

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 Procedures, in its sole discretion. Notification of amendments shall be published on the TN website or communicated to the Independent Marketing Director by email or otherwise. Any amendment shall become effective twenty-one (21) days after notification to me or publication by TN but any amendments shall not apply retroactively to conduct that occurred prior to the effective date of the amendment.

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 venture 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 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 at the same address shall have the same host. Married persons may have separate IMD identities, but may not be in each other's organization.
- F. IMDs 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.
- H. Any attempt to circumvent the Active IMD date resulting in a change of host may result in disciplinary action for the participants involved.

3. INDEPENDENT CONTRACTOR STATUS

- A. An 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. IMDs 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 be incurred 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 their responsibilities.
- C. An IMD in good standing who does not renew his/her IMD status on the yearly renewal anniversary date, is eligible to become an IMD under a new host.
- D. TN reserves the right to reject IMD transfer and reinstatement requests.
- E. If an IMD resigns or is terminated, the IMD will not have access to the TN personal website and other IMD-related information and tools. Within five (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 manner, including postings and social networking sites. A social networking site which previously identified the person as a TN IMD, must conspicuously disclose that s/he is no longer a TN IMD.
- F. An 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.
- G. No purchase or investment is necessary to become a Company IMD other than the purchase of, or payment fee for a sales kit which is sold "at Company cost." (Purchase is optional in North Dakota). This "at cost" sales kit fee covers basic and ongoing sales and marketing materials, and support, in both written and electronic and online media formats; including product and service updates. Similar support is available to IMDs if they renew as an IMD for an additional term.
- H. IMDs are charged a \$55.00 IMD starter kit fee. The fee includes getting started marketing materials, DVDs and/or CDs or a \$30.00 "Go Green" digital option Starter Kit. Additionally, per the terms of the IMD Agreement, there is an option to renew as an IMD by paying a \$50.00 annual renewal fee. This option can be exercised by the IMD logging in to teamnationalusa.com, selecting Resources > IMD Resources > Special Actions or Forms > IMD Renewal and paying the \$50.00 renewal fee. IMDs that do not renew within 35 days of their anniversary date will forfeit all Team National Big N Bucks they may have earned as an active IMD and will not be able to recover them if they reactivate their IMD status. Big N Bucks that were purchased as gift certificates will expire according to current rules and regulations that govern gift certificates per federal and state level regulations.
- I. As an extension to the initial "at cost" sales kit, a modest monthly fee will be charged for expanded "at cost" ongoing sales and marketing materials support, including back office accounting review, training updates, replicated website and communication tools to support the sales and marketing process. By submitting this IMD Agreement, IMDs specifically authorize this TN All Access (hereafter "TNA") monthly fee to be charged to the IMD's on-file debit or credit card (or other form of payment acceptable to the Company) each month for as long as s/he remains an IMD.

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. An 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 regard 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 nor 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 bonafide customers.

- G. An IMD can refer to himself or team by name (e.g., 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. An IMD shall not [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.
- I. IMDs are not permitted to promote membership sales nor pricing to TN vendors, customers, or employees.
- J. IMDs hosting a public overview must read the Income Earnings disclaimer in full: "This presentation is intended to illustrate the savings and earnings program offered by Team National. It is not intended to represent typical, actual or average savings of specific customers who may experience greater or lesser savings. Actual earnings results by an Independent Marketing Director (IMD) will depend on the time and effort devoted to building the business. Please mute or turn off your cell phone. No pictures, recordings nor live video of the presentation is permitted." Additionally, IMD overview presenters must announce they have a copy of the Income Earnings Disclosure chart available if a prospect wants to view it on site. Further, that the Income Earnings Disclosure is available for view online on teamnationalusa.com under the Business Opportunity tab. Only IMDs, Presidential Director (hereafter "PD") and above, are approved to host public overviews.
- K. IMDs shall not solicit employees of Team National to do business with and/or enter into a business agreement.
- L. IMDs must offer consumers accurate information regarding price, credit terms, terms of payment, and cooling-off period. This information can be found in the Membership and IMD agreements.

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 **PD** 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. 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.
- D. 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.
- E. 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. This includes an unused IMD starter kit that may be returned for full refund for up to twelve (12) months from the date of purchase. The repurchase shall be at one-hundred percent (100%) of the original net cost to the participant returning such goods, considering 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, 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.

- F. 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.
- G. 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 provision 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.
- H. Applicant IMD represents that in making application to TN, s/he 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.
- I. 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.
- J. 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. The exceptions to this rule are as follows: (1) If the parents of an adult child purchase a Premium Membership and the adult child owns a business, the adult child may purchase a Premium Membership to cover his/her business and employees, (2) If the parents of an adult child purchase a Premium Membership, the membership will cover the adult child's spouse, but not his/her in-laws. A membership may be purchased by either the in-laws or by the adult child's spouse to cover his/her parents.
- K. 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.
- L. Tax Reporting Applicable to Non-U.S. Residents/Citizens. If the IMD is a non-U.S. resident or citizen, then s/he hereby confirms that s/he is not a resident nor a citizen of the United States of America (hereafter "U.S.") and is obliged to inform the Company of this status. The IMD agrees that, if s/he engages in any activity related to the Company while physically present in the U.S., the IMD will (1) inform the Company about such activities, (2) submit a completed IRS Form 8233* to the Company, if requested by the Company, completed as directed by the Company, for the year in which such activities occur and for each year thereafter, and (3) inform the Company of the aggregate dollar amount of the sales of the IMD or the IMD's down line that, as reasonably determined by the IMD, are attributable to activities that the IMD performed while physically present in the U.S.; including an explanation of how the IMD calculated the amount.

***IRS Form 8233 is applicable for distributors in certain countries that are parties to a U.S. tax treaty.**

The IMD understands that, if s/he engages in any such activities in any year, the Company may be required to (1) withhold a portion of each payment to the IMD in that year and each subsequent year and (2) report a portion of each payment to the IMD, to the IRS on IRS Form 1042, and report same to the IMD on IRS Form 1042-S.

- M. Electronic Signatures. The Company recognizes and accepts electronic signatures in compliance, which follow the federal Electronic Signatures in Global and National Commerce Act (E-Sign Act).
- N. Judgment and Tax Liens. The company will comply with any court order or instruction/demand by any government taxing authorities within the United States and Canada that orders, instructs or demands the withholding of an IMD's earnings from his/her IMD position with the Company.
- O. Subpoenas Duces Tecum (Demands for Records). Assuming proper jurisdiction, the Company will comply with all subpoenas duces tecum demanding financial compensation records of an IMD in his/her capacity as an independent contractor with the Company.
- P. Requests for Records. The Company will comply fully with all requests for records accompanied by a properly prepared and signed authorization by the person whose records are being sought. The Company will comply fully with all requests for records by government agencies with the authority to request such records and accompanied by the requisite legal documentation.

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 name, 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 membership, products or the 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 records 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 us 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**. IMDs 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 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 legality 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.
- E. **Internet SPAM Standards.** Reports of spamming may be sent to tncompliance@teamnationalusa.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 within ten (10) days of the request.
 - c. Email communications to subscribers must adhere to guidelines 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 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 permitted to use personalized domain names only when the display and destination URL are redirected to a registered external website or TN Platinum website (see Internet and Website Policy, 8. A., B.). 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 nor 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 teamnationalusa.com, an IMD's TN Personal Website, TN Platinum Site 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 are misleading, unfair, defamatory, obscene or otherwise objectionable. Link placement that suggests preferential treatment, affiliation with, sponsorship, or endorsement by TN is strictly prohibited. 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 thirty (30) days from the edit date. All notification must be delivered by email to: webmaster@teamnationalusa.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 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 PD 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.

- 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 nor 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 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@teamnationalusa.com. Responding to such negative posts simply fuels a discussion with someone carrying a grudge that does not hold himself to the same high standards as TN, and therefore damages the reputation and good will 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.
- I. **EBay/Online Auctions/Online Retailing.** IMDs may not list nor 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 PD 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.
- a. *Approved Advertisements.* IMDs, PD level and above, may advertise on social media using the TN approved content found under Resources > IMD Resources > Compliance Resources > Social Media Presence > Quick Guide to Social Media for Your Business > Advertising.... > Click here for advertising resources.
 - i. Videos created by an IMD that mention TN, must have the following elements prominently displayed in the video:
 - 1. IMD name
 - 2. Status as an IMD
 - 3. TN Disclaimer (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 sites.
- 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 Internet and Website Policy, 8. A., B.) and must not portray a URL that could lead the user to assume they are being directed to a TN corporate site, nor be inappropriate or misleading.

8. INTERNET AND WEBSITE POLICY

IMDs are permitted to advertise on the Internet through an approved Company program, TNAA, which allows IMDs to purchase a personal website. These personal websites link directly to the Company website giving the IMDs a professional and Company-approved presence on the Internet. Only these approved websites may be used by IMDs. No IMD may independently design a website that uses the names, logos, product or service descriptions of the Company, nor may an IMD use "blind" ads on the Internet, making product or income claims which are ultimately associated with Company products, services or the company's compensation plan. Any person using Company names, logos, trademarks, etc. on the Internet or any other advertising medium, except as permitted by Company Rules and Regulations, shall be subject to immediate discipline, including termination of IMD status.

- 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 thirty (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 in 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 an 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 Sites.** 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 thirty (30) days for accuracy. TN will terminate access to the TN Platinum site upon IMD's resignation or termination of the IMD Agreement.

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 testimonials 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 they enjoy because of their TN home-based business.
- c. Ensure 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, nor purchase a membership to be an IMD; savings testimonials are separate from the IMD opportunity.

B. **IMDs cannot:**

- a. Specify income claims nor commitments to income.
- b. State that success is guaranteed.
- c. Mention that a specific amount of inventory must be purchased, nor that an investment be made.
- d. Claim nor imply that a product can diagnose, cure, treat, or prevent a disease or medical condition.
- e. Circumvent 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 an 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 loan. This scenario is damaging to the good will 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. Other than TN's standard three-business day right of rescission, or cancellation on membership contracts, no TN refund will be offered, under any circumstance, 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 eighteen (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 s/he shall not disrupt, damage impair nor impede the business of TN, whether by way of interfering with, raiding or otherwise, its IMDs, customers, employees, suppliers, vendors, manufacturers etc. "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. If you are an IMD who resigns and/or are terminated, and engage in raiding or proselytizing of TN IMDs, you will also become ineligible as a member to advertise your business on the TNBE (Team National Business Exchange).
- E. 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. Team National 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, 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 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, 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 nor 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 (2) 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 to anyone who has or had an 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. An IMD's business (in good standing), as well as 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.

- A. IMDs must take appropriate steps to safeguard the protection of all private information provided by a consumer, independent salesperson, or prospective salesperson.

14. **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.

15. **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; i.e., name, address, telephone number, email address, etc., with third-party entities without the 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.

16. **TN CHARGEBACK POLICY**

If a customer cancels his or her membership package by charging back the Company, bonus points created by the chargeback will be removed from Binary, all the way up line. Similarly, any customer who paid in full and cancels with a refund will cause bonus points to be charged back up line. Correspondingly, 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 shall



DIRECT SELLING ASSOCIATION

Code of Ethics

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Code of Ethics

Explanatory provisions in italics.

Preamble

The Direct Selling Association (“DSA”), recognizing that companies engaged in direct selling assume certain responsibilities toward consumers 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 will continue to adhere to in the conduct of their business.

A. Code of Conduct

1. Deceptive or Unlawful Consumer or Recruiting Practices

- a. No member company 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 independent 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.

- ▶ *1. 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 appointed pursuant to Section C.1 (“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 a determination by the Administrator that a practice is deceptive, unlawful or unethical. For example, in a sale to

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c. Member companies shall conduct their activities toward other member companies 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 other 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

1. CONTINUED...

a consumer, compliance with the Federal Trade Commission Cooling-Off Rule does not prevent the Administrator from making a determination that a particular sales practice is deceptive, unlawful or unethical and that a refund or compensation is required.

the trust of individual consumers, or exploit a consumer's age, illness, handicap, lack of understanding or unfamiliarity with a language.

2. Products, Services and Promotional Materials

- a. The offer of products or services for sale by member companies and their independent salespeople shall be accurate and truthful as to price, grade, quality, make, value, performance, quantity, currency of model and availability. All product claims made by member companies and their independent salespeople must be substantiated by competent and reliable evidence and must not be misleading. A consumer's order for products and services shall be fulfilled in a timely manner.
- b. Neither member companies nor their independent salespeople shall make misleading comparisons of another company's direct selling opportunity, products or services. Any comparison must be based on facts that can be objectively and adequately substantiated by competent and reliable evidence. Neither member companies nor their independent salespeople shall 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

▶ 1. and 2. These sections cover communications about your own company or another company. For example, this section covers misleading statements made by an independent salesperson for company A about company B and/or its products to consumers or prospective independent salespeople.

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 consumer 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 business 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, independent salesperson or prospective independent salesperson.

6. Pyramid Schemes

For the purpose of this Code, pyramid or endless chain schemes shall be considered actionable under this Code. The DSA Code Administrator (appointed pursuant to Section C.1) 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 statutes of various states. In accordance with these laws, member companies shall remunerate independent salespeople 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 purchases that are not simply incidental to the purchase of the right to participate in the program. See Section 9 for further clarification.

7. Inventory Purchases

- a. Any member company with a marketing plan that involves selling products directly or indirectly to independent salespeople shall adopt and communicate a policy, in its recruiting literature, sales manual, or contract with an independent salesperson, that the company will repurchase on reasonable commercial terms currently marketable inventory and company produced promotional materials, sales aids, tools and kits, in the possession of that salesperson and purchased by that salesperson for resale prior to the date of termination of the independent salesperson's business relationship with the company. For purposes of this Code, "reasonable commercial terms" shall include the *repurchase of marketable inventory, and company produced promotional materials, sales aids, tools and kits* 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'

- ▶ 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 that might result from inventory loading. Company-produced sales aids, kits and promotional materials, while not inventory, are subject to the repurchase requirement consistent with this section. Sales aids, kits and promotional materials that are produced by a third party, i.e. non-company produced, shall not be subject to the buyback.

"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 DSA Code Administrator (appointed pursuant to Section C.1) 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

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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.

- b. The DSA Code Administrator appointed pursuant to Section C.1, upon finding a member company has engaged in false, misleading or deceptive recruiting practices, may employ any appropriate remedy to ensure any complainant shall not incur significant financial loss as a result of such prohibited behavior, including but not limited to requiring such member company to repurchase any and all inventory, and company produced promotional materials, sales aids and/or kits which a complainant has purchased.

7a. CONTINUED...

longer “marketable.” Nor does the ingestible nature of certain products limit the current marketability of those products. Government regulation that 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 an independent salesperson’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 “its recruiting literature, sales manual or contract.” Regardless, 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 member company shall not place any unreasonable or procedural impediments in the way of salespeople seeking to sell back products to the member company. Direct Selling Association Code of Ethics 9 The buyback process should be as efficient as possible and designed to facilitate buyback of products. The buyback provisions apply to all terminating independent salespeople who otherwise qualify for such repurchase, including independent salespeople who are not new to a particular company, or those who have left a company to sell for another company. The buyback policy should be published

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7a. CONTINUED...

in multiple locations and formats, and stated in a manner understood easily by a typical independent salesperson. It should be the goal of each member company to ensure that the typical independent salesperson is aware of the company's buyback policy. Therefore, each member company should undertake its best efforts to ensure the effective communication of the policy.

8. Earnings Representations

- a. The following shall be considered “earnings representations” under this Code:
1. Any oral, written or visual claim that conveys, expressly or by implication:
 - a) A specific level or range of actual or potential sales; or
 - b) Gross or net income or profits, including but not limited to representations that either explicitly or implicitly suggest that lifestyle purchases—including homes, vehicles, vacations and the like—are related to income earned.
 2. Any statement, representation or hypothetical scenario from which a prospective independent salesperson could reasonably infer that he/she will earn a minimum level of income;
 3. Any chart, table or mathematical calculation demonstrating possible income, actual or potential sales, or gross or net profits based upon a combination of variables;
 4. Marketing materials or advertising explicitly describing or promising potential income amounts, or material-based lifestyles of independent salespeople;
- ▶ 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 Administrator in making determinations as to the substantiation of a member company's earnings claims.*
- The Code's simple prohibition of misrepresentations was intended, in part, to avoid unduly encumbering start-up member companies that have little or no actual earnings history with their compensation plan or established member companies that are testing or launching new compensation plans. The prohibition approach is meant to require that member 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).*

5. Any award or announcement of compensation describing the earnings of any current or past salesperson. A company's sales incentive awards, trips or meetings, and/or commissions, overrides, bonuses or other compensation, shall not be considered earnings representations unless they are accompanied by express indication of their value.
- b. Member companies must comply with, and obligate their independent salespeople to also comply with, the following standards:
 1. Earnings representations and sales figures must be truthful, accurate, and presented in a manner that is not false, deceptive or misleading.
 2. Current and prospective independent salespeople must be provided with sufficient information to understand that:
 - a) Actual earnings can vary significantly depending upon time committed, skill level and other factors;
 - b) Not everyone will achieve the represented level of income; and
 - c) Such amounts are before expenses, if any.
 3. Current and prospective independent salespeople must be provided with sufficient information to enable a reasonable evaluation of the opportunity to earn income.
 4. If a specific independent salesperson's commission or bonus payments are included in an earnings representation, any distributions made for those payments to others in the sales organization must be disclosed or deducted from the figure(s) used.
 5. Any sales and earnings representations must be documented and substantiated. Member companies and their independent salespeople must maintain such documentation and substantiation, making it available to the Administrator upon written request.
 6. Industry-wide—including DSA-produced—financial, earnings or performance information cannot be used as the primary source in documenting or substantiating a member company's or independent salesperson's representations. Such information can, however, be used in a general manner.

- c. In assessing whether an earnings representation violates this section of the Code, the Administrator shall consider all relevant facts and information, including but not limited to the factors outlined in this section.

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 by the independent salesperson within a reasonable period of time.

Member companies shall take clear and reasonable steps to ensure that independent salespeople are consuming, using or reselling the products and services purchased.

It shall be considered an unfair and deceptive recruiting practice for a member company or independent salesperson to require or encourage an independent salesperson to purchase unreasonable amounts of inventory or sales aids. The Administrator may employ any appropriate remedy to ensure any individual salesperson shall not incur significant financial loss as a result of such prohibited behavior.

- 9. See, Code Explanatory Section 7a. regarding inventory loading.

This provision should be construed in light of the regulatory admonition that commissions be generated by purchases that are not simply incidental to the purchase of the right to participate in the program (see Federal Trade Commission 2004 Advisory Opinion Letter to DSA.) Member companies that implement procedures demonstrating that salespeople are purchasing the product for resale, for their own use/ consumption (i.e., "self-consumption", "personal consumption" or "internal consumption") or for other legitimate purposes will be better able to meet the requirements of Section 9. The Code recognizes this as a long-standing and accepted practice in direct selling and does not prohibit compensation based on the purchases of salespeople for personal use.

Further, the Code does not set forth specific standards or requirements that a minimum level of sales take place outside of the salesforce.

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 member company's business. Any fees charged to become an independent salesperson shall relate directly to the value of materials, products or services provided in return.

11. Training and Materials

- a. Member companies shall provide adequate training to enable independent salespeople to operate ethically. Such training should include the scope of permissible representations especially the parameters regarding product claims, inventory purchases and earnings representations in accordance with sections 2, 7 and 8 of this Code.
- 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,

▶ 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 Section 7a. The Code eliminates the harm of large fees by prohibiting unreasonably high fees. The 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 Administrator. This Code section reinforces the provisions in Section B. Responsibilities and Duties requiring member companies to address the Code violations of their 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 independent salesperson 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 that its investigation discloses to have been committed.
- c. Member companies will be considered responsible for Code violations by their independent salespeople 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, member 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, provided, however, that such action shall not be construed to be a waiver of the member companies' right to raise such defense under any other circumstance.
- d. Member companies should be diligent in creating awareness among their employees and/or the independent salespeople marketing the member company's products or services about the member company's obligations under the Code. No member company shall in any way attempt to persuade, induce or coerce another company to breach this

Code, and an attempt to induce a breach of this Code is considered a violation of the Code.

- e. Independent 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 Code Communication

a. All member companies are required to publicize the DSA Code of Ethics and the process for filing a Code complaint to their independent salespeople and consumers. At a minimum, member companies must have one of the following:

1. an inclusion on the member company's website of the DSA Code of Ethics with a step-by-step explanation as to how to file a complaint; or
2. a prominent link from the member company's website to the DSA Code of Ethics web page, with a separate mention of, or separate link to, the Code complaint filing process; or

► *2a. The links should be clear and conspicuous. The location of the link on the member company's website should be prominent so as to be accessible and visible to salespeople and the consumer; member companies should place the link on a web page that is commonly accessed by salespeople and consumers. Inclusion of statements, such as, "We are proud members of the DSA. To view the Code of Ethics by which we abide please click here," and "To file a complaint, please contact us at [company email and/or phone number]. If you are unsatisfied with the resolution, you may escalate your complaint to the DSA by clicking here," are also ideal. Member companies should specifically link to either www.dsa.org/consumerprotection/Code and www.dsa.org/consumerprotection/filing-a-code-complaint.*

3. an inclusion of the member company's Code of Ethics and its complaint process on its website with an explanation of how a complainant may appeal to the Administrator in the event the complainant is not satisfied with the resolution under the member company's Code of Ethics or complaint process, with a reference to the DSA Code of Ethics web page.
- b. All member companies, 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 his or her company and responding to inquiries by the DSA Code Administrator appointed pursuant to Section C.1. He or she will also serve as the primary contact at the member company for communicating the principles of the DSA Code of Ethics to the member company's independent salespeople, employees, consumers 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 DSA shall appoint a Code Administrator ("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.

2. Code Administrator

- a. The Administrator shall be a person of recognized integrity, knowledgeable about the industry, and of a stature that will command respect by the industry and from the public. He or she shall appoint a staff adequate and competent to assist in the discharge of the Administrator's duties. During the term of office, neither the Administrator nor any member of the staff shall be an officer, director, employee, or substantial stockholder in any member 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 have the same rights of indemnification as the Directors and Officers have under the bylaws of the DSA.
- b. The Administrator shall establish, publish and implement transparent complaint handling procedures to ensure prompt resolution of all complaints.
- c. The Administrator shall review and determine all charges against member companies, affording those companies 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 member companies.

3. Procedure

- a. The Administrator shall have the sole authority to determine whether a violation of the Code has occurred. The Administrator shall answer as promptly as possible all queries relating to the Code and its application, and, when appropriate, may suggest, for consideration by the Board of Directors, Code amendments, or other implementation procedures to make the Code more effective.
- b. If, in the judgment of the Administrator, a complaint is beyond the Administrator's scope of expertise or resources, the Administrator may decline to exercise jurisdiction over the complaint and may recommend to the complainant another forum in which the complaint can be addressed.
- c. The Board of Directors may direct that the Administrator undertake an investigation of a DSA member company in response to reports, investigations or litigation that give rise to concerns regarding the member company's compliance with the Code of Ethics. The Administrator shall provide a report to the Board of Directors

regarding findings of the investigation and whether there are any Code of Ethics violations. The Board may (among other remedies) suspend the company based on the results of the investigation. The Board may end the suspension of the member company upon the Administrator's report that the matter is resolved.

- d. The Administrator shall undertake 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. DSA Code of Ethics Enforcement Procedures

1. Receipt of Complaint

Upon receipt of a bona fide complaint from a bona fide consumer, the Administrator shall forward a copy of the complaint, to the accused member company together with a letter notifying the company that a preliminary investigation of a specified possible violation is being conducted and requesting the member company's cooperation in supplying necessary information and documentation. If the Administrator has reason to believe that a member company has violated the Code, even if a written complaint has not been received, then the Administrator shall provide written notice to the member company stating the basis for the Administrator's belief that a violation has occurred. The Administrator shall honor request by complainants for confidential treatment of their identity. The subject matter of a complaint will not be kept confidential.

2. Cooperation with the Code Administrator

In the event a member company refuses to cooperate with the Administrator and/or refuses to supply necessary information and documentation, the Administrator shall serve upon the member company, by certified mail, a notice affording the member company an opportunity to request Appeals Review Panel to evaluate whether its membership in the DSA should not be terminated. In the event the member company fails to request a review by an Appeals Review Panel pursuant to Section D.5. below, the DSA Board of Directors may vote to suspend or terminate the membership of the member company.

3. 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, the investigation and administrative action 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 there are violations of such a nature, scope or frequency that the best interests of consumers, the DSA, and/or the direct selling industry require remedial action, the member company shall be notified. The reasoning and facts that resulted in the decision as well as the nature of the remedy under Section E.1. shall be included in the Administrator's notice. The notice shall also offer the member company an opportunity to consent to the suggested without the necessity of a Section D.4. appeal. If the member company desires to dispose of the matter in this manner, it will within 20 calendar days advise the Administrator, in writing. The letter to the Administrator may state that the member company's willingness to consent does not constitute an admission or belief that the Code has been violated.

4. Appeals Review Panel

If a member company has submitted a request for review pursuant to Section D.2. or an appeal of the Administrator's remedial action pursuant to Section D.3., an Appeals Review Panel consisting of three representatives from active member companies shall be selected by the Executive Committee of DSA's Board of Directors within 20 calendar days. The three member companies shall be selected in a manner that represents a cross-section of the industry. When possible, none of the three shall sell a product that specifically competes with the member company that is seeking the Appeals Review Panel (hereinafter "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, the Chairman of the Board of DSA can replace that person with a new appointment. The representatives serving on the Appeals Review Panel

shall during their time on the Panel have the same rights of indemnification the Directors and Officers have under the bylaws of the DSA.

5. Appeals Review Procedure

- a. A member company must make a request to convene an Appeals Review Panel in writing to the Administrator within 20 calendar days of the Administrator's notice of the member company's failure to comply or the Administrator's recommended remedial action. Within 10 calendar days of receiving such a request, the Administrator shall notify the Chairman of the Board of DSA. The Executive Committee then shall select the three-person Panel as set forth in Section D.4.
- b. As soon as the Panel has been selected, the Administrator shall inform the Appellant of the names of the panelists. Within 14 calendar 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 calendar 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 shall be provided to the Administrator, who can provide additional information as the Administrator decides is necessary or useful to the Panel and the Appellant.
- c. Once the information has been received by the panelists from both the Administrator and the Appellant, the Panel will complete its review within 30 calendar days or as soon thereafter as practicable. If the review pertains to whether the Appellant's membership in the DSA should be terminated, the Panel shall decide whether the member company's failure to work with the Administrator justifies suspending or terminating the Appellant's membership in the DSA. If the review pertains to the Administrator's suggested remedial action, 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 Section E. The Panel shall be free to contact the Administrator, the Appellant, and any other persons who may be relevant, in writing 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.

E. Powers of the Administrator

1. Remedies

If pursuant to the investigation provided for in Section D.3., the Administrator determines that the accused member company has committed a Code violation or violations, the Administrator is hereby empowered to recommend any appropriate remedies, either individually or concurrently, including but not limited to the following:

- a. Complete restitution to the complainant of monies paid for the accused member company's products, promotional materials, sales aids and/or kits that were the subject of the Code complaint;
- b. Replacement or repair of any of the accused member company's product that was the source of the Code complaint;
- c. Payment of a voluntary contribution to a special assessment fund that 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. Submission to the Administrator of a written commitment to abide by the Code in future transactions and to exercise due diligence to assure there will be no recurrence of the practice leading to the subject Code complaint; and/or
- e. Cancellation of orders, return of products purchased, cancellation or termination of the contractual relationship with the independent salesperson or other remedies.

2. Case Closed

Once the Administrator determines that there has been compliance with all imposed remedies in a particular case, the complaint shall be considered closed.

3. Refusal to Comply

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

4. Appeal for Reinstatement after Suspension or Termination

If the DSA Board of Directors, or designated part thereof, suspends or terminates a member company pursuant to the provisions of this Code, the DSA shall notify the member company of such a decision by certified mail. A suspended member company, after at least 90 calendar days following that notice, and a terminated member company, after at least one year following that notice, may request the opportunity to have its suspension or termination reviewed by an Appeals Review Panel, which may in its discretion recommend that the Board of Directors reinstate membership.

5. Referral to State or Federal Agency

In the event a member company is suspended or terminated by the DSA Board of Directors, or designated part thereof, pursuant to the provisions of this Code, the DSA shall inform the Federal Trade Commission (“FTC”) of such suspension or termination and shall, if requested by the FTC, submit any relevant data concerning the basis for suspension or termination.

F. Restrictions

1. Conferring with Others

At no time during an investigation or the hearing of charges against a member company shall the Administrator or member of an Appeals Review Panel confer with anyone concerning the alleged violation(s) of the Code, except as provided herein and as may be necessary to conduct the investigation and hold a hearing. At no time during the investigation or the Appeals Review Panel process shall the Administrator or a member of the Appeals Review Panel confer with a competitor of the member company 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 contacted only for the purpose of discussing the facts. At no time shall a competitor participate in the Administrator's or in an Appeals Review Panel's disposition of a matter.

2. Documents

Upon request by the Administrator to any member company, all documents directly relating to an alleged violation shall be delivered to the Administrator. Any information that is identified as proprietary by the producing party shall be held in confidence. Whenever the Administrator, either by his own determination or pursuant to a decision by an Appeals Review Panel, closes an investigation, all documents 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 shall the Administrator or a member of an 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 Section 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 pending member company's qualifications for active membership.

4. Public Reporting of Code of Ethics Complaints and Compliance Efforts

The Administrator may issue periodic reports on Code of Ethics compliance including disclosure of numbers and types of complaints as well as company-compliance efforts. The issuance of these reports will not identify individual complaints.

G. Resignation

Resignation from DSA by an accused member 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 member company's continued membership in DSA 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 3, 2017



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