

NU SKIN INTERNATIONAL, INC. APPEAL AND MEDIATION/ARBITRATION POLICY

I. Introduction

In order to expedite the resolution of any disputes that may arise under the independent Distributor Agreement, Nu Skin International, Inc. (“Nu Skin” or “Company”) and its sales force of independent contractors (“distributors”) desire to institute the following Appeal and Mediation/Arbitration Policy (“Policy”).¹ Disputes arising out of the independent contractor relationship between Nu Skin and its independent distributors and/or disputes between distributors arising out of business relationships as Nu Skin independent contractors will be resolved according to the Policies and Procedures and this Policy. This Policy is incorporated into Section 30 of the Policies and Procedures by reference. In consideration of the mutual promises and covenants contained herein, Nu Skin and each distributor agree to abide by the provisions of this Policy.

All disputes between Nu Skin and a distributor, which arise out of the contract between the parties, are handled initially by the Distributor Conduct Review Committee (“DCRC”) as described in Section 6 of the Policies and Procedures. Pursuant to this Policy, all disputes between distributors that consist of adverse legal interests, which arise out of or are related directly to the Nu Skin business, and that require an immediate and definitive determination, will also be initially referred to the DCRC.

After a dispute has been reviewed and decision made by the DCRC, then the appeal procedures of this Policy will apply. There are three potential forums of review of a distributor’s dispute: (1) review and decision by the Distributor Conduct Appeal Committee; (2) Mediation² by a neutral third party; and (3) Arbitration³ by a neutral third party.

1 Distributors are encouraged to attempt to resolve their disputes through negotiation prior to or during the procedures outlined in the Policy. At any time during the appeal process of the Policy, and subject to the approval of Nu Skin, the distributors may use their best efforts to settle the dispute. To this effect, they may consult and negotiate with each other in good faith and, recognizing their mutual interests, attempt to reach a just and equitable solution satisfactory to both parties. If the parties are unable to effectuate a negotiated settlement that is acceptable to the parties and Nu Skin, then the distributors will resolve the dispute under the Policies and Procedures and this Policy.

2 Mediation is a process whereby a neutral third party attempts to resolve a dispute between contending parties. The object of the mediator is to increase the parties mutual understanding of the dispute and persuade them to adjust their positions towards each other, and hopefully, reconcile the dispute.

3 Arbitration is the referral of a dispute to an impartial third party selected by Nu Skin and the distributors involved in the dispute. An arbitrator acts as a judge, listens to the parties’ evidence and renders an award. His award is a judgment that is enforceable in a court of law. The object of arbitration is the final disposition of differences of the parties in a faster, less expensive, and perhaps less formal manner than is available

If a party is not satisfied with a decision, then said party may request the decision to be reviewed in the next forum for resolving the dispute. However, a dissatisfied party may only proceed to the next level of review or abide by the decision. ⁴ A distributor cannot remove the dispute to a court of law. This Policy is the agreed upon procedure for resolving any of the above-described disputes.

The last forum for resolving a dispute is arbitration. The arbitrator's award is final and binding, which means that the award is conclusive and a final adjudication of the dispute. It is the same as a judgment and is enforceable by a court of law.⁵

Nu Skin's Policy is intended to balance the privacy of participants and witnesses with the right of distributors to information and evidence. Therefore, until the initiation of the arbitration process, information and evidence will be released to distributors as Nu Skin deems necessary in its sole discretion depending on the complexity of the case and its duty to preserve the delicate balance between privacy and disclosure. If the dispute proceeds to arbitration, then information and evidence shall be discoverable pursuant to the rules of the arbitration.

II. Distributor Disputes

A. Disputes Between Distributors

1. In the event of a dispute between Nu Skin distributors that consist of adverse legal interests, which arise out of or are related directly to the Nu Skin business, the aggrieved distributor is encouraged to first attempt to resolve the issue with the other party by direct discussion. The parties involved shall also contact Nu Skin in writing with a brief description of the dispute.

2. If the direct discussions do not resolve the dispute, the complaining distributor ("Claimant") shall notify Nu Skin by providing Nu Skin's DCRC with a written, sworn statement of the material facts of the dispute ("Complaint"). The Complaint shall include the following:

- a. The full name, title, work or home address and telephone number of each

in ordinary court proceedings.

⁴ Upon the recommendation of Nu Skin and the agreement of all parties, the parties may waive any part of the appeal process and proceed directly to the next level, or if desired, move directly to arbitration.

⁵ It is important that a distributor understands the rights available to him in order to resolve a dispute. However, subject to the award of an arbitrator, each distributor is responsible for his own attorney's fees, costs and his share of the cost of the arbitrator. These fees and costs can be substantial.

person known to have relevant information about factual matters pertaining to the circumstances set forth in the Complaint;

- b. Copies of all relevant documents in the Claimant's possession, custody or control that support the position of the Claimant; and
- c. Copies of relevant agreements between any of the distributors involved in the dispute.

3. Additionally, the Claimant may include a description of the efforts used by the parties to informally resolve the dispute. Failure to provide the DCRC with a complete Complaint may result in a delay of the investigation of the Complaint by the Company. Furthermore, failure to provide the DCRC with a complete Complaint, may result in dismissal of the Complaint and forfeiture of all rights under this Policy.

4. The Company shall undertake a reasonable review of the Complaint and within ninety (90) days of receipt of the Complaint, the DCRC shall issue a written decision ("DCRC Decision") of its findings regarding the Complaint and send it by priority mail to the Claimant. When deemed appropriate by the Company in its sole discretion, a copy of the DCRC Decision will be sent to any other interested party to the Complaint.

5. If the Claimant and the identified parties to the Complaint are satisfied with the DCRC Decision, then the dispute is deemed resolved and there is no need to proceed further. Furthermore, the Claimant and the identified parties to the Complaint agree to comply with the DCRC Decision. However, if the Claimant or any identified party to the Complaint is not satisfied with the DCRC Decision, then the dispute is not resolved and the parties may proceed to the appeal process set forth below in Section III.

B. Disputes Between Nu Skin and Distributors

Disputes between Nu Skin and a distributor arising out of their contractual relationship are initially reviewed by DCRC pursuant to the procedure set forth in section 6 of the Company's Policies and Procedures. Once the DCRC has rendered a decision ("DCRC Decision"), it will promptly notify the distributor. If the distributor is not satisfied with the DCRC Decision, then the distributor may appeal. The appeal process is set forth below in Section III.

III. Appeal

A. Appeal Request

1. A distributor, who has received a DCRC Decision, may appeal the DCRC Decision by providing the Company's Distributor Conduct Appeals Committee ("DCAC") with a written appeal ("Appeal"). Any distributor who submits an Appeal to the DCAC shall be

referred to as an “Appellant.”

2. The Appeal must be submitted to the DCRC within ten (10) business days (“Appeal Period”) from the date of the DCRC Decision and detail the Appellant’s objections to DCRC Decision. Failure to appeal the DCRC Decision within the Appeal Period will constitute acceptance of the DCRC Decision and the distributor agrees to abide by its terms. Should an Appellant require additional time beyond the Appeal Period in which to submit his Appeal, said Appellant must send written notice to the DCAC stating the reasons why he needs additional time for his submission. The DCAC will then notify the Appellant whether it will grant or deny the request. If granted, the DCAC will provide a new deadline for the Appellant’s submission of an Appeal.

3. The Appeal is limited in length to ten (10) written pages. It must include a sworn statement in response or rebuttal to the DCRC Decision and should contain all relevant information reasonably necessary for the DCAC to evaluate the Appeal.

B. Decision of DCAC

1. Upon the expiration of the Appeal Period or any extension, the DCAC will review the Appeal and the information provided to the DCRC. The DCAC will issue its final report (“DCAC Decision”) within ninety (90) days, and will send its DCAC Decision to the Appellant. A copy of the DCAC Decision will also be sent to any other identified party to the Appeal and any upline that is affected by the DCAC Decision.

2. If the Appellant and the identified parties to the Appeal are satisfied with the DCAC Decision, then the dispute is deemed resolved and there is no need to proceed further. Furthermore, the Appellant and the identified parties to the Appeal agree to comply with the DCAC Decision. However, if the Appellant or any identified party to the Appeal is not satisfied with the DCAC Decision, then the parties may proceed to the mediation process set forth below in Section IV.

IV. Mediation

A. Request for Mediation

1. The Appellant or any party to the Appeal shall promptly notify the DCAC in writing within ten (10) business days from the date of the DCAC Decision that said party requests that the dispute be referred to a neutral third party mediator (“Petition for Mediation”). Failure to submit a timely Petition for Mediation will constitute acceptance of the DCAC Decision and the distributor agrees to abide by its terms. The Petition for Mediation shall include any additional statements of facts or legal causes of action that have not already been provided to the DCRC or DCAC.

2. Within ten (10) business days of receipt of the Petition for Mediation, Nu Skin shall

notify its outside counsel of the Petition for Mediation. Nu Skin's outside counsel shall contact the parties to the Appeal, including those uplines affected by the DCAC Decision, regarding a mediation date and provide a list of potential mediators. The mediation shall be conducted by a neutral third party or professional mediator that has been agreed to by the parties. Parties that participate in the mediation and/or arbitration, including Nu Skin, will be referred to as the "Participants."

B. Mediation

1. The Participants agree to attempt in good faith to resolve the dispute by mediation before resorting to arbitration. The mediation will be held in Salt Lake City, Utah at the offices of Nu Skin's outside counsel. The mediation will take place no later than six months from the date of the Appeal.

2. The mediation will be conducted in the English language. However, at the request and the expense of the requesting Participant, documents and testimony will be translated into the requesting Participant's preferred language. All fees and costs of the mediation will be borne equally by the Participants in the mediation.

3. No Participant in the mediation may disclose the existence, content, or results of the mediation without the prior written consent of all Participants.

4. If the Participants in the mediation are satisfied with the results of the mediation, then the dispute is deemed resolved, and there is no need to proceed further. Furthermore, the Participants agree to comply with the mediated settlement. However, if any of the Participants in the mediation are not satisfied with the mediation, or there are issues of the dispute that remain unresolved, then the Participants may proceed to arbitration as set forth below in Section V.

V. Arbitration

A. Request for Arbitration

Within ten (10) business days from the date of the mediation, the Participant shall promptly notify all the other Participants in the mediation, in writing, that the Participant requests that the dispute be referred to arbitration before a neutral third party arbitrator ("Petition for Arbitration"). Failure to submit a timely Petition for Arbitration will constitute acceptance of the DCAC Decision and the distributor agrees to abide by its terms. Within a reasonable time after receipt of the Petition for Arbitration, Nu Skin, by and through its outside counsel, will contact all the Participants in the mediation regarding an arbitration date and provide a list of potential arbitrators.

B. Arbitration

1. The arbitration will be conducted by a professional arbitrator that has been agreed to by the Participants. The arbitration will be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association. Judgment upon the award rendered by the arbitrator may be entered in any court within the state of Utah.
2. The arbitrator will have the discretion to order a pre-hearing exchange of information by the Participants, including but not limited to, production of requested documents, exchange of summaries of testimony of proposed witnesses, and the depositions of witnesses and the Participants. Additionally, subject to the approval of the selected arbitrator, the Participants may submit a pre-arbitration brief outlining the legal causes of action and factual background.
3. The arbitration will be held Salt Lake City, Utah in the offices of Nu Skin's outside counsel. The arbitration will take place no later than six months after the date of the Petition for Arbitration. The arbitration will be conducted in the English language, but at the request and expense of the requesting Participant, documents and testimonies shall be translated into the requesting Participant's preferred language.
4. The arbitration will be **final and binding**. It will be a full resolution of all claims and disputes between the Participants in the arbitration. All uplines and downlines of the Participants shall be bound by the final arbitration award.
5. Each Participant in the arbitration is limited to the attendance of the Participant, those individuals appearing on the Participant's Distributor Agreement, and no more than two attorneys per Participant.
6. All fees and expenses of the arbitrator will be borne equally by the Participants in the arbitration. The arbitrator is authorized to award a Participant any sums that are deemed proper for the time, expense, and trouble of arbitration including arbitration fees and attorney's fees. Punitive damages, however, shall not be allowed in any dispute.
7. Except as may be required by law and Nu Skin's use of an arbitrator's award as precedence for deciding future disputes, neither a Participant nor the arbitrator may disclose the existence, content, or results of any arbitration without the prior written consent of all the Participants.