



## THE BETTER BUSINESS BUREAU®

SERVING LOS ANGELES,  
ORANGE, RIVERSIDE AND  
SAN BERNARDINO COUNTIES

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March 8, 2013

Richard Woods, Vice President  
Corporate Secretary and General Counsel  
Council of Better Business Bureaus  
3033 Wilson Boulevard, Suite 600  
Arlington, VA 22201

Dear Mr. Woods:

As you well know, this Bureau has been the subject of three audits within the past two years due to allegations of noncompliance by the Council of Better Business Bureaus. Our good faith corrections of alleged policy violations have led, not to a return to good standing within the Bureau system, but rather expulsion and a temporary suspension, coupled with intolerable conditions for reinstatement imposed by the Council. Our Board of Directors finds these conditions unacceptable, and we cannot comply with them. We therefore resign our Council of Better Business Bureau membership, effective April 15, 2013.

Our issues with the Council, however, run much deeper than our rejection of the deplorable treatment we've been subjected to in the last three years. The essence of our dispute with Council—and the primary reason we are submitting our resignation to you today—is the Council's antiquated culture that stifles innovation at the expense of the people who matter most: the public and the business community. Our value to businesses and the consumers they serve is significantly diminished by every inexplicably restrictive Council policy we are forced to adhere to, and we cannot continue diluting our service simply to maintain an affiliation with an outdated BBB.

Our history of successful innovation is well documented, evidenced by the many services we created that have been adopted—and continue to be used—by the BBB. We have developed programs and services that have significantly enhanced the BBB brand. Some examples include:

- developing procedures to take complaints over the telephone;
- pioneering an MIS system and website that gave access to the public and businesses to respond to and manage complaints;
- developing and implementing the idea of weighting complaints differently;

- developing and deploying an algorithm and rating system that is used today by all Bureaus;
- creating an MIS system that is virtually the only one available to Bureaus containing a true double-entry accounting system and a mechanism to scrape agency licensing status;
- developing and deploying TrustLink, which was the first effort to incorporate customer reviews as part of the business evaluation process.

With almost all of our innovations, we first had to defend ourselves against Council's allegations that our services didn't comply with its parameters. In the case of ratings, Council manipulated a vote of the BBB system and delayed implementation of this revolutionary system for four years, and then put in place a feature that made it impossible for anyone other than accredited businesses to receive the highest rating! Importantly, it was this exact pay-to-play feature that was at the heart of the *20/20* story. Although it was our Bureau that suffered most from the *20/20* piece, it was truly an indictment of Council's policies, which we lobbied against but were forced to follow.

As bad as the Council's pay-to-play policy was, it is its treatment of *good* ideas that is most confounding. Council found TrustLink, which was hugely successful by any measure, to be in violation of BBB policies, and disallowed its association with the Bureau in any way. It completely dismissed the enormous benefits this program brought to the BBB, even though it would have literally supercharged other Bureaus' SEO results, finances, and the BBB's standing in the eyes of businesses and the public, as it had for our Bureau.

Our reward for creating many of the services and systems offered by the BBB has been an endless stream of audits and accusations of noncompliance and policy violations. Shortly after the *20/20* piece aired, Council began an intensive campaign to shut us down, taking a myopic view of our operation. Rather than view our work in its totality, Council aggressively sought evidence to support the conclusion that we are noncompliant. Last year, for example, we processed approximately 90,000 complaints. Rather than focusing on the successful completion of this tremendous volume of complaints (all within the mandated timeframes and with the lowest percentage of complaints not processed of any BBB in the system), Council instead cited a relatively miniscule number of incorrect closing codes.

In another example, we suspended the accreditation of an accredited business against which the Santa Monica City Attorney had filed an action and reinstated it when the matter was settled. The facts of the action seemed innocuous, and we did not weight the action heavily enough to significantly affect the company's rating. The BOC, though, considered the whole affair to be far more serious and, although determining the seriousness of the offense is plainly subjective and within the purview of a BBB, they ordered us to change the weighting, drop the rating, and revoke the accreditation, thus overriding the determination of our Board. Although Council auditors are well aware that we reject and revoke hundreds of accreditations each year, they seized upon this one, single case to conclude that we don't have a process in place to review and revoke accreditations.

In the history of our audits, our substantial compliance has never been considered. The only logical conclusion to be drawn is that Council's investigation of our Bureau was always going to end in expulsion, regardless of where the facts led.

While not perfect, the Better Business Bureau of the Southland has long been a paradigm of a successful Bureau, by any measure. The most cursory examination of the data and reports in your own data warehouse would prove that our Bureau not only meets all of the standards and policies, but exceeds them. Our accreditation figures alone are evidence that we're offering what our accredited businesses need and want. Our statistics of reports provided and complaints closed are evidence that we're providing what the public desires. The innovations we've made, and the enthusiastic reception by those who use them, only reinforce our success. What we have not done, however, is govern our organization with a single-minded focus on policy at the expense of meeting the needs of our accredited businesses and the public, and *that* is why we find ourselves at odds with a Council that has no tolerance for change.

Finally, although it is a moot point given our certainty about resigning, we would be remiss if we didn't comment on the absurd proposed terms upon which the suspension of our expulsion is conditioned. Our accredited businesses elect Directors who are tasked with, among other responsibilities, hiring and firing our CEO and other officers and exercising oversight over the management of the corporation. The CEO is, of course, the general manager of the corporation and the single most important employee in the organization. If we were to accede to your terms, our Board of Directors would have to abrogate this inherent, most important responsibility. The selection of a CEO, which is critically important, and the oversight of that CEO's duties, would be completely out of the Board's hands. Yet if the CEO didn't perform, the Board would effectively be unable to terminate this person. No corporate board that takes its responsibilities seriously could possibly

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agree to such a term; to do so would plainly be a serious breach of our Directors' fiduciary responsibility.

Our Board has also endured repeated, unjustified criticism that we haven't been exercising our governance responsibilities as the auditors believe we should. Now, ironically, and for an obvious reason, Council seeks to mandate that our Board cede its most important responsibility to a committee of Bureau CEOs, some of whom manage Bureaus that don't comply with Council standards and policies!

Frankly, we're disgusted with the actions of Council and we find resignation to be not just the only, but the best, course of action for us. We believe our accredited businesses and the public in general will agree.

Very truly yours,

A handwritten signature in black ink, appearing to read "Jerry Dominguez". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Jerry Dominguez  
Chairman, Board of Directors  
Better Business Bureau of the Southland, Inc.