

POLICIES AND PROCEDURES FOR THE DIRECT SELLING SELF-REGULATORY COUNCIL: AN
OPERATING UNIT OF THE COUNCIL OF BETTER BUSINESS BUREAUS

A- INTRODUCTION

This document describes the Direct Selling Self-Regulatory Council (DSSRC), the roles of the Direct Selling Association (DSA), and the Council of Better Business Bureaus (CBBB).

B- PURPOSE

DSSRC shall address income representations (including lifestyle representations) and product (including services) claims made by direct selling companies and their salesforces to ensure the high level of accuracy and adequate substantiation of those claims, thereby maintaining and enhancing the confidence of consumers in the direct selling business model. The DSSRC is being established to provide an independent mechanism for monitoring product, service and income representations by DSA members and other members of the direct selling industry. DSSRC shall demonstrate the commitment of DSA members to establish and support an industry-wide self-regulatory program based on existing standards of advertising and other law and regulation, as well as direct selling-specific standards embodied in the DSA Code of Ethics.

C- JURISDICTION

DSSRC shall consider matters related to income representations and product claims made by any direct selling company (i.e. companies who sell their products and services directly to consumers through an independent salesforce) and their salesforces regardless of membership in DSA. Matters subject to DSSRC consideration shall be generated through:

- Independent monitoring of the direct selling marketplace by DSSRC,
- Matters referred by the DSA Code Administrator based on a pattern and practice of complaints identified, or pursuant to media reports, or matters identified by consumers or others directly to DSSRC, and
- Matters raised by competitor challenges.
- Inquiries received from distributors, customers and other users of direct selling companies products or services
- Complaints from Better Business Bureaus directed to DSSRC

D- STANDARDS

DSSRC shall evaluate representations and claims based on standards to ensure truthful, accurate income representations and product claims of direct selling companies and their independent salespeople. When evaluating the truth or accuracy of a claim, DSSRC shall look to statutes, regulations, judicial precedent, and self-regulatory decisions from the National Advertising Division of the Council of Better Business Bureaus (NAD), Electronic Retailing Self-Regulation Program (ERSP) and/or National Advertising Review Board (NARB), the DSA Code of Ethics, or the BBB Code of Advertising. A company's participation in the self-regulatory process is not an admission of any wrongdoing and shall not be interpreted to constitute an admission by the company or a finding that the law has been violated. A DSSRC finding that a company has or has not complied with DSSRC standards or the DSA Code of Ethics shall not constitute a legal finding. A company 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 non-compliance with DSSRC standards, provided, however, that such action shall not be construed to be a waiver of a company's right to raise such defense under any other circumstance

I. INDEPENDENT MONITORING OF THE DIRECT SELLING MARKETPLACE

The DSSRC will monitor income and product claims made by direct selling companies and their salesforce members through all means including websites and social media. DSSRC will give a priority to content that appears to constitute a pattern or practice of non-compliance. Content identified through such monitoring that appears to be of an isolated or individual nature may be forwarded to the subject company and resolved through the following remediation process.

1. DSSRC will identify to the company the content of concern and its source (company generated or independent salespeople) as well as a statement explaining why the content and/or claims at issue are a concern to the DSSRC.
2. DSSRC will identify the claims of concern to the company including in the case of distributor claim information from its monitoring identifying the source and location of the claim
3. DSSRC will provide the company the opportunity to substantiate the claims.
4. The company will be given the opportunity to respond to the DSSRC inquiry within 15 business days after first receiving notice from the DSSRC.
5. DSSRC may consider any substantiation or support provided by the company as adequate pursuant to the DSSRC standards and decline to pursue further inquiry with the company, in which case the DSSRC shall so notify the company and the processes outlined below shall not be triggered.
6. DSSRC may request additional information, and/or recommend corrective measures to bring claims into compliance with DSSRC standards including but not limited to:

modification of any content related to the claims, discontinuance of the claims, or remedial instruction to the company's independent salespeople.

7. If the company and DSSRC do not agree on the corrective measures described above, the company may file an appeal as described below.
8. If the company and DSSRC do not agree on any or all of the corrective measures described above, DSSRC may, after the opportunity for any appeal as described below has been exhausted, issue a case decision on the matter, publish an announcement on the DSSRC website, and refer the matter to appropriate government agencies. Before taking any of these steps, DSSRC will take reasonable steps to ensure the company has in fact received DSSRC's communications on the matter.
9. If a company does not respond to DSSRC, or declines to participate in the DSSRC process, DSSRC will issue a case decision indicating the company was unresponsive or declined to participate in the DSSRC process. DSSRC may publish an announcement on the DSSRC website, and refer the matter to appropriate government agencies. Before taking any of these steps, DSSRC will take reasonable steps to ensure the company has in fact received DSSRC's communications on the matter.
10. DSSRC will report annually on the aggregate activity and results of this remediation process.

II. **MATTERS REFERRED BY THE DSA CODE ADMINISTRATOR, OR PURSUANT TO MEDIA REPORTS OR IDENTIFIED BY OTHERS THAT THE DSSRC BELIEVES MAY CONSTITUTE A PATTERN OR PRACTICE IDENTIFIED THROUGH MONITORING THAT MAY BE FORWARDED TO THE SUBJECT COMPANY AND RESOLVED THROUGH THE FOLLOWING REMEDIATION PROCESS**

1. DSSRC shall identify to the company the claims and/or content of concern, the way in which the content came to DSSRC's attention, the source of the concern (consumer complaint[s], DSA Code Administrator, media, or other) and a statement of the nature of the DSSRC's concerns. DSSRC will also identify to the company, information from monitoring indicating the location of the content.
2. DSSRC may request that the company provide substantiation for the claims and/or other content of concern.
3. The company shall be given the opportunity to respond to the DSSRC inquiry within 15 business days after first receiving notice from DSSRC. If the company does not respond to the DSSRC inquiry within 20 business days, DSSRC will send the company a follow-up letter with an additional 10 days to respond.
4. DSSRC may consider the substantiation sufficient and decline to pursue the matter further, in which case the DSSRC shall so notify the company and the processes outlined below shall not be triggered.

5. DSSRC may request additional information, and/or recommend corrective measures to bring claims into compliance with DSSRC standards including but not limited to: modification of any content related the claims, discontinuance of the claims, and remedial instruction to the company's independent salespeople.
6. If the company and DSSRC agree on the corrective measures described above, DSSRC may issue a case report on the matter and publish an announcement on the DSSRC website.
7. If the company and DSSRC do not agree on the corrective measures described above, the company may file an appeal as described below.
8. If the company and DSSRC do not agree on the corrective measures described above, DSSRC may, after the opportunity for any appeal as described below has been exhausted, issue a case report on the matter as unresolved, publish an announcement on the DSSRC website, and refer the matter to appropriate government agencies. Before taking any of these steps, DSSRC will take reasonable steps to ensure that the company as in fact received DSSRC's communications on the matter.
9. If a company does not respond to DSSRC or declines to participate in the DSSRC processes, DSSRC will issue a case report indicating that the company was unresponsive or declined to participate in the DSSRC process. The DSSRC may publish an announcement on the DSSRC website, and refer the matter to appropriate government agencies. Before taking any of these steps, DSSRC will take reasonable steps to ensure that the company as in fact received DSSRC's communications on the matter.
10. The DSSRC may decline jurisdiction if the matter at issue is:
 - the subject of pending litigation or an order by a court;
 - pending before a state or federal administrative agency, or public utility;
 - made moot because the claim and/or representations at issue are permanently withdrawn from use prior to the date of the inquiry and DSSRC receives the direct selling company's assurance, in writing, that the practice(s) and/or representation(s) at issue will not be used by the company or offered for use by the company to the company's independent salespeople in any future communication and/or advertising for the content, product or service at issue.

DSSRC may determine and advise the relevant parties that the inquiry is not, or is no longer, appropriate for formal investigation in this forum. Upon making such a determination, DSSRC shall advise the parties that a self-regulatory proceeding will not be opened, or in the event that a review proceeding has already been opened, shall administratively close the case file and report this action in the next issue of the Case Reports as explained below. When possible, DSSRC may provide interested parties with the name and address of any agency or group with jurisdiction over the complaint. A matter in which DSSRC declines jurisdiction shall not be subject to public reporting on the DSSRC website or through case reports.

III. MATTERS RAISED BY COMPETITOR CHALLENGES

The DSSRC includes a process for companies to challenge the income representations and/or product claims of competitor companies.

A-CHALLENGER'S SUBMISSION

1. A challenger company must submit a complaint with documentation identifying all express and implied claims to be considered by DSSRC as well as a statement as to what income representations and/or product claims are at issue and how the claims do not comply with the standards of DSSRC.
2. A challenger's submission must address claims related to one company only, shall be submitted together with a check payable to the Council of Better Business Bureaus, Inc. in the amount of \$5,000 if the challenger is a DSA member company or \$10,000 if the challenger is not a DSA member company.
3. DSSRC shall review the challenger company's documentation for an initial assessment and determination of whether to commence a proceeding.
4. If, in its discretion, DSSRC determines that a competitive challenge is too broad, includes too many issues or claims, to make possible a resolution within the time constraints prescribed, DSSRC may request that the challenger limit the issues or claims to be considered in the review proceeding, or, in the alternative, advise the challenger that the matter will require an extended schedule for review.
5. DSSRC reserves the right to refuse to open or to continue to handle a case in which a party to a DSSRC proceeding publicizes, or otherwise announces, to third parties not directly related to the case the fact that specific claims will be, are being, or have been, referred to DSSRC for resolution. The purpose of this right of refusal is to maintain a professional, unbiased atmosphere in which DSSRC can affect a timely resolution to a case in the spirit of furthering voluntary self-regulation and the voluntary cooperation of the parties involved.
6. The DSSRC may decline jurisdiction if the matter at issue is:
 - the subject of pending litigation or an order by a court;
 - the subject of a matter pending before a state or federal administrative agency, or public utility;
 - made moot because the claim(s) at issue has been permanently withdrawn from use prior to the date of the inquiry and DSSRC receives the direct selling company's assurance, in writing, that the practice(s) and/or representation(s) at issue will not be used by the company or offered for use by the company to the company's independent salespeople in any future communication and/or advertising for the content, product or service at issue.

DSSRC may determine and advise the challenger that the matter is not, or is no longer, appropriate for formal investigation in this forum. Upon making such a determination, DSSRC shall advise the challenger that a self-regulatory proceeding will not be opened, or in the event that a review proceeding has already been commenced, shall administratively close the case file and report this action in the next issue of the Case Reports as explained below. When possible, DSSRC may provide the challenger with the name and address of any agency or group with jurisdiction over the

complaint. Any matter for which DSSRC declines jurisdiction shall not be subject to public reporting on the DSSRC website or through case reports.

B- RESPONSE TO THE COMPETITIVE CHALLENGE, CHALLENGER'S REPLY, AND SUBJECT COMPANY'S FINAL RESPONSE

1. DSSRC shall identify the issues presented, the nature of its concerns and request that the subject company provide a statement demonstrating adequate substantiation or other support for the relevant income representations and/or product claims.
2. The subject company shall submit to both DSSRC and the challenger, its written response within 15 business days after first receiving notice from DSSRC. The response may provide adequate substantiation or other support for any claims or representations challenged and any objections for why the DSSRC should not accept the case. The subject company may submit copies of all content that is related to challenger's statement. Where the subject company's written response contains material redacted or designated as confidential, it shall include a comprehensive summary of the redacted information for the DSSRC.
 - a. Where possible, DSSRC shall receive both the redacted and unredacted version the written response as well as the separate comprehensive summary of redacted content.
 - b. The subject company may not include a counter challenge as part of its response (such as a request the DSSRC review claims made by the challenger).
3. Challenger's Reply -The challenger may submit a reply to both the DSSRC and subject company within 10 business days of receipt of the subject company's response. If the challenger does not submit a reply, DSSRC shall proceed to decide the challenge upon the expiration of the challenger's time to reply, subject to a request by DSSRC for additional comments.
4. Company's Final Response - The subject company may submit a final response within 10 business days after receipt of the challenger's reply.

C. FAILURE TO RESPOND TO THE COMPETITIVE CHALLENGE

If a company challenged by a competitor does not respond to DSSRC or declines to participate in the DSSRC process, DSSRC will issue a case report indicating that the company was unresponsive or declined to participate in the DSSRC process. DSSRC may publish an announcement on the DSSRC website, and/or refer the matter to appropriate government agencies. Before taking any of these steps, DSSRC will take reasonable steps to ensure that the company has in fact received DSSRC's communications on the matter.

III. APPEALS

1. Any participating party in a DSSRC matter may appeal the decision of the DSSRC to the Appeals Review Panel ("the Panel"). The Panel shall consist of three individuals appointed by the Appeals Administrator from an appeals board selected as described below. When possible, none of the individuals shall sell a product that specifically competes with the appellant.
 - One member shall be selected by the Direct Selling Association.
 - One member shall be selected by the CBBB.

- One member shall be selected by mutual agreement of the Direct Selling Association and the CBBB.
2. To appeal a DSSRC decision, a company whose claims are subject to a DSSRC decision, shall, within 10 business days make a request for a referral to the Appeals Administrator and specify any issues for its appeal in the statement it prepares in response the DSSRC decision. A challenging company may request that the Administrator allow it to appeal a DSSRC decision but may not appeal a DSSRC decision by right. All company requests for an appeal shall be submitted together with a check made payable to the Council of Better Business Bureaus, Inc. in the amount of \$5,000.
 3. DSSRC shall send a copy of the decision being appealed and all relevant documents, including an explanation of the basis of the decision, to the Panel with copies to the appellant. Upon receipt of such information, the appellant shall have 15 calendar days to file a statement specifying its reasons for appeal and the desired outcome.
 4. Once all information has been received, the Panel will complete its review and issue a written decision within 30 calendar days or as soon thereafter as practicable.
 5. The Panel shall make its decision solely based on the record in the DSSRC decision. The Panel may hold an in-person or telephone hearing on notice to the DSSRC, the company and any challenger. A decision by the Panel shall be final and shall be promptly communicated both to the Appeals Administrator and the Appellant.
 6. The DSSRC Executive Director shall have the discretion to waive or reduce the fee for any challenger who can demonstrate economic hardship. Should a proceeding be administratively closed before the Panel reaches a final for any reason other than consent of the parties, fifty percent of the filing fee will be refunded.

V. FINAL DECISIONS, CASE REPORTING & CONFIDENTIALITY OF INFORMATION

A- FINAL CASE DECISION

Within 30 business days of its receipt of the last document submitted, DSSRC will formulate its decision on the truth and accuracy of the claims at issue, and consistency with DSSRC standards; prepare the final case decision; provide a copy to the company; and invite the company to add a responsive statement within seven business days of the company's receipt of the final case decision.

B- RESPONSIVE STATEMENT

In the event that DSSRC decides some or all of the income representations and/or product claims at issue are not adequately substantiated, the subject company shall, within seven business days of receipt of the decision, submit a responsive statement that initially states whether the company:

- Agrees to comply with DSSRC's recommendations,
- Will not comply with DSSRC's recommendations, or
- Will appeal all or part of DSSRC's decision.

The responsive statement may include a concise supporting statement, which does not reargue the merits of the case, mischaracterize the decision, or contain new facts. DSSRC reserves the right, following consultation with the company, to edit a responsive statement for length or inappropriate material. In the event that the subject company fails to submit a responsive statement, DSSRC may refer the matter to an appropriate government agency for review and possible law enforcement action.

C- PUBLICATION OF THE DECISION

1. Upon receipt of the final version of the company's responsive statement, or upon completion of any appeal, DSSRC shall, within 15 business days, provide copies of the final case decision to the subject company and any challenger.
2. The DSSRC may publish Case Reports which will include the final post-appeal case decisions of self-regulatory proceedings.
3. Each final case decision shall identify the: subject company, the challenger (in the case of a competitive self-regulatory proceeding); income representations and/or claims related to any products and/or services and subject matter reviewed and the DSSRC decision with respect to such matters. It may also include a summary of each party's position regarding the inquiry whether or not the subject company complied with DSSRC's recommendations or whether it was unresponsive.
4. A searchable data base of DSSRC Case Reports, when developed, shall be available free of charge to DSA member companies.
5. The searchable data base of DSSRC case reports shall be available to any company that is not a DSA member on an annual subscription basis for \$550. The subscription includes 4 user licenses per account.
6. DSSRC case reports may be made available by DSA to its active member company members as a member benefit for no charge.

D- CONFIDENTIALITY

1. DSSRC proceedings, including all investigations, consultations and inquiries, shall be conducted in complete confidence, and shall remain confidential except for:
 - DSSRC publication of final case decisions and summaries of other DSSRC actions;
 - DSSRC final case decisions and any summaries;
 - Referrals by DSSRC to government agencies and press releases announcing those referrals;
2. Published DSSRC decisions are the only permanent records required to be kept by the DSSRC.
3. By participating in a proceeding, parties agree:
 - to keep the proceedings confidential throughout the review process;
 - not to subpoena any witnesses or documents regarding the review proceeding from DSSRC, or the Council of Better Business Bureaus in any future court or other proceeding (except for the purposes of authentication of a final, published case decision); and

- to pay attorney's fees and costs if a subpoena is attempted in violation of these provisions.

E- STRUCTURE, STAFFING AND FUNDING, SUBMISSIONS

1. DSSRC shall be an operating unit of the CBBB, incorporated under the laws of Virginia.
2. DSA pays the costs of DSSRC pursuant to the Memorandum of Understanding entered into between DSA and the Council of Better Business Bureaus on March 9, 2018 as it may be from time to time amended by DSA and CBBB
3. DSSRC staff will include an Executive Director, a senior legal analyst and a staff attorney. DSSRC may utilize monitoring services at its discretion and in consultation with DSA.
4. All written submissions required by these Procedures shall include one hard copy and one electronic format copy, including exhibits when possible.

F- RELATIONSHIP WITH DIRECT SELLING ASSOCIATION CODE ADMINISTRATOR AND DSA

1. DSSRC may refer individual matters lacking a pattern or practice of complaints regarding a company to the DSA Code Administrator for disposition under the DSA Code of Ethics.
2. The DSA Code Administrator may refer matters to the DSSRC if the Code Administrator identifies a pattern or practice of complaints regarding a company.
3. The DSA Code Administrator will refer any matters related to non-DSA members to DSSRC for resolution.
4. The DSA Code Administrator shall serve as a consultative resource for the DSSRC on matters relating to industry practices and the DSA Code of Ethics.
5. The Executive Director of DSSRC shall make periodic written reports to the DSA President regarding the number of matters handled by DSSRC and their dispositions. The Executive Director shall ensure that the reports are privileged with information aggregated so that individual participants are not identifiable.
6. The Executive Director of DSSRC may make recommendations to the DSA Code Administrator or the DSA Ethics & Self-Regulation Committee regarding amendments to the DSA Code of Ethics regarding income representations and product claims, based on DSSRC case analysis and disposition.
7. The Executive Director of DSSRC shall consult with DSA regarding hiring and training of DSSRC staff.

G- AMENDMENT OF POLICIES AND PROCEDURES

1. The Executive Director of DSSRC may make recommendations to the DSA President and/or the DSA Ethics and Self-Regulation Committee regarding amendments to any of these DSSRC Policies and Procedures.
2. Any recommendation to amend any of these Policies and Procedures may be reviewed and approved by the DSA, provided that the text of the proposed amendment shall have been given to the DSA at least 30 days in advance of such approval and effective date.