

TABLE OF CONTENTS

Getting Started

[Required New Distributor Training](#)

[Distributors Are Self-Employed](#)

[No Debt or Forced Purchases](#)

Selling Products

[Prohibited Locations](#)

[Receipt Submission](#)

[Customer Refunds](#)

[High-Pressure Sales](#)

[Product Sales to Non-Distributors for Resale](#)

[Modifications to Products, Labels and Materials](#)

Advertising

[Claims](#)

[Online Sales](#)

[Price and Preferred Member Advertising](#)

[Herbalife's Intellectual Property](#)

[Broadcasting Prohibited](#)

Sales and Marketing Plan Fundamentals

[One Distributorship Permitted per Person](#)

[Proper Purchasing](#)

[Sales & Marketing Plan Manipulation](#)

[Responsibility for Conduct of Others Assisting with Distributorship](#)

[Period of Inactivity](#)

Sponsoring and Leadership

[TAB Team Acknowledgment](#)

[Training](#)

[No Interfering](#)

[Association with Herbalife](#)

[Solicitation of Other Opportunities](#)

[Leads](#)

[Sales of Business Tools Not for Profit](#)

Nutrition Clubs and Offices

[Leased or Purchased Business Locations](#)

[Multiple Clubs](#)

[Distributors May Not Charge for Nutrition Club Advice](#)

[Responsible Club Operator](#)

[Sharing Club Premises](#)

[Product Preparation](#)

[Delivery](#)

[The Sale of Clubs for Profit Prohibited](#)

[Commercial Club Signage and Name](#)

[Commercial Club Exterior](#)

[Indoor Satellite Club](#)

[Outdoor Satellite Club](#)

[Advertising an Outdoor Satellite Club](#)

International Business

[Activities in Countries or Territories Not Yet Open](#)

[No Exporting of Products](#)

[Activities in China](#)

[Prohibited Countries/Regions and Persons](#)

General Conduct

[Compliance with Applicable Laws and Rules](#)

[Truthful Submissions and Communications with Herbalife](#)

[Maintaining Reputation and Image of Herbalife](#)

[Conduct Regarding Harassment, Discrimination and Inappropriate Conduct](#)

[No Anti-Competitive Behavior](#)

[Game Promotions](#)

Administrative

Distributorship Eligibility

[Distributorship Minimum Age](#)

[Special Rules for Applicants Age 14–17 \(Puerto Rico Residents: Age 14-20\)](#)

[Recognition of Spouse and Life Partner](#)

Transferring Your Distributorship

[Assignment, Sale or Transfer of Distributorship](#)

[May Only Be Sold, Assigned or Transferred to a Non-Herbalife Distributor](#)

[Status and Benefits](#)

[Responsibility After Transfer](#)

Separation, Divorce and Dissolution of Life Partner Relationship

[Establishing a New Distributorship](#)

[Request to Modify the Original Distributorship](#)

[Joining Under a Different Sponsor/Participating in Another Distributorship](#)

[Divorce and Dissolution of a Life Partner Relationship and the Herbalife Sales & Marketing Plan](#)

Inheritance

Resignation

Sales to Consumers

Payments and Adjustments

Maintaining Lines of Sponsorship

[Sponsorship Correction](#)

[Applying for Change of Sponsorship](#)

Enforcement Procedures

[Complaint Procedure](#)

[Inquiry](#)

[Sanctions](#)

[Requests for Reconsideration \(Unrelated to Terminations\)](#)

[Termination of a Distributorship](#)

[Appealing a Termination](#)

Additional Legal Provisions

[Damages](#)

[Waiver and Delay](#)

[Severability](#)

[Choice of Law](#)

[Indemnification](#)

[Claims Between Distributors](#)

Arbitration Agreement

[Overview](#)

[Jury and Class Action Waiver](#)

[Scope](#)

[Applicable Rules](#)

[Commencing Arbitration](#)

[Arbitration Fees](#)

[Arbitration Procedure](#)

[Arbitration Award](#)

[Amendments](#)

Privacy and Data Protection

Definitions

Required New Distributor Training

To sell, recruit or earn, all new Distributors must complete the Required Distributor Training.

Distributors Are Self-Employed

Distributors are independent contractors who work for themselves, they are not employees, franchisees or agents of Herbalife or other Distributors and may not state or imply otherwise. A Sponsor may not treat other Distributors or their downline like employees simply by virtue of being in their downline.

If a Sponsor has an employment relationship with any other Distributor, such Sponsor is bound to comply with all employment laws.

No Debt or Forced Purchases

Encouraging debt or requiring any purchase other than the IBP is prohibited.

Prohibited Locations

Distributors may not sell Herbalife[®] products in markets (open or enclosed), pharmacies, kiosks, booths (temporary or permanent), swap meets, flea markets, food trucks, shipping containers, restaurants, food service establishments or any similar location.

Service establishments are accepted provided they are in an enclosed room.

Receipt Submission

At the time of each sale, Distributors must submit a separate, complete, and accurate receipt using Herbalife receipting tools. Distributors may not combine product sales or consumptions (such as product sales/consumptions that occurred at different times or to multiple customers) into a single receipt. A receipt is complete and accurate if it contains the following information:

- the exact product and quantities sold
 - the specific method of payment
 - the date of sale
 - the price paid by the customer
 - the customer's first and last name
 - the customer's contact information, including at least two of the following: telephone number, email, or address
-

Customer Refunds

Distributors are required to offer their customers a 30-day, money-back guarantee.

The customer must be offered the choice of whether they are provided a full refund, inclusive of any shipping and handling charges, or product credit in exchange for other Herbalife[®] products.

Distributors should refer Preferred Members to the Company for refunds.

High-Pressure Sales

Distributors may not engage in high-pressure selling to their customers, Preferred Members and Distributors.

Product Sales to Non-Distributors for Resale

Distributors may only sell products to customers and Preferred Members. Distributors may not otherwise sell or provide Herbalife[®] products for resale to non-Distributors.

Modifications to Products, Labels and Materials

Distributors may not modify or tamper with the labels, literature, materials, or packaging of Herbalife[®] products. Distributors may not repackage Herbalife[®] products or sell individual products that are not labeled for resale.

Claims

A claim or representation is any statement, story, image or video about Herbalife® products, the Herbalife business opportunity, or their benefits. Distributors may make claims, provided they:

- are truthful, non-misleading and supported by written documentation
- comply with all applicable Rules and law
- are in accordance with the product label
- make no therapeutic, disease or medical claims
- do not imply guaranteed earnings or employment opportunity
- do not imply or depict exorbitant earnings or a lavish lifestyle; and
- do not state or imply that attending events is mandatory or guarantees financial success, as attending events is not mandatory and does not guarantee financial success.

Herbalife reserves the right to require removal of any claim that violates these Rules, applicable law, or tarnishes Herbalife's brand or image.

Online Sales

Distributors may only sell products online using platforms created by Herbalife.

Price and Preferred Member Advertising

Distributors may not provide any indication of price to the general public, except as permitted by Herbalife on its platforms.

Herbalife's Intellectual Property

Herbalife makes copyright materials available for use by Distributors and grants a limited revocable license to use Herbalife's trademarks so long as:

- they are used solely to promote the sale and use of Herbalife® products or the business opportunity
- the assets are downloaded from authorized Company platforms
- the text, images and trademarks are not modified, cropped, or altered in any way
- Distributors state that the materials are the property of Herbalife
- Distributors never use the name or likeness of Mark Hughes in any advertisement
- Distributors do not use them in the domain name of any website, in any registry, or on any external sign
- Distributors may not use the term Herbalife or any of its trademarks in any paid search advertisements
- Distributors cease using any copyright or trademarked material upon request by Herbalife; and
- Distributors remain in good standing

To the extent Herbalife discloses any trade secret to a Distributor, the Distributor will hold the trade secret in confidence and will not disclose them, even after termination or resignation.

Distributors may not, however, use in conjunction with their Herbalife business any audio or video, trademarks, company name, product names or graphics belonging to other persons or entities, without first having obtained approval from the owner for that use.

Broadcasting Prohibited

Distributors may not broadcast or advertise on television, radio or any similar medium.

One Distributorship Permitted per Person

Individuals may only work in one Herbalife Distributorship, except as permitted in our Inheritance Policy. A Distributor may not also be a Preferred Member. Married Couples and Life Partners must work under the same Distributorship unless they were both at Supervisor level at the time of Marriage or Life Partnership.

Proper Purchasing

Distributors may not place or pay for orders in another Distributor's name unless Herbalife has written permission from that person.

Distributors may only purchase products directly from the company.

Sales & Marketing Plan Manipulation

Distributors may not attempt to manipulate the Sales & Marketing Plan.

Responsibility for Conduct of Others Assisting with Distributorship

Distributors are responsible for the actions of anyone who helps them with their business, including their spouse, Life Partner or services provided to Distributors by vendors.

Period of Inactivity

Any Distributor intending to sign a new Distributorship Application and Agreement under a different Sponsor must wait one year (Supervisor and below) or two years (World Team and above) during which they may not conduct any Distributor activities.

This requirement also applies to any former participant (meaning a former Distributor, spouse, Life Partner or an individual who assisted in the Distributorship).

Former Preferred Members must complete a 180-day waiting period.

Any attempt to bypass the Period of Inactivity through assistance or any other way is prohibited.

TAB Team Acknowledgment

When a Distributor reaches the TAB Team, they must sign a TAB Team Acknowledgment form before they can get paid a Production Bonus.

Training

Sponsors are responsible for providing training to their downline Distributors, but may not profit from it.

No-Interfering

Distributors may not interfere with the business of any other Distributor.

Association with Herbalife

Distributors may not suggest that Herbalife is associated with religious, political or social beliefs, any organizations, or any other businesses.

Solicitation of Other Opportunities

Distributors may not promote other business opportunities to Distributors or Preferred Members.

Distributors also may not sell products from other MLMs or direct-selling companies to Distributors or Preferred Members.

Leads

Distributors may not buy or sell leads, but they can generate leads for themselves or give them for free to others.

Sale of Business Tools Not for Profit

Distributors may not profit from selling Business Tools to other Distributors and Herbalife reserves the right to prohibit the sale or use of a Business Tool that violates its Rules, the law or damages Herbalife's reputation or image.

Leased or Purchased Business Locations

Distributors may not enter into any lease, sublease or purchase of any physical location to operate their Herbalife business, unless they have:

- been a Distributor for at least twelve (12) consecutive months
- successfully completed specific training
- prepared a business plan, which they agree to make available to Herbalife upon request; and
- register their location with Herbalife

Distributors who wish to operate their business out of a commercial location that does not require entering into a lease, sublease or purchasing a physical location, must do the following:

- successfully complete specific training
- prepare a business plan, which they agree to make available to Herbalife upon request,
- submit a declaration, which may require the notarized signature of the landlord/owner; and
- register their location with Herbalife

Multiple Clubs

Distributors may operate no more than three locations or enter into more than three leases for the purpose of operating Clubs.

Distributors May Not Charge for Nutrition Club Advice

Distributors may not charge other Distributors for help or advice with opening or running a Club, except as set out in the Training Rule.

Responsible Club Operator

One Distributor must be designated as the primary Club Operator, who is responsible for and oversees all Club operations.

The primary Club Operator must designate another Distributor to be responsible when they are not present.

Sharing Club Premises

A Club Operator may only charge other Distributors for the cost of using their Club, not for a profit. All Distributors subleasing space within the Club must complete the Commercial Club requirements.

Product Preparation

Distributors must prepare products served in Nutrition Clubs in accordance with acceptable preparation practices and make the product label and allergen information available to customers upon request. No product claims may be made if mixtures are not prepared according to the product label.

Only Herbalife[®] products and add-ons such as fruits, vegetables, and flavors are permitted to be served, sold, or promoted in the Club. Individual tablets may not be sold or served, and selling repackaged and dry product is also prohibited.

Delivery

Distributors may not:

- use third-party delivery services, such as Uber Eats, Grubhub and similar; or
 - service customers by drive thru or walk-up window.
-

The Sale of Clubs for Profit Prohibited

Transfer of Lease: The sale of Clubs for profit is prohibited. However, transfer of the lease and recouping the incurred costs of assets as well as the build-out is permitted. Upon request, the Distributor must provide records demonstrating the costs.

Before entering into the lease, the Distributor must first satisfy the Commercial Club Operator requirements.

Commercial Club Signage and Name

As part of the registration process, Distributors are required to submit details regarding proposed exterior signage for Herbalife review before entering into a lease, sublease or purchase of a physical location to operate the Club.

If a Distributor uses an exterior sign they may not:

- use the same name or similar sign within a 25-mile radius
- imply that Herbalife® products are available for purchase
- use signage as an identifier to a specific group (geographical location, Distributor Organization, Nutrition Clubs, etc.) in such a way that it may be construed as a Franchise or part of a chain of Nutrition Clubs; or
- use Herbalife Intellectual Property, product names or brands

This would include anything visible from the exterior that might suggest that the location is a franchise.

Commercial Club Exterior

The following are not allowed on the Club's exterior:

- displaying Herbalife branding (names, logos, etc.)
- implying that Herbalife® products are available for purchase; and
- featuring "before and after" photographs

Indoor Satellite Club

Club Operators may host activities for the employees of a business establishment provided those activities and consumptions are:

- in an enclosed room (e.g., break room)
 - not combined with the business activity operating at the location
-

Outdoor Satellite Club

While Club Operators may host activities and sell consumptions at an outdoor location (e.g., beach, park), the following are prohibited:

- promoting or advertising products for sale
 - exterior signage
-

Advertising an Outdoor Satellite Club

Advertising to the general public is allowed provided the invitation information is limited to the following:

- name of the Club Operator
- services
- phone number and/or email address

Activities in Countries or Territories Not Yet Open

Distributors may not engage in any Herbalife business activity in any country not yet officially opened.

No Exporting of Products

Distributors may not ship, sell, export or distribute products from one country to another. Subject to applicable law, Distributors may carry up to 1,500 Volume Points of products per month with them for personal consumption while traveling.

Activities in China

Only Chinese Nationals may do business in China. Distributors may not ship or bring Herbalife[®] product into China even for Personal Consumption.

Prohibited Countries/Regions and Persons

Distributors may not be a resident of, or conduct Herbalife business activities within, a Prohibited Country/Region.

A Distributor may not directly or indirectly conduct any Herbalife business activities with an individual or entity who the Distributor has reason to believe is:

- (i) a resident of, or operating businesses in, a Prohibited Country/Region.
- (ii) engaged in sales to individuals residing in a Prohibited Country/Region.
- (iii) owned or controlled by an entity located in, or an individual ordinarily residing in, a Prohibited Country/Region.
- (iv) included on the list of [Specially Designed Nationals](#) maintained by the U.S. Treasury Department's Office of Foreign Assets Control or any person, entity or organization owned or controlled by someone listed.

Compliance with Applicable Laws and Rules

Distributors must follow all laws (including Rules, Regulations, and ordinances) and Herbalife Rules in every country they work in and cannot encourage others to break them.

If there is a conflict between Herbalife Rules and the law, the law prevails.

Distributors must also follow the terms of service for any third-party service utilized in conducting their Herbalife business.

Truthful Submissions and Communications with Herbalife

All information given to Herbalife must be true, complete and on time, including the Application and Agreement, forms, receipts, contact information and orders.

Maintaining Reputation and Image of Herbalife

Distributors may not harm the reputation, image, products, intellectual property or goodwill of Herbalife.

Conduct Regarding Harassment, Discrimination and Inappropriate Conduct

Herbalife prohibits harassment, unlawful discrimination and inappropriate conduct.

No Anti-Competitive Behavior

Distributors are independent business owners and must not form agreements with other Distributors regarding:

- the price at which they sell Herbalife® products
 - territories in which they sell
 - methods of distribution; or
 - allocation of customers, Preferred Members or Distributors
-

Game Promotions

Distributors may not set up lotteries or raffles in connection with their Herbalife business. Other game promotions, like weight loss challenges, body transformation challenges, organizational sales promotions, marathons, and drawings may be permitted provided they abide by the U.S and Puerto Rico Challenges and Game Promotions Guidelines.

Distributorship Eligibility

Distributorship Minimum Age

A person must be at least 18 years old to apply for Distributorship or participate in another Distributor's Herbalife business.*

Puerto Rico Residents: An Applicant must be at least 21 years of age to become an Herbalife Distributor and to conduct business in Puerto Rico.

*Minimum age requirements vary from country to country. For age requirements in other countries, contact Herbalife.

Special Rules for Applicants Age 14–17 (Puerto Rico Residents: Age 14–20)

A minor who is at least 14 years of age who lives and proposes to conduct business in the United States and Puerto Rico may submit an Agreement, accompanied by a [Deed of Guarantee for Minors form](#). The Deed of Guarantee signed by the minor's parent or legal guardian is an agreement that (1) the minor's parent or legal guardian accepts responsibility for the actions of the minor and (2) will not participate in the operation of the minor's Distributorship if the minor's parent or legal guardian currently operates or participates in the operation of an Herbalife Independent Distributorship.

Recognition of Spouse and Life Partner

Distributors may add their spouse or Life Partner to their Distributorship record to support them in the business and for recognition* purposes.

The Distributor will remain the Distributor of record. However, in the event the Distributor separates from their spouse or Life Partner, the Distributor's ownership or entitlement of the Distributorship may be impacted.†

*As an example recognition allows Herbalife event attendance and recognition for new business and Sales & Marketing Plan achievements.

†In the event of a separation/divorce or dissolution of Life Partner Relationship where a legal and/or financial aspect of the Distributorship becomes disputed, whether or not the spouse or Life Partner is added to the account may impact the local court's decision.

Transferring Your Distributorship

Assignment, Sale or Transfer of Distributorship

The assignment, sale or transfer of any right or interest in a Distributorship is not permitted without prior written consent by Herbalife in its sole and absolute discretion.

Distributors may not transfer a Distributorship in order to circumvent the Rules or the law. If Herbalife becomes aware that the former Distributor (Transferor) and/or the Transferor's spouse or Life Partner has engaged in conduct or activity that would violate the Rules after granting the transfer request, Herbalife may apply sanctions to the transferred Distributorship.

May Only Be Sold, Assigned or Transferred to a Non-Herbalife Distributor

A Distributorship can only be sold, assigned or transferred to an individual who is not a Distributor, except as allowed by the Inheritance Rule. Herbalife will not consider a transfer request if the proposed Distributor (Transferee) has not satisfied the Period of Inactivity requirements (See Period of Inactivity Rule).

Status and Benefits

The achievements of a Distributor are personal, and if a sale, assignment or transfer is approved, the status and benefits achieved by the Distributor may not be transferred with the Distributorship. The Transferee may be required to achieve all qualifications for status and earning requirements after the assignment or transfer is made. This includes Supervisor status, TAB Team status, vacation qualifications or any other rights of the individual Distributor.

Responsibility After Transfer

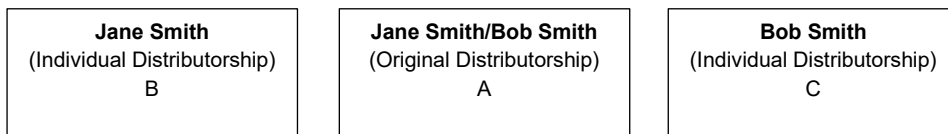
After transfer of the Distributorship:

- the Transferee shall be responsible to Herbalife for any and all violations of the Rules committed by or on behalf of the Transferor in connection with the Distributorship
- for a period of six months following the effective date of the transfer, acts by the Transferor and/or the Transferor's spouse or Life Partner, which would violate the Rules if the Transferor were still a Distributor, shall be treated as though the violations were the Transferee's violation

Separation, Divorce and Dissolution of Life Partner Relationship

Establishing a New Distributorship

If a Distributor’s spouse or Life Partner wishes to continue in the Herbalife business during divorce proceedings or immediately after a divorce or dissolution of a Life Partner relationship, the Distributor and spouse/Life Partner each must start a new separate Distributorship under the original Distributor’s Sponsor. Herbalife will deactivate the buying privileges of the original Distributorship and credit each new separate Distributorship with the business activity of the original Distributorship through an “Association.” (See Divorce and Dissolution of a Life Partner Relationship and the Herbalife Sales & Marketing Plan Rule.) Each Distributor must use the new ID number in his or her business.



The original Distributorship and its downline cannot be divided between the Distributor and the former spouse/Life Partner. For example, they may not “divide” the Distributorship by giving each person a 50% ownership.

Herbalife must receive the following documents to establish new Distributorships:

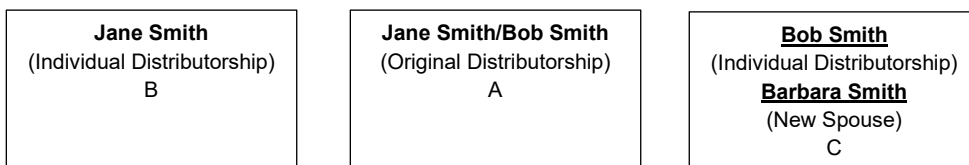
From a Divorcing Couple

- newly completed and signed Agreements for the Distributor and spouse, sponsored by the Sponsor of the original Distributorship
- a signed and notarized Divorce and Separation Form
- a copy of the Petition for Dissolution of Marriage, Settlement Agreement, or final divorce judgment
- newly completed and signed TAB Team Production Bonus Acknowledgment Forms for the Distributor and spouse, reflecting the ID number of the new separate Distributorship (TAB Team level Distributorships only)

From Partners in Dissolution of Life Partner Relationship

- newly completed and signed Agreements for the Distributor and Life Partner, sponsored by the Sponsor of the original Distributorship
- a signed and notarized Dissolution of Life Partner Relationship Form from both parties. (If both parties do not provide the signed and notarized Form, a court order indicating that the relationship has ended will be required)
- newly completed and signed TAB Team Production Bonus Acknowledgment Forms for the Distributor and Life Partner, reflecting the ID number of the new separate Distributorship (TAB Team level Distributorships only)

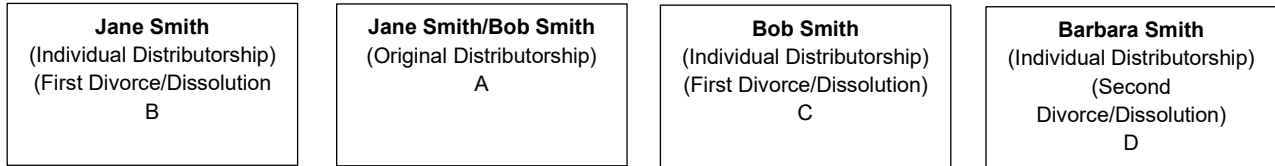
If a Distributor remarries or designates a new Life Partner, that person’s new spouse or Life Partner may be added to the Distributor’s new, separate Distributorship to support the Distributor in the business and for recognition purposes.



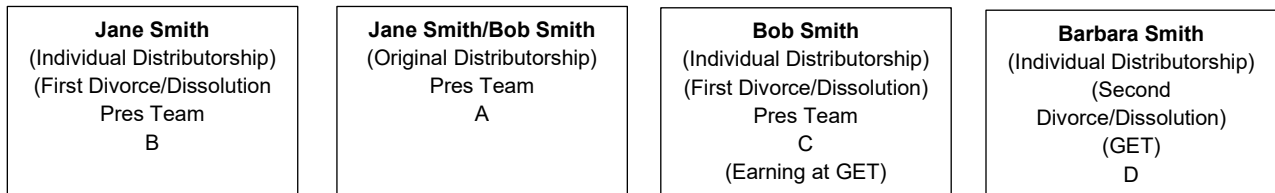
More Than One Dissolution or Divorce:

Herbalife will only associate one set of divorced or dissolved Distributorships. In the case of more than one Divorce or Dissolution of Life Partner Relationship, the divorced Spouse or the dissolved Life Partner may establish a separate Distributorship, but the Distributorship will have no association.

For example, if Bob and Barbara divorce, Barbara may start a new Distributorship (“D”) under the original Distributorship Sponsor, but it will not be associated to Bob’s Distributorship (“C”).



The Sales & Marketing Plan level of Barbara’s Distributorship (“D”) will be established based upon the business activity achieved under Distributorship (“C”). For example, the business activity of Distributorship (“C”) is earning at Global Expansion (GET) Team, so Barbara’s new Distributorship (“D”) will be established at GET level.



Requests to Modify the Original Distributorship

Herbalife will accept requests to make changes to the original Distributorship. All requests must be signed by both parties unless Herbalife receives a certified copy of the court’s final judgment.

Removing a Spouse or Life Partner’s Name: Herbalife must receive a completed Request to Remove Spouse Form, or a Request to Remove Life Partner Form to remove the name of a spouse or Life Partner from the Distributorship record.

Payments: Herbalife must receive a completed Request to Pay Form to make payment changes. Subsequent requests must be signed and notarized by both parties. The income statements for the original Distributorship will be available at MyHerbalife.com when logged in under the original Distributorship’s Herbalife ID Number.

Transfers: Herbalife must receive a completed Divorce and Separation Form, or Dissolution of Life Partner Relationship Form, to transfer a Distributorship to someone who is not the Distributor, a former spouse or former Life Partner.

If the Distributorship to be transferred is associated with another Distributorship, the transferred Distributorship will remain associated.

If after a Distributor transfers their Distributorship and decides to establish a new Distributorship:

- the new Distributorship must operate independently from their original Distributorship
- advancement within the Sales & Marketing Plan, Royalty Overrides, Production Bonuses and other payments will be based solely on the achievements of the new Distributorship

For Herbalife to accept the new Agreement:

- the Distributor must submit their request within one year of the transfer if Supervisor and below, or within two years of the transfer if World Team and above
- the Sponsor of the original Distributorship must sponsor the new Distributorship

The new Distributorship’s status will be equal to the status of the original at the time of the transfer.

Joining Under a Different Sponsor/Participating in Another Distributorship

To join under a different Sponsor, the Distributor or spouse or Life Partner must provide Herbalife with the following required documents:*

From a Divorcing Couple

- a newly completed and signed Agreement
- signed and notarized Divorce and Separation Form
- copy of the Petition for Dissolution, Settlement Agreement, or final divorce judgment, or documentation from a court which declares an interim determination that the marital community has ended

From Partners in Dissolution of Life Partner Relationship

- a newly completed and signed Agreement
- signed and notarized Dissolution of Life Partner Relationship Form from both parties. (If both parties do not provide the signed and notarized Dissolution of Life Partner Relationship Form, a court order indicating that the relationship has ended will be required.)

In addition, the Distributor or spouse or Life Partner must comply with the Period of Inactivity. The Period of Inactivity will be determined as stated in the Period of Inactivity Rule or by the issuance date of the court document received, whichever is later.

Note: Establishing a new Distributorship under a different Sponsor requires the purchase of an IBP, and benefits will begin at a 25% discount with no association to the original Distributorship.

*Forms and Agreements are available through Herbalife.

Divorce and Dissolution of a Life Partner Relationship and the Herbalife Sales & Marketing Plan

Production Bonus eligibility for the original Distributorship will be determined based on the achievement of the highest individual Distributorship.

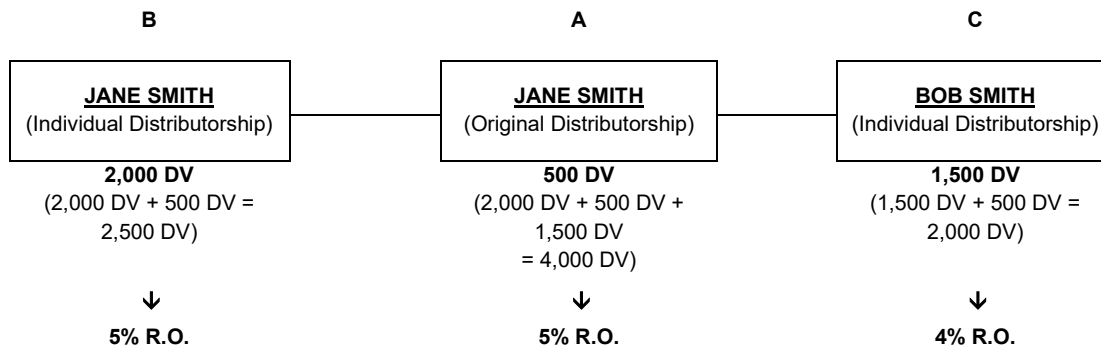
Documented Volume: Each individual Distributorship will receive Documented Volume credit from the original Distributorship to combine with its own Documented Volume ("Association"). This will determine each individual Distributorship's eligibility to earn Royalty Overrides, qualifications, requalifications and/or Production Bonuses.

For the purpose of Royalty Override percentage eligibility, the original Distributorship will include its own Documented Volume and the Documented Volume of each individual Distributorship. Production Bonus percentage eligibility for the original Distributorship will be based on the highest of the two individual Distributorships.

**Example:
Documented Volume (DV)**

Volume for B and C will be as follows:

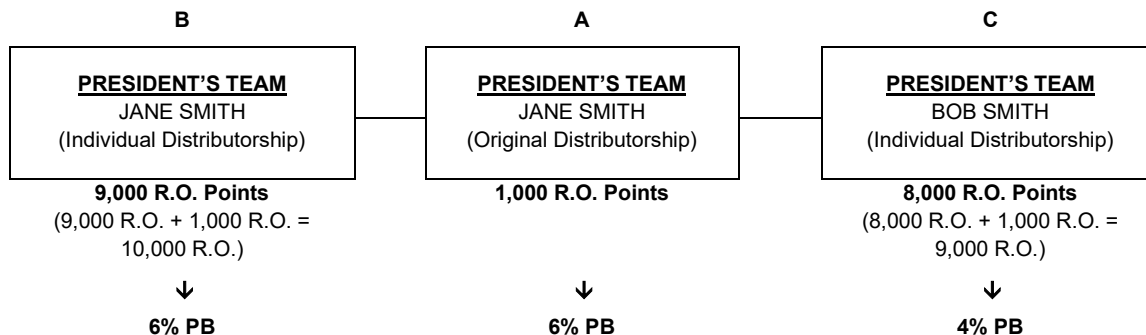
B + A and C + A



Royalty Points

The Royalty Override Points for Production Bonus purposes are combined as follows:

B + A and C + A



Requirements: Each individual Distributorship must comply with all requirements to earn Royalty Overrides. Each Distributorship must also achieve the necessary Documented Volume to meet the Matching Volume requirements for their own downline who are qualifying for Supervisor status. The buying privileges of the original Distributorship will be temporarily granted to accommodate any Matching Volume requirements for its downline qualifiers.

Recognition: Each Distributorship will be recognized for its own accomplishments under the Sales & Marketing Plan. The original Distributorship will not receive recognition. If an individual Distributorship, combined with the original Distributorship, reaches the level of President's Team, only one diamond will be awarded to the upline President's Team member, which remains consistent with the diamond allocation for Distributorships that are not part of a divorce or dissolution of a Life Partner relationship. If the individual Distributorship qualifies for a diamond, only that Distributorship will advance within the diamond status(es).

Events: Rules related to event attendance are specific to each event and may vary. Please refer to event materials for information about accommodations, tickets, transportation and other event details.

Inheritance*

The Distributorship of a deceased Distributor may be transferred to an heir, subject to applicable laws, Rules, and Herbalife approval which shall not be unreasonably withheld.†

A Distributor may own and operate a maximum of three Distributorships – the Distributor’s own, plus up to two others acquired by inheritance. An inherited Distributorship may be transferred to the individual heir directly, or in the case of a Distributorship that is TAB Team level, to a Corporation owned by the heir.‡

The Period of Inactivity (as specified in the Period of Inactivity Rule) for an inherited Distributorship shall be waived.

The heir must provide all documentation requested by Herbalife in its sole and absolute discretion.

Requests to cancel a deceased’s Distributorship must be made directly to Herbalife.

*For estate planning and inheritance, the Business Continuation Program is available to assist with the continuity of your Distributorship. Please contact Herbalife for more information or view the [Herbalife Distributorship – Planning Ahead](#) document available on MyHerbalife.com.

†The Deceased Transfer Declaration Form is available from Herbalife.

‡Inherited Distributorships are considered to be separate entities, each subject to fulfilling the business activities, volume and compensation terms as set forth in the Sales & Marketing Plan, with the exception of lifetime volume achievements, which permit the combination of the heir’s own Total Documented Volume with the inherited Distributorship’s Total Documented Volume. The heir is responsible for payment of fees and debts of each Distributorship.

Resignation

Distributors may resign by submitting a resignation request through the Online Self-Service Center on MyHerbalife.com, or by submitting an email request to USARecAdmin@Herbalife.com from the email address on record, or by submitting a signed letter to Herbalife. The resignation becomes effective when received and accepted by Herbalife.

There is a 100% refund guarantee on unopened products and unused U.S. and Puerto Rico corporate event tickets, including taxes and any handling costs, that were purchased in the previous 12 months if the Distributorship is canceled for any reason. The cost of shipping, both the initial delivery and return shipping, will also be refunded. To obtain a refund, Distributors may call Herbalife at 855-757-4747 or submit the refund form available at MyHerbalife.com ([Repurchase of Inventory](#)).

Sales to Consumers

Herbalife is a direct-selling company, whose independent contractors (Distributors) sell Herbalife® products directly to customers and provide them with product guidance and social support.

Payments and Adjustments

To qualify for monthly Royalty Overrides, Production Bonuses or other bonuses offered by Herbalife, Distributors must meet Documented Volume and Royalty Point requirements that are fully defined in the Sales & Marketing Plan and in other literature and promotional material.

Maintaining Lines of Sponsorship

Sponsorship Correction

A Distributor who wishes to request a sponsorship correction must complete and submit a: “Change of Sponsorship Request” Form,* “Change of Sponsorship Consent” Form from the current Sponsor, and a letter of acceptance from the proposed Sponsor. All documents must be notarized. Requests for sponsorship corrections will only be considered if all the following circumstances are met:

- sponsorship details provided on the Agreement were in error
- the request is made within 90 days of Herbalife accepting the current Agreement
- the current and proposed Sponsor are in the same Line
- the current Distributorship has not reached the level of Supervisor
- the Distributor making the request has not yet sponsored any other Distributors

*The required Change of Sponsorship Request and Change of Sponsorship Consent Forms may be obtained from Herbalife. These forms and all other specified documentation must be submitted to Herbalife in order for Herbalife to consider the request.

Applying for Change of Sponsorship

In order to protect the integrity of lineage, which is a fundamental principle of multilevel marketing, a change of sponsorship is discouraged and will only be approved by Herbalife in the most exceptional circumstances.

A Distributor may only apply for a change of Sponsorship within their upline President's Team organization.

A Distributor who wishes to request a sponsorship change should first consult with their upline to discuss and review the circumstances. Should the Distributor then wish to continue, they must complete and submit a notarized “Change of Sponsorship Request” Form,* along with a notarized “Change of Sponsorship Consent” Form from the current Sponsor and all Royalty Override and Production Bonus earners in the upline. In addition, Herbalife must receive a notarized “Change of Sponsorship Acceptance” Form from the proposed Sponsor.

If both the current and proposed Sponsors share the same upline Sponsor, and each are at equal status and earning levels under the Sales & Marketing Plan, the Distributor requesting the change only needs to obtain a notarized Change of Sponsorship Consent Form from the current Sponsor and a notarized “Change of Sponsorship Acceptance” Form from the proposed Sponsor.

If Herbalife approves the change, the requesting Distributor will not be allowed to keep downline Distributors and Preferred Members.

If the request for a change of sponsorship is denied, the Distributor may resign their Distributorship and comply with the Period of Inactivity before reapplying for Herbalife Independent Distributorship or under a different Sponsor. (See Period of Inactivity Rule).

*The required Change of Sponsorship Request and Change of Sponsorship Consent Forms may be obtained from Herbalife. These forms and all other specified documentation must be submitted to Herbalife in order for Herbalife to consider the request.

The Rules protect the Herbalife business opportunity and brand. Violations can adversely influence the opinions of regulators, the media and the public about Herbalife, its products, and its Distributors. While many Rule violations may be resolved by educating the Distributor about the Rules and proper business practices, there are instances where violations of the Rules merit more severe penalties.

Distributors are strongly encouraged to promptly report alleged violations of the Rules to Herbalife in order to protect the goodwill and reputation of Herbalife and its Distributors. Herbalife generally will only act on complaints brought within one year of when the Distributor knew or should have known of the violation but reserves the right to conduct an inquiry at any time.*

*Herbalife's enforcement of the Rules shall not create liability to pay compensation for loss of profits or goodwill, or any consequential damages.

Complaint Procedure

Distributors should report suspected violations to Herbalife at MyHerbalife.com or by calling Herbalife toll-free at 866-866-4744. Required information includes the nature of the complaint and the factual details that support the allegations.*

Distributors may not discourage a customer or Distributor from making a complaint or retaliate in any way.

*Factual details include names, addresses, and telephone numbers of persons involved as well as dates, times, places, etc.

Inquiry

If Herbalife determines, in its sole and absolute discretion, that there is sufficient information to support an allegation, Herbalife will contact the Distributor who is the subject of the complaint to permit the Distributor an opportunity to respond. In certain circumstances, it may be necessary to place restrictions on a Distributorship while an inquiry is in process.

Restrictions may include a prohibition from attending Herbalife events and suspension or denial of:

- buying privileges
- payment of Royalty Overrides
- payment of TAB Team Production Bonus
- awards or benefits (e.g., vacations, pins, etc.).
- speaking at Herbalife-sponsored training seminars or meetings
- qualifications in progress; and/or
- the right to represent oneself as an Herbalife Independent Distributor

Sanctions

Violations of the Rules may result in legal or regulatory challenges for Herbalife and endanger the business for all Distributors. For this reason, penalties may be substantial. Herbalife shall have sole and absolute discretion to determine the appropriate penalty based on the nature of the violation and consequence that resulted or could result, including:

- suspension of all Distributor rights and privileges
- monetary sanctions
- obligation to reimburse Herbalife legal fees
- prohibition from attending or speaking at Herbalife sponsored events
- disqualification from participation in the annual Mark Hughes Bonus
- disqualification from participation in the Production Bonus program
- permanent loss of lineage
- volume and earnings adjustments; and/or
- termination of Distributorship (see “Termination or Deletion of a Distributorship” below)

If Herbalife concludes that other Distributors assisted, encouraged or were party to the violations, Herbalife also may hold such Distributors responsible for the violations.

Herbalife reserves the right to publish the violating Distributor’s name, the facts and circumstances of the violation, and sanctions.

Requests for Reconsideration (Unrelated to Terminations)

Distributors may submit a request for Herbalife reconsideration of a decision within 15 days of the date of the decision. When requesting reconsideration, the Distributor may submit additional information they believe should be considered and must also state why this information was not provided during the inquiry. If the reconsideration request is not submitted within the 15-day period, the request will be denied, although Herbalife reserves the right to consider evidence submitted beyond the 15-day period in its sole and absolute discretion.

Termination of a Distributorship

Herbalife may, in its sole and absolute discretion, terminate a Distributorship if a Distributor violates the Rules.*

The termination is effective on the date in which Herbalife issues a written notification to the Distributor. Upon termination, the Distributor will have no claim against Herbalife as a result of the termination.

A terminated Distributor† may no longer:

- conduct business as a Distributor
- represent themselves as an Herbalife Independent Distributor
- use Herbalife trade name, logo, trademarks, and other intellectual property; and
- attend Herbalife trainings, meetings, social events, or promotions, even as a spouse or guest of a Distributor

*Termination means the complete cancellation of a Distributorship and revocation of the Distributor’s right to conduct the Herbalife business. This includes cancellation of the Distributor’s right to receive any further income from the Distributorship.

†These prohibitions also apply to Distributors who resign or otherwise leave the Herbalife business while under an inquiry for possible Rule violations.

Appealing a Termination

Distributors may appeal a termination decision within 15 days of the date of the decision. When requesting an appeal, the Distributor may submit additional information they believe should be considered and must also state why this information was not provided during the inquiry. If the appeal request is not submitted within the 15-day period, the request will be denied, although Herbalife reserves the right to consider evidence submitted beyond the 15-day time frame in its sole and absolute discretion.

The appeal will be reviewed by a committee comprised of an appointed representative from each of: the Sales Department, the Distributor Services Department, and the Legal Department (the "Review Committee"). A majority of the Review Committee may uphold the termination, reinstate the Distributorship, or recommend an alternative penalty for the alleged violations. In reviewing a termination decision, the Review Committee will consider whether the alleged violation was material. This decision shall not create liability to pay compensation for loss of profits or goodwill.

References Below to “Agreement” Mean the Application and Entire Contractual Relationship Between Distributor and Herbalife.

Damages

To the fullest extent allowed by applicable law, neither Herbalife nor Distributor shall be liable to the other for any incidental, consequential, special, exemplary or punitive damages under any legal or equitable theory, regardless of whether the possibility of such damages is known by either party.

Waiver and Delay

Herbalife may address Rules violations or other breaches of the Agreement with any Distributor in its sole and absolute discretion. No failure, refusal, or neglect of Herbalife to exercise any right, power or option under the Agreement shall constitute a waiver of the provisions or a waiver by Herbalife of its rights at any time under the Agreement.

Severability

Except as otherwise provided in the Jury and Class Action Waiver Rule below, if any provision in the Agreement is found to be invalid, illegal or unenforceable in any respect, it shall be severed from the Agreement and have no effect on the remainder of the Agreement, which shall remain in full force and effect. Further, there shall be added automatically as part of the Agreement a provision as similar as possible to the severed provision that would be legal, valid, and enforceable.

Choice of Law

The Agreement, and any dispute arising from the relationship between Herbalife and Distributor, shall be governed by California substantive law* without the application of conflict of law principles, except that the interpretation and enforcement of Arbitration shall be governed by federal law.

*Puerto Rico Residents: Shall be governed by the domestic law of Commonwealth of Puerto Rico.

Indemnification

Distributor will indemnify, defend, and hold Herbalife harmless from any suit, action, demand, prosecution or claim, including all costs, liabilities and damages, relating to, or arising from Distributor’s breach of the Agreement or the conduct of Distributor’s Herbalife business. Herbalife may, among other things, offset amounts it owes to Distributor to satisfy any obligations arising under this indemnity.

Claims Between Distributors

Herbalife shall not be liable to any Distributor for any cost, loss, damage or expense suffered by any Distributor directly or indirectly as a result of any act, omission, representation or statement by another Distributor.

Distributors and Herbalife agree to submit to arbitration any disputes that they cannot resolve informally. Herbalife reserves the right (with some restrictions) to amend the Arbitration Agreement. The current version is below. References below to “Agreement” mean the entire contractual relationship between Distributor and Herbalife.

Overview

Herbalife will try to resolve any dispute amicably and informally. However, if there is a dispute that cannot be resolved informally, Herbalife and Distributor each agrees, subject to Rules Jury and Class Action Waiver and Scope below, to resolve the dispute solely and exclusively by binding arbitration. Arbitration proceedings are designed to provide parties with a fair hearing that is faster and less formal than a lawsuit in court. Arbitration uses a neutral arbitrator instead of a judge or jury, allows for limited discovery, and is subject to very limited review by courts. Arbitrators can award the same damages and relief that a court can award. The following provisions are referred to as the “Arbitration Agreement.”

Puerto Rico Residents: Puerto Rico does not have small claims courts. Any variation in terms in this Arbitration Agreement for Puerto Rico Residents is indicated below in italics.

Jury and Class Action Waiver

Herbalife and Distributor both waive the right to trial by jury. Also, any arbitration under the Agreement shall take place on an individual basis; class or representative actions shall not be permitted. If the foregoing provision is, for any reason, found to be unenforceable, then the Arbitration Agreement shall be null and void (but the Agreement shall remain in full force and effect).

Puerto Rico Residents: Distributors in Puerto Rico agree that Herbalife and Distributor are each waiving the right to a trial in any local or Federal Court of justice in Puerto Rico.

Scope

Herbalife and Distributor agree, with two exceptions, to arbitrate all disputes and claims between them, including, without limitation, disputes or claims arising out of or relating to the Agreement, the Rules of the Road, Sales & Marketing Plan decisions, relationships with other Distributors, and the purchase, sale or use of Herbalife® products, and regardless of whether the dispute or claim arose before Distributor’s contractual relationship with Herbalife. The two exceptions are: (1) either Herbalife or Distributor may bring suit in court to enjoin infringement or other misuse of intellectual property rights, and (2) Distributor may bring an individual action for monetary damages (but no other relief) in small claims court where permitted by law.

Applicable Rules

The interpretation and enforcement of this Arbitration Agreement is governed by the Federal Arbitration Act. Any arbitration that is commenced pursuant to this Arbitration Agreement is governed by the Commercial Arbitration Rules (“AAA Rules”) of the American Arbitration Association (“AAA”), except as modified herein, and will be administered by the AAA. The AAA Rules are available online at adr.org, by calling the AAA at 1-800-778-7879, or by writing to the Herbalife Notice Address, Office of the General Counsel, Herbalife International of America, Inc., 800 West Olympic Blvd., Suite 406, Los Angeles, CA 90015.

Commencing Arbitration

Forms and instructions for giving notice and commencing arbitration can be obtained at <http://www.adr.org>, by calling the AAA at 1-800-778-7879, or by writing to the Herbalife Notice Address. If either Herbalife or Distributor is sued in arbitration, they may assert any counterclaims they may have against the other party.

Arbitration Fees

For any arbitration initiated by Distributor in accordance with the AAA Rules, Herbalife will pay all administration and arbitrator fees and will promptly reimburse Distributor for any initial filing fee unless (i) Distributor seeks more than \$75,000 in damages, or (ii) the arbitrator finds that Distributor's claim or demand for relief is frivolous or was brought for an improper purpose under the standards of Federal Rule of Civil Procedure 11(b), in which case the payment of fees will instead be governed by the AAA Rules and Distributor must reimburse Herbalife for any payments that would have been Distributor's obligation to pay under the AAA Rules.

Arbitration Procedure

All arbitration procedures, including, without limitation, representation by counsel, determinations of arbitrability, selecting and communicating with the arbitrator, discovery, confidentiality, pre-hearing conferences, and evidentiary hearings, will be governed by the AAA Rules. **Note: As explained in the AAA Rules, the arbitrator shall determine the scope and enforceability of this Arbitration Agreement and the arbitrability of any disputes.** Hearings will take place in the county (or parish) where Distributor resides unless the parties agree otherwise.

Arbitration Award

The arbitrator shall issue a written award in accordance with the AAA Rules but may only award declaratory or injunctive relief in favor of the individual party seeking relief and only to the extent necessary to provide relief warranted by that party's individual claim. Regardless of whether attorneys' fees and costs are recoverable by law, Herbalife will pay Distributor's reasonable attorneys' fees and costs if the arbitrator issues an award in Distributor's favor, unless Herbalife made a written settlement offer worth more than the award before an arbitrator was selected. Herbalife will be responsible for its own attorneys' fees and costs.

Amendments

No amendment or modification of the Agreement will apply to claims that have accrued or are otherwise known to Herbalife at the time of the amendment, modification or termination.

Unless otherwise indicated, Herbalife collects, uses and shares “Personal Information” (e.g., your first and last name, mailing address, city, state, zip code, telephone number, email address, credit card and banking information) in accordance with its Privacy Policy located at <http://www.herbalife.com/privacy-policy>. California residents, please see our Supplemental Privacy Notice for California Residents (<https://www.herbalife.com/privacy-policy#CaliforniaSupplement>) (a paper copy is available upon request).

Because of the unique nature of multi-level marketing, Distributors may receive Personal Information about others directly from Herbalife, such as information regarding other Distributors and Preferred Members in a Distributor’s downline, customers or referrals who express interest in Herbalife® products or services, or individuals who use our online properties and mobile applications (“Sites”). (The downline organization consists of all Distributors and Preferred Members that were personally sponsored by a particular Distributor, and in turn, all other persons sponsored by the subsequent Distributors.) Once Herbalife provides Personal Information to a Distributor, he or she is responsible for it and must keep it strictly confidential. Distributors may only use this Personal Information to develop their Herbalife business relationship with their downline, customers or referrals, unless they have received consent from the individual to use his or her Personal Information for other purposes.

One way that Herbalife shares information with Distributors is through Lineage Reports. These reports contain information regarding other Distributors and Preferred Members within a Distributor’s downline, such as their name and contact information, their Herbalife Identification Number, and business metrics such as their level or rank, volume, and sales statistics. Lineage Reports are provided to Distributors in the strictest confidence and for the sole purpose of supporting the Distributors in further developing their Herbalife businesses. Lineage Reports, including all Personal Information and other data contained therein, constitute confidential, proprietary trade secrets of Herbalife. Distributors may not collect, distribute or gather confidential information or personal or aggregate information about other Herbalife Independent Distributors, their customers or the Preferred Members they sponsor, except in connection with their downlines and solely for the purposes of promoting their Herbalife businesses, and to manage, motivate and train their downlines.

Distributors may also collect Personal Information from individuals directly or by other means, such as when they collect contact and payment information from customers to process product orders, or when they collect information from customers in connection with Wellness Evaluations or contests, such as Sweepstakes, Weight Loss Challenges and Body Transformation Challenges. Distributors must abide by applicable privacy and data protection laws, including international data transfer restrictions, with respect to all Personal Information obtained by Distributor (from Herbalife or otherwise) in connection with the Distributor’s Herbalife business. In addition, it is the Distributor’s responsibility to maintain the security of all Personal Information that he or she receives and to retain such information only in accordance with applicable laws. Please be aware that privacy and data protection laws often have stricter consent, security and retention requirements for special categories of Personal Information, such as health data, biometric data and data relating to children/minors.

Application and Agreement: The Herbalife Independent Distributorship Application and Agreement and the entire contractual relationship between the Distributor and Herbalife, including the Sales & Marketing Plan, the Rules of the Road and other documents posted on MyHerbalife.com and contained in the Sales & Marketing Plan and Business Rules in the IBP.

Association: In a divorce, or dissolution of a Life Partner relationship, the combination of volume between the original Distributorship and the new, separate Distributorship of the divorced couple or the former Life Partners, for the purpose of earnings percentage calculation.

Business Tool: A sales aid which has not been made by Herbalife.

Claim: Any statement, story, image or video about Herbalife® products, or the Herbalife business opportunity.

Club: Nutrition Club.

Commercial Club: A Club in a non-residential location.

Company: Herbalife International of America, Inc.

Customer: Preferred Members or retail customers

Distributor: An individual whose Herbalife Application and Agreement for Distributorship has been accepted and entered into Herbalife records.

Distributorship: A Distributor's Herbalife independent business.

Fee: Annual Distributor Services Fee which is charged by Herbalife for computer processing and other services provided to Distributors.

Former Participant: A former Distributor, Preferred Member, spouse, Life Partner or an individual who assisted in a Distributorship.

General Public: People whom a Distributor has not had prior personal contact with in any matter.

Herbalife Intellectual Property: Herbalife copyrighted materials, trademarks, trade names, trade dress, and trade secrets.

Herbalife® Products: Includes all products sold by Herbalife and preparations made by Distributors using those products.

IBP or International Business Pack: An IBP is a Business Starter kit for Herbalife Distributors.

Leads: Prospects for Herbalife® products or the Herbalife business opportunity, as well as leads-related advertising, advertising slots or decision packs.

Life Partner: A person designated by a Distributor as their Life Partner on the "Add Life Partner Request Form."

Lineage Reports: These reports contain information regarding other Distributors and Preferred Members within a Distributor's downline, such as their name and contact information, their Herbalife Identification Number, and business metrics such as their level or rank, volume and sales statistics.

Materials: Herbalife-produced literature and sales aids.

Nutrition Clubs: Nutrition Clubs provide a supportive community setting for people who wish to focus on good nutrition through the consumption of Herbalife® products.

Period of Inactivity: A waiting period where Former Participants may not participate in the Herbalife business in any way prior to changing Sponsors.

See Rule Period of Inactivity for more information.

Review Committee: The committee that reviews an appeal of a Distributor termination decision. Consists of an appointed representative from each of: the Sales Department, the Distributor Services Department and the Legal Department.

Rules of the Road: The Herbalife Distributor rules, policies, and advisories that Herbalife issues from time to time.

Sales & Marketing Plan: Outlines the specific milestones and benefits that Distributors can strive to achieve.

Sponsor: The Distributor who brings individuals into the Herbalife business and Preferred Membership Program.



DIRECT SELLING ASSOCIATION

Code of Ethics

Table of Contents

| | |
|--|-----------|
| A. Code of Conduct..... | 1 |
| 1. Deceptive or Unlawful Consumer or Recruiting Practices..... | 1 |
| 2. Products, Services and Promotional Materials..... | 3 |
| 3. Terms of Sale..... | 4 |
| 4. Warranties and Guarantees..... | 5 |
| 5. Identification and Privacy..... | 5 |
| 6. Pyramid Schemes..... | 5 |
| 7. Inventory Purchases..... | 6 |
| 8. Earnings Representations..... | 9 |
| 9. Inventory Loading..... | 11 |
| 10. Payment of Fees..... | 12 |
| 11. Training and Materials..... | 12 |
| B. Responsibilities and Duties..... | 13 |
| 1. Prompt Investigation and No Independent Contractor Defense..... | 13 |
| 2. Required Code Communication..... | 14 |
| 3. Code Responsibility Officer..... | 15 |
| 4. Extraterritorial Effect..... | 15 |
| C. Administration..... | 15 |
| 1. Interpretation and Execution..... | 15 |
| 2. Code Administrator..... | 16 |
| 3. Procedure..... | 16 |
| D. DSA Code of Ethics Enforcement Procedures..... | 17 |
| 1. Receipt of Complaint..... | 17 |
| 2. Cooperation with the Code Administrator..... | 17 |
| 3. Investigation and Disposition Procedure..... | 18 |
| 4. Appeals Review Panel..... | 18 |
| 5. Appeals Review Procedure..... | 19 |

- E. Powers of the Administrator.....20**
 - 1. Remedies20
 - 2. Case Closed.....20
 - 3. Refusal to Comply 21
 - 4. Appeal for Reinstatement after Suspension
or Termination 21
 - 5. Referral to State or Federal Agency 21

- F. Restrictions 21**
 - 1. Conferring with Others 21
 - 2. Documents22
 - 3. Pending Members of DSA.....22
 - 4. Public Reporting of Code of Ethics Complaints and
Compliance Efforts.....22

- G. Resignation..... 23**

- H. Amendments..... 23**

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

CONTINUED ON THE NEXT PAGE

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

CONTINUED ON THE NEXT PAGE

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

CONTINUED ON THE NEXT PAGE

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



DIRECT SELLING ASSOCIATION

1667 K Street NW

Suite 1100

Washington, D.C. 20006

202.452.8866 | Fax 202.452.9010

www.dsa.org