



NU SKIN®  
THE DIFFERENCE. DEMONSTRATED.™

POLICIES &  
PROCEDURES  
PHILIPPINES



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## CHAPTER 1 YOUR DISTRIBUTORSHIP

### 1 Becoming a Distributor

#### 1.1 Applying to Become a Distributor

You may apply to become a Distributor by completing the following steps:

- (a) Complete, sign, and return an online or hardcopy Distributor Agreement to the Company;  
and
- (b) Purchase a not-for-profit Business Portfolio.

You can purchase a Business Portfolio directly from the Company or from your Sponsor.

No Bonuses are paid on this purchase. You are not required to purchase any other Products or other materials to become a Distributor.

#### 1.2 One Individual per Distributorship

Only one individual may apply for a Distributorship and submit a Distributor Agreement to the Company. If the individual also wants to include a spouse or Co-habitant on the Distributor Agreement, then the spouse or Co-habitant may also be included on the Distributor Agreement. Except for the addition of spouses or Co-habitants or as otherwise provided in a specific Authorized Country, if more than one Person wants to participate in a Distributorship, then the Persons must apply either as a Business Entity or as a Distributorship with joint participation as set forth in Sections 1.10 and 1.10A of this Chapter 1 respectively.

#### 1.3 Age Requirements

You must be at least 21 years old to become a Distributor.

#### 1.4 Minors

(Not Applicable)

#### 1.5 Legal Residency

Your Distributor Agreement must be filed and your Distributorship maintained in the country or market where you are a legal resident or citizen and where you have a legal right to do the business. If you are unable to prove your legal residency, citizenship, or legal right to do business in the country or market where you have filed your Distributor Agreement, the Company may

declare your Distributor Agreement void from its inception. You may only file to be a Distributor in an Authorized Country.

#### 1.6 Former Distributors

If you have been a Distributor you may only apply to become a new Distributor under your original Sponsor unless you meet the criteria in Section 3.3 of this Chapter 1 for signing up under a new Sponsor.

#### 1.7 Spouses and Co-habitants

If the spouse or Co-habitant of a Distributor wants to become a Distributor, the spouse or Co-habitant must be added to the Distributorship previously formed by the other spouse or Co-habitant. If the spouse or Co-habitant of a former Distributor wants to become a Distributor, then the spouse or Co-habitant must apply to become a Distributor under the Sponsor of the spouse's or Co-habitant's former Distributorship unless the applicable inactive period regarding Business Activity of the former Distributor has lapsed as set forth in Section 3.3 of this Chapter.

#### 1.8 Acceptance of your Distributor Agreement

The Company reserves the right to reject any application for a Distributorship at its own discretion. You become an approved Distributor upon the acceptance and processing of your Distributor Agreement by the Company. In the event the Company gets more than one Distributor Agreement from an applicant, the first Distributor Agreement received at the corporate office in United States is the one that determines who your Sponsor is.

#### 1.9 Tax Payer Identification Number

You will be required to provide the Company with your tax identification number before you are eligible to receive a Bonus, or when otherwise required by the Company for tax or other purposes. This requirement also applies to spouses and Co-habitants who sign the Distributor Agreement. In the event you sign up using a Business Entity, you must also provide the tax identification number for the Business Entity and for each Participant in the Business Entity (including but not limited to any shareholder, director, officer, member and partner of the Business Entity where applicable). The Company may also place a sales order or Bonus hold on your account until you provide your tax identification and your tax identification number has been verified.

## 1.10 Business Entities

A Business Entity may apply to become a Distributor by completing, signing, and returning a Business Entity Form, signed by all the Participants, together with a Distributor Agreement, and purchasing a Business Portfolio. In addition, the following other requirements apply to Business Entities:

- (a) Each Participant must be a citizen or legal resident and have the legal right to do business in the country or market where the Business Entity's Distributor Agreement has been filed, and must be able to provide proof of such. If the Business Entity is unable to provide this proof upon the Company's request, the Company may declare the Distributor Agreement void from its inception. You should be aware that merely being listed as a member of a Business Entity does not necessarily grant you any legal right to do business;
- (b) Bonuses will be issued in the name of the Business Entity. The Company will not have any liability to you if the Business Entity or any Participant in the Business Entity fails to allocate and pay any portion of the Bonuses received by the Business Entity among the multiple Participants in the Business Entity, or for any incorrect allocation and payment;
- (c) One Participant will be designated as the Authorized Representative of the Business Entity and the Company may rely and act on any information provided by the Authorized Representative; and
- (d) The Business Entity must provide to the Company copies of its Business Permit, Certificate of Registration and the Articles of Incorporation or Partnership (if applicable).

## 1.10 A Distributorship with Joint Participation

You may apply to add some other individual(s) as Additional Participant(s) to jointly participate in your Distributorship by completing, signing, and returning a Joint Participation Form, signed by you as the Principal Distributor and each of the Additional Participants, together with a Distributor Agreement, and purchasing a Business Portfolio. In addition, the following other requirements apply to a Distributorship with joint participation:

- (a) Each of the Additional Participants must be a citizen or legal resident and has the legal right to do business in the country or market where the Principal Distributor has filed his Distributor Agreement, and must be able to provide proof of such. Each of the Participants should be aware that merely being listed as an Additional Participant in your Distributorship does not necessarily grant any legal right for that Participant to do business;
- (b) The Principal Distributor is the sole individual authorized to take any action on behalf of the Distributorship with respect to the Distributor Agreement (including the execution of any

such agreements) or any other matter relating to the Company, and that the Company shall be entitled to rely on the authority and instructions of the Principal Distributor with respect to all matters pertaining to the Distributor Agreement (including amounts payable as Bonuses thereunder) or the Company;

(c) Each of the Additional Participants is jointly liable for the acts and omissions of any of the Participants in connection with the Distributorship, and the Company may take action against the Distributorship for a violation of the Policies and Procedures by any of the Participants; and

(d) All Bonuses and other benefits generated by or attributable to the Distributorship (including through the efforts of the Additional Participants) shall be paid or provided directly to the Principal Distributor and none of the Additional Participants, whether individually or collectively, shall have any claim against the Company with respect to such Bonuses or other benefits.

### 1.11 Changing to a Business Entity

If you want to change the form of your Distributorship from an individual to a Business Entity, you may do so at any time. This change is subject to any applicable legal requirements and requires the completion and delivery of a Business Entity Form to the Company.

### 1.12 Temporary Accounts

(Not Applicable)

## 2 Personal Information

### 2.1 Collection of Personal Information

The Company is aware of and responsive to your concerns regarding how information about you is collected, used and shared as a result of your becoming a Distributor. The Company respects your privacy and is committed to protecting the privacy of Distributors. The Company collects from you and holds certain personal information about you in order to provide you with support, the benefits of being a Distributor, and communicating with you regarding (i) Products and promotional offers, (ii) your Distributorship and Downline Organizations, (iii) Bonuses, and (iv) other relevant business issues. All information submitted by you will be held by the Company at its corporate headquarters in the United States, its regional headquarters, and/or its local affiliated

companies in your Resident Country. You have the right to access and verify your personal information held by the Company by contacting the call center for your Resident Country.

## 2.2 Authorization to Use Your Personal Information

You authorize the Company to:

- (a) transfer and disclose personal and/or confidential information, (a) which you have provided to the Company in connection with your Distributorship and Downline Organization, or (b) that has been developed as a result of your activity as a Distributor, to (i) its parent and affiliated companies wherever located, (ii) your upline Distributors when the Company determines it is appropriate, and (iii) applicable government agencies or regulatory bodies if required by law. You will have the option to block the transfer of certain information that may be provided to your upline Distributors.
- (b) use your personal information for Distributor recognition and the Company's Business Support Materials and Services unless you request in writing that the Company not to do so.
- (c) use your personal information described above, and you further agree that any other disclosure of your personal information will be governed by Company's Privacy Policy, as it may be published and modified from time to time.

## 3 Maintaining Your Distributorship Account

### 3.1 Keeping your Distributor Agreement, Business Entity Form and Joint Participation Form

current

- (a) As a Distributor, it is your duty to keep the information contained in your Distributor Agreement, Business Entity Form or Joint Participation Form current and accurate. You must immediately inform the Company of any changes affecting the accuracy of information contained in these documents. The Company may terminate a Distributorship or declare a Distributor Agreement void from its inception if the Company determines false or inaccurate information was provided. If you fail to update your Distributor Agreement, Business Entity Form or Joint Participation Form, holds may be placed on your account or other disciplinary action may be taken, including termination.
- (b) You must submit a new Distributor Agreement, Business Entity Form or Joint Participation Form with "Amended" written across the top to change your Distributorship information. Any amended Distributor Agreement must be signed by you. A Business Entity's amended Distributor Agreement must be signed by the Authorized Representative of the Business Entity. An amended Business Entity Form must be signed by the Authorized Representative

and all new Participants of the Business Entity. The amended Distributor Agreement of a Distributorship with joint participation must be signed by the Principal Distributor. An amended Joint Participation Form must be signed by all Participants in the Distributorship. The Company may charge a fee for processing changes to the Distributor Agreement, Business Entity Form or Joint Participation Form. The Company may refuse to accept any amendments.

### 3.2 Adding a New Participant

You may not allow a Person to engage in any Business Activity for, or have a Beneficial Interest in, your Distributorship, unless your Distributorship is a Business Entity or is a Distributorship with joint participation and that Person has applied to become a Participant and such application has been accepted by the Company. The Company may reject any such application in its sole discretion. If the Company rejects the application, the Person may not participate in the Distributorship.

### 3.3 Starting a Distributorship under a New Sponsor

If you are a former Distributor, you may establish a new Distributorship under a new Sponsor only if you have not engaged in any Business Activity (whether for your Distributorship or the Distributorship of another Person) for the indicated inactive period:

Account type during the 24 months preceding the most recent Business Activity Inactive Period  
If you ever achieved Executive or higher 12 months Distributor only 6 months.

When the Company concludes that an inappropriate Sponsor change has occurred or has been solicited, the second-in-time Distributorship may be returned to and be merged with the first-in-time Distributorship and the Company may pursue other remedies listed in Chapter 6.

### 3.4 One Distributorship per Individual

You are not allowed to have a Beneficial Interest in more than one Distributorship except as follows: (i) marriage of two Distributors who each had a Distributorship prior to the marriage, (ii) inheritance of a Distributorship by an existing Distributor, or (iii) as otherwise approved in writing by the Company.

### 3.5 Acquisition of Beneficial Interest in and Merger of Distributorships

(a) Overview. Occasionally, a Distributor wishes to form a partnership with another existing Distributor and merge the two Distributorships or acquire a Beneficial Interest in a



Distributorship. Except as provided in this Section 3.5, the formation of a partnership between Distributors, the merger of Distributorships, or the acquisition of a Beneficial Interest in a Distributorship by a Distributor who has engaged in any Business Activity, is prohibited.

- (b) Acquisition of Beneficial Interest. Except for those circumstances that may be approved by the Company in its sole discretion, if you have engaged in any Business Activity, you may not, at any time, acquire a Beneficial Interest in a pre-existing Distributorship under a different Sponsor (whether by purchase, merger, partnership, or otherwise) unless (i) you have terminated your Distributorship and had no Business Activity for the applicable inactive period described in Section 3.3 of this Chapter 1, and (ii) the Distributor Agreement for the Distributorship in which you want to acquire a Beneficial Interest was submitted to the Company after the applicable inactive period for your Business Activity as described in (i) above. The prohibitions of this Subsection (b) supersede the provisions of subsection (c) of this Section 3.5.
- (c) Merger. The Company may, in its sole discretion, consider mergers of Distributorships in the following limited cases: (a) vertical mergers with (i) your immediate upline Sponsor, or (ii) a Distributor that is on your first level; and (b) any other merger as may be approved by the Company in its sole discretion.
- (d) Company Review and Additional Requirements. In any case involving the proposed formation of a partnership, mergers, or acquisitions of a Beneficial Interest, the Company will, in its sole discretion, decide whether to approve a requested exception to these Policies and Procedures. During its review the Company may impose additional requirements that it deems necessary, including upline notifications and/or approvals.

## [4 Transferring and Terminating your Distributorship](#)

### [4.1 Transferring Distributorships](#)

You may not transfer your Distributorship or any rights therein, unless you have received the prior written consent of the Company, which will not be unreasonably withheld. The Company will not consent to any proposed transfer if it determines that the proposed transfer is not substantive and is being done to avoid the requirements of these Policies and Procedures. The Company will not recognize any assignment, and the transferee will have no rights until the transfer has been approved by the Company. Any exceptions and waivers the Company has made to the Contract for the benefit of a Distributorship will terminate upon the transfer unless otherwise provided in a written agreement by the Company.

## 4.2 Transfers Upon Death

- (a) **Individuals.** If you are an individual, upon your death, your Distributorship may be passed on to your heirs, or other beneficiaries whether by will, intestate succession, or otherwise. The transfer will be recognized by the Company when a court order or proper legal document addressing the transfer to a qualified transferee is submitted to the Company. The Company encourages you to make appropriate arrangements in consultation with an estate-planning attorney for the transfer of your Distributorship.
- (b) **Participant in a Business Entity.** If you are a Participant in a Business Entity, upon your death your interest in the Distributorship will be transferred according to the Business Entity's legal documents and applicable law governing the transfer, provided that all Persons of the transferee are qualified to hold an interest in a Distributorship under these Policies and Procedures. The transfer of your interest will be recognized by the Company when a court order or proper legal documents addressing the transfer to a qualified transferee are submitted to the Company.
- (c) **During any time that a Distributorship may be temporarily without an owner, or a gap in ownership occurs due to probate or other court procedures, the upline Blue Diamond or above will be responsible for operating this Distributorship. As payment for their services, the upline Blue Diamond or above will be entitled to a service fee. This fee will be an amount equal to 15 percent of the Distributorship's net Bonuses, which the Company will deduct from the Distributorship's net Bonuses.**

## 4.3 Legal Separation or Annulment of Marriage

In the event of a legal separation or an annulment of marriage, the Company will neither determine the division of nor divide a Distributorship or a Downline Organization. Generally, the Company will not divide Bonuses or other rewards. The Company may, however, in its sole discretion, on a case-by-case basis, divide Bonuses on a simple, fixed-percentage basis, pursuant to a court order or the written consent of both parties. If the Company agrees to divide Bonuses on a simple, fixed percentage basis, the parties to the Distributorship agree to hold the Company harmless from any and all liabilities, losses, costs, damages, judgments, or expenses, including reasonable attorney's fees, resulting or arising from, directly or indirectly, any acts or omissions by Company in dividing the Bonuses. The Company has the right to withhold Bonuses in the event of a dispute among spouses regarding a Distributorship. The Company may charge a fee to Distributors each month as payment for its services in dividing Bonus payments.

#### 4.4 Right to Terminate

You may terminate your Distributorship at any time. Please see Section 3.9 of Chapter 6 for details.

## CHAPTER 2 OPERATING YOUR BUSINESS

### 1 Business Ethics

#### 1.1 DSA Code of Ethics

The Company is a member of the Direct Selling Association (DSA) in the United States and in many countries around the world and abides by the DSA Code of Ethics. Along with the ethical guidelines of this Section, you are encouraged to read the DSA Code of Ethics and adopt its principles in your business operations. The DSA Code of Ethics can be found at [www.dsa.org](http://www.dsa.org).

#### 1.2 Purpose of Your Business

The primary purpose of your business and the Company is to sell high quality Products to retail customers. As part of this process you may sponsor other Distributors in the business to build your sales organization. However, the recruitment of other Distributors is not your primary focus, but rather an integral part of your fundamental obligation to sell Products and increase the sales of Products to retail customers by your Downline Organization.

#### 1.3 General Ethics

You must operate your Distributorship in an ethical, professional, and courteous manner. This means, among other things, the following:

- You must comply with the Contract and with applicable law.
- You must operate your Distributorship honestly.
- You should indicate to prospective customers and Distributors who you are, why you have contacted them, and what Products you are selling.
- You may not make false or misleading claims about potential earnings under the Sales Compensation Plan or about the benefits of using the Company's Products.
- You may not pressure any Distributors or prospective Distributors to operate in a financially irresponsible way, including, but not limited to, pressuring them to buy more Products or Business Support Materials and Services than they can reasonably use or sell, or to maintain specific inventory requirements.

- You must not encourage or recommend that Distributors or prospective Distributors incur debt in order to participate in the business.
- You must explain how to return Products or cancel an order.
- You must not represent to prospective Distributors that they are required to purchase Products or Product packages to become Distributors or to become Executives. If a market allows individuals to sign up as preferred customers, then prospective Distributors must be informed that they can sign up as customers or that they may purchase Products individually and not in Product packages.

#### 1.4 Non Disparagement

You may not make any misleading, unfair, inaccurate, or disparaging comparisons, claims, representations, or statements about:

- the Company;
- its Products, or commercial activities;
- other Persons;
- other companies (including competitors); or
- other companies' products, services, or commercial activities.

#### 1.5 Harassment

You must operate your Distributorship in a manner that is free of harassment, intimidation, threats, and abuse. Harassment of any kind will not be tolerated, including, but not limited to, race, religion, physical and verbal abuse, or soliciting, encouraging, or consummating any inappropriate or unwelcome written, verbal, electronic or physical relationships, sexual advances, requests for sexual favors, or other physical, verbal, or visual behavior of a sexual nature, with another Distributor, Company employee or customer.

#### 1.6 No Contact of Vendors or Scientific Advisory Board Members

You may not contact, either directly or indirectly, the Company's vendors, suppliers, scientific advisory board members, basic research partners, universities, or any other advisors or consultants of the Company without the prior written consent of the Company.

#### 1.7 Anti-Corruption

You must comply with all anti-corruption laws, including the Foreign Corrupt Practices Act ("FCPA"), in the countries or markets in which the Company does business. The FCPA requires that you never directly or indirectly (i.e. through an agent) make a payment or gift with the purpose

of influencing the acts or decisions of foreign officials. There are some limited exceptions to this rule. Because the rules and exceptions relating to anti-corruption are complex, you should consult with your own legal counsel regarding questions relating to compliance with the FCPA or anti-corruption laws. For additional information please refer to the Company's Anti-Corruption Policy in the Corporate Governance section of the Investors link on the Nu Skin Enterprises, Inc. website at [www.nuskinenterprises.com](http://www.nuskinenterprises.com).

## 1.8 Maintaining the Company's Reputation

You will not act in any way, including your actions outside the scope of your Distributorship, which could be considered detrimental to the business or reputation of the Company or its Distributors. The Company has the right to, in its sole discretion, determine what actions may be considered detrimental and take action against you according to Chapter 6.

## 1.9 Records Review

As a condition to participating as a Distributor, you grant the Company the right to review any records related to your Distributorship in order to investigate whether you have been operating your Distributorship in compliance with these Policies and Procedures. The Company may request to review your Distributorship records at any time and for any reason. You must comply with any request to review your Distributorship records by promptly and completely making your true records available for review by the Company.

## 2 Independent Contractor

### 2.1 Distributors are Independent Contractors

You are an independent contractor. You are not an agent, employee, officer, partner, member, or joint-venturer with the Company, and you may not represent yourself as such. You agree that as an independent contractor, you:

- are responsible for your own business decisions and must determine in your sole discretion, when you will work and the number of hours you will work;
- will be paid Bonuses based on sales and not the number of hours you work;
- are subject to entrepreneurial risk and responsible for all losses that you incur as a Distributor;
- must pay your own license fees and any insurance premiums or the like (if applicable);
- are responsible for all costs of your business including, but not limited to, travel, entertainment, office, clerical, legal, equipment, accounting, and general expenses without advances, reimbursement, or guarantee from the Company; and

- will not be treated as an employee for tax purposes. Bonuses payments are subject to withholding tax which is creditable against your income tax. You will receive Bureau of Internal Revenue (BIR) Form No. 2307 reflecting Bonuses that the Company has paid you and the applicable tax withheld in such time intervals as the local law and regulations require.

## 2.2 Taxes

You must pay any self-employment taxes required by national and local laws, statutes, and regulations.

## 2.3 No Authority to Act on Behalf of Company

You have no authority to act on behalf of the Company. This includes, but is not limited to, any attempt to:

- register or reserve Company names, trademarks, trade names or Products;
- register URLs using the Company names, trademarks or trade names;
- register or secure approval for Products or business practices; or
- establish business or governmental contacts of any kind on the Company's behalf.

You must indemnify the Company for all costs and attorneys' fees incurred by the Company for any remedial action needed to exonerate the Company in the event that you improperly act on behalf of the Company. You must immediately assign to the Company any registration of Company names, trademarks, trade names, Products, or URLs registered or reserved in violation of this Section without the Company's reimbursement of any costs you incurred.

## 2.4 Designation as Employer Prohibited

You may not identify the Company as your employer on loan applications, government forms, employment verification requests, applications for unemployment compensation or any other form or document.

## 3 Ordering Products or Services

### 3.1 Ordering

You may order Products directly from Nu Skin Enterprises Philippines, Inc.. There is no minimum order; however, shipping and handling costs may vary depending on the amount of Products ordered.

### [3.2 Transfer of Title](#)

Title to and risk of loss for any Products you order transfers to you when the Products are shipped or collected.

### [3.3 Inventory and the 80 Percent Rule](#)

As a Distributor you have no specific inventory requirements. You must use your own judgment in determining inventory needs based upon reasonably projected retail sales and personal use. You are prohibited from ordering more than a reasonable amount of inventory. By placing an order, you certify that you have sold at least 80 percent of your total inventory from previous orders.

### [3.4 Methods of Ordering](#)

The Company does not accept orders on credit. Orders will not be shipped or allowed to be collected until they are paid in full. Payment must be made by credit card, cash, direct deposit or such other method as may be accepted by the Company.

### [3.5 Issuing Credits](#)

At the discretion of the Company, a Company credit may be issued in instances of overpayment, Product exchanges, or in other circumstances when an order cannot be completely filled. Personal Sales Volume and Group Sales Volume (or if applicable, Commissionable Sales Value), are credited when the Company credit is used.

### [3.6 Pricing Changes](#)

The Company maintains the right to change Product prices without prior notice.

### [3.7 Submitting Orders in the Name of Another Distributor](#)

You are prohibited from submitting orders in the name of another Distributor without the other Distributor's prior written approval. You must provide a copy of written approvals to the Company upon request.

### [3.8 Payments without Sufficient Funds](#)

If any check is returned for insufficient funds or if any credit card payment is reversed, you must immediately make payment to the Company for the full amount of the returned check or

reversed credit card payment. If you fail to promptly make such payment you are in breach of the Contract.

### 3.9 Use of another Individual's Credit Card

You should not use another individual's credit card to order Products or the Company's Business Support Materials and Services without the individual's prior written approval. You must provide a copy of written approvals to the Company upon request.

### 3.10 Automatic Re-Ordering Program

The Automatic Re-Ordering Program ("ARO Program") is an optional program available in some Authorized Countries. The ARO Program allows you to place a standing order with the Company that will be conveniently shipped to you on a monthly basis and charged to your credit card on a recurring, monthly basis. The terms and conditions of the ARO Program are found on the Automatic Re-Ordering Program Enrollment Agreement and the Company's website. The Company may terminate (i) the ARO Program at any time and for any reason, and (ii) your right to participate in the ARO Program as described in the terms and conditions of the ARO Program. You may cancel your monthly ARO Program order with written notice as described in the terms and conditions of the ARO Program.

### 3.11 Retailing of Products

- (a) You may only resell Products in your Resident Country. The Products you resell must also be purchased from the Company in your Resident Country, and you may not resell Products in your Resident Country that you acquire from the Company in a Non-Resident Country.
- (b) When you execute your Distributor Agreement incorporated with an International Sponsor Agreement, you are granted the right to purchase Products in a Non-Resident Country. You may only purchase Products in a Non-Resident Country for personal use or to demonstrate the Products for potential new Distributors. You cannot resell Products in a Non-Resident Country. You may be subject to additional requirements for a specific country or market.

## 4 Product Refunds and Exchanges

### 4.1 Refund Policy

- (a) Unless otherwise required by applicable law, the Company will refund to you 90 percent of the price, less VAT and applicable Bonuses (plus applicable tax if prepaid), on unopened and resalable Products and Business Support Materials sold by the Company to you that are



returned within 12 months (in case of Products) or 30 days (in case of Business Support Materials) of the order date. You may only return the Products or Business Support Material you personally purchased from the Company. The Company does not refund the original shipping costs on Products that you return. In order for the Company to correctly back out the applicable Bonuses on returned Products, you must keep the sales order number from the invoice. You must provide the sales order number to the Company at the time you request a refund. You may also return individual Products that are purchased as part of a kit or package. The form of the refund will be based on the original form of payment such as a bank transfer or a credit card charge. Instead of a refund, the Company may choose other alternatives such as a Product credit. The return of Products may affect your eligibility to receive Bonuses and your pin level, and if Bonuses have already been paid on the returned Products, then the Company will recoup your Bonuses as set forth below in Section 6.9 of this Chapter 2. The Company does not provide refunds for Products or Business Support Materials and Services purchased from another Distributor. You must seek a refund directly from the Distributor who sold you such Products or Business Support Materials and Services.

#### 4.2 Exchange Policy for Products Purchased Directly from the Company

Unless otherwise required by applicable law, the Company will exchange Products purchased directly from the Company that were incorrectly sent, or are defective, if you notify the Company within 30 days of the date of purchase. If an exchange is not feasible, the Company may issue (i) a Company credit for the amount of the exchanged Products, which may be used to purchase other Products, or (ii) a full refund of the purchase price.

#### 4.3 Procedures for Obtaining a Refund or Exchange

You must comply with the following procedures to obtain a refund or exchange:

- (a) You must receive approval for the return in the form of a Return Merchandise Authorization (“RMA”) number before you ship the return to the Company. This approval must be obtained either by telephone or in writing, and the actual return shipment must be accompanied by the RMA number (Shipping Inquiries at +632 868-7546);
- (b) The Company will provide you with the correct procedures and location for returning the Products. The Company will not refund the original shipping costs on Products that you return. All return shipping costs must be paid by you;

- (c) Products sent to the Company without an RMA number will not qualify for a refund or exchange and will be returned to you at your expense; and
- (d) Procedures may vary in jurisdictions where different requirements are imposed by law.

#### 4.4 Policy for Uncollected Products

You acknowledge that administrative time and costs will be incurred by the Company to retain Products and/or Business Support Materials purchased but remain uncollected by and/or undelivered to you.

Accordingly, you agree that:-

- 1) when collection is to be made by you and you fail or neglect to collect any Products and/or Business Support Materials purchased from the Company within seven (7) days from the date of purchase, the Company will deliver the purchased Products and/or Business Support Materials to the address provided by you at reasonable delivery charges and if such Products and/or Business Support Materials cannot be successfully delivered to you and you fail or neglect for whatsoever reason to collect the Products and/or Business Support Materials from the Company within three (3) months from the date of purchase; or
- 2) where you have requested the Company and the Company has agreed to deliver any Products and/or Business Support Materials to you but the Company is unable to deliver such Products and/or Business Support Materials to you due to an incorrect or incomplete delivery address or the unavailability of the named recipient at the address provided by you, and you fail or neglect to collect the Products and/or Business Support Materials from the Company within three (3) months from the date of purchase, THEN upon the expiry of the aforesaid three (3) months period, the Company shall, without further reference, notice or account to you, cancel your order of such Products and/or Business Support Materials and refund to you the amount paid for such Products and/or Business Support Materials in accordance with Section 4.1 of Chapter 2. If Bonuses have already been paid on such Products, then the Company will recoup your Bonuses as set forth in Section 6.9 of Chapter 2.

## 5 Retail Sales and Customer Returns

### 5.1 Retail Sales

Products purchased from the Company may only be sold to retail customers or used for Product demonstrations. You are authorized to resell Products you purchase from the Company to retail customers. Subject to the terms herein below, you may establish your own retail prices for Products and may keep all the profits you earn from retailing the Products to your retail customers.

The Company has established suggested retail prices for Products based on competitive pricing in each market. Maintaining retail pricing for non-Distributors helps to preserve the value of the Company's Products and business opportunity. The Company may take disciplinary measures, including possible termination of a Distributorship, in the event the Company determines that a Distributorship resells Products at price levels that impair the viability of bona fide retail pricing for other Distributorships. The selling of the Company's Products in the market below the Company's Distributor wholesale price in that market is strictly prohibited.

## 5.2 No Wholesaling of Products

You may not sell or distribute Products to Persons who intend to resell the Products, or have resold Products in the past. You are prohibited from selling to Persons, either directly or indirectly, who ultimately (i) resell the Products through a retail store, (ii) resell the Products over the Internet, regardless of the form of Internet distribution channel, unless it has been approved by the Company in writing, (iii) import the Products into an Unopened Country, or (iv) use any other method of distribution that violates the primary purpose of your direct selling business and that of the Company. You must take reasonable steps to ensure that Persons who purchase Products from you do not intend to violate this Section 5.2.

## 5.3 Retail Sales Receipts


You must provide Retail Sales Receipts to your customers in accordance with the following requirements:

- (a) You must provide the customer with two copies of the completed Retail Sales Receipt at the time of the sale. All blanks in the section referring to the seven-day refund policy on the back of the receipt must be completed. The Retail Sales Receipt should be completed and include the items ordered, the amount of the sale, and the customer's name, address, telephone number, the date of the sale, your name, business address, and business telephone number.
- (b) You must keep a copy of the Retail Sales Receipt for your records. You must keep copies of all Retail Sales Receipts on file for at least four years.

## 5.4 Money-back Guarantees, Customer Refunds, and Exchanges for your Retail Customers

- (a) You must offer a seven-day money-back guarantee to your retail customers. This means that you must, for any reason and upon request, give a full refund of the purchase price to the customer. The only requirement is that the customer must request the refund within seven business days of purchase and return the unused portion of Product. You must make a refund

for returned Products within 10 days of the customer's request. The Company encourages you to honor your retail customers' requests for refunds or Product exchanges even if made more than seven business days after the date of retail sale.

- (b) If your retail customer purchases a Product directly from the Company, then unless otherwise required by applicable law or a specific Product guarantee, the Company will provide your retail customer with (i)  a 100% refund on the returned Product, if the Product is returned within 30 days from the purchase date, and regardless of whether the Product has been used, is re-stockable or re-saleable; and (ii) a Product exchange if the Product was incorrectly sent or is defective as provided in Section 4.2 of this Chapter 2.
- (c) If your retail customer purchases a Product directly from you, and your retail customer returns the Product to you for a refund, then you are responsible for, and must provide the retail customer with, a refund without any reimbursement from the Company. The Company encourages you to honor your retail customer's request for refunds even if made more than seven business days after the date of sale.
- (d) If your retail customer purchases a Product directly from you, and your retail customer returns the Product to you for a Product exchange, then you are responsible for the Product exchange, and the Company will only replace the exchanged Product if returned within 30 days from the date of the retail sale and the Product is defective.

## 6 Sales Compensation Plan

### 6.1 Sales Compensation Plan

A complete copy of the Sales Compensation Plan has been provided to you. The Sales Compensation Plan is a part of the Contract, and you are bound to its terms. The Sales Compensation Plan may be changed by the Company at any time with 30 days prior notice. A current copy of the Sales Compensation Plan may be found at [www.nuskin.com.ph](http://www.nuskin.com.ph).

### 6.2 Exceptions to Sales Compensation Plan

The Company, in its sole discretion, has the right to hold, maintain, or promote a Distributor to any pin level in the Sales Compensation Plan without regard to fulfillment of pin level requirements, or waive any other obligation or requirement of the Sales Compensation Plan. Unless otherwise agreed in writing by the Company, the Company may terminate any exception granted pursuant to this Section 6.2 of this Chapter 2 at any time and for any reason.

### 6.3 No Compensation for Sponsoring

You do not receive any compensation for sponsoring other Distributors. Your level of compensation will be based on your hard work, your sale of Products, and the sales of your Downline Organization.

### 6.4 No Guaranteed Income

You are neither guaranteed a specific income nor assured any level of profit or success. Generating meaningful compensation as a Distributor requires considerable time, effort, and commitment to the business. You should operate your Distributorship in a financially responsible and businesslike manner—you should not (i) incur debt to purchase Products or Business Support Materials and Services, (ii) quit your current employment until you are confident that you can afford to do so, and (iii) incur expenses that exceed the amount of your Bonuses. This is not a “get rich quick” program. Your profit comes only through the successful sale of Products and the sales of other Distributors within your Downline Organization.

### 6.5 Manipulation of Sales Compensation Plan

Maintaining the integrity of the Sales Compensation Plan is of vital importance to the Company. You must abide by the terms and conditions of the Sales Compensation Plan and you may not, in any form, use false identification numbers, false names, false Distributorships, buy additional Product to maintain a pin level, warehouse Products, or use any other form of manipulation that violates the terms and conditions of the Sales Compensation Plan or its spirit and intent.

### 6.6 Bonuses

In addition to the retail profits you can earn from your resale of Products, you can also receive a Bonus under the Sales Compensation Plan, subject to the following:

- (a) You may not receive any Bonuses if you are in violation of the Contract;
- (b) The requirements for receiving a Bonus and the terms for determining the amount of the Bonus may be changed by the Company at any time upon 30 days prior notice;
- (c) Bonuses may be paid by wire transfer, check, or any other method chosen by the Company;
- (d) No interest accrues on Bonuses when the payment of such has been delayed by the Company for any reason; and
- (e) The Company will pay no Bonuses until the aggregate accrued monthly Bonuses are equal to 10 US dollars (or the equivalent amount in local currency). If your Distributorship is

terminated, any unpaid accrued Bonuses under the 10 US dollar minimum (or the equivalent amount in local currency) will be forfeited.

#### 6.7 Required Retail Sales; Retail Sales Verification

You are not eligible to receive a Bonus in any month in which you do not have five retail sales as required by the Sales Compensation Plan. You must retain documentation of retail sales for at least four years to verify that you have met these retail sales requirements. You must make this documentation available to the Company at the Company's request. If you cannot document the required retail sales you are in breach of the Contract. The Company may recover all Bonuses paid for orders in any month for which you cannot provide retail sales documentation. The Company regularly audits Distributor compliance with this Section.

#### 6.8 Timing

An order for Products is included in the Bonus and Executive qualification computations for a given month only if received by the Company on or before the last business day of that month. If the Company places Products on backorder, Personal Sales Volume (or if applicable, Commissionable Sales Value) for those Products will only be included in the Bonus and Executive qualification computations in the month the Products are shipped.

#### 6.9 Bonus Recovery

- (a) In addition to any other recovery rights provided in these Policies and Procedures, the Company has the right to require you to repay any Bonuses paid to you:
- (i) on Products returned under the Company's refund policy;
  - (ii) on Products returned in relation to any incident of Distributor misconduct;
  - (iii) that were mistakenly paid by the Company; or
  - (iv) in the event you violate the provisions of Section 6.5 of this Chapter 2, in addition to any other remedies available to the company, the Company shall have the right to adjust your pin level and recalculate your Bonuses for the period in which such activities occurred by disregarding the volume from Products that were returned, that were purchased in order to maintain Executive pin levels, or any other activity that violate Section 6.5 of this Chapter 2. You must repay any Bonuses that were paid to you in excess of the adjusted Bonus that is calculated by the Company as set forth above.

(b) If you are obligated to repay any Bonuses to the Company, the Company will have the right to recover such amount by (i) requiring a direct payment of the amount from you, or (ii) withholding the amount from your present or future Bonus payments.

(c) Extension of the Company's refund policy, whether required by applicable law, or instances in which Distributor misconduct, misrepresentation, or other extenuating circumstances necessitates a Company refund in excess of its stated refund policy, will be considered on a case-by-case basis. In the event the Company is required to make a refund that exceeds the terms of its refund policy, the Company may recoup Bonuses paid to you on those Products as well.

## 6.10 Payment Corrections

It is your duty to make sure that the Bonuses paid to you are correct. If you discover an error in your payment you must notify the Company within 90 days after the receipt of your Bonus. If you fail to notify the Company of any errors or disputes with respect to a Bonus payment within this 90 day period, you will be deemed to have accepted the payment as full and complete payment of any Bonuses earned during such Bonus period and you will have no further right to dispute the Bonus payment or seek payment of any additional Bonus.

## 7 Product Liability Claims and Indemnification

### 7.1 Indemnification

In the event of a product liability claim brought against you by a third party for a defective Product or for injury from use of a Product, the Company will indemnify and defend you from such claims, subject to the limitations described in Section 7.2 of this Chapter 2.

### 7.2 Requirements for Indemnification

In order to be indemnified, you must notify the Company of the claim in writing within 10 days of your receiving notice of the claim. The Company has no obligation to indemnify you if you have (a) violated the Contract; (b) repackaged, altered or misused the Product, or made claims or given instructions about the Product's safety, uses or benefits which are not included in the Company's current approved literature, warnings, or Product labels; or (c) settled or attempted to settle a claim without the Company's written approval. In addition, indemnification is conditioned upon you allowing the Company to assume the sole defense of the claim.

### 7.3 Indemnification by You

You agree to indemnify the Company from any claim by a third party that arises directly or indirectly because you have (a) violated the Contract; or (b) repackaged, altered or misused the Product, or made claims or given instructions about the Product's safety, uses or benefits which are not included in the Company's current approved literature, warnings, or Product labels.

### 8 Sales Tax

(Not Applicable)

### 9 Associating Other Organizations with the Company

The Company's business opportunity is not based on race, gender, beliefs, or political affiliations. When you are training your Downline Organization, selling Products or promoting the business opportunity, you may not promote, advocate, sell, or include literature, books, or other material that promotes any other organization or individual, whether religious, political, business, or social, or that implies any association between the Company and any other organization. Company and Distributor meetings, calls or any other functions may not be used as a forum to promote or express personal beliefs, other organizations, companies, events, or individuals.

## CHAPTER 3 ADVERTISING

### 1 Business Support Materials and Trademark Use

#### 1.1 Use of Business Support Materials

Subject to the exception in Section 4 of this Chapter regarding Blue Diamond Business Support Materials, you may only use Business Support Materials that have been produced and distributed by the Company for the promotion of the business, the Products and the Sales Compensation Plan, and you may not prepare or use your own Business Support Materials. In addition, because laws and regulations differ from country/market to country/market, you may only use Business Support Materials that have been specifically approved for use in that Authorized Country.

#### 1.2 Use of Trademarks and Copyrights

(a) Use of Company Trademarks and Copyrights. The Company's trademarks and copyrights are valuable assets of the Company and the Company strictly regulates the use of these trademarks and copyrights to ensure that they do not lose their value to the Company or its



Distributors. You may not use the Company's trademarks, copyrights and other intellectual property rights, registered or otherwise, in any form except as specifically authorized by these Policies and Procedures or as otherwise approved in writing by the Company. The Company may prohibit the use of the Company's trademarks or copyrights in any Business Support Materials or other medium.

(b) Damages. You are liable to the Company for any damages arising out of your misuse of the Company's trade names, trademarks, copyrights and other intellectual property rights, in any form except as specifically authorized by these Policies and Procedures or as otherwise approved in writing by the Company.

## 2 Product Claims

### 2.1 General Limitation

You may only make the specific Product related claims and representations published in the Company's Business Support Materials, and Company literature, and that have been approved by the Company for use in Business Support Materials in the Authorized Country where you are making the claims.

### 2.2 No Medical Claims

You may not make medical claims, or state or imply that any Product is formulated, designed or approved by the Company or any regulatory authority to treat any disease or medical condition. These representations imply that the Products are drugs rather than cosmetics or nutritionals. You also may not compare Products to drugs, or make drug or medical claims. Any such representations, claims or comparisons by you may result in your personal liability.

### 2.3 No FDA Approved Claims

You should not state or imply that any Product is registered or approved by the United States Food and Drug Administration ("FDA") or any other regulatory authority. The FDA does not require or grant specific approval for the individual cosmetic or nutritional Products that the Company sells. When making Product benefit claims or giving personal testimonials regarding nutritional Products that are "structure/function" claims, the claim or testimonial must be accompanied by the following disclaimer:

"These statements have not been evaluated by the U.S. Food and Drug Administration or any other local authority. This product is not intended to diagnose, treat, cure, or prevent any disease."

Structure/function claims describe the role of a nutrient or dietary ingredient intended to affect normal structure or function in humans, for example, “calcium builds strong bones.” They are not pre-approved by the FDA but must be truthful and not misleading.

## 2.4 Before and After Photographs

Only those pictures and videos that have been approved by the Company may be used to demonstrate Product benefits.

## 2.5 Modifications to Product Packaging

You may not modify any packaging, labels, literature or instructions for use for any Product. You may not give instructions to use a Product in any way not described in the Company’s current approved literature. Any such modifications or instructions by you may result in your personal liability.

## 3 Income Claims

### 3.1 No Misleading Income Claims

It is important that all Distributors are fully informed and have realistic expectations concerning the income opportunity associated with being a Distributor. To help make sure all Distributors have realistic expectations, you must comply with the provisions of this Section 3 in all aspects of your business activities. Most importantly, you may not make any claims, specific or implied, regarding the income opportunity that are false or misleading, including income guarantees of any kind. You may not exhibit actual or facsimile Bonus checks or other Bonus payment records.

### 3.2 Requirements for Lifestyle and Income Claims

You may only make lifestyle claims (e.g., my Nu Skin business allowed me to buy a boat, quit my job, purchase a new home, etc.) or claims regarding the level of Bonuses or income associated with your Nu Skin business if the following conditions are met:

- (a) The information must be accurate and not misleading;
- (b) The information must be based on your experience and actual compensation level, or the experience and income level of Distributors in your immediate upline or Downline Organization, or be consistent with information in Company or Blue Diamond Business Support Materials;
- (c) The compensation claim must be stated in a monthly or annual amount and the actual percentage of Distributors earning that amount;

- (d) You must simultaneously disclose in immediate proximity to the compensation claim, the most recent Distributor Compensation Summary;
- (e) You may not make any claim regarding the amount of time required to reach specific compensation levels without prior written approval from the Company;
- (f) If you make claims regarding “income” or “profit” rather than “bonuses” or “compensation” you must either net out the expenses you incurred in generating such income or disclose the amount of expenses that you incurred in generating such income; and
- (g) If you make claims regarding Bonus levels you must note that such amounts are gross amounts before the deduction of expenses associated with doing the business.

#### [4 Blue Diamond Produced Business Support Materials](#)

##### [4.1 Blue Diamond Business Support Materials](#)

In order to protect the integrity of the Network and to ensure that Business Support Materials and Services are only produced, utilized and distributed by Distributors with significant experience and knowledge relating to the Company and its Products, only Blue Diamond Distributors may produce, utilize and distribute their own Business Support Materials and Services. Blue Diamond Distributors may produce Business Support Materials and Services for their own use and for use by other Distributors only if they comply with the terms of these Policies and Procedures, including, without limitation, the provisions of Sections 2, 3, 4.3, and 4.4 of this Chapter 3 and Addendum B. Blue Diamond Business Support Materials and Services may only be used in the specific Authorized Countries in which they have been registered. For purposes of this Chapter 3, Blue Diamond Distributors are those Distributors that: (i) currently enjoy active status as a Blue Diamond, (ii) have been a Blue Diamond for a minimum of three months, and (iii) are not in material breach of the Contract.

##### [4.2 No Endorsement or Approval by Company](#)

Although the Company allows Blue Diamond Distributors to produce, utilize and distribute Blue Diamond Business Support Materials and Services for use by other Distributors, you need to be aware that these Blue Diamond Business Support Materials and Services are independently produced by Blue Diamond Distributors and are not produced, endorsed, recommended or approved by the Company. If you elect to purchase or use Blue Diamond Business Support Materials and Services, the Company (i) has no responsibility or obligation to you regarding refunds and exchanges, and (ii) does not guarantee that the Blue Diamond Business Support Materials and Services comply with all applicable laws and regulatory requirements. Moreover,

the purchase of such materials is not required and there can be no guarantee that such Blue Diamond Business Support Materials and Services will contribute meaningfully to your business. You should evaluate the purchase of Business Support Materials carefully. You should not spend more on such Blue Diamond Business Support Materials and Services than can be supported by your current level of Bonuses under the Sales Compensation Plan.

#### [4.3 License Agreement for Business Support Materials](#)

A Blue Diamond Distributor must execute and submit to the Company a License Agreement prior to producing any Blue Diamond Business Support Materials and Services. The License Agreement is for a term of two-years and must be renewed if you want to continue to produce and use your Blue Diamond Business Support Materials and Services. The License Agreement grants you the right to use certain Company trademarks and trade names, and sets forth the terms and conditions you must agree to abide by in order to produce Business Support Materials and Services and utilize the Company's trademarks.

#### [4.4 Registration of Blue Diamond Business Support Materials and Services](#)

Prior to using or distributing any Blue Diamond Business Support Materials and Services, a Blue Diamond Distributor must register such Blue Diamond Business Support Materials and Services with the Company and receive a Notice of Registration from the Company with respect to such Blue Diamond Business Support Materials and Services as set forth in Addendum B to these Policies.

#### [4.5 Sales by Blue Diamonds; Purpose](#)

Blue Diamond Distributors who sell Blue Diamond Business Support Materials and Services to other Distributors must comply with these Policies and Procedures and the provisions of Addendum B to these Policies and Procedures. Blue Diamond Business Support Materials and Services may be sold only for the purpose of promoting Products and the Company's business and for assisting, training, and motivating other Distributors in their promotion of the Products and the Company's business.

#### [4.6 Distributor Organizations](#)

Distributor Organizations offering formal materials, training, website subscriptions, Business Support Materials and Services, or other business promotion tools may only be formed by Blue Diamond Distributors. Distributor Organizations must comply with the Company's written

guidelines governing the operation of a Distributor Organization. The Blue Diamond Distributor, who is the primary organizer of the Distributor Organization, (i) must notify the Company in writing of the formation of a Distributor Organization, and (ii) is responsible for ensuring the Distributor Organization's compliance with the guidelines.

## 5 Mass Media; General Advertising

### 5.1 Promotions Utilizing Mass Media Prohibited

You may not use any form of media or other mass communication advertising to promote the Products, including mass communication advertising on the Internet. This includes news stories or promotional pieces on TV shows, newscasts, entertainment shows, internet ads, etc. Products may be promoted only by personal contact or by literature produced and distributed by the Company or by Distributors in accordance with these Policies and Procedures. You may place generic opportunity advertisements in jurisdictions allowing that type of advertisement, but only in accordance with the Policies and Procedures of the Company.

### 5.2 Media Interviews

You may not promote the Products or opportunity through interviews with the media, articles in publications, news reports, or any other public information, trade, or industry information source, unless specifically authorized, - in writing, - by the Company. This includes private, paid membership, or "closed group" publications. You may not speak to the media on the Company's behalf, and may not represent that you have been authorized by the Company to speak on its behalf. All media contacts or inquiries should be immediately referred to the Company by calling +632 868-7546.

### 5.3 Phone Book Advertising

In order to advertise in the yellow pages, or list your name in the white pages of a locally circulated directory in your area or via an internet telephone directory, you must have previously attained and currently enjoy active status as a Ruby-level or above, at the time the agreement for that listing is signed.

- In the white pages the advertisement is to be limited to two lines containing the words "Pharmanex (or "Nu Skin") Independent Distributor, John Doe (your name)," and a telephone number. Neither bold print nor display advertisements are allowed. The advertisement must be in the Distributor's name only.

- In the yellow pages the advertisement must be placed under the category of “Nutrition” or another Company approved category.

#### 5.4 Distributing Promotional Materials

All promotional materials, including, but not limited to, flyers, business cards, and Blue Diamond Business Support Materials registered in accordance with Addendum B of these Policies and Procedures, may be distributed through personal contact only. Promotional material may not be posted in public places, mass mailed or faxed, placed on parked cars, put in mail boxes, or disseminated by any other non-personal contact means.

### 6 Retail Store, Trade Show, and Service Establishment Sales Policy

#### 6.1 Retail Stores

You may not sell Products and/or promote the Company’s business opportunity through retail stores such as health food stores, grocery stores, and other such establishments. You are also prohibited from selling to any Person who will ultimately sell the Products through retail stores as set forth in Section 5.2 of Chapter 2. You may, with the prior consent of a retail establishment, place Company-produced Advertising Material and/or Personalized Advertising Material within the establishment. However, all Advertising Material must be contained within one Company-produced brochure holder. Furthermore, the brochure holder and Advertising Material must not be visible to the general public in a manner as to attract the general public into the retail establishment.

#### 6.2 Trade Show Booths

You may not sell any Products of the Company or promote the Company’s opportunity at flea markets, swap meets, bazaars, supermarkets, exercise clubs, athletic leagues and games, malls or any other similar gatherings where the opportunity or Products may be displayed.

#### 6.3 Service Establishments

If you own or are employed by a service-related establishment you may provide the Company’s Products to customers through this establishment as long as you are providing proper prescreening and ongoing support to your customers as called for by the Contract. In any event, no Product banners, or other Advertising Material may be displayed visibly to the general public in a manner as to attract the general public into the establishment to purchase Products.

(a) A service-related establishment is one whose revenue is earned primarily by providing

personal service rather than by selling products and whose use by customers is controlled by membership or appointment.

- (b) Distributors may only sell Products through service-related establishment that provide services related to the Products. For example, Pharmanex Products may be sold through the offices of doctors and other healthcare professionals, health clubs, or gymnasiums. Nu Skin Products may be sold through barber shops, beauty salons, nail boutiques, or tanning centers.

#### 6.4 The Company's Right of Final Determination

The Company reserves the right, in its sole discretion, to make a final determination as to whether an establishment is service-related or is a proper place for the sale of the Products.

### 7 Internet

#### 7.1 Use of the Internet in Distributor Business

You may use the Internet to promote the Company, including its Products, only if such use is specifically authorized by Sections 7.2 or 7.3 of these Policies and Procedures and is in compliance with all of the provisions of these Policies and Procedures including Sections 2, 3, 4 and 5 of this Chapter 3, as well as the written guidelines for internet use established by the Company. All other uses of the Internet to promote the Company or its Products or its Sales Compensation Plan are prohibited.

#### 7.2 Permitted Internet Activities

All Distributors may utilize the Internet as follows:

- (a) You are allowed to utilize Company produced Distributor websites.
- (b) You may use generic (i) business opportunity websites, (ii) splash pages, or (iii) social media with links to Company websites. These generic pages may not contain the Company's trademarks or other copyrighted material and may not contain information on the Company, its Products or its business, or pictures of Products or corporate facilities/personnel. They also must not contain any false or misleading information.
- (c) You may use the internet, including social networking sites, blogs, social media and applications, and other sites that have content that is based on user participation and user generated content, forums, message boards, blogs, wikis and podcasts (e.g., Facebook, Twitter, Flickr etc.) to (1) communicate preliminary information about the Company or your involvement with the Company, (2) direct users to a Company Internet Marketing Site or a registered Blue Diamond Internet Marketing Site and (3) post Company produced Business Support

Materials that have been approved by the Company for posting on personal blogs or social networking sites; provided, however, that such communication and use must be (i) incidental to the primary use of such forum, site, blog, board, wiki or podcast or other form of internet use, and (ii) may not be an Internet Marketing Site. As set forth in Section 7.3 of this Chapter, only Blue Diamond Distributors may maintain an Internet Marketing Site. The Company has the right to make the determination, in its sole discretion, whether your use of the Internet is permitted under this section or whether such use is a prohibited Internet Marketing Site. Additionally, you must comply with Company published guidelines governing use of the Internet. These guidelines may change from time to time and it is your responsibility to know the current guidelines and comply with them. In case of a violation, in addition to taking disciplinary action against you in accordance with Chapter 6 of these Policies and Procedures, the Company may require you to immediately remove any information or marketing site that is in violation of Company policies.

#### Examples of Permitted Uses by Non-Blue Diamond Distributors

If you maintain a personal Facebook page where you post a variety of information, you could post information that that you are a Nu Skin distributor, information about Nu Skin events you have participated in, and preliminary information about Nu Skin, and direct readers to a Company Internet Marketing Site or an approved Blue Diamond Internet Marketing Site for more information. If you maintain a personal blog or social network site, you may blog in a particular post that you are a Nu Skin Distributor and that others can sign up as Distributors, and to contact you if they are interested in discussing the business with you.

#### Examples of Non-Permitted Uses by Non-Blue Diamond Distributors

A Facebook page that is primarily devoted to Nu Skin, that includes posted marketing materials such as videos or before and after photos, or if it is a fan page or similar page that utilizes the Company's trademarks, would be considered an Internet Marketing Site, and would be a violation of policy for non-Blue Diamond Distributors.

A blog or social network site that is primarily about the Products or opportunity, i.e., that is the focus of your postings and discussions, that is titled with a Nu Skin trademark or slogan, or utilizes marketing content, would be an Internet Marketing Site, and would be a violation of policy for non-Blue Diamond Distributors.



The foregoing examples are provided for illustration purposes only, and are not intended as an exhaustive list of permitted or non-permitted uses of the Internet or the conditions or factors the Company will consider in determining whether any particular use of the internet is an Internet Marketing Site.

### 7.3 Blue Diamond Internet Marketing Site

In order to protect the integrity of the Network and to ensure that marketing content on the internet is only created and posted by Distributors with significant experience and knowledge relating to the Company and its Products, only Blue Diamond Distributors (as defined in Section 4.1 of this Chapter 3) may create or maintain an Internet Marketing Site. Such Internet Marketing Sites shall be considered Business Support Materials and Services and shall be subject to Sections 4 and 5 of this Chapter 3. In addition to the requirements set forth in Section 4 of these Policies and Procedures with respect to Blue Diamond Business Support Materials and Services, Blue Diamond Internet Marketing Sites are subject to the following rules:

- (a) You must have submitted an Application for Registration for the location of any Blue Diamond Internet Marketing Site and received a Notice of Registration for such Blue Diamond Internet Marketing Site;
- (b) You must notify the Company immediately if posting any information on the Blue Diamond Internet Marketing Site that relates to the Company, its Products, or the opportunity/Sales Compensation Plan that has not been previously registered with the Company;
- (c) Downloadable materials such as PDFs, videos, pictures, PowerPoint presentations and other files are considered separate Business Support Materials and you must register them with the Company and receive a Notice of Registration before posting them on your Blue Diamond Internet Marketing Site;
- (d) Any income claims posted on a Blue Diamond Internet Marketing Site must include the most recent version of the Company's Distributor compensation summary, and must comply with all rules regarding earning claims under Section 3 of this Chapter 3 of the Policies and Procedures;
- (e) Your Blue Diamond Internet Marketing Sites may not contain more than fifty (50) pages, in

the aggregate, without the written consent of the Company. You must provide the Company with any usernames or passwords as may be necessary to access all portions of the Blue Diamond Internet Marketing Site; and

- (f) If the Company notifies you to remove or delete any information from your Blue Diamond Internet Marketing Site, or to make any modifications or add additional information such as income disclaimers, you must make the requested changes within 24 hours (or a shorter period as the Company may require in its sole discretion) or shut down the Blue Diamond Internet Marketing Site until such changes have been made.

#### 7.4 Additional Restrictions on Internet Use

All Distributor websites, whether Blue Diamond Internet Marketing Sites or Company produced Distributor websites, and any other form of internet use allowed by these Policies and Procedures, including internet video and audio, social media, and other sites that have content based on user participation and user generated content must comply with the following rules:

- (a) You may not use or distribute replicating websites except Company produced replicating websites such as NSE Dreams;
- (b) You may not include any Company or third party intellectual property or proprietary information in the unique domain names/URL or meta-tags of your websites, on or in any other form of internet use, including but not limited to, tags, links, blog names, social networking sites, social media and applications, and other sites that have content based on user participation and user generated content, forums, message boards, blogs, wikis and podcasts (e.g., Facebook, YouTube, Twitter, Wikipedia, Flickr), or as “wallpaper;”
- (c) You may not register your website(s) with search engines or web directories using any Company or third-party owned intellectual property or any proprietary information (e.g., trademarks, trade names, trade secrets, and copyrighted material) without written permission from the owner;
- (d) You may not use sponsored links or pay for placement advertising with internet search engines and web directories;

(e) You may promote your websites or pages through one-on-one personal contact only; and

(f) You may provide links to your website or pages only from other websites that have been registered with the Company.

### 7.5 Internet Video and Audio

You are prohibited from posting any video or audio content created by, produced by, belonging to or relating to (i) the Company, its Products, Sales Compensation Plan or Distributors, or (ii) you or any third party, on any website unless you have received prior written authorization from the Company or such posting is specifically permitted by this Section 7.5 of this Chapter 3. This prohibition includes, but is not limited to, video or audio recordings of Company personnel or Company or Distributor sponsored events, meetings, training, or sales presentations. As an exception to this rule, Blue Diamond Distributors may post Company produced audio and video presentations, specifically authorized by the Company for internet posting by Blue Diamond Distributors, on their Internet Marketing Sites as well as audio and video presentations that have been registered with the Company and for which a Notice of Registration has been issued.

### 7.6 Internet Selling

Products may be sold on the internet only through Company websites and may not be sold through Distributor websites of any kind or any other form of internet use, including internet video and audio, social networking sites, social media and applications, and other sites that have content based on user participation and user generated content, forums, message boards, blogs, wikis and podcasts (e.g., Facebook, YouTube, Twitter, Wikipedia, Flickr). Blue Diamond Internet Marketing Sites may link to Company websites. This prohibition on internet selling includes, but is not limited to, internet auction and classified advertising websites such as ebay.com or craigslist.org.

### 7.7 Spam

You must comply with all laws regarding the sending of email messages and it is your duty to become and remain informed about the requirements of these laws. You are prohibited from sending unsolicited email regarding your website or Distributorship to individuals who have not specifically requested information regarding the Company's business opportunity or Products. In the event an individual who has formerly agreed to receive email information concerning the

business opportunity and/or Products later requests that you cease sending the individual email, you must honor this request immediately.

## 8 Lead Generation Services; No Speaking Fees

### 8.1 Lead Generation Services

Before you sell, purchase, or use any lead in the promotion of the business, you must verify that the lead has been properly obtained and is legal for use in the area where you are contacting the identified lead. This includes but is not limited to ensuring the lead's compliance with "Do Not Call" lists in the country, market, state, or region where the lead's address is located. Any violation of laws related to leads is the sole responsibility of the persons providing and contacting the leads. The person committing the violation must indemnify the Company for any costs or damages arising from regulatory or personal challenges to the use of the lead.

### 8.2 No Speaking Fees; Meetings

You may not charge a fee to speak at any Distributor meeting. However, you may be reimbursed for your reasonable out-of-pocket expenses (e.g., travel, hotel, meals) that you incur in attending and speaking at a meeting. In the event you are putting on a meeting or other function, you may charge a fee to Distributors attending the meeting or other function, but such fee must not be more than is necessary to cover the costs of such meeting or other function.

## 9 No Recording of Company Events or Employees

You may record any Company sponsored event, or any speech or other presentation made by an employee or other representative of the Company at any meeting, event or otherwise if it is only for your own private use, and is not posted, distributed, copied or broadcast in any format or media, and is not shown to any other Distributors, prospective Distributors or customers regardless of the setting. Except for recordings for private use as described in this Section 9, you may not record any Company sponsored event, record any speech or other presentation made by an employee or other representative of the Company at any meeting, event, or otherwise without the prior written consent of the Company.

## CHAPTER 4 SPONSORING

### 1 Becoming a Sponsor

#### 1.1 Requirements

You may only act as a Sponsor if you meet all the requirements and accept all the responsibilities described in the Contract.

#### 1.2 The Placement of New Distributors

You may refer Persons to become Distributors of the Company by having them submit a Distributor Agreement to the Company. Upon acceptance by the Company of the Distributor Agreement form, applicants are placed directly below the Sponsor listed on the Distributor Agreement. Although a newly sponsored Distributor may be referred to as part of your Downline Organization, this does not create in you any form of ownership interest in that Distributorship or with respect to any information regarding that Distributorship. All Distributors are part of the Network, and the Network and any information regarding the Network are an asset that is owned solely by the Company and not the Sponsor.

#### 1.3 Business Portfolio

When you introduce a Person to the business opportunity, you must fully disclose that the only financial requirement to become a Distributor is the purchase of a not-for-profit Business Portfolio. The Business Portfolio does not generate a Bonus.

#### 1.4 Distribution of Company Leads

When the Company receives inquiries from individuals concerning the Company's Products or business opportunity, the Company refers these individuals to Distributors according to its discretion.

### 2 Responsibilities of a Sponsor

#### 2.1 Training of Downline Organization

You must supervise, train, support, and have on-going communication with (i) any Distributor that you sponsor, and (ii) your Downline Organization in a manner consistent with the terms of the Contract. Your responsibilities include, but are not limited to:

- (a) Provide regular retail sales and organizational training, guidance, and encouragement to your Downline Organization;
- (b) Exercise your best efforts to make sure that all Distributors in your Downline Organization properly understand and comply with the terms and conditions of the Contract and applicable national and local laws, ordinances, and regulations;
- (c) Intervene in any disputes arising between a customer and any of your Downline Organization and attempt to resolve the disputes promptly and amicably;
- (d) Maintain contact with your Downline Organization and be available to answer questions;
- (e) Provide training to ensure that the Product sales and opportunity meetings conducted by your Downline Organization are conducted in accordance with the Contract, current Company literature, and in accordance with any applicable laws, ordinances, and regulations;
- (f) Monitor the activities of those you personally sponsor and those in your Downline Organization and work in good faith with the Company to prevent the violation of these Policies and Procedures and manipulation of the Sales Compensation Plan;
- (g) Supervise and assist your Downline Organization's efforts to sell the Company's Products to retail customers; and
- (h) Cooperate with the Company regarding investigations of your Downline Organization, and, upon request from the Company, provide all relevant information pertaining to any investigation.

## 2.2 Line Switching

You may not encourage, entice, or otherwise assist another Distributor to transfer to a different Sponsor. To do so constitutes an unwarranted and unreasonable interference with the contractual relationship between the Company and its Distributors. This prohibition includes, but is not limited to, offering financial or other tangible incentives for another Distributor to terminate an existing Distributorship and then re-sign under a different Sponsor. You agree that a violation of this rule inflicts irreparable harm on the Company and agree that injunctive relief is an appropriate remedy to prevent that harm. The Company may also impose penalties on any Distributorship that solicits or entices an existing Distributor to change lines of sponsorship.

## 2.3 No Purchase of Products or Business Support Materials and Services Required

The only required purchase to become a Distributor is the not-for-profit Business Portfolio, which does not generate a Bonus. You may not require any Distributor or prospective Distributor to

purchase any Products or any Business Support Materials and Services, or imply that any such purchase is required.

#### 2.4 Correct Information on Company Forms

You may not encourage or assist any Distributor or prospective Distributor to provide false or inaccurate information in their Distributor Agreement or any other Company form.

#### 2.5 Your Downline Organization's Communication with the Company

You may not discourage, attempt to prevent or prevent, for any reason, any Distributor from directly contacting the Company, or the Company from directly contacting any Distributor. It is your duty to facilitate communication between any Distributor in your Downline Organization and the Company at the request of a Distributor in your Downline Organization or at the request of the Company.

### 3 International Business

#### 3.1 International Business

Subject to the Contract, you may conduct business activity as a Distributor in any Authorized Country. If the country or market is an Unopened Country, then you are limited to providing business cards and conducting, organizing or participating in meetings where the number of attendees at any given meeting, including you, does not exceed five. You may not use flyers, cold calling, mass emailing, advertising or mass soliciting of any kind in order to promote attendance at these meetings. In Unopened Countries you may not:

- (a) Import or facilitate the importation of, sell, gift, or distribute in any manner, Company Products or Product samples;
- (b) Place any type of advertisement or distribute any promotional materials regarding the Company, its Products or the opportunity, except for any Company Approved Business Support Materials that the Company may have specifically authorized for distribution in a designated Unopened Country;
- (c) Solicit or negotiate any agreement for the purpose of committing a citizen or resident of an Unopened Country to the opportunity, a specific Sponsor or specific line of sponsorship. Furthermore, Distributors may not sign up citizens or residents of Unopened Countries in an Authorized Country or by using Distributor Agreement forms from an Authorized Country, unless the citizen or resident of the Unopened Country has, at the time of sign

up, permanent residence and the legal authorization to work in the Authorized Country. It is the Sponsor's responsibility to ensure compliance with residency and work authorization requirements. Membership or participation in, or ownership of a corporation, partnership or other legal entity in an Authorized Country does not by itself fulfill the residency or legal authorization to work requirements. If a Participant in a Distributorship fails to provide verification of residency and work authorization when requested by the Company, the Company may, at its election, declare a Distributor Agreement void from its inception;

- (d) Accept money or other consideration, or be involved in any financial transaction with any prospective Distributor either personally or through an agent, for purposes relating to the Company's Products or the opportunity, including renting, leasing or purchasing facilities for the purpose of promoting or conducting Company-related business, or
- (e) Promote, facilitate or conduct any type of activity which exceeds the limitations set forth in these Policies and Procedures or which the Company, in its sole discretion, deems to be contradictory to the Company's business or ethical interests in international expansion.

### 3.2 Meetings in an Authorized Country with Attendees from an Unopened Country

If you have a meeting in an Authorized Country with people who are visiting from an Unopened Country, those people visiting from the Unopened Country are subject to all the restrictions that arise out of their residence or citizenship in an Unopened Country. This means, among other things, that they may not submit a Distributor Agreement to become Distributors or purchase Product for import (including for personal use).

### 3.3 The International Sponsor Agreement

If you wish to conduct business in an Authorized Country that is not your Resident Country, you must comply with all applicable laws of that specific Authorized Country, including but not limited to, all immigration, visa, and registration requirements. In addition, prior to conducting any Business Activity in an Authorized Country that is not your Resident Country, you must sign an International Sponsor Agreement if you did not already sign one when you submitted your Distributor Agreement. The Company, in its sole discretion, reserves the right to reject or revoke your authorization as an International Sponsor in any Authorized Country. When you sign an International Sponsor Agreement; the Company grants to you the right to sponsor new Distributors in an Authorized Country other than your Resident Country. The International Sponsor Agreement does not grant to you the right to market Products in any Authorized Country other than your Resident Country.



### 3.4 China

The Company's business model in China is different from the business model used in any other country or market. China is not an Authorized Country and before conducting business there you must know and comply with all the current rules and conditions that the Company has in place for operating in China.

### 3.5 Express Prohibition of Pre-Marketing in Certain Countries

The Company reserves the right to designate certain countries or markets wherein all pre-marketing conduct is expressly prohibited. It is your responsibility, prior to each instance of conducting pre-market opening activities in an Unopened Country, to verify through current contact with the Company that the country or market in which you plan to conduct those activities is not a prohibited country or market.

### 3.6 Remedies

In addition to other remedies allowed by the Contract, if you fail to comply with any provision of Section 3 in this Chapter 4, you may be prohibited from participating in the affected international market for a period deemed appropriate by the Company and may be subject to the remedies set forth in Chapter 6. This prohibition could include, but is not limited to the following: restricting your right to sponsor new Distributors in the affected international market; prohibiting the payment of Bonuses to you and your upline on volume you have generated by your Downline Organization in the respective international market. In all markets, for a period of up to one year, you may not be entitled to privileges traditionally afforded Distributors such as recognition at corporate events or in corporate literature.

### 3.7 Petition for Permission to Participate

If you have been unable to participate in a market because of non-compliance with Section 3 of this Chapter 4, you must petition the Company in writing for written permission to participate in the market after the period of prohibition has passed.

### 3.8 No Waiver

The provisions of Section 3 of this Chapter 4 do not waive the Company's rights as set forth elsewhere in these Policies and Procedures or in the Contract.

### 1 Ownership of Network

You acknowledge and agree that: (i) the Network is protected as a valuable, proprietary, trade secret asset that is owned by the Company; (ii) the Network has been developed for the exclusive benefit of the Company and Distributors as they promote authorized business activities and Products of the Company through the Network; (iii) the protection of the Network is fundamental to the ongoing success of both the Company and its Distributors; and (iv) a violation of your obligations under this Chapter 5 inflicts irreparable harm to the Network, to the Company and to fellow Distributors. Based on the foregoing, you agree that the breach of your obligations under Chapter 5 of these Policies and Procedures would constitute an unwarranted and unreasonable interference with the contractual relationship between the Company, its Distributors and customers, and damage the competitive business interest and integrity of the Company and Network.

### 2 Restrictive Covenants

#### 2.1 Non-Solicitation

(a) Sale of Third-Party Products and Services. You may not, in any manner, directly or indirectly, promote, market or sell the products or services of another Business Entity or Individual to the Network unless you have a pre-existing business relationship with that Distributor prior to one of you becoming a Distributor. For example, if you own a hair salon, and as a Distributor you sponsor one of your customers, who then becomes a Distributor, then you may continue selling your customer your services and hair products from your salon. Notwithstanding the foregoing, you may not offer third-party products, services or opportunities in conjunction with the sale of Products, or package third-party products, services or opportunities with Products, or offer or promote third-party products, services or opportunities at Company or Distributor meetings, calls or any other Company-related functions without the prior written consent of the Company.

(b) Recruit to another Direct Sales Company. You may not, in any manner, directly or indirectly, recruit, solicit, or sponsor any Distributor or customer, to (i) form a relationship with, (ii) promote, sell or purchase the products or services of, (iii) participate as a salesperson of, (iv) or otherwise associate with, a Direct Sales Company, or encourage any Distributor or customer to do so or to terminate their relationship with the Company.

- (c) Survival of Obligation. Your obligations under this Subsection survive for a period of two years from the date of your resignation, termination, transfer or other change in ownership status of your Distributorship.
- (d) Injunctive Relief. In addition to other compensatory damage awards to the Company, temporary and permanent injunctive relief is an appropriate remedy to prevent further damage to the Network and the Company.

## 2.2 Exclusivity

- (a) You acknowledge and agree that a Distributor or Distributorship, and any Person who has a Beneficial Interest in the Distributorship (including spouses and Co-habitants), which has achieved the pin level of Ruby or higher, is being compensated, publicly recognized and otherwise promoted by the Company as a key Distributor leader. As a Distributor with a Ruby or higher pin level, you are reasonably expected to exclusively sell Company Products, train Distributors in your Downline Organization, and promote the Company's business. Therefore, as a condition to receiving ongoing breakaway compensation on Executive Levels 3 through 6 in your Downline Organization, and recognition as a Ruby-level or higher Distributor leader at Company events, you may not be engaged in any Business Development Activity for any other Direct Sales Company.
- (b) If you engage in Business Development Activity for any other Direct Sales Company while you are a Distributor with a pin level of Ruby or higher, then your Distributorship will not be eligible to receive any Executive Breakaway Bonus on Executive levels 3 to 6 in your Downline Organization during any period in which you, your spouse, your Co-habitant, or any Person with a Beneficial Interest in your Distributorship, (i) engage in any Business Development Activity, or (ii) maintain a Beneficial Interest in any form with respect to such Direct Sales Company, regardless of the number of Breakaway Executives on your first level or other qualifications for payment on levels 3 to 6.
- (c) Within 5 business days of the first engagement in any Business Development Activity for any other Direct Sales Company, you agree to notify the Company that you, your spouse, your Co-habitant, or any Person with a Beneficial Interest in your Distributorship, is engaged in such Business Development Activity. You further agree that upon engaging in such Business Development Activity, you will no longer be eligible to receive Executive Breakaway Bonuses on Executive Levels 3 through 6 as set forth in the preceding paragraph. You further agree that you (i) will be liable to refund to the Company any such Executive Breakaway Bonuses paid to you during any period following your engagement in any such Business Development Activity whether or not you provide the notice to the Company as required

by this paragraph (c), and (ii) the Company will have the right to recover any such amount by offsetting such liability against any other Bonuses, past, present or future, that may be payable to you under the Sales Compensation Plan. Failure to notify the Company of your engagement in any Business Development Activity for any other Direct Sales Company will be considered a violation of these Policies and Procedures and may result in other action being taken by the Company, including termination of your Distributorship.

### 2.3 Confidential Information

As a result of your position as a Distributor, you have access to Confidential Information that you acknowledge to be proprietary, highly sensitive and valuable to the Company's business, which information is available to you solely and exclusively for purposes of furthering the sale of Company Products and prospecting, training and sponsoring third parties who wish to become Distributors, and to further build and promote your business. You and the Company agree and acknowledge that, but for your agreement of confidentiality and nondisclosure, the Company would not make Confidential Information available to you. During any term of the Distributor Agreement, and for a period of four years after the termination or expiration of the Distributor Agreement, you will not, for any reason, on your own behalf, or on behalf of any other Person:

- Disclose any Confidential Information related to or contained in the Network to any third party directly or indirectly;
- Disclose, directly or indirectly, the password or other access code to the Network;
- Use the Confidential Information to compete with the Company, or for any purpose other than promoting the Company;
- Solicit any Distributor or customer of the Company or of the Network, or in any manner attempt to influence or induce any Distributor or customer of the Company, to alter their business relationship with the Company;
- Use or disclose to any Person any Confidential Information related to or contained in the Network that was obtained while your Distributor Agreement was in effect; or
- Recruit or attempt to recruit an existing Distributor for another Direct Sales Company. Upon non-renewal, resignation or termination of your Distributorship, you will promptly destroy or return to the Company all Confidential Information. The obligations of this Section 2.3 will survive the termination or expiration of the Distributor Agreement.

### 2.4 Confidentiality of Distributorship Information

As a result of your position as a Distributor, you may, at the sole discretion of the Company, be provided access to information about other Distributorships and their Downline Organizations for the sole purpose of allowing you to provide business support to these Distributorships and

their Downline Organizations. This information is highly confidential and you may not disclose information about a Distributorship and his Downline Organization to other Distributors or to any other party. By accessing such information, you expressly agree to these restrictions and acknowledge that, but for your agreement of confidentiality and nondisclosure, the Company would not make such information about other Distributorships and their Downline Organizations available to you.

## 2.5 Non-Disparagement

In consideration of the Company's recognition, Bonuses, and other compensation that you receive as a Distributor, you will not disparage the Company, or any other company or person, including but not limited to other Distributors, the Company's Products, the Sales Compensation Plan, the Policies and Procedures or Company employees. Disparagement may result in termination of your Distributorship.

## 2.6 Remedies

You acknowledge that the Company would suffer irreparable harm as a result of any unauthorized disclosure or use of Confidential Information, including the Network, or recruiting current Distributors for another Direct Sales Company in violation of Section 2.1 of this Chapter 5, and that monetary damages are insufficient to compensate the Company for such harm. Therefore, if you are in breach of any of the

requirements of this Chapter 5, the Company is entitled to an injunction or temporary restraining order without prior notice to you, restraining any unauthorized disclosure or use of Confidential Information, which relief may be in addition to any other available legal remedy, including damages. In any such action, if the Company prevails, you agree that you will reimburse the Company for its costs and reasonable attorneys' fees incurred in connection with taking the necessary legal action.

## 2.7 Enforceability

In the event that any provision of this Chapter 5 should ever be deemed or adjudged by a court of competent jurisdiction or an arbitrator with proper jurisdiction, to exceed the limitations permitted by applicable law, then the remaining provisions will nevertheless be valid and enforceable to the maximum extent allowable as determined by such court or arbitrator, and such provisions will be reformed to the maximum allowable limitations as determined by such court or arbitrator. The remainder of the prohibitions and protections in this Chapter 5 will remain in full force and effect.

## CHAPTER 6 ENFORCEMENT OF CONTRACT

### 1 The Contract

You agree that the relationship between you and the Company is based entirely on the written Contract. The Contract may be amended by the Company as provided in these Policies and Procedures. You may not amend the Contract unless the amendment is in writing and signed by you and the Company. Neither you nor the Company may claim that the Contract (i) has been altered or amended by any practice or course of dealing or course of action, (ii) has been modified or amended verbally by an officer or employee of the Company, or (iii) that there is a quasi-contract or an implied in fact contract between you and the Company.

### 2 Acts of Participants in a Distributorship

The acts of any Participant, spouse, partner or agent of a Distributor will be considered to be the acts of the Distributorship and subject to the terms and conditions of the Contract.

### 3 Procedures for Investigation, Discipline and Termination

#### 3.1 Reports of Alleged Violations

All reports of violations must be in writing and sent to the attention of the Company's Distributor Compliance Review Committee (DCRC) by an individual who has personal knowledge of the alleged violation. The Company may also investigate an alleged violation of which it becomes aware of through its own independent resources or internal investigations. The Company may take action on its internal investigations at any time and is not bound by the time limits set forth in Section 3.2 of this Chapter 6.

#### 3.2 Time Limit for Reports of Violations

In order to prevent stale claims from disrupting the business activities of Distributorships and the Company, the Company will not take action on any alleged violation of the terms and conditions of the Contract not submitted in writing to the Company's DCRC, within two years of the first occurrence of the alleged violation. Alleged violations will be referred to as "Disputes," which is further defined in the Glossary of Defined Terms in Addendum A.

#### 3.3 Balance of Rights of Privacy

The Company's investigative procedures and Dispute resolution process is intended to balance your rights of privacy and the rights of other Distributors and the rights of the Company. Therefore, until the Dispute has been submitted to arbitration, all information and evidence received by the Company will be released only to you and other Distributors involved in the Dispute as the Company deems necessary. Before releasing any information, the Company will consider (i) the complexity of the Dispute; (ii) the duty to balance privacy rights and disclosure

obligations. If the Dispute is referred to arbitration, all information and evidence will be made available in accordance with the rules and procedures for arbitration of Disputes described in Chapter 7.

### 3.4 Procedure

Your rights under the Contract depend on you meeting all of your obligations under the Contract. If the Company determines that you have breached the terms of the Contract, then based on the nature of the Dispute, the Company, in its sole discretion, may proceed as follows: (i) immediately terminate your Distributorship or take any other appropriate action as provided in Section 3.7 of this Chapter 6; (ii) proceed directly to arbitration in accordance with Chapter 7, or (iii) process the alleged Dispute according to the following procedures:

- (a) **Written Notice.** You will receive written notice from the Company that you are or may be in violation of the Contract.
- (b) **Responses and Company Prohibitions.** You will have 10 business days from the date of the written notice during which you may present in writing all the information that you consider relevant to the alleged Dispute. You may provide information about individuals that have relevant information, together with their names and addresses, other appropriate contact information, and copies of all relevant documents. If you fail to respond to the written notice or fail to provide all relevant facts and information, the Company may take action that it deems appropriate. The Company has the right to prohibit the activities of your Distributorship (placing Product orders, sponsoring, receiving Bonuses, etc.) from the time the written notice is sent to you until a final decision issued.
- (c) **DCRC.** The Company will review any information submitted by you within the 10-day period or by collateral sources and any information that the Company has independently discovered. The DCRC will make a final decision regarding the Dispute and the action that the Company will take, if any, and will send you a copy of the decision of the DCRC. The Company may, at its sole option, send a copy of the decision of the DCRC to other interested parties.

### 3.5 Distributor Compliance Appeals Committee (DCAC)

If the Company takes immediate action as provided in Section 3.7 of this Chapter 6, or the DCRC has issued a decision regarding the Dispute, then you will have 10 business days from the date of the written notice to submit in writing your appeal to the DCAC. Your written notice should include a description of your objection to the Company's immediate action or the DCRC decision. Within 90 days of receipt of your written notice, the DCAC will review your appeal and provide written notice (i) of its final decision, (ii) that its review will require additional time, or (iii)

that the matter should proceed directly to arbitration under Chapter 7. If the DCAC has decided that the matter should proceed directly to arbitration, and you do not desire to participate in the arbitration, then you will still be bound by the decision in the arbitration. When the DCAC has made a final decision, it will send you written notice and you will have 60 days from the date of the DCAC decision to request arbitration of the DCAC decision.

### 3.6 Company Actions for Breach of Contract

Once the Company determines that a breach of the Contract has occurred, the Company may, in its sole discretion, terminate your Contract. In addition to, or in lieu of terminating your Contract, the Company may take any other action it deems appropriate, including any or all of the following:

- (a) Notify you in writing of the Company's concerns and of the Company's intent to discontinue your rights under the Contract if your non-performance continues;
- (b) Suspend your rights under the Contract;
- (c) Monitor your future performance over a specified period of time;
- (d) Identify specific actions you must take to correct your non-performance and require you to provide the Company with a written description of what you intend to do to meet your Contractual obligations;
- (e) Stop performing the Company's obligations under the Contract and suspend your privileges under the Contract, including, without limitation, terminating or suspending your right to receive awards, terminating your right to be recognized at corporate events or in corporate media (publications, videos, etc.), terminating your right to participate in Company sponsored events or Distributor sponsored events, terminating your right to place orders for Company Products, terminating your right to receive promotions within the Sales Compensation Plan, or terminating your right to participate as an International Sponsor; reducing your pin title and terminating your right to receive Bonuses on volumes on one or more levels of your Downline Organization; terminating your status or eligibility to be recognized and compensated as an "Executive" under the Sales Compensation Plan;
- (f) Reduce the payment of all or any part of your Bonuses you have earned from sales made by you or all or any part of your Downline Organization;
- (g) Reassign all or part of your Downline Organization to a different Sponsor;
- (h) Recover from your Distributorship any damages caused by the breach;
- (i) Take any action that the Company deems appropriate to protect the Company and its Network; and
- (j) Seek injunctive relief or any other remedies available by law.



### 3.7 Immediate Action

If the Company determines, in its sole discretion, that a Dispute requires immediate action, or the Company has previously notified you that it will take immediate action for violations or actions similar to

those described in such notice, then the Company may take any immediate action or remedy that it deems appropriate, including termination of your Distributorship, or your right to receive any Bonuses. The Company will provide you with written notice of its action. You will have 10 business days to appeal the Company's action as provided in this Chapter 6.

### 3.8 Remedies

The Company reserves the right, at its sole discretion, to exercise any remedy available to it. Any failure or delay by the Company in exercising such remedies will not operate as a waiver of such remedies.

### 3.9 Termination of Your Contract

- (a) Subject to the conditions of this Section 3.9 of Chapter 6, (i) you may terminate your Distributorship at any time by providing the Company with a signed written notice of termination to the Company; (ii) the Company may terminate your Distributorship as provided in this Chapter 6; and (iii) the Company may terminate your Distributorship without notice if you have not engaged in any Business Activity on your account for a period of 12 or more consecutive months.
- (b) If you terminate your Distributorship, then termination becomes effective on whichever is later: (i) the date the Company receives your written notice of termination, or (ii) the date specified in your written notice.
- (c) Termination of your Distributorship results in the loss of all rights and benefits as a Distributor, including the permanent loss of your Downline Organization. After your Distributorship has been terminated, whether by you or the Company, you may apply to become a Distributor again by submitting to the Company a new Distributor Agreement. The requirement that you must submit a new Distributor Agreement is mandatory regardless of whether you are applying to be a Distributor under your former Sponsor or a new Sponsor.
- (d) Upon termination of a Distributorship for whatever reason, if there is any pending investigation of, and/or unresolved legal issue related to the Distributorship, which includes any alleged breach or actual breach of the Contract, then the Downline Organization may not roll up until all pending investigations and/or legal issues have been resolved by the Company and all penalties have been fully satisfied.

- (e) The obligations of the Contract described in Chapter 5 will survive the cancellation, termination or expiration of the Contract. Any other provisions, or parts thereof, which, by their nature, should survive cancellation, termination, or expiration will also survive.

## CHAPTER 7 ARBITRATION

### 1 What is Mandatory Arbitration

In order to expedite the resolution of all Disputes, the Company has instituted a mandatory arbitration procedure. Arbitration is the referral of a Dispute to an impartial third party selected by you, the Company and any other Distributors involved in the Dispute. An arbitrator acts as a judge, listens to the parties' evidence, and renders a binding decision. The arbitrator's decision is a judgment that is enforceable in a court of law. The object of arbitration is the final disposition of differences of the parties in a faster, less expensive, and perhaps less formal manner than is available in ordinary court proceedings.

### 2 Arbitration is Mandatory and Binding as to all Disputes

You and the company agree that mandatory and binding arbitration is the sole means to resolve any and all disputes. You waive all rights to jury or court trials to resolve a dispute. The arbitration is final and the decision cannot be appealed. Utah will be the exclusive venue for arbitration of all disputes.

### 3 Definition of a Dispute

A "Dispute" means "Any and all past, present or future claims, disputes, causes of action or complaints, whether based in contract, tort, statute, law, product liability, equity, or any other cause of action, (i) arising under or related to this Contract, (ii) between you and other Distributors arising out of or related to a Distributorship, or your business relationships as independent contractors of the Company, (iii) between you and the Company, (iv) related to the Company or its past or present affiliated entities, their owners, directors, officers, employees, investors, or vendors, (v) related to the Products, (vi) regarding the Company's resolution of any other matter that impacts your Distributorship, or that arises out of or is related to the Company's business, including your disagreement with THE Company's disciplinary actions or interpretation of the Contract."

### 4 Mediation

Mediation is a process whereby a neutral third party attempts to resolve a Dispute between contending parties. The object of the mediator is to increase the parties' mutual understanding of the Dispute and persuade them to adjust their positions towards each other and hopefully reconcile the Dispute. If all the parties that participated in the DCRC proceeding agree to mediation, then the Company will facilitate a mediation that will be held in Salt Lake City, Utah

at the offices of the Company's outside counsel. The mediation will be conducted in the English language. All fees and costs of the mediation will be borne equally by the parties in the mediation. If not all the parties agree to the mediation, then the Dispute will be submitted to arbitration as provided in this Chapter 7.

## 5 Request for Arbitration

For easy reference, all parties that participated in the DCAC proceeding, and that will participate in the arbitration, including the Company, may be referred to as "Participants" in this Chapter 7. Within 60 days from the date of the DCAC' decision, any Participant, who is not satisfied with the DCRC' decision, will notify, in writing, all the other Participants in the DCAC proceeding that the Participant requests that the Dispute be referred to arbitration before a neutral third party arbitrator ("Petition for Arbitration"). Failure to submit a timely Petition for Arbitration will constitute acceptance of the DCAC decision and the Participant agrees to abide by the terms of the decision. Within a reasonable time after receipt of the Petition for Arbitration, the Company, through its outside counsel, will contact all the Participants regarding an arbitration date and provide a list of potential arbitrators.

## 6 Arbitration Procedure

### 6.1 Rules of Arbitration; Location

The arbitration will be conducted by a professional arbitrator that has been agreed to by the Participants. The arbitration will be conducted in accordance with the Utah Uniform Arbitration Act. The arbitration will be held Salt Lake City, Utah in the offices of Company's outside counsel.

### 6.2 Discovery

The arbitrator will have the discretion to order a pre-arbitration exchange of information by the Participants, including but not limited to, production of requested documents, exchange of summaries of testimony of proposed witnesses, and the depositions of witnesses and the Participants. Additionally, subject to the approval of the selected arbitrator, the Participants may submit a pre-arbitration brief outlining the legal causes of action and factual background.

### 6.3 Date of Arbitration

Unless all the Participants agree to extend the date of the arbitration, the arbitration will take place no later than six months after the date of the Petition for Arbitration.

### 6.4 Language

The arbitration will be conducted in the English language, but at the request and expense of the requesting Participant, documents and testimonies will be translated into the requesting Participant's preferred language.

## 6.5 No Class Actions

No Dispute will be adjudicated, in arbitration or any other judicial proceeding, as a class action.

## 6.6 Permitted Attendees

Each Participant in the arbitration is limited to the attendance of the Participant, those individuals appearing on the Participant's Distributor Agreement, and no more than two attorneys per Participant.

## 6.7 Fees and Expenses of Arbitrator

All fees and expenses of the arbitrator will be borne equally by the Participants in the arbitration.

## 6.8 Awards

- (a) The arbitration will be final and binding. It will be a full resolution of all claims and disputes between the Participants in the arbitration. Judgment upon the award rendered by the arbitrator may be entered in any court within the state of Utah. All upline Distributors and Downline Organizations of the Participants will be bound by the final arbitration award.
- (b) Any award by the arbitrator will be in writing and based on the application of the strict rules of law to the facts before the arbitrator. The arbitrator is authorized to award a Participant any sums that are deemed proper for the time, expense, and trouble of arbitration including arbitration fees and attorney's fees. Punitive damages, however, will not be allowed in any Dispute. Neither any Participant nor the Company, nor any of the Company's related entities, officers, directors, employees, investors, or vendors, will have any liability for any punitive, incidental, consequential, special or indirect damages, including loss of future revenue or income, or loss of business reputation or opportunity relating to the breach or alleged breach of the Contract or for any act, omission, or other conduct arising out of the Participant's status as an independent contractor and Distributor of the Company's Products.

## 6.9 Confidentiality

All arbitration proceedings will be closed to the public and confidential. Except as may be required by law and the Company's use of an arbitrator's award as precedence for deciding future Disputes, neither a Participant nor the arbitrator may disclose the existence, content, or results of any arbitration without the prior written consent of all the Participants.

## 6.10 Enforcement of Award; Injunctive Relief

Notwithstanding this arbitration policy, any Participant may apply to a court of competent jurisdiction in the county and state of Utah in the United States, or in any other jurisdiction as necessary (i) to enforce an arbitration award or the injunctive relief granted by an arbitrator, or (ii) to seek a temporary restraining order, preliminary injunction, or other injunctive relief before, during the pendency of, or after a decision in any arbitration proceeding. The institution of any

action in a court for equitable relief, or to enforce an arbitration award or order, will not constitute a waiver of the obligation of any Participant to submit any Dispute to arbitration.

#### 6.11 Survival

Your agreement to arbitrate will survive any termination or expiration of the Contract or any other agreements between you and the Company.

### 7 Third Party Claims

In order to protect the Company, its assets, and its reputation from claims or disputes created by outside (non-Distributor) third parties, the Company requires the following: if any Distributor is charged with any infringement of any proprietary right of any outside third party (who is not a Distributor) arising from any of the Company's proprietary assets, or if the Distributor becomes the subject of any claim or suit related to that Distributor's business-related conduct or any other action that directly or indirectly negatively affects or puts the Company, its reputation, or any of its tangible or intangible assets at risk, the

affected Distributor will immediately notify the Company. The Company may, at its own expense and upon reasonable notice, take whatever action it deems necessary (including, but not limited to, controlling any litigation or settlement discussion related thereto) to protect itself, its reputation, and its tangible and intangible property. The Distributor will take no action related to that claim and suit, unless the Company consents, which consent will not unreasonably be withheld.

## CHAPTER 8 GENERAL TERMS

### 1 General Terms

#### 1.1 Contract Changes

The Company expressly reserves the right to make any modifications to the Contract upon 30 days notice by publication on the Company's websites, normal channels of communication with Distributors, or as provided in Section 1.6 of this Chapter 8. You agree that 30 days after such notice, any modification becomes effective and is automatically incorporated into the Contract between you and the Company as an effective and binding provision. By continuing to act as a Distributor, engaging in any Business Activity, or accepting any Bonus after the modifications have become effective, you acknowledge acceptance of the new Contract terms.

#### 1.2 Waivers and Exceptions

The Company reserves the right, in its sole discretion, to waive a breach of, or make an exception to, any provision of the Contract. Any waiver by the Company of a breach of any provision of

the Contract or any exception made by the Company of any provision of the Contract must be in writing and will not be construed as a waiver of any subsequent or additional breach or an exception for any other Person. Any right or prerogative of the Company under the Contract may be exercised at the Company's sole discretion. Any exception made by the Company, or any failure or delay by the Company in exercising any right or prerogative under the Contract will not operate as a future exception or waiver of that right or prerogative.

### 1.3 Integrated Contract

The Contract is the final expression of the understanding and agreement between you and the Company concerning all matters touched upon in the Contract and supersedes all prior and contemporaneous agreements of understanding (both oral and written) between the parties. The Contract invalidates all prior notes, memoranda, demonstrations, discussions and descriptions relating to the subject matter of the Contract. The Contract may not be altered or amended except as provided in these Policies and Procedures. The existence of the Contract may not be contradicted by evidence of any alleged prior contemporaneous oral or written agreement. Should any discrepancy exist between the terms of the Contract and verbal representations made to you by any Company employee or another Distributor, the express written terms and requirements of the Contract will prevail.

### 1.4 Severability

Any provision of the Contract that is prohibited, judicially invalidated, or otherwise rendered unenforceable in any jurisdiction is ineffective only to the extent of the prohibition, invalidation, or unenforceability in that jurisdiction, and only within that jurisdiction. Any prohibited, judicially invalidated or unenforceable provision of the Contract will not invalidate or render unenforceable any other provision of the Contract, nor will that provision of the Contract be invalidated or rendered unenforceable in any other jurisdiction.

### 1.5 Governing Law/Jurisdiction

Utah will be the exclusive venue for arbitration or any other resolution of any Disputes. The place of origin of the Contract is the State of Utah, USA, and the Contract will be governed by, construed in accordance with, and interpreted pursuant to the laws of the State of Utah, USA, without giving effect to its rules regarding choice of laws. The exclusive venue for any and all Disputes, including the validity of provisions regarding arbitration, place of venue, and jurisdiction, will be in Salt Lake County, Utah. You consent to the personal jurisdiction of any court within the State of Utah and waive any objection to improper venue.

## 1.6 Notices

Unless otherwise provided in the Contract, any notice or other communications requested or permitted to be given under the Contract will be in writing and will be delivered personally, transmitted by facsimile or sent by first class, certified (or registered) or express mail, postage prepaid. Unless otherwise provided in the Contract, notices will be deemed given when delivered personally, or if transmitted by facsimile, one day after the date of that facsimile, or if mailed, five days after the date of mailing to the address of the Company's headquarters at 75 West Center Street, Provo, Utah or to the Distributor's address as provided on the Distributor Agreement, unless notice of an address change has been received by the Company.

## 1.7 Successors and Claims

The Contract will be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

## 1.8 Headings

The headings in the Contract are for convenience of reference only and will not limit or otherwise affect any of the terms or provisions of the Contract.

## 1.9 Internal References

All references to Sections or Chapters herein refer to Sections or Chapters of these Policies and Procedures unless otherwise indicated.

## 1.10 Plurality and Gender

All words will be deemed to include the plural as well as the singular and to include all genders.

## 1.11 Translations

In the event that any discrepancies exist between the English version of the Contract and any translation thereof, the English version will be controlling.

## **ADDENDUM A - GLOSSARY OF DEFINED TERMS**

### **Advertising Material:**

Any electronic, printed, oral presentation or other material used in the offer or sale of Products, recruitment of prospective Distributors, or training of Distributors, which makes reference to the Company, the Products, the Sales Compensation Plan, or the trade names or logos, and may include Personalized Advertising Material.

### **Authorized Country:**

Any country or market designated in writing by the Company as officially opened for business for all Distributors.

## BENEFICIAL INTEREST

### As to Distributorships:

Any interest whatsoever, whether it is direct or indirect, including but not limited to any ownership interest, rights to present or future benefits, financial or otherwise, rights to go on Company sponsored trips and other events, rights to purchase Products at wholesale prices, recognition of any type or other tangible or intangible benefits associated with a Distributorship.

### An individual has a Beneficial Interest in the Distributorship of a spouse or Co-habitant.

If a Person is or should be listed on the Business Entity Form of a Business Entity he is considered to have a Beneficial Interest in such Business Entity's Distributorship. Any individual with a Beneficial Interest in a Business Entity will be deemed to have Beneficial Interest in the Distributorship.

If a Person is or should be listed as an Additional Participant in a Joint Participation Form, he is considered to have a Beneficial Interest in such Distributorship.

### As to a Direct Sales Company:

Any interest whatsoever, whether it is direct or indirect, including but not limited to any ownership interest, rights to present or future benefits, financial or otherwise, rights to go on Direct Sales Company sponsored trips and other events, rights to purchase the products of a Direct Sales Company at wholesale prices, recognition of any type or other tangible or intangible benefits associated with a distributorship of a Direct Sales Company. An individual has a Beneficial Interest in a Direct Sales Company distributorship of (i) a spouse or Co-habitant, or (ii) a Business Entity if the individual has a Beneficial Interest in the Business Entity; or (iii) any other person if the individual shares in the benefits (financial or otherwise) of the distributorship of such other person.

### Blue Diamond Internet Marketing Site

A website that is (i) owned, operated, or containing material provided by a Distributor whose current pin title is a Blue Diamond or higher, and (ii) properly registered with the Company and subject to a current Notice of Registration.

### Bonus

Compensation paid by the Company to a Distributor based on the volume of Products sold by a Distributor,



his Downline Organization, and breakaway Executives upon meeting all requirements as set forth in the Sales Compensation Plan. Bonus pay periods are calculated on a calendar-month basis.

### **Business Activity**

Any activity that benefits, promotes or assists the business of a Distributorship, including signing a Distributor Agreement, purchasing Products from or returning Products to the Company, sponsoring and/or recruiting new Distributors, use of credit cards, shipping services, or any other activities that the Company, in its sole discretion, determines to be a material promotion of the Company's business.

### **Business Development Activity**

Any activity that benefits, promotes, assists, or supports in any way the business, development, sales, or sponsorship of another Direct Sales Company, including but not limited to, selling products or services, promoting the business opportunity, appearing on behalf of the Direct Sales Company or one of its representatives, allowing your name to be used to market the Direct Sales Company, its products, services or opportunity, sponsoring or recruiting on behalf of the Direct Sales Company, acting as a member of the board of directors, as an officer, or a representative or distributor of the Direct Sales Company, an ownership interest, or any other beneficial interest, whether the interest is direct or indirect.

### **Business Entity**

Any business entity such as a corporation, partnership, limited liability company, trust, or other form of business organization legally formed under the laws of the jurisdiction in which it was organized.

### **Business Entity Form**

A supplemental document considered part of the Distributor Agreement. The Business Entity Form must be completed and signed by a Business Entity applying to become a Distributor, as well as each Participant in the Business Entity. The Business Entity Form must list all Persons who are partners, shareholders, principals, officers, directors, members or anyone else with a Beneficial Interest in the Business Entity.

### **Business Portfolio**

The Business Portfolio is a non-commissionable, not-for-profit kit and is the only purchase required to become a Distributor. The Business Portfolio contains the Policies and Procedures, the Sales Compensation Plan, a Distributor Agreement, a Business Entity Form, a Joint Participation Form and other sales and demonstration materials to assist a Distributor in starting and conducting their independent business.

### **Business Support Materials**

Any electronic, printed, audio or video presentation or other material used in the offer or sale of Products, recruitment of prospective Distributors or training of Distributors, which makes reference to the Company, its Products, the Sales Compensation Plan or its trade names.

### **Business Support Materials and Services**

This term is used to refer to Business Support Materials and Business Support Services together.

### **Business Support Services**

Any services or business tools supporting the offer or sale of the Company's Products, recruitment of prospective Distributors, or the training of Distributors.

### **Co-habitant**

A person who is living with a Distributor as if a spouse of the Distributor, but is not legally married.

### **Commissionable Sales Value**

Commissionable Sales Value is the monthly currency value of the commissionable products and services purchased from the Company upon which Sales Compensation Plan bonuses and commissions will be calculated. Commissionable Sales Value is equal to the wholesale price of a product or service minus any taxes, FSP payments, and Personal Sales Volume discounts (ARO, Web, etc). Qualification requirements will be based on Personal Sales Volume and Group Sales Volume.

### **Company**

Nu Skin International, Inc. and its affiliated entities, including Nu Skin Enterprises Philippines, Inc..

### **Company Approved Business Support Materials**

Marketing materials designated in writing by the Company as approved for use in specific countries or markets.

### **Confidential Information**

All private, confidential and/or proprietary information disclosed to or discovered by you regarding the Company including, without limitation, intellectual property rights, trade secrets, the Network, personal information, sales volumes and genealogy, manuals, protocols, policies, procedures, marketing, and strategic information, computer software, training materials, nonpublic financial information, and any copies, notes or

abstracts of any such information, or any other information that the Company considers proprietary, highly sensitive, or valuable to its business.

### **Contract**

The agreement between a Distributor and the Company composed of the following: these Policies and Procedures, the Sales Compensation Plan, Distributor Agreement, Business Entity Form, a Joint Participation Form supplemental services, International Sponsor Agreement, Product Purchase Agreement, Arbitration Agreement, and other international agreements (collectively, the “Contract”). The Contract is the complete and only agreement between the Company and a Distributor.

### **DCAC**

Distributor Compliance Appeals Committee whose duties are described in Chapter 6.

### **DCRC**

Distributor Compliance Review Committee whose duties are described in Chapter 6.

### **Direct Sales Company**

A company that uses a sales force of independent contractors who sell products and services and that compensates the independent contractors through a single-level or multi-level compensation plan for (i) their own sales, and/or (ii) the sales of other independent contractors who have signed up under the independent contractors to distribute the same products and services.

### **Dispute**

Defined in Section 3 of Chapter 7.

### **Distributor**

An independent contractor authorized by the Company under the Contract to purchase and retail Products, recruit other Distributors, and receive Bonuses in accordance with the requirements of the Sales Compensation Plan. A Distributor’s relationship to the Company is governed by the Contract.

### **Distributor Agreement**

The Distributor application and agreement, and if applicable, the Business Entity Form or the Joint Participation Form, that must be completed and submitted to the Company in order to apply to become a Distributor.

## Distributor Organization

Any organization established by a Distributor that offers sales support, motivational or training material, website subscriptions, Business Support Materials and Services, training courses, recognition events, leads or other business promotion tools to a specific group of affiliated distributors.

## Distributorship

The distributor account created when either an individual or a Business Entity enters into a contractual relationship with the Company.

## Downline Organization

A group of Distributors either directly sponsored or linked in a direct chain of sponsorship in the sales organization of a particular Distributor.

## Executive

A Distributor who has completed the formal qualification process outlined in the Sales Compensation Plan to become an Executive. Executives break away from their Sponsor's group and their volume does not count towards their Sponsor's volume totals or maintenance requirements but the Sponsor continues to receive breakaway Bonuses on the group as defined in the Sales Compensation Plan.

## Group Sales Volume

The Personal Sales Volume of a Distributor plus the Personal Sales Volume of all Distributors in his group (not including the volumes of breakaway Executives and their Downline Organizations).

## International Sponsor

A Distributor in good standing, authorized under an International Sponsor Agreement to act as a Sponsor in an Authorized Country outside the country, market, territory, or other political jurisdiction in which that Distributor first established a Distributorship with the Company.

## Internet Marketing Site

An "Internet Marketing Site" is any a location on the Web that is (a) used primarily (or to which a significant portion is used) to post or communicate information about the Company, its Products, or the Sales Compensation Plan/income opportunity, or (b) that contains "internet marketing materials." Internet marketing materials shall mean marketing materials concerning the Company, its Products, or the Sales

Compensation Plan/income opportunity that have not been produced by the Company and approved for posting on personal blogs, facebook pages and social networking sites.

### **Joint Participation Form**

A supplemental document considered part of the Distributor Agreement. The Joint Participation Form must be completed and signed by the individual applying to become a Distributor, as well as each of the other individuals who wishes to join as Participant to the Distributorship. The Joint Participation Form must list all Participants to the Distributorship with joint participation.

### **License Agreement**

The agreement between the Company and a Blue Diamond Distributor that governs the Blue Diamond Distributor's right to use certain Company trademarks and trade names in Blue Diamond Business Support Materials and Services and on the internet.

### **Network**

The Distributor and customer network of the Company and all compilations of various lists describing that network or members thereof, including but not limited to, any and all contact or personal information collected by the Company regarding the Distributors and customers.

### **Non-Resident Country**

An Authorized Country other than your Resident Country.

### **Participant**

Any Person who has a Beneficial Interest in a Business Entity or Distributorship.

### **Person**

An individual or Business Entity.

### **Personalized Advertising Material**

Business cards, letterhead, stationery, envelopes, note pads, self-stick labels, name badges or Direct Selling Association cards imprinted with the Company names or logos and a Distributor's name, address, telephone number and other personal contact information.

## Personal Sales Volume

The point value of Products purchased by a Distributor in one calendar month, from any designated affiliate of the Company , primarily for resale to customers.

## Policies and Procedures

The policies governing how a Distributor is to conduct his business as set forth in this document (including Supplemental Policies) and defining the rights and relationships of the parties.

## Products

The products and services of the Company that are sold through local affiliates in the individual Authorized Countries.

## Resident Country

If you are an individual, then it is the country, market, territory, or other political jurisdiction in which you are a citizen or a lawful resident and whose country/market's Distributor Agreement you have executed. If you are a Business Entity, such as a corporation, partnership, limited liability company, or any other form of business organization, then it is the country, market, territory, or other political jurisdiction in which you are legally formed under the laws of your Resident Country, and each member of the Business Entity has proper legal authorization to conduct business in the Resident Country, and whose country/market's Distributor Agreement you have executed.

## Sales Compensation Plan

The specific plan utilized by the Company that outlines the details and requirements of the compensation structure for Distributors.

## Sponsor

A Distributorship under which another Distributorship is originally placed after it has applied to become a Distributor.

## Unopened Country

Any country or market that is not an Authorized Country.

## URL

A Uniform Resource Locator or web address.

## ADDENDUM B

### Policies for Blue Diamond Business Support Materials and Services

#### 1 Blue Diamond Business Support Materials

##### 1.1 Compliance with Law and Policies and Procedures

Blue Diamond Business Support Materials must comply with these Policies and Procedures and with all applicable laws and regulations, including any intellectual property rights of other Persons. You bear full responsibility for the content of your Blue Diamond Business Support Materials. The registration of your Blue Diamond Business Support Materials is for tracking purposes only, and the Company has no obligation for ensuring that your Blue Diamond Business Support Materials comply with applicable laws and regulations. The registration process is not legal advice from the Company and you are strongly advised to seek the advice of independent legal counsel with regard to the legality and regulatory compliance of your Blue Diamond Business Support Materials.

##### 1.2 Identification of Publisher

Blue Diamond Business Support Materials must prominently indicate (a) that the materials are “Independent Distributor Produced,” and such other designation as may be required by the Company to identify the materials as distributor-produced, and (b) the name and address of the Blue Diamond Distributor publishing the Blue Diamond Distributor Business Support Material. For example: “This was produced by John Doe, an independent distributor of Nu Skin International, Inc., at [address]”. You may not state, suggest, or imply that the Blue Diamond Business Support Materials were produced, approved, endorsed, offered, or recommended by the Company.

##### 1.3 Use of Company-Produced Content

Blue Diamond Business Support Materials may use Company-produced content such as pictures, videos, and descriptions of Products and the Sales Compensation Plan that have been designated by the Company as available for use in (i) Blue Diamond Business Support Materials, and (ii) the Authorized Market you intend to use such materials. The use of any Company trademarks, trade names, slogans, or copyrighted materials and any Company-produced content in Blue Diamond Business Support Materials must comply with the terms set forth in the Licence Agreement. If you use Company-produced content, you must not alter the content and must clearly designate the Company’s copyright in such content. The Company reserves the right to revoke the right to use any Company-produced materials at any time in its sole discretion.

## **2 Sale of Blue Diamond Produced Business Support Materials and Services**

### **2.1 Registration Required Prior to Sale**

You must register the Blue Diamond Business Support Materials and Services with the Company and receive a Notice of Registration in accordance with the provisions of Section 6 of this Chapter 3 prior to selling them to other Distributors.

### **2.2 Primary Focus is Selling Products**

Your principal business focus must always be on the sale of Products for consumption. The sale of Business Support Materials and Services must not become a material profit center for you. The Company recommends that Blue Diamond Business Support Materials and Services generally should be sold at cost, and must, in any event, be sold at reasonable prices. Consistent with this principal, you also may not offer any incentives to other Distributors in connection with any sale of Blue Diamond Business Support Materials and Services to other Distributors and customers. For example, you cannot offer to pay a Bonus, directly or indirectly, to a Distributor for selling Blue Diamond Business Support Materials and Services to other Distributors or customers or for referring a potential purchaser of Blue Diamond Support Materials and Services to you.

### **2.3 No Required Purchases; No Sale to Prospective Distributors**

You may not require any prospective Distributor to purchase Business Support Materials and Services as a precondition to signing up as a Distributor. You also may not state, suggest, or imply that:

- Company or Blue Diamond Business Support Materials and Services are required or necessary to join or succeed in the business;
- Company or Blue Diamond Business Support Materials and Services are required or necessary to receive upline support and training;
- the Blue Diamond Business Support Materials and Services were produced by the Company or are being offered or sold by the Company; or
- the Company approves, endorses, or recommends the Blue Diamond Business Support Materials and Services.

You may not sell any Company or Blue Diamond Business Support Materials and Services to a prospective Distributor before the prospective Distributor has submitted an application to become a Distributor to the Company.

### **2.4 Return Policy**

In connection with the sale of Blue Diamond Business Support Materials and Services, you must offer the same return policy that is offered by the Company for its Business Support Materials.



You must refund 90 percent of the purchase price of any unopened and resalable Blue Diamond Business Support Materials and Services for a period of 30 days.

## 2.5 Disclosure Statement

You must provide a Business Support Materials Disclosure Statement to a Distributor before the first sale of Blue Diamond Business Support Materials and Services to that Distributor. You may obtain a copy of the required Disclosure Statement from the My Office website. You should regularly check the web site to ensure you have the most recent version of the Disclosure Statement. Delivery of a receipt in compliance with Section 2.6 below will satisfy the obligation set forth in this Section 2.5 if such receipt is delivered simultaneously with the purchase of the Blue Diamond Business Support Materials and Services.

## 2.6 Receipt

You must provide a receipt for all purchases of Blue Diamond Business Support Materials and Services. The receipt must comply with Section 6.3 of Chapter 2 and also include the following disclosure:

You are not required to purchase any business support materials or services in order to become a Nu Skin distributor.

“These business support materials or services are produced and distributed by an independent distributor of Nu Skin International, Inc. and not by Nu Skin International, Inc. Although some distributors may have found these products and services to be helpful in their Nu Skin business, they are not required in order to be a distributor and no success is guaranteed because you purchase them. Your refusal to purchase these items will not affect your upline’s responsibility to provide you with training and support. Nu Skin International, Inc. does not approve, endorse, recommend or support these materials and services. Your expenditures on these items should be reasonable and the amount you spend should be in relation to your business and sales volume.

In the event you desire to return the business support materials or services, you may obtain a refund only from the independent distributor who sold you the business support materials or services. You are entitled to a refund of 90 percent of the purchase price if you return any unopened and resalable business support materials or services to the seller at the address listed on this receipt within 30 days of the date of purchase.”

In the event that you provide Blue Diamond Business Support Materials and Services on a subscription

basis or other method in which the Distributor does not have to affirmatively request each purchase (e.g., a monthly web access fee), then you must include the following sentence in the receipt described above for the initial subscription or order and any subsequent receipts: “You may terminate your [order/subscription, etc.] at any time by providing written or electronic notice to [insert name and contact information(including e-mail)].”

## **2.7 Compliance with Laws**

The sale of Blue Diamond Business Support Materials and Services and the performance of any Blue Diamond Business Support Services must comply with these Policies and Procedures and with all applicable laws and regulations, including but not limited to laws related to consumer privacy, data protection, do not call regulations, anti-spam regulations, and any related consumer protection laws. You bear full responsibility for ensuring that you comply with all applicable laws and you will be liable to the Company in the event the Company incurs any liability as a result of your non-compliance. You are encouraged to consult with your own legal counsel regarding your compliance with these laws and regulations. While the Company may review Blue Diamond Business Support Materials and Services and may request modifications to such materials, the Company’s review of, and its permission to sell, such Blue Diamond Business Support Materials and Services are neither legal advice from the Company nor a representation in any form that the materials comply with all applicable laws.

## **2.8 Affordability**

You must ensure that the quantity and cost of any Blue Diamond Business Support Materials and Services that you sell to another Distributor is reasonably related to the sales volume and Bonus level of that Distributor. You may not encourage a Distributor to go into debt to purchase either Company or Blue Diamond Business Support Materials and Services.

## **2.9 No Selling Activity at Corporate Events**

You may not display, promote, or sell any Blue Diamond Business Support Materials and Services at meetings or events sponsored and conducted, in whole or in part, by the Company.

## **2.10 Web Sites**

Although you may allow other Distributors to use your website and assess a reasonable charge to cover your costs for providing the service; you may not sell replicating or template websites to other Distributors without the prior written approval of the Company.

## **2.11 Company Retained Rights; Restrictive Covenants**

(a) Your right to sell Blue Diamond Business Support Materials and Services to other Distributors is conditioned upon your agreement that all information relating to Distributors who purchase the Blue Diamond Business Support Materials and Services remains the property of the

Company, including their contact information. You agree that in the event you terminate your Distributorship that you will: (i) immediately return to the Company, or destroy, all such information and any copies thereof; and (ii) not utilize this information for any purpose.

- (b) In consideration of the Company allowing you to market and sell Blue Diamond Business Support Materials and Services to its Distributors you hereby agree that during the period in which you are a Distributor and for a period of two years thereafter, you will not, in any manner, directly or indirectly, recruit, solicit, or sponsor any Distributor (including any who purchase Blue Diamond Business Support Materials and Services from you), to (i) form a relationship with, (ii) promote, sell or purchase the products or services of, (iii) participate as a salesperson of, (iv) or otherwise associate with, a Direct Sales Company, or encourage any Distributor or customer to do so or to terminate their relationship with the Company. This obligation survives the termination of the Contract.

## **2.12 Records**

You must maintain accurate and complete records with respect to any sales of Blue Diamond Business Support Materials and Services, including financial records documenting production costs and profits generated from the sale of the Blue Diamond Business Support Materials and Services. At the request of the Company, you must make these records available for review by the Company to confirm whether you have been complying with these Policies and Procedures with respect to the sale of any Blue Diamond Business Support Materials and Services. You must comply with any request to review your Distributorship records promptly and completely.

## **3 Registration of Blue Diamond Business Support Materials and Services**

### **3.1 Application for Registration**

- (a) In order to register Blue Diamond Business Support Materials and Services, you must file an Application for Registration with the Company together with a copy of the proposed Blue Diamond Business Support Materials and Services with supporting documentation. The Application for Registration contains additional terms and conditions that governs your production and distribution of your Blue Diamond Business Support Materials and Services. A Notice of Registration issued pursuant to an Application for Registration will expire two years from the date of issuance. Until its expiration, any additional proposed Blue Diamond Business Support Materials and Services will be treated as an addendum to the current Application of Registration on file with the Company. Upon expiration of a Notice of Registration, you must submit a new Application for Registration for the continued use of any

previously submitted Blue Diamond Business Support Materials and Services or with the submission of any new Blue Diamond Business Support Materials and Services.

- (b) The Application for Registration may be obtained from the My Office website or by calling Distributor Compliance or your Account Manager. The Company could require you to make changes to your proposed Blue Diamond Business Support Materials and Services, so you should not produce multiple copies of the materials or incur other significant costs until you have received a Notice of Registration from the Company. Failure to do so may require you to destroy such copies, pay for the reprint the Blue Diamond Business Support Materials, or otherwise incur unnecessary or duplicative expenses which will not be reimbursed by the Company.

### **3.2 Additional Documentation; Right of Review; Modifications**

Upon receipt of an Application for Registration, the Company will review the application and related submissions and provide you with any required modifications to the Blue Diamond Business Support Materials and Services that it deems appropriate in its sole discretion. The Company may ask for additional documentation, support, and legal opinions as it determines to be appropriate. The Company also has the right to review your Blue Diamond Business Support Materials and Services at any time, including additional reviews after the issuance of a Notice of Registration. You must provide the Company with any passwords or IDs as may be necessary for the Company to review the Blue Diamond Business Support Materials and Services. Based upon any such review, the Company may require you to make modifications to the Blue Diamond Business Support Material and Services as the Company determines appropriate in its sole discretion. If the Company notifies you of any required modifications, you must promptly make such changes to the Blue Diamond Business Support Materials and Services and may no longer use, offer, sell or perform any Blue Diamond Business Support Materials and Services that have not been modified in accordance with the instructions of the Company.

### **3.3 Application Fees**

The Company may impose a reasonable fee for registering Blue Diamond Business Support Materials and Services.

### 3.4 Notice of Registration

Following a review of the Application for Registration, the Company will decide whether to issue a Notice of Registration with respect to the Distributor Business Support Materials and Services covered by the application. The Company has the right to make this decision in its sole discretion and has no obligation to issue a Notice of Registration for an Application for Registration and may refuse to issue a Notice of Registration in its sole discretion. In such event, you may not use, offer, sell, or perform the Blue Diamond Business Support Materials and Services covered by the Application for Registration. In the event the Company decides to issue a Notice of Registration, it will deliver the Notice of Registration to you at the address indicated on the application.

### 3.5 Renewal of Registration; Revocation

- (a) The Notice of Registration will indicate the date on which such Notice of Registration expires. You may not continue to use, offer, sell or perform any Business Support Materials and Services for which the Notice of Registration has expired unless you have re-submitted the materials for registration with the Company and have received a new Notice of Registration from the Company for such Blue Diamond Business Support Materials and Services. The materials you wish to renew will be submitted as part of your current Application for Registration that is on file with the Company and handled in accordance with the same procedure. If your Application of Registration has expired, then you must file a new Application for Registration together with any Blue Diamond Business Support Materials and Services that you wish to renew.
- (b) Notwithstanding anything to the contrary in these Policies and Procedures, the Company reserves the right to terminate and revoke any Notice of Registration at any time in its sole discretion. If the Notice of Registration is revoked, then you must immediately cease using or distributing the specified Blue Diamond Business Support Materials and Services. The Company is not liable for and will not reimburse you for any costs incurred by you for the production of your Blue Diamond Business Support Materials and Services that are the subject of the revoked Notice of Registration.