

## CHINA SUPPLEMENTAL POLICIES AND PROCEDURES

The China Supplemental Policies and Procedures (hereinafter “China Policies”) are provided as an addendum to the consolidated portion of the Policies and Procedures. The China Policies may clarify portions of the consolidated Policies and procedures as they relate to participation in the China market or provide information about programs unique to that market. **NOTE: All management of, agreements with and consulting fees for product and sales training paid to Distributors who are non-residents of China are handled exclusively by Nu Skin International, Inc.** The China Policies may also allow or disallow certain activities in exception to the consolidated portion of the 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 China and do not apply to activity in any other market.

### **Section 1: Definitions**

Words and phrases used in these China Policies shall have the same meaning as defined in the consolidated Policies and Procedures, unless otherwise specified herein.

**Area:** the China Registered Foreign Executive’s activity is limited to the geographical area encompassed by the provinces or portions thereof specifically designated in writing by the Company (as amended from time to time) as open for the limited activities allowed by the China Training Agreement. No activity by the Distributor, relating to the Company’s business will be allowed outside these defined boundaries in China. It is the Distributor’s responsibility to confirm current boundaries for the Area from the Company before each incident of travel to or activity in China.

**China Registered Foreign Executive:** any Executive-level Distributor who has completed a China Training Agreement and who has been approved by the Company to provide products and sales training in China, including but not limited to Team Elite Members

**China Training Agreement:** the application by an Executive-level Distributor to be a training consultant in China subject to the conditions set out therein, or the additional commitments made by Team Elite Distributors in the product and sales consulting relationship for China. Upon acceptance by the Company, this agreement forms part of the Contract between the Distributor and the Company.

**Store :** a specific retail store in China, owned and operated by Shanghai Nu Skin, as specified in the China Training Agreement.

## **Section 2A: Team Elite-Specific Requirements**

1. The Distributor's initial right to participate as a training consultant in China requires the Distributor to:
  - a. qualify with all requirements noted in the Sales Compensation Plan of the Distributor Contract and the Distributor Contract as a Team Elite member by December 31, 2002;
  - b. maintain Team Elite status based on personal and organizational activity outside China; and
  - c. offer effective training to retail stores to ensure the designated store achieves revenue targets on a monthly basis as set forth by the Company.
  
2. Prior to and after the beginning of the Distributor's participation in China authorized under the China Training Agreement, the Distributor's ongoing right to maintain participation as a training consultant in China requires the Distributor to:
  - a. learn and obey all rules and regulations promulgated by the local and centralized governments of China related to his/her conducting any activities in China.
  - b. maintain Team Elite status with volume, first level executives and all other requirements as noted in the Sales Compensation Plan and Distributor Contract from authorized markets outside China;
  - c. continue to be fully compliant with and not have been deemed by the Company to have violated any pre-market opening restrictions for China as defined in the Distributor Contract, this Agreement, or otherwise communicated by the Company;
  - d. offer effective training to retail stores to ensure the stores achieve revenue targets on a monthly and quarterly basis as set forth by the Company.
  - e. travel to the Areas in China, as designated and authorized by and registered with the Company, to conduct product and sales training at least twice per year beginning January 8, 2003 up to a maximum of 15 business days per quarter.
  
3. The Distributor as a condition to being granted participation in China is responsible for his/her activities in China and for the activities of all Distributors within the payout levels of his/her sales organization who are qualified to participate in China. The Distributor agrees that he/she will exercise every effort to educate his/her organization and prevent any violations of these China Supplemental Policies and Procedures or the Distributor Contract as they relate to participation in China by any of his/her organization's Distributors. To the extent that the Company notifies the Distributor of inappropriate activity by a Distributor or a Distributor in his/her organization, the Distributor will immediately provide full assistance to the Company in dealing with that violating Distributor. If the Company determines that a pattern of violations relating to the China market has occurred by Distributors within the payout levels of the Distributor, the Company may, in its sole discretion, withdraw permission for the Distributor's participation in and any training relationship with China. In its sole discretion, the Company may also reassign all fees from training relationships between Distributors and individuals in any Area, in addition to other remedies noted in the general Policies and Procedures.

4. The Company reserves the right, in its sole discretion, to withdraw its approval for the participation of any Distributor and require them to immediately cease all training activities related to any Store or the Company's business in China. Failure by the Distributor to meet all requirements for ongoing participation as described in the China Policies may result in the termination of all benefits associated with the Distributor's participation in China.

### **Section 2B: General Requirements for China Registered Foreign Executives**

1. The Distributor's initial right to participate as a China Registered Foreign Executive in China requires the Distributor to:
  - a. meet all requirements noted in the Contract for Executive-level Distributors;
  - b. maintain Executive status each month based on personal and organizational activity outside China;
  - c. attend a required training held in Utah in conjunction with the Company's global convention in September 2002 or other qualifying or additional required training sessions as designated by the company;
  - d. be fully compliant with and not have been deemed by the Company to have violated any pre-market opening restrictions for China as defined in the Distributor Contract, this Agreement, or otherwise communicated by the Company.
2. Prior to and after the beginning of the Distributor's participation in China authorized under the China Training Agreement, the Distributor's ongoing right to maintain participation as a China Registered Foreign Executive in China requires the Distributor to learn and obey all rules and regulations promulgated by the local and centralized governments of China related to his/her conducting any activities in China.

### **Section 3: China Travel and Training Rules**

1. With prior registration and written approval of the Company via the "China Training / Travel Request Form, the Company may authorize China Registered Foreign Executives to participate in the limited activities as described below, within the Area.
2. All travel to China for any purpose directly or indirectly related to Company business must be registered with the company. A China Training / Travel Request Form--including dates and details of the planned trip, an itinerary (dates, times and places) of all meetings to be conducted and the identity of those who will make the trip--must be filed with the company at least fifteen days prior to travel in China.
3. The Company reserves the right, in its sole discretion, to withdraw its approval for the participation of any China Registered Foreign Executive and require the China Registered Foreign Executive to immediately cease all activities related to the Company's business in China. Failure by the China Registered Foreign Executive to meet all requirements for ongoing participation as described in these China Supplemental Policies and Procedures may result in the termination of all benefits associated with the Distributor's participation in China.

4. The Company reserves the right to terminate all rights in participation and benefits conferred by this agreement for the violation of any provision of the Distributor Contract.
5. The Distributor agrees that the only permissible activities allowed by this agreement are:
  - a. traveling to China to participate in Company business related, permissible activities in China;
  - b. when becoming aware of individuals interested in Company's products, introducing these individuals to the stores to purchase products from the Store and to become preferred customers and qualifying sales representative employees of the local Nu Skin affiliate;
  - c. conducting product or sales training in the Area—when groups of five or more individuals are involved, these training sessions must take place at the Store or a company-approved location, be pre-registered with the Company, and may only include employee sales representatives or potential employee sales representatives; and
  - d. other activities as specifically authorized in advance, in writing, by the Company.
6. Activities that are specifically forbidden include but are not limited to:
  - a. importing any Company product into China;
  - b. selling any Company product in China
  - c. holding any meetings in the Area, outside the Store or company-approved location with more than five people;
  - d. advertising in any medium, in any country related to the Company products or opportunity, present or future, in China;
  - e. using any foreign ID number in China or referring in any way to the Company's global commission system and global business opportunity;
  - f. encouraging employee sales representatives at the Store to compete with each other for customers in the Area by offering discounted prices in the form of rebates or refunds for products purchased through the Store;
  - g. using any materials not produced by the Company and specifically authorized for use in China;
  - h. discussing any matter of a political or governmental nature;
  - i. collecting fees for meeting attendance;
  - j. using high pressure tactics;
  - k. attempting to introduce any unauthorized individual, e.g., non-residents of the People's Republic of China, government officials, full-time military personnel, currently employed persons, students, persons under age 22, as sales representatives; or
  - l. using Nu Skin name in any manner which has been not previously approved by the Company.
7. In addition to other remedies allowed under the general Policies and Procedures and these China Policies, disciplinary action for violating any provision of the China Policies may include forfeitures. This includes but is not limited to a 50% hold on all China related training fees for 6 months for a first offense, a 100% hold on all China related training fees for 1 year for a second offense and termination of the distributor's account with the company for a third offense.

8. The Distributor agrees that the benefits conferred and activities allowed under the International Training Agreement are dependent on continuing approval of all activities by the government of China. If permission for any or all activity of the Company or any Distributor is withdrawn by the government of China, all benefits conferred and all activities authorized under the Agreement, or the applicable portion thereof, will immediately cease until such time as permission to conduct any activity or confer any benefit under this agreement is reinstated by the government of China.
  
9. These China Policies supplements and forms part of the consolidated Policies and Procedures and as such, the provisions in the consolidated Policies and Procedures regarding Governing law Jurisdiction (section 27), Breach of Contract (section 6) and Litigation and Claims (section 30), as well as all other provisions of the Contract, shall apply to these China Policies.