

POLICIES AND PROCEDURES

The following Policies and Procedures become effective in March 5, 2008. In order to consolidate and simplify participation in the Nu Skin Personal Care, Pharmanex, and Big Planet Divisions, these Policies and Procedures consist of a consolidated book of policies governing participation in all three Divisions followed by three separate supplements applying specific policies to one or more but not all of the separate Divisions. The separate policies are hereafter individually referred to as the Supplemental Big Planet Policies, the Supplemental Pharmanex Policies, or the Supplemental Nu Skin Personal Care Policies and are collectively referred to as the Supplemental Policies. These Policies and Procedures supersede and replace any previous versions of the Policies and Procedures for Nu Skin Personal Care, Pharmanex, and Big Planet. Divisions are hereafter referred to collectively and individually as the Company (See Definitions Section). In addition, any express term, course of performance, or course of dealing established under a previous version of the Policies and Procedures is no longer valid or recognized by the Company. These Policies and Procedures, the Sales Compensation Plans describing the compensation structure, and other documents of the Contract (See Definitions Section), constitute the complete agreement between a Distributor and the Company. In order to protect the rights of Distributors who comply with provisions of the Contract, failure to comply with the provisions of any of these documents may result in the termination of a Distributorship, the loss of a Distributor's rights to receive a Bonus or other remedies outlined in the Contract. The Company reserves the right to modify any of these documents, but will publish notice of any material change at least thirty days before that change is made effective. Gender specific pronouns are randomly alternated throughout the Policies and Procedures.

Section 1: Definitions

Authorized Country: any country designated in writing by the Company as officially opened for business by all Distributors.

Bonus: compensation paid by the Company to a Distributor based on the volume of products or services sold by a Distributor, her group, and her breakaway Executives upon meeting all requirements as set forth in the Sales Compensation Plans. Bonus pay periods are calculated on a calendar-month basis.

Business Activity: any activity by a Distributor including signing a Distributor Agreement, purchasing products from or returning products to the Company, Sponsoring new Distributors, or other activities that the Company, in its sole discretion, determines to be a meaningful promotion of the Company's business.

Company Approved Sales Aids: marketing materials approved for use in specific countries designated in writing by the Company.

Company: Nu Skin International, Inc. and its affiliated companies and divisions.

Contract: the agreement between a Distributor and the Company composed of these Policies and Procedures; the Sales Compensation Plans; Distributor Agreement; Partnership/Corporation Forms; and Supplemental services, Division specific, International Sponsor and other international agreements. The Contract is the complete and only agreement between the Company and a Distributor.

Corporation: any business entity such as a corporation, partnership, limited liability company, or other form of business organization legally formed under the laws of the country in which it was organized.

Distribution Center: a product warehouse and distribution facility owned and operated by the Company.

Distributor: an independent contractor authorized by the Company to purchase and retail products and services, recruit other Distributors, and receive Bonuses in accordance with the requirements of the Sales Compensation Plans. A Distributor's relationship to the Company is governed by the Contract. More than one Person may be included on a Distributor Agreement. In such a case, "Distributor" refers to all Persons collectively, although each Person individually has all the Distributor rights.

Distributorship: the business entity created as Distributors enter into a contractual relationship with the Company.

Divisions: one of the product-focused affiliates of the Company, currently including Nu Skin Personal Care, Pharmanex, and Big Planet.

Downline Organization: a group of Distributors in any Division either directly sponsored or signed by those in a direct chain of sponsorship by other Distributors in the Downline Organization of a particular Distributor.

Executive: a Distributor who has completed the formal qualification process outlined in the Sales Compensation Plans 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 Plans.

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).

Independent Warehouse: an independently owned warehouse authorized by the Company to distribute products and Sales Aids.

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, territory, or other political jurisdiction in which that Distributor first established a Distributorship with the Company.

Partnership/Corporation Form: a supplemental document to the Distributor Agreement. The Partnership/Corporation Form must be completed and signed by a partnership, corporation, or other legal entity (See Corporation definition) applying to become a Distributor. The Partnership/Corporation form should list all Persons who are partners, shareholders, principals, officers, directors or members.

Person: an individual, corporation, partnership, or other legal entity.

Personal Sales Volume: the point value of products purchased by a Distributor in one calendar month, from any Division or designated affiliate of the Company, primarily for resale to customers.

Personalized Sales Aid: 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.

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 all rights and relationships of the parties.

Sales Aid: any material used in the offer or sale of products or services, recruitment of prospective Distributors, or training of Distributors, which makes reference to the Company, its affiliated companies or Divisions, the products, the Sales Compensation Plans, or the trade names or logos.

Sales Compensation Plans: the plan that outlines the details and requirements of the compensation structure for Distributors.

Sponsor: a Distributor that signs another Distributor directly beneath her account in the Sponsor's Downline Organization.

Business Kit: the Business Kit or business portfolio is a non-commissionable, not-for-profit kit and is the only purchase required to become a Distributor. The Business Kit contains the Policies and Procedures, the Sales Compensation Plan, a Distributor Agreement, a Partnership/Corporation Form, and other sales and demonstration materials to assist a Distributor in starting and conducting their independent business.

Section 2: Becoming a Distributor

A. A Person may become a Distributor by purchasing a Business Kit and completing, signing, and returning a Distributor Agreement to the Company, either in hard copy form or by reviewing the Contract documents online and correctly completing and submitting the Distributor Agreement online. No other purchases are required; product and service purchases are optional. The Distributor is bound by the Contract as set forth in Distributor Agreement. The Company reserves the right, in its sole discretion, to refuse to accept any application for Distributorship.

1. A Business Kit may be purchased directly from the Company. If an executed Distributor Agreement has not already been sent in, then the enclosed Distributor Agreement must be sent to the Company.
2. Distributors must file a Distributor Agreement in their country of residence. A Distributor Agreement that is incomplete, incorrect in any respect or filed in the wrong country may be considered invalid.
3. Upon request by the Company, a Distributor must provide proof of residency and proof of her ability to legally conduct business in the country that corresponds with the Distributor's Distributor Agreement. If a Distributor fails to provide that documentation, the Company may declare a Distributor Agreement void from its inception.

B. A Distributor Identification number will be issued upon acceptance of the Distributor Agreement. Identification Numbers must be provided to the Company for tax purposes. All Bonuses are paid by check, which will be issued in the name of the first applicant on the Distributor Agreement.

C. For a Corporation, the following requirements must be met:

1. the Distributor Agreement must be signed by all participants of the Corporation. Upon request by the Company, each participant of the Corporation must provide proof of residency and proof of the ability to legally conduct business in the country which corresponds with the Corporation's Distributor Agreement. If a participant fails to provide that documentation, the Company, at its election, may declare the Distributor Agreement void from its inception;
2. a Partnership/Corporation Form must be completed and signed by all participants in a business entering a Distributor Agreement. In the case of a Corporation, the Partnership/Corporation Form must contain the names and Identification Numbers of the principal officers (president, vice-president(s),

secretary, and treasurer), members of the board of directors, and all shareholders. In the case of a partnership, the Partnership/Corporation Form must contain the names and Identification Numbers of all general and limited partners, or members;

3. a Corporation must provide the Company with a any required employer's Identification Number; and

4. a Distributor may not convey, assign, or otherwise transfer any right conveyed by the Distributor Contract to any Person without the express, prior written consent of the Company. The Distributor may delegate his responsibilities but is ultimately responsible for insuring compliance with the Contract and applicable laws and regulations. Any Person working with or for the Distributor as part of her Distributorship will do so only under the Distributor's direct supervision.

D. An applicant or Distributor is prohibited from submitting any false or inaccurate information to the Company. A Distributor must inform the Company of any changes affecting the accuracy of the Distributor Agreement or Partnership/Corporation Form. The Company reserves the right to immediately terminate a Distributorship, or declare the Distributor Agreement void from its inception, if the Company determines that false or inaccurate information was provided.

1. Changes to a Distributorship must be submitted on a new Distributor Agreement or Partnership/Corporation Form with "Amended" written across the top. The document must be signed by all parties to the Distributorship, and returned to the Company.

2. The Company charges a fee to change a Distributor identification number. There is no charge for a change of address, telephone number, addition of Persons, or the correction of clerical errors.

E. A Person becomes an approved Distributor on the date the Distributor Agreement is received and accepted at the Company's corporate office. A Person must become an approved Distributor by the last working day of the month in order to be included in that month's Bonus and qualification computations.

1. A temporary account may be set up by providing all the information on the Distributor Agreement by telephone, online, or by faxing a completed Distributor Agreement to the Company at which point, the temporary Distributorship is subject to the provisions of the Contract.

2. In order to make a temporary Distributorship permanent, the original Distributor Agreement must also be provided to the Company. A temporary account allows the applicant to order for thirty days while the original Distributor Agreement is being processed. A temporary account that is not made permanent within sixty days may be deleted by the Company.

3. For purposes of changing Sponsors, the Company will consider activity that has taken place on a temporary account. Depending on the level of activity, the Company may, in its sole discretion, require that those on a temporary account wait terminate and wait for six months before signing under a new Sponsor.

F. In order to provide Distributors with the necessary support materials and information on products and services, Company programs, Policies and Procedures, and related matters, an Annual Materials Fee (AMF) may be assessed to each Distributorship on the anniversary date of the Distributor's sign up date. The AMF also covers the costs of all direct mailings from the Company. Different payment options for the AMF are as follows:

1. direct payment option; or

2. order payment option.

Additional information regarding these options and the AMF, if applicable, is available from the Company.

Section 3: Restrictions on Becoming a Distributor

A. An applicant must be of legal age in the Republic of South Africa.

B. A Distributor may not have a simultaneous beneficial interest or participate in more than one Distributorship. A beneficial interest includes but is not limited to any ownership interest, any rights to present or future benefits, financial or otherwise, rights to purchase at wholesale prices, recognition or other tangible or intangible benefits associated with a Distributorship.

1. An individual has a beneficial interest in the Distributorship of a spouse or co-habitant. If a spouse or co-habitant of a Distributor wishes to become a Distributor, he must be added to the Distributorship previously formed by the spouse or co-habitant.

2. Any Person who should be listed on the Partnership/Corporation Form of a Corporation is considered to have a beneficial interest in the Distributorship existing in the name of that Corporation. If that Person wishes to become a Distributor, that Person must be added to the Distributorship previously formed with that Corporation.

3. A Corporation is considered to have a beneficial interest in the Distributorship existing in the name of any Person listed on its Partnership/Corporation Form. To become a Distributor, that Corporation must be added to the Distributor Agreement previously formed with that listed Person.

4. No Corporation may become a Distributor if any Person who should be listed on the Corporation's Partnership/Corporation Form is already a Distributor under another Distributor Agreement.

C. A Distributor (including a Corporation or any participant therein who is or should be listed on the Partnership/Corporation Form) may establish a distributorship under a different Sponsor only under one of the following circumstances:

1. For Distributors who held an executive or higher pin-level within the two years prior to the last incidence of "Business Activity," that Distributor must have not engaged in "Business Activity" for the one-year period prior to establishing a new distributorship.

2. For Distributors who did not hold an executive or higher pin-level within the two years prior to the last incidence of "Business Activity," that Distributor must have not engaged in "Business Activity" for a six-month period prior to establishing a new distributorship.

As used herein, "Business Activity" includes signing a Distributor Agreement, purchasing products from or returning products to the Company, Sponsoring new Distributors, or other activities the Company, in its sole discretion, determines to be a meaningful promotion of the Company's business.

D. A Distributor who has engaged in Business Activity may not at any time acquire an interest in or merge with a pre-existing distributorship under a different Sponsor.

E. A Distributor may not have or acquire a present or future ownership interest in or establish another Distributorship in the name of a family member or an unrelated individual.

F. A Distributor may not encourage, entice, or otherwise assist another Distributor to transfer to a different Sponsor. This 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.

1. In the event the Company concludes that an inappropriate line switch has occurred, in addition to other remedies listed in Section 6 the offending Distributor may be penalized and the second-in-time distributorship shall be returned to and be merged with the first-in-time distributorship. The Company may also impose penalties on any distributorship that solicits or entices an existing Distributor to change lines of sponsorship.

G. A Distributor who wishes to change his status from that of an individual Distributor to a participant in a Corporation (see Section 1) Distributorship under the same Sponsor may do so at any time, subject to applicable law and upon completion and delivery to the Company of the requisite Partnership/Corporation Form.

H. A Distributor may dispose of, transfer, or otherwise assign her Distributorship assets in any manner allowed by the Contract and applicable law (including sale, gift, or bequest) with the prior written consent of the Company, which will not unreasonably be withheld. Any assets that take the form of claims to compensation or satisfaction of contractual obligations, from or by the Company, will not be recognized as assets of the transferee on the records of the Company until the Company has received written notification of the transfer and has given its formal written approval. The Distributorship transferred is subject to all remedial measures under the Contract that may have arisen prior to the transfer.

I. A Distributor may not convey, assign, or otherwise transfer any right conveyed by the Contract to any Person or entity without the express, prior written consent of the Company, which consent will not be unreasonably withheld. A Distributor may delegate her responsibilities but is ultimately responsible for ensuring compliance with the Contract and applicable laws. Any Person working with or for the Distributor as part of her Independent Distributorship will do so only under the Distributor's direct supervision.

Section 4: Responsibilities of a Distributor

A. A Distributor is an independent contractor.

1. a Distributor is not an agent, employee, partner, or joint venturer with the Company. A Distributor is prohibited from representing himself as such.

2. Distributors are independent entrepreneurs who may establish their own retail prices for products and services.

B. A Distributor must represent the products, services, and opportunity ethically and professionally.

1. no representation or sales offers may be made relating to products and services which are not accurate and truthful as to price, grade, quality, performance, and availability.

2. no unreasonable, misleading, or unrepresentative earnings claims may be made. No income guarantees of any kind may be made. Exhibiting actual or facsimile Bonus checks is prohibited.

C. A Distributor may not solicit or entice any other Distributor whom she did not personally sponsor to sell or purchase products or services other than those offered by the Company. To do so constitutes an unwarranted and unreasonable interference with the contractual relationship between the Company and its Distributors. The

Distributor agrees that a violation of this rule inflicts irreparable harm on the Company and agrees that injunctive relief is an appropriate remedy to prevent that harm.

D. A Distributor is responsible for his own business decisions and expenditures.

E. A Distributor must comply fully with the Contract.

F. A Distributor is personally responsible for compliance with all federal, state, and local laws and regulations.

G. There are no exclusive territories or franchises; a Distributor has the right to operate anywhere in the Distributor's country of residence.

H. Distributors may only conduct the business in Authorized Countries. A Distributor, who wishes to conduct business in an Authorized Country outside the country of his or her legal citizenship, must ensure compliance with all applicable regulations of the Authorized Country. In addition, every Distributor must sign an International Sponsor Agreement for conducting business in an Authorized Country outside of the United States which must be accepted by the Company prior to any international activity in the Authorized Country. The Company, in its sole discretion, reserves the right to reject or revoke the International Sponsoring rights of a Distributor in any Authorized Country.

I. A Distributor in any Division of the Company may sponsor new Distributors in a Division only in countries where that Division is officially open.

J. The Company may take action against a Distributorship as outlined in Section 6 of the Policies and Procedures and elsewhere in the Contract if the Company determines, in its sole discretion, that the Distributor's conduct or the conduct of any participant to the Distributorship is detrimental, disruptive, or damaging to the reputation of the Distributor network or the Company.

Section 5: Sales Compensation Plan

A. A Distributor receives no compensation for sponsoring other Distributors.

B. A Distributor is neither guaranteed a specific income nor assured any level of profit or success. A Distributor's profit and success can come only through the successful sale of products or services and the sales of other Distributors within the Distributor's Downline Organization. All success is based primarily on the efforts of the Distributor.

C. Without affecting a Distributor's right to retail profits based on his sale of products or services, a Distributor can receive a Bonus only if, on a monthly basis, he fulfills all requirements of the Sales Compensation Plan, including but not limited to, retail sales requirements for Bonuses, and is not in default of any material obligations under the Contract.

D. An order for products or services to be resold is included in the Bonus and Executive qualification computations for a given month only if received (accompanied by a proper payment) by an authorized Distribution Center on or before the last business day of that month. If a Company credit is issued on products or services ordered but not available that month, Personal Sales Volume for those products or services will only be included in Bonus and Executive qualification computations for the month in which that credit is redeemed.

E. Each Distributor receiving a Bonus agrees to retain documentation, for at least four years, evidencing retail sale of products and services in the month for which the Bonus was paid. Each Distributor agrees to make this

documentation available to the Company at the Company's request. A Distributor's failure to do so constitutes a breach of the Contract and entitles the Company to recoup any Bonus paid for orders in a month for which retail sales documentation is not maintained.

F. In addition to any recoupment rights provided above, the Company reserves the right to recoup any Bonuses paid to any Distributors on products or services:

1. returned under the Company's refund policy or exceptions thereto established by an authorized Distribution Center;
2. returned to an authorized Distribution Center under any applicable law; or
3. returned in relation to any incident of Distributor misconduct, including but not limited to unauthorized or misleading representations made either in connection with the offer or sale of any product or service, the opportunity or operation of the Sales Compensation Plans.

G. In recouping Bonus payments as provided in this Section 5, the Company, in its sole discretion, may require direct payment from an affected Distributor or offset the amount of the recoupment against any present or future Bonus.

H. A Bonus is paid by check issued in the name of applicant number one on the Distributor Agreement.

1. Bonus checks of \$5,000.00 or more are sent via Federal Express or equivalent service. The cost will be approximately \$10.00. A Distributor may cancel this service at any time.
2. Bonus checks of \$10,000.00 or more are sent via Federal Express or equivalent service at no cost to the Distributor.

I. To the extent required by law, the Company will send notification of a Distributor's product or service purchases and Bonus payments to relevant tax authorities.

Section 6: Breach of Contract/Termination of Contract Procedures

A. A Distributor's rights under the Contract are conditioned upon and subject to the Distributor's continued performance in accordance with the terms of the Contract. Upon failure by a Distributor to perform her obligations as set forth in the Contract, the Distributor's rights cease. The Company may excuse a Distributor's non-performance in whole or in part without waiving its rights and remedies under the Contract. Furthermore, in addition to, or in lieu of terminating the Contract, the Company may:

1. provide oral or written notification to the Distributor of the Company's concerns and of the Company's intent to discontinue the Distributor's rights under the Contract if the Distributor's non-performance continues;
2. closely monitor the Distributor's conduct over a specified period of time to ensure performance of the contractual duties by the Distributor;
3. require additional assurances by the Distributor that performance will be in compliance with the Contract. Further assurances may include requiring the Distributor to take certain actions in an effort to mitigate or correct the Distributor's non-performance;

4. deny privileges that are awarded to Distributors from time to time by the Company or cease performing the Company's obligations under the Contract, including but not limited to, awards, recognition at corporate events or in corporate literature, participation in Company-sponsored events, placement of product or service orders, promotion within the Sales Compensation Plans, or participation by the Distributor as an International Sponsor;
5. discontinue or limit payment of Bonuses from all or any part of the Distributor's and Downline Organization's sales based on the premise that because of the Distributor's non-compliance, the Distributor is not entitled to Bonuses;
6. reassign part or all of the Downline Organization to a different Sponsor; and
7. seek injunctive relief or other remedies available by law.

B. The following procedure applies when the Company investigates an alleged violation of the Contract:

1. the Company will either provide verbal notice or send a written notice of the alleged breach of Contract to the Distributor. Each Distributor agrees that the relationship between a Distributor and the Company is entirely contractual. Accordingly, the Company will neither honor nor respect any claim by a Distributor that the relationship is or has been quasi-contractual, has arisen by implication from any continuing practice or course of action, has been verbally authorized by an employee of the Company in contradiction of the terms of the Contract, or is otherwise implied in fact;
2. in a case when written notice is sent, the Company will give the Distributor twenty business days from the date of dispatch of a notification letter during which the Distributor may present all his information relating to the incident for review by the Company; the Company reserves the right to prohibit activity (e.g. placing orders, sponsoring, modifying Distributor information, receiving Bonuses, etc.) by the Distributorship in question from the time notice is sent to the Distributor until a final Company decision is rendered;
3. on the basis of any information obtained from collateral sources and from the Company's investigation of the statements and facts taken together with information submitted to the Company during the response period, the Company will make a final decision regarding the appropriate remedy, which may include the termination of a Distributor's Contract. The Company reserves the right to impose remedies for similar Contract violations on a case-by-case basis. The Company will promptly notify the Distributor of its decision. Any remedies will be effective as of the date on which notice of the Company's decision is dispatched; and
4. additional information outlining an appeal of the decision by the Company and the Company's Mediation/Arbitration policy noted in Section 30(B) herein will be provided upon request from the Company.

C. A Distributor may terminate his Contract at any time, and for any reason, by sending a written notice of intent to terminate to the Company. Termination becomes effective as of the date the Company receives written notice of termination. Certain obligations regarding confidentiality of information and the Distributor network survive termination of the Contract as outlined in Section 17.

D. The act of any participant in a Distributorship or spouse or partner of a Distributor is attributable to the Distributorship and remedies, including termination of the Contract, necessitated by that act may be applied to the Distributorship generally.

E. The Company will not review any violation of the terms and conditions of the Contract not brought to the Company's attention within two years of the initiation of the alleged violation. Failure to report a violation within the two-year period will result in the Company not pursuing the allegations in order to prevent stale claims from disrupting the ongoing business activities of Distributorships. All reports of violations must be in writing and sent to the attention of the Company's Distributor Conduct Review Committee (DCRC).

Section 7: Becoming a Sponsor

A. A Distributor may act as a Sponsor only if she meets all requirements and accepts all responsibilities described in the Contract.

1. A Distributor may refer Persons to the Company as applicants to become Distributors. Upon acceptance by the Company of the Distributor Agreement form, applicants are placed in the Downline Organization of the Sponsor listed on the Distributor Agreement.
2. In order to be a successful Sponsor, a Distributor should assume training and support obligations for Distributors in her Downline Organization. A Distributor's success can come only through the systematic retail sale of Company products or services and the retail sales of other Distributors within his Downline Organizations.

B. A Distributor is entitled to sponsor other Distributors only in Authorized Countries.

Section 8: Responsibilities of a Sponsor

A. To be a successful leader of the Distributors in his Downline Organization, a Sponsor should fulfill the following responsibilities:

1. a Sponsor should give regular retail sales and organizational training, guidance, and encouragement to her Downline Organization. A Sponsor should maintain contact with all of her group members and be available to answer questions;
2. a Sponsor should exercise his best efforts to ensure that all Independent Distributors in his Downline Organization properly understand and comply with the terms and conditions of the Contract and applicable national and local laws, ordinances, and regulations;
3. a Sponsor should intervene in any disputes arising between a customer and any of her Downline Organization and attempt to resolve the dispute promptly and amicably; and
4. a Sponsor should provide training to ensure that product or service sales and opportunity meetings conducted by his Downline Organization are conducted in accordance with the Contract—and in accordance with any applicable laws, ordinances, and regulations.

Section 9: Becoming an Executive Distributor

A. A Distributor can achieve and maintain the status of Executive by fulfilling and maintaining the Executive qualification requirements set forth in the Sales Compensation Plan.

B. After reaching Executive status, if the Distributor does not meet maintenance requirements, he will revert to the status of Distributor and lose all Executive benefits beginning with the month in which those requirements are not maintained (excluding the “Grace Month” as described in the Sales Compensation Plan).

C. If an Executive Distributor reverts to Distributor status, a limited Executive requalification program is available under certain circumstances, as outlined in the Sales Compensation Plan.

D. The Company, at its discretion, reserves 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.

Section 10: Ordering Products or Services and Personalized Sales Aids

A. A Distributor may order products or services directly from the Company, its Distribution Centers, or from an Independent Warehouse. There is no minimum order. However, shipping and handling costs may vary depending on the amount of products ordered.

B. A Distributor has no specific inventory requirements. A Distributor must use his own judgment in determining inventory needs based upon reasonably projected retail sales and personal use. A Distributor is prohibited from ordering more than a reasonable inventory. By placing an order, a Distributor certifies that she has resold products and documented the sale to at least five customers monthly, and sold or consumed at least 80% of any previous orders. The Company reserves the right to verify Distributor resale of product inventory and inspect documentation of retail sales.

C. Orders may be placed at an authorized Distribution Center; at an Independent Warehouse; over the Internet; by telephone; or mailed, sent via facsimile, or delivered to the Company’s corporate headquarters for processing. If the order is mailed or faxed, the Product Order Form must be fully completed.

1. Payment must be made by cashier’s check, money order, credit card, cash, direct debit or personal or business check.

2. Orders are not shipped until they are paid in full.

D. Orders must be received by the Company, its Distribution Centers, or by an Independent Warehouse by the last working day of a month to be included in that month’s Bonus and qualification computations.

E. 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 will be credited when the Company credit is used.

F. Personalized Sales Aids may be ordered by mail, over the Internet, or by facsimile. To ensure accuracy of information, no telephone orders will be accepted. The Personalized Sales Aid Order Form must be fully completed.

1. Payment must be made via cashier’s check, money order, personal check, or credit card.

2. Personalized Sales Aids are returnable or refundable only as stated in Section 12(D).

G. The Company maintains the right to change product or service prices without prior notice. Distributors are independent contractors and may establish their own price for reselling products or services.

H. A Distributor is prohibited from submitting orders in the name of another Distributor without the other Distributor's specific, prior, written approval for that order.

I. Any payment, which is not supported by sufficient funds, constitutes a breach of the Contract. Where necessary, a service fee of \$15 will be charged.

1. If acceptable payment is not promptly made, the Personal Sales Volume and Group Sales Volume of the order will be withdrawn.
2. The Company reserves the right to offset the outstanding amount against any Bonuses, present or future, of the Distributor.
3. If more than one Person is listed on the Distributor Agreement, all Persons will be held jointly and severally liable for the outstanding amount.

J. A Distributor is prohibited from using another individual's credit card without the other individual's specific, prior, written approval.

Section 11: Product Exchange Policy

A. Except as otherwise provided in the supplemental Big Planet Policies, the Product Exchange Policy in these Policies and Procedures does not apply to Big Planet products. The Big Planet Product Exchange Policy is in the Supplemental Big Planet Policies.

B. The Company will exchange products if the returned products are damaged in shipment, are incorrectly sent, or are of substandard quality.

1. Whenever possible, returned products will be replaced with undamaged products. However, when an exchange is not feasible, the Company reserves the right to issue a Company credit for the amount of the exchanged products.

C. To exchange products, you must comply with these rules:

1. the request for exchange must be made within thirty days of purchase;
2. prior authorization from the Company is required to initiate the exchange. The Shipping Inquiries Department of the Company will instruct the Distributor on the correct procedure for returning the products (080-09-81360);
3. Independent Warehouses are not authorized to accept returns under any circumstances.

Section 12: Refund Policy

A. Except as otherwise provided in the Supplemental Big Planet Policies, the Company refund policy in these Policies and Procedures applies to all products.

B. The Company will refund ninety percent of the price, less applicable Bonuses, (plus applicable tax if prepaid) on reasonably sound, unopened, unaltered, resalable, and restockable products and Sales Aids produced and sold by the Company that are returned within twelve months of the order date by the Distributor who purchased the products or Sales Aids from the Company. In order for the Company to correctly back out the applicable

Bonuses on returned products, it is critical that the original sales order number from the invoice be retained. This number must be provided to the Company at the time the request for a refund is made.

1. Products otherwise sold individually but purchased as part of a kit or package may be returned if the product is current, unopened, and resalable.
2. Acceptable refund alternatives include but are not limited to the following: Company credit, bank check, bank transfer, or credit card charge back. The actual form of refund will be based upon local payment procedures and the original form of payment.

C. To obtain a refund for returned products or Sales Aids, a Distributor must comply with these procedures:

1. approval for the return in the form of a Return Merchandise Authorization (RMA) number must be received prior to return shipment 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 080—09-81360);
2. the Company will provide the Distributor with the correct procedures and location for returning the products or Sales Aids. All return shipping costs must be paid for by the Distributor;
3. products or Sales Aids sent to the Company without prior authorization will not qualify for a refund and will be returned to the Distributor at the Distributor's expense;
4. this refund procedure may vary in jurisdictions where different repurchase requirements are imposed by statute. Applicable jurisdictional laws may dictate the terms of the refund policy; and
5. the Company reserves the right to require a Distributor to repay Bonuses paid to him on products returned by the Distributor's Downline Organization. This may be achieved either through contact with the affected Distributors for direct repayment or by withholding from present or future Bonus payments. This policy encompasses all refunds allowed under the Company's Refund Policy. Extension of the refund policy as required by applicable law, or instances in which Distributor misconduct, misrepresentation, or other extenuating circumstances necessitates a Company refund in excess of the stated refund policy will be considered on a case-by-case basis.

D. Personalized Sales Aids are not returnable or refundable unless an error in printing has been made. Personalized Sales Aids with printing errors must be returned within thirty days.

Section 13: Customer Refund Policy

A. Except as otherwise provided in the Supplemental Big Planet Policies, the Customer Refund Policy in these Policies and Procedures applies to all products.

B. Distributor must offer a three-day money-back guarantee to his retail customers. This means that the selling Distributor 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 requests the refund within three business days of purchase and returns the unused portion of product. The Distributor must make a refund for returned products within ten days of the customer's request.

1. The Distributor 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 three-day refund policy on the back of the

receipt must be completed. The front of the Retail Sales Receipt should be completed and include the items ordered, the amount of sale, and the customer's name, address, and telephone number.

2. The back of the Retail Sales Receipt should be completed and include the date of the sale, the date of the third business day after sale, the Distributor's name, business address, and business telephone number.

3. The first copy is the customer's receipt of the purchase. The customer should sign and date the back of the second copy and return it to the Distributor if a refund is requested. The third copy is the Distributor's receipt of the purchase. If the customer prefers, the Distributor may, at his discretion, make a product exchange instead of a refund.

4. A Distributor should keep copies of all Retail Sales Receipts on file for at least four years. The amount of sales tax collected must be recorded on the Retail Sales Receipt Form.

C. The Company encourages Distributors to honor a request for a refund or product exchange even if it is made more than three business days after purchase. The Company supports this policy by providing replacement products for a refund or product exchange with a customer up to thirty days after the date of sale to the retail customer.

1. The Company will instruct the Distributor on the correct procedure and provide authorization for returning the products to the Company. Contact Shipping Inquiries at 080-09-81360 to obtain authorization and instructions.

2. To receive replacement products, after obtaining authorization, the unused portion of product and the Retail Sales Receipt must be returned to an authorized Distribution Center within thirty days of the date of the sale to the retail customer.

3. Independent Warehouses are not authorized to accept returns under any circumstances.

Section 14: Product Liability Claims

A. In the event of a product liability claim brought against an independent distributor by a third party for a defective product or for injury from use of a product, NSE Products, Inc., ("NSEP") will indemnify and defend the Company's independent Distributor from such claims, subject to the limitations described below. In order to obtain the benefits of this indemnification, a Distributor must promptly (within 60 days) notify the Company in writing of the claim.

B. NSEP will have no obligation to indemnify a Distributor if the Distributor (i) has not complied with the official Policies and Procedures of the Company and any other contractual obligations regarding the distribution and/or sale of the products; or (ii) has repackaged, altered or misused the product, or made claims or given instructions about the product's safety, uses or benefits which do not comply with the approved literature of the Company and NSEP; or (iii) settles or attempts to settle a claim without written approval of the Company and NSEP. In addition, indemnification is conditioned upon the Distributor allowing NSEP to assume the sole defense of the claim.

Section 15: Sales Tax

The Company may provide the service of collecting applicable sales tax at the time of purchase and remitting it to the Distributor's taxing entity. The amount of sales tax is based upon the suggested retail price of a product or

service, calculated at the Distributor's local tax rate. A Distributor can recoup the prepaid sales tax at the time of retail sale. If this service is not provided, then the Distributor is required to collect any applicable sales tax and remit it to the proper authorities.

Section 16: Distribution of Company Leads

A. Persons often inquire about the opportunity or products directly through the Company. If the Company is aware that the Person heard about the Company from a Distributor, the Person is referred to that Distributor. Information about Persons who have heard about the Company without a discoverable contact is distributed to existing Executive Distributors. Leads are distributed as fairly as possible usually in the locality of the Person making the inquiry. The Company reserves the right to make final judgments with respect to distribution of leads.

Section 17: Distributor Lists

A. Distributor lists and all contacts generated therefrom ("Lists") are the confidential and proprietary property of the Company. The Company has derived, compiled, configured, and currently maintains the Lists through the expenditure of considerable time, effort, and monetary resources. The Lists in their present and future forms constitute commercially advantageous proprietary assets and trade secrets of the Company. The right to disclose Lists and other Distributor information maintained by the Company is expressly reserved by the Company and may be denied at the Company's discretion.

B. The Company provides a uniquely tailored portion of the Lists to Executive Distributors, qualifying Executive Distributors, and for a fee, to Distributors requesting a portion of the List to which they are entitled (collectively and individually the "Recipient") on a monthly basis. Each portion of the provided List contains only information specific to the Recipient's level and her own Downline Organization.

1. These Lists are provided for the exclusive and limited use of the Recipient to facilitate the training, support, and servicing of the Recipient's Downline Organization for furtherance of the Company-related business only. Each Recipient agrees that each use, within its intended scope, constitutes a separate exclusive license agreement between the Recipient and the Company.
2. These Lists remain, at all times, the exclusive property of the Company, which may, at any time and in the Company's sole discretion, reclaim and take possession of the Lists. Accordingly, each Distributor agrees:
 - a. to hold confidential and not disclose any Lists or portion thereof to any third Person, including, but not limited to, existing Distributors, competitors, and the general public;
 - b. to limit use of the Lists to their intended scope of furthering the Distributor's Company-related business;
 - c. that any use or disclosure of the Lists outside of those authorized herein, or for the benefit of any third Person, constitutes misuse, misappropriation, and a violation of the Recipient's license agreement, which causes irreparable harm to the Company;
 - d. that, upon any violation under this section, the Recipient stipulates to injunctive relief as an appropriate remedy enjoining that use under applicable national or local laws, and will immediately retrieve and return to the Company all Lists previously provided to the Recipient upon the Company's request; and

e. that the obligations under this section will survive the termination of the Recipient's Contract.

3. The Company reserves the right to pursue all appropriate remedies under applicable national or local laws to protect their rights to the above-stated proprietary and trade secret information covered by the Lists; any failure to pursue any applicable remedies will not constitute a waiver of those rights.

Section 18: Product or Service Claims

A. Distributors may make only product or service claims and representations found in the literature distributed by the Company.

B. A Distributor may not make any medical claim for any product nor specifically prescribe any given product as suitable for any specific ailment, as that type of representation implies the products are drugs rather than cosmetics or nutritionals. Under no circumstance should any products be likened to drug products prescribed for the treatment of specific ailments.

1. All product claims and representation must be the same as those found in the current literature distributed by the Company.

2. While the Company makes every effort to achieve full compliance with complicated and periodically applicable regulations of the Republic of South Africa, no Distributor should state or intimate that any product is approved by the applicable government entity governing drugs in South Africa. The applicable government entity governing drugs in South Africa does not require or grant specific approval for individual cosmetic or nutritional products. Please see the Supplemental Policies for additional product or service claim guidelines about each Division's products or services.

Section 19: General Business Ethics

A. 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, Distributors are strongly encouraged to read the DSA Code of Ethics and adopt its principles in their business operations. The DSA Code of Ethics is published on the DSA website at www.dsa.org.

B. Each Distributor agrees that he will not make any misleading, unfair, inaccurate, or disparaging comparisons, claims, representations, or statements about the Company; its products, services, or commercial activities; other Persons; other companies (including competitors); their products; or their commercial activities.

C. A Distributor agrees that she has no authority to take any steps in any country or other political jurisdiction to introduce or further the Company's business. This includes, but is not limited to, any attempt to register or reserve Company names, trademarks, or trade names; to secure approval for products or business practices; or to establish business or governmental contacts of any kind in the Company's behalf. A Distributor agrees to 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 the Distributor improperly acts on behalf of the Company. The Distributor agrees to immediately assign any registration of Company names, trademarks, or trade names registered or reserved in violation of this Section to the Company. The provisions of this Section survive the termination of the Contract.

Section 20: Advertising and the Use of the Company Name

A. A Distributor is expressly prohibited from using any form of media advertising to promote products or services. Products or services may be promoted only by personal contact or by literature produced and distributed by the Company or by Distributors in accordance with Section 21(A) of this document. Generic opportunity advertisements may be placed, in jurisdictions allowing that type of advertisement, but only in accordance with the Policies and Procedures of the Company. In addition, a Distributor may not promote the products, services, 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 Vice President of Corporate Communications or his designated representative. This includes private, paid membership, or “closed group” publications. All media contacts or inquiries should be immediately referred to the Public Relations Department of the Company in the United States by calling 801-345-2100.

B. Company logos or names may not be used or displayed on any apartment, house, office, storefront, or other physical premise, where they may be viewed by persons passing by. Please see the Pharmanex Supplemental Policies for further information relating to pharmacies.

C. No Distributor may use any of the Company’s trade names, trademarks, service marks, product names, logos, or other intangible commercial assets, registered or otherwise, in any form of advertising or promotion without first entering into a separate, written licensing agreement with the Company for each proposed use of any of the above-stated names or devices. Each Distributor agrees that any use in violation of these provisions constitutes a breach of the Contract and causes irreparable harm to the Company. Upon notice of that any violation, the Distributor agrees to stipulate the appropriate injunctive relief enjoining that use. The Company, in its sole discretion, reserves the right to prohibit any advertising or promotion.

D. Except for separate, written licensing agreements noted above, none of the Company’s copyright-protected materials may be reproduced, in whole or part, by any means.

E. Each Distributor agrees that any claims or representations concerning the opportunity must be congruent with, and limited to, those found in the materials and literature currently distributed by the Company. Those claims and representations must also be advanced in accordance with any applicable laws, ordinances, and regulations.

1. No Distributor may make unreasonable, misleading, or unrepresentative representations respecting potential earnings.

2. No Distributor may represent that, any Person can or will receive profits or revenues without substantial effort on her own behalf.

3. All promotional materials including but not limited to flyers, business cards, and brochures prepared in accordance with Subsection F below, may be distributed through personal contact only. They may not be posted in public places, mass mailed, placed on parked cars, put in mail boxes, or disseminated by any other non-personal contact means. Materials may not be disseminated through unsolicited faxes or E-mail messages.

4. In order to advertise in the Yellow Pages or list his name in the White Pages of a locally circulated telephone directory in his area, a Distributor must have previously attained and currently enjoy active status as a Ruby-level or Managing Director-level, or above, at the time the contract for that listing is signed.

a. This advertisement is to be limited to two lines containing the words “Pharmanex (or other Division name) Independent Distributor, John Doe (Distributor’s Name),” and a telephone

number. Neither bold print nor display advertisements are allowed. The advertisement must be in the Distributor's personal name only.

b. In the Yellow Pages, the advertisement must be placed under the category, for example of "Pharmacy" or "Nutrition." Contact your Division for additional acceptable categories.

c. The Company recommends that leads obtained from this listing be alternately disbursed throughout the Downline Organization of the Distributor.

d. In case of a violation, the Company may require that the offending telephone number be disconnected, in addition to taking other remedial actions under the Contract against the responsible Distributor.

5. A Distributor may not use a celebrity endorsement without the specific, prior, written approval of the endorsing celebrity for each use of the celebrity's name.

F. A Distributor may not use business cards or other Personalized Sales Aids containing the Company's logo and name unless produced by the Company. These items produced by the Company will follow the general format listed below:

1. the Company's logo and name must always appear with the registered trademark designation (except as prohibited by law);

2. when the Company's logo or name is used, the business card or Personalized Sales Aid must also contain the words "Independent Distributor;"

3. a Distributor may not use the names of any of the Company's products or any business designation; and

4. under no circumstance may any Distributor use any corporate name of the Company.

G. Each separate use of the Company's name or logo must be preceded by the completion of a separate written agreement with the Company for the use. Unauthorized use of the Company's logos, names, trademarks, or trade names is prohibited. Any unauthorized use constitutes a violation of trademark laws and will cause irreparable damage to the Company, and its Distributors. The Company reserves the right to pursue all legal and equitable remedies against any Distributor or any other individual or entity who wrongfully uses the Company's logos or name or any of the Company's trademarks or trade names.

H. Distributors must only use Company produced Distributor web sites, Corporate sites, and web tools (i.e., Dynamic Web Pages, Global Web Pages, E-clips, etc.) when they promote the Company's products and services over the Internet. Additionally, Distributors are permitted to create generic business opportunity sites and/or generic splash pages with links to Company sites or a Business Center/GWP. 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. Except as set forth in this policy, Distributors may not use the Internet to promote the Company, including its products and services, in any other manner. In case of a violation, the Company may require the offending Distributor to immediately remove the web site that is in violation of Nu Skin's policies, in addition to taking other disciplinary actions against the responsible Distributor in accordance with Section 6 of these Policies and Procedures. Distributor web sites are also subject to the following restrictions.

1. Distributors who have previously attained and currently enjoy active status as a Blue Diamond may create their own independent Internet sites to promote the Company's products/services and business opportunity. However, all such sites, and any changes thereto, must first be reviewed and approved as Sales Aids in accordance with Section 21 of these Policies and Procedures and carry a Company designated review seal. Changes made to the site after obtaining the initial review seal requires written authorization from a representative of the Distributor Conduct Department.
2. Distributors may not include any intellectual property or proprietary information in the unique domain names/URL or meta-tags of their Company produced or generic business opportunity web sites. Additionally, intellectual property and proprietary information cannot be used as "wallpaper" on any Company hosted or generic business opportunity site.
3. Distributors may not register their web sites with search engines or web directories using any intellectual property any proprietary information.
4. Distributors are required to promote their Company hosted and/or generic business opportunity Internet sites through one-on-one personal contact only. Additionally, Distributors are prohibited from forwarding information regarding their sites to individuals who have not specifically requested information regarding the Company's business opportunity and/or products (i.e., spam).

Section 21: Sales Aids

- A. A Distributor may only use, distribute, or sell Sales Aids either: 1) produced and distributed by the Company and bearing their copyright designation, or 2) produced and distributed by an Independent Distributor, only after review by the Company and bearing the specific designation "content reviewed" followed by a designated review identification number. The above-stated designation may be obtained through the process outlined below and in accordance with additional terms found in the Sales Aid Review Contract but may only be used after a certificate has been received from the Company by the submitting Distributor. That certificate must specifically indicate that the material may be made available for distribution.
- B. The Company may impose a reasonable fee for reviewing a Sales Aid. Distributors should allow a minimum of three weeks for the Company to complete its review of submitted materials.
- C. The Company reserves the right to require any change to a Sales Aid it deems necessary to ensure appropriate content before allowing the Sales Aid to bear its review designation as stated above.
- D. The Company reserves the right to deny approval for any proposed Sales Aid and, if changes in regulatory requirements or other circumstances so dictate, to require, at the Company's sole discretion, the removal from the marketplace or previously reviewed Sales Aids without financial obligation to the affected Distributor.
- E. Any Distributor who produces or has previously produced or distributed materials as set forth in this Section bears ultimate responsibility for the material contained therein. The Company's review process does not guarantee that the Sales Aid complies with all applicable national or local law and other regulatory requirements. The review process does not constitute legal advice from the Company to any Distributor. In addition to the Company's review, all Distributors who intend to produce and distribute Sales Aids in accordance with this Section are strongly advised to seek the advice of independent legal counsel with regard to the legality and regulatory compliance of Sales Aids.
- F. Distributors are free to establish their own prices for Sales Aids reviewed by the Company under this Section.

G. Sales Aids shall be identified by the name of the individual or individuals that produced them. Group or organizational identifiers shall not be used in connection with the production of Sales Aids.

H. All mailing lists of the Company's Distributors obtained in connection with the production or sale of an independently produced Sales Aid are the confidential and proprietary property of the Company. Independent tape duplicators or other persons obtaining access to Distributor Lists through their production or distribution of that material must contractually agree to the confidentiality and proprietary nature of those mailing lists and that any use of those lists or contacts generated therefrom except for the sole purpose of furthering the Company's business is expressly forbidden. They must also agree that the information is the proprietary property of the Company and any materials offered to the Distributors which make any reference to the Company or its programs may be done so only with the prior written consent of the Company for each separate offer.

I. The return policy of Independent Distributors with regard to Sales Aids which they have produced or sold must be in full compliance with the pertinent Sales Aid return policy employed by the Company for Company Approved Sales Aids (See Section 12).

J. Distributors who use, distribute, or sell Sales Aids in violation of this Section are subject to appropriate remedial action by the Company, up to and including termination of the violating Distributorship.

K. Within an Authorized Country, a Distributor may only promote or train with Sales Aid materials which are approved and distributed by the local affiliated Company office in that country.

Section 22: Retail Store, Service Establishment Sales and Trade Show Policy

A. A Distributor 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. A Distributor is also prohibited from selling to any person who will ultimately sell products or services through retail stores. A Distributor may, with the prior consent of a retail establishment, place Company-produced Sales Aids/Personalized Sales Aids within their facility. However, all Sales Aid material must be contained within one Company-produced brochure holder. Furthermore, the brochure holder/Sales Aid material must not be visible to the general public in a manner as to attract the general public into the retail establishment.

B. In general a Distributor may not sell any products and/or services of the Company nor promote the Company's opportunity at flea markets, swap meets, bazaars, men's/women's groups, supermarkets, malls or any other similar gathering where the opportunity or products are displayed. However, upon the prior written approval of the Company, an Executive level Distributor may rent a booth or set up an exhibit at a trade show or convention ("Convention"), subject to the Company's approval of the Convention and compliance with the following requirements:

1. An Executive level Distributor may rent or set up a booth at a Convention if the Convention theme is directly related to the Distributor's Company's business
2. At least four weeks prior to the Convention, the Executive must submit to the Company a proposal regarding the Convention and obtain prior written approval from the Company.
 - a. The Distributor may only use Company-produced sales aids and promotional material. A purchase of a company produced independent Distributor banner, to display in the booth, is required.

b. The Distributor will not reference the Company in any form of advertisement or promotional material that implies that Nu Skin Enterprises is participating in the Convention. Instead, any Company-approved advertisement or promotional material must make specific reference to the Distributor as an independent Executive level Distributor of the Company, including any maps or listings prepared by the sponsor of the Convention.

c. The Distributor will not make any earnings representations of any kind.

3. The Distributor will not use the Convention to promote any product, service, or business opportunity other than Pharmanex, Nu Skin, Big Planet, or any other Company business in which the Distributor may be involved.

4. During the Convention the Distributor must personally comply with the Policies and Procedures and is responsible for (i) the actions of every person who works in the booth at the Convention, (ii) all material distributed at the Convention, and (iii) all other aspects of participation in the Convention.

5. In addition to the other remedies provided in the Policies and Procedures, the Company reserves the right to deny future Convention participation for any policy violation at a Convention.

C. A Distributor who owns or is employed by a service-related establishment may provide the Company's products and services to customers through this establishment as long as he is providing proper prescreening and ongoing support to his customers as called for by the Contract. In any event, no product banners, or other Sales Aid materials may be displayed visibly to the general public in a manner as to attract the general public into the establishment to purchase products or services.

1. 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.

2. Distributors may only sell products through service 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. Big Planet products may be sold through consulting firms, counseling services, or computer or electronic repair shops.

D. 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 or services.

Section 23: Contract Changes

The Company expressly reserves the right to make any material modifications to the Contract upon thirty days prior written notice in Company publications, by separate mailing, or through publication on the Company websites: www.nuskin.com, www.pharmanex.com, and www.bigplanet.com. Each Distributor agrees that thirty days after publication of that notice, any modification becomes effective and is automatically incorporated into the Contract between the Company and its corresponding Distributors as an effective and binding provision. By continuing to act as a Distributor, or engaging in any Distributorship activity as defined in Section 6(D) (1-5) of this document after the modifications have become effective, a Distributor acknowledges acceptance of the new Contract terms.

Section 24: Waiver

The waiver by the Company of any Distributor's breach of any provision of the Contract must be in writing and will not be construed as a waiver of any subsequent or additional breach. The failure by the Company to exercise any right or prerogative under the Contract will not operate as a waiver of that right or prerogative.

Section 25: Integrated Contract

A. The Contract is the final expression of the understanding and agreement between the Company and a Distributor 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.

B. Should any discrepancy exist between the terms of the Contract and verbal representations made to any Distributor by any employee, the express written terms and requirements of the Contract will prevail.

Section 26: Severance

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.

Section 27: Governing Law/Jurisdiction

The place of origin of this Contract, where the Company accepted the offer of a prospective Distributor to form the Contract, is the State of Utah. This Contract is to be construed, with respect to its validity and performance obligations thereunder, in accordance with the laws of the State of Utah applicable to contracts made and to be wholly performed within the state. A Distributor agrees to submit to the jurisdiction of the courts of the State of Utah for resolution of any conflict or litigation arising under a purporting to interpret the Contract or rights between Distributors.

Section 28: Notices

Unless otherwise provided in the Contract, any notice or other communications requested or permitted to be given under the Contract shall be in writing and shall 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 shall 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 or to the Distributor's address as provided on the Distributor Agreement, unless notice of an address change has been received by the Company. The Company shall have the right, as an alternative method of notice under Section 23, to use mailers, Company websites, or other normal channels of communications with Distributors.

Section 29: Successors and Claims

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

Section 30: Litigation and Claims

A. 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 shall 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 shall take no action related to that claim and suit, unless the Company consents, which consent shall not unreasonably be withheld.

B. The Company and the Distributor agree that mandatory and binding arbitration is the sole means to resolve disputes which arbitration shall be final and non-appealable. In order to expedite the prompt resolution of any disputes with the Company or between Distributors, which may arise under the Contract, the Company has instituted a Mediation/Arbitration policy. This policy deals with the disposition of disputes arising out of the independent contractor relationship between the Company and its independent contractors and/or disputes arising out of the relationship between the Company's independent contractors themselves. Distributor complaints are first handled by the Distributor Conduct Review Committee as described by Section 6 of these Policies and Procedures. The Mediation/Arbitration policy will also apply in the event a Distributor disagrees with any disciplinary action or interpretation of the Contract by the Company. The Mediation/Arbitration policy is mandatory and binding for resolving Distributor disputes as of April 1, 1994. The complete Mediation/Arbitration policy is available upon request from the Legal Department to parties who are involved in a controversy as defined above.

Section 31: Headings

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

Section 32: Repealed

Section 33: International Business

A. Prior to the official opening of an Authorized Country, permissible Distributor activity in an unopened country is limited to providing business cards and conducting, organizing or participating in meetings where the number of attendees at any given meeting, including the Distributor, does not exceed five – Participants in such meetings must be personal acquaintances of the distributor or personal acquaintances of the distributor's personal acquaintances in attendance at the meeting. The meetings must be held in a home or a public establishment but may not be held in a private hotel room. All cold calling techniques (soliciting persons who are not prior personal acquaintances of the contacting distributor) are strictly prohibited in unopened countries. The Company has limited retail store operations in China. However, the Company prohibits all direct selling activities in China and China is deemed an unopened direct selling country. Distributor pre-market opening conduct prohibited in all countries includes but is not limited to:

1. importing or facilitating the importation of, selling, gifting, or distributing in any manner, Company products, services, or product samples;

2. placing any type of advertisement or distributing any promotional materials regarding the Company, its products or the opportunity, except for the Company Approved Sales Aids (See Section 1) specifically authorized for distribution in unopened countries as designated by the Company;
3. soliciting or negotiating 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 sponsoring Distributor'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 to 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;
4. accepting money or other consideration, or being involved in any financial transaction with any potential Distributor either personally or through an agent, for purposes relating to Company products or the opportunity, including renting, leasing or purchasing facilities for the purpose of promoting or conducting Company-related business;
5. conducting, organizing, or participating in meetings in an Authorized Country with citizens or residents from an unopened country where the number of attendees at the meeting, including the Distributor, exceeds five or the other activities prohibited by Section 33 take place. In conducting meetings in an Authorized Country with citizens or residents from an unopened country, the same guidelines must be followed as if the meeting were being held in an unopened country; or
6. promoting, facilitating or conducting 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.

B. China activities, including all meetings, are limited to those authorized by the Company under its retail store operations and policies. Participants in any meeting held in China must be personal acquaintances of the distributor who organized the meeting or personal acquaintances of those at the meeting. The meetings must be held in a home or other public establishment and not in a hotel room. All cold-calling techniques (soliciting non-personal acquaintances) are strictly prohibited in China.

C. The Company reserves the right to designate certain countries wherein all pre-marketing conduct is expressly prohibited. It is the responsibility of each Distributor, prior to each instance of conducting pre-market opening activities in an unopened market, to verify through current contact with the Company that the country in which she plans to conduct those activities is not a prohibited country. A Distributor may obtain a list of prohibited countries and Company Approved Sales Aid materials to distribute in other unopened countries by calling the Company.

D. In addition to other remedies allowed by the Contract, a Distributor, who fails to comply with any provision of Section 33, may be prohibited from participating in the affected international market for a period deemed appropriate by the Company. This prohibition could include, but is not limited to the following: the Distributor may have no right to international distribution/sponsorship rights in the affected international market; the Distributor and the Distributor's upline may not be entitled to Bonuses generated by the Distributor and the Distributor's Downline Organization in the respective international market. The Company, at its sole discretion

and for the purpose of promoting ongoing support of new Distributors by upline Executive Distributors, may consider paying the fourth, fifth, and sixth generation Breakaway Bonuses on the Personal Sales Volume generated by the Distributor or the Distributor's Downline in the affected international market. In addition, in all markets, for a period of up to one year, the Distributor may not be entitled to privileges traditionally afforded Distributors such as recognition at corporate events or in corporate literature, and receipt of new Distributor packets prior to the official opening of any new market.

E. A Distributor who has been unable to participate in a market because of non-compliance with Section 33 of these Policies and Procedures, must petition the Company in writing for written permission to participate in the market after the period of prohibition has passed.

F. The provisions of Section 33 do not waive the Company's rights as set forth elsewhere in these Policies and Procedures or in the Contract.

Section 34: Automatic Delivery Rewards and Retail Customer Auto Ship Program Policies

By participating in the ADR Program, I may place a continuing order to be conveniently shipped on a monthly basis and to be charged to my credit card, savings account, or checking account on a recurring, monthly basis. By signing this ADR Program Agreement, I agree to participate in the ADR Program subject to the following terms and conditions:

General Terms and Conditions:

A. I will specify the quantity of each product that I desire to receive every month on the attached Automatic Delivery Rewards Enrollment Form ("Enrollment Form") that is part of this Agreement.

B. I will supply the Company, in the space provided on the Enrollment Form, a valid VISA, MASTERCARD, AMERICAN EXPRESS, or DISCOVER CARD number along with the card's expiration date, or the requested information to set up a direct debiting arrangement on my personal savings or checking account.

C. I understand and agree that the products selected on the Enrollment Form will be sent to me at the address listed every month as I have indicated, unless prior to my designated shipment date, I notify the Company in writing, online, or via telephone of a change in my address or any changes I wish to make to my order. The method(s) of payment I have selected will not be changed without my prior written notification. The Company will make the adjustments specified in my written notification no later than 30 days after receiving such notice.

D. I understand that specific products which I have chosen to receive on my Enrollment Form may be discontinued by the Company. In such situations, the Company will notify me in writing of the change and will continue to send me the remaining items specified on my Enrollment Form, unless I direct the Company to make other arrangements. Purchase price and shipping fees will be automatically changed to reflect the change in the order due to any discontinued products.

E. I understand that the price of the specific products which I have chosen on my Enrollment Form may change due to reformulations, improvements, or other reasons. When such price changes occur, the Company will notify me of any price increases and, unless I direct them to do otherwise, will continue to send me the products specified on my Enrollment Form at the increased price. I understand that I will receive a 100% refund on any product where the price has been increased if I notify the Company within 30 calendar days of the date of the product order, or any period specified for such refunds by state law of the state where I reside, whichever is longer.

F. I understand and agree that there are no returns allowed on products purchased with ADR Program points and that no personal sales volume or group sales volume is earned on products purchased with ADR Program points. I further agree that applicable sales tax will apply to the redemption of ADR Program points and that the value of the redemption will be treated as income to the Distributor and appear on Distributor's 1099 form. I agree that if any products from a qualifying purchase are returned, the balance of the qualifying amount for the month in which products are returned must be repurchased in order to remain qualified and receive ADR Program points.

G. I understand and agree that this ADR Program and this Agreement may be immediately terminated without notice if the credit cards to which product purchases have been charged expire, are canceled or are otherwise terminated. I understand and agree that the Company may, in its sole discretion, modify the terms and conditions of this ADR Program, including but not limited to, the expiration of the product points described below.

H. I authorize the Company to implement either by paper or electronic means debit and, if appropriate, credit to my savings or checking account as I have indicated on the Enrollment Form. I authorize the depository I have indicated, hereinafter called "Bank," to debit or credit the same to such account. This authority shall remain in force and effect until both the Company and the Bank have received written notification from me of its termination in such time and in such manner to afford the Bank and the Company a reasonable opportunity to act on the changes. The Company will make no other charge to my account except those that I have authorized (sales tax charges may fluctuate in accordance with changes in applicable sales tax rates). I agree that the Company and the Bank shall be fully protected in honoring this authorization. I further agree that if any check or charge is dishonored, with or without cause and whether intentionally or inadvertently, both the Company and the Bank shall have no liability to any party. I further authorize the Company to release this pre-authorization to the bank used by the Company in establishing and maintaining my direct debit account. I also understand that it may take up to five business days for the bank to verify funds. Funds may be debited up to five business days prior to the requested shipment date.

I. I understand and agree that this Agreement may be suspended without notice if I violate any of the terms and conditions of the Agreement. If this Agreement is terminated for any reason, I may, upon the Company's authorization, reestablish a standing monthly order relationship with the Company by submitting a new Enrollment Form.

J. I understand I must notify the Company in writing or via telephone to cancel my ADR Program order. If I do not notify the Company, the ADR Program order will continue to be shipped and my card or account charged or debited every month.

ADR Points

K. I understand that my monthly ADR orders may earn product points that can be redeemed for product. Product points vary and are earned at the rate of 10% to 30% of the ADR order value before taxes. I may earn no more than 75 products points per month. I agree that if I place an order using only product points, or combine a regular product order of less than \$35.00 and product points, then I will pay regular shipping rates; if I place a regular order of \$35.00 or more combined with product points, then I may receive a reduced shipping rate.

L. I understand and agree that if I do not use any of my product points for a period of twenty-four (24) months, then any balance of product points will be automatically deleted ("Deletion"). I understand and agree that if I notify the Company within sixty (60) days of the Deletion and request reinstatement of the deleted product points, then the deleted product points will be reinstated, provided, however, that any of the reinstated product

points that are not redeemed within six months following reinstatement will expire and not be subject to reinstatement.

Independent Distributors Only

M. I understand and agree that this ADR Program agreement may be terminated or suspended without notice if I violate the terms and conditions of my Distributor Agreement with Company.

N. I understand that the terms and conditions contained in this Agreement do not supersede or modify in any way the terms and conditions of my Distributor Agreement. I understand that all products ordered under the ADR Program for personal consumption may be returned according to the Company's regular product return policy then in effect.

O. I will assist my retail customers in obtaining any requested refunds under the program. See section 13 of the general Policies and Procedures for additional details.

P. I understand that any products I purchase through the ADR Program are eligible for refunds in accordance with the general Policies and Procedures.

Customers Only

Q. I understand that I may cancel my order, in writing or via telephone, at any time. The Company will cancel the enrollment form within thirty (30) calendar days after it receives written notification.

R. I understand that I will receive a 100% refund on any product ordered under the ADR Program if I notify Company within thirty (30) calendar days of the date of the product order, or any period specified by the law of the state where I reside for such refunds, whichever is longer. I may also contact the distributor who helped me place my ADR Program order to assist me in obtaining product refunds under the ADR Program.

PHARMANEX SUPPLEMENTAL POLICIES

The Pharmanex Supplemental Policies are provided as an addendum to the consolidated portion of the Policies and Procedures. The Supplemental Policies may clarify portions of the consolidated Policies and Procedures as they relate to the specific Division or provide information about programs unique to that Division. The Supplemental Policies may also allow or disallow certain activities in exception to the consolidated portion of the Policies and Procedures. To the extent that this occurs, this document supersedes the contradicting policy in the consolidated Policies and Procedures. These exceptions or additions do not invalidate any other portion of the consolidated Policies and Procedures. They apply only to the activity in the stated Division and do not apply to activity in any other Division unless specifically noted in that Division's supplement to the consolidated Policies and Procedures.

Section 35: Additional Restriction on Recruiting Distributors, Independent Pharmacy Retailers, or Referring Health Care Professionals

A Distributor may not offer financial or other tangible incentives for Independent Pharmacy Retailer, (IPR) a Pharmanex Medical Representative or Referring Health Care Professional to terminate an existing Distributorship or Sponsor relationship with a Distributorship and then re-sign under a different Sponsor.

Section 36: Product Claims

A Distributor may not make any medical claim for any product nor specifically prescribe any given product as suitable for any specific ailment, as that type of representation implies the products are drugs rather than nutritionals. Under no circumstance should these products be likened to drug products prescribed for the treatment of specific ailments. While the Company makes every effort to achieve full compliance with complicated and periodically amended FDA regulations, no Distributor should state or intimate that any product is approved by the FDA. The FDA does not require or grant specific approval for individual cosmetic or nutritional products.

Section 37: Pharmacies (Updated May 2003)

A Distributor may sponsor pharmacies under an Independent Pharmacy Retailer (IPR) Agreement. By entering in to an (IPR) agreement, the pharmacy is allowed to promote and sell Pharmanex products. These establishments must be independent and owner operated. The number of independent establishments within a given chain of stores may not exceed five without the express written consent of Pharmanex.

Distributors may only sell products to IPRs whom they have personally sponsored.

Pharmacies and service establishments may only display products on or behind the pharmacist counter or within 10 feet of the counter in company approved displays. No products will be otherwise displayed on the public floor. No advertisements other than those provided by the Company may be displayed on the storefront window or in the pharmacy or service establishment. All materials provided to these establishments will refer customers to the pharmacist or the Distributor. No advertisement will refer customers directly to the products.

BIG PLANET SUPPLEMENTAL POLICIES

The Big Planet Supplemental Policies are provided as an addendum to the consolidated portion of the Policies and Procedures. The Supplemental Policies may clarify portions of the consolidated Policies and Procedures as they relate to the specific Division or provide information about programs unique to that Division. The Supplemental Policies may also allow or disallow certain activities in exception to the consolidated portion of the Policies and Procedures. To the extent that this occurs, this document supersedes the contradicting policy in the consolidated Policies and Procedures. These exceptions or additions do not invalidate any other portion of the consolidated Policies and Procedures. They apply only to the activity in the stated Division and do not apply to activity in any other Division unless specifically noted in that Division's supplement to the consolidated Policies and Procedures.

NU SKIN PERSONAL CARE SUPPLEMENTAL POLICIES

The Nu Skin Personal Care Supplemental Policies are provided as an addendum to the consolidated portion of the Policies and Procedures. The Supplemental Policies may clarify portions of the consolidated Policies and Procedures as they relate to the specific Division or provide information about programs unique to that Division. The Supplemental Policies may also allow or disallow certain activities in exception to the consolidated portion of the Policies and Procedures. Unless otherwise noted, to the extent that this occurs, this document supersedes the contradicting policy in the consolidated Policies and Procedures. These exceptions or additions do not invalidate any other portion of the consolidated Policies and Procedures. They apply only to the activity in the stated Division and do not apply to activity in any other Division unless specifically noted in that Division's supplement to the consolidated Policies and Procedures.

Section 40: Product Claims

Many products may fall under cosmetic classifications set forth by applicable laws that regulate and oversee the production and sale of cosmetic products to assure their safety and proper representation to the public, including labeling and packaging standards with which the Company must comply.

A Distributor may represent that the products are safe to use and are intended to improve personal appearance.

A Distributor may not make any medical claim for any product nor specifically prescribe any given product as suitable for any specific ailment, as that type of representation implies the products are drugs rather than cosmetics. Under no circumstance should these products be likened to drug products prescribed for the treatment of specific ailments. While the Company makes every effort to achieve full compliance with complicated and periodically amended regulations, no Distributor should state or intimate that any product is approved as a drug product.

NU SKIN ENTERPRISES, INC. DISTRIBUTOR COMPENSATION SUMMARY

Company Overview

Nu Skin Enterprises, Inc. (together with its affiliates, the “Company”) is a global direct selling company that operates in more than 30 countries throughout North and South America, Asia and Europe. The Company operates in three divisions: (1) the Nu Skin division markets premium quality skin care and personal care products; (2) the Pharmanex division is a science-based developer of nutrition products; and (3) the Big Planet division markets and distributes Internet, technology, telecommunication and other products.

Distributors

The Company markets its products through a network of independent distributors. As of December 31, 2003, the Company had a global sales force of approximately 678,000 active independent distributors located throughout its markets. For purposes of this summary, an “Active Distributor” is a distributor who placed an order for products, promotional materials or services or renewed their distributorship during the quarter. In the United States, the Company had an average of 54,356 Active Distributors each quarter in 2003.

Compensation

There are two fundamental ways in which a distributor can earn compensation:
Through retail markups on sales of products purchased at wholesale prices; and
Through commissions (sometimes called bonuses) paid on one’s product sales and the sales of other distributors in one’s downline sales network.

As with any other sales opportunity, the compensation earned by distributors varies significantly. The cost to become a distributor is very low. People become distributors for various reasons. Many people become distributors simply to enjoy the Company’s products at wholesale prices. Some join the business to improve their skills or to experience the management of their own business. Others become distributors but for various reasons never purchase products from the Company. Consequently, many distributors never qualify to receive commissions.

Generating meaningful compensation as a distributor requires considerable time, effort, and commitment. This is not a get rich quickly program. There are no guarantees of financial success.

Retail Markups

Distributors can buy Nu Skin, Pharmanex and Big Planet products from the Company at wholesale prices for resale to customers or for personal consumption. Some Big Planet products are services, such as Internet access, on which there is no retail mark-up earned by distributors. In addition, some Big Planet products are lower

margin products offered through Internet mall affiliates. Consequently lower levels of commissions are paid on the sale of such products. The Company's suggested retail markup is 43% on most of its personal care and nutrition products. However, distributors are free to set their own selling price and may personally consume some of the products they purchase. As a result, the Company currently neither provides an estimate of average income from retail sales nor includes distributor retail income in its average commission information.

Commissions

Distributors can also earn commissions based on the sale of products by a distributor and his/her downline of sponsored distributors in all markets where the Company does business. The Company also sells promotional materials that do not generate commissions to distributors.

In 2003 the Company paid approximately \$407 million in commissions and sales compensation globally. In the same period, the Company paid approximately \$68 million in commissions to distributors residing in the United States. The following table shows the average quarterly commissions paid in 2003 to U.S. distributors at the various levels of the Company's sales compensation plan at the end of each quarter, the average percentage of total Active Distributors and the average percentage of Executive-and-above distributors¹ that qualified to receive commissions at each level at the end of each quarter. These figures do not include retail markup income.

Title	Quarterly Average Commission Income at Each Level for 2003	Annualized Commissions ²	Average Percentage of Active Distributors ¹	Average Percentage of Executive-and above level distributors
Active Distributor Qualifying for Check (Non-Executive)	76.75	307.00	8.47%	N/A
Qualifying Executive	336.75	1,347.00	.98%	N/A
Executive	902.50	3,610.00	2.70%	64%
Gold Executive	1,860.50	7,442.00	.69%	16%
Lapis Executive	3,774.50	15,098.00	.44%	10%
Ruby Executive	8,786.50	35,146.00	.13%	3%
Emerald Executive	18,639.75	74,559.00	.06%	1%
Diamond Executive	36,429.50	145,718.00	.06%	1%
Blue Diamond Executive	122,511.50	490,046.00	.16%	4%

The average commission paid to U.S. Active Distributors each quarter was \$306.55 or \$1,226.20 on an annualized basis. The average commission paid to U.S. Active Distributors who qualified for commissions in 2003 was \$8,943.00 (annualized). Note that these figures do not represent a distributor's profit, as they do not consider expenses incurred by a distributor in promotion of his/her business and do not include retail markup income. An average of 13.69% of U.S. Active Distributors qualified for commissions in 2003. Active Distributors represented an average of 35.22% of Total Distributors.⁴

Note that equivalent titles of Executive-and-above distributors vary between the Nu Skin Personal Care, Pharmanex and Big Planet divisions.

If you have any questions concerning this information, please contact Distributor Support at (801) 487-1000.

¹ These percentages are calculated by adding the average percentage of total Active Distributors at each level at the end of the quarter for each quarter of 2003 and dividing by four.

² These numbers are calculated by taking the quarterly average commissions and multiplying by four.

³ This number is calculated by adding the average percentage numbers for each level of distributors in the above table.

⁴ “Total Distributors” includes all U.S. distributors who either signed an agreement or renewed their distributorship during 2003 irrespective of their purchasing products, promotional materials or services or earning commissions.