must contain all the following elements:

1. The company has adopted an investigation and review process that substantially mirrors that presented in Section D and contains at more than one level the formal review of complaints regarding its salespersons or representatives;
2. The company has adopted an appeal process to the steps outlined in Paragraph 1 above that includes review by a neutral and competent third party, as approved by the DSA Code of Ethics Administrator;
3. The company offers a satisfaction guarantee or the equivalent on product sales to consumers who are not salespersons or representatives of the member company; and
4. The company advises its salespersons or representatives of the dispute resolution process in a sufficiently transparent manner including notices on its web site and in appropriate literature.

c. If a member company meets the above requirements of paragraph b., DSA will indicate on its web site that the member company's Code of Ethics is an approved Alternative taking precedence over the DSA's Code of Ethics Section D-Regulations for Enforcement of DSA Code of Ethics.

d. Those companies that are on the Company Code Alternative list will be exempt from the required publication provisions of Section B.2 of the Code and will not have to show on their web sites or in separate literature that complaints against the company should be filed with the DSA Code of Ethics Administrator. The DSA Code of Ethics web site will indicate, however, that all member companies are subject to all other provisions of the DSA Code of Ethics. Further, if the DSA Code of Ethics Administrator finds that any company on the Alternative list has failed to comply with the requirements for such a listing the Administrator may remove that company from the list.

### **E. Powers of the Administrator**

#### **1. Remedies**

If, pursuant to the hearing provided for in Part D Section 3, the Administrator determines that the accused member has committed a Code of Ethics violation or violations, the Administrator is hereby empowered to impose the following remedies, either individually or concurrently, upon the accused member:

- a. **Require** complete restitution to the complainant of monies paid for the accused member's products which were the subject of the Code complaint;
- b. **Require** the replacement or repair of any accused member's product, the sale of which was the source of the Code complaint;
- c. **Require** the payment of a voluntary contribution to a special assessment fund which shall be used for purposes of publicizing and disseminating the Code and related information. The contribution may range up to \$1,000 per violation of the Code.
- d. **Require** the accused member to submit to the Administrator a written commitment to abide by the DSA Code of Ethics in future transactions and to exercise due diligence to assure there will be no recurrence of the practice leading to the subject Code complaint.
- e. **Require** the cancellation of orders, return of products purchased, cancellation or termination of the contractual relationship with the independent salesperson or other remedies.

#### **2. Case Closed**

If the Administrator determines that there has been compliance with all imposed remedies in a particular case, he shall close the matter.

#### **3. Refusal to Comply**

If a member refuses to voluntarily comply with any remedy imposed by the Administrator, and has not requested a review by the Appeals Review Panel, the DSA Board of Directors, or designated part thereof, may conclude that the member should be suspended or terminated from membership in the Association. In that event the

Administrator shall notify the member of such a decision by registered mail and shall remind the member of its right to have the Administrator's original decision reviewed by the Appeals Review Panel in accordance with Part D Section 5 (Appeals Review Procedure) of this Code.

#### **4. Appeal for Reinstatement After Suspension or Termination**

If the suspension or termination is not appealed, or if it is confirmed by the Appeals Review Panel, a suspended member, after at least ninety days, and a terminated member, after at least one year, may request the opportunity to have its suspension or termination reviewed by the Appeals Review Panel which may in its discretion reinstate membership.

#### **5. Referral to State or Federal Agency**

In the event a member is suspended or terminated, and continues to refuse to comply with any remedy imposed by the Administrator within 30 days after suspension or termination, the Administrator may then consult with independent legal counsel to determine whether the facts that have been ascertained amount to a violation of state or federal law. If it is determined that such a violation may have occurred, the Administrator shall so notify the accused member by certified or registered mail, return receipt requested, and if appropriate action has not been taken by the accused member, and communicated to the Administrator after 15 days following such notice, the Administrator may submit the relevant data concerning the complaint to the appropriate federal or local agency.

#### **F. Restrictions**

##### **1. Conferring with Others**

At no time during an investigation or the hearing of charges against a member shall the Administrator or member of the Appeals Review Panel confer with anyone at any time concerning any alleged violation of the Code, except as provided herein and as may be necessary to conduct the investigation and hold a hearing. Any information ascertained during an investigation or hearing shall be treated as confidential, except in cases where the accused member has been determined to have violated federal, state or local statutes. At no time during the investigation or the hearing of charges shall the Administrator or a member of the Appeals Review Panel confer with a competitor of the member alleged to be in violation of the Code, except when it may be necessary to call a competitor concerning the facts, in which case the competitor shall be used only for the purpose of discussing the facts. At no time shall a competitor participate in the Administrator's or in the Appeals Review Panel's disposition of a complaint.

##### **2. Documents**

Upon request by the Administrator to any member, all documents directly relating to an alleged violation shall be delivered to the Administrator. Any such information obtained by the Administrator shall be held in confidence in accord with the terms of these regulations and the Code. Whenever the Administrator, either by his own determination or pursuant to a decision by the Appeals Review Panel, terminates an action which was begun under the Code, a record of the member accused shall be wiped clean and all documents, memoranda or other written material shall either be destroyed or returned, as may be deemed appropriate by the Administrator, except to the extent necessary for defending a legal challenge to the Administrator's or Appeals Review Panel's handling of a matter, or for submitting relevant data concerning a complaint to a local, state or federal agency. At no time during proceedings under this Code regulation or under the Code shall the Administrator or member of the Appeals Review Panel either unilaterally or through the DSA issue a press release concerning allegations or findings of a violation of the Code unless specifically authorized to do so by the Executive Committee of DSA's Board of Directors.

##### **3. Pending Members of DSA**

Nothing in Part F shall prevent the Administrator from notifying, at his discretion, DSA staff members of any alleged violations of the Code that have come to his attention and which may have a bearing on a DSA pending member's qualifications for active membership.

#### **G. Resignation**

Resignation from the Association by an accused company prior to completion of any proceedings constituted under this Code shall not be grounds for termination of said proceedings, and a determination as to the Code violation shall be rendered by the Administrator at his or her discretion, irrespective of the accused company's continued membership in the Association or participation in the complaint resolution proceedings.

#### **H. Amendments**

This Code may be amended by vote of two thirds of the Board of Directors.

As Adopted  
June 15, 1970

As Amended  
by Board of Directors through  
June 5, 2010