

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

FOR QUARTERLY AND TRANSITION REPORTS
PURSUANT TO SECTIONS 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1997

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 333-12073

Nu Skin Asia Pacific, Inc.
(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction
of Incorporation or Organization)
75 West Center Street, Provo, Utah
(Address of Principal Executive Offices)

87-0565309
(I.R.S. Employer
Identification No.)
84601
(Zip Code)

Registrant's telephone number, including area code (801) 345-6100

Indicate by check mark whether the registrant: (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such shorter period that the
registrant was required to file such reports), and (2) has been subject to such
filing requirements for the past 90 days. Yes No

As of April 15, 1997, 11,723,011 shares of the Company's Class A Common
Stock, \$.001 par value per share, 71,696,675 shares of the Company's Class B
Common Stock, \$.001 par value per share, and no shares of the Company's
Preferred Stock, \$.001 par value per share, were outstanding.

NU SKIN ASIA PACIFIC, INC.

1997 FORM 10-Q QUARTERLY REPORT - FIRST QUARTER

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Nu Skin Asia Pacific, Inc.
Consolidated Balance Sheets (Unaudited)
(in thousands)

	March 31, 1997	December 31, 1996
ASSETS		
Current assets		
Cash and cash equivalents	\$196,798	\$207,106
Accounts receivable	11,600	8,937
Related parties receivable	7,669	7,974
Inventories, net	54,749	44,860
Prepaid expenses and other	19,200	11,281
	-----	-----
	290,016	280,158
Property and equipment, net	8,725	8,884
Other assets, net	43,337	42,673
	-----	-----
Total assets	\$342,078	\$331,715
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 7,211	\$ 6,592
Accrued expenses	53,347	79,518
Related parties payable	70,035	46,326
Notes payable to stockholders	71,487	71,487
Note payable to NSI, current portion	10,000	10,000
	-----	-----
	212,080	213,923
Note payable to NSI, less current portion	--	10,000
	-----	-----
Commitments and contingencies		
Stockholders' equity		
Preferred stock - 25,000,000 shares authorized \$.001 par value, no shares issued and outstanding	--	--
Class A common stock - 500,000,000 shares authorized, \$.001 par value, 11,723,011 shares issued and outstanding	12	12
Class B common stock - 100,000,000 shares authorized, \$.001 par value, 71,696,675 shares issued and outstanding	72	72
Additional paid-in capital	137,876	137,876
Cumulative foreign currency translation adjustment	(9,023)	(5,963)
Retained earnings	31,981	11,493
Deferred compensation	(17,781)	(22,559)
Note receivable from NSI	(13,139)	(13,139)
	-----	-----
	129,998	107,792
	-----	-----
Total liabilities and stockholders' equity...	\$342,078	\$331,715
	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

Nu Skin Asia Pacific, Inc.
Consolidated Statements of Income (Unaudited)
(in thousands, except per share amounts)

	Three Months Ended March 31, 1997	Three Months Ended March 31, 1996
Revenue	\$210,994	\$124,185
Cost of sales	60,741	34,815
	-----	-----
Gross profit	150,253	89,370
Operating expenses		
Distributor incentives	80,543	46,181
Selling, general and administrative	34,483	20,027
Distributor stock expense	4,477	--
	-----	-----
Total operating expenses	119,503	66,208
	-----	-----

Operating income	30,750	23,162
Other income (expense), net	1,770	274
	-----	-----
Income before provision for income taxes	32,520	23,436
Provision for income taxes (Note 2)	12,032	8,686
	-----	-----
Net income	\$20,488	\$14,750
	=====	=====
Net income per share (Note 3)	\$.24	\$.18
	=====	=====
Weighted average common shares outstanding	85,416	80,518
	=====	=====

Pro forma data:

Income before pro forma provision for income taxes		\$23,436
Pro forma provision for income taxes (Note 2)		\$ 8,207

Income after pro forma provision for income taxes		\$15,229
		=====
Pro forma net income per share (Note 3)		\$.19
		=====

The accompanying notes are an integral part of these consolidated financial statements.

Nu Skin Asia Pacific, Inc.
Consolidated Statements of Cash Flows (Unaudited)
(in thousands)

	Three Months Ended March 31, 1997	Three Months Ended March 31, 1996
	-----	-----
Cash flows from operating activities:		
Net income	\$20,488	\$14,750
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,099	334
Amortization of deferred compensation	4,778	--
Changes in operating assets and liabilities:		
Accounts receivable	(2,663)	(1,027)
Related parties receivable	305	1,331
Inventories, net	(9,889)	(2,163)
Prepaid expenses and other	(7,919)	958
Other assets	(1,040)	101
Accounts payable	619	(1,769)
Accrued expenses	(26,171)	8,579
Related parties payable	23,709	(6,057)
	-----	-----
Net cash provided by operating activities	3,316	15,037
	-----	-----
Cash flows from investing activities:		
Purchase of property and equipment	(1,122)	(1,038)
Payment to NSI for distribution rights	(10,000)	--
Payments for lease deposits	(58)	--
Receipt of refundable lease deposits	122	--
	-----	-----
Net cash used in investing activities	(11,058)	(1,038)
	-----	-----
Cash flows from financing activities:		
Dividends paid	--	(9,500)
	-----	-----
Net cash provided by (used in) financing activities	--	(9,500)
	-----	-----
Effect of exchange rate changes on cash	(2,566)	144
	-----	-----
Net increase (decrease) in cash and cash equivalents	(10,308)	4,643
Cash and cash equivalents, beginning of period	207,106	63,213
	-----	-----
Cash and cash equivalents, end of period	\$196,798	\$ 67,856

Supplemental cash flow information:	=====	=====
Interest paid	\$ --	\$ 23
	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

Nu Skin Asia Pacific, Inc.
Notes to Consolidated Financial Statements

1. THE COMPANY

Nu Skin Asia Pacific, Inc. (the "Company") is a network marketing company involved in the distribution and sale of premium quality, innovative personal care and nutritional products. The Company is the exclusive distribution vehicle for Nu Skin International, Inc. ("NSI") in the countries of Japan, Taiwan, Hong Kong (including Macau), South Korea and Thailand, where the Company currently has operations (collectively referred to as the "Subsidiaries"), and in Indonesia, Malaysia, the Philippines, the PRC, Singapore and Vietnam, where operations have not yet commenced. Additionally, the Company sells products to NSI affiliates in Australia and New Zealand.

The Company was incorporated on September 4, 1996. It was formed as a holding company and acquired the Subsidiaries through a reorganization which occurred on November 20, 1996. Prior to the reorganization, each of the Subsidiaries elected to be treated as an S corporation. In connection with the reorganization, the Subsidiaries' S corporation status was terminated on November 19, 1996, and the Company declared a distribution to the stockholders that included all of the Subsidiaries' previously earned and undistributed taxable S corporation earnings totaling \$86.5 million (the "S Distribution Notes").

On November 27, 1996 the Company completed its initial public offerings of 4,750,000 shares of Class A common stock and received net proceeds of \$98.8 million (the "Offerings").

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments, consisting of normal recurring adjustments, considered necessary for a fair statement of the Company's financial information as of March 31, 1997 and 1996 and for the three months ended March 31, 1997 and 1996. The results of operations of any interim period are not necessarily indicative of the results of operations to be expected for the fiscal year. For further information, refer to the consolidated financial statements and accompanying footnotes included in the Company's annual report on Form 10-K for the year ended December 31, 1996.

2. INCOME TAXES

As a result of the Company's reorganization described in Note 1, the Company is no longer treated as an S corporation for U.S. Federal income tax purposes. The provision for income taxes for the three months ended March 31, 1996 primarily represents income taxes in foreign countries as U.S. Federal income taxes were levied at the stockholder level. The consolidated statements of income include a pro forma presentation for income taxes which would have been recorded if the Company had been taxed as a C corporation rather than as an S corporation for the three months ended March 31, 1996.

3. NET INCOME PER SHARE

Net income per share is computed based on the weighted average number of common shares and common share equivalents outstanding during the periods presented assuming that the Company's reorganization and the resultant issuance of 80.3 million shares of Class B common stock occurred as of January 1, 1996.

4. NEW ACCOUNTING STANDARDS

The Company is required to adopt Statement of Financial Accounting Standards No. 128 ("SFAS 128"), Earnings per Share, during the fourth

quarter of 1997. SFAS 128 specifies the computation, presentation and disclosure requirements for earnings per share. The Company does not believe that the adoption of SFAS 128 will have a material effect on the Company's method of calculation or display of earnings per share amounts.

5. SUBSEQUENT EVENTS

On April 4, 1997, the Company paid the balance on the notes payable to stockholders of \$71,487,000 with the related accrued interest expense of \$1,637,000. As described in Note 1, these notes originated in connection with the reorganization in which the Subsidiaries' S corporation status was terminated and the Company declared a distribution to the stockholders that included all of the Subsidiaries' previously earned and undistributed taxable S corporation earnings totaling \$86.5 million.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

1997 compared to 1996

Revenue increased 70% to \$211.0 million from \$124.2 million for the three months ended March 31, 1997 compared with the same period in 1996. This increase is primarily attributable to several factors. First, revenue in Japan increased by \$41.3 million, or 55%. This increase in revenue was primarily a result of continued growth of the IDN product line as well as increased sales following a distributor convention held in the first quarter of 1997. Second, revenue in Taiwan increased by \$13.9 million, or 43%, primarily as a result of growth in IDN sales following the late 1996 introduction of LifePak. Third, revenue in South Korea increased by \$28.9 million, primarily as a result of a full quarter of operations in 1997 as compared to a partial quarter in 1996 following the February opening. Fourth, the opening of Thailand in the first quarter of 1997 resulted in an additional \$2.7 million in revenue. Revenue in Hong Kong remained constant at \$4.2 million.

Gross profit as a percentage of revenue was 71.2% and 72.0% for the three months ended March 31, 1997 and 1996, respectively. This decrease reflected the strengthening of the U.S. dollar and the commencement of operations in South Korea in 1996. The Company purchases goods in U.S. dollars and recognizes revenue in local currency and is consequently subjected to exchange rate risks in its gross margins. The full quarter of operations in South Korea in 1997 also impacted gross profit as a percentage of revenue due to South Korean regulations which result in higher prices on imported products as compared to other markets.

Distributor incentives as a percentage of revenue increased to 38.2% for the three months ended March 31, 1997 from 37.2% for the three months ended March 31, 1996. The primary reasons for this increase were a more developed distributor network in Korea in 1997 along with sales of a smaller percentage of non-commissionable items throughout the Company in 1997.

Selling, general and administrative expenses as a percentage of revenue increased to 16.3% for the three months ended March 31, 1997 from 16.1% for the three months ended March 31, 1996. This increase was primarily due to increased promotion expenses of approximately \$2 million resulting from the first quarter distributor conventions and was offset somewhat by economies of scale gained as the Company's revenue increased.

Distributor stock expense of \$4.5 million reflects the one-time grant of the distributor stock options at an exercise price of 25% of the initial public offering price in connection with the Offerings completed on November 27, 1996. This non-cash expense is non-recurring and will be recorded each quarter in 1997.

Operating income increased 33% to \$30.8 million from \$23.2 million for the three months ended March 31, 1997 compared with the same period in 1996. This increase was caused primarily by an increase in revenue. Operating margin decreased from 18.7% to 14.6% for the three months ended March 31, 1997 compared with the same period in 1996. This margin decrease was caused primarily by the distributor stock expense, increased distributor incentives and lower gross margins.

Other income increased by \$1.5 million for the three months ended March 31, 1997 compared with the same period in 1996. The increase was primarily caused by an increase in interest income generated through the short-term investment of cash, along with approximately \$.5 million of exchange gains resulting from forward exchange contracts.

Provision for income taxes increased to \$12.0 million from \$8.7 million for the three months ended March 31, 1997 compared with the same period in 1996 due to increased income. The effective tax rate was 37.0% for the three months ended March 31, 1997 and 1996.

Net income increased by \$5.7 million to \$20.5 million from \$14.8 million for the three months ended March 31, 1997 compared with the same period in 1996

due primarily to increased revenue. Net income as a percentage of revenue decreased to 9.7% for the three months ended March 31, 1997 as compared to 11.9% for the same period in 1996 due to the reduction in operating margin.

Liquidity and Capital Resources

The Company underwent a reorganization and the Offerings in November 1996. During the Offerings, the Company raised \$98.8 million in net proceeds. As of the date of the reorganization, the aggregate undistributed taxable S corporation earnings of the Subsidiaries were \$86.5 million. The Subsidiaries' earned and undistributed S corporation earnings through the date of termination of the Subsidiaries' S corporation status were distributed in the form of the S Distribution Notes, promissory notes bearing interest at 6.0% per annum. From the proceeds of the Offerings, \$15.0 million was used to pay a portion of the S Distribution Notes, leaving an unpaid S Distribution Note balance of \$71.5 million at March 31, 1997.

In November 1996, the Company purchased from NSI the distribution rights to seven new markets in the region. These markets include Thailand, where operations commenced in March 1997, and Indonesia, Malaysia, the Philippines, the PRC, Singapore and Vietnam, where operations have not yet commenced. These rights were purchased for \$25.0 million of which \$5.0 million was paid from the proceeds of the Offerings. During the three months ended March 31, 1997 an additional \$10.0 million was paid. At March 31, 1997, the Company had a \$10.0 million short term obligation, due January 15, 1998, related to the purchase of these rights. Interest accrues at a rate of 6.0% per annum on amounts due under these obligations.

The remaining \$78.8 million in net proceeds from the Offerings are to be used for new market development, introducing new products, enhancing the Company's technological infrastructure, establishing additional office and distribution centers and for other general corporate purposes. Management anticipates using the remaining net proceeds of the Offerings within the next three years.

The Company generates significant cash flow from operations due to its significant growth, high margins and minimal capital requirements. Additionally, the Company does not extend credit to distributors, but requires payment prior to shipping products. This process eliminates the need for accounts receivable from distributors. During the three months ended March 31, 1997, the Company generated \$3.3 million from operations compared to \$15.0 million during the three months ended March 31, 1996. This decrease in cash flows from operations is primarily due to the build up of inventories to support future market demands and the payment of income taxes during the first quarter of 1997.

As of March 31, 1997, working capital was \$77.9 million compared to \$66.2 million as of December 31, 1996. Cash and cash equivalents at March 31, 1997 were \$196.8 million compared to \$207.1 million at December 31, 1996.

Historically, the Company's principal need for funds has been for distributor incentives, working capital (principally inventory purchases), capital expenditures and the development of new markets. The Company has generally relied entirely on cash flow from operations to meet its business objectives without incurring long term debt to unrelated third parties.

Capital expenditures, primarily for equipment, computer systems and software, office furniture and leasehold improvements, were \$1.1 million and \$1.0 million for the three months ended March 31, 1997 and 1996, respectively. In addition, the Company anticipates capital expenditures through 1998 of an additional \$23.9 million to further enhance its infrastructure, including computer systems and software, warehousing facilities and walk-in distributor centers in order to accommodate future growth.

As a part of the Company's and NSI's strategy to motivate distributors with equity incentives, the Company sold to NSI an option to purchase 1.6 million shares of the Company's Class A Common Stock. NSI purchased the option with a \$13.1 million 10-year note payable to the Company bearing interest at 6.0% per annum. It is anticipated that the note will be repaid as distributors begin to exercise their options beginning in 1998.

Under its operating agreements with NSI, the Company incurs related party payables. The Company had related party payables of \$70.0 million and \$46.3 million at March 31, 1997 and December 31, 1996, respectively. In addition, the Company had related party receivables of \$7.7 million and \$8.0 million, respectively, at those dates. Related party balances outstanding in excess of 60 days bear interest at a rate of 2% above the U.S. prime rate. As of March 31, 1997, no material related party payables or receivables had been outstanding for more than 60 days.

Management considers the Company to be liquid and able to meet its obligations on both a short and long-term basis. Management believes existing cash balances together with future cash flows from operations will be adequate to fund cash needs relating to the implementation of the Company's strategic plans, including opening new markets, funding the payment of the S Distribution Notes and the note payable to NSI related to the purchase of the distribution rights.

Currency Fluctuation and Exchange Rate Information

The Company's revenues and most of its expenses are recognized primarily outside of the United States. Each entity's local currency is considered the functional currency. All revenue and expenses are translated at weighted average exchange rates for the periods reported. Therefore, the Company's reported sales and earnings will be positively impacted by a weakening of the U.S. dollar and will be negatively impacted by a strengthening of the U.S. dollar.

The Company purchases inventory from NSI in U.S. dollars and assumes currency exchange rate risk with respect to such purchases. Local currency in Japan, Taiwan, Hong Kong, South Korea and Thailand is generally used to settle non-inventory transactions with NSI. Given the uncertainty of exchange rate fluctuations, the Company cannot estimate the effect of these fluctuations on its future business, product pricing, results of operations or financial condition. However, because nearly all of the Company's revenue is realized in local currencies and the majority of its cost of sales is denominated in U.S. dollars, the Company's gross profits will be positively affected by a weakening in the U.S. dollar and will be negatively affected by a strengthening in the U.S. dollar. The Company reduces its exposure to fluctuations in foreign exchange rates by creating offsetting positions through the use of foreign currency exchange contracts. The Company does not use such financial instruments for trading or speculative purposes. The Company regularly monitors its foreign currency risks and periodically takes measures to reduce the impact of foreign exchange fluctuations on the Company's operating results.

Following are the weighted average currency exchange rates of \$1 into local currency for each of the Company's markets for the quarters listed:

	1995				1996				1997
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter
Japan(1)	96.2	84.4	94.2	101.5	105.8	107.5	109.0	112.9	121.4
Taiwan	26.2	25.6	27.0	27.2	27.4	27.4	27.5	27.5	27.5
Hong Kong	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7
South Korea(1)	786.9	763.1	765.6	769.1	782.6	786.5	815.5	829.4	863.9
Thailand	24.9	24.6	24.9	25.1	25.2	25.3	25.3	25.5	26.0

(1) Between December 31, 1996 and April 15, 1997, the exchange rates of \$1 into Japanese yen and South Korean won achieved highs of 126.84 yen and 899.0 won, respectively. Since January 1, 1992, the highest and lowest exchange rates for the Japanese yen have been 134.82 and 80.63, respectively, and for the South Korean won have been 899.0 and 755.8, respectively.

Outlook

Management believes that implementation of its business strategies will lead to continued growth in local currency revenue. However, revenue in South Korea is expected to stabilize during 1997 while the local distributor leadership develops and the global distributor leadership focuses attention on the Thailand market opening, as well as their own local markets. The productivity of operations in Thailand is difficult to assess because operations commenced in March 1997.

Concern over the strengthening of the U.S. dollar in South Korea and Japan are important issues for management in 1997 and will most likely have a negative impact on the Company's gross margins and reported U.S. dollar revenue and operating results. Announced 5-9% price increases in Japan, Hong Kong and South Korea may partially offset these negative effects, but the Company anticipates a modest decrease in gross margins during 1997 as well as reduced revenue and income growth rates due to anticipated weaker currencies in these markets. In addition, the Company will incur additional selling, general and administrative expenses in 1997, compared to 1996 because of the regulatory compliance costs associated with a full year's operations as a public company. Management currently anticipates that the distributor equity program may heighten distributor enthusiasm in 1997 and that the distributor stock expense of \$18.0 million in 1997 will not continue thereafter.

The statements made above in this Outlook section are forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. These forward-looking statements involve risks and uncertainties and are based on certain assumptions that may not be realized. Actual results and outcomes may differ materially from the those discussed or anticipated. Factors that might

cause such differences include, but are not limited to, risks and uncertainties associated with management of the Company's growth, the Company's dependence on independent distributors and the effects on distributors of the NSI distributor equity program, potential adverse effects of the Company's planned price increases on sales and distributor growth, the Company's planned expansion into new markets and the introduction of new products in the Company's existing markets, fluctuations in foreign currency values relative to the U.S. Dollar, and risks inherent in the importation, regulation and sale of products in the Company's markets. For a more detailed discussion of these and other risks please refer to the documents filed by the Company with the Securities and Exchange Commission, specifically the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is not a party to any litigation or other legal proceedings or investigations which is expected to have a material adverse effect on its financial condition or results of operations, nor are any such proceedings known to be contemplated.

ITEM 2. CHANGES IN SECURITIES

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of the security holders during the first quarter ended March 31, 1997.

ITEM 5. OTHER INFORMATION

As disclosed in the Company's Prospectus dated December 12, 1996, the availability of distributor options in each country in which NSI distributors reside is entirely dependent upon and subject to NSI's ability to secure all necessary regulatory approvals, qualifications or exemptions in each such country. As of the date of this filing, NSI has been unable to secure necessary legal approvals to implement its distributor option plan in South Korea. In addition, as required by Japanese law, the terms "commissions" or "compensation" for purposes of calculating weighted individual compensation and weighted total compensation in the formula used to determine allocations of distributor options, shall not include rebates paid on personal sales efforts (Personal Sales Incentive Rebates or PSIR) or commissions paid on personal sales volume as part of the Executive Fountain Bonus. This represents a minor modification in the distributor option allocation formula as applied in Japan. The distributor stock option plan as implemented in the Netherlands and Hong Kong, has been changed to provide that vested distributor options will be exercisable for 90 days following December 31, 1997 provided a Netherlands or Hong Kong distributor holding such options maintains an Executive Pin Level of Gold or higher until the date of exercise.

April 30, 1997 Press Release

On April 30, 1997, the Company issued a press release summarizing the financial information presented in this Quarterly Report on Form 10-Q.

The Company also included in the press release a table showing distributor growth by market, as set forth below.

Nu Skin Asia Pacific, Inc.
Distributor Growth by Market

	As of March 31, 1997		As of March 31, 1996		% Increase	
	Active	Executive	Active	Executive	Active	Executive
Japan	229,000	12,535	166,000	6,252	38.0 %	100.0 %
Taiwan	85,000	5,251	84,000	3,579	1.2 %	46.7 %
South Korea	57,000	5,112	30,000	--	90.0 %	--
Thailand	19,000	--	--	--		
Hong Kong	14,000	551	13,000	492	7.7%	12.0 %
	-----	-----	-----	-----		
Total	404,000	23,449	293,000	10,323	37.9 %	127.2 %
	=====	=====	=====	=====		

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- (a) 10.1 Wholesale Distribution Agreement between Nu Skin Personal Care (Thailand), Ltd. and Nu Skin Hong Kong, Inc. dated March 12, 1997.
- 10.2 Management Services Agreement between Nu Skin International Management Group, Inc. and Nu Skin Personal Care (Thailand), Ltd. dated March 12, 1997.
- 10.3 Trademark/Tradenname Licensing Agreement between Nu Skin International, Inc. and Nu Skin Personal Care (Thailand), Ltd. dated March 12, 1997.
- 10.4 Licensing and Sales Agreement between Nu Skin International, Inc. and Nu Skin Personal Care (Thailand), Ltd. dated March 12, 1997.
- 27 Financial Data Schedule

(b) On January 27, 1997, the Company filed a Current Report on Form 8-K dated January 13, 1997 relating to the issuance of 8,011 shares of Class A Common Stock pursuant to Regulation S under the Securities Act of 1933, as amended. On March 12, 1997, the Company filed a Current Report on Form 8-K dated February 2, 1997 relating to certain press releases issued by the Company, including announcements regarding the operating results for the Company for the quarter December 31, 1996, the announcement of the opening of Thailand and the appointment of three new outside directors.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on this 13th day of May, 1997.

NU SKIN ASIA PACIFIC, INC.

By: /s/ Corey B. Lindley
Corey B. Lindley
Its: Vice President of Finance (Principal
Financial and Accounting Officer)

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THIS WHOLESALE DISTRIBUTION AGREEMENT (hereinafter "Agreement") is made and entered this 12th day of March, 1997, by and between Nu Skin Personal Care (Thailand) Ltd., a corporation organized under the laws of Thailand and the State of Delaware, U.S.A., (hereinafter "NSPCT"), and Nu Skin Hong Kong, Inc., a corporation organized under the laws the State of Utah, U.S.A., (hereinafter "NSHK"). Hereinafter, NSPCT and NSHK collectively shall be referred to as the "Parties."

W I T N E S S E T H

WHEREAS, NSI (as hereinafter defined) is engaged in the design, production and marketing of Products and Sales Aids (as hereinafter defined) for distribution in international markets through a network of independent distributors; and,

WHEREAS, NSI has authorized and appointed NSHK as its exclusive regional distributor of Products and Sales Aids in certain countries in the Asia/Pacific region (including the Territory (as hereinafter defined)) and desires to appoint subdistributors in certain of such countries pursuant to Section 2.2 of its Regional Distribution Agreement with NSI, dated as of November 21, 1996 (the "Regional Distribution Agreement"); and,

WHEREAS, NSPCT desires, on the terms and conditions hereinafter set forth, to act as the exclusive distributor of NSHK of Products and Sales Aids in the Territory; and,

WHEREAS, NSHK is willing, on the terms and conditions hereinafter set forth, to grant to NSPCT the exclusive right to so distribute Products and Sales Aids; and,

WHEREAS, the Parties wish to enter into a Wholesale Distribution Agreement as set forth herein;

NOW, THEREFORE, in consideration of the premises, the mutual covenants herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I DEFINITIONS

For the purposes of this Agreement the following words, terms, and phrases shall have the meaning assigned to them in this Article I, unless the context otherwise requires or the parties otherwise agree within the terms of this Agreement:

1.1 "Agreement" shall mean this Wholesale Distribution Agreement between NSHK and NSPCT (together with any exhibits and schedules hereto), as the same may be modified, amended or supplemented from time to time.

1.2 "NSI Independent Distributor" shall mean a person or business entity authorized by contract with NSI to distribute, as an independent contractor, the Products and Sales Aids in accordance with the terms of such distribution contract.

1.3 "NSI" shall mean Nu Skin International, Inc., a corporation, duly organized and existing under the laws of the State of Utah, U.S.A.

1.4 "Products" shall mean those products, including without limitation, cosmetics, nutritional products, dietary supplements, vitamins, over-the-counter drugs, quasi-drugs, drugs and pharmaceutical products that are produced, manufactured or purchased by NSI for sale or resale, subject to unavailability due to local regulatory requirements in the Territory.

1.5 "Territory" shall mean the country of Thailand.

1.6 "Sales Aids" shall mean materials, in whatever form, designed, approved and produced by NSPCT to assist in the marketing of the Products in the Territory.

1.7 "Trademarks" shall mean those words, symbols, devices, logos, trade names and company names or combinations thereof owned by NSI and used in relation to or on Products and Sales Aids, whether or not registered.

ARTICLE II APPOINTMENT AS EXCLUSIVE WHOLESALE DISTRIBUTOR

2.1 Scope. NSHK hereby appoints NSPCT as NSHK's exclusive distributor, during the term of this Agreement, for the sale and distribution of Products and Sales Aids in the Territory, under the Products' names, logos, and Trademarks, subject to all terms and conditions of this Agreement, and NSPCT hereby accepts such appointment and authorization.

2.2 Sub-distributors. Except for the sale of Products and Sales Aids to NSI Independent Distributors, NSPCT shall not, without the prior written approval of NSHK, appoint sub-distributors or agents to promote or distribute Products or Sales Aids inside or outside the Territory.

2.3 Sales of Products and Sales Aids.

2.3(a) NSPCT agrees that any distribution of Products or Sales Aids in the Territory shall be made only to NSI Independent Distributors.

2.3(b) To facilitate sales to NSI Independent Distributors, NSPCT shall have the right to access information regarding such NSI Independent Distributors in the Territory as provided by NSI to NSHK pursuant to the Regional Distribution Agreement.

2.4 NSHK Sales in the Territory. NSHK agrees not to sell Products or Sales Aids to any party within the Territory or to any party outside the Territory for delivery within the Territory, except to NSPCT pursuant to the terms and conditions of this Agreement, unless NSHK has received the written consent of NSPCT.

2.5 Sales Outside the Territory. NSPCT agrees that it will not sell Products or Sales Aids outside the Territory. Further, NSPCT shall not promote or solicit customers for Product or Sales Aids sales outside the Territory. NSPCT shall not establish any facility outside the Territory through which orders are solicited or in which inventories of Products or Sales Aids are stored without NSHK's written consent.

2.6 Territory Orders and Inquiries. The Parties acknowledge that from time to time inquiries and orders concerning the Territory will arise. If NSHK receives any order or inquiry concerning the sale of Products or Sales Aids in the Territory, NSHK agrees to give prompt notice of such inquiry or order to NSPCT, such notice to include the name and address of the person making the order or inquiry as well as any other relevant details regarding such order or inquiry that NSPCT shall reasonably request. If NSPCT receives any order or inquiry concerning the sale of Products or Sales Aids outside the Territory, NSPCT agrees to give NSHK prompt notice of such inquiry or order, such notice to include the name and address of the person making the order or inquiry, as well as any other relevant details regarding such order or inquiry that NSHK shall reasonably request.

ARTICLE III GOVERNMENTAL APPROVALS AND REGISTRATIONS

NSPCT agrees to obtain, or cause to be obtained, at its sole cost and expense, any governmental approval and make, or cause to be made, any filings or notifications required under all applicable laws, regulations and ordinances of the Territory to enable this Agreement to become effective, to enable the Products or Sales Aids to be sold in the Territory (except as otherwise provided herein) or to enable any payment pursuant to the provisions of this Agreement to be made. NSPCT agrees to keep NSHK informed of the progress in obtaining all such government approvals.

ARTICLE IV OBLIGATIONS OF NSPCT AS EXCLUSIVE WHOLESALE DISTRIBUTOR IN THE TERRITORY

4.1 Marketing and Distribution. NSPCT shall have the following obligations with respect to marketing and distribution of the Products and Sales Aids:

4.1(a) To use its best efforts to further the promotion, marketing, sales and other distribution of the Products and Sales Aids in the Territory.

4.1(b) To maintain, or cause to be maintained, an adequate and balanced inventory of Products, Sales Aids, supplies and necessary materials to promote, market, sell and distribute the Products and Sales Aids within the Territory.

4.1(c) To ensure that all inquiries by NSI Independent Distributors and customers, including complaints are responded to promptly. To ensure that all orders are processed and all shipments of Products and Sales Aids are made within the Territory in a timely fashion.

4.1(d) To diligently investigate or cause to be investigated all leads with potential customers referred to it by NSHK or NSI, or their affiliates.

4.1(e) To permit NSHK to visit NSPCT and to visit NSPCT's place of business and inspect its inventories, service records, financial records and other relevant documents.

4.1(f) To maintain, cause to be maintained, or contract to maintain, adequate personnel, distribution and laboratory facilities dedicated on a full-time or part-time basis to the quality control and sale of Products, in compliance with and to the extent required by all laws, ordinances and regulations applicable within the Territory.

4.1(g) To provide, at the request of NSHK, a business plan for the term and in the form and detail reasonably requested by NSHK and to update such business plan as reasonably requested by NSHK.

4.1(h) To provide, at the request of NSHK, reports of its activities and sales respecting the Products and Sales Aids in the Territory in a form and in such detail and for such time period as NSHK may reasonably require.

4.2 NSPCT Operations. NSPCT agrees to maintain, or cause to be maintained, such facilities and other places of business within the Territory necessary to effect the purposes and intentions of this Agreement. NSPCT further agrees to bear all costs and expenses it incurs in the negotiation, memorialization, execution and performance of all leases, rentals, equipment, salaries, taxes, licenses, insurance, permits, telephone, telegraph, promotional, advertising, travel, accounting and legal expenses, relating to such facilities.

4.3 Pricing Information. At the request of NSHK, NSPCT agrees to advise NSHK of the distribution prices of the Products or Sales Aids to be sold to NSI Independent Distributors within the Territory.

4.4 NSPCT Claims and Representations. NSPCT shall not make any promises, representations, warranties or guarantees respecting the Products, Sales Aids or the NSI distributor sales and compensation plan, except in accordance with those representations, warranties or guarantees as provided by NSI with respect thereto and in accordance and compliance with the applicable laws of the Territory.

4.5 Capitalization. NSPCT agrees to capitalize itself adequately and maintain its operations both on a financially sound basis and in compliance with all applicable laws, regulations or ordinances covering the operations of such a business entity within any country in which it may conduct business.

4.6 Customer Support. NSPCT agrees to cooperate with NSHK in dealing with any NSI Independent Distributor or customer complaints concerning the Products and the Sales Aids and to take any action requested by NSHK to solve such complaints. NSPCT also agrees to assist NSHK in arranging for any customer warranty service required by law or required pursuant to the judgment of NSHK.

4.7 Allocation of Expenses.

4.7(a) Import Licenses. To the extent import licenses are required for the importation of the Products or Sales Aids into the Territory, NSPCT hereby agrees that it will be responsible for securing and maintaining such import licenses and payment of all costs and expenses associated therewith.

4.7(b) Import Expenses. NSPCT agrees that it will be responsible for payment of all customs duties, excise taxes, similar governmental charges and levies, and any other charges or expenses related to any Products or Sales Aids imported into the Territory.

4.7(c) Freight. NSPCT shall be liable for all freight charges not allocated to NSHK pursuant to Section 7.4(c) hereof.

4.7(d) Other Expenses. In addition to the costs and expenses described in clauses (a), (b) and (c) above, NSPCT agrees that it will be responsible for payments of the following expenses, fees and costs, related to the development and maintenance of the Nu Skin business in the Territory: (a) fees and expenses to incorporate operating entities; (b) fees and expenses for obtaining business licenses and permits; (c) fees, costs and expenses incurred in drafting and producing required company documentation, Sales Aids, and other literature such as product catalogs as well as contracts such as local product purchase agreements; (d) fees and costs incurred in determining the requirements for registering Products, including ascertaining and complying with labeling and custom\import requirements; (e) expenses and costs related to locating and establishing office, warehouse and other physical facilities, including build out, furnishings and equipment, as well as negotiation and securing of necessary leases and permits; (f) all costs and expenses related to hiring a general manager and staff, and compliance with local labor laws and requirements; provided that fees, costs or expenses are not allocated NSHK.

ARTICLE V

PURCHASE, SALE AND DELIVERY OF PRODUCTS AND SALES AIDS

5.1 Agreement to Purchase. NSPCT shall order such quantities of Products and Sales Aids as it deems necessary to meet its sales requirements within the Territory.

5.1(a) Each order shall be in the form of a written and signed purchase order appearing on the official letterhead of NSPCT. Each purchase order shall be forwarded directly to NSI with a copy to be forwarded simultaneously therewith to NSHK. NSHK shall review such purchase order for compliance with the terms of the Regional Distribution Agreement and for reasonableness of the quantities ordered with forecasted sales of Products by NSPCT. Unless earlier waived, NSHK shall have the right, within ten (10) days after placement of such purchase order, to rescind such purchase order and shall notify NSPCT and NSI in writing of its decision to exercise such rescission rights prior to the expiration of such ten-day period.

5.1(b) Each purchase order shall identify the Product(s) or Sales Aids to

be purchased, the country to which such Products or Sales Aids shall be distributed to ensure shipment and receipt of Products or Sales Aids which comply with such country's laws and regulations, the quantities thereof, and the shipment dates therefor.

5.1(c) NSHK shall use its best efforts to cause NSI to accept each Purchase Order for Products or Sales Aids placed by NSPCT pursuant to this Article and subject to:

5.1(c)(i) The availability in NSI's current inventory of the Product(s) or Sales Aid(s) ordered by NSPCT; and,

5.1(c)(ii) The inability of NSI to perform by reason of force majeure as defined in Section 15.4 hereof; and,

5.2 Payment Due Date. NSPCT shall pay for each shipment of Products and Sales Aids within sixty (60) days after the date of arrival or the date of dispatch of a commercial shipping invoice, whichever is later, and shall make payment for such Products and Sales Aids as provided in Section 6.2 of this Agreement.

5.3 Passage of Title and Risk of Loss. Title to and risk of loss for any Product(s) or Sales Aid(s) ordered and shipped pursuant to the terms of this Article shall remain with NSHK delivery of the Products or Sales Aid(s) to NSPCT or its designated agent at the port designated in the purchase order or at some point in transit as the parties may agree in writing, at which time title and risk of loss passes to NSPCT. Shipments shall be made in a commercially reasonable manner in accordance with standards applicable in the trade and industry.

5.4 Inspection. Within forty-five (45) days following actual receipt of a shipment of Products or Sales Aids by NSPCT, NSPCT shall inspect, or cause to be inspected, the Products and Sales Aids and shall notify NSHK and NSI in writing, in accordance with Section 15.2, of any defects in such shipment of Products or Sales Aids. In the event of such notification, NSHK shall make appropriate arrangements, acceptable to NSPCT, to replace any such defective Products or Sales Aids at NSHK's sole cost and expense or, failing such replacement, shall, at the option of NSHK, either credit the purchase price of the defective Products or Sales Aids to NSPCT's account or promptly grant NSPCT a cash refund for such purchase price. If NSHK is not notified of any defect in a shipment of Products or Sales Aids within forty-five (45) days after actual receipt thereof by NSPCT, then NSPCT shall be deemed to have waived its right to claim any defect in the Products or Sales Aids contained in such shipment; provided that for any latent or other defect not reasonably discernable upon inspection of the Products or Sales Aids under the prevailing circumstances NSPCT shall have until forty-five (45) days after discovery of such defect to exercise its rights under this Section 5.4.

5.5 Inventory Obsolescence. In the event and to the extent that Products or Sales Aids in the possession of NSPCT shall, due to the expiration, change in market conditions, or other reasons not within the control of NSPCT, become nonsaleable, NSHK agreed to credit the original purchase price of such Products or Sales Aids to NSPCT. The ultimate cost and method of disposal of any such Products and Sales Aids shall be the responsibility of NSHK.

ARTICLE VI PRODUCT AND SALES AIDS PURCHASE PRICES AND TERMS OF PAYMENT

6.1 Product Availability and Pricing. Prices to be paid by NSPCT to NSHK for Products and Sales Aids purchased hereunder shall be negotiated and determined on an arm's length basis and be adjusted from time to time as agreed by the Parties in writing.

6.2 Payment Method. NSPCT shall pay the commercial invoices for Products and Sales Aids shipped under this Agreement in immediately available funds by wire transfer to a bank or banks designated by NSHK, or by such other means of payment agreed to by NSHK from time to time. All purchases of Products and Sales Aids will be payable in Thailand Baht with any exchange rate risk to be borne by NSHK. Without limiting any of NSHK's other rights and remedies pursuant to this Agreement, amounts not paid within the time period set forth in the payment provisions herein shall bear interest at the prime interest rate as reported in The Wall Street Journal plus two percent (2%) for the full period outstanding.

ARTICLE VII OBLIGATIONS OF NSPCT AS SUPPLIER OF PRODUCTS AND SALES AIDS

7.1 Product Formulation. In consultation with NSI, NSHK and NSPCT agree to cooperate to mutually determine the formulae or ingredients to be used for Products in the Territory based on local market regulations and consumer preferences.

7.2 Warranty. NSHK warrants that the Products and Sales Aids supplied hereunder shall be merchantable under (and will comply with) the laws and regulations of the jurisdiction in which distribution of such Product or Sales Aid is intended; that it will deliver good title thereto and that Products and Sales Aids will be delivered free from any lawful security interest or other lien or encumbrance.

7.2(a) NSHK's liability for any breach of such warranties shall not exceed in amount the price of the Products or Sales Aids in respect of which any breach is claimed. NSHK'S WARRANTY STATED HEREIN IS EXPRESSLY IN LIEU OF ANY OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY IMPLIED WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE.

7.2(b) NSHK neither assumes nor authorizes any person or entity to assume for it any other liability in connection with the Products or Sales Aids supplied hereunder, and there are no oral contracts or warranties collateral to or affecting this Agreement. NSHK shall not be liable to NSPCT or any third parties for consequential, special or incidental damages.

7.3 Delivery. NSHK shall promptly, in accordance with normal and commercially reasonable delivery schedules in the trade, deliver to NSPCT those Products or Sales Aids for which NSPCT places orders in accordance with Article V hereof.

7.4 Allocation of Expenses.

7.4(a) Export Licenses. To the extent NSHK is required to obtain any United States, Hong Kong or other export licenses to export the Products or Sales Aids to the Territory, NSHK shall pay all costs and expenses associated therewith.

7.4(b) Export Expenses. NSHK agrees that it will be responsible for payments of all customs duties, excise taxes and similar governmental charges and levies related to the export of the Products or Sales Aids from the United States of America, Hong Kong or any other jurisdiction.

7.4(c) Freight. NSHK shall be liable for reasonable ocean freight and insurance costs and expenses related to the export of the Products and Sales Aids from the United States, Hong Kong or any other jurisdiction and delivery of the Products and Sales Aids to the Territory as designated in the purchase order.

ARTICLE VIII SALE AND MANUFACTURE OF PRODUCTS

8.1 Non-Competing Products. Nothing contained herein, shall restrict or prohibit NSPCT from selling, distributing, manufacturing or causing to be manufactured products or materials which do not compete directly or indirectly with the Products and Sales Aids, provided that such other products do not infringe upon any patent, name, Trademark, emblem, trade name, design right, model or other commercial or industrial property right of NSI.

8.2 Competing Products. During the term of this Agreement, NSPCT shall not, and shall not authorize a third party to, manufacture, cause to be manufactured, distribute or sell (i) any products or materials which directly or indirectly compete with the Products or the Sales Aids or (ii) copies of the Products, Sales Aids, or other products that might reasonably be deemed under U.S. or foreign law to be confusingly similar to the Products or Sales Aids, in each case without the prior written consent of NSHK.

8.3 Discontinued Products. Notwithstanding the foregoing, in the event NSHK receives notice from NSI of the discontinuance of the sale of any Product, NSHK shall promptly notify NSPCT of such discontinuance and thereafter NSPCT may elect to manufacture or cause to be manufactured such Product; provided that, if such discontinued Product competes directly or indirectly with any other NSI Product, the prior written consent of NSI shall be required. If NSPCT elects to so manufacture or cause to be manufactured such discontinued Product, NSHK shall, pursuant to the terms of the Regional Distribution Agreement, request that NSI license the formula to such discontinued Product to NSPCT on substantially the same terms as set forth in the Trademark/Tradename License Agreement, dated as of the date hereof, by and between NSI and NSPCT.

ARTICLE IX NATURE OF RELATIONSHIP

The relationship of NSPCT and NSHK shall be and at all times remain, respectively, that of independent contractor and contracting party. Nothing contained or implied in this Agreement shall be construed to constitute either party as the legal representative or agent of the other or to constitute or construe the Parties as partners, joint venturers, co-owners or otherwise as participants in a joint or common undertaking. Neither Party is authorized to conclude any contract or agreement or make any commitment, representation or warranty that binds the other or otherwise act in the name of or on behalf of the other.

ARTICLE X TERM

Subject to Article XI hereof, this Agreement shall be for a term ending on December 31, 2016 or the termination of the Regional Distribution Agreement in accordance with its terms provided, however, that this Agreement is subject to

renegotiation after December 31, 2001 in the event that (i) Blake M. Roney, Nedra D. Roney, Sandie N. Tillotson, Craig Tillotson, Craig Bryson, Steven J. Lund, Brooke B. Roney, Kirk V. Roney and Keith R. Halls (the "NSI Stockholders"), or members of their families, or trusts or foundations established by or for the benefit of the NSI Stockholders or members of their families on a combined basis no longer beneficially own a majority of the voting stock of Nu Skin Asia Pacific, Inc ("Nu Skin Asia Pacific"), or (ii) the NSI Stockholders, or members of their families, or trusts or foundations established by or for the benefit of the NSI Stockholders or members of their families on a combined basis no longer beneficially own a majority of the voting stock of NSI.

ARTICLE XI TERMINATION

11.1 This Agreement may be terminated by either Party in the following circumstances immediately or at any time after the occurrence of any of the following events:

(a) the other Party shall commence any case, proceeding or other action (i) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, compensation or other relief with respect to it or its debts, or (ii) seeking appointment of a receiver, trustee, custodian or other similar action; or

(b) there shall be commenced against the other Party any case, proceeding or other action of a nature referred to in clause (a) above which (i) results in the entry of an order for relief or any such adjudication or appointment or (ii) remains undismissed, undischarged or unbonded for a period of 90 days. Events described in clauses (a) and (b) of this Section 11.1 shall be referred to as a "Bankruptcy Event". If a Bankruptcy Event occurs, all amounts owing under this Agreement shall become immediately due and payable, without any notice thereof; or

(c) if the other Party causes or allows a judgment in excess of twenty-five million dollars (\$25,000,000) to be entered against it or voluntarily allows a lien, security interest, or other encumbrance to attach to its assets which secures an amount in excess of twenty-five million dollars (\$25,000,000).

11.2 This Agreement may be terminated by either Party, if the other Party is in default in the performance of any material obligation under this Agreement and such default has not been cured within sixty (60) days after receipt of written notice of such default by the defaulting party.

ARTICLE XII EFFECT OF TERMINATION

12.1 Upon termination of this Agreement, all rights and licenses herein granted to NSPCT shall cease and shall revert to NSHK and NSPCT shall immediately cease holding itself out to the public as NSHK's exclusive wholesale distributor in the Territory or otherwise represent that it is associated in any manner with NSHK.

12.2 Upon termination of this Agreement, NSHK may either (a) deliver, and NSPCT shall pay for, all Products and Sales Aids ordered by NSPCT prior to such termination or (b) cancel, without cost or liability, the order of such Products or Sales Aids.

12.3 Upon termination of this Agreement, neither party shall be released from its obligations to pay monies due or to become due to the other party or to complete any unfulfilled obligations under this Agreement, and each party shall immediately pay, perform and discharge all debts, obligations and liabilities hereunder.

12.4 Upon termination of this Agreement for any reason, neither party shall be liable for any special, indirect, incidental, punitive or consequential damages, regarding such termination, irrespective of whether such obligations or liabilities may be contemplated in any law applicable within the Territory and or elsewhere, and, except as otherwise provided by applicable law, each party hereby waives and relinquishes any rights, pursuant to law or otherwise, to any such damages. The remedies contained herein shall be exclusive.

12.5 The provisions of Article XII, Article XIII and Article XIV, as well as any other provisions that by their terms so provide, shall survive termination of this Agreement and continue in full force and effect thereafter.

ARTICLE XIII CONFIDENTIALITY

13.1 All trade secrets, proprietary technology, know-how or other non-public or proprietary business or technical information owned or used by NSHK or NSPCT and supplied to or acquired by the other whether in oral or documentary form (the "Confidential Information") shall be supplied and acquired in confidence and shall be solely for the use of the receiving party pursuant to

this Agreement and such party shall keep the Confidential Information confidential and shall not disclose the same, at any time during the term of this Agreement or after its termination, except to its employees, or its affiliates, or its affiliates' employees for the purposes of its business in accordance with this Agreement and except as may be required by law; provided that if the receiving party determines that a disclosure is required by law, the receiving party shall notify the disclosing party in order to give the disclosing party an opportunity to seek an injunction or otherwise attempt to keep the Confidential Information confidential. The receiving party shall, at the request of the disclosing party, destroy or return the Confidential Information without retaining copies if, as and when this Agreement is terminated or expires. For purposes of this Agreement, the term "Confidential Information" shall not include information or documents that (i) become generally available to the public other than as a result of a disclosure by the receiving party, (ii) was otherwise lawfully available to the receiving party, or (iii) was generated independently by the receiving party. The provisions of this Article shall survive termination of this Agreement.

ARTICLE XIV INDEMNIFICATION AND INSURANCE

14.1 NSHK agrees during and after the term of this Agreement to indemnify and hold harmless NSPCT from liability, loss, cost or damage, (including reasonable attorney's fees) which NSPCT may incur as a result of claims, demands or judgments, of any kind or nature, by anyone whomsoever, arising out of (i) an alleged or actual defect in the design, manufacture or content of, or any harm caused by any Products or Sales Aids or the failure of any Product to comply with all applicable regulatory requirements in the Territory; or (ii) a claim that NSI's proprietary information infringes any patent, copyright, trade secret or other intellectual property right of a third party; provided that NSPCT provides NSHK with prompt notice in writing of any such claim or demand and NSPCT cooperates with NSHK in the defense or settlement of any such claim or action.

14.2 At all times during and following the terms of this Agreement, NSHK shall maintain insurance (or cause that NSPCT to be added as an additional insured to any policy not maintained by NSHK) with one or more reputable insurers reasonable in coverage and amount in direct proportion and corresponding to the business to be conducted by NSPCT pursuant to this Agreement.

14.3 NSPCT shall at all times remain fully liable for the performance of its sub-distributors and/or agents and NSPCT hereby agrees to indemnify and hold harmless NSHK from all damages, losses, cost or expenses arising in any manner from any act or omission on the part of its sub-distributors or agents.

ARTICLE XV MISCELLANEOUS

15.1 Assignment. This Agreement shall be binding on and inure to the benefit of the heirs, successors, assigns and beneficiaries of the Parties; provided that neither Party may assign this Agreement or any rights or obligations hereunder, whether by operation of law or otherwise, without the prior written consent of the other party's authorized representative. Any such attempted assignment, without the written consent provided herein, shall be void and unenforceable.

15.2 Notices. All notices, requests and other communications hereunder shall be in writing and shall be deemed to have been duly given, if delivered by hand, or if communicated by facsimile, cable or similar electronic means to the facsimile number or cable identification number as previously provided by each party to the other, at the time that receipt thereof has been confirmed by return electronic communication or signal that the message has been received, or if mailed, ten (10) days after dispatch by registered airmail, postage prepaid, from any post office addressed as follows:

If to NSHK: Attn.: Regional Legal Counsel
 Nu Skin Hong Kong, Inc.
 25th Floor, Windsor House
 311 Gloucester Road
 Causeway Bay, Hong Kong
 Facsimile No.: 852-882-7809

If to NSPCT: Attn.: General Manager
 Nu Skin Personal Care (Thailand) Ltd.
 15th Floor Building III
 SCB Park Plaza East
 19 Ratchadapisek Road
 Ladyao, Jatujak
 Bangkok, Thailand 10900
 Facsimile No.: 662-937-9939

Either party may change its facsimile number, cable identification number or address by a notice given to the other party in the manner set forth above.

15.3 Waiver and Delay. No waiver by either party of any breach or default in performance by the other party, and no failure, refusal or neglect of either

party to exercise any right, power or option given to it hereunder or to insist upon strict compliance with or performance of the other party's obligations under this Agreement, shall constitute a waiver of the provisions of this Agreement with respect to any subsequent breach thereof or a waiver by either party of its right at any time thereafter to require exact and strict compliance with the provisions thereof.

15.4 Force Majeure. The Parties shall not be responsible for failure to perform hereunder due to force majeure, which shall include, but not be limited to: fires, floods, riots, strikes, labor disputes, freight embargoes or transportation delays, shortage of labor, inability to secure fuel, material, supplies, equipment or power at reasonable prices or on account of shortage thereof, acts of God or of the public enemy, war or civil disturbances, any existing or future laws, rules, regulations or acts of any government (including any orders, rules or regulations issued by any official or agency or such government) affecting a party that would delay or prohibit performance hereunder, or any cause beyond the reasonable control of a party. If an event of force majeure should occur, the affected party shall promptly give notice thereof to the other party and such affected party shall use its reasonable best efforts to cure or correct any such event of force majeure. 15.5 Governing Law and Dispute Resolution. This Agreement shall be governed by and construed in accordance with the laws of the State of Utah, applicable to contracts made and to be wholly performed within such State. Any dispute arising out of this Agreement, if not resolved by mutual agreement of NSHK and NSPCT within 30 days after written notice of such dispute is given by NSHK or NSPCT, as the case may be, shall be resolved through arbitration with the Utah office and division of the American Arbitration Association ("AAA"). If the dispute is not resolved within such 30-day period, the Parties shall petition the AAA to promptly appoint a competent, disinterested person to act as such arbitrator. Within 30 days after the designation or appointment of such arbitrator, such arbitrator shall be required to commence the arbitration proceeding in the State of Utah at a time and place to be fixed by the arbitrator, who shall so notify NSHK and NSPCT. Such arbitration proceeding shall be conducted in accordance with the applicable rules and procedures of the AAA, and/or as otherwise may be agreed by NSHK and NSPCT. The decision of the arbitrator shall be final and binding upon NSHK and NSPCT and may be enforced in any court of competent jurisdiction. The expenses and costs of such arbitration shall be divided and borne equally by NSHK and NSPCT; provided, that each of NSHK and NSPCT shall pay all fees and expenses incurred by it in presenting or defending against such claim, right or cause of action.

15.6 Applicability of Post-Effective Laws. The Parties agree that neither the Vienna Convention on the International Sale of Goods nor any such similar law, treaty or act that becomes effective during the term of this Agreement shall be applicable to this Agreement or the transactions contemplated hereunder.

15.7 Integrated Contract. This Agreement constitutes the entire agreement between the Parties relating to the subject matter hereof and supersedes all prior or contemporaneous negotiations, representations, agreements and understandings (both oral and written) of the Parties.

15.8 Modifications and Amendments. No supplement, modification or amendment of this Agreement shall be binding unless it is in writing and executed by both of the Parties.

15.9 Severability. To the extent that any provision of this Agreement is (or, in the opinion of counsel mutually acceptable to both parties, would be) prohibited, judicially invalidated or otherwise rendered unenforceable in any jurisdiction, such provision shall be deemed ineffective only to the extent of such prohibition, invalidation or unenforceability in that jurisdiction, and only within that jurisdiction. Any prohibited, judicially invalidated or unenforceable provision of this Agreement will not invalidate or render unenforceable any other provision of this Agreement, nor will such provision of this Agreement be invalidated or rendered unenforceable in any other jurisdiction.

15.10 Counterparts and Headings. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. All headings and captions are inserted for convenience of reference only and shall not affect the meaning or interpretation of any provision hereof.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their respective duly authorized representatives in the United States of America as of the day and the year first above written.

NU SKIN HONG KONG, INC.

NU SKIN PERSONAL CARE (THAILAND) LTD.

BY: Steven J. Lund
ITS: Executive Vice President

BY: Truman Hunt
ITS: Secretary

MANAGEMENT SERVICES AGREEMENT

between

NU SKIN INTERNATIONAL MANAGEMENT GROUP, INC.

and

NU SKIN PERSONAL CARE (THAILAND) LTD.

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MANAGEMENT SERVICES AGREEMENT

THIS MANAGEMENT SERVICES AGREEMENT is made and entered into effective March 12, 1997 between Nu Skin International Management Group, Inc., a corporation organized under the laws of the State of Delaware, U.S.A. (hereinafter referred to as "NSIMG"), and Nu Skin Personal Care Ltd., a corporation organized under the laws of Thailand and the State of Delaware, U.S.A. (hereinafter referred to as "NSPCT"). NSIMG and NSPCT shall hereinafter be collectively referred to as the "Parties" and each shall be individually referred to as a "Party."

W I T N E S S E T H

WHEREAS, NSIMG desires to provide Management and Consulting Services (as hereinafter defined) to NSPCT, and NSPCT desires to obtain such Management and Consulting Services from NSIMG;

NOW, THEREFORE, in consideration of the premises, the mutual promises and covenants hereinafter set forth and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, the Parties agree as follows:

ARTICLE 1
DEFINITIONS

For purposes of this Agreement, the following terms shall have the meaning set out below:

- 1.1 "Agreement" shall mean this Management Services Agreement between NSIMG and NSPCT, as the same may be modified, amended or supplemented from time to time.
- 1.2 "Allocable Expenses" shall mean all expenses incurred by NSIMG in providing Management and Consulting Services other than Direct Expenses including without limitation, the following: rents, utilities, telephone, equipment, recruitment, office supplies, and other overhead expenses, certain salary costs and expenses related to conventions, travel and accommodations at anniversary events, the permitted use and appropriation of the names and likeness of directors, and executive officials of NSPCT or NSIMG, telephone calls and counseling and conferences and meetings with NSPCT managers and NSI independent distributors. Allocable Expenses shall be calculated in accordance with Sections 3.2 and 4.2.
- 1.3 "Consulting Personnel" shall mean employees of NSIMG or, with the consent of NSPCT, such other persons or entities as NSIMG may retain, hire, or otherwise contract with for the provision of Management and Consulting Services on behalf of, or in conjunction with, NSIMG.
- 1.4 "Direct Expenses" shall mean all expenses incurred in the provision of Management and Consulting Services for NSPCT, which expenses are measured solely for the benefit of NSPCT, including, without limitation, certain salary costs, benefits and business expenses, convention expenses and travel expenses.
- 1.5 "Expatriate Personnel" shall mean Consulting Personnel who reside in Thailand and are used by NSPCT for a definite or indefinite period of time to perform Management and Consulting Services.
- 1.6 "Management and Consulting Services" shall mean the following services provided by Consulting Personnel: management, legal, financial, marketing and distribution support/training, public relations, international expansion, human resources, strategic planning, product development and operations administration and such other services as the Parties may agree to from time to time.
- 1.7 "NSI" shall mean Nu Skin International, Inc., a corporation duly organized and existing under the laws of the state of Utah.

ARTICLE 2
MANAGEMENT AND CONSULTING SERVICES

- 2.1 Services. NSIMG hereby agrees to provide Management and Consulting Services to NSPCT as NSPCT may request from time to time, until termination of this Agreement. NSPCT agrees to reimburse and compensate NSIMG for Management and Consulting Services rendered pursuant to this Agreement in accordance with the applicable compensation and invoicing provisions hereof.
- 2.2 Performance of Services. Unless otherwise agreed between the Parties, the Management and Consulting Services shall be provided through Consulting Personnel, as requested by NSPCT.
- 2.3 Expatriate Employees. The Parties shall agree to the terms and circumstances pursuant to which a Consulting Employee may be assigned as an Expatriate Employee to work with NSPCT; provided that nothing in this Agreement shall be interpreted to mean that NSIMG must make available any Consulting Employee to work at NSPCT as an Expatriate Employee.
- 2.4 Approval of Services. NSPCT hereby agrees that, by accepting and paying invoices as provided in Article 3 herein, NSPCT will be deemed to have approved the nature and extent the Management and Consulting Services so invoiced.

ARTICLE 3
COMPENSATION OF SERVICE PROVIDER

- 3.1 3.1(a) Compensation for Services by Consulting Personnel. NSPCT agrees to compensate NSIMG for Management and Consulting Services that it provides to NSPCT (other than Expatriate Personnel) in the form of a fee equal to the Direct Expenses plus Allocable Expenses incurred by NSIMG for Management and Consulting Services provided to NSPCT plus three percent (3%) of such Direct Expenses and Allocable Expenses, as

such fee may be adjusted from time to time by mutual agreement of the Parties; provided that, unless otherwise agreed between the Parties, Allocable Expenses shall not, for any period, exceed one and one-half percent (1 1/2%) of NSPCT's revenues for such period.

- 3.1(b) Reimbursement of Cost of Expatriate Personnel. NSPCT agrees to reimburse NSIMG for any direct costs of Expatriate Personnel incurred by NSIMG attributable to such Expatriate Personnel seconded to NSI.
- 3.2 Determination of Allocable Expenses. Allocable Expenses for any period shall be equal to the total Allocable Expenses incurred by NSI or NSIMG's internal departments for such period multiplied by the percentage of such Allocable Expenses allocable to NSPCT pursuant to the then applicable time allocation study prepared pursuant to Section 4.2 hereof.
- 3.3 Currency. Any compensation to be paid to NSIMG for Management and Consulting Services rendered pursuant to this Agreement shall be paid in United States Dollars.
- 3.4 Payment and Invoicing. Within thirty (30) days after the end of each month, NSIMG shall prepare and deliver an invoice to NSPCT setting forth the fees payable hereunder for Management and Consulting Services rendered pursuant to this Agreement during such month.
- 3.5 Due Date. Payments due under this Agreement shall be due and payable within sixty (60) days after the date of dispatch of the invoice for such payments.
- 3.6 Delinquent Payments. Without limiting any of Parties' other rights and remedies under this Agreement, amounts outstanding under the terms of this Agreement not paid within sixty (60) days from the date due and payable, and as set forth in the payment provisions herein, shall bear interest at the prime interest rate as reported in the Wall Street Journal plus two percent (2%) for the full period outstanding. Whether or not interest charges are actually levied is at the discretion of the Party to whom payment is due and payable.

ARTICLE 4 PREPARATION AND SHARING OF REPORTS AND INFORMATION

- 4.1 Periodic Reports on Management and Consulting Services. NSPCT may, upon thirty (30) days' written notice, request operations reports of NSIMG setting forth such information regarding the Management and Consulting Services provided under this Agreement and for such time periods as NSPCT shall reasonably request.
- 4.2 Time Allocation Study. NSIMG has prepared a study accurately reflecting the allocation of time spent by NSI's or NSIMG's internal department and consulting personnel on the services provided to NSPCT under this Agreement. The study shall be updated on a quarterly basis. NSPCT may request a copy of the then applicable time allocation study from NSIMG upon thirty (30) days' written notice.
- 4.3 Sharing of Information and Witnesses. At all times during the term of this Agreement and for a period of three years thereafter, each of the Parties shall maintain at its principal place of business full, complete and accurate books of account and records with regard to its activities under this Agreement. In addition to books and records, NSIMG and NSPCT may from time to time have in their possession or under their control (or the control of persons or entities which have rendered services) additional books, records, contracts, instruments, data and other information (together with the books and records referred to in the first sentence of this Section 4.3, the "Information") which may prove necessary or desirable to the other in connection with the other's business. Accordingly, (i) NSIMG shall provide to NSPCT, and NSPCT shall provide to NSIMG upon the other's request, at all reasonable times, full and complete access to (including access to persons with respect to, and all Information as the other may reasonably request and require in the conduct of its business, and (ii) NSIMG shall make available to NSPCT and NSPCT shall make available to NSIMG, upon the other's request, such persons as may reasonably be required to assist with any legal, administrative or other proceedings in which NSPCT or NSIMG, as the case may be, may from time to time be involved. The Information shall include, without limitation, information sought for audit, accounting, claims, litigation and tax purposes as well as for, in the case of NSPCT, purposes of fulfilling disclosure and reporting obligations under the United States securities laws. The Party providing Information or making available witnesses shall be entitled to receive from the other Party, upon the presentation of invoices therefor, payment for its reasonable out-of-pocket expenses incurred in connection therewith (but not the labor costs thereof), but shall not be entitled to receive any other payment with respect thereto. Nothing in this Agreement shall require either Party to reveal to the other any information if to do so would violate such Party's written and enforceable duty of confidence to a third party from whom or which

such information was obtained; under such circumstances, however, the parties shall work together to obtain a release of such information without violation of such duty of confidence.

ARTICLE 5
NON-DISCLOSURE OF CONFIDENTIAL INFORMATION

All trade secrets, proprietary technology, know-how or other non-public or proprietary business or technical information owned or used by NSIMG or NSPCT and supplied to or acquired by the other whether in oral or documentary form (the "Confidential Information") shall be supplied and acquired in confidence and shall be solely for the use of the receiving party pursuant to this Agreement and such party shall keep the Confidential Information confidential and shall not disclose the same, at any time during the term of this Agreement or after its termination, except to its employees for the purposes of its business in accordance with this Agreement and except as may be required by law; provided that if the receiving party determines that a disclosure is required by law, the receiving party shall notify the disclosing party in order to give the disclosing party an opportunity to seek an injunction or otherwise attempt to keep the Confidential Information confidential. The receiving party shall, at the request of the disclosing party, destroy or return the Confidential Information without retaining copies if, as and when this Agreement is terminated or expires. For purposes of this Agreement, the term "Confidential Information" shall not include information or documents that (i) become generally available to the public other than as a result of a disclosure by the receiving party, (ii) was otherwise lawfully available to the receiving party, or (iii) was generated independently by the receiving party. The provisions of this Article shall survive termination of this Agreement.

ARTICLE 6
TERM

Subject to Article VII hereof, this Agreement shall be for a term ending on December 31, 2016; provided, however, that this Agreement is subject to renegotiation after December 31, 2001 in the event that (i) Blake M. Roney, Nedra D. Roney, Sandie N. Tillotson, Craig Tillotson, Craig Bryson, Steven J. Lund, Brooke B. Roney, Kirk V. Roney and Keith R. Halls (the "NSI Stockholders"), or members of their families, or trusts or foundations established by or for the benefit of the NSI Stockholders or members of their families on a combined basis no longer beneficially own a majority of the voting stock of Nu Skin Asia Pacific, Inc ("Nu Skin Asia Pacific"), or (ii) the NSI Stockholders, or members of their families, or trusts or foundations established by or for the benefit of the NSI Stockholders or members of their families on a combined basis no longer beneficially own a majority of the voting stock of NSI.

ARTICLE 7
TERMINATION

7.1 This Agreement may be terminated by either Party immediately or at any time after the occurrence of any of the following events:

(a) the other Party shall commence any case, proceeding or other action (i) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it as bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, compensation or other relief with respect to it or its debts, or (ii) seeking appointment of a receiver, trustee, custodian or other similar action; or

(b) there shall be commenced against the other Party any case, proceeding or other action of a nature referred to in clause (a) above which (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed, undischarged or unbonded for a period of 90 days. Events described in clauses (a) and (b) of this Section 7.1(a) shall be referred to as a "Bankruptcy Event". If a Bankruptcy Event occurs, all amounts owing under this Agreement shall become immediately due and payable, without any notice thereof; or

(c) if the other Party causes or allows a judgment in excess of twenty-five million dollars (\$25,000,000) to be entered against it or involuntarily allows a lien, security interest, or other encumbrance to attach to its assets which secures an amount in excess of twenty-five million dollars (\$25,000,000).

7.2 This Agreement may be terminated by either Party, if the other Party is in default in the performance of any material obligation under this Agreement and such default has not been cured within sixty (60) days after receipt of written notice of such default by the defaulting Party; or

7.3 This Agreement may be terminated by NSIMG if Nu Skin Asia Pacific shall no longer own or control a majority of the voting interest in NSPCT, with such termination to take effect thirty (30) days after NSI

If to NSPCT:

Attn.: General Manager
Nu Skin Personal Care (Thailand) Ltd.
15th Floor Building III
SCB Park Plaza East
19 Ratchadapisek Road
Ladyao, Jatujak
Bangkok, Thailand 10900
662-937-9900
Facsimile No.: 662-937-9939

- 10.3 Waiver and Delay. No waiver by any Party of any breach or default in performance by any other Party, and no failure, refusal or neglect of any Party to exercise any right, power or option given to it hereunder or to insist upon strict compliance with or performance of the other Party's obligations under this Agreement, shall constitute a waiver of the provisions of this Agreement with respect to any subsequent breach thereof or a waiver by any Party of its right at any time thereafter to require exact and strict compliance with the provisions thereof.
- 10.4 Force Majeure. The Parties shall not be responsible for failure to perform hereunder due to force majeure, which shall include, but not be limited to: fires, floods, riots, strikes, labor disputes, freight embargoes or transportation delays, shortage of labor, inability to secure fuel, material, supplies, equipment or power at reasonable prices or on account of shortage thereof, acts of God or of the public enemy, war or civil disturbances, any existing or future laws, rules, regulations or acts of any government (including any orders, rules or regulations issued by any official or agency or such government) affecting a Party that would delay or prohibit performance hereunder, or any cause beyond the reasonable control of a Party. If an event of force majeure should occur, the affected Party shall promptly give notice thereof to the other Party and such affected Party shall use its reasonable best efforts to cure or correct any such event of force majeure.
- 10.5 Governing Law and Dispute Resolution. This Agreement shall be governed by and construed in accordance with the laws of the State of Utah, applicable to contracts made and to be wholly performed within such State. Any dispute arising out of this Agreement, if not resolved by mutual agreement of NSIMG and NSPCT within 30 days after written notice of such dispute is given by NSIMG or NSPCT, as the case may be, shall be resolved through arbitration with the Utah office and division of the American Arbitration Association ("AAA"). If the dispute is not resolved within such 30-day period, the Parties shall petition the AAA to promptly appoint a competent, disinterested person to act as such arbitrator. Within 30 days after the designation or appointment of such arbitrator, such arbitrator shall be required to commence the arbitration proceeding in the state of Utah at a time and place to be fixed by the arbitrator, who shall so notify NSIMG and NSPCT. Such arbitration proceeding shall be conducted in accordance with the applicable rules and procedures of the AAA, and/or as otherwise may be agreed by NSIMG and NSPCT and may be enforced in any court of competent jurisdiction. The expenses and costs of such arbitration shall be divided and borne equally by NSIMG and NSPCT; provided, that such of NSIMG and NSPCT shall pay all fees and expenses incurred by it in presenting or defending against such claim, right or cause of action.
- 10.6 Applicability of Post-Effective Laws. The Parties agree that neither the Vienna Convention on the International Sale of Goods nor any such similar law, treaty or act that becomes effective during the term of this Agreement shall be applicable to this Agreement or the transactions contemplated hereunder.
- 10.7 Integrated Contract. This Agreement constitutes the entire agreement between the Parties relating to the subject matter hereof and supersedes all prior or contemporaneous negotiations, representations, agreements and understanding (both oral and written) of the Parties.
- 10.8 Modifications and Amendments. No supplement, modification or amendment of this Agreement shall be binding unless it is in writing and executed by all Parties.
- 10.9 Severability. To the extent that any provision of this Agreement is (or, in the opinion of counsel mutually acceptable to all Parties, would be) prohibited, judicially invalidated or otherwise rendered unenforceable in any jurisdiction relevant to the Parties, such provision shall be deemed ineffective only to the extent of such prohibition, invalidation or unenforceability in that jurisdiction, and only within that jurisdiction. Any prohibited, judicially invalidated or unenforceable provision of this Agreement will not invalidate or render unenforceable any other provision of this Agreement, nor will such provision of this Agreement be invalidated or

rendered unenforceable in any other jurisdiction.

10.10 Counterparts and Headings. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. All headings and captions are inserted for convenience of reference only and shall not affect the meaning or interpretation of any provision hereof.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their authorized representatives.

NU SKIN INTERNATIONAL MANAGEMENT GROUP, INC.

By:
Name: Blake M. Roney
Title: President

NU SKIN PERSONAL CARE (THAILAND) LTD.

By:
Name: Truman Hunt
Title: Secretary

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TRADEMARK \ TRADENAME LICENSING AGREEMENT

THIS TRADEMARK \ TRADENAME LICENSING AGREEMENT (hereinafter the "Agreement") is made and entered into this 12th day of March, 1997, between Nu Skin International, Inc., a corporation organized under the laws of the State of Utah, U.S.A., (hereinafter referred to as "NSI"), and Nu Skin Personal Care (Thailand) Ltd., a corporation organized under the laws of Thailand and the State of Delaware, U.S.A., (hereinafter "NSPCT"). Hereinafter, NSI and NSPCT shall collectively be referred to as the "Parties."

W I T N E S S E T H

WHEREAS, NSI is engaged in the design, production and marketing of Products (as defined below) and related Sales Aids (as defined below) for distribution in the international markets of the Asia-Pacific region through a network of independent distributors; and,

WHEREAS, NSPCT acts as the exclusive wholesale distributor of Products in Thailand, having entered into a separate Wholesale Distribution Agreement with Nu Skin Hong Kong, Inc., ("NSHK") dated as of the date hereof, the exclusive regional distributor of Products and Sales Aids in the Asia-Pacific region; and,

WHEREAS, NSPCT has investigated the marketing potential for Products and Commercial Materials (as defined below) it intends to design, manufacture, produce and distribute to enhance further its competitiveness in the Territory (as defined below); and,

WHEREAS, NSPCT is in compliance with the requirements of its distribution arrangement with NSHK and received appropriate consent in accordance with the provisions of the agreement governing their relationship pertaining to distribution of Products and the manufacture of non- competing Products in the Territory; and,

WHEREAS, NSPCT desires to affix NSI Trademarks (as defined below) to the Products and to affix NSI Tradenames (as defined below) to Commercial Materials it envisions for the Territory thereby deriving benefit from the goodwill, value and reputation such marks and names shall lend when used to identify such Products and Commercial Materials; and,

WHEREAS, the Parties desire to enter into a trademark and tradename licensing agreement as set forth herein;

NOW THEREFORE, in consideration of the premises, the mutual promises, covenants, and warranties hereinafter set forth and for other valuable consideration, the sufficiency of which is hereby acknowledged, the Parties agree as follows:

ARTICLE I
DEFINITIONS

For the purposes of this Agreement, the following words and terms shall have the meaning assigned to them in this Article I:

1.1 "Agreement" shall mean this Trademark\Tradename Licensing Agreement (together with any exhibits and schedules hereto), as the same may be modified, amended or supplemented from time to time.

1.2 "Commercial Materials" shall mean, without limitation, any business marquis, sign, letterhead, business card, pamphlet, brochure, magazine, flyer, newsletter, Sales Aid, advertisement or other associated tangible materials NSPCT uses in its activities with the Independent Distributor Network or the public to enhance its image and competitiveness in the Territory that NSPCT has not purchased from NSI or NSHK. Commercial Materials shall not, for the purposes of this Agreement, include Introductory Kits (as defined below).

1.3 "Independent Distributor Network" shall mean the network of all NSI Independent Distributors.

1.4 "Introductory Kit" shall mean those materials approved by NSI and not purchased from NSI or NSHK that are intended for sale in conjunction with the execution of a distributor contract to NSI Independent Distributors in the Territory explaining the Nu Skin independent business opportunity, the contractual relationship with NSI and the marketing support programs for the Territory.

1.5 "Know-How" shall mean any information, including, without limitation, any commercial or business information, lists, marketing methods, marketing surveys, processes, specifications, quality control reports, drawings, photographs, or any other information owned by NSI, whether or not considered proprietary, relating to the Independent Distributor Network, NSI Independent Distributors, the NSI distributor lists, and the NSI sales compensation plan.

1.6 "Licensed Marks and Names" shall mean any NSI Trademark, including those affixed to any Product for purposes of identifying, promoting or selling such Product in the Territory to any NSI Independent Distributor, and any NSI Tradename, including those affixed to or used in connection with any Commercial Materials produced to further NSPCT's commercial activities in the Territory and any product formula as agreed to by the Parties from time to time.

1.7 "Net Sales" shall mean, for any period, the number of Products, Commercial Materials and Introductory Kits (or any part thereof) sold by NSPCT during such period, multiplied by NSPCT's then current selling price to NSI Independent Distributors for each such Product, Commercial Material and Introductory Kits, less applicable consumption taxes and returns or refunds reasonably accepted and credited by NSPCT during such period.

1.8 "NSI Independent Distributor" shall mean a person or business

entity authorized by contract with NSI to distribute, as an independent contractor Products and Sales Aids.

1.9 "NSI Trademark" shall mean any NSI service mark, trademark, logo or device (or combination thereof) used or for which NSI has a bonafide intent to use, registered or otherwise.

1.10 "NSI Tradename" shall mean any commercially valuable "mark," "name," or "device" or combination thereof whether or not similar in appearance to any NSI Trademark of which NSI is the owner, registered or otherwise.

1.11 "Product" shall mean any of the following bearing an NSI Trademark: any product, including, without limitation, cosmetics, nutritional products, dietary supplements, vitamins, over-the-counter drugs, quasi-drugs, drugs and pharmaceutical products, and other products, which NSPCT designs, manufactures, produces and/or distributes or causes to be designed, manufactured, produced or distributed in the Territory, that NSPCT has not purchased from NSI or NSHK Products shall not, for the purposes of this Agreement, include Introductory Kits.

1.12 "Proprietary Information" shall mean, without limitation, all information other than information in published form or expressly designated by either party in writing as non-confidential, which is directly or indirectly disclosed to the other party, regardless of the form in which it is disclosed, relating in any way to the following property owned by the Parties or which the Parties have been licensed to use or sub-license: (1) proprietary technical information related to the Licensed Marks and Names and the Introductory Kit; (2) information respecting actual or potential customers or customer contacts and customer sales strategies, names, addresses, phone numbers, identification numbers, database information and its organization, unique business methods; (3) market studies, penetration data, customers, products, contracts, copyrights, computer programs, applications, technical data, licensed technology, patents, inventions, procedures, methods, designs, strategies, plans, liabilities, assets, cost revenues, sales costs, production costs, raw material sources and other market information; (4) other sales and marketing plans, programs and strategies; (5) trade secrets, Know-How, designs and proprietary commercial and technical information, methods, practices, procedures, processes, formulae with respect to manufacturing, assembly, design or processing products subject to this Agreement and any component, part or manufacture thereof; (6) profits, organization, employees, agents, distributors, suppliers, trademarks, tradenames and services; (7) other business and commercial practices in general relating directly or indirectly to the foregoing; (8) computer disks or other records or documents, originals or copies, containing in whole or in part any of the foregoing; and (9) tax information, returns and other financial information.

1.13 "Sales Aid" shall mean materials, in whatever form and/or design produced to assist in the marketing of Products or the Nu Skin independent business opportunity in the Territory.

1.14 "Territory" shall mean the country of Thailand.

ARTICLE II GRANT OF EXCLUSIVE LICENSE; ROYALTIES

2.1 Grant of Exclusive License. NSI hereby grants to NSPCT an exclusive license and right to use, and, with the prior written consent of NSI, to sublicense the use of, the Licensed Marks and Names in the Territory, provided that all such uses shall comply in all material respects with the terms of this Agreement.

2.2 NSI's Interest in Licensed Marks and Names. NSI hereby retains legal title to the Licensed Marks and Names for all purposes, including but not limited to, the bringing or defending of any legal action in the Territory which it deems reasonable to protect its rights therein. NSPCT agrees to assist NSI in any manner to protect NSI's rights in the Licensed Marks and Names which NSI may reasonably request. NSI shall reimburse NSPCT for any third party costs incurred by NSPCT in providing such assistance.

2.3 Recitals of Value of Licensed Marks and Names. NSPCT recognizes and agrees that NSI has expended considerable time, effort and resources to develop, register, apply for registrations, maintain and enhance the value and reputation of the Licensed Marks and Names. NSPCT further agrees it will derive a considerable benefit from its use of the Licensed Marks and Names in the Territory and from NSI's efforts and expenditures respecting the Licensed Marks and Names.

2.4 Warranty of Title. NSI hereby represents and warrants that it is the sole and exclusive owner of the Licensed Marks and Names and that to the best of its knowledge and information no claim exists or has been made contesting the ownership and title of said Licensed Marks and Names. 2.5 Royalties. As compensation for the exclusive licenses granted pursuant to the terms of this Agreement, NSPCT shall pay to NSI a royalty equal to five percent (5%) (or as otherwise mutually agreed upon by the Parties) of its Net Sales in the Territory during the entire term of this Agreement. If NSPCT elects to produce and/or purchase any Products from a third party rather than through or from NSI, and such Product is based on or contains NSI proprietary information, formulas or ingredients, and such Product bears Licensed Marks and Names, the applicable

royalty shall be eight percent (8%) of Net Sales, or as otherwise mutually agreed upon by the Parties.

ARTICLE III COMPUTATION AND PAYMENT TERMS

3.1 Royalty Payments.

3.1(a) Within 30 days following the close of each month, NSPCT shall deliver to NSI, by electronic transmission or such other medium as the parties shall agree from time to time, a statement of its Net Sales during such month in the Territory and a computation of the royalties payable hereunder. NSPCT shall make payment of such royalties in accordance with Section 3.3 hereof concurrently with the delivery of such statement.

3.1(b) For purposes of computing the royalty, Products and Commercial Materials shall be considered sold when recognized for accounting purposes as a sale by NSPCT as per U.S. GAAP.

3.1(c) The Parties agree that the royalty shall remain competitive within the Territory and shall be negotiated and determined on an arm's length basis and may be adjusted from time to time as agreed by the Parties in writing. 3.2 Records. Each Party shall keep complete and accurate records of its activities under this Agreement which shall be open to inspection by authorized representatives of the other party at any reasonable time.

3.3 Payment Terms. Payments made by NSPCT to NSI under this Agreement shall be payable in Thailand Baht. Payments shall be made either directly to NSI in immediately available funds by wire transfer to an account designated by NSI, or by such other means of payment acceptable to NSI from time to time.

3.4 Default Rate. Without limiting any of NSI's other rights and remedies under this Agreement, amounts outstanding under the terms of this Agreement not paid within ninety (90) days from the date due and payable, and as set forth in the payment provisions herein, shall bear interest at the prime interest rate as reported in the Wall Street Journal plus two percent (2%) for the full period outstanding. Whether or not interest charges are actually levied is at the discretion of NSI.

ARTICLE IV CERTAIN COVENANTS

4.1 Use of Licensed Marks and Names. NSPCT may use the Licensed Marks and Names only in accordance with the terms of this Agreement.

4.1(a) The quality and performance of all Products and Commercial Materials bearing the Licensed Marks and Names shall be in accordance with the standards, specifications and instructions approved by NSI; and,

4.1(b) NSI shall have the right to inspect the premises of NSPCT and those of any of NSPCT's subcontractors at which Product(s) are being manufactured, at reasonable times, and also to receive samples of such Product(s), in accordance with a reasonable schedule to be established promptly between NSI and NSPCT; and,

4.1(c) NSPCT agrees to correct, as promptly as possible, any defects in the Product(s) and/or manufacturing thereof brought to NSPCT's attention by NSI or otherwise; and, 4.1(d) NSPCT agrees to submit to NSI for prior approval, which approval will not be unreasonably withheld, labels, packaging, advertising and promotional materials, in relation to which any of the Licensed Marks and Names are proposed to be used, including the marking legends intended to be used in relation thereto.

4.2 Modifications. NSPCT shall make no modification to the Licensed Marks and Names without the express, prior written consent of NSI.

4.3 Prejudicial Use. NSPCT shall not use the Licensed Marks and Names in any way that will prejudice NSI's rights therein.

4.4 Labels. At the request of NSI, labels or packaging which bear any of the Licensed Marks and Names shall also bear an asterisk placed immediately above the end of the mark to reference a statement which shall appear underneath the mark and shall contain the words "*TM Registered - Licensed by Nu Skin International, Inc." (where the mark is registered) or "*TM Licensed by Nu Skin International, Inc." (where the mark is not registered).

4.5 Goodwill. All goodwill generated by use of the Licensed Marks and Names shall inure to NSI, and, upon termination of this Agreement, NSPCT shall not have any claim against NSI for compensation for loss of distribution rights, loss of goodwill or any similar loss.

4.6 Export of Products. The Licensee shall not export any product on which any Licensed Mark or Name is affixed to any country outside the Territory

without the prior written consent of NSI.

ARTICLE V
TERM

Subject to Article VI hereof, this Agreement shall be for a term ending on December 31, 2016 provided, however, that this Agreement is subject to renegotiation after December 31, 2001 in the event that (i) Blake M. Roney, Nedra D. Roney, Sandie N. Tillotson, Craig Tillotson, Craig Bryson, Steven J. Lund, Brooke B. Roney, Kirk V. Roney and Keith R. Halls (the "NSI Stockholders"), or members of their families, or trusts or foundations established by or for the benefit of the NSI Stockholders or members of their families on a combined basis no longer beneficially own a majority of the voting stock of Nu Skin Asia Pacific, Inc. ("Nu Skin Asia Pacific"), or (ii) the NSI Stockholders, or members of their families, or trusts or foundations established by or for the benefit of the NSI Stockholders or members of their families on a combined basis no longer beneficially own a majority of the voting stock of NSI.

ARTICLE VI
TERMINATION

6.1 This Agreement may be terminated by either Party immediately or at any time after the occurrence of any of the following events:

(a) the other Party shall commence any case, proceeding or other action (i) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, compensation or other relief with respect to it or its debts, or (ii) seeking appointment of a receiver, trustee, custodian or other similar action; or (b) there shall be commenced against the other Party any case, proceeding or other action of a nature referred to in clause (a) above which (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed, undischarged or unbonded for a period of 90 days. Events described in clauses (a) and (b) of this Section 12.1(a) shall be referred to as a "Bankruptcy Event". If a Bankruptcy Event occurs, all amounts owing under this Agreement shall become immediately due and payable, without any notice thereof; or (c) if the other Party causes or allows a judgment in excess of twenty-five million dollars (\$25,000,000) to be entered against involuntarily or allows a lien, security interest, or other encumbrance to attach to its assets which secures an amount in excess of twenty-five million dollars (\$25,000,000); or

6.2 This Agreement may be terminated by either Party, if the other Party is in default in the performance of any material obligation under this Agreement and such default has not been cured within sixty (60) days after receipt of written notice of such default by the defaulting Party; or

6.3 This Agreement may be terminated by NSI if Nu Skin Asia Pacific shall no longer own or control a majority of the voting interest in NSPCT, with such termination to take effect thirty (30) days after NSI gives written notice to NSPCT of the occurrence of a change in control and its intention to terminate this Agreement based thereon.

ARTICLE VII
EFFECT OF TERMINATION

7.1 Obligation of NSPCT Upon Termination. Upon termination of this Agreement by either Party, NSPCT agrees to (a) sell, destroy or otherwise dispose of all Products and Commercial Materials bearing the Licensed Marks and Names within 45 days after such termination; (b) immediately discontinue use of the Licensed Marks and Name in any form and not adopt in place thereof any word or design that is confusingly similar thereto; and (c) return to NSI all manuals, drawings, and standards or any other documents provided by NSI to NSPCT relating to the use of the Licensed Marks and Names.

7.2 Survival of Obligations. The obligations of the Parties to pay any sums which are due and payable as of the expiration or termination of this Agreement and their obligations under Section 2.2, Article IX and Article X hereof shall survive the expiration or termination of this Agreement.

7.3 Reversion of Rights. Upon termination of this Agreement, all rights and licenses herein granted to NSPCT shall immediately cease and shall revert to NSI, and NSPCT shall cease representing to any third party that it has any right to use, assign, convey or otherwise transfer the Licensed Marks and Names.

ARTICLE VIII
GOVERNMENTAL APPROVALS, LAWS AND REGULATIONS

8.1 NSPCT agrees to obtain, or cause to be obtained, at its sole cost and expense, any governmental approval and make, or cause to be made, any filings or notifications required under all applicable laws, regulations and ordinances of the Territory to enable this Agreement to become effective or to

enable any payment pursuant to the provisions of this Agreement to be made.

NSPCT agrees to keep NSI informed of the progress in obtaining all such government approvals.

8.2 Each party agrees to refrain from any action that will cause the other party to be in violation of any applicable law, regulation, or ordinance of the Territory or the United States or elsewhere or any international convention or bilateral or multilateral treaty to which the Territory or the United States is a signatory, including, without limitation, the U.S. Foreign Corrupt Practices Act of 1977, the U.S. Export Control Laws, and the U.S. Anti-Boycott laws.

ARTICLE IX INFRINGEMENT; INDEMNIFICATION

NSI hereby represents and warrants that, as of the date hereof, there are no infringement or misappropriation suits pending or filed or, to its knowledge, threatened against NSI within the Territory that relate to the Licensed Marks and Names and NSI is not presently aware of any such infringement or misappropriation. NSI shall indemnify and hold NSPCT harmless from and against all claims, actions, suits, proceedings, losses, liabilities, costs, damages and attorneys' fees in respect of a third party claim alleging infringement or misappropriation by NSPCT in respect of its use of the Licensed Marks and Names in the Territory; provided that NSPCT shall give NSI prompt written notice of any such claim, action, suit or proceeding and, without limiting the generality of Section 2.2 hereof, shall cooperate with NSI in the defense of any such claim, action, suit or proceeding. NSI shall have the right to select counsel in any such claim, action, suit or proceeding. In the event that any such claim, action, suit or proceeding is successful, NSI shall use reasonable efforts to make such changes in the Licensed Marks and Names to permit NSPCT to continue to use of the Licensed Marks and Names free and clear of all infringement and misappropriation. NSPCT shall give NSI prompt written notice of any infringement or misappropriation of the Licensed Marks and Names by any third party. NSI shall have the sole right to initiate any and all legal proceedings against any such third party and, without limiting the generality of Section 2.2 hereof, NSPCT shall cooperate with NSI in the pursuit of any such proceeding. NSI shall retain any damage award obtained from such third party.

ARTICLE X CONFIDENTIALITY

All Proprietary Information or other non-public or proprietary business or technical information owned or used by NSI or NSPCT and supplied to or acquired by the other whether in oral or documentary form (the "Confidential Information") shall be supplied and acquired in confidence and shall be solely for the use of the receiving party pursuant to this Agreement and such party shall keep the Confidential Information confidential and shall not disclose the same, at any time during the term of this Agreement or after its termination, except to its employees, or its affiliates, or its affiliates' employees for the purposes of its business in accordance with this Agreement and except as may be required by law; provided that if the receiving party determines that a disclosure is required by law, the receiving party shall notify the disclosing party in order to give the disclosing party an opportunity to seek an injunction or otherwise attempt to keep the Confidential Information confidential. The receiving party shall, at the request of the disclosing party, destroy or return the Confidential Information without retaining copies if, as and when this Agreement is terminated or expires. For purposes of this Agreement, the term "Confidential Information" shall not include information or documents that (i) become generally available to the public other than as a result of a disclosure by the receiving party, (ii) was otherwise lawfully available to the receiving party, or (iii) was generated independently by the receiving party. The provisions of this Article shall survive termination of this Agreement.

ARTICLE XI NATURE OF RELATIONSHIP

The relationship of NSPCT and NSI shall be and at all times remain, respectively, that of Licensee and Licensor. Nothing contained or implied in this Agreement shall be construed to constitute either party as the legal representative or agent of the other or to constitute or construe the Parties as partners, joint venturers, co-owners or otherwise as participants in a joint or common undertaking. Neither party is authorized to conclude any contract or agreement or make any commitment, representation or warranty that binds the other or otherwise act in the name of or on behalf of the other.

ARTICLE XII MAINTENANCE OF TRADEMARKS; RECORDING; REGISTRATION OF TRADEMARK

NSI covenants to use its best efforts to maintain the registrations of the NSI Trademarks currently registered in the Territory as set forth in Exhibit A hereto. NSI, in its sole discretion, shall have the right to record this Agreement or proof thereof, or to enter NSPCT as a registered user in the Territory. NSPCT agrees to cooperate, as reasonably requested by NSI, in arranging for such recordings or entries, or in bearing or canceling such recordings or entries in the event of amendments to or termination of this Agreement for any reason. Upon termination of this Agreement for any reason, the Parties agree to do everything necessary to effect cancellation of the record of

NSPCT as a registered user of the NSI Trademarks in the Territory.

At the request of NSPCT, NSI shall file applications in the Territory for the registration of all new NSI Trademarks that NSPCT intends to use in the Territory. If any mark used by NSI in the United States of America with respect to certain products is used by NSPCT in the Territory in relation to similar products, then, whether or not the mark is registered in the Territory, NSPCT shall not claim any proprietary interest in such mark. If any of such marks are immediately registrable in the Territory, NSPCT will cooperate with NSI in filing an application for registration of the marks in the name of NSI. If any such marks are not immediately capable of registration because they lack distinctiveness, then at any time when in the opinion of legal counsel for NSI the use of the marks by NSPCT has conferred on them sufficient distinctiveness to permit registration in the Territory, NSPCT shall, when requested by NSI, do all things necessary and execute all documents required to register such marks in the Territory and assign the eventual registrations to NSI who shall reimburse NSPCT for the cost of registration and assignment, but shall not be obligated to make any other payment in consideration for the assignment.

ARTICLE XIII
MISCELLANEOUS

13.1 Assignment. This Agreement shall be binding on and inure to the benefit of the heirs, successors, assigns and beneficiaries of the Parties; provided that neither party may assign this Agreement or any rights or obligations hereunder, whether by operation of law or otherwise, without the prior written consent of the other party through its authorized representative. Any such attempted assignment without the written consent provided herein shall be void and unenforceable.

13.2 Force Majeure. The Parties shall not be responsible for failure to perform hereunder due to force majeure, which shall include, but not be limited to: fires, floods, riots, strikes, labor disputes, freight embargoes or transportation delays, shortage of labor, inability to secure fuel, material, supplies, equipment or power at reasonable prices or on account of shortage thereof, acts of God or of the public enemy, war or civil disturbances, any existing or future laws, rules, regulations or acts of any government (including any orders, rules or regulations issued by any official or agency or such government) affecting a party that would delay or prohibit performance hereunder, or any cause beyond the reasonable control of a party. If an event of force majeure should occur, the affected party shall promptly give notice thereof to the other party and such affected party shall use its reasonable best efforts to cure or correct any such event of force majeure.

13.3 Governing Law and Dispute Resolution. This Agreement shall be governed by and construed in accordance with the laws of the State of Utah, applicable to contracts made and to be wholly performed within such State. Any dispute arising out of this Agreement, if not resolved by mutual agreement of NSI and NSPCT within 30 days after written notice of such dispute is given by NSPCT or NSI, as the case may be, shall be resolved through arbitration with the Utah office and division of the American Arbitration Association ("AAA"). If the dispute is not resolved within such 30-day period, the Parties shall petition the AAA to promptly appoint a competent, disinterested person to act as such arbitrator. Within 30 days after the designation or appointment of such arbitrator, such arbitrator shall be required to commence the arbitration proceeding in the state of Utah at a time and place to be fixed by the arbitrator, who shall so notify NSI and NSPCT. Such arbitration proceeding shall be conducted in accordance with the applicable rules and procedures of the AAA, and/or as otherwise may be agreed by NSI and NSPCT. The decision of the arbitrator shall be final and binding upon NSI and NSPCT and may be enforced in any court of competent jurisdiction. The expenses and costs of such arbitration shall be divided and borne equally by NSI and NSPCT; provided, that each of NSI and NSPCT shall pay all fees and expenses incurred by it in presenting or defending against such claim, right or cause of action.

13.4 Applicability of Post-Effective Laws. The Parties agree that neither the Vienna Convention on the International Sale of Goods nor any such similar law, treaty or act that becomes effective during the term of this Agreement shall be applicable to this Agreement or the transactions contemplated hereunder.

13.5 Waiver and Delay. No waiver by either party of any breach or default in performance by the other party, and no failure, refusal or neglect of either party to exercise any right, power or option given to it hereunder or to insist upon strict compliance with or performance of the other party's obligations under this Agreement, shall constitute a waiver of the provisions of this Agreement with respect to any subsequent breach thereof or a waiver by either party of its right at any time thereafter to require exact and strict compliance with the provisions thereof.

13.6 Notices. All notices, requests and other communications hereunder shall be in writing and shall be deemed to have been duly given, if delivered by hand, or if communicated by facsimile, cable or similar electronic means to the facsimile number or cable identification number as previously provided by each party to the other, at the time that receipt thereof has been confirmed by return electronic communication or signal that the message has been received, or if mailed, ten (10) days after dispatch by registered airmail, postage prepaid,

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LICENSING AND SALES AGREEMENT

THIS LICENSING AND SALES AGREEMENT (hereinafter the "Agreement") is made and entered into this 12th day of March, 1997, between Nu Skin International, Inc., a corporation organized under the laws of the State of Utah, U.S.A. (hereinafter referred to as "NSI"), and Nu Skin Personal Care (Thailand) Ltd., a corporation organized under the laws of Thailand and the State of Delaware, U.S.A. (hereinafter "NSPCT"). Hereinafter, NSI and NSPCT shall collectively be referred to as the "Parties."

W I T N E S S E T H

WHEREAS, NSI is engaged in the design, production and marketing of products and related sales aids, for multi-national distribution through a network of independent distributors; and

WHEREAS, NSPCT desires to act as the exclusive wholesale distributor of NSI products in Thailand, having entered a separate written Wholesale Distribution Agreement with Nu Skin Hong Kong, Inc., the exclusive regional distributor of such products and sales aids in the Asia-Pacific region; and

WHEREAS, NSI and NSPCT desire to implement NSI's Independent Distributor Network (as defined below) to promote sales of products and sales aids; and

WHEREAS, NSI desires to further develop and enlarge its Independent Distributor Network in the country of Thailand with the assistance of NSPCT, for their mutual benefit, in accordance with the terms and conditions hereinafter provided; and

WHEREAS, NSPCT recognizes and agrees that NSI has expended considerable time, effort and resources to develop and maintain the Licensed Property (as hereafter defined) and NSPCT further agrees it will derive a considerable benefit from its use of the Licensed Property in the Territory and from NSI's efforts and expenditures respecting the Licensed Property; and

WHEREAS, the Parties wish to enter into a Licensing and Sales Agreement as set forth herein;

NOW THEREFORE, in consideration of the premises, the mutual promises, covenants, and warranties hereinafter set forth and for other valuable consideration, the sufficiency of which is hereby acknowledged, the Parties agree as follows:

ARTICLE I
DEFINITIONS

For the purposes of this Agreement, the following words and terms shall have the meaning assigned to them in this Article I:

1.1 "Agreement" shall mean this Licensing and Sales Agreement (together with any exhibits and schedules hereto), as the same may be modified, amended or supplemented from time to time.

1.2 "Bonus Payments" shall mean, for any NSI Independent Distributor, all monetary obligations due to such Distributor accrued under the terms of the Sales Compensation Plan and such Distributor's Distributor Contract with NSI.

1.3 "Commission Expense" shall mean all direct expenses of NSI incurred in operating, managing, and executing the Sales Compensation Plan. These expenses include, but are not limited to amounts paid to NSI Independent Distributors as Bonus Payments as well as NSI's operational costs associated with the calculation of these monthly payments.

1.4 "Copyrights" shall mean any and all protectable software, programs, databases, source codes and applications owned by NSI or which NSI has a right to use, license or sub-license, relating directly or indirectly to the Independent Distributor Network, Distribution Lists or the Sales Compensation Plan.

1.5 "Distributor Contract" shall mean, for any NSI Independent Distributor, its contract with NSI pursuant to which NSI authorizes it to distribute NSI's Products and Sales Aids.

1.6 "Distributor Lists" shall mean any and all individual or accumulated name, address, identification number, sponsor name and/or similar lists of all present or future NSI Independent Distributors expressed in any medium.

1.7 "Fixed Commission Expense" shall mean, for any period, forty-two percent (42%) of the aggregate amount (in Baht) of Net Sales of Products by NSPCT during such period.

1.8 "Independent Distributor Network" shall mean the network of all NSI Independent Distributors.

1.9 "Introductory Kit" shall mean those materials purchased by an NSI Independent Distributor upon the execution of a Distributor Contract which explains the Sales Compensation Plan and other NSI policies, procedures and programs, the contractual relationship with NSI and the marketing support programs for the Territory.

1.10 "Know-How" shall mean any information, including, without limitation, any commercial or business information, lists, marketing methods, marketing surveys, processes, specifications, quality control reports, drawings, photographs, or any other information owned by NSI, whether or not considered proprietary, relating to the Independent Distributor Network, the Distributor Lists, and the Sales Compensation Plan.

1.11 "Licensed Property" shall mean the Independent Distributor Network, the Distributor Lists, the Sales Compensation Plan, the Copyrights, and the associated Know-How.

1.12 "Net Sales" shall mean, for any period, the number of Products and Sales Aids sold by NSPCT to NSI Independent Distributors during such period, multiplied by NSPCT's then current selling price to NSI Independent Distributors for each such Product or Sales Aids less applicable value added taxes and returns or refunds reasonably accepted and credited by NSPCT during such period.

1.13 "NSI Independent Distributor" shall mean a person or business entity who has entered into a Distributor Contract.

1.14 "Products" shall mean those goods sold by NSI or NSPCT which carry a point value within the Sales Compensation Plan.

1.15 "Proprietary Information" shall mean, without limitation, all information other than information in published form or expressly designated by either party in writing as non-confidential, which is directly or indirectly disclosed to the other party, regardless of the form in which it is disclosed, relating in any way to the following property owned by the Parties or which the Parties have been licensed to use or sub-license: (1) proprietary technical information related to the Licensed Property and the Introductory Kit; (2) information respecting actual or potential customers or customer contacts and customer sales strategies, names, addresses, phone numbers, identification numbers, database information and its organization, unique business methods; (3) market studies, penetration data, customers, products, contracts, copyrights, computer programs, applications, technical data, licensed technology, patents, inventions, procedures, methods, designs, strategies, plans, liabilities, assets, cost revenues, sales costs, production costs, raw material sources and other market information; (4) other sales and marketing plans, programs and strategies; (5) trade secrets, Know-How, designs and proprietary commercial and technical information, methods, practices, procedures, processes, formulae with respect to manufacturing, assembly, design or processing products subject to this Agreement and any component, part or manufacture thereof; (6) profits, organization, employees, agents, distributors, suppliers, trade marks, trade names and services; (7) other business and commercial practices in general relating directly or indirectly to the foregoing; and, (8) computer disks or other records or documents, originals or copies, containing in whole or in part any of the foregoing.

1.16 "Resident NSI Independent Distributor" shall mean any NSI Independent Distributor whose country of residence as shown on the records of NSI is in the Territory.

1.17 "Sales Compensation Plan" shall mean the method employed by NSI to calculate Bonus Payments paid to the Independent Distributor Network upon the sale of Products.

1.18 "Sales Aids" shall mean materials, in whatever form and/or design produced to assist in the marketing of Products.

1.19 "Territory" shall mean the country of Thailand.

ARTICLE II

GRANT OF LICENSE AND PARTIAL ASSIGNMENT OF OBLIGATIONS; LICENSE FEES

2.1 Grant of License. Subject to the terms and conditions of this Agreement, NSI hereby grants to NSPCT an exclusive license to use the Licensed Property in the Territory; provided that all such uses shall comply in all material respects with the terms of this Agreement and; provided further that NSPCT shall not have the right to grant any right, title, use or sublicense for the Licensed Property.

2.2 Assignment of Obligations. NSI hereby transfers and assigns to NSPCT its obligations to make Bonus Payments to Resident Independent Distributors under their Distributor Contracts and the Sales Compensation Plan and NSPCT hereby accepts such transfer and assignment and assumes such obligations.

2.3 NSI's Interest in Licensed Property. NSI hereby retains legal title to

the Licensed Property for all purposes, including but not limited to, the bringing or defending of any legal action in the Territory which it deems reasonable to protect its rights therein. NSPCT agrees to assist NSI in any manner to protect NSI's rights in the Licensed Property which NSI may reasonably request. NSI shall reimburse NSPCT for any third party costs incurred by NSPCT in providing such assistance.

2.4 Recitals of Value of Licensed Property. NSPCT recognizes and agrees that NSI has expended considerable time, effort and resources to develop, maintain and enhance the Licensed Property. NSPCT further agrees it will derive a considerable benefit from its use of the Licensed Property in the Territory and from NSI's efforts and expenditures respecting the Licensed Property.

2.5 Warranty of Title. NSI hereby warrants and represents that it is the sole and exclusive owner of the Licensed Property and that to the best of its knowledge and information no claim exists or has been made contesting the ownership and title of said Licensed Property.

2.6 Modifications. NSPCT shall make no modification to the Licensed Property without the express, prior written consent of NSI.

2.7 License Fee. As compensation for the exclusive licenses granted pursuant to the terms of this Agreement, NSPCT shall pay to NSI a license fee equal to four percent (4%) of its Net Sales of Products, Sales Aids and other items (exclusive of Introductory Kits and goods sold on consignment) sold to NSI Independent Distributors (the "License Fee").

ARTICLE III COMPUTATION AND PAYMENT TERMS

3.1 Bonus Payments. Pursuant to Section 2.2 hereof, NSPCT agrees to make Bonus Payments to Resident Independent Distributors to which they are entitled pursuant to their Distributor Contracts. The Parties further agree to settle the difference between the amount of such Bonus Payments paid by NSPCT in each month and the Fixed Commission Expense in such month. The procedures for such payment and settlement are as follows:

3.1(a) Within eight (8) days following the close of each month, NSPCT shall deliver to NSI, by electronic transmission or such other medium as the Parties shall agree to from time to time, a statement of NSPCT's Net Sales during such month (including a detail of sales to each NSI Independent Distributor to which sales were made during such month) and of such other items as NSI shall reasonably request from time to time (the "Detailed Sales Report").

3.1(b) By the later of twelve (12) days after receipt of the Detailed Sales Report or twenty (20) days after the end of such month, NSI shall deliver to NSPCT, by electronic transmission or such other medium as the parties shall agree to from time to time, a calculation of the Bonus Payments due to Resident Independent Distributors under their Distributor Contracts for such month (the "Monthly Bonus Amount"), a calculation of the Fixed Commission Expense for such month and such other items as NSPCT shall reasonably request from time to time (the "Bonus Statement").

3.1(c) By the later of ten (10) days after receipt of the Bonus Statement or thirty (30) days after the end of such month, NSPCT shall pay Bonus Payments due to the Resident Independent Distributors. Concurrently with or promptly after such payment NSPCT shall deliver to NSI (i) if the aggregate Monthly Bonus Amounts paid to all Resident Independent Distributors is less than the Fixed Commission Expense for such month, payment of the deficiency in accordance with the procedures set forth in Section 3.4 hereof, or (ii) if the aggregate Monthly Bonus Amounts paid to all Resident Independent Distributors exceeds the Fixed Commission Expense for such month, an invoice to NSI for reimbursement of such excess amount. In the event NSPCT shall have given NSI an invoice for reimbursement of excess Bonus Payments as set forth in clause (ii) above, NSI shall pay the amount so invoiced to NSPCT pursuant to the procedures set forth in this Section 3.1 and Section 3.5 below within 10 days after receipt thereof.

3.1(d) The Parties acknowledge that the percentage used in calculating the Fixed Commission Expense has been set on the basis of NSI's historical experience. The Parties agree that the percentage used in calculating the Fixed Commission Expense shall remain consistent with actual Commission Expense as a percentage of sales of Products to NSI Independent Distributors, shall be negotiated and determined on an arm's length basis, and may be adjusted from time to time as agreed by the Parties in writing based upon an annual review thereof.

3.2 License Fee. The procedures for payment of the License Fee payable hereunder are as follows:

3.2(a) Within 30 days following the close of each month, NSPCT shall deliver to NSI, by electronic transmission or such other medium as the parties shall agree to from time to time, a statement of its Net Sales during such month in the Territory and a computation of the License Fee payable under Section 2.7 hereof. NSPCT shall make payment of such License Fee in accordance with Section 3.4 hereof concurrently with delivery of

such statement.

3.2(b) For purposes of computing the License Fee, Products and Sales Aids shall be considered sold when recognized for accounting purposes as a sale by NSPCT as per U.S. GAAP.

3.2(c) The Parties agree that the License Fee shall remain competitive within the market and shall be negotiated and determined on an arm's length basis and may be adjusted from time to time as agreed by the Parties in writing. 3.3 Records. Each Party shall keep complete and accurate records of its compliance with its obligations under this Agreement which shall be open to inspection by authorized representatives of the other Party at any reasonable time.

3.4 Payments to NSI. Payments made by NSPCT to NSI under this Agreement shall be payable in Thailand Baht. Payments shall be made either directly to NSI in immediately available funds by wire transfer to an account designated by NSI or by such other means of payment acceptable to NSI from time to time.

3.5 Payments to NSPCT. Payments made by NSI to NSPCT under this Agreement shall be payable in Thailand Baht. Payments shall be made either directly to NSPCT in immediately available funds by wire transfer to an account designated by NSPCT or by such other means of payment acceptable to NSPCT from time to time.

3.6 Default Rate. Without limiting any of NSI's other rights and remedies under this Agreement, amounts outstanding under the terms of this Agreement not paid within 60 days from the date due and payable, and as set forth in the payment provisions herein, shall bear interest at the prime interest rate as reported in the Wall Street Journal plus two percent (2%) for the full period outstanding.

ARTICLE IV CERTAIN OBLIGATIONS OF THE PARTIES UNDER THE AGREEMENT

4.1 Certain Obligations, Rights and Duties of NSI. NSI agrees that, in addition to its other obligations under this Agreement, NSI will maintain and provide support for the Sales Compensation Plan. NSI agrees, among other things: (1) to maintain a computer system, including hardware, software, data links, computer peripherals, printers, etc. to adequately fulfill NSI's obligations under the Sales Compensation Plan; (2) to provide necessary training and support to NSPCT relating to the Resident Independent Distributors, including information relating to training methods, motivational strategies, convention and event planning, technical policies and procedure knowledge, etc; (3) to receive and use NSPCT's sales information to compute the correct and appropriate payments to the Resident Independent Distributors as set forth in Section 3.1(b) hereof; (4) in consultation with NSPCT, to discipline NSI Independent Distributors as it deems necessary to help insure the reputation of NSI; (5) to maintain a record of the Distributor Contracts and provide such information to NSPCT, as reasonably requested; and (6) to perform any other function or provide the necessary support to comply with the terms of this Agreement and to otherwise support and maintain the Independent Distributor Network within the Territory.

4.2 Certain Obligations, Rights and Duties of NSPCT. In addition to its other obligations under this Agreement NSPCT agrees, among other things: (1) to maintain, at its sole cost and expense, such facilities and other places of business within the Territory necessary to effect the purposes and intentions of this Agreement and to bear all costs and expenses it incurs in the negotiation, memorialization, execution and performance of all leases, rentals, equipment, salaries, taxes, licenses, insurance, permits, telephone, telegraph, promotional, advertising, travel, accounting, legal and such similar expenses, relating to the business of NSPCT under the terms and conditions of this Agreement, unless otherwise agreed in writing by the Parties; (2) to manage its business affairs in such a manner that the reputation of NSI is not damaged; (3) to sell Introductory Kits to potential NSI Independent Distributors in accordance with all applicable laws and industry standards; (4) to collect requests for Distributor Contracts from potential NSI Independent Distributors and forward these contracts to NSI in a timely fashion (provided that all such requests for Distributor Contracts shall be reviewed for acceptance or rejection by NSI in the United States and in no instance shall NSPCT accept such requests for Distributor Contracts,); (5) to train and lend assistance to NSI Independent Distributors in the Territory; (6) to transmit information regarding Net Sales to NSI Independent Distributors and such other information as NSI may reasonably request; (7) to pay Bonus Payments to Resident NSI Independent Distributors as set forth in Section 3.1 hereof; (8) to use its best efforts to monitor and supervise the activities of Resident NSI Distributors; (9) to use its best efforts to cause the enforcement of the Distributor Contracts to ensure compliance therewith and with NSI's policies and procedures and to any action against Resident NSI Independent Distributors for violation of the terms and conditions of a Distributor Contract, NSI's policies and procedures, or any other rules and regulations of NSI or NSPCT as NSI shall reasonably request; and (10) to perform any other function or provide support as NSI shall reasonably request to enable NSI to fully perform its obligations to NSI Independent Distributors under the Sales Compensation Plan and their Distributor Contracts.

ARTICLE V

INTRODUCTORY KIT SALES

5.1 Agreement to Purchase Introductory Kits. The Parties acknowledge that, pursuant to this Agreement, NSPCT is being granted an exclusive license to use the Licensed Property, including the Independent Distributor Network, in the Territory. NSPCT agrees to use its best efforts in supporting the development of the Independent Distributor Network in the Territory by selling to potential NSI Independent Distributors in the Territory Introductory Kits which NSI has either (i) purchased from NSI, or (ii) has sourced and priced locally, or any part thereof, subject to review, approval and oversight of NSI and in accordance with instructions and specifications given by NSI.

5.2 Pricing. The Parties agree that the price of Introductory Kits shall be negotiated and determined on an arm's length basis and may be adjusted from time to time as agreed by the Parties in writing.

5.3 Payment Method. NSPCT shall pay the commercial invoices for Introductory Kits shipped under this Agreement in the manner set forth in Section 3.4.

5.4 Quantities. NSPCT agrees to purchase sufficient quantities of the Introductory Kits from NSI to fill orders, in a timely fashion, received from potential NSI Independent Distributors in the Territory.

5.5 Quality of Introductory Kits. NSI shall use its best efforts to maintain and augment the quality, image and value of the Introductory Kits such that Introductory Kits sold in the Territory are consistent with the quality of those sold in the United States of America.

5.6 Merchantability. NSI warrants that Introductory Kits sold to NSPCT pursuant to this Agreement will be merchantable and of sufficient quality for sales within the Territory. If NSPCT determines that certain Introductory Kits supplied under this Agreement are not merchantable, a claim for a refund of the price paid can be made within 45 days from the day the Introductory Kits are received in the Territory. NSI agrees to refund, or credit the account of NSPCT, for the purchase price of such non-merchantable Introductory Kits.

ARTICLE VI GOVERNMENTAL APPROVALS, LAWS AND REGULATIONS

6.1 Government Approvals. NSPCT agrees to obtain, or cause to be obtained, at its sole cost and expense, any governmental approval and make, or cause to be made, any filings or notifications required under all applicable laws, regulations and ordinances in the Territory to enable this Agreement to become effective or to enable any payment pursuant to the provisions of this Agreement to be made. NSPCT agrees to keep NSI informed of its progress in obtaining all such government approvals.

6.2 Compliance with Laws. Each party agrees to refrain from any action that will cause the other party to be in violation of any applicable law, regulation, or ordinance of any jurisdiction in the Territory or the United States or elsewhere or any international convention or bilateral or multilateral treaty to which any jurisdiction in the Territory or the United States is a signatory, including, without limitation, the U.S. Foreign Corrupt Practices Act of 1977, the U.S. Export Control Laws, and the U.S. Anti-Boycott laws.

6.3 Compliance of Licensed Property. NSI agrees to take, or cause to be taken, at its sole cost and expense, all actions necessary to ensure the compliance of the Licensed Property with applicable laws, regulations and ordinances in the Territory (including, without limitation, direct selling laws). NSI agrees to keep NSPCT informed of its progress in obtaining all such government approvals.

ARTICLE VII TERM AND TERMINATION

7.1 Term. Subject to Section 7.2 hereof, this Agreement shall be for a term ending on December 31, 2016 provided, however, that this Agreement is subject to renegotiation after December 31, 2001 in the event that (i) Blake M. Roney, Nedra D. Roney, Sandie N. Tillotson, Craig Tillotson, Craig Bryson, Steven J. Lund, Brooke B. Roney, Kirk V. Roney and Keith R. Halls (the "NSI Stockholders"), or members of their families, or trusts or foundations established by or for the benefit of the NSI Stockholders or members of their families on a combined basis no longer beneficially own a majority of the voting stock of Nu Skin Asia Pacific, Inc. ("Nu Skin Asia Pacific"), or (ii) the NSI Stockholders, or members of their families, or trusts or foundations established by or for the benefit of the NSI Stockholders or members of their families on a combined basis no longer beneficially own a majority of the voting stock of NSI.

7.2 Termination. This Agreement may be terminated by either party immediately or at any time after the occurrence of any of the following events:

(a) the other Party shall commence any case, proceeding or other action (i) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization,

arrangement, adjustment, winding-up, liquidation, dissolution, compensation or other relief with respect to it or its debts, or (ii) seeking appointment of a receiver, trustee, custodian or other similar action; or

(b) there shall be commenced against the other Party any case, proceeding or other action of a nature referred to in clause (a) above which (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed, undischarged or unbonded for a period of 90 days. Events described in clauses (a) and (b) of this Section 7.2 shall be referred to as a "Bankruptcy Event". If a Bankruptcy Event occurs, all amounts owing under this Agreement shall become immediately due and payable, without any notice thereof; or

(c) if the other Party causes or allows a judgment in excess of twenty-five million dollars (\$25,000,000) to be entered against it or involuntarily allows a lien, security interest, or other encumbrance to attach to its assets which secures an amount in excess of twenty-five million dollars (\$25,000,000) to be placed upon its assets.

7.3 Termination on Default. This Agreement may be terminated by either party, if the other party is in default in the performance of any material obligation under this Agreement and such default has not been cured within sixty (60) days after receipt of written notice of such default by the defaulting party.

7.4 Termination on Change of Control. This Agreement may be terminated by NSI if Nu Skin Asia Pacific shall no longer own or control a majority of the voting interest in NSPCT with such termination to take effect thirty (30) days after delivery of written notice by one party to the other of the occurrence of a change in control and its intention to terminate this Agreement based thereon.

7.5 Survival of Obligations. The obligations of the Parties to pay any sums which are due and payable as of the expiration or termination of this Agreement and their obligation under Section 2.3, Article VIII and Article X hereof shall survive the expiration or termination of this Agreement.

7.6 Reversion of Rights. Upon termination of this Agreement, all rights and licenses herein granted to NSPCT shall immediately cease and shall revert to NSI, and NSPCT shall cease representing to any third party that it has any right to use, assign, convey or otherwise transfer the Licensed Property.

ARTICLE VIII INFRINGEMENT; INDEMNIFICATION

NSI hereby represents and warrants that, as of the date hereof, there are no infringement or misappropriation suits pending or filed or, to its knowledge, threatened against NSI within the Territory that relate to the Licensed Property and NSI is not presently aware of any such infringement or misappropriation. NSI shall indemnify and hold NSPCT harmless from and against all claims, actions, suits, proceedings, losses, liabilities, costs, damages and attorneys' fees in respect of a third party claim alleging infringement or misappropriation by NSPCT in respect of its use of the Licensed Property in the Territory; provided that NSPCT shall give NSI prompt written notice of any claim, action, suit or proceeding and without limiting the generality of Section 2.3 hereof, shall cooperate with NSI in the defense of any such claim, action, suit or proceeding. NSI shall have the right to select counsel in any such claim, action, suit or proceeding. In the event that any such claim, action or proceeding is successful, NSI shall use reasonable efforts to make such changes in the Licensed Property to permit NSPCT to continue to make use of the Licensed Property free and clear of all infringement and misappropriation. NSI shall give NSI prompt written notice of any infringement or misappropriation of the Licensed Property by any third party. NSI shall have the sole right to initiate any and all legal proceedings against any such third party and, without limiting the generality of Section 2.3 hereof, NSPCT shall cooperate with NSI in the pursuit of any such proceeding. NSI shall retain any damage award obtained from such third party. If NSI elects not to pursue any infringement, NSPCT shall have the right to do so at its own expense and shall retain any damage award obtained from any third party.

ARTICLE IX NATURE OF RELATIONSHIP

The relationship of NSPCT and NSI shall be and at all times remain, respectively, that of Licensee and Licensor. Nothing contained or implied in this Agreement shall be construed to constitute either party as the legal representative or agent of the other or to constitute or construe the Parties as partners, joint venturers, co-owners or otherwise as participants in a joint or common undertaking. Neither party is authorized to conclude any contract or agreement or make any commitment, representation or warranty that binds the other or otherwise act in the name of or on behalf of the other.

ARTICLE X CONFIDENTIALITY

All Proprietary Information or other non-public or proprietary business or technical information owned or used by NSI or NSPCT and supplied to or acquired

by the other whether in oral or documentary form (the "Confidential Information") shall be supplied and acquired in confidence and shall be solely for the use of the receiving party pursuant to this Agreement and such party shall keep the Confidential Information confidential and shall not disclose the same, at any time during the term of this Agreement or after its termination, except to its employees, or its affiliates or its affiliates' employees for the purposes of its business in accordance with this Agreement and except as may be required by law; provided that if the receiving party determines that a disclosure is required by law, the receiving party shall notify the disclosing party in order to give the disclosing party an opportunity to seek an injunction or otherwise attempt to keep the Confidential Information confidential. The receiving party shall, at the request of the disclosing party, destroy or return the Confidential Information without retaining copies if, as and when this Agreement is terminated or expires. For purposes of this Agreement, the term "Confidential Information" shall not include information or documents that (i) become generally available to the public other than as a result of a disclosure by the receiving party, (ii) were otherwise lawfully available to the receiving party, or (iii) were generated independently by the receiving party. The provisions of this Article shall survive termination of this Agreement.

ARTICLE XI
MAINTENANCE OF LICENSED PROPERTY; RECORDING

NSI shall use its best efforts and take all reasonable steps consistent with its existing internal policies and procedures and with this Agreement to maintain the Licensed Property in the Territory. In no event shall this clause be construed to require NSI to establish or maintain a branch office, subsidiary corporation or fixed place of business or similar permanent establishment in the Territory. NSI, in its sole discretion, shall have the right to record this Agreement or proof thereof, or to enter NSPCT as a registered user in the Territory. NSPCT agrees to cooperate, as reasonably requested by NSI, in arranging for such recordings or entries, or in bearing or canceling such recordings or entries in the event of amendments to or termination of this Agreement for any reason.

ARTICLE XII
MISCELLANEOUS

12.1 Assignment. This Agreement shall be binding on and inure to the benefit of the heirs, successors, assigns and beneficiaries of the Parties; provided that neither party may assign this Agreement or any rights or obligations hereunder, whether by operation of law or otherwise, without the prior written consent of the other party's authorized representative. Any such attempted assignment, without the written consent provided herein, shall be void and unenforceable.

12.2 Force Majeure. The Parties shall not be responsible for failure to perform hereunder due to force majeure, which shall include, but not be limited to: fires, floods, riots, strikes, labor disputes, freight embargoes or transportation delays, shortage of labor, inability to secure fuel, material, supplies, equipment or power at reasonable prices or on account of shortage thereof, acts of God or of the public enemy, war or civil disturbances, any existing or future laws, rules, regulations or acts of any government (including any orders, rules or regulations issued by any official or agency or such government) affecting a party that would delay or prohibit performance hereunder, or any cause beyond the reasonable control of a party. If an event of force majeure should occur, the affected party shall promptly give notice thereof to the other party and such affected party shall use its reasonable best efforts to cure or correct any such event of force majeure.

12.3 Governing Law and Dispute Resolution. This Agreement shall be governed by and construed in accordance with the laws of the State of Utah, applicable to contracts made and to be wholly performed within such State. Any dispute arising out of this Agreement, if not resolved by mutual agreement of NSI and NSPCT within 30 days after written notice of such dispute is given by NSPCT or NSI, as the case may be, shall be resolved through arbitration with the Utah office and division of the American Arbitration Association ("AAA"). If the dispute is not resolved within such 30-day period, the Parties shall petition the AAA to promptly appoint a competent, disinterested person to act as such arbitrator. Within 30 days after the designation or appointment of such arbitrator, such arbitrator shall be required to commence the arbitration proceeding in the state of Utah at a time and place to be fixed by the arbitrator, who shall so notify NSI and NSPCT. Such arbitration proceeding shall be conducted in accordance with the applicable rules and procedures of the AAA, and/or as otherwise may be agreed by NSI and NSPCT. The decision of the arbitrator shall be final and binding upon NSI and NSPCT and may be enforced in any court of competent jurisdiction. The expenses and costs of such arbitration shall be divided and borne equally by NSI and NSPCT; provided, that each of NSI and NSPCT shall pay all fees and expenses incurred by it in presenting or defending against such claim, right or cause of action.

12.4 Applicability of Post-Effective Law. The parties agree that neither the Vienna Convention on the International Sale of Goods nor any such similar law, treaty or act that becomes effective during the term of this Agreement shall be applicable to this Agreement or the transactions contemplated hereunder.

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE UNAUDITED FINANCIAL STATEMENTS CONTAINED IN THE COMPANY'S QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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