UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007

OR

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

Commission file number: 001-12421

NU SKIN ENTERPRISES, INC.

(Exact name of registrant as specified in its charter)

Delaware	**87-0565309**
(State or other jurisdiction of incorporation)	(IRS Employer Identification No.)

75 West Center Street
Provo, UT 84601
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: (801) 345-1000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of exchange on which registered
Class A common stock, $.001 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes ☐ No ☒

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 ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a small reporting company. See definitions of "large accelerated filer," "accelerated filer" and "small reporting company" in Rule 12b-2of the Exchange Act.

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐(Do not check if a smaller reporting company)	Smaller Reporting Company ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes☐ No ☒

Based on the closing sales price of the Class A common stock on the New York Stock Exchange on June 30, 2007, the aggregate market value of the voting stock held by non-affiliates of the Registrant was approximately $832 million. All executive officers and directors of the Registrant have been deemed, solely for the purpose of the foregoing calculation, to be "affiliates" of the Registrant.

As of February 15, 2008, 63,410,845 shares of the Registrant's Class A common stock, $.001 par value per share, and no shares of the Registrant's Class B common stock, $.001 par value per share, or preferred stock were outstanding.

Documents incorporated by reference. Portions of the Registrant's definitive Proxy Statement for the Registrant's 2008 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days after the Registrant's fiscal year end are incorporated by reference in Part III of this report.

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FORWARD-LOOKING STATEMENTS

THIS ANNUAL REPORT ON FORM 10-K, IN PARTICULAR "ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION," AND "ITEM 1. BUSINESS," INCLUDE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. THESE STATEMENTS REPRESENT OUR EXPECTATIONS OR BELIEFS CONCERNING, AMONG OTHER THINGS, FUTURE REVENUE, EARNINGS, GROWTH STRATEGIES, NEW PRODUCTS AND INITIATIVES, FUTURE OPERATIONS AND OPERATING RESULTS, AND FUTURE BUSINESS AND MARKET OPPORTUNITIES. WE UNDERTAKE NO OBLIGATION TO PUBLICLY UPDATE OR REVISE ANY FORWARD-LOOKING STATEMENT, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE. WE WISH TO CAUTION AND ADVISE READERS THAT THESE STATEMENTS INVOLVE RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THE EXPECTATIONS AND BELIEFS CONTAINED HEREIN. FOR A SUMMARY OF CERTAIN RISKS RELATED TO OUR BUSINESS, SEE "ITEM 1A – RISK FACTORS" BEGINNING ON PAGE 23.

In this Annual Report on Form 10-K, references to "dollars" and "$" are to United States dollars. Nu Skin, Pharmanex and Big Planet are our trademarks. The italicized product names used in this Annual Report on Form 10-K are product names and also, in certain cases, our trademarks.

PART I

ITEM 1. BUSINESS

Overview

Nu Skin Enterprises is a global direct selling company with operations in over 45 markets throughout Asia, the Americas and Europe. We market premium quality personal care products under the Nu Skin brand, science-based nutritional supplements under the Pharmanex brand and technology products and services under the Big Planet brand. We conduct business using a direct selling model in all of our markets with the exception of Mainland China (hereinafter "China"). In China, because of regulatory restrictions, we implemented a retail business model with employed sales representatives. However, we are currently integrating direct selling into our business model in this market pursuant to recently enacted direct selling regulations.

In 2007, we posted revenue of $1.16 billion. As of December 31, 2007, we had a global network of approximately 755,000 active independent distributors, sales representatives, and preferred customers, approximately 30,000 of whom were executive level distributors (including sales representatives in China). Our executive level distributors play an important leadership role in our distribution network and are critical to the growth and profitability of our business.

Approximately 86% of our 2007 revenue came from markets outside the United States. Japan accounted for approximately 38% of our 2007 total revenue and is our largest revenue market. Due to the size of our foreign operations, our results are often impacted positively or negatively by foreign currency fluctuations, particularly fluctuations in the Japanese yen. In addition, our results are impacted by global economic, political and general business conditions.

We develop and market branded consumer products that we believe are well suited for direct selling. Our distributors sell our products by educating consumers about the benefits and distinguishing characteristics of our products and by offering personalized customer service. Leveraging our research and development efforts, we continually develop and introduce new products that enhance our product portfolio. We attempt to attract and motivate high-caliber, independent distributors because of our focus on product innovation, our generous global compensation plan and our distributor support programs.

Our business is subject to various laws and regulations globally, in particular with respect to network marketing activities, cosmetics, and nutritional supplements. This creates certain risks for our business, including improper activities by our distributors or our inability to obtain or maintain necessary product registrations.

Strategies

As we work to grow our business, we are focused on the following three key strategies:

- introducing unique tools;
- developing compelling and innovative products under three distinct brands; and
- offering motivating and rewarding distributor incentives.

Unique Tools. We remain committed to providing unique tools and initiatives that help demonstrate our difference, motivate distributors, and aid in recruiting and product sales. Providing evidence that our products are efficacious using state-of-the-art tools is a distinct business advantage. During 2007, we introduced a new branding strategy supporting this concept titled "the difference. demonstrated." Throughout the year, we benefited from three distributor tools that help demonstrate our difference: the *Galvanic Spa System* II, a handheld unit that uses galvanic current to effectively pull impurities from the skin while driving beneficial ingredients into the skin helping to treat the visible signs of aging; the *Pharmanex BioPhotonic Scanner* (the "Scanner"), a portable unit based on patented technologies that allows distributors to non-invasively measure the impact of our nutritional products, particularly our *LifePak* line of products; and the *Nu Skin ProDerm Skin Analyzer* (the "*ProDerm Skin Analyzer*"), a handheld skin imaging and analysis tool that enables distributors to demonstrate the effectiveness of our skin care products by providing a visual assessment of various skin attributes together with a recommended regimen of Nu Skin products.

Innovative Products. Compelling and innovative products are vital to our success as they help attract distributors and customers. Our distributors use the innovative features of our products to build successful sales organizations and attract new customers. Our product philosophy is largely based on anti-aging and we believe we have a competitive advantage in this area through our product offerings. We believe we are one of only a few direct selling companies that has successfully built product equity in both skin care and nutrition, both key anti-aging categories. Key anti-aging products include:

- *LifePak*, a family of anti-aging nutritional supplement products aimed at providing optimal levels of antioxidants, phytonutrients, vitamins, minerals and other vital ingredients that help promote general wellness;
- *g3*, a nutrient-rich juice blend containing a highly concentrated mix of carotenoid antioxidants and micronutrients with a natural delivery system called lipocarotenes*;*

- *Nu Skin 180° Anti-aging Skin Therapy System*, designed to combat the visible signs of aging, specifically targeting improving the appearance of facial lines and wrinkles;
- *Tru Face Essence* and *Tru Face Essence Ultra*, anti-aging products featuring the ingredient Ethocyn which helps to minimize the natural loss of skin elastin and improve skin tone*;*
- *MyVictory!* and *The Right Approach (TRA)*, weight management systems that were each developed for a different lifestyle and diet and which focus on controlling cravings while boosting metabolism.

Distributor Incentives. We are committed to providing generous compensation and incentives to our distributors in order to motivate them and reward them for distributing our products. We believe our global sales compensation plan is one of our competitive advantages and we often refine our plan and add enhancements to help our distributors grow their businesses. For example, during the year ended December 31, 2007, we launched a gross retail product (GRP) program targeted at providing additional commissions and early income for new distributors who are interested in building their sales organizations. In addition,

we have continued to expand and promote product subscription and loyalty programs in many of our markets that provide incentives for customers who commit to purchase a set amount of products on a recurring basis. We believe that these programs, along with a concerted focus on global compensation plan alignment and an increased level of distributor recognition, goal setting and accountability, will help motivate our distributors to drive revenue growth.

Our Product Categories

We have three product categories, each operating under its own brand. We market our premium-quality personal care products under the Nu Skin brand, science-based nutritional supplements under the Pharmanex brand, and technology-based products and services under the Big Planet and Photomax brands.

Presented below are the U.S. dollar amounts and associated revenue percentages from the sale of Nu Skin, Pharmanex, and Big Planet products and services for the years ended December 31, 2005, 2006, and 2007. This table should be read in conjunction with the information presented in "Management's Discussion and Analysis of Financial Condition and Results of Operation," which discusses the costs associated with generating the aggregate revenue presented.

Revenue by Product Category
(U.S. dollars in millions)[1]

	Year Ended December 31,					
Product Category	**2005**		**2006**		**2007**	
Nu Skin	$ 484.3	41.0%	$ 454.5	40.8%	$ 498.5	43.0%
Pharmanex	667.6	56.5	632.7	56.7	634.2	54.8
Big Planet	29.0	2.5	28.2	2.5	25.0	2.2
	$ 1,180.9	100.0%	$ 1,115.4	100.0%	$ 1,157.7	100.0%

(1) In 2007, 86% of our sales were transacted in foreign currencies that were then converted to U.S. dollars for financial reporting purposes at weighted-average exchange rates. Foreign currency fluctuations positively impacted reported revenue by approximately 1% in 2007 compared to 2006, and negatively impacted reported revenue by approximately 1% in 2006 compared to 2005.

Nu Skin. Nu Skin is our original product line and offers premium-quality personal care products in the areas of core systems, targeted treatments, total care, cosmetics and our specialty botanical-based Epoch line. Our strategy is to leverage our network marketing distribution model to establish Nu Skin as an innovative leader in the personal care market. We are committed to continuously improving and evolving our product formulations to develop and incorporate innovative and proven ingredients.

In addition to marketing premium-quality personal care products, we are committed to developing tools to help distributors market our products more effectively. Under the Nu Skin brand, we have two unique tools. The first is the *Galvanic Spa System II*, which was first introduced in 2002, and has experienced strong growth during the last 18 months. The other tool is the second generation of the *ProDerm Skin Analyzer*, which was introduced in the third quarter of 2007 at the company's global convention. This portable proprietary skin analysis tool allows users to receive a personalized analysis on four different skin attributes (wrinkles, pore size, skin texture, and discoloration), and enables distributors to demonstrate the effectiveness of our skin care products by providing close up skin images and a recommended regimen of Nu Skin products. This unit is currently available only in the United States and Europe.

The following table summarizes our Nu Skin product line by category:

Category	Description	Selected Products
Core Daily Systems	Regardless of skin type, our core systems provide a solid foundation for your skin's individual needs. Our systems are developed to target specific skin concerns and are made from ingredients scientifically proven to provide visible results for concerns ranging from aging to acne.	*Nu Skin 180° Anti-Aging Skin Therapy System* *Nu Skin Tri-Phasic White* *Nutricentials* *Nu Skin Clear Action Acne Medication System*
Targeted Treatments	Our customized skin care line focus allows a customer to tailor product regimens that help deliver younger looking skin at any age. The products are developed using cutting-edge ingredient technologies that target specific skin care needs.	*Tru Face Essence Ultra* *Tru Face Line Corrector* *Tru Face Revealing Gel* *Nu Skin Galvanic Spa System II Enhancer* *Celltrex Ultra Recovery Fluid* *Celltrex CoQ10 Complete* *NAPCA Moisturizer* *Polishing Peel Skin Refinisher*
Total Care	Our total care line addresses body care. The total care line can be used by families and the products are designed to deliver superior	*Body Bar* *Liquid Body Lufra* *Perennial Intense Body Moisturizer* *Dividends Men's Line*

	benefits from head to toe for the ultimate sense of total body wellness.	*AP-24 Dental Care* *DailyKind Mild Shampoo and Conditioner*

Category	Description	Selected Products
Cosmetic	The Nu Colour cosmetic line marries the latest technology with ingredients that are weightless and pure. The products are targeted to define and highlight your natural beauty.	*Tinted Moisturizer SPF 15* *Finishing Powder* *Contouring Lip Gloss* *Defining Effects Mascara*
EPOCH	Our Epoch line is distinguished by utilizing traditional knowledge of indigenous cultures for skin care. Each Epoch product is formulated with botanical ingredients derived from renewable resources found in nature. In addition, we contribute a percentage of our proceeds from Epoch sales to charitable causes.	*Baobab Body Butter* *Sole Solution Foot Treatment* *Calming Touch Soothing Skin Cream* *Glacial Marine Mud* *IceDancer Invigorating Leg Gel* *Everglide Foaming Shave Gel* *Ava puhi moni Shampoo* *Epoch Baby*

***Pharmanex*.** We market a variety of nutritional products comprised of comprehensive micronutrient supplements, targeted nutritional supplements, weight management supplements and certain specialty solution products under the Pharmanex brand. *LifePak*, our flagship line of micronutrient and phytonutrient supplements, accounted for 22% of our total revenue and 39% of Pharmanex revenue in 2007.

Direct selling has proven to be an extremely effective method of marketing our high-quality nutritional supplements because our distributors can personally educate consumers on the quality and benefits of our products, differentiating them from our competitors' offerings. Our strategy for expanding the nutritional supplement business is to introduce innovative, substantiated products based on extensive research and development and quality manufacturing. Our product development efforts focus in the areas of anti-aging, weight management, and general nutrition.

We continue to market our the Scanner, a tool developed to measure a persons carotenoid antioxidants using a light source shown into the palm of the hand, to demonstrate our difference. This is used globally in our business, and is a powerful tool utilized by our distributors. Several improvements and enhancements have been made to the unit over the past three years. The latest was introduced at our global distributor convention held in September. In 2006, we acquired the exclusive rights to use the Scanner technology in medical settings, and as a result, we own the rights to use the Scanner within all environments worldwide where allowed by legal and regulatory requirements.

The following table summarizes our Pharmanex product line by category:

Category	Description	Selected Products
LifePak* and *g3	Our LifePak family of products along with our g3 superfruit juice drink are the basis for general health and wellness. These products supply a complete balance of nutrients that our bodies need to supplement the dietary demands of everyday living.	*LifePak* Family of Products *g3* juice
Weight Management	Our weight loss products include supplements as well as meal replacement shakes. Our new *MyVictory!* Program also incorporates an innovative measurement device and web-based program that allows participants to track not only how many calories they are consuming, but also how many they are expending.	*MyVictory!* weight management program *The Right Approach (TRA)* weight management system
Solutions	Our self-care dietary supplements contain standardized levels of botanical and other active ingredients that are designed to provide consumers with targeted wellness benefits.	*Tegreen 97* *ReishiMax GLp* *Marine Omega* *Cholestin* *CordyMax Cs-4* *Cortitrol* *Detox Formula* *Eye Formula*

***Big Planet and Photomax*.** We offer technology products and services centered around two product categories under the Big Planet and Photomax brands: business tools and digital imaging. Our strategy is to provide simple and innovative technological products.

In 2005, we introduced a web-based digital photo service called *Photomax*, available on the web at *Photomax.com*, which makes it easy for consumers to view, organize and share digital pictures online. Since 2005, we have added additional products and services aimed at the preservation of memories.

Our Big Planet business tools, products and services are designed to help distributors increase their productivity by leveraging technology in the management of their direct selling activities. By providing an assortment of business tools, distributors can better manage and communicate with their sales force and potential customers.

The following table summarizes the current Big Planet product line by category:

Category	Description	Selected Products
Digital Imaging	A line of online digital photography and video services designed for non-technical consumers.	*Movie Magic DVD* *Photo Book* *Photomax Web Site*- online photo storage *Maxcast*
Business Tools	Advanced tools and services that help distributors and consumers establish an online presence and manage their businesses.	*Global Web Page* *BP Toolbar* *Nu Skin Regimen Optimizer* *BP Internet Access*

We also market a small line of home care products under the Ecosphere brand, designed to clean and protect the home environment, which include a *Water Purifier*, *Filtering Showerhead* and *Surface Wipes*. These products are found primarily in our Asian markets.

Sourcing and Production

***Nu Skin*.** In order to maintain high product quality, we acquire our ingredients and contract production of our proprietary products from suppliers and manufacturers that we believe are reliable, reputable and deliver high quality materials and service. We acquire ingredients and products from two primary suppliers that currently each manufacture products that represent approximately 25% of our Nu Skin personal care revenue. We maintain a good relationship with our suppliers and do not anticipate that either party will terminate the relationship in the near term. We also have ongoing relationships with secondary and tertiary suppliers. In the event we become unable to source any products or ingredients from our major suppliers, we believe that we would be able to produce or replace those products or substitute ingredients from our secondary and tertiary suppliers without great difficulty or significant increases to our cost of goods sold. *Please refer to "Item 1A. — Risk Factors" for a discussion of risks and uncertainties associated with our supplier relationships and with the sourcing of raw materials and ingredients.*

We also established a production facility in Shanghai, where we currently manufacture our personal care products sold through our retail stores in China, as well as a small portion of product exported to select other markets. We believe that if the need arose, this plant could be expanded—or other facilities could be built in China—to produce larger amounts of inventory for export or as a back up to our existing supply chain.

***Pharmanex*.** Substantially all of our Pharmanex nutritional supplements and ingredients, including *LifePak*, are produced or provided by third-party suppliers and manufacturers. We rely on two partners for the majority of our Pharmanex products, one of which supplies products that represent approximately 35% of our nutritional supplement revenue while the other supplier manufactures products that represent approximately 18% of our nutritional supplement revenue. In the event we become unable to source any products or ingredients from these suppliers or from other current vendors, we believe that we would be able to produce or replace those products or substitute ingredients without great difficulty or significant increases to our cost of goods sold. *Please refer to Item 1A. – "Risk Factors" for a discussion of certain risks and uncertainties associated with our supplier relationships, as well as with the sourcing of raw materials and ingredients.*

We also maintain a facility located in Zhejiang Province, China, where we produce herbal extracts for *Tegreen 97*, *ReishiMax GLp* and other products sold globally. In 2005, we completed the build-out of a new manufacturing facility in Zhejiang Province where we produce some of our Pharmanex nutritional supplements for sale through our retail stores in China as well as a small portion of product exported to other markets. In addition, we operate a plant in Shanghai where we manufacture and repair our Scanners.

***Big Planet*.** Third parties, pursuant to contractual arrangements, provide the majority of our Big Planet and Photomax products and services. By acting as a private-labeled agent for other vendors, we are able to avoid the large capital investment that would be required to build the infrastructure necessary to fulfill Big Planet's product offerings. However, our profit margins and our ability to deliver quality services at competitive prices depend upon our ability to negotiate and maintain favorable terms with third-party providers.

Research and Development

We continually invest in our research and development capabilities. Our research and development expenditures were approximately $8 million in 2005, $9 million in 2006 and $10 million in 2007. Because of our commitment to product innovation, we will continue to commit resources to research and development in the future.

Our primary research and testing laboratory, adjacent to our office complex in Provo, Utah, houses both Pharmanex and Nu Skin research facilities and professional and technical personnel. We also maintain research facilities in China. Much of our Pharmanex research to date is conducted in China, where we benefit from a well-educated, low-cost, scientific labor pool that enables us to conduct research and clinical trials at a much lower cost than would be possible in the United States.

We also have collaborative relationships with numerous independent scientists, including scientific advisory boards comprised of recognized authorities in related disciplines for each of our nutritional and personal care product categories. We also enter into collaborative arrangements with prominent universities and research institutions in the United States, Europe and Asia, whose staffs include scientists with expertise in natural product chemistry, biochemistry, dermatology,

pharmacology and clinical studies. Some of the university research centers with which we have collaborated include Purdue University, Stanford University, Vanderbilt University, and Tufts University.

In addition, we evaluate a significant number of product ideas for our Nu Skin and Pharmanex categories presented by outside sources. We utilize strategic licensing and other relationships with vendors for access to directed research and development work for innovative and proprietary offerings.

Geographic Sales Regions

We currently sell and distribute our products in over 45 markets, employing a direct selling model in each of our markets except China. We have segregated our markets into five geographic regions: North Asia, Greater China, Americas, South Asia/Pacific and Europe. The following table sets forth the revenue for each of the geographic regions for the years ended December 31, 2005, 2006 and 2007:

Revenue by Region

	Year Ended December 31,								
(U.S. dollars in millions)	**2005**			**2006**			**2007**		
North Asia	$	649.4	55%	$	593.8	53%	$	585.8	50%
Greater China		236.7	20		208.2	19		205.0	18
Americas		162.1	14		165.9	15		188.3	16
South Asia/Pacific		86.7	7		88.0	8		101.4	9
Europe		46.0	4		59.5	5		77.2	7
	$	1,180.9	100%	$	1,115.4	100%	$	1,157.7	100%

Additional comparative revenue and related financial information is presented in the tables captioned “Segment Information” in Note 17 to our Consolidated Financial Statements. The information from these tables is incorporated by reference in this Report.

North Asia. The following table provides information on each of the markets in the North Asia region, including the year it opened, 2007 revenue, and the percentage of our total 2007 revenue for each market:

(U.S. dollars in millions)	**Year Opened**	**2007 Revenue**	**Percentage of 2007 Revenue**
Japan	1993	$ 443.7	38%
South Korea	1996	$ 142.1	12%

Japan is our largest market and accounted for approximately 38% of total revenue in 2007. We market most of our Nu Skin and Pharmanex products in Japan, along with a limited number of Big Planet offerings. In addition, all three product categories offer a limited number of locally developed products sold exclusively in our Japanese market. In 2007, we introduced a skin care product specifically for Japan called *Duo* as well as restaged the *Galvanic Spa System II* in the fourth quarter. In 2008, we have plans to launch *LifePak Nano*, *Tru Face Essence Ultra* and incorporate innovative anti-aging technologies into existing products.

In South Korea, we offer most of our Nu Skin and Pharmanex products, along with a limited number of Big Planet services. Product introductions for 2007 included the launch of *Tri-Phasic White*, a skin whitening system, as well as a focus on child-specific nutritional products. During the year, we also moved operations to a new, state-of-the-art facility in Seoul. In 2008, we plan to introduce *Estra*, *Tru Face Essence Ultra*, and *CordyMax*.

Greater China. The following table provides information on each of the markets in the Greater China region, including the year opened, 2007 revenue, and the percentage of our total 2007 revenue for each market:

(U.S. dollars in millions)	**Year Opened**	**2007 Revenue**	**Percentage of 2007 Revenue**
Taiwan	1992	$ 93.0	8%
China	2003	$ 66.5	6%
Hong Kong	1991	$ 45.5	4%

Our Hong Kong and Taiwan markets operate using our global direct selling business model and global compensation plan. We offer a robust product offering of the majority of our Nu Skin and Pharmanex products in Hong Kong and Taiwan, and limited Big Planet products and services. Approximately half of our revenue in these markets comes from orders through our monthly product subscription program, which has led to improved retention of customers and distributors and has helped streamline the ordering process.

In China, we sell many of our Nu Skin products and a locally produced value line of personal care products under the *Scion* brand name. We also sell a select number of Pharmanex products, including our number one nutritional product, *LifePak.*

We currently are unable to operate under our global direct selling business model in China as a result of regulatory restrictions on direct selling activities in this market. Consequently, we have developed a retail sales model that utilizes an employed sales force to sell products through fixed locations that we are supplementing with a single level direct sales opportunity in those locations where we have obtained a direct sales license. In addition, we have recently begun engaging contracted sales promoters to sell products through our retail stores. We rely on our sales force to market and sell products at the various retail locations

supported by only minimal advertising and traditional promotional efforts. Our retail model in China is largely based upon our ability to attract customers to our retail stores through our sales force, to educate them about our products through frequent training meetings, and to obtain repeat purchases. Our retail model only allows for product sales to be transacted within our retail stores. While our distributor leaders from other markets are able to introduce customers and sales people to our stores, their promotional efforts are limited due to the restrictions on direct selling in this market.

We also continue to implement a direct sales opportunity that allows us to engage independent distributors who can sell products away from our retail stores. We have received licenses and approvals to engage in direct selling activities in the municipalities of Shanghai and Beijing, and we continue to work to obtain the necessary approvals in Guangdong and other locations in China. The direct selling licenses allow us to engage an entry-level, non-employee sales force that can sell products away from fixed retail locations. Since the direct selling regulations prohibit the use of multi-level compensation plans, we compensate these independent distributors based on their personal selling efforts only. Our current direct sales model is structured in a manner that we believe is complementary to our existing retail sales model. Our independent direct sellers, for example, can transition into our retail model and become sales promoters or employees, which can provide them with a more rewarding income opportunity.

During the fourth quarter of 2007, we made significant changes to our China business and infrastructure as we decided to change our strategy for operating retail stores. We believe we can operate more effectively and efficiently by focusing our business around flagship stores in major cities. As a result, we plan to open five new flagship stores in the cities of Shanghai, Beijing, Guangzhou, Shenzen, and Xian. As part of this strategy, we also closed down approximately 70 retail stores scattered throughout the country and terminated approximately 650 corporate employees. In light of recent developments in employment law, we have modified our business model to engage sales promoters under a service contract as well as offer part-time employment. This will allow us to provide a supplemental income opportunity to individuals who may not be interested in working full-time in this business.

Americas. The following table provides information on each of the markets in the North America region, including the year opened, 2007 revenue, and the percentage of our total 2007 revenue for each market:

(U.S. dollars in millions)	**Year Opened**	**2007 Revenue**	**Percentage of 2007 Revenue**
United States	1984	$ 167.8	15%
Canada	1990	$ 11.5	1%
Latin America[(1)]	1994	$ 9.0	1%

(1) Latin America includes Brazil, Costa Rica, El Salvador, Guatemala, Honduras, Mexico and Venezuela.

Substantially all of our Nu Skin and Pharmanex products, as well as our Big Planet products and services, are available for sale in the United States. In 2007, we introduced the *MyVictory!* weight management system, *Tru Face Essence Ultra*, *Baobab Body Butter*, a new version of the *ProDerm Skin Analyzer*, and restaged the *Galvanic Spa System II*. We also held our biennial global convention in Salt Lake City, Utah during the third quarter of 2007 with approximately 8,500 attendees from around the world. During 2007, we expanded our operations in this region by opening the Venezuela market. During 2008, we plan to introduce several new products in the United States including *Fibercleanse* and incorporate innovative anti-aging technology into existing or new products. Additionally, we will continue to pursue growth in the United States with recently launched products which include *Tru Face Essence Ultra*, as well as the restaged *Galvanic Spa System II*.

South Asia/Pacific. The following table provides information on each of the markets in the South Asia/Pacific region, including the year opened, 2007 revenue, and the percentage of our total 2007 revenue for each market:

(U.S. dollars in millions)	**Year Opened**	**2007 Revenue**	**Percentage of 2007 Revenue**
Singapore/Malaysia/Brunei	2000/2001/2004	$ 39.3	3%
Thailand	1997	$ 32.3	3%
Australia/New Zealand	1993	$ 15.8	1%
Indonesia	2005	$ 8.8	1%
Philippines	1998	$ 5.2	—*

* Less than 0.5%

We offer a majority of our Pharmanex and Nu Skin products in the South Asia/Pacific region. Marketing initiatives in South Asia/Pacific have centered on monthly product subscription orders, the *BioPhotonic Scanner*, our *g3* nutritional drink, *Galvanic Spa System II*, and our *TRA weight management system*.

Europe. The following table provides information on our Europe region, including the year opened, revenue for 2007, and the percentage of our total 2007 revenue for the region.

(U.S. dollars in millions)	**Year Opened**	**2007 Revenue**	**Percentage of 2007 Revenue**
Europe[(1)]	1995	$ 77.2	7%

(1) Europe includes Austria, Belgium, Denmark, Finland, France, Germany, Hungary, Ireland, Iceland, Israel, Italy, the Netherlands, Norway, Poland,

Portugal, Romania, Russia, Slovakia, Spain, Sweden, Switzerland, and the United Kingdom.

We currently operate in 21 countries throughout Northern, Eastern, and Central Europe as well as in Israel and offer a full range of Nu Skin, Pharmanex and Big Planet products. Various products and distributor tools have contributed to Europe's recent success, including the *Galvanic Spa System II*, the Scanner, and *g3*. We have been experiencing strong growth in central and eastern European markets. In 2007, we opened operations in Slovakia and Switzerland. We also plan to commence limited operations in South Africa in 2008.

Distribution

Overview. The foundation of our sales philosophy and distribution system is network marketing. We sell our products through independent distributors who are not employees, except in China where we sell our products through employed retail sales representatives. Our distributors generally purchase products from us for resale to consumers and for personal consumption. We also enjoy a large base of subscription customers who purchase directly from the company and in doing so receive a product discount.

Network marketing is an effective vehicle to distribute our products because:

- distributors can educate consumers about our products in person, which we believe is more effective for premium-quality, differentiated products than using traditional advertising;
- direct sales allow for actual product testing by potential customers;
- there is greater opportunity for distributor and customer testimonials; and
- as compared to other distribution methods, our distributors can provide customers higher levels of service and encourage repeat purchases.

"Active distributors" under our global compensation plan are defined as those distributors who have purchased products for resale or personal consumption during the previous three months. In addition, we have implemented "preferred customer" programs in many of our markets, which allow customers to purchase products—generally on a recurring monthly product subscription basis—directly from us. We include preferred customers who have purchased products during the previous three months in our "active distributor" numbers. While preferred customers are legally very different from distributors, both are considered customers of our products.

"Executive-level distributors" under our global compensation plan are those distributors who are most seriously pursuing the direct selling opportunity and must achieve and maintain specified personal and group sales volumes each month. Once an individual becomes an executive-level distributor, he or she can begin to take advantage of the benefits of commission payments on personal and group sales volume. As a result of direct selling restrictions in China, we have implemented a modified business model utilizing retail stores and an employed sales force. (See the discussion on China in "Geographic Sales Regions.") Full-time sales representatives are those sales representatives that have completed a qualification process. Throughout this annual report, we include full-time sales representatives in China in our "executive-level distributor" numbers in order to provide some level of comparison between our China model and our global direct selling model.

Our revenue is highly dependent upon the number and productivity of our distributors. Growth in sales volume requires an increase in the productivity and/or growth in the total number of distributors. As of December 31, 2007, we had approximately 755,000 active distributors of our products and services. Approximately 30,000 of these distributors were executive-level distributors. As of each of the dates indicated below, we had the following number of executive distributors in the referenced regions:

Total Number of Executive Distributors by Region

Region	2005	2006	2007
North Asia	16,129	15,354	14,845
Greater China	7,134	6,492	6,389
Americas	3,893	4,141	4,588
South Asia/Pacific	2,043	2,169	2,223
Europe	1,272	1,600	1,957
Total	30,471	29,756	30,002

Sponsoring. We rely on our distributors to recruit and sponsor new distributors of our products. While we provide internet support, product samples, brochures, magazines, and other sales and marketing materials at cost, distributors are primarily responsible for recruiting and educating new distributors with respect to products, our global compensation plan, and how to build a successful distributorship.

The sponsoring of new distributors creates multiple levels in a network marketing structure. Individuals that a distributor sponsors are referred to as "downline" or "sponsored" distributors. If downline distributors also sponsor new distributors, they create additional levels in the structure, but their downline distributors remain in the same downline network as their original sponsoring distributor.

Sponsoring activities are not required of distributors and we do not pay any commissions for sponsoring new distributors. However, because of the financial incentives provided to those who succeed in building and mentoring a distributor network that resells and consumes products, many of our distributors attempt, with varying degrees of effort and success, to sponsor additional distributors. People often become distributors after using our products as regular customers. Once a person becomes a distributor, he or she is able to purchase products directly from us at wholesale prices. The distributor is also entitled to sponsor other distributors in order to build a network of distributors and product users. A potential distributor must enter into a standard distributor agreement, which among other things, obligates the distributor to abide by our policies and procedures.

***Global Compensation Plan*.** One of our competitive advantages is our global sales compensation plan. Under our global compensation plan, a distributor is paid consolidated monthly commissions in the distributor's home country, in local currency, for the distributor's own product sales and for product sales in that distributor's downline distributor network across all geographic markets. Because of restrictions on direct selling in China, our full-time employed sales representatives there do not participate in the global compensation plan, but are instead compensated according to a retail sales model established for that market. Additionally, while global distributor leaders are compensated based on sales activity of preferred customers and sales employees in China, sales in China do not accrue to satisfy applicable sales volume requirements within the global compensation plan.

Commissions on the sale of an individual Nu Skin or Pharmanex product can exceed 50% of the wholesale price. The actual commission payout percentage, however, varies depending on the number of distributors at each payout level within our global compensation plan. On a global basis, the overall payout on these products has typically averaged approximately 41% to 44%. We believe that our commission payout as a percentage of total sales is among the most generous paid by major direct selling companies.

From time to time, we make modifications and enhancements to our global compensation plan to help motivate distributors. In addition, we evaluate a limited number of distributor requests on a monthly basis for exceptions to the terms and conditions of the global compensation plan, including volume requirements. While our general policy is to discourage exceptions, we believe that the flexibility to grant exceptions is critical in retaining distributor loyalty and dedication and we make exceptions in limited cases as necessary.

***High Level of Distributor Incentives*.** Based upon management's knowledge of our competitors' distributor compensation plans, we believe our global compensation plan is among the most financially rewarding plans offered by leading direct selling companies. There are two fundamental ways in which our distributors can earn money:

- through retail markups on sales of products purchased by distributors at wholesale; and
- through a series of commissions on product sales.

Each of our products carries a specified number of sales volume points. Commissions are based on total personal and group sales volume points per month. Sales volume points are generally based upon a product's wholesale cost, net of any point-of-sale taxes. As a distributor's business expands to successfully sponsoring other distributors into the business—who in turn expand their own businesses—a distributor receives a higher percentage of commissions. An executive's commissions can increase substantially as multiple downline distributors achieve executive status. In determining commissions, the number of levels of downline distributors included in an executive's commissionable group increases as the number of executive distributorships directly below the executive increases.

***Distributor Support*.** We are committed to providing high-level support services tailored to the needs of our distributors in each market. We attempt to meet the needs and build the loyalty of distributors by providing personalized distributor services and by maintaining a generous product return policy. Because the majority of our distributors are part time and have only a limited number of hours each week to concentrate on their business, we believe that maximizing a distributor's efforts by providing effective distributor support has been, and will continue to be, important to our success.

Through training meetings, distributor conventions, Web-based messages, distributor focus groups, regular telephone conference calls, and other personal contacts with distributors, we seek to understand and satisfy the needs of our distributors. We provide walk-in, telephonic, and Web-based product fulfillment and tracking services that result in user-friendly, timely product distribution. Several of our walk-in retail centers maintain meeting rooms, which our distributors may utilize for training and sponsoring activities. Because of our efficient distribution system, we believe that most of our distributors do not maintain a significant inventory of our products.

***Rules Affecting Distributors*.** We monitor regulations and distributor activity in each market to ensure our distributors comply with local laws. Our published distributor policies and procedures establish the rules that distributors must follow in each market. We also monitor distributor activity to maintain a level playing field for our distributors, ensuring that some are not disadvantaged by the activities of others. We require our distributors to present products and business opportunities ethically and professionally. Distributors further agree that their presentations to customers must be consistent with, and limited to, the product claims and representations made in our literature.

Distributors must represent to us that their receipt of commissions is based on retail sales and substantial personal sales efforts. We must produce or pre-approve all sales aids used by distributors such as videotapes, audiotapes, brochures and promotional clothing. Distributors may not use any form of media advertising to promote products. Products may be promoted only by personal contact or by literature produced or approved by the company. Distributors may not use our trademarks or other intellectual property without our consent.

Our products may not be sold, and our business opportunities may not be promoted, in traditional, non-Company owned retail environments. We have made an exception to this rule by allowing some of our Pharmanex products to be sold in independently owned pharmacies and drug stores meeting specified requirements. Distributors who own or are employed by a service-related business—such as a doctor's office, hair salon or health club—may make products available to regular customers as long as products are not displayed visibly to the general public in a manner to attract the general public into the establishment to purchase products.

In order to qualify for commission bonuses, our distributors generally must satisfy specific requirements including achieving at least 100 points, which is approximately $100 in personal sales volume per month. In addition, individual markets may have requirements specific to that country based on regulatory factors. For example, in the United States, distributors must also:

- document retail sales or customer connections to established numbers of retail customers; and
- sell and/or consume at least 80% of personal sales volume.

We systematically review reports of alleged distributor misbehavior. If we determine one of our distributors has violated any of our policies or procedures, we may terminate the distributor's rights completely. Alternatively, we may impose sanctions, such as warnings, probation, withdrawal or denial of an award, suspension of privileges of a distributorship, fines and/or withholding of commissions until specified conditions are satisfied, or other appropriate injunctive relief.

Product Returns. We believe we are among the most consumer-protective companies in the direct selling industry. While the regulations and our operations vary somewhat from country to country, we generally follow a similar procedure for product returns. For 30 days from the date of purchase, our product return policy generally allows a retail customer to return any Nu Skin or Pharmanex product to us directly or to the distributor through whom the product was purchased for a full refund. After 30 days from the date of purchase, the end user's return privilege is at the discretion of the distributor. Our distributors can generally return unused products directly to us for a 90% refund for one year. Through 2007, our experience with actual product returns averaged less than 5% of annual revenue.

Payment. Distributors generally pay for products prior to shipment. Accordingly, we carry minimal accounts receivable. Distributors typically pay for products in cash, by wire transfer or by credit card. Order takers in the distribution centers, or retail stores in China receive cash, which represents a significant portion of all payments.

Competition

Direct Selling Companies. We compete with other direct selling organizations, some of which have a longer operating history and higher visibility, name recognition and financial resources than we do. The leading direct selling companies in our existing markets are Avon and Alticor (Amway). We compete for new distributors on the strength of our multiple business opportunities, product offerings, global compensation plan, management, and our international operations. In order to successfully compete in this market and attract and retain distributors, we must maintain the attractiveness of our business opportunities to our distributors.

Nu Skin and Pharmanex Products. The markets for our Nu Skin and Pharmanex products are highly competitive. Our competitors include manufacturers and marketers of personal care and nutritional products, pharmaceutical companies and other direct selling organizations, many of which have longer operating histories and greater name recognition and financial resources than we do. We compete in these markets by emphasizing the innovation, value and premium quality of our products and the convenience of our distribution system. We focus on delivering a product whose value can be measured and provide our distributors with powerful tools that allow them to demonstrate this effectiveness.

Big Planet Products and Services. The markets for our Big Planet products and services are also highly competitive. Many of our competitors for these products and services have much greater name recognition and financial resources than we do. We compete in this market by delivering products that are more user friendly than those of our competitors, by developing unique features and product interfaces, by partnering with leading technology vendors whose competitive positioning can assist us and by leveraging our direct selling channel strengths. The market for technology and telecommunication products is very price sensitive, so we rely on our ability to acquire quality services from vendors at prices that allow our distributors to sell at competitive prices while still generating attractive commissions.

Intellectual Property

Our major trademarks are registered in the United States and in each country where we operate or have plans to operate, and we consider trademark protection to be very important to our business. Our major trademarks include Nu Skin, Pharmanex, Big Planet and *LifePak*. In addition, a number of our products and tools, including the Scanner, are based on proprietary technologies and formulations, some of which are patented or licensed from third parties. We also rely on trade secret protection to protect our proprietary formulas and know-how. Our business is not substantially dependent on any single licensed technology from any third party.

Government Regulation

Direct Selling Activities. Direct selling activities are regulated by various federal, state and local governmental agencies in the United States and foreign countries. These laws and regulations are generally intended to prevent fraudulent or deceptive schemes, often referred to as "pyramid" schemes, that compensate participants for recruiting additional participants irrespective of product sales, use high-pressure recruiting methods and/or do not involve legitimate products. The laws and regulations in our current markets often:

- impose cancellation/product return, inventory buy-backs and cooling-off rights for consumers and distributors;

- require us or our distributors to register with governmental agencies;
- impose caps on the amount of commission we can pay;
- impose reporting requirements; and
- impose upon us requirements, such as requiring distributors to maintain levels of retail sales to qualify to receive commissions, to ensure that distributors are being compensated for sales of products and not for recruiting new distributors.

The laws and regulations governing direct selling are modified from time to time, and, like other direct selling companies, we are subject from time to time to government investigations in our various markets related to our direct selling activities. This can require us to make changes to our business model and aspects of our global compensation plan in the markets impacted by such changes and investigations. Based on research conducted in existing markets, the nature and

scope of inquiries from government regulatory authorities and our history of operations in those markets to date, we believe our method of distribution complies in all material respects with the laws and regulations related to direct selling of the countries in which we currently operate.

The Federal Trade Commission (FTC) in the United States proposed new regulations in 2005 which would impose additional written disclosure requirements such as earnings information, names and telephone numbers of recent purchasers, cancellations and refund policies and requests for cancellations or refunds within the prior two years, and information on legal actions against the company and certain affiliates. T.he proposed regulations also would implement a seven-day waiting period before a person could sign up to become a distributor. The direct selling industry association has filed comments objecting to many of the requirements in these proposed regulations and is working to get the FTC to change its proposal.

As a result of restrictions in China on direct selling activities, we have implemented a retail store model utilizing an employed sales force, and we are currently integrating direct selling in our business model in this market pursuant to recently enacted direct selling regulations. The regulatory environment in China remains complex. China's direct selling and anti-pyramiding regulations are restrictive and contain various limitations, including a restriction on the ability to pay multi-level compensation to independent distributors. Our operations in China have attracted significant regulatory and media scrutiny since we expanded our operations there in January 2003. Regulations are subject to discretionary interpretation by municipal and provincial level regulators as well as local customs and practices. Interpretations of what constitutes permissible activities by regulators can vary from province to province and can change from time to time because of the lack of clarity in the rules regarding direct selling activities and differences in customs and practices in each location.

Because of the Chinese government's significant concerns about direct selling activities, it scrutinizes very closely activities of direct selling companies. At times, investigations and related actions by government regulators have impeded our ability to conduct business in certain locations, and have resulted in a few cases in fines being paid by our company. In each of these cases, we have been allowed to recommence operations after the government's investigation, and no material changes to our business model were required in connection with these fines and impediments. *Please refer to Item 1A. "Risk Factors" for more information on the regulatory risks associated with our business in China.*

The regulatory environment with respect to direct selling in China remains fluid and the process for obtaining the necessary governmental approvals to conduct direct selling continues to evolve. The regulations and processes in some circumstances have been interpreted differently by different governmental authorities. In order to expand our direct selling model into additional provinces we currently must obtain a series of approvals from the Departments of Commerce in such provinces, the Shanghai Department of Commerce (Nu Skin China's supervisory authority), as well as the Departments of Commerce in each city and district in which we plan to operate. We also are required to obtain the approval of the State Ministry of Commerce, which is the national governmental authority overseeing direct selling. In addition, regulators are acting cautiously as they monitor the roll-out of direct selling, which has made the approval process take longer than we anticipated. *Please refer to Item 1A. "Risk Factors" for more information on the risks associated with our planned expansion of direct selling in China.*

***Regulation of Our Products*.** Our Nu Skin and Pharmanex products and related promotional and marketing activities are subject to extensive governmental regulation by numerous domestic and foreign governmental agencies and authorities, including the FDA, the FTC, the Consumer Product Safety Commission, the Department of Agriculture, State Attorneys General and other state regulatory agencies in the United States, and the Ministry of Health, Labor and Welfare in Japan and similar government agencies in each market in which we operate.

Our personal care products are subject to various laws and regulations that regulate cosmetic products and set forth regulations for determining whether a product can be marketed as a "cosmetic" or requires further approval as a drug. In the United States, regulation of cosmetics are under the jurisdiction of the FDA. The Food, Drug and Cosmetic Act defines cosmetics by their intended use, as "articles intended to be rubbed, poured, sprinkled, or sprayed on, introduced into, or otherwise applied to the human body .. . . for cleansing, beautifying, promoting attractiveness, or altering the appearance." Among the products included in this definition are skin moisturizers, perfumes, lipsticks, fingernail polishes, eye and facial makeup preparations, shampoos, permanent waves, hair colors, toothpastes and deodorants, as well as any material intended for use as a component of a cosmetic product. Conversely, a product will not be considered a cosmetic, but may be considered a drug if it is intended for use in the diagnosis, cure, mitigation, treatment, or prevention of disease, or is intended to affect the structure or any function of the body. The other markets we operate in have similar regulations. In Japan, the Ministry of Health, Labor and Welfare regulates the sale and distribution of cosmetics and requires us to have an import business license and to register each personal care product imported into Japan. In Taiwan, all "medicated" cosmetic products require registration. In China, personal care products are placed into one of two categories, "general" and "drug." Products in both categories require submission of formulas and other information with the health authorities, and drug products require human clinical studies. The product registration process in China for these products can take from nine to more than 18 months. Such regulations in any given market can limit our ability to import products and can delay product launches as we go through the registration and approval process for those products. The sale of cosmetic products is regulated in the European Union under the European Union Cosmetics Directive, which requires a uniform application for foreign companies making personal care product sales.

Our Pharmanex products are subject to various regulations promulgated by government agencies in the markets in which we operate. In the United States, we generally market our nutritional products as foods or dietary supplements. The FDA has jurisdiction over this regulatory area. Because these products are regulated as "foods" under the Dietary Supplement and Health Education Act, we are generally not required to obtain regulatory approval prior to introducing a product into the United States market. None of this infringes, however, upon the FDA's power to remove an unsafe substance from the market. In our foreign markets, the products are generally regulated by similar government agencies, such as the Ministry of Health and Welfare in Japan, the KFDA in South Korea, and the Department of Health in Taiwan. We typically market our Pharmanex products in international markets as foods or health foods under applicable regulatory regimes. In the event a product, or an ingredient in a product, is classified as a drug or pharmaceutical product in any market, we will generally not be able to distribute that product in that market through our distribution channel because of strict restrictions applicable to drug and pharmaceutical products. China has some of the most restrictive nutritional supplement product regulations. Products marketed as "health foods" are subject to extensive laboratory analysis by governmental authorities, and the product registration process for these products takes approximately two years. We market both "health foods" and "general foods" in China. Our flagship product, *LifePak*, is currently marketed as a general food with only one of the three main capsules having received "health food" classification. Currently, "general foods" is not an approved category for direct selling; therefore, we will only market LifePak through our retail stores until final "health food" classification for *LifePak* is obtained for the other two capsules. Additionally, there is some risk associated with the common practice in China of marketing a product as a "general food" while seeking "health food" classification. If government officials feel our categorization of our products is inconsistent with product claims, ingredients or function, this could limit our ability to market such products in China in their current form.

The markets in which we operate all have varied regulations that distinguish foods and nutritional health supplements from “drugs” or “pharmaceutical products.” Because of the varied regulations, some products or ingredients that are recognized as a “food” in certain markets may be treated as a “pharmaceutical” in other markets. In Japan, for example, if a specified ingredient is not listed as a “food” by the Ministry of Health and Welfare, we must either modify the product to eliminate or substitute that ingredient, or petition the government to treat such ingredient as a food. We experience similar issues in our other markets. This is particularly a problem in Europe where the regulations differ from country to country. As a result, we must often modify the ingredients and/or the levels of ingredients in our products for certain markets. In some circumstances, the regulations in foreign markets may require us to obtain regulatory approval prior to introduction of a new product or limit our uses of certain ingredients altogether. Because of negative publicity associated with some supplements, such as “ephedra” or human growth hormones (HGH) (which we have never marketed) and other potentially harmful ingredients, there has been an increased movement in the United States and other markets to expand the regulation of dietary supplements, which could impose additional restrictions or requirements in the future.

In June 2007 the U.S. Food and Drug Administration announced a final rule establishing regulations to require current good manufacturing practices (cGMP) for dietary supplements. The rule ensures that dietary supplements are produced in a quality manner, do not contain contaminants or impurities, and are accurately labeled. The final rule includes requirements for establishing quality control procedures, designing and constructing manufacturing plants, and testing ingredients and the finished products. It also includes requirements for record keeping and handling consumer product complaints. If dietary supplements contain contaminants or do not contain the dietary ingredient they are represented to contain, the FDA would consider those products to be adulterated or misbranded. We are required to comply with the new rule by June 2008. We believe that we have in place all systems and quality control procedures or will have such in place prior to the rule becoming effective as to our manufacturing or those of our vendors. Our business is subject to additional regulations, such as those implementing a new adverse event reporting system (“AER’s”) effective December 2007,which requires us to document and track adverse events and report serious adverse events associated with consumers’ use of our products.

We are aware that, in some of our international markets, there has been adverse publicity concerning products that contain ingredients that have been genetically modified, (“GM”) or irradiated. In some markets, the possibility of health risks or perceived consumer preference thought to be associated with GM or irradiated ingredients has prompted proposed or actual governmental regulation. We cannot anticipate the extent to which these or other future regulations in our markets will restrict the use of ingredients in our products or the impact of any regulations on our business in those markets. We believe, based upon currently available information, that compliance with regulatory requirements in this area should not have a material adverse effect on us or our business. Compliance with GM, irradiation regulations or the like could be expected to increase the cost of manufacturing certain of our products.

Most of our major markets also regulate advertising and product claims regarding the efficacy of products. This is particularly true with respect to our dietary supplements because we typically market them as foods or health foods. Accordingly, these regulations can limit our ability to inform consumers of the full benefits of our products. For example, in the United States, we are unable to claim that any of our nutritional supplements will diagnose, cure, mitigate, treat or prevent disease. In most of our foreign markets, we are not able to make any “medicinal” claims with respect to our Pharmanex products. In the United States, the Dietary Supplement Health and Education Act, however, permits substantiated, truthful and non-misleading statements of nutritional support to be made in labeling, such as statements describing general well-being resulting from consumption of a dietary ingredient or the role of a nutrient or dietary ingredient in affecting or maintaining a structure or a function of the body. Most of the other markets in which we operate have not adopted similar legislation and we may be subject to more restrictive limitations on the claims we can make about our products in these markets. For example, in Japan, our nutritional supplements are marketed as food products, which significantly limits our ability to make any claims regarding these products.

To date, we have not experienced any difficulty maintaining our import licenses. However, due to the varied regulations governing the manufacture and sale of nutritional products in the various markets, we have found it necessary to reformulate many of our products or develop new products in order to comply with such local requirements. In 2007, we have had a couple of products that we were required to remove from one or more markets in Europe because they were determined to be a drug or contain a novel ingredient. In the United States, we are also subject to a consent decree with the FTC and various state regulatory agencies arising out of investigations that occurred in the early 1990s of certain alleged unsubstantiated product and earnings claims made by our distributors. The consent decree requires us to, among other things, supplement our procedures to enforce our policies, not allow our distributors to make earnings representations without making certain average earnings disclosures, and not allow our distributors to make unsubstantiated product claims.

Regulation of Our Business Tools. One of our strategies is to develop technologically-advanced business tools designed to help our distributors effectively market our Nu Skin and Pharmanex products. For example, during the last several years we have introduced the Scanner in many of our markets around the world as well as the *Galvanic Spa System II* and the *ProDerm Skin Analyzer*. These tools are subject to the regulations of various health, consumer protection and other governmental authorities around the world. These regulations vary from market to market and affect whether our business tools are required to be registered as medical devices, the claims that can be made with respect to these tools, who can use them, and where they can be used. We have been subject to regulatory inquiries in the United States, Japan, and other countries with respect to the status of the Scanner as a non-medical device. Any determination that medical device clearance is required could require us to expend significant time and resources in order to meet the stringent standards imposed on medical device companies or prevent us from marketing the product. For example, we are not able to market the *Galavanic Spa System II* in Taiwan as a result of the regulatory restrictions in this market. We are also subject to regulatory constraints on the claims that can be made with respect to the use of our business tools. In Japan, for example, we are limited in our ability to tie the Scanner measurement directly to the consumption of our nutrition products.

***Other Regulatory Issues*.** As a United States entity operating through subsidiaries in foreign jurisdictions, we are subject to foreign exchange control, transfer pricing and custom laws that regulate the flow of funds between us and our subsidiaries and for product purchases, management services and contractual obligations, such as the payment of distributor commissions.

As is the case with most companies that operate in our product categories, we receive from time to time inquiries from government regulatory authorities regarding the nature of our business and other issues, such as compliance with local direct selling, transfer pricing, customs, taxation, foreign exchange control, securities and other laws. Negative publicity resulting from inquiries into our operations by United States and state government agencies in the early 1990s, stemming in part from alleged inappropriate product and earnings claims by distributors, and in the late 1990s resulting from adverse media attention in South Korea, harmed our business.

Employees

As of December 31, 2007, we had approximately 8,700 full- and part-time employees worldwide, approximately 2,750 of whom are employed as sales representatives in our China operations. We also had labor contracts with approximately 2,330 potential new sales representatives in China. None of our employees are represented by a union or other collective bargaining group, except in China. We believe that our relationship with our employees is good, and we do not foresee a shortage in qualified personnel necessary to operate our business.

Available Information

Our Internet address is www.nuskinenterprises.com. We make available free of charge on or through our Internet Website our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission.

Executive Officers

Our executive officers as of February 29, 2008, are as follows:

Name	Age	Position
Blake Roney	49	Executive Chairman of the Board
Truman Hunt	48	President and Chief Executive Officer
Ritch Wood	42	Chief Financial Officer
Joe Chang	55	Chief Scientific Officer and Executive Vice President, Product Development
Dan Chard	43	Executive Vice President, Distributor Success
Scott Schwerdt	50	President, Americas and Europe
Matthew Dorny	44	General Counsel and Secretary

Set forth below is the business background of each of our executive officers.

Blake Roney has served as the executive Chairman of the Board of our public company since we went public in 1996. Mr. Roney was a founder of Nu Skin International ("NSI") in 1984 and served as its Chief Executive Officer and President until our acquisition of NSI in March 1998. Since our acquisition of NSI, Mr. Roney has retained his position as the executive Chairman of the Board of our company. He received a B.S. degree from Brigham Young University.

Truman Hunt has served as our President since January 2003 and our Chief Executive Officer since May 2003. He has also served as a director of our company since May 2003. Mr. Hunt joined NSI (which we acquired in 1998) in 1994 and has served in various positions with NSI and our company, including Vice President and General Counsel from 1996 to January 2003 and Executive Vice President from January 2001 until January 2003. Prior to 1994, Mr. Hunt served as President and Chief Executive Officer of Better Living Products, Inc., an NSI affiliate involved in the manufacture and distribution of houseware products sold through traditional retail channels, and he was a securities and business attorney in private practice. He received a B.S. degree from Brigham Young University and a J.D. degree from the University of Utah.

Ritch Wood has served as our Chief Financial Officer since November 2002. Prior to this appointment, Mr. Wood served as Vice President, Finance from July 2002 to November 2002 and Vice President, New Market Development from June 2001 to July 2002. Mr. Wood joined NSI in 1993 and has served NSI and our company in various capacities, including Controller, Pharmanex Division, Director of Finance, New Market Development, and Assistant Director of Tax. Prior to joining us, he worked for the accounting firm of Grant Thornton LLP. Mr. Wood earned a B.S. and a Master of Accountancy degree from Brigham Young University.

Joe Chang has served as Chief Scientific Officer and Executive Vice President of Product Development since February 2006. Dr. Chang served as the President of Pharmanex, our nutritional supplement division, from April 2000 to February 2006. Dr. Chang served as Vice President of Clinical Studies and Pharmacology of Pharmanex from 1997 until April 2000. He was the President and Chief Scientific Officer of Binary Therapeutics, Inc., a development stage company in the biotechnology industry, from 1994 until 1997. Dr. Chang has nearly 20 years of pharmaceutical experience. He received a B.S. degree from Portsmouth University and a Ph.D. degree from the University of London.

Dan Chard has served as Executive Vice President of Distributor Success since February 2006. Prior to serving in this position, Mr. Chard served as President of Nu Skin Europe from April 2004 to February 2006. Mr. Chard was Vice President of Marketing and Product Management for the Big Planet Division from September 2002 to March 2004 and Senior Director of Marketing and Product Development for Pharmanex from September 1998 to June 2000. Mr. Chard worked in a variety of strategic management positions including Senior Vice President of Marketing and Product Management at Broadlane and Promedix, leaders in the health care supply chain management industry from July 2000 to August 2002. Mr. Chard worked for PUR Recovery Engineering, a consumer products manufacturer, from October 1997 to October 1998 as the Director of Marketing, and also spent six years in marketing management with Pillsbury. Mr. Chard holds a B.A. degree in Economics from Brigham Young University and an M.B.A. from the University of Minnesota.

Scott Schwerdt has served as President, Americas and Europe since February 2006. Mr. Schwerdt served as Regional Vice President of North America and President of Nu Skin Enterprises United States, Inc. from May 2004 to February 2006. Mr. Schwerdt previously served as the General Manager of our U.S. operations from May 2001 to May 2004 and as Chief Operating Officer of our Big Planet division from December 1998 to May 2001. Mr. Schwerdt joined NSI in 1988 and has held various positions with NSI and with our company, including Vice President of North America/South Pacific Operations and Vice President of Europe. Prior to joining us, Mr. Schwerdt was a Senior Resource Manager at the Department of Defense in Washington, D.C. Mr. Schwerdt received a B.A. degree in International Relations from Brigham Young University.

Matthew Dorny has served as our General Counsel and Secretary since January 2003. Mr. Dorny previously served as Assistant General Counsel from May 1998 to January 2003. Prior to joining us, Mr. Dorny was a shareholder in the law firm of Parr, Waddoups, Brown, Gee & Loveless in Salt Lake City, Utah. Mr. Dorny received B.A., M.B.A. and J.D. degrees from the University of Utah.

Note Regarding Forward-Looking Statements. Certain statements made in this filing under the caption "Item 1- Business" are "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). In addition, when used in this Report the words or phrases "will likely result," "expect," "intend," "will continue," "anticipate," "estimate," "project," "believe" and similar expressions are intended to identify "forward-looking statements" within the meaning of the Exchange Act.

Forward-looking statements include plans and objectives of management for future operations, including plans and objectives relating to our products and future economic performance in countries where we operate. 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 those discussed or anticipated. We assume no responsibility or obligation to update these statements to reflect any changes. The forward-looking statements and associated risks set forth herein relate to, among other things:

- our plans to launch or continue to roll-out or promote various products, tools, and initiatives;
- the expectation that our relationship with our current primary suppliers will not end in the near term, and the belief that we could produce or source our personal care products from other suppliers and expand manufacturing capabilities in China, and replace our primary suppliers of Pharmanex products without great difficulty or increased cost;
- our plans to continue to develop and introduce new, innovative products and to improve and evolve our existing product formulations;
- our belief that we will have in place all necessary systems and quality control procedures to comply with cGMP for dietary supplements;
- our plans to open additional stores in China, and our plans to commence operations in South Africa;
- our belief that compliance with certain regulatory requirements will not have a material adverse effect on our business;
- our plans to commit resources to research and development in the future;
- our belief that providing effective distributor support will be important to our success;
- our belief that we do not currently foresee a shortage in qualified personnel necessary to operate our business.

These and other forward-looking statements are subject to various risks and uncertainties including those described below under "Risk Factors" and in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation."

ITEM 1A. 1A. RISK FACTORS

We face a number of substantial risks. Our business, financial condition or results of operations could be harmed by any of these risks. The trading price of our common stock could decline due to any of these risks, and they should be considered in connection with the other information contained in this Annual Report on Form 10-K. These risk factors should be read together with the other items in this Annual Report on Form 10-K, including "Item 1. Business" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation."

Currency exchange rate fluctuations could lower our revenue and net income.

In 2007, we recognized approximately 86% of our revenue in markets outside of the United States in each market's respective local currency. We purchase inventory primarily in the United States in U.S. dollars. In preparing our financial statements, we translate revenue and expenses in foreign countries from their local currencies into U.S. dollars using weighted-average exchange rates. If the U.S. dollar strengthens relative to local currencies, particularly the Japanese yen inasmuch as we generated approximately 38% of our 2007 revenue in Japan, our reported revenue, gross profit and net income will likely be reduced. During the last couple of years, we experienced an overall weakening of the Japanese yen, which has harmed our results. Although the yen has subsequently strengthened considerably over the last few months, given the global, complex political and economic dynamics that affect exchange rate fluctuations, we cannot estimate future fluctuations and the effect these fluctuations may have upon future reported results or our overall financial condition. In the event the Japanese yen or other foreign currencies weaken, our results in 2008 would be negatively impacted. Although we attempt to reduce our exposure to short-term exchange rate fluctuations by using foreign currency exchange rate contracts for the Japanese yen and the use of yen denominated debt, we cannot be certain these contracts or any other hedging activity will effectively reduce exchange rate exposure.

Because our Japanese operations account for a significant part of our business, continued weakness in our business operations in Japan would harm our business.

Approximately 38% of our 2007 revenue was generated in Japan. We have experienced declines in our business in this market during the past few years, and it appears many of our direct selling competitors have seen their businesses in this market contract over the last few years. We believe our operating results have been negatively impacted by a variety of factors, including, lack of distributor activity, the unanticipated impact of compensation plan changes, regulatory issues, and production difficulties. Our financial results would be harmed and our business could continue to decline if our products, business opportunity, or planned growth initiatives do not retain and generate continued interest and enthusiasm among our distributors and consumers in this market. In addition, there appears to be increased governmental scrutiny of our industry including a recent regulatory action against a prominent company that has received considerable publicity. As a result of these factors, this market continues to be a challenging market. We have implemented several initiatives, including the launch of new products and changes to our compensation plan, and have other initiatives planned to help renew growth in this market. If these and other planned initiatives are delayed, or do not generate distributor excitement or attract new distributors or customers in Japan, or if industry conditions do not improve, or we experience adverse publicity as a result of the actions of our distributors, it may limit our prospects for renewed growth in this market and harm our financial results.

If we are unable to retain our existing independent distributors and recruit additional distributors, our revenue will not increase and may even decline.

We distribute almost all of our products through our independent distributors (and China sales representatives) and we depend on them to generate virtually all of our revenue. Our distributors may terminate their services at any time, and, like most direct selling companies, we experience high turnover among distributors from year to year. Distributors who join to purchase our products for personal consumption or for short-term income goals frequently only stay with us for a short time. Executive distributors who have committed time and effort to build a sales organization will generally stay for longer periods. Distributors have highly variable levels of training, skills and capabilities. As a result, in order to maintain sales and increase sales in the future, we need to continue to retain existing distributors and recruit additional distributors. To increase our revenue, we must increase the number of and/or the productivity of our distributors.

We have experienced periodic declines in both active distributors and executive distributors in the past. The number of our active and executive distributors may not increase and could decline again in the future. While we take many steps to help train, motivate, and retain distributors, we cannot accurately predict how the number and productivity of distributors may fluctuate because we rely primarily upon our distributor leaders to recruit, train, and motivate new distributors. Our operating results could be harmed if we and our distributor leaders do not generate sufficient interest in our business to retain existing distributors and attract new distributors.

The number and productivity of our distributors also depends on several additional factors, including:

- any adverse publicity regarding us, our products, our distribution channel, or our competitors;
- a lack of interest in, or the technical failure of, existing or new products;
- lack of a sponsoring story that generates interest for potential new distributors and effectively draws them into the business;
- the public's perception of our products and their ingredients;
- the public's perception of our distributors and direct selling businesses in general;
- our actions to enforce our policies and procedures;
- any regulatory actions or charges against us or others in our industry;
- general economic and business conditions; and
- potential saturation or maturity levels in a given country or market which could negatively impact our ability to attract and retain distributors in such market.

Our operating results could be adversely affected if our existing and new business opportunities and incentives, products, business tools and other initiatives do not generate sufficient enthusiasm and economic incentive to retain our existing distributors or to sponsor new distributors on a sustained basis. In addition, in our mature markets, one of the challenges we face is keeping distributor leaders with established businesses and high income levels motivated and actively engaged in business building activities and developing new distributor leaders. There can be no assurance that our initiatives such as the Scanner and *Galvanic Spa System II* will generate excitement among our distributors in the long-term or that planned initiatives will be successful in maintaining distributor activity and productivity or in motivating distributor leaders to remain engaged in business building and developing new distributor leaders. In addition, some initiatives may have unanticipated negative impacts on our markets, particularly changes to our compensation plan. The introduction of a new product or key initiative such as the Scanner and *g3* can also negatively impact other product lines to the extent our distributor leaders focus their efforts on the new product or initiative.

Although our distributors are independent contractors, improper distributor actions that violate laws or regulations could harm our business.

Distributor activities in our existing markets that violate governmental laws or regulations could result in governmental actions against us in markets where we operate, which would harm our business. Except in China, our distributors are not employees and act independently of us. We implement strict policies and procedures to ensure our distributors will comply with legal requirements. However, given the size of our distributor force, we experience problems with distributors from time to time. For example, product claims made by some of our distributors in 1990 and 1991 led to an investigation by the FTC in the United States, which resulted in our entering into a consent decree with the FTC. In addition, recent rulings by the Korean FTC and by judicial authorities against us and other companies in Korea indicate that vicarious liability may be imposed on us for the criminal activity of our independent distributors. During the past year we have experienced an increase in complaints to consumer protection agencies in Japan related to distributor activities. As a result, we have performed additional training for distributors in this market to try to resolve these issues and restructured our compliance operations to provide enhanced education and training as well as rules compliance. We have also been in contact with several consumer centers about resolving some distributor inappropriate behavior issues. If consumer complaints escalate to a government review or if the level of complaints further increases or does not improve, regulators in Japan could take action against us or negative media could occur, either of which could harm our business.

Government inquiries, investigations, and actions could harm our business.

There has been an increase in governmental scrutiny of our industry in various markets, including Japan, China, Europe, and the United Kingdom. In the United Kingdom, an action has been brought against an industry leader by regulators alleging that the company and its distributor were engaged in activities that violated the anti-pyramid laws. In Japan, one of the larger direct selling companies in that market was recently required to suspend sponsoring activities for three months. We understand that regulators in Japan are increasingly focusing on companies in our industry. Any adverse results in these cases could spur further reviews and actions with respect to others in the industry. From time to time, we receive formal and informal inquiries from various government regulatory authorities about our business and our compliance with local laws and regulations. Any determination that we or our distributors are not in compliance with existing laws or regulations could potentially harm our business. Even if governmental actions do not result in rulings or orders, they potentially could create

negative publicity which could detrimentally affect our efforts to recruit or motivate distributors and attract customers and, consequently, reduce revenue and net income.

In the early 1990s, we entered into voluntary consent agreements with the FTC and a few state regulatory agencies relating to investigations of our distributors' product claims and practices. These investigations centered on alleged unsubstantiated product and earnings claims made by some of our distributors. We believe that the negative publicity generated by this FTC action, as well as a subsequent action in the mid-1990s related to unsubstantiated product claims, harmed our business and results of operation in the United States. Pursuant to the consent decrees, we agreed, among other things, to supplement our procedures to enforce our policies, to not allow distributors to make earnings representations without making additional disclosures relating to average earnings and to not make, or allow our distributors to make, product claims that were not substantiated. We have taken various actions, including implementing a more generous inventory buy-back policy, publishing average distributor earnings information, supplementing our procedures for enforcing our policies, and reviewing distributor product sales aids, to address the issues raised by the FTC and state agencies in these investigations. As a result of the previous investigations, the FTC makes inquiries from time to time regarding our compliance with applicable laws and regulations and our consent decree. Any further actions by the FTC or other comparable state or federal regulatory agencies, in the United States or abroad, could have a further negative impact on us in the future.

Challenges by private parties to the form of our network marketing system could harm our business.

We may be subject to challenges by private parties, including our distributors, to the form of our network marketing system or elements of our business. For example, class action lawsuits have recently been brought against some of our competitors that include allegations that the businesses involve unlawful pyramid schemes. In addition, there have been allegations made by a consumer protection activist regarding the business models of a couple of our competitors in the network marketing industry. There can be no assurance that similar actions or allegations will not be brought against us, which could harm our business. In addition, adverse rulings in one of these cases could negatively impact our business if it creates adverse publicity or interprets current regulatory requirements in a manner that is inconsistent with our current business practices. In the United States, the network marketing industry and regulatory authorities have generally relied on the implementation of distributor rules and policies designed to promote retail sales to protect consumers and to prevent inappropriate activities and to distinguish between legitimate network marketing distribution plans and unlawful pyramid schemes. We have adopted rules and policies based on case law, rulings of the FTC, discussions with regulatory authorities in several states and domestic and global industry standards. Legal and regulatory requirements concerning network marketing systems, however, involve a high level of subjectivity, are inherently fact-based and are subject to judicial interpretation. Because of the foregoing, we can provide no assurance that we would not be harmed by the application or interpretation of statutes or regulations governing network marketing, particularly in any civil challenge by a current or former distributor.

Governmental regulations relating to the marketing and advertising of our products and services, in particular our nutritional supplements, may restrict or inhibit our ability to sell these products.

Our products and our related marketing and advertising efforts are subject to extensive governmental regulations by numerous domestic and foreign governmental agencies and authorities. These include the FDA, the FTC, the Consumer Product Safety Commission and the Department of Agriculture in the United States, State Attorneys General and other state regulatory agencies and the Ministry of Health, Labor and Welfare in Japan along with similar governmental agencies in other foreign markets where we operate.

Our markets have varied regulations concerning product formulation, labeling, packaging and importation. These laws and regulations often require us to, among other things:

- reformulate products for a specific market to meet the specific product formulation laws of that country;
- conform product labeling to the regulations in each country; and

- register or qualify products with the applicable governmental authority or obtain necessary approvals or file necessary notifications for the marketing of our products.

Restrictions on our ability to introduce products, or delays in introducing products, could reduce revenue and decrease profitability. Regulators also may prohibit us from making therapeutic claims about products, regardless of the existence of research and independent studies that may support such claims. These product claim restrictions could prevent us from realizing the potential revenue from some of our products.

Increased regulatory scrutiny of nutritional supplements as well as new regulations that are being adopted in some of our markets with respect to nutritional supplements could result in more restrictive and burdensome regulations and harm our results.

There has been an increasing movement in the United States and other markets to increase the regulation of dietary supplements, which could impose additional restrictions or requirements in the future. In several of our markets, including Europe, South Korea and Hong Kong, new regulations have been adopted or are likely to be adopted in the near-term that could impose new requirements, make changes in some classifications of supplements under the regulations, or limit the levels of ingredients we can include and claims we can make. In addition, there has been increased regulatory scrutiny of nutritional supplements and marketing claims under existing and new regulations. In Europe for example, we are unable to market supplements that contain ingredients that have not been previously marketed in Europe ("novel foods") without going through an extensive registration and approval process. We recently had our *g3* product taken off the market in Denmark because the authorities in Denmark disagreed with our position that the product was not a "novel food." We also recently had to stop selling *Cholestin* in the Netherlands and *IGG Boost* in Denmark based on adverse determinations by regulators in these markets. Europe is also expected to adopt additional regulations this fall setting new limits on acceptable maximum levels of vitamins and minerals. In addition, the FDA recently finalized new GMPs and AERs for the nutritional supplement industry requiring good manufacturing processes for us and our vendors and reporting of serious adverse events associated with use of our products. Our operations could be harmed if new regulations require us to reformulate products or effect new registrations, if regulatory authorities make determinations that any of our products do not comply with applicable manufacturing and regulatory requirements, or if we are not able to effect necessary changes to our products in a timely and efficient manner in order to respond or comply to new regulations. In addition, our

operations could be harmed if governmental laws or regulations are enacted that restrict the ability of companies to market or distribute nutritional supplements or impose additional burdens or requirements on nutritional supplement companies.

Our operations in China are subject to significant governmental scrutiny and may be harmed by the results of such scrutiny.

Because of the government's significant concerns about direct selling activities, government regulators in China scrutinize very closely activities of direct selling companies or activities that resemble direct selling. The regulatory environment in China with regards to direct selling is evolving, and officials in multiple national and local levels in the Chinese government often exercise significant discretion in deciding how to interpret and apply applicable regulations. In the past, the government has taken significant actions against companies that the government found were engaging in direct selling activities in violation of applicable law, including shutting down their businesses and imposing substantial fines.

Our business in China has been subject to significant governmental scrutiny, and reviews and investigations by government regulators have at times impeded our ability to conduct business and have resulted in several cases in fines being paid by us, which in the aggregate have been less than 1% of our revenue in China. We continue to be subject to current governmental reviews and investigations, and we may incur similar or more severe sanctions in the future. Occasionally, we have also been asked to cease sales activity in some stores while the regulators review our operations. While, in each of these cases, we have been allowed to recommence operations after the government's review without material changes to our operations, there is no assurance that this will always be the case. Even though we have now obtained approval to conduct direct selling in Shanghai and Beijing, government regulators continue to scrutinize our activities and the activities of our distributors and sales employees to monitor our compliance with the new regulations and other applicable regulations as we implement direct selling into our business model. At times, complaints made by our sales representatives to the government have resulted in increased scrutiny by the government. Any determination that our operations or activities, or the activities of our employed sales representatives or distributors, are not in compliance with applicable regulations could result in the imposition of substantial fines, extended interruptions of business, termination of necessary licenses and permits, including our direct selling approvals, or restrictions on our ability to open new stores or obtain approvals for service centers or expand into new locations, or other actions, all of which would harm our business.

If recently adopted direct selling regulations in China are interpreted or enforced by governmental authorities in a manner that negatively impacts our retail business model or our dual business model there, our business in China could be harmed.

Chinese regulators have adopted anti-pyramiding and new direct selling regulations that contain significant restrictions and limitations, including a restriction on multi-level compensation for independent distributors selling away from a fixed location. The regulations also impose various requirements on individuals before they can become direct sellers, including the passage of an examination, which are more burdensome than in our other markets and which could negatively impact the willingness of some people to sign up to become direct sellers. These new regulations are not yet well understood, and there continues to be some confusion and uncertainty as to the meaning of the new regulations and their scope, and the specific types of restrictions and requirements imposed under them. It is difficult to predict how regulators will interpret and enforce these new regulations and the impact of these new regulations on pending regulatory reviews and investigations. Our business and our growth prospects would be harmed if Chinese regulators interpret the anti-pyramiding regulations or direct selling regulations as applying to our retail store/employed sales representative business model, or if regulations are interpreted in such a manner that our current method of conducting business through the use of employed sales representatives or our implementation of direct selling that is currently underway is found to violate applicable regulations. In particular, our business would be harmed by any determination that our current method of compensating our sales employees, including our use of the sales productivity of a sales employee and the group of sales employees whom he or she trains and supervises as one of the factors in establishing such sales employee's salary and compensation, violates the restriction on multi-level compensation in the new regulations. Our business could also be harmed if regulators inhibit our ability to concurrently operate our retail store/employed sales representative business model and our direct selling business.

Although we have obtained approval to conduct direct selling in China, our current governmental approval only allows us to do so in Shanghai and Beijing. If we are unable to obtain additional necessary national and local governmental approvals as quickly as we would like, our ability to expand our direct selling business and grow our business there could be negatively impacted.

We have completed the required national and local licensing process and commenced direct selling activities in Beijing and Shanghai. In order to expand our direct selling model into additional provinces, we currently must obtain a series of approvals from district, city, provincial and national governmental agencies with respect to each province in which we wish to expand. The approval process includes a requirement that we establish "service centers" that serve primarily as product return locations. If regulators fail to permit us to build service centers at a rate that meets our growth demands, this could limit our ability to obtain direct selling approvals in accordance with anticipated timelines. Because direct selling was only recently authorized in China, the process for obtaining the necessary governmental approvals to conduct direct selling continues to evolve. As we are being required to work with such a large number of provincial, city, district and national governmental authorities, we have found that it is taking more time than anticipated to work through the approval process with these authorities. These authorities have broad discretion in interpreting the regulations and granting necessary approvals. Different governmental authorities have interpreted the regulations and processes in some circumstances differently. A delay in obtaining approvals at one level can delay our ability to obtain approvals at the next level. In addition, we have received some indications from the national government authorities that they intend to review and monitor the operations of an approved direct selling company during an evaluation period before granting approvals to such company to expand into additional provinces as regulators continue to closely monitor the development of direct selling in China. The complexity of the approval process as well as the government's continued cautious approach as direct selling develops in China makes it difficult to predict the timeline for obtaining these approvals. If the results of the government's evaluation of our direct selling activities in Shanghai results in further delays in obtaining licenses elsewhere, or if the current processes for obtaining approvals are delayed further for any reason or are changed or are interpreted differently than currently understood, our ability to expand direct selling in China and our growth prospects in this market could be negatively impacted.

Implementing a compensation plan and business model for our independent distributors in China that is different from other markets could harm our ability to grow our business in China.

The direct selling regulations in China impose various limitations and requirements, including a prohibition on multi-level compensation and a requirement that all distributors pass a required examination before becoming a distributor. The regulations also impose other restrictions on direct selling activities that differ from the regulations in our other markets. As a result, we are implementing a direct selling compensation plan and business model for the direct sales component of our business that differs from the model we use in other markets. There can be no assurance that these restrictions will not negatively impact our ability to

provide an attractive business opportunity to distributors in this market and limit our ability to grow our business in this market. In addition, the regulations do not allow the sale of general foods through a direct selling business model. Because some of our supplements, including *LifePak*, are being marketed as general foods until we obtain health food status for these products, we will only be able to sell these products at our stores and not away from the stores until they receive health food status, which could have a negative impact on our direct selling business.

Intellectual property rights are difficult to enforce in China.

Chinese commercial law is relatively undeveloped compared to most of our other major markets, and, as a result, we may have limited legal recourse in the event we encounter significant difficulties with patent or trademark infringers. Limited protection of intellectual property is available under Chinese law, and the local manufacturing of our products may subject us to an increased risk that unauthorized parties may attempt to copy or otherwise obtain or use our product formulations. As a result, we cannot assure that we will be able to adequately protect our product formulations.

If one of our tools is determined to be a medical device in a particular geographic market or if our distributors use it for medical purposes, our ability to continue to market and distribute such tool could be harmed.

One of our strategies is to market unique tools that allow our distributors to distinguish our products, including the Scanner, the *Galavanic Spa System II*, and the *ProDerm Skin Analyzer*. We do not believe the products are medical devices and do not market them as medical devices. In March 2003, the FDA questioned the status of the Scanner as a non-medical device. We subsequently filed an application with the FDA to have it classified as a non-medical device. The FDA has not yet acted on our application. There are various factors that could determine whether a product is a medical device including the claims that we or our distributors make about it. We have faced similar uncertainties and regulatory issues in other markets with respect to the status of one or more of our tools as a non-medical device and the claims that can be made in using it. For example, during the past couple of years we have faced regulatory inquiries in Japan, Korea, Singapore and Thailand regarding distributor claims with respect to the Scanner. We are not able to market the *Galvanic Spa System II* in Taiwan due to regulatory restrictions. There have also been recent legislative proposals in Singapore and Malaysia relating to the regulation of medical devices which could have an impact on our tools. A determination in any of these markets that any of our tools are medical devices or that distributors are using it to make medical claims or perform medical diagnoses or other activities limited to licensed professionals could negatively impact our ability to use these tools in a market. Regulatory scrutiny of a tool could also dampen distributor enthusiasm and hinder the ability of distributors to effectively utilize such tool. In the event medical device clearance is required in any market, obtaining clearance could require us to provide documentation concerning its clinical utility and to make some modifications to its design, specifications and manufacturing process in order to meet stringent standards imposed on medical device companies. There can be no assurance we would be able to provide such documentation and make such changes promptly or in a manner that is satisfactory to regulatory authorities.

Changes to our compensation arrangements with our distributors could be viewed negatively by some distributors and could harm our operating results if such changes impact distributor productivity.

We have implemented a global compensation plan that has some components that differ from market to market. We modify components of our compensation plan from time to time in an attempt to keep our compensation plan competitive and attractive to existing and potential distributors, to address changing market dynamics, to provide incentives to distributors that we believe will help grow our business, and to address other business needs. Because of the size of our distributor force and the complexity of our compensation plans, it is difficult to predict whether such changes will achieve their desired results. For example, in 2005, we made changes to our compensation plan in Japan that had been successful in other markets, but did not have the impact in Japan that we anticipated and negatively impacted our business. China and certain markets in Southeast Asia similarly were negatively impacted by compensation plan changes in 2005. We are currently planning on implementing various changes to our compensation plan throughout many of our markets in 2008. In addition, because of the size and complexity of our sales force and compensation plan, growth in certain markets and changes to our plans have caused compensation rates in these markets to rise higher than historical levels, which could reduce our operating income. Although management's objective is to maximize the benefit of compensation plan expenses, compensation plan changes may be made in the future in these markets with higher compensation rates in order to maintain overall payout as close to historical levels as possible. In addition, we will need to make changes to our compensation plan in South Korea as our average pay-out is beginning to rise above the maximum level allowed by law. We cannot be certain that the modifications we are making in South Korea or any other modifications we make to our compensation plans in our other markets will be well received or achieve their desired results. If our distributors fail to adapt to these changes or find them unattractive, our business could be harmed.

If we are unable to successfully expand and grow operations within our recently opened and developing markets, we may have difficulty achieving our long-term objectives.

A significant percentage of our revenue growth over the past decade has been attributable to our expansion into new markets. Our growth over the next several years depends in part on our ability to successfully introduce products and tools, and to successfully implement initiatives in our new and developing markets, including China, Russia, Latin America and Eastern Europe that will help generate growth. In addition to the regulatory difficulties we may face in introducing our products, tools, and initiatives in these markets, we could face difficulties in achieving acceptance of our premium-priced products in developing markets. In the past, we have struggled to operate successfully in developing markets, such as Latin America. This may also be the case in Eastern Europe and the other new markets into which we have recently expanded. If we are unable to successfully expand our operations within these new markets, our opportunities to grow our business may be limited, and, as a result, we may not be able to achieve our long-term objectives.

Global political issues and conflicts could harm our business.

Because a substantial portion of our business is conducted outside of the United States, our business is subject to global political issues and conflicts, including terrorism threats, tensions related to North Korea, political tensions between the People's Republic of China and Taiwan, and other issues. If these conflicts or issues escalate, or if there is increased anti-American sentiment, this could harm our foreign operations. In addition, changes and actions by governments in foreign markets, in particular those markets such as China where capitalism and free market trading is still evolving, could harm our business.

Adverse publicity concerning our business, marketing plan or products could harm our business and reputation.

The size of our distribution force and the results of our operations can be particularly impacted by adverse publicity regarding us, the nature of our distributor network, our products or the actions of our distributors. Specifically, we are susceptible to adverse publicity concerning:

- suspicions about the legality and ethics of network marketing;
- the ingredients or safety of our or our competitors' products;
- regulatory investigations of us, our competitors and our respective products;
- the actions of our current or former distributors; and
- public perceptions of direct selling businesses generally.

In addition, in the past we have experienced negative publicity that has harmed our business in connection with regulatory investigations and inquiries. We may receive negative publicity in the future, and it may harm our business and reputation.

Inability of new products to gain distributor and market acceptance could harm our business.

A critical component of our business is our ability to develop new products that create enthusiasm among our distributor force. If we are unable to introduce new products our distributor productivity could be harmed. In addition, if any new products fail to gain market acceptance, are restricted by regulatory requirements or have quality problems, this would harm our results of operations. Factors that could affect our ability to continue to introduce new products include, among others, government regulations, the inability to attract and retain qualified research and development staff, the termination of third-party research and collaborative arrangements, proprietary protections of competitors that may limit our ability to offer comparable products and the difficulties in anticipating changes in consumer tastes and buying preferences.

The loss of key high-level distributors could negatively impact our distributor growth and our revenue.

As of December 31, 2007, we had approximately 755,000 active independent distributors, sales representatives and preferred customers, including approximately 30,000 executive level distributors or full-time sales representatives. Approximately 480 distributors occupied the highest distributor level under our global compensation plan as of that date. These distributors, together with their extensive networks of downline distributors, account for substantially all of our revenue. As a result, the loss of a high-level distributor or a group of leading distributors in the distributor’s network of downline distributors, whether by their own choice or through disciplinary actions by us for violations of our policies and procedures, could negatively impact our distributor growth and our revenue.

Laws and regulations may prohibit or severely restrict our direct sales efforts and cause our revenue and profitability to decline, and regulators could adopt new regulations that harm our business.

Various government agencies throughout the world regulate direct sales practices. These laws and regulations are generally intended to prevent fraudulent or deceptive schemes, often referred to as “pyramid” schemes, that compensate participants for recruiting additional participants irrespective of product sales, use high pressure recruiting methods and/or do not involve legitimate products. The laws and regulations in our current markets often:

- impose order cancellations, product returns, inventory buy-backs and cooling-off rights for consumers and distributors;
- require us or our distributors to register with governmental agencies;
- impose caps on the amount of commissions we can pay;
- impose reporting requirements to regulatory agencies; and/or
- require us to ensure that distributors are not being compensated based upon the recruitment of new distributors.

Complying with these widely varying and sometimes inconsistent rules and regulations can be difficult and require the devotion of significant resources on our part. If we are unable to continue business in existing markets or commence operations in new markets because of these laws, our revenue and profitability will decline. Countries where we currently do business could change their laws or regulations to negatively affect or completely prohibit direct sales efforts.

In addition, government agencies and courts in the countries where we operate may use their powers and discretion in interpreting and applying laws in a manner that limits our ability to operate or otherwise harms our business or adopt new laws or regulations that could impose additional restrictions. For example, the FTC in the United States has recently proposed new regulations, which would impose additional restrictive and burdensome disclosure requirements and a seven-day waiting period before a person could sign up to become a distributor. The direct selling industry association has filed comments objecting to many of these requirements and is working to get the FTC to change its proposal for new regulations. If these regulations were adopted in their current form, it could have a negative impact on direct selling businesses in the United States including our business. If any governmental authority were to bring a regulatory enforcement action against us that interrupts our business, revenue and earnings would likely suffer.

Increases in duties on our imported products in our markets outside of the United States or adverse results of tax audits in our various markets could reduce our revenue, negatively impact our operating results and harm our competitive position.

Historically, we have imported most of our products into the countries in which they are ultimately sold. These countries impose various legal restrictions on imports and typically impose duties on our products. We are subject from time to time to reviews and audits by the foreign taxing authorities of the various jurisdictions in which we conduct business throughout the world. These audits sometimes result in challenges by such taxing authorities as to our methodologies used in determining our income tax, duties, customs, and other amounts owed in connection with the importation and distribution of our products. Currently, customs audits are underway in a number of our markets. We have been assessed by the Japan customs authorities approximately $25 million for additional duties on products imported into Japan, and we are currently contesting this assessment. Effective July 1, 2005, the Company is operating under a new structure in Japan and we are in the process of negotiating a new advanced pricing agreement with the income tax authorities in Japan related to our transfer pricing for products being imported into Japan. In connection with these negotiations, they have requested that we explain our position in the custom's appeal and the difference in our treatment of the transaction for customs purposes compared to our income tax treatment under the prior structures. In the event the income tax authorities disagree with our position or explanation, there is a risk that they could attempt to challenge our income tax position, which could negatively impact our ability to successfully prosecute our custom's appeal or result in additional income tax assessments.

Governmental authorities may question our intercompany transfer pricing policies or change their laws in a manner that could increase our effective tax rate or otherwise harm our business.

As a U.S. company doing business in international markets through subsidiaries, we are subject to foreign tax and intercompany pricing laws, including those relating to the flow of funds between our company and our subsidiaries. Regulators in the United States and in foreign markets closely monitor our corporate structure and how we effect intercompany fund transfers. If regulators challenge our corporate structure, transfer pricing mechanisms or intercompany transfers, our operations may be harmed, and our effective tax rate may increase. Tax rates vary from country to country, and, if regulators determine that our profits in one jurisdiction may need to be increased, we may not be able to fully utilize all foreign tax credits that are generated, which will increase our effective tax rate. For example, our corporate income tax rate in the United States is 35%. If our profitability in a higher tax jurisdiction, such as Japan where the corporate tax rate is currently set at 46%, increases disproportionately to the rest of our business, our effective tax rate may increase. The various customs, exchange control and transfer pricing laws are continually changing and are subject to the interpretation of governmental agencies. Despite our efforts to be aware of and comply with such laws and changes to and interpretations thereof, there is a risk that we may not continue to operate in compliance with such laws. We may need to adjust our operating procedures in response to such changes, and as a result, our business may suffer.

The loss of suppliers or shortages in ingredients could harm our business.

We acquire ingredients and products from two suppliers that each currently manufacture a significant portion of our Nu Skin personal care products. In addition, we currently rely on two suppliers for a majority of Pharmanex nutritional supplement products. In the event we were to lose any of these suppliers and experience any difficulties in finding or transitioning to alternative suppliers, this could harm our business. In addition, we obtain some of our products from sole suppliers that own or control the product formulations or ingredients. We also license the right to distribute some of our products from third parties. In the event we are unable to renew these contracts, we may need to discontinue some products or develop substitute products, which could harm our revenue. In addition, if we experience supply shortages or regulatory impediments with respect to the raw materials and ingredients we use in our products, we may need to seek alternative supplies or suppliers. Some of our nutritional products, including our recently introduced *g3* juice, incorporate natural products that are only harvested once a year and may have limited supplies. If demand exceeds forecasts, we may have difficulties in obtaining additional supplies to meet the excess demand until the next growing season. If we are unable to successfully respond to such issues, our business could be harmed.

Production difficulties and quality control problems could harm our business.

Occasionally, we, or our suppliers have experienced production difficulties with respect to our products, including the delivery of products that do not meet our quality control standards. These quality problems have resulted in the past, and could result in the future, in stock outages or shortages in our markets with respect to products, harming our sales and creating inventory write-offs for unusable product. In addition, these issues can negatively impact distributor confidence as well as potentially invite additional governmental scrutiny in our various markets.

We depend on our key personnel, and the loss of the services provided by any of our executive officers or other key employees could harm our business and results of operations.

Our success depends to a significant degree upon the continued contributions of our senior management, many of whom would be difficult to replace. These employees may voluntarily terminate their employment with us at any time. We may not be able to successfully retain existing personnel or identify, hire and integrate new personnel. We do not carry key person insurance for any of our personnel. Although we have signed offer letters or written agreements summarizing the compensation terms for some of our senior executives, we have generally not entered into formal employment agreements with our executive officers. If we lose the services of our executive officers or key employees for any reason, our business, financial condition and results of operations could be harmed.

Our markets are intensely competitive, and market conditions and the strengths of competitors may harm our business.

The markets for our products are intensely competitive. Our results of operations may be harmed by market conditions and competition in the future. Many competitors have much greater name recognition and financial resources than we have, which may give them a competitive advantage. For example, our Nu Skin products compete directly with branded, premium retail products. We also compete with other direct selling organizations. The leading direct selling companies in our existing markets are Avon and Alticor (Amway). We currently do not have significant patent or other proprietary protection, and our competitors may introduce products with the same ingredients that we use in our products. Because of regulatory restrictions concerning claims about the efficacy of dietary supplements, we may have difficulty differentiating our products from our competitors' products, and competing products entering the nutritional market could harm our nutritional supplement revenue.

We also compete with other network marketing companies for distributors. Some of these competitors have a longer operating history and greater visibility, name recognition and financial resources than we do. Some of our competitors have also adopted and could continue to adopt some of our successful business strategies, including our global compensation plan for distributors. Consequently, to successfully compete in this market and attract and retain distributors, we

must ensure that our business opportunities and compensation plans are financially rewarding. We have over 20 years of experience in this industry and believe we have significant competitive advantages, but we cannot assure you that we will be able to successfully compete in every endeavor in this market.

Product liability claims could harm our business.

We may be required to pay for losses or injuries purportedly caused by our products. Although we have had a very limited number and relatively low financial exposure from product claims to date, we have experienced difficulty in finding insurers that are willing to provide product liability coverage at reasonable rates due to insurance industry trends and the rising cost of insurance generally. As a result, we have elected to self-insure our product liability risks for our product lines. Until we elect and are able to obtain product liability insurance, if any of our products are found to cause any injury or damage, we will be subject to the full amount of liability associated with any injuries or damages. This liability could be substantial. We cannot predict if and when product liability insurance will be available to us on reasonable terms.

System failures could harm our business.

Because of our diverse geographic operations and our complex distributor compensation plan, our business is highly dependent on efficiently functioning information technology systems. These systems and operations are vulnerable to damage or interruption from fires, earthquakes, telecommunications failures and other events. They are also subject to break-ins, sabotage, intentional acts of vandalism and similar misconduct. We have adopted and implemented a Business Continuity/Disaster Recovery Plan. Our primary data sets are archived and stored at third-party secure sites, but we have not contracted for a third-party recovery site. Despite any precautions, the occurrence of a natural disaster or other unanticipated problems could result in interruptions in services and reduce our revenue and profits.

There is a risk that a SARS like epidemic could negatively impact our business, particularly in those Asian markets most affected by such epidemics in recent years.

Our revenue was negatively impacted in 2003 by the SARS epidemic that hit Asia during that year. It is difficult to predict the impact on our business, if any, of a recurrence of SARS, or the emergence of new epidemics. Although such events could generate increased sales of health/immune supplements and certain personal care products, our direct selling and retail activities and results of operations could be harmed if the fear of the Avian Flu, SARS or other communicable diseases that spread rapidly in densely populated areas causes people to avoid public places and interaction with one another.

The market price of our common stock is subject to significant fluctuations due to a number of factors that are beyond our control.

Our common stock closed at $17.53 per share on March 31, 2006 and closed at $16.31 per share on February 15, 2008. During this two-year period, our common stock traded as low as $13.40 per share and as high as $19.71 per share. Many factors could cause the market price of our common stock to fall. Some of these factors include:

- fluctuations in our quarterly operating results;
- the sale of shares of Class A common stock by our original or significant stockholders;
- general trends in the market for our products;
- acquisitions by us or our competitors;
- economic and/or currency exchange issues in those foreign countries in which we operate;
- changes in estimates of our operating performance or changes in recommendations by securities analysts; and
- general business and political conditions.

Broad market fluctuations could also lower the market price of our common stock regardless of our actual operating performance.

As of February 15, 2008, our original stockholders, together with their family members, estate planning entities and affiliates, controlled approximately 33% of the combined stockholder voting power, and their interests may be different from yours.

The original stockholders of our company, together with their family members and affiliates, have the ability to influence the election and removal of the board of directors and, as a result, future direction and operations of our company. As of February 15, 2008, these stockholders owned approximately 33% of the voting power of the outstanding shares of common stock. Accordingly, they may influence decisions concerning business opportunities, declaring dividends, issuing additional shares of common stock or other securities and the approval of any merger, consolidation or sale of all or substantially all of our assets. They may make decisions that are adverse to your interests.

If our stockholders sell a substantial number of shares of our common stock in the public market, the market price of our common stock could fall.

Several of our principal stockholders hold a large number of shares of the outstanding common stock. Any decision by any of our principal stockholders to aggressively sell their shares could depress the market price of our common stock. As of February 15, 2008, we had approximately 63.4 million shares of common stock outstanding. All of these shares are freely tradable, except for approximately 19 million shares held by certain stockholders who participated in our October 2003 recapitalization transaction wherein we repurchased approximately 10.8 million of our shares from our original stockholders and their affiliates and facilitated the resale of approximately 6.2 million additional shares to a group of private equity investors. Under the terms of our repurchase these stockholders agreed that, after the expiration of a two-year lock-up agreement in October 2005, they would be subject to certain volume limitations with respect to open market transactions. In the event these lock-up restrictions were removed, the resulting sales could cause the price of our common stock to decline.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our principal properties consist of the following:

Operational Facilities. These facilities include administrative offices, walk-in centers, and warehouse/distribution centers. Our operational facilities measuring 50,000 square feet or more include the following:

- our worldwide headquarters in Provo, Utah;
- our worldwide distribution center/warehouse in Provo, Utah; and
- our distribution center in Tokyo, Japan.

Manufacturing Facilities. Each of our manufacturing facilities measure 50,000 square feet or more, and include the following:

- our nutritional supplement manufacturing facility in Zhejiang Province, China;
- our personal care manufacturing facility in Shanghai, China;
- our Scanner manufacturing facility in Shanghai, China; and
- our Vitameal manufacturing facility in Jixi, Heilongjiang Province.

Retail Stores. As of December 31, 2007, we operated approximately 48 stores throughout China.

Research and Development Centers. We operate three research and development centers, one in Provo, Utah, one in Shanghai, China, and one in Beijing, China.

With the exception of our research and development center in Utah, our nutritional supplement plant in China, and a few other minor facilities, which we own, we lease the properties described above. Our headquarters and distribution center in Utah are leased from related parties. We believe that our existing and planned facilities are adequate for our current operations in each of our existing markets.

ITEM 3. LEGAL PROCEEDINGS

Due to the international nature of our business, we are subject from time to time to reviews and audits by the foreign taxing authorities of the various jurisdictions in which we conduct business throughout the world. In 1999, we implemented a duty valuation methodology with respect to the importation of certain products into Japan. For purposes of the import transactions at issue, we had taken the position that, under applicable customs law, there was a sale between the manufacturer and our Japan subsidiary, and that customs duties should be assessed on the manufacturer's invoice. The Valuation Department of the Yokohama customs authorities reviewed and approved this methodology at that time, and it had been reviewed on several occasions by the audit division of the Japan customs authorities since then. In connection with subsequent audits in 2004, the Yokohama customs authorities assessed us additional duties and penalties on these products imported into Japan from October 2002 to October 2004, based on a different valuation methodology than what was previously approved. With respect to the periods under audit, the customs authorities took the position that the relevant import transaction involved a sale between our U.S. affiliate and our Japan subsidiary rather than between the manufacturer and our Japan subsidiary, and that duties should be assessed on the value of that transaction. We disputed this assessment. We also disputed the amount of duties we were required to pay on products imported from November of 2004 to June of 2005 for similar reasons. The total amount assessed or in dispute is approximately $25.0 million, net of any recovery of consumption taxes. Effective July 1, 2005, we implemented some modifications to our business structure in Japan and in the United States that we believe will eliminate any further customs valuation disputes with respect to product imports in Japan after that time.

Because we believe the documentation and legal analysis supports our position and the valuation methodology we used with respect to the products in dispute had been reviewed and approved by the customs authorities in Japan, we believe the assessments are improper and we filed letters of protest with Yokohama customs with respect to this entire amount. Yokohama customs rejected our letters of protest, and we filed appeals with the Japan Ministry of Finance. On June 26, 2006, we were advised that the Ministry of Finance had rejected the appeals filed with their office relating to the imports from October 2002 to October 2004. On December 22, 2006, we filed a complaint with the Tokyo District Court Civil Action Section with respect to this period. In January 2007, we were advised that the Ministry of Finance also rejected our appeal for the imports from November 2004 to June 2005. We filed a complaint with the Tokyo District Court Civil Action section in July 2007 with respect to these imports as well. One of the findings noted by the Ministry of Finance in its decisions was that we had treated the transactions as sales between our U.S. affiliate and our Japan subsidiary on our corporate income tax return under applicable income tax and transfer pricing laws. We have paid the $25.0 million in customs duties and assessments, the amount of which we recorded in "Other Assets" in our Consolidated Balance Sheet. To the extent that we are unsuccessful in recovering the amounts assessed and paid, we will be required to take a corresponding charge to our earnings.

On May 2, 2007, Bodywise International, LLC, a direct sales company headquartered in Tustin, California, filed a complaint in the Superior Court of the State of California for Orange County, naming Pharmanex, Inc., our subsidiary, and several Nu Skin distributors who had formerly been distributors for Bodywise as defendants. The plaintiff subsequently filed an amended complaint on May 25, 2007. The complaint alleges that the individual defendants breached the terms of their distributor agreements by utilizing trade secrets and violating non-solicitation covenants in connection with the alleged recruitment of distributors of Bodywise to become Nu Skin distributors. The complaint includes additional claims against all defendants for intentional interference with contractual relations and prospective economic advantage, misappropriation of trade secrets, unfair competition, and unjust enrichments related to the alleged activities. The complaint seeks recovery of damages in an amount presently unascertained, but which plaintiff estimates will likely exceed $25 million. We believe the allegations against us are without merit and plan to vigorously defend the lawsuit. The lawsuit is still in the discovery stage.

In Taiwan, we were subject to an audit by tax authorities with respect to the deductibility of distributor commission expenses in that market. In order to avoid the running of the statute of limitations with respect to the 1999, 2000 and 2001 tax years, the Taiwan tax authorities disallowed our commission expense deductions for those years and assessed us a total of approximately $26.0 million. We contested this assessment and in the fourth quarter of 2007, the Taiwan tax authorities ruled in our favor and allowed the deduction of the commission expense and reversed the previous assessments.

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 fourth quarter of the fiscal year ended December 31, 2007.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our Class A common stock is listed on the New York Stock Exchange ("NYSE") and trades under the symbol "NUS." The following table is based upon the information available to us and sets forth the range of the high and low sales prices for our Class A common stock for the quarterly periods during 2006 and 2007 based upon quotations on the NYSE.

Quarter Ended	High	Low
March 31, 2006	$ 19.71	$ 17.00
June 30, 2006	18.40	14.15
September 30, 2006	18.50	13.40
December 31, 2006	19.42	17.23

Quarter Ended	High	Low
March 31, 2007	$ 19.15	$ 15.59
June 30, 2007	18.11	15.67
September 30, 2007	17.37	13.85
December 31, 2007	18.21	13.91

The market price of our Class A common stock is subject to significant fluctuations in response to variations in our quarterly operating results, general trends in the market for our products and product candidates, economic and currency exchange issues in the foreign markets in which we operate and other factors, many of which are not within our control. In addition, broad market fluctuations, as well as general economic, business, regulatory and political conditions may adversely affect the market for our Class A common stock, regardless of our actual or projected performance.

The closing price of our Class A common stock on February 15, 2008, was $16.31. The approximate number of holders of record of our Class A common stock as of February 15, 2008 was 563. This number of holders of record does not represent the actual number of beneficial owners of shares of our Class A common stock because shares are frequently held in "street name" by securities dealers and others for the benefit of individual owners who have the right to vote their shares.

Dividends

We declared and paid a $0.10 per share dividend for Class A common stock in March, June, September and December of 2006, and a $0.105 per share quarterly dividend for Class A common stock in March, June, September and December of 2007. The board of directors approved an increase to the quarterly cash dividend to $0.11 per share of Class A common stock on February 4, 2008. This quarterly cash dividend will be paid on March 19, 2008, to stockholders of record on February 29, 2008. Management believes that cash flows from operations will be sufficient to fund this and future dividend payments, if any.

We expect to continue to pay dividends on our common stock. However, the declaration of dividends is subject to the discretion of our board of directors and will depend upon various factors, including our net earnings, financial condition, cash requirements, future prospects and other factors deemed relevant by our board of directors.

Purchases of Equity Securities by the Issuer

(a)	(b)	(c)	(d)

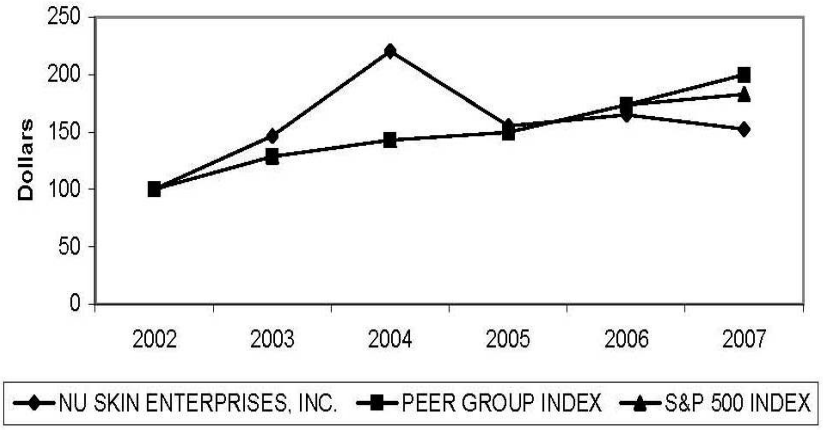
Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that may yet be Purchased Under the Plans or Programs (in millions)[1]
October 1 - 31, 2007	—	$ —	—	$ 114.6
November 1 - 30, 2007	1,479,540	16.91	1,478,466	89.6
December 1 - 31, 2007	—	—	—	89.6
Total	1,479,540[2]	16.91	1,478,466	

(1) In August 1998, our board of directors approved a plan to repurchase $10.0 million of our Class A common stock on the open market or in private transactions. Our board has from time to time increased the amount authorized under the plan and a total amount of approximately $335.0 million is currently authorized. As of December 31, 2007, we had repurchased approximately $245.4 million of shares under the plan. There has been no termination or expiration of the plan since the initial date of approval.

(2) We have authorized the repurchase of shares acquired by our employees and distributors in certain foreign markets because of regulatory and other issues that make it difficult and costly for these persons to sell such shares in the open market. These shares were awarded or acquired in connection with our initial public offering in 1996. Of the shares listed in this column, 1,074 shares for November relate to repurchases from such employees and distributors at an average per share purchase price of $16.80.

Stock Performance Graph

Set forth below is a line graph comparing the cumulative total stockholder return (stock price appreciation plus dividends) on the Class A Common Stock with the cumulative total return of the S&P 500 Index and a market-weighted index of publicly traded peers for the period from December 31, 2002 through December 31, 2007. The graph assumes that $100 is invested in each of the Class A Common Stock, the S&P 500 Index, and each of the indexes of publicly traded peers on December 31, 2002 and that all dividends were reinvested. The peer group consists of all of the following companies that compete in our industry and product categories: Avon Products, Inc., Estee Lauder, Nature's Sunshine Products, Inc., Tupperware Corporation, Herbalife LTD., USANA Health Sciences, Inc. and Alberto Culver Co.



Measured Period	Company	S&P 500 Index	Peer Group Index
December 31, 2002	$ 100.00	100.00	100.00
December 31, 2003	146.38	128.68	128.69
December 31, 2004	220.41	142.69	142.68
December 31, 2005	155.34	149.70	149.69
December 31, 2006	164.72	173.34	173.34
December 31, 2007	152.27	182.87	199.83

ITEM 6. SELECTED FINANCIAL DATA

The following selected consolidated financial data as of and for the years ended December 31, 2003, 2004, 2005, 2006 and 2007 have been derived from the audited consolidated financial statements.

Year Ended December 31,				
2003	2004	2005	2006	2007
(U.S. dollars in thousands, except per share data and cash dividends)				

Income Statement Data:					
Revenue	$ 986,457	$ 1,137,864	$ 1,180,930	$ 1,115,409	$ 1,157,667
Cost of sales	176,545	191,211	206,163	195,203	209,283
Gross profit	809,912	946,653	974,767	920,206	948,384
Operating expenses:					
Selling expenses	407,088	487,631	497,421	480,136	496,454
General and administrative expenses[1]	289,925	333,263	354,223	353,412	361,242
Restructuring charges	5,592	—	—	11,115	19,775
Impairment of assets and other	—	—	—	20,840	—
Total operating expenses	702,605	820,894	851,644	865,503	877,471
Operating income	107,307	125,759	123,123	54,703	70,913
Other income (expense), net	432	(3,618)	(4,172)	(2,027)	(2,435)
Income before provision for income taxes	107,739	122,141	118,951	52,676	68,478
Provision for income taxes	39,863	44,467	44,918	19,859	24,606
Net income	$ 67,876	$ 77,674	$ 74,033	$ 32,817	$ 43,872
Net income per share:					
Basic	$ 0.86	$ 1.10	$ 1.06	$ 0.47	$ 0.68
Diluted	$ 0.85	$ 1.07	$ 1.04	$ 0.47	$ 0.67
Weighted-average common shares outstanding (000s):					
Basic	78,637	70,734	70,047	69,418	64,783
Diluted	79,541	72,627	71,356	70,506	65,584
Balance Sheet Data (at end of period):					
Cash and cash equivalents and current investments	$ 122,568	$ 120,095	$ 155,409	$ 121,353	$ 92,552
Working capital	149,324	117,401	149,098	109,418	95,175
Total assets	591,059	609,737	678,866	664,849	683,243
Current portion of long-term debt	17,915	18,540	26,757	26,652	31,441
Long-term debt	147,488	132,701	123,483	136,173	169,229
Stockholders' equity	290,248	296,233	354,628	318,980	275,009
Cash dividends declared	0.28	0.32	0.36	0.40	0.42
Supplemental Operating Data (at end of period):					
Approximate number of active distributors[2]	725,000	820,000	803,000	761,000	755,000
Number of executive distributors[2]	29,131	32,016	30,471	29,756	30,002

(1) Beginning in 2006 the Company adopted FAS 123R which resulted in stock-based compensation expense of $9.3 million in 2006 and $8.1 million in 2007.

(2) Active distributors include preferred customers and distributors purchasing products directly from us during the three months ended as of the date indicated. An executive distributor is an active distributor who has achieved required personal and group sales volumes.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The following discussion of our financial condition and results of operation should be read in conjunction with the Consolidated Financial Statements and related Notes thereto, which are included in this Annual Report on Form 10-K.

Overview

We are a leading, global direct selling company with 2007 revenue of $1.16 billion and a global network of approximately 755,000 active independent distributors and preferred customers who purchase our products for resale and for personal use. Approximately 30,000 of these distributors are executive level distributors, who play an important leadership role in our distribution network and are critical to the growth of our business. We develop and market premium-quality personal care products under the Nu Skin brand, science-based nutritional supplements under the Pharmanex brand, and technology-related products and services under the Big Planet brand. We currently operate in over 45 markets throughout Asia, the Americas and Europe.

Our revenue depends on the number and productivity of our active independent distributors and executive distributor leaders. We have been successful in attracting and motivating distributors by:

- developing and marketing innovative, technologically advanced products;
- providing compelling initiatives, advanced technological tools and strong distributor support; and
- offering attractive incentives that motivate distributors to build sales organizations.

Our distributors market and sell our products and recruit new distributors based on the distinguishing benefits and innovative characteristics of our products. As a result, it is vital to our business that we continuously leverage our research and development resources to develop and introduce innovative products and provide our distributors with an attractive portfolio of products. We also offer unique initiatives and business tools, such as our technologically-advanced *Pharmanex BioPhotonic Scanner* (the "Scanner"), to help distributors effectively differentiate our earnings opportunity and product offering. If we experience

delays or difficulties in introducing compelling products or attractive initiatives or tools into a market, this can have a negative impact on revenue and distributor recruiting. In addition, as a result of the global nature of our distributor incentives, the introduction of a new product or key initiative can negatively impact other markets or product lines to the extent our distributor leaders focus their efforts on the new product or initiative.

We have developed a global distributor compensation plan and other incentives designed to motivate our distributors to market and sell our products and to build sales organizations around the world and across product lines. Our extensive global distributor network helps us to rapidly introduce products and penetrate our markets with little up-front promotional expense. Similar to other companies in our industry, we experience a high level of turnover among our distributors. As a result, it is important that we regularly introduce innovative and compelling products and initiatives in order to maintain a compelling business opportunity that will attract new distributors. In addition, we have developed and continue to promote in many of our markets product subscription and loyalty programs that provide incentives for customers to commit to purchase a specific amount of products on a monthly basis. We believe these subscription programs have improved customer retention, have had a stabilizing impact on revenue, and have helped generate recurring sales for our distributors. Subscription orders represented 47% of our revenue in 2007.

In 2007, we generated approximately 77% of our revenue from our Asian markets, with sales in Japan representing approximately 38% of revenue. Because of the size of our foreign operations, operating results can be impacted negatively or positively by factors such as foreign currency fluctuations, in particular, fluctuations between the Japanese yen and the U.S. dollar, and economic, political and business conditions around the world. In addition, our business is subject to various laws and regulations related to network marketing activities and nutritional supplements that create certain risks for our business, including improper claims or activities by our distributors and the potential inability to obtain necessary product registrations. For more information about these risks and challenges we face, please refer to “Note Regarding Forward-Looking Statements.”

Over the last couple of years we have also taken steps to transform and align our business and operate more efficiently. We initially took steps in the first quarter of 2006 to eliminate organization redundancies, revamp administrative support functions, prioritize investments, and increase efficiencies in our supply chain. These steps involved a headcount reduction of 225 employees. In the fourth quarter of 2007, we took additional steps in connection with our transformation efforts to further reduce our overhead and improve our earnings per share. These steps included simplifying our operations in China and identifying additional areas for improved operational efficiencies globally. As a result of these steps, we reduced our headcount globally by approximately 1,000 employees. We continue to assess our operations and are taking steps to improve gross margins and selling expenses. We believe these steps will help to generate improved earnings per share in 2008.

Income Statement Presentation

We recognize revenue in five geographic regions and we translate revenue from each market’s local currency into U.S. dollars using weighted-average exchange rates. The following table sets forth revenue information by region for the periods indicated. This table should be reviewed in connection with the tables presented under “Results of Operations,” which disclose selling expenses and other costs associated with generating the aggregate revenue presented.

	Year Ended December 31,								
Revenue by Region	**2005**			**2006**			**2007**		
	(U.S. dollars in millions)								
North Asia	$	649.4	55%	$	593.8	53%	$	585.8	50%
Greater China		236.7	20		208.2	19		205.0	18
Americas		162.1	14		165.9	15		188.3	16
South Asia/Pacific		86.7	7		88.0	8		101.4	9
Europe		46.0	4		59.5	5		77.2	7
	$	1,180.9	100%	$	1,115.4	100%	$	1,157.7	100%

Cost of sales primarily consists of:

- cost of products purchased from third-party vendors, generally in U.S. dollars;
- costs of self-manufactured products;
- cost of sales materials which we sell to distributors at or near cost;
- amortization expenses associated with certain products and services such as the Scanners that are leased to distributors;

- freight cost of shipping products to distributors and import duties for the products; and
- royalties and related expenses for licensed technologies.

We source the majority of our products from third-party manufacturers located in the United States. Due to Chinese government restrictions on the importation of finished goods applicable to the current scope of our business in China, we are required to manufacture the bulk of our own products for distribution in China. Cost of sales and gross profit may fluctuate as a result of changes in the ratio between self-manufactured products and products sourced from third-party suppliers. In addition, because we purchase a significant majority of our goods in U.S. dollars and recognize revenue in local currencies, we are subject to exchange rate risks in our gross margins. Because our gross margins vary from product to product and are higher in some markets such as Japan, changes in product mix and geographic revenue mix can impact our gross margins.

Selling expenses are our most significant expense and are classified as operating expenses. Selling expenses include distributor commissions as well as wages, benefits, bonuses and other labor and unemployment expenses we pay to employed sales representatives in China. Our global compensation plan, which we employ in all of our markets except China, is an important factor in our ability to attract and retain distributors. We pay monthly commissions to several levels of distributors on each product sale based upon a distributor's personal and group product volumes, as well as the group product volumes of up to six levels of executive distributors in such distributor's downline sales organization. We do not pay commissions on sales materials, which are sold to distributors at or near cost. Small fluctuations occur in the amount of commissions paid as the network of distributors actively purchasing products changes from month to month. However, due to the size of our distributor force of approximately 755,000 active distributors, the fluctuation in the overall payout is relatively small. The overall payout has typically averaged from 41% to 44% of global product sales. From time to time, we make modifications and enhancements to our global compensation plan in an effort to help motivate distributors and develop leadership characteristics, which can have an impact on selling expenses.

Distributors also have the opportunity to make retail profits by purchasing products from us at wholesale and selling them to customers with a retail mark-up. We do not account for nor pay additional commissions on these retail mark-ups received by distributors. In many markets, we also allow individuals who are not distributors, whom we refer to as "preferred customers", to buy products directly from us at wholesale or discounted prices. We pay commissions on preferred customer purchases to the referring distributors.

General and administrative expenses include:

- wages and benefits;
- rents and utilities;
- depreciation and amortization;
- promotion and advertising;
- professional fees;
- travel;

- research and development; and
- other operating expenses.

Labor expenses are the most significant portion of our general and administrative expenses. Promotion and advertising expenses include costs of distributor conventions held in various markets worldwide, which we expense in the period in which they are incurred. Because our various distributor conventions are not always held during each fiscal year, or in the same period each year, their impact on our general and administrative expenses may vary from year to year and from quarter to quarter. For example, we held our global distributor convention in September 2007 and will not have another global convention until the fall of 2009 as we currently plan to hold a global convention every other year. In addition, we hold regional conventions and conventions in our major markets at different times during the year. These conventions have significant expenses associated with them. Because we have not incurred expenses for these conventions during every fiscal year or in comparable interim periods, year-over-year comparisons have been impacted accordingly.

Provision for income taxes depends on the statutory tax rates in each of the jurisdictions in which we operate. For example, statutory tax rates in 2007 were approximately 17.5% in Hong Kong, 25% in Taiwan, 27.5% in South Korea, 46% in Japan and 25% in China. For the years 2006 through 2008 we are subject to a reduced tax rate of 13.5% in China, after which time we will be subject to the full statutory rate. We are subject to taxation in the United States at the statutory corporate federal tax rate of 35% and we pay taxes in multiple states within the United States at various tax rates. Our overall effective tax rate was 35.9% for the year ended December 31, 2007.

Critical Accounting Policies

The following critical accounting policies and estimates should be read in conjunction with our audited Consolidated Financial Statements and related Notes thereto. Management considers the most critical accounting policies to be the recognition of revenue, accounting for income taxes, accounting for intangible assets and accounting for stock-based compensation. In each of these areas, management makes estimates based on historical results, current trends and future projections.

Revenue. We recognize revenue when products are shipped, which is when title and risk of loss pass to our independent distributors. With some exceptions in various countries, we offer a return policy whereby distributors can return unopened and unused product for up to 12 months subject to a 10% restocking fee. Reported revenue is net of returns, which have historically been less than 5% of gross sales. A reserve for product returns is accrued based on historical experience. We classify selling discounts as a reduction of revenue. Our selling expenses are computed pursuant to our global compensation plan for our distributors, which is focused on remunerating distributors based primarily upon the selling efforts of the distributors and the volume of products purchased by their downlines, and not their personal purchases.

Income Taxes. We account for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes." This statement establishes financial accounting and reporting standards for the effects of income taxes that result from an enterprise's activities during the current and preceding years. It requires an asset and liability approach for financial accounting and reporting of income taxes. We pay income taxes in many foreign jurisdictions based on the profits realized in those jurisdictions, which can be significantly impacted by terms of intercompany transactions among our affiliates around the world. Deferred tax assets and liabilities are created in this process. As of December 31, 2007, we had net deferred tax assets of $72.7 million. These net deferred tax assets assume sufficient future earnings will exist for their realization, as well as the continued application of current tax rates. In certain foreign jurisdictions valuation allowances have been recorded against the deferred tax assets specifically related to use of net operating losses. When we determine that there is sufficient taxable income to utilize the net operating losses, the valuation allowances will be released. In the event we were to determine that we would not be able to realize all or part of our net deferred tax assets in the future, an adjustment to the deferred tax assets would be charged to earnings in the period such determination was made.

In June 2006, the FASB issued FASB Interpretation Number 48, “Accounting for Uncertainty in Income Taxes – an Interpretation of SFAS 109" (“FIN 48”). We adopted the provisions of FIN 48 on January 1, 2007. As a result of the implementation of FIN 48, we recognized a $2.6 million increase in the liability for unrecognized tax benefits, which was accounted for as a reduction to the January 1, 2007 balances of retained earnings and additional paid in capital.

We file income tax returns in the U.S. federal jurisdiction, and various states and foreign jurisdictions. With a few exceptions, we are no longer subject to U.S. federal, state and local income tax examination by tax authorities for years before 2004. In major foreign jurisdictions, we are no longer subject to income tax examinations for years before 2001. We are currently under examination in certain foreign jurisdictions; however, the final outcomes of these reviews are not yet determinable.

At December 31, 2007, we had $31.9 million in unrecognized tax benefits of which $9.1 million, if recognized, would affect the effective tax rate. During the year ended December 31, 2007, we recognized approximately $0.5 million in interest and penalties. We had approximately $2.7 million of accrued interest and penalties related to uncertain tax positions at December 31, 2007. Interest and penalties related to uncertain tax positions are recognized as a component of income tax expense.

We are subject to regular audits by federal, state and foreign tax authorities. These audits may result in additional tax liabilities. We account for such contingent liabilities in accordance with FIN 48, and believe we have appropriately provided for income taxes for all years. Several factors drive the calculation of our tax reserves. Some of these factors include: (i) the expiration of various statutes of limitations; (ii) changes in tax law and regulations; (iii) issuance of tax rulings; and (iv) settlements with tax authorities. Changes in any of these factors may result in adjustments to our reserves, which would impact our reported financial results.

Intangible Assets. Under the provisions of SFAS No. 142, “Goodwill and Other Intangible Assets” (“SFAS 142”), our goodwill and intangible assets with indefinite useful lives are not amortized. Our intangible assets with finite lives are recorded at cost and are amortized over their respective estimated useful lives and are reviewed for impairment in accordance with SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets” (see Note 5 to the Consolidated Financial Statements).

We are required to make judgments regarding the useful lives of our intangible assets. With the implementation of SFAS 142, we determined certain intangible assets to have indefinite lives based upon our analysis of the requirements of SFAS No. 141, “Business Combinations” (“SFAS 141”) and SFAS 142. Under the provisions of SFAS 142, we are required to test these assets for impairment at least annually. The annual impairment tests were completed and did not result in an impairment charge. To the extent an impairment is identified in the future, we will record the amount of the impairment as an operating expense in the period in which it is identified.

Stock-Based Compensation. Effective January 1, 2006, we adopted the fair value recognition provisions of Financial Accounting Standards No. 123 (revised 2004), “Share-Based Payment” (“SFAS 123R”), using the modified prospective transition method. Under this method we recognize compensation expense for all share-based payments granted after January 1, 2006 and prior to but not yet vested as of January 1, 2006, in accordance with SFAS 123R. Under the fair value recognition provisions of SFAS 123R, we recognize stock-based compensation net of any estimated forfeitures on a straight-line basis over the requisite service period of the award. The fair value of our stock-based compensation expense is based on estimates using the Black-Scholes option-pricing model. This option-pricing model requires the input of highly subjective assumptions including the option’s expected life, risk-free interest rate, expected dividends and price volatility of the underlying stock. The stock price volatility assumption was determined using the historical volatility of our common stock.

Results of Operation

The following table sets forth our operating results as a percentage of revenue for the periods indicated:

	Year Ended December 31,		
	2005	**2006**	**2007**
Revenue	100.0%	100.0%	100.0%
Cost of sales	17.5	17.5	18.1
Gross profit	82.5	82.5	81.9
Operating expenses:			
Selling expenses	42.1	43.1	42.9
General and administrative expenses	30.0	31.7	31.2
Restructuring charges	—	0.9	1.7
Impairment of assets and other	—	1.9	—
Total operating expenses	72.1	77.6	75.8
Operating income	10.4	4.9	6.1
Other income (expense), net	(.3)	(.2)	(.2)
Income before provision for income taxes	10.1	4.7	5.9
Provision for income taxes	3.8	1.8	2.1
Net income	6.3%	2.9%	3.8%

2007 Compared to 2006

Overview

Revenue in 2007 increased 4% to $1.16 billion from $1.12 billion in 2006, with foreign currency exchange fluctuations positively impacting revenue by 1% in 2007 compared to 2006. Revenue in 2007 was positively impacted by growth in South Korea, Europe, the United States, and our South Asia markets. The revenue growth from these markets was offset partially by revenue declines in Japan and China.

Earnings per share in 2007 were $0.67 compared to $0.47 in 2006 on a diluted basis. Earnings per share in 2007 and 2006 were impacted by:

- restructuring and impairment charges in the first quarter of 2006 totaling $20.0 million (net of taxes of $12.0 million), or $0.28 per share, relating to a business transformation initiative that we implemented during the first quarter;

- restructuring charges in the second quarter of 2007 totaling $1.8 million (net of taxes of $1.0 million), or $0.03 per share, relating to a business transformation initiative that we implemented during the first quarter;
- restructuring and impairment charges in the fourth quarter of 2007 totaling $10.8 million (net of taxes of $6.2 million), or $0.17 per share, relating to an additional step in our business transformation initiative to reduce overhead expenses and streamline operations;
- a decrease in our gross margin as a result of changing product and geographic sales mix; and
- the repurchase of approximately 4.1 million shares of our Class A common stock in 2007.

In the fourth quarter of 2007, we took additional steps in connection with our transformation efforts to further reduce our overhead and improve our earnings per share. These steps included simplifying our operations in China and identifying additional areas for improved operational efficiencies globally. As a result of these steps, we reduced our headcount globally by approximately 1,000 employees. We continue to assess our operations and are taking steps to improve gross margins and selling expenses. We believe these steps will help to generate improved earnings per share in 2008.

Revenue

North Asia. The following table sets forth revenue for the North Asia region and its principal markets (U.S. dollars in millions):

	2006	2007	Change
Japan	$ 476.5	$ 443.7	(7%)
South Korea	117.3	142.1	21%
North Asia total	$ 593.8	$ 585.8	(1%)

Foreign currency fluctuations did not significantly impact revenue in this region compared to the prior-year period. The decline in this region is related to the decline in revenue in Japan, which was offset partially by the increase in revenue in South Korea. Our active and executive distributor counts decreased 6% and 8%, respectively, in Japan in 2007 compared to 2006. In South Korea, our active and executive distributor counts increased 30% and 17%, respectively, comparing 2007 to 2006.

In Japan, the continued weakness in sponsoring activity and the resulting declines in active and executive distributors contributed to the local currency revenue decline of 5% in 2007 compared to 2006. Distributor activity in this market has been soft for the last couple of years, and we continue to take steps to generate stronger distributor activity and improved results in this market. During 2007, we implemented a variety of strategic initiatives and product promotions, effected a change in management, and continued efforts to improve our corporate image. As we reviewed our business in this market in connection with the management change, we believe some of our past initiatives have not focused sufficiently on distributor sponsorship and activity. As a result, we have begun to implement more aggressive initiatives focused on distributor recruitment and leadership development. We also have implemented additional changes to our management structure in this market to improve management and operational alignment. The industry has been in a decline for several years in Japan and, according to industry sources, the decline appears to have steepened. We believe it will take time for us to turn the results of this market and generate renewed growth.

South Korea posted strong year-over-year local currency revenue growth of 18%. This growth was fueled by strong distributor alignment behind our product and distributor initiatives that have helped maintain a vibrant sponsoring environment for our distributors in this market. The *Galvanic Spa System II* and our *Nu Skin 180° Anti-Aging Skin Therapy System* helped contribute to growth in our personal care business, while continued focus on nutrition products including *LifePak* and *g3* positively impacted our nutrition revenue in this market. We also launched *TriPhasic White*, a global top-selling personal care product for us, in 2007.

Greater China. The following table sets forth revenue for the Greater China region and its principal markets (U.S. dollars in millions):

	2006	2007	Change
Taiwan	$ 93.1	$ 93.0	—
China	70.5	66.5	(6%)
Hong Kong	44.6	45.5	2%
Greater China total	$ 208.2	$ 205.0	(2%)

Foreign currency exchange rate fluctuations positively impacted revenue in the Greater China region by 1% in 2007. In China, revenue declined 10%, on a local currency basis, compared to the prior year as we continue to transition our business model in this market. The decrease is primarily attributed to a 17% decline in preferred customers and a 6% decline in our sales force. During 2007, we engaged a new management team for this market that has been actively assessing our business and taking steps to improve operating results. This management team has taken steps to simplify our business model in this market, and to help reduce our overhead and improve profitability.

The business model changes will allow us to engage contracted sales promoters as well as offer part-time employment for sales representatives nation wide. This will allow us to provide a supplemental income opportunity to individuals who may not be interested in working full-time in this business as well as reduce our selling expenses, as the amount of social benefits, taxes and unemployment charges under this model will be lower. We also streamlined our operations in this market by altering our current store strategy. We are opening five new flagship stores in the cities of Shanghai, Beijing, Guangzhou, Shenzen, and Xian, and we have closed nearly 70 small retail outlets and branch offices in secondary cities. We believe we can operate more effectively and efficiently by focusing our business around our larger flagship stores in major cities, complemented with stores that have an improved image in other areas. Our strategic focus in 2008 will be on implementing our growth initiatives in our key provinces and municipalities, Shanghai, Beijing and Guongdong, which account for more than 50% of our revenue. In January 2008, we were able to obtain our final approvals to begin direct selling activities in Beijing as well as the remaining districts in Shanghai which were not included in our first phase of our direct selling application in 2006. We continue to work with the applicable government agencies in China to obtain the necessary direct selling approvals for Guongdong and other areas in China. Our overall restructuring efforts also allowed us to reduce our corporate employees in this market by approximately 650 employees.

Local currency revenue in Taiwan was relatively flat and Hong Kong local currency revenue was up 3% when compared with 2006. Revenue comparisons for Hong Kong are impacted by approximately $1.6 million in sales to non-Hong Kong distributors attending a regional convention in this market in 2006. A similar convention was not held in 2007.

Americas. The following table sets forth revenue for the Americas region and its principal markets (U.S. dollars in millions):

	2006	2007	Change
United States	$ 147.1	$ 167.8	14%
Canada	10.0	11.5	15%
Latin America	8.8	9.0	2%
Americas total	$ 165.9	$ 188.3	14%

Revenue in the United States was positively impacted by several key initiatives implemented in each of our product categories during the past year. In particular, the *Galvanic Spa System II* has been a primary focus of many of our distributor leaders and has helped drive significant growth in our personal care revenue, with personal care sales up 42% compared to 2006. We have implemented distributor incentives around the *Galvanic Spa System II* to increase the initial earnings opportunity for new distributors, which we believe has also contributed to the revenue growth. The United States also hosted our global convention in 2007, which positively impacted revenue in the market by approximately $5.0 million as a result of product and convention fee revenue from foreign distributors attending the convention. We also introduced a new weight management product system in this market in the fourth quarter.

Revenue in our other markets in this region also saw improvements with Canada having local currency growth of 9% and Latin America growing 2%. During the year, we elected to close our offices and facilities in Brazil because of continued operating losses in this market. While we continue to allow customers to purchase products from the United States for personal use consumption, we are not engaged in any operations or product promotions in this market.

South Asia/Pacific. The following table sets forth revenue for the South Asia/Pacific region and its principal markets (U.S. dollars in millions):

	2006	2007	Change
Singapore/Malaysia/Brunei	$ 33.2	$ 39.3	18%
Thailand	26.5	32.3	22%
Australia/New Zealand	14.2	15.8	11%
Indonesia	10.3	8.8	(15%)
Philippines	3.8	5.2	37%
South Asia/Pacific total	$ 88.0	$ 101.4	15%

Foreign currency exchange rate fluctuations positively impacted revenue in South Asia/Pacific by 10% in 2007 compared to the same prior-year period. All of the markets in this region experienced growth except for Indonesia. The growth was fueled in part by continued success of our *TRA* family of weight loss products and success of our *Galvanic Spa System II*. We believe the decrease in Indonesia is largely attributed to the limited base of distributor leaders in this new market. We often see declines in new markets after the initial opening as we work to strengthen our base of leaders in a new market. Active distributors in the region decreased 11% while executive distributors increased 3% compared to the prior year.

Europe. The following table sets forth revenue for our Europe region (U.S. dollars in millions):

	2006	2007	Change
Europe	$ 59.5	$ 77.2	30%

Foreign currency exchange rate fluctuations positively impacted revenue in Europe by 2% in 2007 compared to the prior year. On a local currency basis, revenue grew by 27% in 2007 compared to 2006. The strong growth in Europe was primarily a result of distributor enthusiasm and strong interest in our *Galvanic Spa System II* and personal care business, as well as strong growth in our newer Eastern European markets. We believe that strong alignment of distributor leaders behind our key initiatives, including the *Galvanic Spa System II*, has helped contribute to the distributor excitement and revenue growth. In 2007, we also expanded our operations into Switzerland and Slovakia. In addition, we plan on commencing limited operations in South Africa in the first quarter of 2008. Our active and executive distributor counts increased by 16% and 22%, respectively, in 2007 compared to 2006.

Gross profit

Gross profit as a percentage of revenue in 2007 decreased to 81.9% from 82.5% in 2006. The decrease is due in part to a shift in our product mix as our Japan business, which historically has our strongest gross margins, now represents a smaller percentage of our overall business. Gross margins have also been impacted by the increase in sales of tools that have lower margins such as the *Galvanic Spa System II* and the Scanner, as well as increased air-freight costs during the year.

Selling expenses

Selling expenses decreased as a percentage of revenue to 42.9% in 2007 from 43.1% in 2006. The slight decrease as a percentage of revenue was due primarily to a reduction in special incentives in various markets, particularly Japan.

General and administrative expenses

General and administrative expenses increased to $361.2 million in 2007 from $353.4 million in 2006, but decreased as a percentage of revenue to 31.2% in 2007 from 31.7% in 2006. In the fourth quarter we took additional steps under our transformation initiative to further reduce our general and administrative expenses. These steps included the closing of approximately 70 stores in China, and a reduction in headcount of 1,000 employees globally. We believe these steps will help us to reduce our general and administrative expenses in 2008 compared to 2007 and improve our operating margins.

Restructuring charges

During 2007, we recorded restructuring charges of $19.8 million relating to our efforts to simplify our operations in China and improve operational efficiencies in our corporate offices and reduce investments in unprofitable markets. Approximately $13.9 million of these charges related to severance payments to terminated employees and approximately $5.9 million related to leasehold terminations and tax payments related to the closure of our operations in Brazil in 2007.

During the first quarter of 2006, we recorded restructuring charges of $11.1 million, primarily relating to our business transformation initiative designed to (i) eliminate organizational redundancies, (ii) revamp administrative support functions, (iii) prioritize investments to favor profitable initiatives and markets, and (iv) increase efficiencies in the supply chain process. As a result, our overall headcount was reduced by approximately 225 employees, the majority of which related to the elimination of positions at our U.S. headquarters. These expenses consisted primarily of severance and other compensation charges.

Other income (expense), net

Other income (expense), net was $2.4 million of expense in 2007 compared to $2.0 million of expense in 2006. The increase in expense was primarily a result of an increase in interest expense.

Provision for income taxes

Provision for income taxes increased to $24.6 million in 2007 from $19.9 million in 2006. The effective tax rate decreased to 35.9% from 37.7% of pre-tax income in 2006, due primarily to the expiration of the statute of limitations in certain tax jurisdictions. In connection with our reconciliation of deferred tax asset and liability accounts at year end, we identified accounting adjustments related to prior periods. These adjustments were included in our provision for income taxes at year end and totalled approximately $0.1 million.

Net income

As a result of the foregoing factors, net income increased to $43.9 million in 2007 from $32.8 million in 2006.

2006 Compared to 2005

Overview

Revenue in 2006 decreased 5% to $1.12 billion from $1.18 billion in 2005. The revenue decrease was primarily attributable to local currency declines in Japan and China. In addition, foreign currency exchange fluctuations negatively impacted reported revenue by 1% in 2006 compared to 2005, particularly as a result of a weakening of the Japanese yen. Revenue in 2006 was positively impacted by growth in South Korea, Europe, the United States, Indonesia, and a number of our other markets around the world. Various global initiatives we implemented during 2006 contributed to the growth in these markets. In 2006, we launched several products and tools including our second-generation Scanner, our *g3* nutrition drink, and our *Nu Skin ProDerm Skin Analyzer* (the "*ProDerm Skin Analyzer*").

Earnings per share in 2006 were $0.47 compared to $1.04 in 2005 on a diluted basis. In addition to the negative impact of the decline in revenue, earnings per share in 2007 were also negatively impacted by several factors, including:

- restructuring and impairment charges in the first quarter of 2006 totaling $20.0 million (net of taxes of $12.0 million), or $0.28 per share, relating to a business transformation initiative that we implemented during the first quarter;
- $5.8 million (net of taxes of $3.5 million) in stock-based compensation expense as a result of the implementation of a new accounting standard requiring the expensing of stock-based compensation beginning in the first quarter of 2006;
- our relatively high fixed costs in China combined with revenue declines in that market, as well as costs associated with the opening of Russia; and
- increased distributor commission rates in Japan, as more fully described in the section below entitled, "Selling Expenses."

Revenue

North Asia. The following table sets forth revenue for the North Asia region and its principal markets in 2006 and 2005 (U.S. dollars in millions):

	2005	2006	Change
Japan	$ 562.0	$ 476.5	(15%)
South Korea	87.4	117.3	34%
North Asia total	$ 649.4	$ 593.8	(9%)

Foreign currency fluctuations, particularly a weakening of the Japanese yen throughout the year, negatively impacted North Asia region revenue by 5% in 2006 compared to 2005. Revenue in this region was also negatively impacted by an 11% local currency decline in Japan in 2006 compared to 2005. Our active and executive distributor counts decreased 6% and 10%, respectively, in Japan in 2006 compared to 2005. Our Japan revenue in 2006 was negatively impacted by a slowdown in our business that started in the latter part of 2005, resulting from several factors that impacted our sponsoring story for new distributors, including:

- modifications we made to our compensation plan in 2005 that we believe negatively impacted revenue and distributor counts;
- a scale-back of the roll-out of our first-generation Scanner during the latter part of 2005 in advance of the April 2006 launch of the second generation Scanner;
- regulatory challenges related to our nutritional supplements and the Scanner which impact the way in which we can market certain products; and
- declines in our personal care revenue as a result of increased attention to our nutritional business and the Scanner.

South Korea has generated significant growth in both our personal care and nutrition businesses. Local currency revenue in South Korea grew 25% in 2006 compared to 2005, and active and executive distributor counts grew significantly as well. We believe that these results were due to strong product and other initiatives, alignment of our distributor leaders behind these initiatives, and a strong sponsoring environment. Successful launches in 2006 include *g3*, a reformulated *Nu Skin 180° Anti-Aging Skin Therapy* system, and *Galvanic Spa System II*.

Greater China. The following table sets forth revenue for the Greater China region and its principal markets (U.S. dollars in millions):

	2005	2006	Change
China	$ 102.2	$ 70.5	(31%)
Taiwan	92.4	93.1	1%
Hong Kong	42.1	44.6	6%
Greater China total	$ 236.7	$ 208.2	(12%)

Foreign currency exchange rate fluctuations did not significantly impact revenue in the Greater China region in 2006. China revenue decreased by 31% in 2006 compared to 2005, and our executive and active distributor counts decreased 23% and 31%, respectively. Beginning in the latter part of 2005, we experienced a slowdown in our business and a weakened sponsoring environment in China. We believe this to be a result of several factors, including delays in the direct selling licensing process following the enactment of new direct selling regulations, related consumer uncertainty, and government and media scrutiny of the direct selling industry, which caused us to take a very conservative business approach as we worked towards obtaining a direct selling license. These factors, as well as changes to our compensation plan late in 2005, contributed to the slowdown and to a loss of some high level sales representatives.

Local currency revenue for 2006 in Taiwan was up 4% and Hong Kong local currency revenue was up 3% when compared with 2005. During 2006 these markets benefited from the second generation Scanner initiative, the launch of *g3*, and distributor excitement surrounding business opportunities in China as we work towards rolling out direct selling there.

Americas. The following table sets forth revenue for the Americas region and its principal markets (U.S. dollars in millions):

	2005	2006	Change
United States	$ 144.5	$ 147.1	2%
Canada	9.6	10.0	4%
Latin America	8.0	8.8	9%
Americas total	$ 162.1	$ 165.9	2%

We believe that growth in the United States was a result of several key initiatives implemented during 2006. In the second quarter of 2006, we began rolling out the second generation Scanner and *ProDerm Skin Analyzer* units into the market. We also benefited from the 2005 launch of *Photomax*, our digital imaging service. Each of these initiatives helped contribute to the revenue growth and the growth of active and executive distributor counts of 2% and 9%, respectively, in 2006 compared to 2005.

South Asia/Pacific. The following table sets forth revenue for the South Asia/Pacific region and its principal markets (U.S. dollars in millions):

	2005	2006	Change
Singapore/Malaysia/Brunei	$ 41.4	$ 33.2	(20%)
Thailand	23.7	26.5	12%
Australia/New Zealand	13.3	14.2	7%
Indonesia	4.2	10.3	145%

Philippines	4.1	3.8	(7%)
South Asia/Pacific total	$ 86.7	$ 88.0	2%

Foreign currency exchange rate fluctuations positively impacted revenue in South Asia/Pacific by 4% in 2006 compared to 2005. Revenue growth in this region was attributed to incremental revenue from our Indonesia market that was opened in August of 2005, and from strong growth in Thailand and Australia/New Zealand. During the first part of 2006, our Singapore/Malaysia/Brunei markets suffered declines as our distributor force adjusted to compensation plan modifications implemented in latter 2005. The initiatives we launched in these markets helped contribute to improving trends in the second half of the year. Active distributor counts decreased in the South Asia/Pacific region by 10%, while executive counts increased 6% in 2006 compared to 2005.

Europe. The following table sets forth revenue for our Europe region (U.S. dollars in millions):

	2005	2006	Change
Europe	$ 46.0	$ 59.5	29%

Revenue growth in Europe was primarily a result of growth in Germany and France and the expansion into Israel and Russia. We believe this growth can be attributed to strong alignment of distributor leaders behind certain initiatives, including the second generation Scanner and the *Galvanic Spa II*. During 2006 we also introduced a limited number of *ProDerm Skin Analyzer* units into the region. Our active and executive distributor counts increased by 26% and 17%, respectively, in 2006 compared to 2005.

Gross profit

Gross profit as a percentage of revenue in 2006 remained level with 2005 at 82.5%. The negative impact from a strengthening of the U.S. dollar against the Japanese yen during 2006 was offset by a positive impact from a decrease in Scanner amortization following our transition to less expensive second generation Scanners and the write-down of first generation Scanner units in the first quarter of 2006.

Selling expenses

Selling expenses decreased to $480.1 million in 2006 from $497.4 million in 2005, but increased as a percentage of revenue to 43.1% in 2006 from 42.1% in 2005. The increase as a percentage of revenue was due primarily to an increase in the average commission rate in Japan in 2006, resulting from enhancements to our compensation plan which took effect April 1, 2006 and were designed to bring the average commission rate in that market back to its previous levels before the implementation of a change in 2005.

General and administrative expenses

General and administrative expenses decreased to $353.4 million in 2006 from $354.2 million in 2005, but increased as a percentage of revenue to 31.7% in 2006 from 30.0% in 2005. The overall decline in general and administrative expenses in 2006 was a result of our transformation initiative implemented in 2006 aimed at streamlining our business to reduce overhead. These savings were offset by other increased costs, including $9.3 million of stock-based compensation expenses as a result of the adoption of SFAS 123R in 2006, and expenses associated with the commencement and expansion of operations in new markets, including Russia and Indonesia. These factors, together with higher fixed expenses in China related to our retail operations, coupled with lower revenue in China, resulted in the increase in general and administrative expenses as a percentage of revenue in 2006 compared to 2005.

Restructuring charges

During the first quarter of 2006, we recorded restructuring charges of $11.1 million, primarily relating to our business transformation initiative designed to (i) eliminate organizational redundancies, (ii) revamp administrative support functions, (iii) prioritize investments to favor profitable initiatives and markets, and (iv) increase efficiencies in the supply chain process. As a result, our overall headcount was reduced by approximately 225 employees, the majority of which related to the elimination of positions at our U.S. headquarters. These expenses consisted primarily of severance and other compensation charges.

Impairment of assets and other

During the first quarter of 2006, we recorded impairment charges of $20.8 million, primarily relating to our first generation Scanners. In February 2006, as a result of our launch of and transition to the S2 Scanner, we determined it was necessary to write down the book value of the existing inventory of the prior model of the Scanner. The impairment charges relating to the Scanner recorded during the first quarter of 2006 totaled $19.0 million.

In addition, during the first quarter of 2006 we completed a settlement agreement with a Big Planet vendor to terminate our purchase commitments for video technology for approximately $1.8 million as we moved away from this technology in our Big Planet business.

Other income (expense), net

Other income (expense), net was $2.0 million of expense in 2006 compared to $4.2 million of expense in 2005. Fluctuations in other income (expense), net are impacted by interest income and expense and foreign exchange fluctuations to the U.S. dollar on the translation of yen-based bank debt and other foreign denominated intercompany balances into U.S. dollars for financial reporting purposes.

Provision for income taxes

Provision for income taxes decreased to $19.9 million in 2006 from $44.9 million in 2005. The effective tax rate decreased slightly to 37.7% from 37.8% of pre-tax income in 2006 and 2005, respectively.

Net income

As a result of the foregoing factors, net income decreased to $32.8 million in 2006 from $74.0 million in 2005.

Liquidity and Capital Resources

Historically, our principal uses of cash have included operating expenses, particularly selling expenses, and working capital (principally inventory purchases), as well as capital expenditures, stock repurchases, dividends, debt repayment, and the development of operations in new markets. We have generally relied on cash flow from operations to fund operating activities, and we have at times incurred long-term debt in order to fund strategic transactions and stock repurchases.

We typically generate positive cash flow from operations due to favorable gross margins and the variable nature of selling expenses, which constitute a significant percentage of operating expenses. We generated $48.7 million in cash from operations in 2007, compared to $75.8 million in 2006. This decrease in cash generated from operations is primarily due to purchases of inventory and the increase in taxes as a result of higher taxable income in 2007.

As of December 31, 2007, working capital was $95.2 million compared to $109.4 million as of December 31, 2006. Our working capital decreased primarily due to a decrease in cash and cash equivalents. Cash and cash equivalents, plus short-term investments, at December 31, 2007 were $92.6 million compared to $121.4 million at December 31, 2006. The decrease in cash was primarily the result of repurchases of stock in 2007, the decrease in our cash generated from operations and the repayment of debt, and was somewhat offset by the proceeds from long-term debt in 2007.

Capital expenditures in 2007 totaled $22.7 million, and we anticipate capital expenditures of approximately $20 million to $25 million for 2008. These capital expenditures are primarily related to:

- purchases of computer systems and software, including equipment and development costs; and

- the build-out and upgrade of leasehold improvements in our various markets, including retail stores in China.

We currently have debt pursuant to various credit facilities and other borrowings. The following table summarizes these debt arrangements as of December 31, 2007:

Facility or Arrangement[1]	Original Principal Amount	Balance as of December 31, 2007[2]	Interest Rate	Repayment terms
2000 Japanese yen denominated notes	9.7 billion yen	4.2 billion yen ($37.3 million as of December 31, 2007)	3.0%	Notes due October 2010, with annual principal payments that began in October 2004.
2003 $205.0 million multi-currency uncommitted shelf facility:				
U.S. dollar denominated:	$50.0 million	$30.0 million	4.5%	Notes due April 2010 with annual principal payments that began in April 2006.
	$25.0 million	$5.0 million	4.0%	Notes due April 2008 with annual principal payments that began in October 2004.
	$40.0 million	$40.0 million	6.2%	Notes due July 2016 with annual principal payments beginning July 2010.
	$40.0 million[3]	$40.0 million	6.2%	Notes due July 2017 with annual principal payments beginning July 2011.
Japanese yen denominated:	3.1 billion yen	3.1 billion yen ($28.0 million as of December 31, 2007)	1.7%	Notes due April 2014 with annual principal payments beginning April 2008.
	2.7 billion yen	2.7 billion yen ($20.3 million as of December 31, 2007)	2.6%	Notes due September 2017, with annual principal payments beginning September 2011.
2004 $25.0 million revolving credit facility	N/A	None	N/A	Credit facility expires May 2010.

(1) Each of the credit facilities and arrangements listed in the table are secured by guarantees issued by our material domestic subsidiaries and by pledges of 65% of the outstanding stock of our material foreign subsidiaries.

(2) The current portion of our long-term debt (i.e. becoming due in the next 12 months) includes $12.4 million of the balance on our 2000 Japanese yen denominated notes, $4.0 million of the balance of our 2005 Japanese yen denominated notes and $15.0 million of the balance on our U.S. dollar denominated debt under the 2003 multi-currency shelf facility.

(3) In January 2008, $20.0 million of this loan was converted from U.S. dollar to Japanese yen at an exchange rate of 108.5. The terms of the loan remain the same, except for the interest rate lowers from 6.2% to 3.3%.

Our board of directors has approved a stock repurchase program authorizing us to repurchase our outstanding shares of Class A common stock on the open market or in private transactions. The repurchases are used primarily for our equity incentive plans and strategic initiatives. On November 2, 2007, our board of directors authorized an increase of $100 million to our ongoing share repurchase authorization. During the year ended December 31, 2007, we repurchased approximately 4.1 million shares of Class A common stock under this program for an aggregate amount of approximately $71.1 million. Included in the 4.1 million shares repurchased in 2007, are 1.5 million shares that we repurchased under a $25.0 million accelerated repurchase transaction during the fourth quarter of 2007. At December 31, 2007, approximately $89.6 million was still available under the stock repurchase program.

During each quarter of 2007, our board of directors declared cash dividends of $0.105 per share on our Class A common stock. These quarterly cash dividends totaled approximately $27.1 million and were paid during 2007 to stockholders of record in 2007. In February 2008, the board of directors declared a dividend to be paid in March 2008 of $0.11 per share for Class A common stock. Currently, we anticipate that our board of directors will continue to declare quarterly cash dividends and that the cash flows from operations will be sufficient to fund our future dividend payments. However, the continued declaration of dividends is subject to the discretion of our board of directors and will depend upon various factors, including our net earnings, financial condition, cash requirements, future prospects and other factors deemed relevant by our board of directors.

We believe we have sufficient liquidity to be able to meet our obligations on both a short- and long-term basis. We currently believe that existing cash balances, future cash flows from operations and existing lines of credit will be adequate to fund our cash needs on both a short- and long-term basis. The majority of our historical expenses have been variable in nature and as such, a potential reduction in the level of revenue would reduce our cash flow needs. In the event that our current cash balances, future cash flow from operations and current lines of credit are not sufficient to meet our obligations or strategic needs, we would consider raising additional funds in the debt or equity markets or restructuring our current debt obligations. Additionally, we would consider realigning our strategic plans, including a reduction in capital spending, stock repurchases or dividend payments.

Contractual Obligations and Contingencies

The following table sets forth payments due by period for fixed contractual obligations as of December 31, 2007 (U.S. dollars in thousands):

	Total	2008	2009-2010	2011-2012	Thereafter
Long-term debt obligations	$ 200,670	$ 31,441	$ 58,596	$ 36,670	$ 73,963
Capital lease obligations	—	—	—	—	—
Operating lease obligations[1]	33,165	13,194	15,696	4,275	—
Purchase obligations	102,303	56,761	36,450	6,142	2,950
Other long-term liabilities reflected on the balance sheet[2]	—	—	—	—	—
Total	$ 336,138	$ 101,396	$ 110,742	$ 47,087	$ 76,913

(1) Operating leases include corporate office and warehouse space with two entities that are owned by certain officers and directors of our company who are also founding shareholders. Total payments under these leases were $3.8 million for the year ended December 31, 2007 with remaining long-term obligations under these leases of $13.7 million.

(2) Other long-term liabilities reflected on the balance sheet of $67.8 million primarily consisting of long-term tax related balances, in which the timing of the commitments is uncertain.

Due to the international nature of our business, we are subject from time to time to reviews and audits by the foreign taxing authorities of the various jurisdictions in which we conduct business throughout the world. In 1999, we implemented a duty valuation methodology with respect to the importation of certain products into Japan. For purposes of the import transactions at issue, we had taken the position that, under applicable customs law, there was a sale between the manufacturer and our Japan subsidiary, and that customs duties should be assessed on the manufacturer's invoice. The Valuation Department of the Yokohama customs authorities reviewed and approved this methodology at that time, and it had been reviewed on several occasions by the audit division of the Japan customs authorities since then. In connection with subsequent audits in 2004, the Yokohama customs authorities assessed us additional duties and penalties on these products imported into Japan from October 2002 to October 2004, based on a different valuation methodology than what was previously approved. With respect to the periods under audit, the customs authorities took the position that the relevant import transaction involved a sale between our U.S. affiliate and our Japan subsidiary, rather than a sale between the manufacturer and our Japan subsidiary, and that duties should be assessed on the value of that transaction. We disputed this assessment. We also disputed the amount of duties we were required to pay on products imported from November of 2004 to June of 2005 for similar reasons. The total amount assessed or in dispute is approximately $25.0 million, net of any recovery of consumption taxes. Effective July 1, 2005, we

implemented some modifications to our business structure in Japan and in the United States that we believe will eliminate any further customs valuation disputes on these issues with respect to product imports in Japan after that time.

Because we believe the documentation and legal analysis supports our position and the valuation methodology we used with respect to the products in dispute had been reviewed and approved by the customs authorities in Japan, we believe the assessments are improper and we filed letters of protest with Yokohama customs with respect to this entire amount. Yokohama customs rejected our letters of protest, and we filed appeals with the Japan Ministry of Finance. On June 26, 2006, we were advised that the Ministry of Finance had rejected the appeals filed with their office relating to the imports from October 2002 to October 2004. On December 22, 2006, we filed a complaint with the Tokyo District Court Civil Action Section to appeal the decision with respect to this period. In January 2007, we were advised that the Ministry of Finance also rejected our appeal for the imports from November 2004 to June 2005. We appealed this decision with the court system in Japan in July 2007. Currently, all appeals are pending with the Tokyo District Court Civil Action Section. One of the findings cited by the Ministry of Finance in its decisions was that we had treated the transactions as sales between our U.S. affiliate and our Japan subsidiary on our corporate income tax return under applicable income tax and transfer pricing laws. We have paid the $25.0 million in customs duties and assessments related to all of the amounts at issue, the amount of which we recorded in “Other Assets” in our Consolidated Balance Sheet. To the extent that we are unsuccessful in recovering the amounts assessed and paid, we will be required to take a corresponding charge to our earnings.

In Taiwan, we were subject to an audit by tax authorities with respect to the deductibility of distributor commission expenses in that market. In order to avoid the running of the statute of limitations with respect to the 1999, 2000 and 2001 tax years, the Taiwan tax authorities disallowed our commission expense deductions for those years and assessed us a total of approximately $26.0 million. In the fourth quarter of 2007, the Taiwan tax authorities ruled in our favor and concluded the commission expenses were properly deducted for tax purposes.

On May 2, 2007, Bodywise International, LLC, a direct sales company headquartered in Tustin, California, filed a complaint in the Superior Court of the State of California for Orange County, naming Pharmanex, Inc., our subsidiary, and several Nu Skin distributors who had formerly been distributors for Bodywise as defendants. The plaintiff subsequently filed an amended complaint on May 25, 2007. The complaint alleges that the individual defendants breached the terms of their distributor agreements by utilizing trade secrets and violating non-solicitation covenants in connection with the alleged recruitment of distributors of Bodywise to become Nu Skin distributors. The complaint includes additional claims against all defendants for intentional interference with contractual relations and prospective economic advantage, misappropriation of trade secrets, unfair competition, and unjust enrichments related to the alleged activities. The complaint seeks recovery of damages in an amount presently unascertained, but which plaintiff estimates will likely exceed $25 million. We believe the allegations against us are without merit and plan to vigorously defend the lawsuit. The lawsuit is still in the discovery stage.

Seasonality and Cyclicality

In addition to general economic factors, we are impacted by seasonal factors and trends such as major cultural events and vacation patterns. For example, most Asian markets celebrate their respective local New Year in the first quarter, which generally has a negative impact on that quarter. We believe that direct selling in Japan, the United States and Europe is also generally negatively impacted during the third quarter, when many individuals, including our distributors, traditionally take vacations.

We have experienced rapid revenue growth in certain new markets following commencement of operations. This initial rapid growth has often been followed by a short period of stable or declining revenue, then followed by renewed growth fueled by product introductions, an increase in the number of active distributors and increased distributor productivity. The contraction following initial rapid growth has been more pronounced in certain new markets, due to other factors such as business or economic conditions or distributor distractions outside the market.

Distributor Information

The following table provides information concerning the number of active and executive distributors as of the dates indicated. Active distributors are those distributors and preferred customers who were resident in the countries in which we operated and purchased products for resale or personal consumption directly from us during the three months ended as of the date indicated. Executive distributors are active distributors who have achieved required monthly personal and group sales volumes as well as sales representatives in China who have completed a qualification process.

	As of December 31, 2005		As of December 31, 2006		As of December 31, 2007	
	Active	Executive	Active	Executive	Active	Executive
North Asia	340,000	16,129	333,000	15,354	335,000	14,845
Greater China	191,000	7,134	155,000	6,492	138,000	6,389
Americas	147,000	3,893	150,000	4,141	158,000	4,588
South Asia/Pacific	81,000	2,043	73,000	2,169	65,000	2,223
Europe	44,000	1,272	50,000	1,600	59,000	1,957
Total	803,000	30,471	761,000	29,756	755,000	30,002

Quarterly Results

The following table sets forth selected unaudited quarterly data for the periods shown (U.S. dollars in millions, except per share amounts):

	2006				2007			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Revenue	$ 265.8	$ 284.1	$ 276.3	$ 289.2	$ 273.6	$ 287.2	$ 290.7	$ 306.1
Gross profit	218.8	235.7	228.0	237.8	223.0	236.2	238.5	250.8
Operating income	(15.5)	23.9	21.0	25.3	17.6	21.0	19.2	13.1

Net income	(10.3)	14.1	13.2	15.9	10.5	13.8	13.5	6.0
Net income per share:								
Basic	(0.15)	0.20	0.19	0.23	0.16	0.21	0.21	0.09
Diluted	(0.15)	0.20	0.19	0.23	0.16	0.21	0.21	0.09

Recent Accounting Pronouncements

In September 2006, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 157, *Fair Value Measurements* ("SFAS 157"), which defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosures about fair value measurements. SFAS 157 is effective January 1, 2008. In February 2008, the FASB deferred for one year the effective date of SFAS 157 only with respect to nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis, and removed certain leasing transactions from the scope of SFAS 157. We do not believe that the adoption of SFAS 157 will have a material impact on our consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities – including an amendment to FASB Statement No. 115*, ("SFAS 159"), which permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. SFAS 159 is effective January 1, 2008. We have evaluated the impact of SFAS 159 and believe it will not significantly impact our consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations*, ("SFAS 141R"), which changes how business combinations are accounted for and will impact financial statements both on the acquisition date and in subsequent periods. SFAS 141R is effective January 1, 2009, and will be applied prospectively. The impact of adopting SFAS 141R will depend on the nature and terms of future acquisitions.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements* ("SFAS 160"), which changes the accounting and reporting standards for the noncontrolling interests in a subsidiary in consolidated financial statements. SFAS 160 recharacterizes minority interests as noncontrolling interests and requires noncontrolling interests to be classified as a component of shareholders' equity. SFAS 160 is effective January 1, 2009 and requires retroactive adoption of the presentation and disclosure requirements for existing minority interests. We are currently evaluating the impact of SFAS 160 on our consolidated financial statements.

Currency Risk and Exchange Rate Information

A majority of our revenue and many of our expenses are recognized outside of the United States, except for inventory purchases, which are primarily transacted in U.S. dollars from vendors in the United States. The local currency of each of our Subsidiaries' primary markets is considered the functional currency. All revenue and expenses are translated at weighted-average exchange rates for the periods reported. Therefore, our reported revenue 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. Given the large portion of our business derived from Japan, any weakening of the yen negatively impacts reported revenue and profits, whereas a strengthening of the yen positively impacts our reported revenue and profits. Given the uncertainty of exchange rate fluctuations, we cannot estimate the effect of these fluctuations on our future business, product pricing and results of operations or financial condition.

We seek to reduce our exposure to fluctuations in foreign currency exchange rates through the use of foreign currency exchange contracts, through intercompany loans of foreign currency and through our Japanese yen-denominated debt. We do not use derivative financial instruments for trading or speculative purposes. We regularly monitor our foreign currency risks and periodically take measures to reduce the impact of foreign exchange fluctuations on our operating results.

Our foreign currency derivatives are comprised of over-the-counter forward contracts with major international financial institutions. As of December 31, 2007, we did not have any of these contracts. For the year ended December 31, 2007, we recorded pre-tax gains of approximately $0.4 million, which were included in our revenue in Japan, and gains/(losses) of $(0.2) million as of December 31, 2007, net of tax, in other comprehensive income related to the fair market valuation of our outstanding forward contracts. Based on our foreign exchange contracts at December 31, 2007, the impact of a 10% appreciation or 10% depreciation of the U.S. dollar against the Japanese yen would not represent a material potential loss in fair value, earnings or cash flows against these contracts. This potential loss does not consider the underlying foreign currency transaction or translation exposures to which we are subject.

Following are the weighted-average currency exchange rates of U.S. $1 into local currency for each of our international or foreign markets in which revenue exceeded U.S. $5.0 million for at least one of the quarters listed:

	2006				2007			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Japan[(1)]	116.9	114.3	116.3	117.7	119.3	120.8	117.7	113.0
Taiwan	32.3	32.2	32.8	32.8	32.9	33.1	32.9	32.4
Hong Kong	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8
South Korea	975.7	949.3	954.8	937.0	939.4	928.9	927.5	921.4
Malaysia	3.7	3.6	3.7	3.6	3.5	3.4	3.5	3.4
Thailand	39.3	38.1	37.7	36.5	33.9	32.6	31.5	31.2
China	8.1	8.0	8.0	7.9	7.8	7.7	7.6	7.4
Singapore	1.6	1.6	1.6	1.6	1.5	1.5	1.5	1.5

(1) As of February 15, 2008, the exchange rate of U.S. $1 into the Japanese yen was approximately 108.

Note Regarding Forward-Looking Statements

With the exception of historical facts, the statements contained in Management's Discussion and Analysis of Financial Condition and Results of Operations, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 which reflect our current expectations and beliefs regarding our future results of operations, performance and achievements. These statements are subject to risks and uncertainties and are based upon assumptions and beliefs that may not materialize. These forward-looking statements include, but are not limited to, statements concerning:

- our belief that our transformation efforts will help reduce general and administrative expenses and help generate improved earnings per share in 2008;
- our plans to launch or to continue to roll out certain products, tools and other initiatives in our various markets, and our belief that these initiatives and other recent product launches and initiatives will positively impact our business going forward;
- our plans to open additional stores in China and our plans to commence operations in South Africa;
- our intention to vigorously defend the Bodywise International, LLC lawsuit;
- our expectation that we will spend approximately $20 million to $25 million for capital expenditures during 2008;
- our belief that our recent business transformation initiative will provide continued savings going forward;
- our anticipation that our board of directors will continue to declare quarterly cash dividends and that the cash flows from operations will be sufficient to fund our future dividend payments;

- our belief that we have sufficient liquidity to be able to meet our obligations on both a short- and long-term basis and that existing cash balances together with future cash flows from operations and existing lines of credit will be adequate to fund our cash needs;
- our belief that recent modifications to our business structure in Japan and in the United States should eliminate any further customs valuation disputes with respect to product imports in Japan.

In addition, when used in this report, the words or phrases "will likely result," "expect," "anticipate," "will continue," "intend," "plan," "believe" and similar expressions are intended to help identify forward-looking statements.

We wish to caution readers that our operating results are subject to various risks and uncertainties that could cause our actual results and outcomes to differ materially from those discussed or anticipated. Reference is made to the risks and uncertainties described below and factors described herein in "Item 1A. — Risk Factors" (which contain a more detailed discussion of the risks and uncertainties related to our business). We also wish to advise readers not to place any undue reliance on the forward-looking statements contained in this report, which reflect our beliefs and expectations only as of the date of this report. We assume no obligation to update or revise these forward-looking statements to reflect new events or circumstances or any changes in our beliefs or expectations. Some of the risks and uncertainties that might cause actual results to differ from those anticipated include, but are not limited to, the following:

(a) We have experienced revenue declines in Japan over the last couple of years and continue to face challenges in this market. If we are unable to renew growth in this market our results could be harmed. Factors that could impact our results in the market include:

- any weakening of the Japanese yen;
- regulatory constraints with respect to the claims we can make regarding the efficacy of our products and tools, which could limit our ability to effectively market them;
- any further weakening of the direct selling industry in Japan and any negative publicity associated with increased regulatory scrutiny of the market;
- inappropriate activities by our distributors and any resulting regulatory actions;
- any weakness in the economy or consumer confidence and;
- increased competitive pressures from other direct selling companies and their distributors who actively seek to solicit our distributors to join their businesses.

(b) Our operations in China are subject to significant regulatory scrutiny, and we have experienced challenges in the past, including interruption of sales activities at certain stores and fines being paid in some cases. Even though we have now obtained a direct selling license, we anticipate that government regulators will continue to scrutinize our activities and the activities of our distributors and sales employees to monitor our compliance with the new regulations and other applicable regulations as we integrate direct selling into our business model. We continue to be subject to current governmental reviews and investigations. Any determination that our operations or activities, or the activities of our employed sales representatives or distributors, are not in compliance with applicable regulations, could result in the imposition of substantial fines, extended interruptions of business, termination of necessary licenses and permits, including our direct selling licenses, or restrictions on our ability to open new stores or obtain approvals for service centers or expand into new locations, all of which could harm our business.

(c) The new direct selling regulations in China are restrictive and there continues to be some confusion and uncertainty as to the meaning of the new regulations and the specific types of restrictions and requirements imposed under them. It is also difficult to predict how regulators will interpret and enforce these new regulations and the impact of these new regulations on pending regulatory reviews and investigations. Our business and our growth prospects may be harmed if Chinese regulators interpret the anti-pyramiding regulations or direct selling regulations in such a manner that our current method of conducting business through the use of employed sales representatives violates these regulations. In particular, our business would be harmed by any determination that our current method of compensating our sales employees, including our use of the sales productivity of a sales employee and the group of sales employees whom he or she trains and supervises as one of the factors in establishing such sales employee's salary and compensation, violates the restriction on multi-level compensation under the new rules. Our business could also be harmed if regulators inhibit our ability to concurrently operate our retail store/employed sales representative business model and our direct selling business.

(d) Our ability to retain key and executive level distributors or to sponsor new executive distributors is critical to our success. Because our products are distributed exclusively through our distributors and we compete with other direct selling companies in attracting distributors, our operating results could be adversely affected if our existing and new business opportunities and incentives, products, business tools and other initiatives do not generate sufficient enthusiasm and economic incentive to retain our existing distributors or to sponsor new distributors on a sustained basis. In addition, in our more mature markets, one of the challenges we face is keeping distributor leaders with established businesses and high income levels motivated and actively engaged in business building activities and in developing new distributor leaders. There can be no assurance that our initiatives will continue to generate excitement among our distributors in the long-term or that planned initiatives will be successful in maintaining distributor activity and productivity or in motivating distributor leaders to remain engaged in business building and developing new distributor leaders.

(e) There have been a series of third party actions and governmental actions involving some of our competitors in the direct selling industry as well. These actions have generated negative publicity for the industry and likely have resulted in increased regulatory scrutiny of other companies in the industry. There can be no assurance that similar allegations will not be made against us. In addition, adverse rulings in these cases could harm our business if they create adverse publicity or interpret laws in a manner inconsistent with our current business practices.

(f) Distributor activities that violate applicable laws or regulations could result in government or third party actions against us. We have experienced an increase in complaints to consumer protection agencies in Japan and have taken steps to try to resolve these issues including providing additional training and restructuring our compliance group in Japan. We have also been in contact with general consumer agencies in Japan. If consumer complaints escalate to a government review or if the current level of complaints don't improve, regulators could take action against us.

(g) As we continue to implement our business transformation initiative, there could be unintended negative consequences, including business disruptions and/or a loss of employees. Further, we may not realize the cost improvements and greater efficiencies as we hope for as a result of this realignment. In addition, as we continually evaluate strategic reinvestment of any savings generated as a result of our transformation initiative, we may not ultimately achieve the amount of savings that we currently anticipate.

(h) The network marketing and nutritional supplement industries are subject to various laws and regulations throughout our markets, many of which involve a high level of subjectivity and are inherently fact-based and subject to interpretation. Negative publicity concerning supplements with controversial ingredients has spurred efforts to change existing regulations or adopt new regulations in order to impose further restrictions and regulatory control over the nutritional supplement industry. The FTC in the United States is also proposing new regulations that would impose new requirements that could be burdensome. If our existing business practices or products, or any new initiatives or products, are challenged or found to contravene any of these laws by any governmental agency or other third party, or if there are any new regulations applicable to our business that limit our ability to market such products or impose additional requirements on us, our revenue and profitability may be harmed.

(i) Production difficulties and quality control problems could harm our business, in particular our reliance on third party suppliers to deliver quality products in a timely manner. Occasionally, we have experienced production difficulties with respect to our products, including the delivery of products that do not meet our quality control standards. These quality problems have resulted in the past, and could result in the future, in stock outages or shortages in our markets with respect to such products, harming our sales and creating inventory write-offs for unusable products.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by Item 7A of Form 10-K is incorporated herein by reference from the information contained in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operation — Currency Risk and Exchange Rate Information" and Note 15 to the Consolidated Financial Statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

1. Financial Statements. Set forth below is the index to the Financial Statements included in this Item 8:

2. Financial Statement Schedules: Financial statement schedules have been omitted because they are not required or are not applicable, or because the required information is shown in the financial statements or notes thereto.

Nu Skin Enterprises, Inc.

Consolidated Balance Sheets

(U.S. dollars in thousands)

	December 31, 2006	December 31, 2007
ASSETS		
Current assets		
Cash and cash equivalents	$ 121,353	$ 87,327
Current investments	—	5,225
Accounts receivable	19,421	23,424
Inventories, net	92,092	100,792
Prepaid expenses and other	44,093	49,576
	276,959	266,344
Property and equipment, net	85,883	88,529
Goodwill	112,446	112,446
Other intangible assets, net	91,349	86,163
Other assts	98,212	129,761
Total assets	$ 664,849	$ 683,243
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 20,815	$ 24,108
Accrued expenses	120,074	115,620
Current portion of long-term debt	26,652	31,441
	167,541	171,169
Long-term debt	136,173	169,229
Other liabilities	42,155	67,836
Total liabilities	345,869	408,234
Commitments and contingencies (Notes 9 and 20)		
Stockholders' equity		
Class A common stock - 500 million shares authorized, $.001 par value, 90.6 million shares issued;	91	91
Additional paid-in capital	199,322	209,821
Treasury stock, at cost - 23.7 million and 27.2 million shares	(346,889)	(413,976)
Accumulated other comprehensive loss	(65,107)	(67,759)
Retained earnings	531,563	546,832
	318,980	275,009
Total liabilities and stockholders' equity	$ 664,849	$ 683,243

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

Nu Skin Enterprises, Inc.

Consolidated Statements of Income

(U.S. dollars in thousands, except per share amounts)

	Year Ended December 31, 2005	2006	2007

Revenue	$ 1,180,930	$ 1,115,409	$ 1,157,667
Cost of sales	206,163	195,203	209,283
Gross profit	974,767	920,206	948,384
Operating expenses:			
Selling expenses	497,421	480,136	496,454
General and administrative expenses	354,223	353,412	361,242
Restructuring charges	—	11,115	19,775
Impairment of assets and other	—	20,840	—
Total operating expenses	851,644	865,503	877,471
Operating income	123,123	54,703	70,913
Other income (expense), net	(4,172)	(2,027)	(2,435)
Income before provision for income taxes	118,951	52,676	68,478
Provision for income taxes	44,918	19,859	24,606
Net income	$ 74,033	$ 32,817	$ 43,872
Net income per share:			
Basic	$ 1.06	$ 0.47	$ 0.68
Diluted	$ 1.04	$ 0.47	$ 0.67
Weighted-average common shares outstanding (000s):			
Basic	70,047	69,418	64,783
Diluted	71,356	70,506	65,584

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

Nu Skin Enterprises, Inc.

Consolidated Statements of Stockholders' Equity and Comprehensive Income
(U.S. dollars in thousands)

	Class A Common Stock	Additional Paid in Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Retained Earnings	Total
Balance at January 1, 2005	$ 91	$ 163,557	$ (273,721)	$ (71,606)	$ 477,912	$ 296,233
Comprehensive income:						
Net income	—	—	—	—	74,033	74,033
Foreign currency translation adjustment	—	—	—	(597)	—	(597)
Net unrealized gains on foreign currency cash flow hedges	—	—	—	5,278	—	5,278
Less: Reclassification adjustment for realized gains in current earnings	—	—	—	(272)	—	(272)
Total comprehensive income						78,442
Repurchase of Class A common stock (Note 10)	—	—	(24,638)	—	—	(24,638)
Stock-based compensation	—	907	—	—	—	907
Purchase of long-term assets	—	13,512	7,695	—	—	21,207
Exercise of employee stock options (666,000 shares)	—	(349)	6,526	—	—	6,177
Tax benefit of options exercised	—	1,708	—	—	—	1,708
Cash dividends	—	—	—	—	(25,408)	(25,408)
Balance at December 31, 2005	91	179,335	(284,138)	(67,197)	526,537	354,628
Comprehensive income:						
Net income	—	—	—	—	32,817	32,817
Foreign currency translation adjustment	—	—	—	3,736	—	3,736
Net unrealized gains on foreign currency cash flow hedges	—	—	—	218	—	218
Less: Reclassification adjustment for realized gains in current earnings	—	—	—	(1,864)	—	(1,864)
Total comprehensive income						34,907
Repurchase of Class A common stock (Note 10)	—	—	(67,452)	—	—	(67,452)
Adjustment related to prior common control merger	—	8,151	—	—	—	8,151
Exercise of employee stock options (519,000 shares)	—	870	4,530	—	—	5,400
Tax benefit of options exercised/restricted shares vested	—	1,836	—	—	—	1,836
Stock-based compensation	—	9,130	171	—	—	9,301
Cash dividends	—	—	—	—	(27,791)	(27,791)
Balance at December 31, 2006	91	199,322	(346,889)	(65,107)	531,563	318,980

Comprehensive income:						
Net income	—	—	—	—	43,872	43,872
Foreign currency translation adjustment	—	—	—	(2,236)	—	(2,236)
Net unrealized losses on foreign currency cash flow hedges	—	—	—	(152)	—	(152)
Less: Reclassification adjustment for realized gains in current earnings	—	—	—	(264)	—	(264)
Total comprehensive income						41,220
Repurchase of Class A common stock (Note 10)	—	—	(71,100)	—	—	(71,100)
Exercise of employee stock options (593,000 shares)	—	1,734	3,996	—	—	5,730
Tax benefit of options exercised/restricted shares vested	—	1,770	—	—	—	1,770
Stock-based compensation	—	8,129	—	—	—	8,129
Adoption of FIN 48	—	(1,117)	—	—	(1,458)	(2,575)
Vesting of stock awards	—	(17)	17	—	—	—
Cash dividends	—	—	—	—	(27,145)	(27,145)
Balance at December 31, 2007	$ 91	$ 209,821	$ (413,976)	$ (67,759)	$ 546,832	$ 275,009

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

Nu Skin Enterprises, Inc.

Consolidated Statements of Cash Flows

(U.S. dollars in thousands)

	Year Ended December 31,		
	2005	2006	2007
Cash flows from operating activities:			
Net income	$ 74,033	$ 32,817	$ 43,872
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	30,459	29,132	32,967
Stock-based compensation	907	9,301	8,129
Impairment of Scanner asset	—	18,984	—
Changes in operating assets and liabilities:			
Accounts receivable	(626)	(2,786)	(2,647)
Inventories, net	(11,925)	163	(12,312)
Prepaid expenses and other	15,991	(8,289)	(4,623)
Other assets	(5,048)	(9,382)	(31,662)
Accounts payable	(4,906)	118	2,956
Accrued expenses	22,185	6,234	(13,112)
Other liabilities	(6,970)	(497)	25,085
Net cash provided by operating activities	114,100	75,795	48,653
Cash flows from investing activities:			
Purchase of property and equipment	(30,884)	(35,680)	(22,736)
Proceeds on investment sales	170,610	173,925	131,525
Purchases of investments	(160,380)	(173,925)	(136,750)
Purchase of long-term assets	(5,548)	(1,981)	—
Net cash used in investing activities	(26,202)	(37,661)	(27,961)
Cash flows from financing activities:			
Payment of cash dividends	(25,408)	(27,791)	(27,145)
Repurchase of shares of common stock	(24,638)	(67,452)	(71,100)
Exercise of distributor and employee stock options	6,177	5,400	5,731
Income tax benefit of options exercised	—	1,836	1,770
Payments on long-term debt	(17,074)	(31,611)	(31,733)
Proceeds from long-term debt	30,000	45,000	64,845
Net cash used in financing activities	(30,943)	(74,618)	(57,632)
Effect of exchange rate changes on cash	(11,411)	2,428)	2,914
Net increase (decrease) in cash and cash equivalents	45,544	(34,056)	(34,026)
Cash and cash equivalents, beginning of period	109,865	155,409	121,353
Cash and cash equivalents, end of period	$ 155,409	$ 121,353	$ 87,327

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

1. The Company

Nu Skin Enterprises, Inc. (the "Company") is a leading, global direct selling company that develops and distributes premium-quality, innovative personal care products and nutritional supplements that are sold worldwide under the Nu Skin and Pharmanex brands. The Company also markets technology-related products and services under the Big Planet brand. The Company reports revenue from five geographic regions: North Asia, which consists of Japan and South Korea; Greater China, which consists of Mainland China, Hong Kong, Macau and Taiwan; Americas, which consists of the United States, Canada and Latin America; South Asia/Pacific, which consists of Australia, Brunei, Indonesia, Malaysia, New Zealand, the Philippines, Singapore and Thailand; and Europe, which includes several markets in Europe as well as Israel and Russia (the Company's subsidiaries operating in these countries are collectively referred to as the "Subsidiaries").

2. Summary of Significant Accounting Policies

Consolidation

The consolidated financial statements include the accounts of the Company and the Subsidiaries. All significant intercompany accounts and transactions are eliminated in consolidation.

Use of estimates

The preparation of these financial statements, in conformity with accounting principles generally accepted in the United States, required management to make estimates and assumptions that affected the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

Cash and cash equivalents

Cash equivalents are short-term, highly liquid instruments with original maturities of 90 days or less.

Current investments

Current investments consist entirely of auction rate municipal bonds classified as available-for-sale securities. The Company, through its dealers, purchases and sells these securities at par value and records them at cost, which approximates fair market value due to their variable interest rates, which typically reset every 7 to 35 days and despite the long-term nature of their stated contractual maturities, along with the Company's investment policy and practice to only invest in high investment grade securities, the Company has the ability to quickly liquidate these securities. As a result, the Company has no cumulative gross unrealized holding gains (losses) or gross realized gains (losses) from its current investments. Interest income generated from these current investments is recorded in other income. As of December 31, 2007 current investments were $5.2 million. There were no current investments as of December 31, 2006.

Inventories

Inventories consist primarily of merchandise purchased for resale and are stated at the lower of cost or market, using the first-in, first-out method. The Company had reserves for obsolete inventory totaling $5.9 million and $5.0 million as of December 31, 2006 and 2007, respectively.

Inventories consist of the following (U.S. dollars in thousands):

	December 31,	
	2006	2007
Raw materials	$ 24,550	$ 25,605
Finished goods	67,542	75,187
	$ 92,092	$ 100,792

Property and equipment

Property and equipment are recorded at cost and depreciated using the straight-line method over the following estimated useful lives:

Furniture and fixtures	5 - 7 years
Computers and equipment	3 - 5 years
Leasehold improvements	Shorter of estimated useful life or lease term
Scanners	3 years
Vehicles	3 - 5 years

Expenditures for maintenance and repairs are charged to expense as incurred. When an asset is sold or otherwise disposed of, the cost and associated accumulated depreciation are removed from the accounts and the resulting gain or loss is recognized in the statement of income. Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. An impairment loss is recognized if the carrying amount of the asset exceeds its fair value.

Goodwill and other intangible assets

Under the provisions of Statements of Financial Accounting Standards ("SFAS") No. 142, *Goodwill and Other Intangible Assets* ("SFAS 142"), the Company's goodwill and intangible assets with indefinite useful lives are not amortized, but instead are tested for impairment at least annually. The Company's intangible assets with finite lives are recorded at cost and are amortized over their respective estimated useful lives using the straight-line method to their estimated residual values and are reviewed for impairment in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. In addition, the Company is required to make judgments regarding and periodically assesses the useful life of its intangible assets.

Revenue recognition

Revenue is recognized when products are shipped, which is when title and risk of loss pass to independent distributors and preferred customers who are the Company's customers. A reserve for product returns is accrued based on historical experience totaling $2.3 million and $1.9 million as of December 31, 2006 and 2007, respectively. The Company generally requires cash or credit card payment at the point of sale. The Company has determined that no allowance for doubtful accounts is necessary. Amounts received prior to shipment and title passage to distributors are recorded as deferred revenue. The global compensation plan for the Company's distributors generally does not provide rebates or selling discounts to distributors who purchase its products and services. The Company classifies selling discounts and rebates, if any, as a reduction of revenue.

Advertising expense

Advertising costs are expensed as incurred. Advertising expense incurred for the years ended December 31, 2005, 2006 and 2007 totaled approximately $2.4 million, $3.9 million and $2.1 million, respectively.

Research and development

The Company's research and development activities are conducted primarily through its Pharmanex division. Research and development costs are included in general and administrative expenses in the accompanying consolidated statements of income and are expensed as incurred and totaled $7.5 million, $8.7 million and $10.0 million in 2005, 2006 and 2007, respectively.

Deferred tax assets and liabilities

The Company accounts for income taxes in accordance with SFAS 109. This statement establishes financial accounting and reporting standards for the effects of income taxes that result from an enterprise's activities during the current and preceding years. It requires an asset and liability approach for financial accounting and reporting of income taxes. The Company pays income taxes in many foreign jurisdictions based on the profits realized in those jurisdictions, which can be significantly impacted by terms of intercompany transactions between the Company and its foreign affiliates. Deferred tax assets and liabilities are created in this process. As of December 31, 2007, the Company has net deferred tax assets of $72.7 million. The Company has netted these deferred tax assets and deferred tax liabilities by jurisdiction. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be ultimately realized.

Uncertain Tax Positions

In June 2006, the FASB issued FASB Interpretation Number 48, "Accounting for Uncertainty in Income Taxes – an Interpretation of SFAS 109" ("FIN 48"). The Company adopted the provisions of FIN 48 on January 1, 2007. As a result of the implementation of FIN 48, the Company recognized a $2.6 million increase in the liability for unrecognized tax benefits, which was accounted for as a reduction to the January 1, 2007 balances of retained earnings and additional paid in capital.

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction, and various states and foreign jurisdictions. With a few exceptions, the Company is no longer subject to U.S. federal, state and local income tax examination by tax authorities for years before 2004. In major foreign jurisdictions, the Company is no longer subject to income tax examinations for years before 2001. The Company is currently under examination in certain foreign jurisdictions; however, the final outcomes of these reviews are not yet determinable.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (U.S. dollars in thousands):

Gross Balance at January 1, 2007	$ 38,130
Increases related to prior year tax positions	1,254
Decreases related to prior year tax positions	(6,060)
Increases related to current year tax positions	1,431
Decreases due to lapse of statutes of limitations	(2,880)
Gross Balance at December 31, 2007	$ 31,875

At December 31, 2007, the Company had $31.9 million in unrecognized tax benefits of which $9.1 million, if recognized, would affect the effective tax rate. The Company's unrecognized tax benefits relate to multiple foreign and domestic jurisdictions. Due to potential increases in unrecognized tax benefits from the multiple jurisdictions in which the Company operates, as well as the expiration of various statutes of limitation, it is reasonably possible that our gross unrecognized tax benefits may change within the next 12 months by a range of approximately zero to $5 million.

During the year ended December 31, 2007 the Company recognized approximately $0.5 million in interest and penalties. The Company had approximately $2.7 million of accrued interest and penalties related to uncertain tax positions at December 31, 2007. Interest and penalties related to uncertain tax positions are recognized as a component of income tax expense.

Net income per share

Net income per share is computed based on the weighted-average number of common shares outstanding during the periods presented. Additionally, diluted earnings per share data gives effect to all potentially dilutive common shares that were outstanding during the periods presented (Note 10).

Foreign currency translation

Most of the Company's business operations occur outside the United States. The local currency of each of the Company's subsidiaries is considered its functional currency. All assets and liabilities are translated into U.S. dollars at exchange rates existing at the balance sheet dates, revenue and expenses are translated at weighted-average exchange rates and stockholders' equity is recorded at historical exchange rates. The resulting foreign currency translation adjustments are recorded as a separate component of stockholders' equity in the consolidated balance sheets and transaction gains and losses are included in other income and expense in the consolidated financial statements.

Fair value of financial instruments

The carrying value of financial instruments including cash and cash equivalents, accounts receivable and accounts payable approximate fair values due to the short-term nature of these instruments. The carrying amount of long-term debt approximates fair value because the applicable interest rates approximate current market rates. Fair value estimates are made at a specific point in time, based on relevant market information.

Stock-based compensation

Effective January 1, 2006, the Company adopted the fair value recognition provisions of Financial Accounting Standards ("SFAS") No. 123 (revised 2004), Share-Based Payment ("SFAS 123R"), using the modified prospective transition method and therefore has not restated results for prior periods. Under this transition method, stock-based compensation expense includes all stock-based compensation awards granted prior to, but not yet vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123, Accounting for Stock-Based Compensation ("SFAS 123"). Stock-based compensation expense for all stock-based compensation awards granted after January 1, 2006 is based on the grant-dated fair value estimated in accordance with the provisions of SFAS 123R. The Company recognizes these compensation costs, net of an estimated forfeiture rate, on a straight-line basis over the requisite service period of the award, which is generally the option vesting term of four years. The Company estimated the forfeiture rate based on its historical experience.

In March 2005, the Securities and Exchange Commission (the "SEC") issued Staff Accounting Bulletin No. 107 ("SAB 107") regarding the SEC's interpretation of SFAS 123R and the valuation of share-based payments for public companies. The Company applied the provisions of SAB 107 in its adoption of SFAS 123R.

Prior to the adoption of SFAS 123R the Company recognized stock based compensation expense in accordance with Accounting Principles Board Opinion No. 25. Accounting for Stock Issued to Employees ("APB 25"). Accordingly, the Company generally recognized compensation expense only when it granted options with an exercise price less than the market value of the underlying shares. Any resulting compensation expense was recognized ratably over the associated service period, which was generally the option vesting term.

The total compensation expense related to these plans was approximately $9.3 million and $8.1 million for the years ended December 31, 2006 and 2007. Prior to the adoption of SFAS 123R, the Company presented the tax benefit of stock option exercises as a component of operating cash flows. Upon the adoption

of SFAS 123R, tax benefits resulting from tax deductions in excess of the compensation cost recognized for those options are classified as financing cash flows. For the year ended December 31, 2007, all stock-based compensation expense was recorded within general and administrative expenses.

The Company has elected to follow the transition guidance indicated in Paragraph 81 of FASB Statement No. 123 (revised 2004) for purposes of calculating the pool of excess tax benefits available to absorb possible future tax deficiencies. As such, the Company has calculated its historical "APIC pool" of windfall tax benefits using the long-form method. Furthermore, the Company has elected to use a two-pool approach (segregating employee and nonemployee awards into two separate pools) when accounting for the pool of windfall tax benefits.

Reporting comprehensive income

Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources, and it includes all changes in equity during a period except those resulting from investments by owners and distributions to owners.

Accounting for derivative instruments and hedging activities

The Company recognizes all derivatives as either assets or liabilities, with the instruments measured at fair value as required by SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities ("SFAS 133").

The Company's Subsidiaries enter into significant transactions with each other and third parties that may not be denominated in the respective Subsidiaries' functional currencies. The Company regularly monitors its foreign currency risks and seeks to reduce its exposure to fluctuations in foreign exchange rates using foreign currency exchange contracts and through certain intercompany loans of foreign currency.

The Company hedges its exposure to future cash flows from forecasted transactions over a maximum period of 12 months. Hedge effectiveness is assessed at inception and throughout the life of the hedge to ensure the hedge qualifies for hedge accounting treatment. Changes in fair value associated with hedge ineffectiveness, if any, are recorded in the results of operations currently. In the event that an anticipated transaction is no longer likely to occur, the Company recognizes the change in fair value of the derivative in its results of operations currently.

Changes in the fair value of derivatives are recorded in current earnings or accumulated other comprehensive loss, depending on the intended use of the derivative and its resulting designation. The gains and losses in accumulated other comprehensive loss stemming from these derivatives will be reclassified into earnings in the period during which the hedged forecasted transaction affects earnings. The fair value of the receivable and payable amounts related to these unrealized gains and losses is classified as other current assets and liabilities. The Company does not use such derivative financial instruments for trading or speculative purposes. Gains and losses on certain intercompany loans of foreign currency are recorded as other income and expense in the consolidated statements of income.

Recent accounting pronouncements

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*, which defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosures about fair value measurements. SFAS 157 is effective January 1, 2008. In February 2008, the FASB deferred for one year the effective date of SFAS 157 only with respect to nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis, and removed certain leasing transactions from the scope of SFAS 157. The Company does not believe that the adoption of SFAS 157 will have a material impact on its consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities - including an amendment to FASB Statement No. 115*, which permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. SFAS 159 is effective January 1, 2008. The Company has evaluated the impact of SFAS 159 and believes it will not significantly impact its consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations*, ("SFAS 141R"), which changes how business combinations are accounted for and will impact financial statements both on the acquisition date and in subsequent periods. SFAS 141R is effective January 1, 2009, and will be applied prospectively. The impact of adopting SFAS 141R will depend on the nature and terms of future acquisitions.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements*, which changes the accounting and reporting standards for the noncontrolling interests in a subsidiary in consolidated financial statements. SFAS 160 recharacterizes minority interests as noncontrolling interests and requires noncontrolling interests to be classified as a component of shareholders' equity. SFAS 160 is effective January 1, 2009 and

requires retroactive adoption of the presentation and disclosure requirements for existing minority interests. The Company is currently evaluating the impact of SFAS 160 on its consolidated financial statements.

3. Related Party Transactions

The Company leases corporate office and warehouse space from two entities that are owned by certain officers and directors of the Company. Total lease payments to these two affiliated entities were $3.7 million, $3.7 million and $3.8 million for the years ended December 31, 2005, 2006 and 2007 with remaining long-term minimum lease payment obligations under these operating leases of $17.2 million and $13.7 million at December 31, 2006 and 2007, respectively.

4. Property and Equipment

Property and equipment are comprised of the following (U.S. dollars in thousands):

	December 31,	
	2006	2007
Furniture and fixtures	$ 49,499	$ 53,517
Computers and equipment	90,108	98,107
Leasehold improvements	53,677	58,584
Scanners	30,291	28,462
Vehicles	3,255	2,096
	226,830	240,766
Less: accumulated depreciation	(140,947)	(152,237)
	$ 85,883	$ 88,529

Depreciation of property and equipment totaled $24.7 million, $23.7 million and $27.1 million for the years ended December 31, 2005, 2006 and 2007, respectively, which includes amortization expense relating to the Scanners of approximately $7.9 million, $7.3 million and $7.8 million for the years ended December 31, 2005, 2006 and 2007, respectively.

5. Goodwill and Other Intangible Assets

Goodwill and other intangible assets consist of the following (U.S. dollars in thousands):

	Carrying Amount at December 31,	
Goodwill and indefinite life intangible assets:	2006	2007
Goodwill	$ 112,446	$ 112,446
Trademarks and trade names	24,599	24,599
	$ 137,045	$ 137,045

	December 31, 2006		December 31, 2007		
Finite life intangible assets:	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	Weighted-average Amortization Period
Scanner technology	$ 46,482	$ 6,290	$ 46,482	$ 9,323	18 years
Developed technology	22,500	10,139	22,500	10,963	20 years
Distributor network	11,598	6,580	11,598	7,082	15 years
Trademarks	12,452	6,879	12,558	7,510	15 years
Other	21,349	17,743	21,938	18,634	5 years
	$ 114,381	$ 47,631	$ 115,076	$ 53,512	15 years

Amortization of finite-life intangible assets totaled $5.7 million, $5.4 million and $5.9 million for the years ended December 31, 2005, 2006 and 2007, respectively. Annual estimated amortization expense is expected to approximate $6.0 million for each of the five succeeding fiscal years.

Goodwill and indefinite life intangible assets are not amortized, rather they are subject to annual impairment tests. Annual impairment tests were completed resulting in no impairment charges for any of the periods shown. Finite life intangibles are amortized over their useful lives unless circumstances occur that cause the Company to revise such lives or review such assets for impairment.

6. Other Assets

Other assets consist of the following (U.S. dollars in thousands):

	December 31, 2006	December 31, 2007
Deferred taxes	$ 42,836	$ 60,057
Deposits for noncancelable operating leases	14,476	25,023
Deposit for customs assessment (Note 20)	22,648	24,184
Other	18,252	20,497
	$ 98,212	$ 129,761

7. Accrued Expenses

Accrued expenses consist of the following (U.S. dollars in thousands):

	December 31, 2006	December 31, 2007
Accrued commission payments to distributors	$ 39,142	$ 41,143
Income taxes payable	9,773	3,138
Other taxes payable	16,471	10,890
Accrued payroll and payroll taxes	10,485	9,742
Accrued payable to vendors	6,428	9,641
Accrued severance	—	5,390
Other accruals	37,775	35,676
	$ 120,074	$ 115,620

8. Long-Term Debt

The Company maintains a $25.0 million revolving credit facility that originally expired in May 2007, and has been extended for 3 years and now expires in May 2010. Drawings on this revolving credit facility may be used for working capital, capital expenditures and other purposes including repurchases of the Company's outstanding shares of Class A common stock. As of December 31, 2007, there were no outstanding balances under this revolving credit facility.

The Company maintains a $205.0 million multi-currency private shelf facility with Prudential Investment Management, Inc. As of December 31, 2007, the Company had $163.3 million outstanding under its shelf facility, $15.0 million of which is included in the current portion of long-term debt. Of this long-term debt, $115.0 million is U.S. dollar denominated, bears interest of approximately 5.2% per annum and the related discount is amortized in four tranches between five and ten years. The remaining $48.3 million as of December 31, 2007, is Japanese yen-denominated senior promissory notes in the aggregate principal amount of 5.8 billion Japanese yen. The notes bear interest of approximately 2.2% per annum, and the related discounts are amortized in two tranches between five and ten years with interest payable semi-annually. The interest payments on the notes began April 30, 2005. The final maturity date of the notes is April 20, 2014 and principal payments are required annually beginning on April 30, 2008 in equal installments of 445.7 million Japanese yen.

The Company's long-term debt also includes the long-term portion of Japanese yen denominated ten-year senior notes issued to the Prudential Insurance Company of America in 2000. The notes bear interest at an effective rate of 3.0% per annum and are due October 2010, with annual principal payments that began in October 2004. As of December 31, 2007, the outstanding balance on the notes was 4.2 billion Japanese yen, or $37.3 million, $16.4 million of which is included in the current portion of long-term debt. The Japanese notes and the revolving and shelf credit facilities are secured by guarantees issued by the Company's material subsidiaries or by pledges of 65% of the outstanding stock of the Company's material foreign subsidiaries.

The following tables summaries the Company's long-term debt arrangements as of December 31, 2007:

Facility or Arrangement[1]	Original Principal Amount	Balance as of December 31, 2007[2]	Interest Rate	Repayment terms
2000 Japanese yen denominated notes	9.7 billion yen	4.2 billion yen ($37.3 million as of December 31, 2007)	3.0%	Notes due October 2010, with annual principal payments that began in October 2004.
2003 $205.0 million multi-currency uncommitted shelf facility:				
U.S. dollar denominated:	$50.0 million	$30.0 million	4.5%	Notes due April 2010 with annual principal payments that began in April 2006.

Facility or Arrangement[1]	Original Principal Amount	Balance as of December 31, 2007[2]	Interest Rate	Repayment terms
	$25.0 million	$5.0 million	4.0%	Notes due April 2008 with annual principal payments that began in October 2004.
	$40.0 million	$40.0 million	6.2%	Notes due July 2016 with annual principal payments beginning July 2010.
	$40.0 million[3]	$40.0 million	6.2%	Notes due July 2017 with annual principal payments beginning July 2011.
Japanese yen denominated:	3.1 billion yen	3.1 billion yen ($28.0 million as of December 31, 2007)	1.7%	Notes due April 2014, with annual principal payments beginning April 2008.
	2.7 billion yen	2.7 billion yen ($20.3 million as of December 31, 2007)	2.6%	Notes due September 2017, with annual principal payments beginning September 2011.
2004 $25.0 million revolving credit facility	N/A	None	N/A	Credit facility expires May 2010.

(1) Each of the credit facilities and arrangements listed in the table are secured by guarantees issued by the Company's material domestic subsidiaries and by pledges of 65% of the outstanding stock of the Company's material foreign subsidiaries.

(2) The current portion of the Company's long-term debt (i.e. becoming due in the next 12 months) includes $12.4 million of the balance on the Company's 2000 Japanese yen denominated notes, $4.0 million of the balance of the Company's 2005 Japanese yen denominated notes and $15.0 million of the balance on the Company's U.S. dollar denominated debt under the 2003 multi-currency shelf facility

(3) In January 2008, $20.0 million of this loan was converted from U.S. dollar to Japanese yen at an exchange rate of 108.5. The terms of the loan remain the same, except for the interest rate lowers from 6.2% to 3.3%.

Interest expense relating to debt totaled $5.5 million, $5.1 million and $8.3 million for the years ended December 31, 2005, 2006 and 2007, respectively.

The notes and shelf facility contain other terms and conditions and affirmative and negative financial covenants customary for credit facilities of this type, including a requirement to maintain a minimum cash balance of $65.0 million. As of December 31, 2007, the Company is in compliance with all financial covenants under the notes and shelf facility.

Maturities of all long-term debt at December 31, 2007, based on the year-end exchange rate, are as follows (U.S. dollars in thousands):

Year Ending December 31,		
2008	$	31,441

2009	26,441
2010	32,155
2011	18,335
2012	18,335
Thereafter	73,963
Total	$ 200,670

9. Lease Obligations

The Company leases office space and computer hardware under noncancelable long-term operating leases including related party leases (see Note 3). Most leases include renewal options of at least three years. Minimum future operating lease obligations at December 31, 2007 are as follows (U.S. dollars in thousands):

Year Ending December 31,	
2008	$ 13,194
2009	9,498
2010	6,198
2011	3,335
2012	940
Thereafter	—
Total	$ 33,165

Rental expense for operating leases totaled $30.5 million, $31.4 million and $32.2 million for the years ended December 31, 2005, 2006 and 2007, respectively.

10. Capital Stock

The Company's authorized capital stock consists of 25 million shares of preferred stock, par value $.001 per share, 500 million shares of Class A common stock, par value $.001 per share and 100 million shares of Class B common stock, par value $.001 per share. The shares of Class A common stock and Class B common stock are identical in all respects, except for voting rights and certain conversion rights and transfer restrictions, as follows: (1) each share of Class A common stock entitles the holder to one vote on matters submitted to a vote of the Company's stockholders and each share of Class B common stock entitles the holder to ten votes on each such matter; (2) stock dividends of Class A common stock may be paid only to holders of Class A common stock and stock dividends of Class B common stock may be paid only to holders of Class B common stock; (3) if a holder of Class B common stock transfers such shares to a person other than a permitted transferee, as defined in the Company's Certificate of Incorporation, such shares will be converted automatically into shares of Class A common stock; and (4) Class A common stock has no conversion rights; however, each share of Class B common stock is convertible into one share of Class A common stock, in whole or in part, at any time at the option of the holder. All outstanding Class B shares have been converted to Class A shares. As of December 31, 2007 and 2006, there were no Preferred or Class B common shares outstanding.

Weighted-average common shares outstanding

The following is a reconciliation of the weighted-average common shares outstanding for purposes of computing basic and diluted net income per share (in thousands):

	Year Ended December 31,		
	2005	**2006**	**2007**
Basic weighted-average common shares outstanding	70,047	69,418	64,783
Effect of dilutive securities:			
Stock awards and options	1,309	1,088	801
Diluted weighted-average common shares outstanding	71,356	70,506	65,584

For the years ended December 31, 2005, 2006 and 2007, other stock options totaling 2.1 million, 2.8 million and 3.3 million, respectively, were excluded from the calculation of diluted earnings per share because they were anti-dilutive.

Repurchases of common stock

Since August 1998, the board of directors has authorized the Company to repurchase up to $335.0 million of the Company's outstanding shares of Class A common stock on the open market or in private transactions. The repurchases are used primarily for the Company's equity incentive plans and strategic initiatives. During the years ended December 31, 2005, 2006 and 2007, the Company repurchased approximately 1.2 million, 3.8 million and 4.1 million shares of Class A common stock for an aggregate price of approximately $24.6 million, $67.5 million and $71.1 million, respectively, under these repurchase programs. Included in the 4.1 million shares repurchased in 2007, are 1.5 million shares that were repurchased under a $25.0 million accelerated repurchase transaction during the fourth quarter of 2007. Between August 1998 and December 31, 2007, the Company repurchased a total of approximately 17.9 million shares of Class A common stock under this repurchase program for an aggregate price of approximately $245.4 million.

11. Stock–Based Compensation

At December 31, 2007, the Company had the following stock-based employee compensation plans:

Equity Incentive Plans

During the year ended December 31, 1996, the Company's board of directors adopted the Nu Skin Enterprises, Inc., 1996 Stock Incentive Plan (the "1996 Stock Incentive Plan"). In April 2006, the Company's Board of Directors approved the Nu Skin Enterprises, Inc. 2006 Stock Incentive Plan (the "2006 Stock Incentive Plan"). This plan was approved by the Company's stockholders at the Company's 2006 Annual Meeting of Stockholders held in May of 2006. The 1996 Stock Incentive Plan and the 2006 Stock Incentive Plan provide for granting of stock awards and options to purchase common stock to executives, other employees, independent consultants and directors of the Company and its Subsidiaries. Options granted under the equity incentive plans are generally non-qualified stock options, but the plans permit some options granted to qualify as "incentive stock options" under the U.S. Internal Revenue Code. The exercise price of a stock option generally is equal to the fair market value of the Company's common stock on the option grant date. The contractual term of options granted since 1996 is generally ten years. However, for options granted beginning in the second quarter of 2006, the contractual term has been shortened to seven years. Currently, all shares issued upon the exercise of options are from the Company's treasury shares. With the adoption of the 2006 Stock Incentive Plan, no further grants will be made under the 1996 Stock Incentive Plan. Under the 2006 Stock Incentive Plan 6.0 million shares were authorized for issuance.

In the fourth quarter of 2007, the compensation committee of the board of directors approved the grant of performance stock options to certain senior level executives. Vesting for the options is performance based, with the options vesting in two installments if the Company's earnings per share equal or exceed the two established performance levels, measured in terms of diluted earnings per share. Fifty percent of the options will vest upon earnings per share meeting or exceeding the first performance level and fifty percent of the options will vest upon earnings per share meeting or exceeding the second performance level. If the performance levels have not been met on or prior to the 2nd business day following the filing of the Company's Annual Report on Form 10-K for the year ended December 31, 2012, then any unvested options shall terminate at such time.

The pro forma table below reflects net income and basic and diluted net income per share for the year ended December 31, 2005 had the Company applied the fair value recognition provisions of SFAS 123R, as follows (in thousands, except per share amounts):

	December 31, 2005
Net income, as reported	$ 74,033
Less: Stock-based compensation expense determined under the fair-value-based method for all awards, net of related tax effects	(5,823)
Pro forma net income	$ 68,210
Net income per share:	
Basic - as reported	$ 1.06
Basic - pro forma	$ 0.97
Diluted - as reported	$ 1.04
Diluted - pro forma	$ 0.96

The fair value of stock option awards was estimated using the Black-Scholes option-pricing model with the following assumptions and weighted-average fair values as follows:

	December 31,		
Stock Options:	**2005**	**2006**	**2007**
Weighted average grant date fair value of grants	$ 10.43	$ 6.52	$ 5.51
Risk-free interest rate[(1)]	3.9%	4.9%	3.8%
Dividend yield[(2)]	1.6%	2.1%	2.5%
Expected volatility[(3)]	52.6%	44.3%	40.4%
Expected life in months[(4)]	75 months	58 months	59 months

(1) The risk-free interest rate is based upon the rate on a zero coupon U.S. Treasury bill, for periods within the contractual life of the option, in effect at the time of the grant.

(2) The dividend yield is based on the rolling average of annual stock prices and the actual dividends paid in the corresponding 12 months.

(3) Expected volatility is based on the historical volatility of our stock price, over a period similar to the expected life of the option.

(4) The expected term of the option is based on the simplified method.

Options under the plans as of December 31, 2007 and changes during the year ended December 31, 2007 were as follows:

	Shares (in thousands)	Weighted-average Exercise Price	Weighted-average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Options activity - service based				
Outstanding at December 31, 2006	5,863.4	$ 16.38		
Granted	523.8	17.45		
Exercised	(556.1)	10.28		
Forfeited/cancelled/expired	(564.7)	20.05		
Outstanding at December 31, 2007	5,266.4	16.74	5.60	$ 11,462
Exercisable at December 31, 2007	3,740.8	15.60	5.20	11,435
Options activity - performance based				
Outstanding at December 31, 2006	—	$ —		
Granted	1,435.0	17.10		
Exercised	—	—		
Forfeited/cancelled/expired	—	—		
Outstanding at December 31, 2007	1,435.0	17.10	6.92	$ —
Exercisable at December 31, 2007	—	—	—	—
Options activity - all options				
Outstanding at December 31, 2006	5,863.4	$ 16.38		
Granted	1,958.8	17.20		
Exercised	(556.1)	10.28		
Forfeited/cancelled/expired	(564.7)	20.05		
Outstanding at December 31, 2007	6,701.4	16.82	5.88	$ 11,462
Exercisable at December 31, 2007	3,740.8	15.60	5.20	11,435

The aggregate intrinsic value in the table above represents the total pretax intrinsic value (the difference between the Company's closing stock price on the last trading day of the respective years and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on December 31, 2007. This amount varies based on the fair market value of the Company's stock. The total fair value of options vested and expensed was $4.2 million, net of tax, for the year ended December 31, 2007.

Cash proceeds, tax benefits, and intrinsic value related to total stock options exercised during 2005, 2006 and 2007, were as follows (in millions):

	2005	2006	2007
Cash proceeds from stock options exercised	$ 6.2	$ 5.4	$ 5.7
Tax benefit realized for stock options exercised	—	1.8	1.8
Intrinsic value of stock options exercised	5.6	3.7	3.4

The following table summarizes information concerning outstanding and exercisable options at December 31, 2007:

	Options Outstanding			Options Exercisable	
Exercise Price Range	Shares (in 000s)	Weighted-average Exercise Price	Weighted-average Years Remaining	Shares (in 000s)	Weighted-average Exercise Price
$0.01 to $6.00	6.1	$ 5.40	0.79	6.1	$ 5.40
$6.01 to $11.00	736.5	8.32	3.96	736.5	8.32

$11.01 to $16.00	1,377.7	12.49	4.56	1,332.7	12.38
$16.01 to $20.00	2,942.4	17.48	6.44	629.4	18.27
$20.01 to $28.50	1,638.7	23.13	6.88	1,036.1	23.35
	6,701.4	16.82	5.88	3,740.8	15.60

Nonvested restricted stock awards as of December 31, 2007 and changes during the year ended December 31, 2007 were as follows:

	Number of Shares (in thousands)	Weighted-average Grant Date Fair Value
Nonvested at December 31, 2006	324.8	$ 17.42
Granted	204.4	16.49
Vested	(117.9)	14.65
Forfeited	(59.3)	20.35
Nonvested at December 31, 2007	352.0	17.30

As of December 31, 2007, there was $4.7 million of unrecognized stock-based compensation expense related to nonvested restricted stock awards. That cost is expected to be recognized over a weighted-average period of 2.8 years. As of December 31, 2007, there was $16.0 million of unrecognized stock-based compensation expense related to nonvested stock option awards. That cost is expected to be recognized over a weighted-average period of 3.1 years.

Employee Stock Purchase Plan

Effective August 1, 2006, the Company terminated its Employee Stock Purchase Plan. Prior to terminating the Plan the Company recognized approximately $150,000 in compensation expense for this plan for the year ended December 31, 2006.

12. Income Taxes

Consolidated income before provision for income taxes consists of the following for the years ended December 31, 2005, 2006 and 2007 (U.S. dollars in thousands):

	2005	2006	2007
U.S.	$ 70,344	$ 32,907	$ 45,235
Foreign	48,607	19,769	23,243
Total	$ 118,951	$ 52,676	$ 68,478

The provision for current and deferred taxes for the years ended December 31, 2005, 2006 and 2007 consists of the following (U.S. dollars in thousands):

	2005	2006	2007
Current			
Federal	$ 1,572	$ —	$ —
State	1,880	2,121	(94)
Foreign	21,495	24,207	22,090
	24,947	26,328	21,996
Deferred			
Federal	14,821	4,115	(298)
State	(278)	(1,767)	2,181
Foreign	5,428	(8,817)	727
	19,971	(6,469)	2,610
Provision for income taxes	$ 44,918	$ 19,859	$ 24,606

The Company's foreign taxes paid are high relative to foreign operating income and the Company's U.S. taxes paid are low relative to U.S. operating income due largely to the flow of funds among the Company's Subsidiaries around the world. As payments for services, management fees, license arrangements and royalties are made from the Company's foreign affiliates to its U.S. corporate headquarters, these payments often incur withholding and other forms of tax that are generally creditable for U.S. tax purposes. Therefore, these payments lead to increased foreign effective tax rates and lower U.S. effective tax rates. Variations (or shifts) occur in the Company's foreign and U.S. effective tax rates from year to year depending on several factors including the impact of global transfer prices and the timing and level of remittances from foreign affiliates.

The principal components of deferred taxes are as follows (U.S. dollars in thousands):

	Year Ended December 31,	
	2006	2007
Deferred tax assets:		
Inventory differences	$ 4,583	$ 3,481
Stock-based compensation	3,079	5,470
Accrued expenses not deductible until paid	29,467	23,711
Minimum tax credit	3,985	7,611
Net operating losses	14,797	18,190
Foreign outside basis in controlled foreign corporation	9,223	—
Capitalized research and development	17,609	18,779
Asian marketing rights	—	2,321
Other	13,407	44,455
Gross deferred tax assets	96,150	124,018
Deferred tax liabilities:		
Exchange gains and losses	9,639	3,719
Pharmanex intangibles step-up	14,480	14,696
Amortization of intangibles	4,066	8,155
Foreign outside basis in controlled foreign corporation	—	599
Prepaid expenses	12,137	11,812
Other	2,692	1,012
Gross deferred tax liabilities	43,014	39,993
Valuation allowance	(1,481)	(11,303)
Deferred taxes, net	$ 51,655	$ 72,722

At December 31, 2007, the Company had foreign operating loss carryforwards of approximately $82.6 million for tax purposes, which will be available to offset future taxable income. If not used, $50.6 million of carryforwards will expire between 2008 and 2017, while $32.0 million do not expire. The Company also had minimum tax credit carryforwards of $7.6 million, which do not expire and capital loss carryforwards of $1.8 that will expire in 2008.

The valuation allowance primarily represents amounts for foreign operating loss carry forwards for which it is more likely than not some portion or all of the deferred tax asset will not be realized. When the Company determines that there is sufficient taxable income to utilize the net operating losses, the valuation allowance will be released. The Company relies on certain tax planning strategies to justify the recognition of a portion of its net operating loss carryforwards.

The components of deferred taxes, net on a jurisdiction basis are as follows (U.S. dollars in thousands):

	Year Ended December 31,	
	2006	2007
Net current deferred tax assets	$ 21,294	$ 23,929
Net noncurrent deferred tax assets	42,836	60,057
Total net deferred tax assets	64,130	83,986
Net current deferred tax liabilities	4	—
Net noncurrent deferred tax liabilities	12,471	11,264
Total net deferred tax liabilities	12,475	11,264
Deferred taxes, net	$ 51,655	$ 72,722

The Company’s deferred tax assets as of December 31, 2007 and 2006 were increased due to the implementation of FIN 48.

The Company is subject to regular audits by federal, state and foreign tax authorities. These audits may result in proposed assessments that may result in additional tax liabilities.

The actual tax rate for the years ended December 31, 2005, 2006 and 2007 compared to the statutory U.S. Federal tax rate is as follows:

	Year Ended December 31,		
	2005	2006	2007
Income taxes at statutory rate	35.00%	35.00%	35.00%
Non-deductible expenses	.55	.86	.27
Branch remittance gains and losses	.23	—	—

Other	1.98	1.84	.66
	37.76%	37.70%	35.93%

The effective tax rate remained nearly constant between 2006 and 2005. The decrease in the effective tax rate in 2007 compared to 2006 was due primarily to the expiration of the statute of limitations in certain tax jurisdictions.

13. Employee Benefit Plan

The Company has a 401(k) defined contribution plan which permits participating employees to defer up to a maximum of 15% of their compensation, subject to limitations established by the Internal Revenue Code. Employees who work a minimum of 1,000 hours per year, who have completed at least one year of service and who are 21 years of age or older are qualified to participate in the plan. The Company matches 100% of the first 2% and 50% of the next 2% of each participant's contributions to the plan. Participant contributions are immediately vested. Company contributions vest based on the participant's years of service at 25% per year over four years. The Company recorded compensation expense of $1.4 million, $1.4 million and $1.5 million for the years ended December 31, 2005, 2006 and 2007, respectively, related to its contributions to the plan.

The Company has a defined benefit pension plan for its employees in Japan. All employees of Nu Skin Japan, after certain years of service, are entitled to pension plan benefits when they terminate employment with Nu Skin Japan. The accrued pension liability was $4.5 million, $5.0 million and $5.2 million as of December 31, 2005, 2006 and 2007, respectively. Although Nu Skin Japan has not specifically funded this obligation, Nu Skin Japan believes it maintains adequate cash balances for this defined benefit pension plan. The Company recorded pension expense of $0.8 million, $1.0 million and $1.4 million for the years ended December 31, 2005, 2006 and 2007, respectively. Beginning in 2006, this plan is accounted for in accordance with Financial Accounting Standards Board ("FASB") Statement No. 158 "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106, and 132(R)" ("SFAS 158"). The adoption of SFAS 158 did not have a material impact on the Company's consolidated financial statements.

14. Executive Deferred Compensation Plan

The Company has an executive deferred compensation plan for select management personnel. Under this plan, the Company currently makes a contribution of up to 10% of each participant's salary. In addition, each participant has the option to defer a portion of their compensation up to a maximum of 100% of their compensation. Participant contributions are immediately vested. Company contributions vest based on the earlier of: (a) attaining 60 years of age; (b) continuous employment of 20 years; or (c) death or disability. The Company recorded compensation expense of $0.7 million for the years ended December 31, 2005, 2006 and 2007, respectively, related to its contributions to the plan. The Company had accrued $6.3 million and $8.4 million as of December 31, 2006 and 2007, respectively, related to the Executive Deferred Compensation Plan.

15. Derivative Financial Instruments

At December 31, 2006 and 2007, the Company held forward contracts designated as foreign currency cash flow hedges with notional amounts totaling approximately $10.1 million and none, respectively, to hedge forecasted foreign-currency-denominated intercompany transactions. All such contracts were denominated in Japanese yen. As of December 31, 2006 and 2007, $0.2 million of net unrealized gain and $(0.2) million of net unrealized loss, net of related taxes, respectively, were recorded in accumulated other comprehensive loss. The contracts held at December 31, 2007 have maturities through December 2008, and accordingly, all unrealized gains and losses on foreign currency cash flow hedges included in accumulated other comprehensive loss will be recognized in current earnings over the next 12 months. The pre-tax net (losses)/gains on foreign currency cash flow hedges recorded in current earnings were ($0.3 million), $3.3 million and $0.4 million for the years ended December 31, 2005, 2006 and 2007, respectively.

During 2005, 2006 and 2007, the Company did not have any gains or losses related to hedging ineffectiveness. Additionally, no component of gains and losses was excluded from the assessment of hedging effectiveness. During 2005, 2006 and 2007, the Company did not have any gains or losses reclassified into earnings as a result of the discontinuance of cash flow hedges.

16. Supplemental Cash Flow Information

Cash paid for interest totaled $5.6 million, $5.6 million and $7.4 million for the years ended December 31, 2005, 2006 and 2007, respectively. Cash paid for income taxes totaled $15.9 million, $19.4 million and $21.9 million for the years ended December 31, 2005, 2006 and 2007, respectively.

17. Segment Information

The Company operates in a single operating segment by selling products to a global network of independent distributors that operates in a seamless manner from market to market, except for its operations in Mainland China. In Mainland China, the Company utilizes an employed sales force to sell its products through fixed retail locations. Selling expenses are the Company's largest expense comprised of the commissions paid to its worldwide independent distributors as well as remuneration to its Mainland China sales employees paid on product sales. The Company manages its business primarily by managing its global sales force. The Company does not use profitability reports on a regional or divisional basis for making business decisions. However, the Company does recognize revenue in five geographic regions: North Asia, Greater China, Americas, South Asia/Pacific and Europe.

Revenue generated in each of these regions is set forth below (U.S. dollars in thousands):

	Year Ended December 31,		
Revenue:	**2005**	**2006**	**2007**
North Asia	$ 649,377	$ 593,789	$ 585,805
Greater China	236,681	208,226	205,026
Americas	162,174	165,908	188,256
South Asia/Pacific	86,673	88,017	101,417
Europe	46,025	59,469	77,163
Total	$ 1,180,930	$ 1,115,409	$ 1,157,667

Revenue generated by each of the Company's three product lines is set forth below (U.S. dollars in thousands):

	Year Ended December 31,		
Revenue:	**2005**	**2006**	**2007**
Pharmanex	$ 667,671	$ 632,705	$ 634,191
Nu Skin	484,281	454,480	498,500
Big Planet	28,978	28,224	24,976
Total	$ 1,180,930	$ 1,115,409	$ 1,157,667

Additional information as to the Company's operations in the most significant geographical areas is set forth below (U.S. dollars in thousands):

	Year Ended December 31,		
Revenue:	**2005**	**2006**	**2007**
Japan	$ 562,031	$ 476,466	$ 443,670
United States	144,555	147,090	167,701
South Korea	87,346	117,323	142,135
Taiwan	92,412	93,159	93,014
Mainland China	102,214	70,492	66,493

	December 31,	
Long-lived assets:	**2006**	**2007**
Japan	$ 11,902	$ 11,907
United States	43,520	48,378
South Korea	1,274	3,391
Taiwan	2,686	3,299
Mainland China	13,724	9,908

18. Restructuring charges

During 2007, the Company recorded restructuring charges of $19.8 million, relating to its efforts to simplify its operations in China and improve operational efficiencies in its corporate offices and reduce investments in unprofitable markets. Approximately $13.9 million of these charges relates to severance payments to terminated employees of which approximately $5.4 million remains accrued at December 31, 2007. The remaining $5.9 million relates to leasehold terminations and tax payments related to the Company's closure of its operations in Brazil in 2007, of which approximately $2.2 million remains accrued at December 31, 2007. The Company expects that substantially all of the restructuring charges accrued as of December 31, 2007 will be paid during the first quarter of 2008.

During the first half of 2006, the Company recorded restructuring charges of $11.1 million, primarily relating to its restructuring initiative designed to (i) eliminate organizational redundancies, (ii) revamp administrative support functions, (iii) prioritize investments to favor profitable initiatives and markets, and (iv) increase efficiencies in the supply chain process. As a result, the Company's overall headcount was reduced by approximately 225 employees, the majority of

which related to the elimination of positions at the Company's U.S. headquarters. These expenses consisted primarily of severance and other charges and had all been paid as of December 31, 2006.

19. Impairment of assets and other

During the first half of 2006, the Company recorded impairment and other charges of $20.8 million, primarily relating to its first generation BioPhotonic Scanners. In February 2006, as a result of the Company's launch of and transition to its second generation BioPhotonic Scanner, the Company determined it was necessary to write down the book value of the existing inventory of the prior model of the Scanner. The impairment charges relating to the Scanner recorded during the quarter ended March 31, 2006 totaled $19.0 million.

In addition, during the quarter ended March 31, 2006, the Company completed a settlement agreement with Razorstream, a service provider of video content for its digital product category, to terminate its purchase commitments for video technology for approximately $1.8 million.

20. Commitments and Contingencies

The Company is subject to governmental regulations pertaining to product formulation, labeling and packaging, product claims and advertising and to the Company's direct selling system. The Company is also subject to the jurisdiction of numerous foreign tax and customs authorities. Any assertions or determination that either the Company or the Company's distributors is not in compliance with existing statutes, laws, rules or regulations could potentially have a material adverse effect on the Company's operations. In addition, in any country or jurisdiction, the adoption of new statutes, laws, rules or regulations or changes in the interpretation of existing statutes, laws, rules or regulations could have a material adverse effect on the Company and its operations. Although management believes that the Company is in compliance, in all material respects, with the statutes, laws, rules and regulations of every jurisdiction in which it operates, no assurance can be given that the Company's compliance with applicable statutes, laws, rules and regulations will not be challenged by foreign authorities or that such challenges will not have a material adverse effect on the Company's financial position or results of operations or cash flows. The Company and its Subsidiaries are defendants in litigation and proceedings involving various matters. In the opinion of the Company's management, based upon advice of its counsel handling such litigation and proceedings, adverse outcomes, if any, will not likely result in a material effect on the Company's consolidated financial condition, results of operations or cash flows.

The Company is subject to regular audits by federal, state and foreign tax authorities. These audits may result in additional tax liabilities. The Company believes it has appropriately provided for income taxes for all years. Several factors drive the calculation of its tax reserves. Some of these factors include: (i) the expiration of various statutes of limitations; (ii) changes in tax law and regulations; (iii) issuance of tax rulings; and (iv) settlements with tax authorities. Changes in any of these factors may result in adjustments to the Company's reserves, which would impact its reported financial results.

In June 2006, the FASB issued FIN 48, which clarifies the accounting for uncertainty in tax positions. FIN 48 requires that the Company recognize the impact of a tax position in the Company's financial statements if that position is more likely than not of being sustained on audit, based on the technical merits of the position. The provisions of FIN 48 became effective as of the beginning of the Company's 2007 fiscal year, with the cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings.

Due to the international nature of the Company's business, the Company is subject from time to time to reviews and audits by the foreign taxing authorities of the various jurisdictions in which it conducts business throughout the world. In 1999, the Company implemented a duty valuation methodology with respect to the importation of certain products into Japan. For purposes of the import transactions at issue, the Company had taken the position that, under applicable customs law, there was a sale between the manufacturer and the Company's Japanese subsidiary, and that customs duties should be assessed on the manufacturer's invoice. The Valuation Department of the Yokohama customs authorities reviewed and approved this methodology at that time, and it had been reviewed on several occasions by the audit division of the Japan customs authorities since then. In connection with subsequent audits in 2004, the Yokohama customs authorities assessed the Company additional duties and penalties on these products imported into Japan from October 2002 to October 2004, based on a different valuation methodology than what was previously approved. With respect to the periods under audit, the customs authorities took the position that the relevant import transaction involved a sale between the Company's U.S. affiliate and its Japan subsidiary and that duties should be assessed on the value of that transaction. The Company disputed this assessment. The Company also disputed the amount of duties it was required to pay on products imported from November of 2004 to June of 2005 for similar reasons. The total amount assessed or in dispute is approximately $25.0 million, net of any recovery of consumption taxes. Effective July 1, 2005, the Company implemented some modifications to the Company's business structure in Japan and in the United States that the Company believes will eliminate any further customs valuation disputes with respect to product imports in Japan after that time.

Because the Company believes the documentation and legal analysis supports its position and the valuation methodology it used with respect to the products in dispute had been reviewed and approved by the customs authorities in Japan, the Company believes the assessments are improper and it filed letters of protest with Yokohama customs with respect to this entire amount. Yokohama customs rejected the Company's letters of protest, and to follow proper administrative procedures the Company filed appeals with the Japan Ministry of Finance. On June 26, 2006, the Company was advised that the Ministry of Finance had rejected the appeals filed with their office relating to the imports from October 2002 to October 2004. The Company decided to appeal this issue through the judicial court system in Japan, and on December 22, 2006 it filed a complaint with the Tokyo District Court Civil Action Section with respect to this period. In January 2007, the Company was advised that the Ministry of Finance also rejected its appeal with them for the imports from November 2004 to June 2005. The Company currently plans to appeal this decision with the court system in Japan as well. One of the findings cited by the Ministry of Finance in its decisions was that the Company had treated the transactions as sales between its U.S. affiliate and its Japan subsidiary on its corporate income tax return under applicable income tax and transfer pricing laws. The Company has paid the $25.0 million in customs duties and assessments, the amount of which it recorded in "Other Assets" in its Consolidated Balance Sheet. To the extent that the Company is unsuccessful in recovering the amounts assessed and paid, it will be required to take a corresponding charge to its earnings.

In Taiwan, the Company was currently subject to an audit by tax authorities with respect to the deductibility of distributor commission expenses in that market. In order to avoid the running of the statute of limitations with respect to the 1999, 2000 and 2001 tax years, the Taiwan tax authorities disallowed the Company's commission expense deductions for those years and assessed the Company a total of approximately $26.0 million. The Company contested this assessment and in the fourth quarter of 2007 the Taiwan tax authorities ruled in the Company's favor and allowed the deduction of the commission expenses and reversed the previous assessments.

21. Dividends per Share

Quarterly cash dividends for the years ended December 31, 2006 and 2007 totaled $27.8 million and $27.1 million, respectively. In February 2008, the board of directors declared a quarterly cash dividend of $0.11 per share for all classes of common stock to be paid on March 19, 2008 to stockholders of record on February 29, 2008.

22. Quarterly Results

The following table sets forth selected unaudited quarterly data for the periods shown (U.S. dollars in millions, except per share amounts):

	2006				2007			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Revenue	$ 265.8	$ 284.1	$ 276.3	$ 289.2	$ 273.6	$ 287.2	$ 290.7	$ 306.1
Gross profit	218.8	235.7	228.0	237.8	223.0	236.2	238.5	250.8
Operating income	(15.5)	23.9	21.0	25.3	17.6	21.0	19.2	13.1
Net income	(10.3)	14.1	13.2	15.9	10.5	13.8	13.5	6.0
Net income per share:								
Basic	(0.15)	0.20	0.19	0.23	0.16	0.21	0.21	0.09
Diluted	(0.15)	0.20	0.19	0.23	0.16	0.21	0.21	0.09

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Nu Skin Enterprises, Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows present fairly, in all material respects, the financial position of Nu Skin Enterprises, Inc. and its subsidiaries at December 31, 2007 and 2006 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2007 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Report on Internal Control over Financial Reporting appearing in Item 9A. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of

financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Salt Lake City, Utah
February 29, 2008

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

***Evaluation of Disclosure Controls and Procedures*.** Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")). Disclosure controls and procedures are the controls and other procedures that we designed to ensure that we record, process, summarize and report in a timely manner the information we must disclose in reports that we file with or submit to the Securities and Exchange Commission under the Exchange Act. Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

***Changes in Internal Control over Financial Reporting*.** During the fourth quarter of 2007, there was no change in our internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management Report on Internal Control over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) under the Exchange Act as a process designed by, or under the supervision of, our principal executive and principal financial officers and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in this United States of America and includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that our receipts and expenditures are being made only in accordance with authorization of management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our principal executive and principal financial officers, we assessed, as of December 31, 2007, the effectiveness of our internal control over financial reporting. This assessment was based on criteria established in the framework in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our assessment, our management concluded that our internal control over financial reporting was effective as of December 31, 2007.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2007 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

ITEM 9B. OTHER INFORMATION

On February 25, 2008 and February 29, 2008, Nu Skin Enterprises, Inc. (the "Company") executed amendments (collectively, the "Amendments") to the following loan and credit agreements (collectively, the "Credit Agreements"): (i) Note Purchase Agreement dated October 12, 2000 between the Company and The Prudential Insurance Company of America, as amended; (ii) Private Shelf Agreement dated as of August 26, 2003 between the Company and Prudential Investment Management, Inc., as amended (the "Private Shelf Agreement"); and (iii) Credit Agreement dated as of May 10, 2001 among the Company, various financial institutions and the Bank of America, N.A., as Administrative Agent, as amended. The Amendments provide that for purposes of calculating the minimum Fixed Charges Coverage ratio the amount of Consolidated Net Income Available for Fixed Charges for the fiscal quarter ended December 31, 2007 shall be increased by $15 million.

PART III

The information required by Items 10, 11, 12, 13 and 14 of Part III is hereby incorporated by reference to our Definitive Proxy Statement filed or to be filed with the Securities and Exchange Commission for our 2008 Annual Meeting of Stockholders except for certain information required by Item 10 with respect to our executive officers which is set forth under Item 1 - Business, of this Annual Report on Form 10-K, and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Documents filed as part of this Form 10-K:

1. Financial Statements. See Index to Consolidated Financial Statements under Item 8 of Part II.

2. Financial Statement Schedules. N/A

3. Exhibits. References to the "Company" shall mean Nu Skin Enterprises, Inc. Exhibits preceded by an asterisk (*) are management contracts or compensatory plans or arrangements.

Exhibit Number	Exhibit Description
3.1	Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-1 (File No. 333-12073) (the "Form S-1")).
3.2	Certificate of Amendment to the Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003).
3.3	Certificate of Designation, Preferences and Relative Participating, Optional and Other Special Rights of Preferred Stock and Qualification, Limitations and Restrictions Thereof (incorporated by reference to Exhibit 3.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004).
3.4	Amended and Restated Bylaws of the Company (as amended)
4.1	Specimen Form of Stock Certificate for Class A Common Stock (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-3 (File No. 333-90716)).
4.2	Specimen Form of Stock Certificate for Class B Common Stock (incorporated by reference to Exhibit 4.2 to the Company's Form S-1).
10.1	Note Purchase Agreement dated October 12, 2000, by and between the Company and The Prudential Insurance Company of America (incorporated by reference to Exhibit 10.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2005).
10.2	First Amendment to Note Purchase Agreement between the Company and The Prudential Insurance Company of America dated May 1, 2002.
10.3	Second Amendment to Note Purchase Agreement, dated as of October 31, 2003 between the Company and The Prudential Insurance Company of America (incorporated by reference to Exhibit 10.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003).
10.4	Third Amendment to Note Purchase Agreement, dated as of May 18, 2004, between the Company and The Prudential Insurance Company of America (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004).
10.5	Fourth Amendment to Note Purchase Agreement, dated as of July 28, 2006, between the Company and The Prudential Insurance Company of America (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed on August 23, 2006).

10.6 Fifth Amendment to Note Purchase Agreement, dated as of October 5, 2006, between the Company and The Prudential Insurance Company of America (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed on October 10, 2006).

10.7 Sixth Amendment to Note Purchase Agreement, dated as of November 7, 2007, between the Company and The Prudential Insurance Company of America (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed on November 13, 2007).

10.8 Credit Agreement dated as of May 10, 2001 among the Company, various financial institutions, and Bank of America, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.7 to the Company's Annual Report on Form 10-K for the year ended December 31, 2006).

10.9 First Amendment to the Credit Agreement dated December 14, 2001 dated May 10, 2001 among the Company, various financial institutions, and Bank of America, N.A. as Administrative Agent (incorporated by reference to Exhibit 10.8 to the Company's Annual Report on Form 10-K for the year ended December 31, 2006).

10.10 Second Amendment to Credit Agreement, dated as of October 22, 2003 between the Company, various financial institutions, and Bank of America, N.A. as Administrative Agent (incorporated by reference to Exhibit 10.11 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003).

10.11 Third Amendment to the Credit Agreement, dated as of May 10, 2004, among the Company, various financial institutions, and Bank One, N.A. (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004).

10.12 Fourth Amendment to the Credit Agreement, dated as of July 28, 2006, among the Company, various financial institutions, and JP Morgan Chase Bank, N.A. (as successor to Bank One, N.A. (incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K filed on August 23, 2006).

10.13 Fifth Amendment to the Credit Agreement, dated as of October 5, 2006, among the Company, various financial institutions, and JP Morgan Chase Bank, N.A. (as successor to Bank One, N.A.) (incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K filed on October 10, 2006).

10.14 Sixth Amendment to the Credit Agreement, dated as of August 8, 2007, among the Company, various financial institutions, and JP Morgan Chase Bank, N.A. (as successor to Bank One, N.S.) (Incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed August 15, 2007).

10.15 Seventh Amendment to Credit Agreement, dated as of November 7, 2007, among the Company, various financial institutions, and JP Morgan Chase Bank, N.A. (as successor to Bank One, N.A.) as administrative agent (incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K filed on November 13, 2007.)

10.16 Private Shelf Agreement, dated as of August 26, 2003, between the Company and Prudential Investment Management, Inc. (the "Private Shelf Agreement") (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003).

10.17 First Amendment to Private Shelf Agreement, dated as of October 31, 2003 between the Company and Prudential Investment Management, Inc. (incorporated by reference to Exhibit 10.53 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003).

10.18 Second Amendment to Private Shelf Agreement, dated as of May 18, 2004, between the Company, Prudential Investment Management, Inc., and the holders of the Series A Senior Notes and Series B Senior Notes issued under the Private Shelf Agreement (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004).

10.19 Third Amendment to Private Shelf Agreement dated June 13, 2005 between the Company, Prudential Investment Management, Inc. and certain other lenders (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005).

10.20 Fourth Amendment to Private Shelf Agreement dated July 28, 2006 between the Company, Prudential Investment Management, Inc. and certain other lenders (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed on August 23, 2006).

10.21 Fifth Amendment to Private Shelf Agreement dated October 5, 2006 between the Company, Prudential Investment Management, Inc. and certain other lenders (incorporated by reference to Exhibit 99.3 to the Company's Current Report on Form 8-K filed on October 10, 2006).

10.22 Sixth Amendment to Private Shelf Agreement, dated as of November 7, 2007, between the Company, Prudential Investment Management, Inc. and certain other lenders (incorporated by reference to Exhibit 99.3 to the Company's Current Report on Form 8-K filed on November 13, 2007).

10.23 Series A Senior Notes Nos. A-1 to A-5 and Series B Senior Notes B-1 to B-5 issued October 31, 2003 by the Company to Prudential Investment Management, Inc. and/or its affiliates pursuant to the Private Shelf Agreement (incorporated by reference to Exhibit 10.54 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003).

10.24 Series C Senior Notes Nos. C-1 and C-2 issued February 7, 2005 by the Company to Prudential Investment Management, Inc. and/or its affiliates pursuant to the Private Shelf Agreement (incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K filed February 8, 2005).

10.25 Series D Senior Notes Nos. D-1, D-2, D-3 and D-4 issued October 5, 2006 by the Company to Prudential Investment Management, Inc. and/or its affiliates pursuant to the Private Shelf Agreement (incorporated by reference to Exhibit 99.4 to the Company's Current Report on Form 8-K filed October 10, 2006).

10.26 Series E Senior Notes Nos. E-1, E-2, E-3, E-4 and E-5 issued January 19, 2007 by the Company to Prudential Investment Management, Inc. and/or its affiliates pursuant to the Private Shelf Agreement (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed January 25, 2007).

10.27 Pledge Agreement dated October 12, 2000, by and between the Company and State Street Bank and Trust Company of California, N.A., acting in its capacity as collateral agent (incorporated by reference to Exhibit 10.5 to the Company's Annual Report on Form 10-K for the year ended December 31, 2005).

10.28 Pledge Amendments executed by the Company dated December 31, 2003 (incorporated by reference to Exhibit 10.5 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003).

10.29 Series E Senior Note E-6, issued July 20, 2007, by the Company to Prudential Insurance Company of America pursuant to the Private Shelf Agreement (incorporated by reference to Exhibit 99.1 to the Company's Current Report on 8-K dated January 8, 2008).

10.30 Series EE Senior Note EE-1, issued January 8, 2008, by the Company to Prudential Insurance Company of America pursuant to the Private Shelf Agreement (incorporated by reference to Exhibit 99.2 to the Company's Current Report on 8-K dated January 8, 2008).

10.31 Series F Senior Notes Nos. F-1 and F-2 issued September 28, 2007 by the Company to Prudential Investment Management, Inc. and/or its affiliates pursuant to the Private Shelf Agreement (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007).

10.32 Pledge Agreement dated as of January 31, 2005 by and among Nu Skin Asia Investment, Inc., a wholly-owned subsidiary of the Company, and U.S. Bank National Association, as agent for and on behalf of the Benefited Parties under the Amended and Restated Collateral Agency and Intercreditor Agreement (referred to below) (incorporated by reference to Exhibit 99.3 to the Company's Current Report on Form 8-K/A filed on March 10, 2005).

10.33 Collateral Agency Agreement dated October 12, 2000, by and between the Company, State Street Bank and Trust Company of California, N.A., as Collateral Agent, and the lenders and noteholders party thereto (incorporated by reference to Exhibit 10.8 to the Company's Annual Report on Form 10-K for the year ended December 31, 2005).

10.34 Amendment to Collateral Agency and Intercreditor Agreement dated May 10, 2000, among State Street Bank and Trust Company of California, N.A., as Collateral Agent, The Prudential Insurance Company of America, as Senior Noteholder and ABN AMRO Bank N.V., as Senior Lender (incorporated by reference to Exhibit 10.27 to the Company's Annual Report on Form 10-K for the year ended December 31, 2006).

10.35 Amended and Restated Collateral Agency and Intercreditor Agreement, dated as of August 26, 2003, by and among Nu Skin Enterprises, Inc. and various of its subsidiaries, U.S. Bank National Association, as Collateral Agent, and various lending institutions (incorporated by reference to Exhibit No. 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003).

10.36 Master Lease Agreement dated January 16, 2003, by and between Nu Skin International, Inc. and Scrub Oak, LLC

10.37 Amendment No. 1 to the Master Lease Agreement, effective as of July 1, 2003, between Nu Skin International Inc. and Scrub Oak, LLC (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003).

10.38 Master Lease Agreement dated January 16, 2003, by and between Nu Skin International, Inc. and Aspen Country, LLC.

10.39 Amendment No. 1 to the Master Lease Agreement, effective as of July 1, 2003, between Nu Skin International Inc. and Aspen Country, LLC (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003).

10.40 University of Utah Research Foundation and Nu Skin International, Inc. Amended and Restated Patent License Agreement (Exclusive) Dietary Supplement Preventative Healthcare License dated July 1, 2006 (incorporated by reference to Exhibit 10.33 to the Company's Annual Report on Form 10-K for the year ended December 31, 2006).

10.41 Agreement and Plan of Merger among Nu Skin International, Inc., Pharmanex License Acquisition Corporation, Caroderm, Inc. and certain shareholders of Caroderm, Inc. dated as of March 7, 2006 (incorporated by reference to Exhibit 10.58 to the Company's Annual Report on Form 10-K/A filed March 17, 2006).

10.42 Form of Lock-up Agreement executed by certain of the Company's shareholders (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed November 10, 2003).

*10.43	Form of Indemnification Agreement to be entered into between the Company and certain of its officers and directors (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005).
*10.44	Amendment in Total and Complete Restatement of Deferred Compensation Plan. (incorporated by reference to Exhibit 10.34 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004).
*10.45	Nu Skin Enterprises, Inc. Deferred Compensation Plan dated December 12, 2005 (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed December 19, 2005).
*10.46	Amendment and Restated Deferred Compensation Plan dated January 1, 2008 (incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007).
*10.47	Nu Skin Enterprises, Inc. Nonqualified Deferred Compensation Trust dated December 12, 2005 (incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K filed December 19, 2005).
*10.48	Second Amended and Restated Nu Skin Enterprises, Inc. 1996 Stock Incentive Plan (incorporated by reference to Exhibit 10.28 to the Company's Annual Report on Form 10-K for the year ended December 31, 2005).
*10.49	Form of Master Stock Option Agreement (1996 Plan).
*10.50	Form of Stock Option Agreement for Directors (1996 Plan) (incorporated by reference to Exhibit 10.43 to the Company's Annual Report on Form 10-K for the year ended December 31, 2006).
*10.51	Form of Contingent Stock Award Agreement for Directors (1996 Plan) (incorporated by reference to Exhibit 10.55 to the Company's Annual Report on Form 10-K/A filed for the year ended December 31, 2005).
*10.52	Nu Skin Enterprises, Inc. 2006 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 1, 2006).
*10.53	Form of Master Stock Option Agreement (2006 Plan) (incorporated by reference to Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2006).
*10.54	Form of Master Stock Option Agreement (2006 Plan Performance Option (U.S.)).
*10.55	Form of Master Stock Option Agreement (2006 Plan Performance Option (non-U.S.)).

*10.56	Form of Master Stock Option Agreement for Directors (2006 Plan) (incorporated by reference to Exhibit 10.47 to the Company's Annual Report on Form 10-K for the year 2006).
10.57	Form of Revised Director Stock Option Agreement (2006 Plan) (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007).
10.58	Form of Director Restricted Stock Unit Agreement (2006 Plan) (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007).
*10.59	Form of Master Restricted Stock Unit Agreement (2006 Plan) (incorporated by reference to Exhibit 10.11 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2006).
*10.60	Intentionally left blank.
*10.61	Nu Skin Enterprises, Inc. 2006 Senior Executive Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on June 1, 2006).
*10.62	Performance Targets and Formulas for 2007 (Approved under the 2006 Senior Executive Incentive Plan) (incorporated by reference to Exhibit 10.51 to the Company's Annual Report on Form 10-K for the year ended December 31, 2006).
*10.63	Performance Targets and Formulas 2008 (Approved under the 2006 Senior Executive Incentive Plan).
*10.64	Nu Skin Enterprises, Inc. Senior Executive Benefits Policy (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005).
*10.65	Summary Description of Nu Skin Japan Director Retirement Allowance Plan (incorporated by reference to Exhibit 10.53 to the Company's

Annual Report on Form 10-K for the year 2006).

*10.66 Nu Skin International, Inc. 1997 Key Employee Death Benefit Plan (incorporated by reference to Exhibit 10.59 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003).

*10.67 Employment Letter between the Company and Truman Hunt dated January 17, 2003.

*10.68 Amendment to Employment Letter with M. Truman Hunt dated September 22, 2005 and Amendment to provisions of the Company's Executive Incentive Plan with respect to Mr. Hunt (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005).

*10.69 CEO compensation changes (incorporated by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006).

*10.70 Restricted Stock Purchase Agreement, dated as of January 17, 2003, between the Company and Truman Hunt (incorporated by reference to Exhibit 10.61 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003).

*10.71 Employment Letter with Robert Conlee effective November 26, 2003 (incorporated by reference to Exhibit 3.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003).

*10.72 Joseph Y. Chang Employment Agreement dated April 17, 2006 between Mr. Chang and the Company (incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K filed on April 18, 2006).

*10.73 Daniel Chard Employment Agreement effective February 13, 2006 between Mr. Chard and the Company (incorporated by reference to Exhibit 10.61 to the Company's Annual Report on Form 10-K for the year ended December 31, 2006).

*10.74 Summary of Non-management Director compensation (revised effective year 2007) (incorporated by reference to Exhibit 10.63 to the Company's Annual Report on Form 10-K for the year ended December 31, 2006).

*10.75 Event Appearance Bonus Guidelines (Approved for Sandra Tillotson in October 2006) (incorporated by reference to Exhibit 10.67 to the Company's Annual Report on Form 10-K for the year ended December 31, 2006).

*10.76 Andrew Fan Employment Letter Agreement dated August 10, 2007 between Mr. Fan and the Company (incorporated by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007).

*10.77 Gary Sumihiro Employment Letter dated March 16, 2007 between Mr. Sumihiro and the Company (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed August 9, 2007).

*10.78 Form of Key Employee Covenants (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007).

*10.79 Settlement and Release Agreement for Robert Conlee dated August 18, 2007 (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed August 23, 2007).

*10.80 Robert Conlee Letter of Understanding dated July 6, 2007 (incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K filed August 23, 2007).

10.81 Accelerated Share Repurchase Agreement between the Company and JP Morgan Chase Bank, N.A. (incorporated by reference to Exhibit 99.7 to the Company's Current Report on Form 8-K filed November 13, 2007).

10.82 Seventh Amendment to Note Purchase Agreement, dated as of February 25, 2008, between the Company and The Prudential Insurance Company of America.

10.83 Seventh Amendment to Private Shelf Agreement, dated as of February 25, 2008, between the Company, Prudential Investment Management, Inc. and certain other lenders.

10.84 Letter Agreement between the Company and The Prudential Insurance Company of America (incorporated by reference to Exhibit 99.4 to the Company's Current Report on Form 8-K filed November 7, 2007).

10.85 Letter Agreement among the Company, various financial institutions, and JPMorgan Chase Bank, N.A. (as successor to Bank of America, N.A.) as administrative agent (incorporated by reference to Exhibit 99.5 to the Company's Current Report on Form 8-K filed November 7, 2007).

10.86 Letter Agreement among the Company, Prudential Investment Management, Inc. and certain other lenders (incorporated by reference to Exhibit

	99.6 to the Company's Current Report on Form 8-K filed November 7, 2007).
10.87	Eighth Amendment to Credit Agreement, dated as of February 29, 2008, among the Company, various financial institutions, and JP Morgan Chase Bank, N.A. (as successor to Bank One, N.A.) as successor administrative agent.
21.1	Subsidiaries of the Company.
23.1	Consent of PricewaterhouseCoopers LLP.
31.1	Certification by M. Truman Hunt, President and Chief Executive Officer, pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by Ritch N. Wood, Chief Financial Officer, pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification by M. Truman Hunt, President and Chief Executive Officer, pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification by Ritch N. Wood, Chief Financial Officer, pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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 February 29, 2008.

NU SKIN ENTERPRISES, INC.

By: /s/ M. Truman Hunt
M. Truman Hunt, Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on February 29, 2008.

Signatures	Capacity in Which Signed
/s/ Blake M. Roney Blake M. Roney	Chairman of the Board
/s/ M. Truman Hunt M. Truman Hunt	Chief Executive Officer and Director (Principal Executive Officer)
/s/ Ritch N. Wood Ritch N. Wood	Chief Financial Officer (Principal Financial Officer and Accounting Officer)
/s/ Sandra N. Tillotson Sandra N. Tillotson	Senior Vice President, Director
/s/ Steven J. Lund Steven J. Lund	Director
/s/ Daniel W. Campbell Daniel W. Campbell	Director
/s/ E. J. "Jake" Garn E. J. "Jake" Garn	Director
/s/ Christine Day Christine Day	Director
/s/ Andrew D. Lipman Andrew D. Lipman	Director
/s/ Desmond C. Wong Desmond C. Wong	Director
/s/ Patricia Negrón	

Patricia Negrón Director

Exhibit Number	Exhibit Description
3.1	Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-1 (File No. 333-12073) (the "Form S-1")).
3.2	Certificate of Amendment to the Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003).
3.3	Certificate of Designation, Preferences and Relative Participating, Optional and Other Special Rights of Preferred Stock and Qualification, Limitations and Restrictions Thereof (incorporated by reference to Exhibit 3.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004).
3.4	Amended and Restated Bylaws of the Company (as amended)
4.1	Specimen Form of Stock Certificate for Class A Common Stock (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-3 (File No. 333-90716)).
4.2	Specimen Form of Stock Certificate for Class B Common Stock (incorporated by reference to Exhibit 4.2 to the Company's Form S-1).
10.1	Note Purchase Agreement dated October 12, 2000, by and between the Company and The Prudential Insurance Company of America (incorporated by reference to Exhibit 10.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2005).
10.2	First Amendment to Note Purchase Agreement between the Company and The Prudential Insurance Company of America dated May 1, 2002.
10.3	Second Amendment to Note Purchase Agreement, dated as of October 31, 2003 between the Company and The Prudential Insurance Company of America (incorporated by reference to Exhibit 10.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003).
10.4	Third Amendment to Note Purchase Agreement, dated as of May 18, 2004, between the Company and The Prudential Insurance Company of America (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004).

10.5	Fourth Amendment to Note Purchase Agreement, dated as of July 28, 2006, between the Company and The Prudential Insurance Company of America (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed on August 23, 2006).
10.6	Fifth Amendment to Note Purchase Agreement, dated as of October 5, 2006, between the Company and The Prudential Insurance Company of America (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed on October 10, 2006).
10.7	Sixth Amendment to Note Purchase Agreement, dated as of November 7, 2007, between the Company and The Prudential Insurance Company of America (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed on November 13, 2007).
10.8	Credit Agreement dated as of May 10, 2001 among the Company, various financial institutions, and Bank of America, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.7 to the Company's Annual Report on Form 10-K for the year ended December 31, 2006).
10.9	First Amendment to the Credit Agreement dated December 14, 2001 dated May 10, 2001 among the Company, various financial institutions, and Bank of America, N.A. as Administrative Agent (incorporated by reference to Exhibit 10.8 to the Company's Annual Report on Form 10-K for the year ended December 31, 2006).
10.10	Second Amendment to Credit Agreement, dated as of October 22, 2003 between the Company, various financial institutions, and Bank of America, N.A. as Administrative Agent (incorporated by reference to Exhibit 10.11 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003).
10.11	Third Amendment to the Credit Agreement, dated as of May 10, 2004, among the Company, various financial institutions, and Bank One, N.A. (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004).
10.12	Fourth Amendment to the Credit Agreement, dated as of July 28, 2006, among the Company, various financial institutions, and JP Morgan Chase Bank, N.A. (as successor to Bank One, N.A. (incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K filed on August 23, 2006).
10.13	Fifth Amendment to the Credit Agreement, dated as of October 5, 2006, among the Company, various financial institutions, and JP Morgan Chase Bank, N.A. (as successor to Bank One, N.A.) (incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K filed on October 10, 2006).

10.14 Sixth Amendment to the Credit Agreement, dated as of August 8, 2007, among the Company, various financial institutions, and JP Morgan Chase Bank, N.A. (as successor to Bank One, N.S.) (Incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed August 15, 2007).

10.15 Seventh Amendment to Credit Agreement, dated as of November 7, 2007, among the Company, various financial institutions, and JP Morgan Chase Bank, N.A. (as successor to Bank One, N.A.) as administrative agent (incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K filed on November 13, 2007.)

10.16 Private Shelf Agreement, dated as of August 26, 2003, between the Company and Prudential Investment Management, Inc. (the "Private Shelf Agreement") (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003).

10.17 First Amendment to Private Shelf Agreement, dated as of October 31, 2003 between the Company and Prudential Investment Management, Inc. (incorporated by reference to Exhibit 10.53 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003).

10.18 Second Amendment to Private Shelf Agreement, dated as of May 18, 2004, between the Company, Prudential Investment Management, Inc., and the holders of the Series A Senior Notes and Series B Senior Notes issued under the Private Shelf Agreement (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004).

10.19 Third Amendment to Private Shelf Agreement dated June 13, 2005 between the Company, Prudential Investment Management, Inc. and certain other lenders (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005).

10.20 Fourth Amendment to Private Shelf Agreement dated July 28, 2006 between the Company, Prudential Investment Management, Inc. and certain other lenders (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed on August 23, 2006).

10.21 Fifth Amendment to Private Shelf Agreement dated October 5, 2006 between the Company, Prudential Investment Management, Inc. and certain other lenders (incorporated by reference to Exhibit 99.3 to the Company's Current Report on Form 8-K filed on October 10, 2006).

10.22 Sixth Amendment to Private Shelf Agreement, dated as of November 7, 2007, between the Company, Prudential Investment Management, Inc. and certain other lenders (incorporated by reference to Exhibit 99.3 to the Company's Current Report on Form 8-K filed on November 13, 2007).

10.23 Series A Senior Notes Nos. A-1 to A-5 and Series B Senior Notes B-1 to B-5 issued October 31, 2003 by the Company to Prudential Investment Management, Inc. and/or its affiliates pursuant to the Private Shelf Agreement (incorporated by reference to Exhibit 10.54 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003).

10.24 Series C Senior Notes Nos. C-1 and C-2 issued February 7, 2005 by the Company to Prudential Investment Management, Inc. and/or its affiliates pursuant to the Private Shelf Agreement (incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K filed February 8, 2005).

10.25 Series D Senior Notes Nos. D-1, D-2, D-3 and D-4 issued October 5, 2006 by the Company to Prudential Investment Management, Inc. and/or its affiliates pursuant to the Private Shelf Agreement (incorporated by reference to Exhibit 99.4 to the Company's Current Report on Form 8-K filed October 10, 2006).

10.26 Series E Senior Notes Nos. E-1, E-2, E-3, E-4 and E-5 issued January 19, 2007 by the Company to Prudential Investment Management, Inc. and/or its affiliates pursuant to the Private Shelf Agreement (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed January 25, 2007).

10.27 Pledge Agreement dated October 12, 2000, by and between the Company and State Street Bank and Trust Company of California, N.A., acting in its capacity as collateral agent (incorporated by reference to Exhibit 10.5 to the Company's Annual Report on Form 10-K for the year ended December 31, 2005).

10.28 Pledge Amendments executed by the Company dated December 31, 2003 (incorporated by reference to Exhibit 10.5 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003).

10.29 Series E Senior Note E-6, issued July 20, 2007, by the Company to Prudential Insurance Company of America pursuant to the Private Shelf Agreement (incorporated by reference to Exhibit 99.1 to the Company's Current Report on 8-K dated January 8, 2008).

10.30 Series EE Senior Note EE-1, issued January 8, 2008, by the Company to Prudential Insurance Company of America pursuant to the Private Shelf Agreement (incorporated by reference to Exhibit 99.2 to the Company's Current Report on 8-K dated January 8, 2008).

10.31 Series F Senior Notes Nos. F-1 and F-2 issued September 28, 2007 by the Company to Prudential Investment Management, Inc. and/or its affiliates pursuant to the Private Shelf Agreement (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007).

10.32 Pledge Agreement dated as of January 31, 2005 by and among Nu Skin Asia Investment, Inc., a wholly-owned subsidiary of the Company, and U.S. Bank National Association, as agent for and on behalf of the Benefited Parties under the Amended and Restated Collateral Agency and Intercreditor Agreement (referred to below) (incorporated by reference to Exhibit 99.3 to the Company's Current Report on Form 8-K/A filed on March 10, 2005).

10.33 Collateral Agency Agreement dated October 12, 2000, by and between the Company, State Street Bank and Trust Company of California, N.A., as Collateral Agent, and the lenders and noteholders party thereto (incorporated by reference to Exhibit 10.8 to the Company's Annual Report on Form 10-K for the year ended December 31, 2005).

10.34 Amendment to Collateral Agency and Intercreditor Agreement dated May 10, 2000, among State Street Bank and Trust Company of California, N.A., as Collateral Agent, The Prudential Insurance Company of America, as Senior Noteholder and ABN AMRO Bank N.V., as Senior Lender (incorporated by reference to Exhibit 10.27 to the Company's Annual Report on Form 10-K for the year ended December 31, 2006).

10.35 Amended and Restated Collateral Agency and Intercreditor Agreement, dated as of August 26, 2003, by and among Nu Skin Enterprises, Inc. and various of its subsidiaries, U.S. Bank National Association, as Collateral Agent, and various lending institutions (incorporated by reference to Exhibit No. 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003).

10.36 Master Lease Agreement dated January 16, 2003, by and between Nu Skin International, Inc. and Scrub Oak, LLC

10.37 Amendment No. 1 to the Master Lease Agreement, effective as of July 1, 2003, between Nu Skin International Inc. and Scrub Oak, LLC (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003).

10.38 Master Lease Agreement dated January 16, 2003, by and between Nu Skin International, Inc. and Aspen Country, LLC.

10.39 Amendment No. 1 to the Master Lease Agreement, effective as of July 1, 2003, between Nu Skin International Inc. and Aspen Country, LLC (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003).

10.40 University of Utah Research Foundation and Nu Skin International, Inc. Amended and Restated Patent License Agreement (Exclusive) Dietary Supplement Preventative Healthcare License dated July 1, 2006 (incorporated by reference to Exhibit 10.33 to the Company's Annual Report on Form 10-K for the year ended December 31, 2006).

10.41 Agreement and Plan of Merger among Nu Skin International, Inc., Pharmanex License Acquisition Corporation, Caroderm, Inc. and certain shareholders of Caroderm, Inc. dated as of March 7, 2006 (incorporated by reference to Exhibit 10.58 to the Company's Annual Report on Form 10-K/A filed March 17, 2006).

10.42 Form of Lock-up Agreement executed by certain of the Company's shareholders (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed November 10, 2003).

*10.43 Form of Indemnification Agreement to be entered into between the Company and certain of its officers and directors (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005).

*10.44 Amendment in Total and Complete Restatement of Deferred Compensation Plan. (incorporated by reference to Exhibit 10.34 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004).

*10.45 Nu Skin Enterprises, Inc. Deferred Compensation Plan dated December 12, 2005 (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed December 19, 2005).

*10.46 Amendment and Restated Deferred Compensation Plan dated January 1, 2008 (incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007).

*10.47 Nu Skin Enterprises, Inc. Nonqualified Deferred Compensation Trust dated December 12, 2005 (incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K filed December 19, 2005).

*10.48 Second Amended and Restated Nu Skin Enterprises, Inc. 1996 Stock Incentive Plan (incorporated by reference to Exhibit 10.28 to the Company's Annual Report on Form 10-K for the year ended December 31, 2005).

*10.49 Form of Master Stock Option Agreement (1996 Plan).

*10.50 Form of Stock Option Agreement for Directors (1996 Plan) (incorporated by reference to Exhibit 10.43 to the Company's Annual Report on Form 10-K for the year ended December 31, 2006).

*10.51 Form of Contingent Stock Award Agreement for Directors (1996 Plan) (incorporated by reference to Exhibit 10.55 to the Company's Annual Report on Form 10-K/A filed for the year ended December 31, 2005).

*10.52 Nu Skin Enterprises, Inc. 2006 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 1, 2006).

*10.53 Form of Master Stock Option Agreement (2006 Plan) (incorporated by reference to Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2006).

*10.54 Form of Master Stock Option Agreement (2006 Plan Performance Option (U.S.)).

*10.55 Form of Master Stock Option Agreement (2006 Plans Performance Option (non-U.S.)).

*10.56 Form of Master Stock Option Agreement for Directors (2006 Plan) (incorporated by reference to Exhibit 10.47 to the Company's Annual Report on Form 10-K for the year 2006).

10.57 Form of Revised Director Stock Option Agreement (2006 Plan) (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007).

10.58 Form of Director Restricted Stock Unit Agreement (2006 Plan) (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007).

*10.59 Form of Master Restricted Stock Unit Agreement (2006 Plan) (incorporated by reference to Exhibit 10.11 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2006).

*10.60 Intentionally left blank.

*10.61 Nu Skin Enterprises, Inc. 2006 Senior Executive Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on June 1, 2006).

*10.62 Performance Targets and Formulas for 2007 (Approved under the 2006 Senior Executive Incentive Plan) (incorporated by reference to Exhibit 10.62 to the Company's Annual Report on Form 10-K for the year ended December 31, 2006).

*10.63 Performance Targets and Formulas 2008 (Approved under the 2006 Senior Executive Incentive Plan).

*10.64 Nu Skin Enterprises, Inc. Senior Executive Benefits Policy (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005).

*10.65 Summary Description of Nu Skin Japan Director Retirement Allowance Plan (incorporated by reference to Exhibit 10.53 to the Company's Annual Report on Form 10-K for the year 2006).

*10.66 Nu Skin International, Inc. 1997 Key Employee Death Benefit Plan (incorporated by reference to Exhibit 10.59 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003).

*10.67 Employment Letter between the Company and Truman Hunt dated January 17, 2003.

*10.68 Amendment to Employment Letter with M. Truman Hunt dated September 22, 2005 and Amendment to provisions of the Company's Executive Incentive Plan with respect to Mr. Hunt (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005).

*10.69 CEO compensation changes (incorporated by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006).

*10.70 Restricted Stock Purchase Agreement, dated as of January 17, 2003, between the Company and Truman Hunt (incorporated by reference to Exhibit 10.61 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003).

*10.71 Employment Letter with Robert Conlee effective November 26, 2003 (incorporated by reference to Exhibit 3.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003).

*10.72 Joseph Y. Chang Employment Agreement dated April 17, 2006 between Mr. Chang and the Company (incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K filed on April 18, 2006).

*10.73 Daniel Chard Employment Agreement effective February 13, 2006 between Mr. Chard and the Company (incorporated by reference to Exhibit 10.61 to the Company's Annual Report on Form 10-K for the year ended December 31, 2006).

*10.74 Summary of Non-management Director compensation (revised effective year 2007) (incorporated by reference to Exhibit 10.63 to the Company's Annual Report on Form 10-K for the year ended December 31, 2006).

*10.75 Event Appearance Bonus Guidelines (Approved for Sandra Tillotson in October 2006) (incorporated by reference to Exhibit 10.67 to the Company's Annual Report on Form 10-K for the year ended December 31, 2006).

*10.76 Andrew Fan Employment Letter Agreement dated August 10, 2007 between Mr. Fan and the Company (incorporated by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007).

*10.77 Gary Sumihiro Employment Letter dated March 16, 2007 between Mr. Sumihiro and the Company (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed August 9, 2007).

*10.78 Form of Key Employee Covenants (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007).

*10.79 Settlement and Release Agreement for Robert Conlee dated August 18, 2007 (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed August 23, 2007).

*10.80 Robert Conlee Letter of Understanding dated July 6, 2007 (incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K filed August 23, 2007).

10.81 Accelerated Share Repurchase Agreement between the Company and JP Morgan Chase Bank, N.A. (incorporated by reference to Exhibit 99.7 to the Company's Current Report on Form 8-K filed November 13, 2007).

10.82 Seventh Amendment to Note Purchase Agreement, dated as of February 25, 2008, between the Company and The Prudential Insurance Company of America.

10.83 Seventh Amendment to Private Shelf Agreement, dated as of February 25, 2008, between the Company, Prudential Investment Management, Inc. and certain other lenders.

10.84 Letter Agreement between the Company and The Prudential Insurance Company of America (incorporated by reference to Exhibit 99.4 to the Company's Current Report on Form 8-K filed November 7, 2007).

10.85 Letter Agreement among the Company, various financial institutions, and JPMorgan Chase Bank, N.A. (as successor to Bank of America, N.A.) as administrative agent (incorporated by reference to Exhibit 99.5 to the Company's Current Report on Form 8-K filed November 7, 2007).

10.86 Letter Agreement among the Company, Prudential Investment Management, Inc. and certain other lenders (incorporated by reference to Exhibit 99.6 to the Company's Current Report on Form 8-K filed November 7, 2007).

10.87 Eighth Amendment to Credit Agreement, dated as of February 29, 2008, among the Company, various financial institutions, and JP Morgan Chase Bank, N.A. (as successor to Bank One, N.A.) as successor administrative agent.

21.1 Subsidiaries of the Company.

23.1 Consent of PricewaterhouseCoopers LLP.

31.1 Certification by M. Truman Hunt, President and Chief Executive Officer, pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification by Ritch N. Wood, Chief Financial Officer, pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification by M. Truman Hunt, President and Chief Executive Officer, pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification by Ritch N. Wood, Chief Financial Officer, pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

AMENDED AND RESTATED BYLAWS

OF

NU SKIN ASIA PACIFIC, INC.

Adopted September 10, 1996
as amended through
January 1, 2008

AMENDED AND RESTATED

BYLAWS

OF

NU SKIN ASIA PACIFIC, INC.

ARTICLE 1

STOCKHOLDERS

1.1 Place of Meetings. All meetings of stockholders shall be held at such place within or without the State of Delaware as may be designated from time to time by the Board of Directors or the President or, if not so designated, at the registered office of the Corporation.

1.2 Annual Meeting. The annual meeting of stockholders for the election of directors and for the transaction of such other business as may properly be brought before the meeting shall be held each year beginning in the calendar year 1997 on such date and at such time as the Board of Directors determines. If the date so determined by the Board of Directors shall fall upon a legal holiday at the place of the meeting, then such meeting shall be held on the next succeeding business day at the same hour. If no annual meeting is held in accordance with the foregoing provisions, the Board of Directors shall cause the meeting to be held as soon thereafter as convenient.

1.3 Special Meetings. Special meetings of stockholders for any purpose or purposes may be called by the Board, the President or the Secretary of the Corporation or by the recordholders of at least a majority of the shares of Common Stock of the Corporation issued and outstanding and entitled to vote thereof.

1.4 Notice of Meetings. Except as otherwise provided by the Delaware General Corporation Law, as amended (the "DGCL"), written notice of each meeting of stockholders, whether annual or special, shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder entitled to vote at such meeting. The notices of all meetings shall state the place, date and hour of the meeting. The notice of a special meeting shall state, in addition, the purpose or purposes for which the meeting is called. If mailed, notice is given when deposited in the United States mail, postage prepaid, directed to the stockholder at his address as it appears on the records of the Corporation.

1.5 Voting List. The officer who has charge of the stock ledger of the Corporation shall prepare, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, at a place within the city where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time of the meeting and may be inspected by any stockholder who is present.

1.6 Quorum. Except as otherwise provided by the DGCL, the Certificate of Incorporation, as it may be amended from time to time (the "Certificate of Incorporation"), or these Amended and Restated Bylaws, the holders of a majority of the shares of the capital stock of the Corporation issued and outstanding and entitled to vote at the meeting, present in person or represented by proxy, shall constitute a quorum for the transaction of business.

1.7 Adjournments. Any meeting of stockholders may be adjourned to another time and to any other place at which a meeting of stockholders may be held under these Amended and Restated Bylaws by the stockholders present or represented at the meeting and entitled to vote, although not less than a quorum, or, if no stockholder is present, by any officer entitled to preside at or to act as Secretary of such meeting. It shall not be necessary to notify any stockholder of any adjournment of less than thirty (30) days if the time and place of the adjourned meeting are announced at the meeting at which adjournment is taken, unless after the adjournment a new record date is fixed for the adjourned meeting. At the adjourned meeting, the Corporation may transact any business that might have been transacted at the original meeting.

1.8 Voting and Proxies. Each stockholder shall have one (1) vote for each share of capital stock entitled to vote that is held of record by such stockholder and a proportionate vote for each fractional share so held, unless otherwise provided in the Certificate of Incorporation. Each stockholder of record entitled to vote at a meeting of stockholders may vote in person or may authorize another person or persons to vote or act for him by written proxy executed by the stockholder or his authorized agent and delivered to the Secretary of the Corporation. No such proxy shall be voted or acted upon after three (3) years from the date of its execution, unless the proxy expressly provides for a longer period.

1.9 Action at Meeting. In all matters other than the election of directors, when a quorum is present at any meeting, the holders of a majority of the shares of capital stock present or represented and entitled to vote on the subject matter (or if there are two or more classes of capital stock entitled to vote as separate classes, then in the case of each such class, the holders of a majority of the shares of capital stock of that class present or represented and entitled to vote on the subject matter) shall decide any matter to be voted upon by the stockholders at such meeting, except when a different vote is required by express provision of the DGCL, the Certificate of Incorporation or these Amended and Restated Bylaws. All elections of directors by the stockholders shall be determined by a plurality of the votes cast by the stockholders entitled to vote at the election. Any action required or permitted to be taken by the stockholders may be effected without a meeting by a written consent in accordance with Section 8.1 of the Certificate of Incorporation.

1.10 Advance Notice of Stockholder Nominees and Stockholder Business.

(a) At an annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be: (A) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (B) otherwise properly brought before the meeting by or at the direction of the Board of Directors or (C) otherwise properly brought before the meeting by a stockholder. For business or a proposal to be properly bought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a stockholder's proposal must be delivered to or mailed and received at the principal executive offices of the Corporation not less than one hundred twenty (120) days in advance of the date of the Corporation's proxy statement released to security holders in connection with the previous year's annual meeting of the stockholders except that if no annual meeting was held in the previous year or the date of the annual meeting has been changed by more than thirty (30) calendar days from the date contemplated at the time of the previous year's proxy statement, a stockholder's proposal must be delivered to or mailed and received at the principal executive offices of the Corporation a reasonable time before the solicitation is made. A stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the annual meeting: (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting; (ii) the name and address, as they appear on the Corporation's books, of the stockholder proposing such business; (iii) the class and number of shares of the Corporation's capital stock that are beneficially owned by the stockholder; (iv) any material interest of the stockholder in such business; and (v) any other information that is required to be provided by the stockholder pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "1934 Act"), in his capacity as a proponent to a stockholder proposal. Notwithstanding the foregoing, in order to include information with respect to a stockholder proposal in the proxy statement and form of proxy for a stockholders' meeting, stockholders must provide notice as required by the rules and regulations promulgated under the 1934 Act. Notwithstanding anything in these Amended and Restated Bylaws to the contrary, no business shall be conducted at any annual meeting except in accordance with the procedures set forth in this paragraph (a). The Chairman of the annual meeting shall, if the facts warrant, determine and declare at the meeting that business was not properly brought before the meeting and in accordance with the provisions of this paragraph (a) of this section 1.10, and, if he should so determine, such Chairman shall so declare at the annual meeting that any such business not properly brought before the meeting shall not be transacted.

(b) Only persons who are nominated in accordance with the procedures set forth in this paragraph (b) shall be eligible for election as directors. Nominations of persons for election to the Board of Directors of the Corporation may be made at a meeting of stockholders by or at the direction of the Board of Directors or by any stockholder of the Corporation entitled to vote in the election of directors at the meeting who complies with the notice procedures set forth in this paragraph (b). Such nominations, other than those made by or at the direction of the Board of Directors, shall be made pursuant to timely notice (as set forth in paragraph (a) of this Section 1.10) in writing to the Secretary of the Corporation in accordance with the provisions of this paragraph (b) of this Section 1.10. Such stockholder's notice shall set forth (i) as to each person, if any, whom the stockholder proposes to nominate for election or reelection as a director: (A) the name, age, business address and residence address of such person, (B) the principal occupation or employment of such person, (C) the class and number of shares of the Corporation's capital stock that are beneficially owned by such person, (D) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nominations are to be made by the stockholder and (E) any other information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the 1934 Act (including, without limitation, such person's written consent to being named in the proxy statement, if any, as a nominee and to serving as a director of the Corporation if elected), and (ii) as to such stockholder giving notice, the information required to be provided pursuant to paragraph (a) of this Section 1.10. At the request of the Board of Directors, any person nominated by a stockholder for election as a director shall furnish to the Secretary of the Corporation that information required to be set forth in the stockholder's notice of nomination that pertains to the nominee. No persons shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set froth in this paragraph (b). The Chairman of the meeting shall, if the facts warrant, determine and declare at the meeting that a nomination was not made in accordance with the procedures prescribed by these Amended and Restated Bylaws, and, if he should so determine, such Chairman shall so declare at the meeting and the defective nomination shall be disregarded.

(c) For purposes of this Section 1.10, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, the Associated Press or comparable national news service or in a document publicly filed by the Corporation with the United States Securities and Exchange Commission pursuant to Sections 13, 14 or 15(d) of the 1934 Act.

ARTICLE 2

DIRECTORS

2.1 General Powers. The business and affairs of the Corporation shall be managed by or under the direction of a Board of Directors, who may exercise all of the powers of the Corporation except as otherwise provided by the DGCL, the Certificate of Incorporation or these Amended and Restated Bylaws. In the event of a vacancy on the Board of Directors, the remaining directors, except as otherwise provided by the DGCL, may exercise the powers of the full Board of Directors until the vacancy is filled.

2.2 Number; Election; Tenure and Qualification. The number of directors of the Corporation shall be fixed from time to time exclusively by the Board of Directors pursuant to a resolution adopted by a majority of the directors then in office , but the total number of directors shall not be less than five (5) nor more than eleven (11). Directors need not be stockholders of the Corporation. Directors shall be elected at the annual meeting of stockholders or, if, in accordance with Section 1.9 hereof, no such annual meeting is held, by written consent in lieu of meeting pursuant to Section 1.9 hereof, and each director shall hold office until his successor is elected and qualified, or until his earlier death or resignation or removal in the manner hereinafter provided.

2.3 Enlargement of the Board of Directors. The authorized number of directors on the Board of Directors may be increased by the Board of Directors pursuant to a resolution adopted by a majority of the then maximum number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any such resolution is presented to the Board for adoption).

2.4 Vacancies. Unless and until filled by the stockholders, any vacancy in the Board of Directors, however occurring, including a vacancy resulting from an enlargement of the Board of Directors, may be filled by vote of a majority of the directors then in office, although less than a quorum, or by a sole remaining director, provided; however, that a vacancy created by the removal of a director by the vote of the stockholders or by court order may be filled only by the affirmative vote of a majority of the shares of the Corporation's capital stock represented and voting at a duly held meeting at which a quorum is present (which shares voting affirmatively also constitute a majority of the required quorum) or by written consent in accordance with Section 8.1 of the Certificate of Incorporation. Any director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the class of directors in the new directorship was created or the vacancy occurred and until such director's successor shall have been elected and qualified, or until such director's earlier death, resignation or removal.

2.5 Resignation. Any director may resign by delivering his written resignation to the Corporation at its principal office or to the President or Secretary. Such resignation shall be effective upon receipt unless it is specified to be effective at some other time or upon the happening of some other event.

2.6 Removal. Any director or the entire Board of Directors may be removed, only as permitted by the DGCL and Section 5 of the Certificate of Incorporation.

2.7 Meetings. Meetings of the Board of Directors may be held without notice at such time and place, within or without the State of Delaware, as shall be determined from time to time by the Board of Directors, provided that any director who is absent when such a determination is made shall be given notice of the determination. A meeting of the Board of Directors may be held without notice immediately after and at the same place as the annual meeting of stockholders.

2.8 Special Meetings. Special meetings of the Board of Directors may be held at any time and place, within or without the State of Delaware, designated in a call by the Chairman of the Board, the President, two (2) or more directors, or by one director in the event that there is only a single director then in office.

2.9 Notice of Special Meetings. Notice of any special meeting of directors shall be given to each director by the Secretary of the Corporation or by the officer or one of the directors calling the meeting. Notice shall be given to each director in person, by telephone, by facsimile transmission or by telegram sent to his business or home address at least forty-eight (48) hours in advance of the meeting, or by written notice mailed to his business or home address at least seventy-two (72) hours in advance of the meeting. A notice or waiver of notice of a meeting of the Board of Directors need not specify the purposes of the meeting.

2.10 Meetings by Telephone Conference Call. Directors or any members of any committee designated by the directors may participate in a meeting of the Board of Directors or such committee by means of conference telephone call or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation by such means shall constitute presence in person at such meeting.

2.11 Quorum. A majority of the number of directors then in office, as established pursuant to Section 2.2 hereof, shall constitute a quorum at all meetings of the Board of Directors. In the event one or more of the directors shall be disqualified to vote at any meeting, then the required quorum shall be reduced by one for each such director so qualified; provided, however, that in no case shall less than one-third (1/3) of the number of directors then in office constitute a quorum. In the absence of a quorum at any such meeting, a majority of the directors present may adjourn the meeting from time to time without further notice other than announcement at the meeting, until a quorum shall be present.

2.12 Action at Meeting. At any meeting of the Board of Directors at which a quorum is present, the vote of a majority of those present shall be sufficient to take any action, unless a different vote is specified by the DGCL, the Certificate of Incorporation or these Amended and Restated Bylaws. For so long as the Corporation's Board of Directors consists of an even number of directors, a majority of the Board of Directors for purposes of these Amended and Restated Bylaws shall equal one or more than are half of the directors then in office.

2.13 Action by Consent. Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee of the Board of Directors may be taken without a meeting without prior notice and without a vote, if all members of the Board of Directors or committee, as the case may be, consent to the action in writing, and the written consents are filed with the minutes of proceedings of the Board of Directors or committee.

2.14 Committees. The Board of Directors may, by resolution passed by a majority of the whole Board of Directors, designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members of the committee present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board of Directors and subject to the provisions of the DGCL, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation. Each such committee shall keep minutes and make such reports as the Board of Directors may from time to time request. Except as the Board of Directors may otherwise determine, any committee may make rules for the conduct of its business, but unless otherwise provided by the directors or in such rules, its business shall be conducted as nearly as possible in the same manner as is provided in these Amended and Restated Bylaws for the Board of Directors.

2.15 Compensation for Directors. Directors may be paid such compensation for their services and such reimbursement for expenses of attendance at meetings as the Board of Directors may from time to time determine. No such payment shall preclude any director from serving the Corporation or any of its parent or subsidiary Corporations in any other capacity and receiving compensation for such service.

ARTICLE 3

OFFICERS

3.1 Enumeration. The officers of the Corporation shall consist of a Chairman, a President, a Secretary, a Treasurer and such other officers with such other titles as the Board of Directors shall determine, including one or more Vice Presidents, Assistant Treasurers and Assistant Secretaries.

3.2 Election. Except as otherwise provided by the DGCL, by the Certificate of Incorporation or by these Amended and Restated Bylaws, each officer shall be appointed by the Board of Directors at its first meeting following the annual meeting of stockholders.

3.3 Qualification. The President need not be a director. No officer need be a stockholder. Any two or more offices may be held by the same person.

3.4 Tenure. Except as otherwise provided by the DGCL, by the Certificate of Incorporation or by these Amended and Restated Bylaws, each officer shall hold office until his successor is elected and qualified, unless a different term is specified in the vote choosing or appointing him, or until his earlier death, resignation or removal.

3.5 Resignation and Removal. Any officer may resign by delivering his written resignation to the Corporation at its principal office or to the President or the Secretary. Such resignation shall be effective upon receipt unless it is specified to be effective at some other time or upon the happening of some other event. The Board of Directors, or a committee duly authorized to do so, may remove any officer with or without cause. Except as the Board of Directors may otherwise determine, no officer who resigns or is removed shall have any right to any compensation as an officer for any period following his resignation or removal, or any right to damages on account of such removal, whether his compensation be by the month or by the year or otherwise, unless such compensation is expressly provided in a duly authorized written agreement with the Corporation.

3.6 Vacancies. The Board of Directors may fill any vacancy occurring in any office for any reason and may, in its discretion, leave unfilled for such period as it may determine any offices other than those of President, Treasurer and Secretary. Each such successor shall hold office for the unexpired term of his predecessor and until his successor is elected and qualified, or until his earlier death, resignation or removal.

3.7 Chairman of the Board and Vice Chairman of the Board. The Chairman of the Board shall, when present, preside at all meetings of the Board of Directors. He shall perform such duties and possess such powers as are usually vested in the office of the Chairman of the Board or as may be vested in him by the Board of

Directors. If the Board of Directors appoints a Vice Chairman of the Board, he shall, in the absence or disability of the Chairman of the Board, perform the duties and exercise the powers of the Chairman of the Board and shall perform such other duties and possess such other powers as may from time to time be vested in him by the Board of Directors.

3.8 President. Unless otherwise determined by the Board of Directors, the President shall be the Chief Executive Officer of the Corporation. The President shall, subject to the direction of the Board of Directors, have general supervision and control of the business and affairs of the Corporation. Unless otherwise provided by the directors, he shall preside at all meetings of the stockholders and of the Board of Directors (except as provided in Section 3.7 hereof). The President shall perform such other duties and shall have such other powers as the Board of Directors may from time to time prescribe.

3.9 Vice Presidents. Any Vice President shall perform such duties and possess such powers as the Board of Directors or the President may from time to time prescribe. In the event of the absence, inability or refusal to act of the President, the Vice President (or if there shall be more than one Vice President, the Vice Presidents in the order determined by the Board of Directors) shall perform the duties of the President and when so performing shall have all the powers of and be subject to all the restrictions upon the President. The Board of Directors may assign to any Vice President the title of Executive Vice President, Senior Vice President or any other title selected by the Board of Directors.

3.10 Secretary and Assistant Secretary. The Secretary shall perform such duties and shall have such powers as the Board of Directors or the President may from time to time prescribe. In addition, the Secretary shall perform such duties and have such powers as are incident to the office of the secretary, including without limitation the duty and power to give notices of all meetings of stockholders and special meetings of the Board of Directors, to attend all meetings of stockholders and the Board of Directors and keep a record of the proceedings, to maintain a stock ledger and prepare lists of stockholders and their addresses as required and to be the custodian of corporate books and records. Any Assistant Secretary shall perform such duties and possess such powers as the Board of Directors, the President or the Secretary may from time to time prescribe. In the event of the absence, inability or refusal to act of the Secretary, the Assistant Secretary (or if there shall be more than one Assistant Secretary, the Assistant Secretaries in the order determined by the Board of Directors) shall perform the duties and exercise the powers of the Secretary. In the absence of the Secretary or any Assistant Secretary at any meeting of stockholders or directors, the person presiding at the meeting shall designate a temporary Secretary to keep a record of the meeting.

3.11 Treasurer and Assistant Treasurer. In the absence of a Vice President of Finance, the Treasurer shall be the chief financial officer and the chief accounting officer of the Corporation. The Treasurer shall perform such duties and shall have such powers as may from time to time be assigned to him by the Board of Directors or the President. In addition, the Treasurer shall perform such duties and have such powers as are incident to the office of treasurer, including without limitation the duty and power to keep and be responsible for all funds and securities of the Corporation, to deposit funds of the Corporation in depositories selected in accordance with these Amended and Restated Bylaws, to disburse such funds as ordered by the Board of Directors, to make proper accounts of such funds and to render, as required by the Board of Directors, statements of all such transactions and of the financial condition of the Corporation. Any Assistant Treasurers shall perform such duties and possess such powers as the Board of Directors, the President or the Treasurer may from time to time prescribe. In the event of the absence, inability or refusal to act of the Treasurer, the Assistant Treasurer (or if there shall be more than one Assistant Treasurer, the Assistant Treasurers in the order determined by the Board of Directors) shall perform the duties and exercise the powers of the Treasurer.

3.12 Bonded Officers. The Board of Directors may require any officer to give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors upon such terms and conditions as the Board of Directors may specify, including without limitation a bond for the faithful performance of his duties and for the restoration to the Corporation of all property in his possession or under his control belonging to the Corporation.

3.13 Salaries. Officers of the Corporation shall be entitled to such salaries, compensation or reimbursement as shall be fixed or allowed from time to time by the Board of Directors.

ARTICLE 4

CAPITAL STOCK

4.1 Issuance of Stock. Unless otherwise voted by the stockholders and subject to the provisions of the Certificate of Incorporation, the whole or any part of any unissued balance of the authorized capital stock of the Corporation held in its treasury may be issued, sold, transferred or otherwise disposed of by vote of the Board of Directors in such manner, for such consideration and on such terms as the Board of Directors may determine.

4.2 Certificates of Stock. The Corporation’s shares of stock shall be represented by certificates, provided that the Board of Directors may, subject to the limits imposed by law, provide by resolution or resolutions that some or all of any or all classes or series shall be uncertificated shares. Shares of stock represented by certificates shall be in such form as shall be approved by the Board of Directors, to the extent consistent with applicable law. Stock certificates shall be numbered in the order of their issue and shall be signed by or in the name of the Corporation by (i) the chairperson or vice chairperson, if any, of the Board of Directors, or the president or a vice president and (ii) the treasurer, an assistant treasurer, the secretary or an assistant secretary. Any or all of the signatures on a certificate may be a facsimile. In case any officer, transfer agent or registrar who signed or whose facsimile signature has been placed upon a certificate shall have ceased to be an officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of issue. Each certificate that is subject to any restriction on transfer shall have conspicuously noted on its face or back either the full text of the restriction or a statement of the existence of the restriction.

4.3 Transfers. Subject to the restrictions, if any, stated or noted on the stock certificates, shares of the capital stock of the Corporation shall be transferred on the books of the Corporation by the holder thereof in person or by his attorney, (i) with regard to certificated shares, upon surrender for cancellation of certificates for the same number of shares, with an assignment and power of transfer endorsed thereon or attached thereto, duly executed, and with such proof of the authenticity of the signature as the Corporation or its agents may reasonably require, and (ii) with regard to uncertificated shares, upon delivery of an instruction duly executed, and with such proof of the authenticity of the signature as the Corporation or its agents may reasonably require. Whenever any transfer of shares shall be made for collateral security, and not absolutely, it shall be so expressed in the entry of transfer if, when the certificates are presented to the Corporation for transfer or uncertificated shares are requested to be transferred, both the transferor and transferee request the Corporation to do so. Except as may be otherwise required by the DGCL, by the Certificate of Incorporation or by these Amended and Restated Bylaws, the Corporation shall be entitled to treat the record holder of shares of capital stock as shown on its books as the owner of such stock for all purposes, including the payment of dividends and the right to vote with respect to such capital stock, regardless of any transfer, pledge or other disposition of such stock until the shares have been transferred on the books of the Corporation in accordance with the requirements of these Amended and Restated Bylaws.

4.4 Lost, Stolen or Destroyed Certificates. The Corporation may issue (i) a new stock certificate or (ii) uncertificated shares in place of any certificates previously issued by the Corporation alleged to have been lost, stolen or destroyed, upon such terms and conditions as the Board of Directors may prescribe, including the

presentation of reasonable evidence of such loss, theft or destruction and the giving of such indemnity as the Board of Directors may require for the protection of the Corporation or any transfer agent or registrar.

4.5 Record Date. The Board of Directors may fix in advance a date as a record date for the determination of the stockholders entitled to notice of or to vote at any meeting of stockholders or to express consent (or dissent) to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action. Such record date shall not be more than sixty (60) nor less than ten (10) days prior to any other action to which such record date relates. If no record date is fixed, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be the close of business on the day before the day on which notice is given, or, if notice is waived, at the close of business on the day before the day on which the meeting is held. The record date for determining stockholders entitled to express consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is necessary, shall be the day on which the first written consent is expressed. The record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating to such purpose. A determination of stockholders of record entitled to notice of or to vote at a meeting of the stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

ARTICLE 5

INDEMNIFICATION AND INSURANCE

5.1 Indemnification.

(a) The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent or another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fine and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner that he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

(b) The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery of the State of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses that the Court of Chancery or such other court shall deem proper.

(c) To the extent that a director, officer, employee or agent of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding refereed to in Section 5.1(a) and (b) above, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

(d) Any indemnification under Section 5.1(a) and (b) above (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in Section 5.1(a) and (b) above. Such determination shall be made (i) by the Board by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (ii) if such a quorum is not obtainable, or, even if obtainable, a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (iii) by the stockholders of the Corporation.

(e) Expenses (including attorneys' fees) incurred by an officer or director in defending any civil, criminal, administrative or investigative action, suit or proceeding may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Corporation pursuant to this Section 5. Such expenses (including attorneys' fees) incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the Board deems appropriate.

(f) The indemnification and advancement of expenses provided by, or granted pursuant to, other subsections of this Section 5 shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any law, bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in an official capacity and as to action in another capacity while holding office.

(g) For purposes of this Section 5, references to "the Corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger that, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees or agents so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Section 5 with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued.

(h) For purpose of this Section 5, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the Corporation" shall include any service as a director, officer, employee or agent of the Corporation that imposes duties on, or involves service by, such director, officer, employee or agent with respect to any employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Section 5.

(i) The indemnification and advancement of expenses provided by, or granted pursuant to, this Section 5 shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

5.2 Insurance for Indemnification. The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provisions of Section 145 of the DGCL.

ARTICLE 6

GENERAL PROVISIONS

6.1 Fiscal Year. Except as from time to time otherwise designated by the Board of Directors, the fiscal year of the Corporation shall end on December 31 of each year.

6.2 Execution of Instruments. The President, the Chief Executive Officer, if different, any Vice President, the Secretary, any Assistant Secretary or the Treasurer shall have power to execute and deliver on behalf of and in the name of the Corporation any instrument requiring the signature of an officer of the Corporation, except as otherwise provided in these Amended and Restated Bylaws, or where the execution and delivery of such an instrument shall be expressly delegated by the Board of Directors to some other officer or agent of the Corporation.

6.3 Waiver of Notice. Whenever any notice whatsoever is required to be given by the DGCL, the Certificate of Incorporation or these Amended and Restated Bylaws, a waiver of such notice either in writing signed by the person entitled to such notice or such person's duly authorized attorney, or by telegraph, facsimile or any other available method, whether before, at or after the time stated in such waiver, or the appearance of such person or persons at such meeting in person or by proxy, shall be deemed equivalent to such notice.

6.4 Voting of Securities. Except as the directors may otherwise designate, the President, the Chief Executive Officer, if different, any Vice President, the Secretary or the Treasurer may waive notice of, and act as, or appoint any person or persons to act as, proxy or attorney-in-fact for the Corporation (with or without power of substitution) at any meeting of the stockholders or the shareholders of any other Corporation or organization, the securities of which may be held by the Corporation.

6.5 Evidence of Authority. A certificate by the Secretary, or an Assistant Secretary, or a temporary Secretary, as to any action taken by the stockholders, the directors, any committee of the Board of Directors or any officer or representative of the Corporation shall, as to all persons who rely on the certificate in good faith, be conclusive evidence of such action.

6.6 Certificate of Incorporation. All references in these Amended and Restated Bylaws to the Certificate of Incorporation shall be deemed to refer to the Certificate of Incorporation of the Corporation, as amended and in effect from time to time. These Amended and Restated Bylaws are subject to the provisions of the Certificate of Incorporation, the DGCL and other applicable laws, rules and regulations.

6.7 Transactions with Interested Parties. No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other Corporation, partnership, association or other organization in which one or more of the Corporation's directors or officers serves as a director or officer, or has a financial interest, shall be void or voidable solely for that reason, or solely because the director or officer is present at or participates in the meeting of the Board of Directors or of a committee of the Board of Directors that authorizes the contract or transaction or solely because his or their votes are counted for such purpose, if:

(a) The material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board of Directors or committee in good faith authorizes the contract or transaction by the affirmative vote of a majority of the disinterested directors, even though the disinterested directors may be less than a quorum;

(b) The material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by a vote of the stockholders; or

(c) The contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified by the Board of Directors, a committee of the Board of Directors or the stockholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee that authorizes the contract or transaction.

6.8 Severability. Any determination that any provision of these Amended and Restated Bylaws is for any reason inapplicable, illegal or ineffective shall not affect or invalidate any other provision of these Amended and Restated Bylaws.

6.9 Pronouns. All pronouns used in these Amended and Restated Bylaws shall be deemed to refer to the masculine, feminine or neuter gender, singular or plural, as the identity of the person or persons may require.

ARTICLE 7

AMENDMENTS

7.1 By the Board of Directors. Subject to the provisions of the Certificate of Incorporation, these Amended and Restated Bylaws may be altered, amended or repealed or new Bylaws may be adopted by the affirmative vote of a majority of the directors present at any regular or special meeting of the Board of Directors at which a quorum is present.

7.2 By the Stockholders. Subject to the provisions of the Certificate of Incorporation, these Amended and Restated Bylaws may be altered, amended or repealed or new Bylaws may be adopted by the affirmative vote of the holders of at least sixty-six and two-thirds percent (66-2/3%) of the shares of the capital stock of the

Corporation issued and outstanding and entitled to vote either by written consent or at any annual meeting of the stockholders, or at any special meeting of the stockholders, provided notice of such alteration, amendment, repeal or adoption of new Bylaws shall have been stated in the notice of such special meeting.

May 1, 2002

NU SKIN ENTERPRISES, INC.
1 Nu Skin Plaza
75 West Centre Street
Provo, Utah 84601

Re: First Amendment to Note Purchase Agreement

Ladies and Gentlemen:

Reference is made to the Note Purchase Agreement (the "Agreement") dated October 12, 2000 between Nu Skin Enterprises, Inc. (the "Company") and The Prudential Insurance Company of America ("Prudential"). Capitalized terms used and not otherwise delivered herein shall have the meanings provided in the Agreement.

Pursuant to the request of the Company and Section 17 of the Agreement, Prudential and the Company hereby agree that the defined term "Material Subsidiaries" appearing in Schedule B of the Agreement shall be amended by deleting the existing text of clause (b) thereof in its entirety and substituting therefor the following:

> "(b) each other Subsidiary of the Company which (i) had revenues during the four most recently ended fiscal quarters equal to or greater than 5.0% of the consolidated total revenues of the Company and its Subsidiaries during such period (provided that if the Company and Subsidiaries collectively own not more than 30% of the outstanding equity, by value, of Nu Skin Malaysia Holdings, then Nu Skin Malaysia Holdings and its subsidiaries shall not be deemed Material Subsidiaries by reason of this clause (i) unless their consolidated revenues during the four most recently ended fiscal quarters equaled or exceeded 15.0% of the consolidated total revenues of the Company and its Subsidiaries during such period), or (ii) is an Obligor under any Guarantee with respect to the Indebtedness of the Company under any Significant Credit Facility."

In order to induce Prudential to enter into this amendment, the Company has represented and warranted that no Default or Event of Default exists under the Agreement as of the date hereof. This amendment shall be effective when executed on behalf of the Company and each Subsidiary Guarantor and an original counterpart hereof has been delivered to Prudential.

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

By: /s/ Stephen J. DeMartini
Stephen J. DeMartini
Its: Vice President

Confirmed and agreed:

NU SKIN ENTERPRISES, INC.

By: /s/ Truman Hunt
Truman Hunt
Its: Executive Vice President and Chief Legal Counsel

The undersigned Subsidiary Guarantors
hereby consent to the foregoing.

NU SKIN HONG KONG, INC.
NU SKIN INTERNATIONAL, INC.
NU SKIN TAIWAN, INC.
NU SKIN UNITED STATES, INC.

By: /s/ Corey B. Lindley
Name: Corey B. Lindley
Title: Executive Vice President and Chief Financial Officer

MASTER LEASE AGREEMENT
[Scrub Oak, LLC]

THIS MASTER LEASE AGREEMENT (hereinafter the "Lease") is made and entered into this 16th day of January 2003, to be effective as of the 1st day of July, 2001, by and between SCRUB OAK, LLC, a Utah limited liability company, whose address is 75 West Center Street, Provo, Utah 84601, ATTN: Brooke Roney (hereinafter "Landlord"), and NU SKIN INTERNATIONAL, INC., a Utah corporation, whose address is 75 West Center Street, Provo, Utah 84601 (hereinafter "Tenant").

R E C I T A L S:

A. Landlord presently owns and may hereafter from time to time acquire certain real property.

B. Tenant desires to lease certain real property from Landlord, which property is identified on the attached Schedule A, incorporated by this reference. In addition, Tenant may desire to lease additional real property from Landlord, which additional property shall be identified, from time to time, in the manner set forth in this Lease.

C. Subject to the terms and conditions of this Lease, Landlord is willing to lease the real property identified on Schedule A to Tenant, and Tenant is willing to lease such real property from Landlord.

NOW, THEREFORE, in consideration of the rents, covenants and agreements hereinafter set forth, Landlord and Tenant mutually agree as follows:

ARTICLE 1 : PREMISES AND LEASE TERMS

1.1 **Description of Premises**. Landlord hereby leases and demises to Tenant and Tenant hereby leases from Landlord those certain parcels of real property, together with all buildings and other improvements now or hereafter located thereon (hereinafter collectively "Improvements"), and all privileges, easements, and appurtenances belonging thereto or granted herein, set forth on Schedule A, together with any additional real property that may be described from time to time in an amendment to said Schedule A, executed by, and in form and substance satisfactory to, Landlord and Tenant (collectively, the "Premises").

1.2 **Additional Lease Terms**. In Schedule A, Landlord and Tenant adopted certain additional terms and conditions applicable to only one or more specific Premises specified in Schedule A and not to the other Premises. Furthermore, in any amendment to Schedule A executed by Landlord and Tenant, Landlord and Tenant may adopt additional terms and conditions applicable to a particular Premises and to other Premises, and/or applicable to that Premises but not applicable to any of the other Premises. If there is any conflict between the provisions of this Lease and Schedule A, as the same may be amended from time to time, the provisions of said Schedule A (as amended) shall control.

ARTICLE 2 : TERM COMMENCEMENT

2.1 **Term of Lease**. With respect to each of the Premises, this Lease shall be for the term, and shall commence on the date, specified in Schedule A with respect to such Premises (hereinafter individually the "Commencement Date" and collectively the "Commencement Dates") and shall end on the date specified in Schedule A with respect to such Premises, unless the term is extended or sooner terminated pursuant to the terms, covenants and conditions of this Lease or pursuant to law.

2.2 **Lease Year**. The term "Lease Year" as used in this Lease with respect to any of the Premises shall mean a period of twelve (12) consecutive calendar months during the term of this Lease with respect to such Premises. The first Lease Year with respect to any of the Premises shall begin on the Commencement Date for such Premises if that Commencement Date occurs on the first day of a calendar month; if not, the first Lease Year with respect to such Premises shall begin on the first day of the calendar month next following the Commencement Date for that Premises. Each succeeding Lease Year shall begin at the expiration of the immediately preceding Lease Year.

ARTICLE 3 : MONTHLY RENT

3.1 **Payment of Rent**. As monthly rent for each of the Premises, Tenant shall pay to Landlord, in advance on or before the first day of each calendar month during the term of this Lease, an amount equal to the "Monthly Rent" for such Premises as set forth in Schedule A. Rent shall be paid to Landlord at its address specified below for notices, or to such other person or at such other address as Landlord may from time to time designate in writing. Rent shall be paid without notice, demand, abatement (except as provided in this Lease), deduction or offset in legal tender of the United States of America. If the Commencement Date with respect to any Premises is not on the first day of the month, or if this Lease terminates with respect to any Premises on a day other than the last day of the month, the Monthly Rent for such Premises shall be prorated for such fractional month or months, if any, during which this Lease commences or terminates, at the then current rate.

3.2 **Delinquent Payments and Handling Charge**. All Monthly Rent and other payments required of Tenant hereunder shall bear interest from the date that is ten (10) days after the date due until the date paid at the lesser of (a) the rate announced from time to time by Wells Fargo Bank, or if Wells Fargo Bank ceases to exist or ceases to publish such rate, then the rate announced from time to time by the largest (as measured by deposits) chartered bank operating in Utah, as its "prime rate" or "reference rate," plus five percent (5%) per annum; or (b) the maximum rate permitted by law. In addition to interest, if any such Monthly Rent or other payment is not received within ten (10) days after the date it is due, Tenant shall pay to Landlord a late charge equal to four percent (4%) of the amount of such Monthly Rent or other payment to reimburse Landlord for its cost and inconvenience incurred as a consequence of Tenant's delinquency. In no event, however, shall the charges permitted under this Section 3.2 or elsewhere in this Lease, to the extent the same are considered to be interest under applicable law, exceed the maximum rate of interest allowable under applicable law.

3.3 **Security Deposit**. As of the date of this lease, no security deposit is being required from Tenant with respect to any of the Premises. In accordance with the provisions of this Section 3.3 and Section 7.1 below, however, Landlord may hereafter require a security deposit with respect to some or all of the Premises, which may, at Tenant's election, be made by depositing cash or by posting an irrevocable letter of credit in the form specified below in this Section 3.3. If Tenant deposits a letter of credit with Landlord pursuant to either this Section 3.3 or Section 7.1, the following provisions shall apply to such letter of credit: (a) payment of such letter of credit by the issuer shall be conditioned solely upon submission to the issuer of written demand for payment by Landlord, (b) Tenant shall, at least five (5) business days prior to the expiration of the term of such letter of credit provide Landlord with either a renewal letter of credit (in the form specified in this Section 3.3) or cash in the amount of such letter of credit to be held pursuant to the provisions of this Section 3.3, and (c) if at least five (5) business days prior to the expiration of a letter of credit deposited by Tenant with Landlord Tenant has not provided Landlord with either a replacement letter of credit or cash in accordance with (b) above, Landlord shall have the right to draw down the full amount of such letter of credit and hold the proceeds thereof as a cash deposit in accordance with the provisions of this Section 3.3. If, pursuant to the provisions of either this Section 3.3 or Section 7.1 below a security deposit is required with respect to any of the Premises (hereinafter a "Premises Security Deposit"), the following provisions of this Section 3.3 shall apply. For purposes of this Section 3.3, the term "Security Deposits" shall mean all Premises Security Deposits, taken in the aggregate. Provided that no uncured Tenant default of which Landlord has given Tenant written notice is then existing with respect to the Premises concerned, the Premises Security Deposit applicable to such Premises shall be returned to Tenant (or, at Landlord's option, to the last permitted assignee of Tenant's interest under this Lease) after the expiration of the term applicable to such Premises, or sooner termination of this Lease, and delivery of possession of such Premises to Landlord in accordance with ARTICLE 20. If Landlord's interest in this Lease is conveyed, transferred or assigned, Landlord shall transfer or credit the Security Deposits to Landlord's successor in interest, and Landlord shall be released from any liability for the return of the Security Deposits, provided that such successor in interest assumes all of Landlord's obligations under this Lease. Landlord may intermingle the Security Deposits with Landlord's own funds, and shall not be deemed to be a trustee of the Security Deposit. Tenant shall not be entitled to receive interest with respect to the Security Deposits. If Tenant fails to timely pay or perform any obligation under this Lease, Landlord may, prior to, concurrently with or subsequent to exercising any other right or remedy, use, apply or retain all or any part of the Premises Security Deposit then held by Landlord with respect to the Premises concerned for the payment of any monetary obligation due under this Lease for such Premises, or to compensate Landlord for any other expense, loss or damage which Landlord may incur by reason of Tenant's failure, including any damage or deficiency in the reletting of such Premises. If all or any portion of the Security Deposits is so used, applied or retained, Tenant shall immediately deposit with Landlord cash in an amount sufficient to restore the Security Deposits to the original amount. Landlord may withhold the Premises Security Deposit after the expiration of the term for the Premises concerned or sooner termination of this Lease until Tenant has paid the full Tenant's share of any Impositions or any other amounts payable by Tenant under this Lease, but only with respect to the Premises concerned. The Security Deposits are not a limitation on Landlord's damages or other rights under this Lease, a payment of liquidated damages or prepaid rent, and shall not be applied by Tenant to the rent for the last (or any) month of the term with respect to any Premises, or to any other amount due under this Lease. Tenant agrees that if Blake M. Roney, Brooke B. Roney, Sandra N. Tillotson, Craig S. Tillotson, Steven J. Lund, Craig R. Bryson, and Nedra D. Roney,

either individually or as a group, cease to own or hold (directly or indirectly) more than fifty percent of the voting power of Tenant, Tenant shall within thirty (30) days after written demand by Landlord deposit with Landlord a Premises Security Deposit with respect to each Premises in an amount equal to the then-current Monthly Rent payable with respect to such Premises. Such Security Deposits shall be held by Landlord subject to and in accordance with the provisions of this Section 3.3. Notwithstanding anything to the contrary set forth in this Lease, any Premises Security Deposit may only be used, and shall be returned, in connection with the Premises to which such Premises Security Deposit relates, and may not be used or applied in reference to any other Premises.

ARTICLE 4 : USE OF PREMISES

4.1 **Use**. Each Premises shall be used and occupied by Tenant solely for purposes specified for such Premises in Schedule A and for such other lawful purposes to which Landlord may, from time to time, consent.

4.2 **Prohibited Uses.**

(a) Tenant will not use, occupy or permit the use or occupancy of any of the Premises for any purpose or in any manner which is or may be, directly or indirectly, in violation of any (i) judicial decisions, order, injunctions, writs, statutes, rulings, rules, regulations, promulgations, directives, permits, certificates or ordinances of any governmental authority in any way applicable to Tenant or the Premises, including but not limited to zoning, environmental and utility conservation matters (hereinafter "Legal Requirements"), (ii) covenants, conditions, or restrictions applicable to such Premises and appearing of record in the office of the county recorder of the county in which such Premises are located on or before the date on which such Premises became subject to this Lease, or (iii) insurance requirements.

(b) Tenant shall not keep or permit to be kept any substance in, or conduct or permit to be conducted any operation from, any of the Premises which is not reasonably consistent with the Permitted Use for such Premises and which might emit offensive odors or conditions, or make undue noise or create undue vibrations.

(c) Tenant shall not commit or permit to remain any waste to any of the Premises.

(d) Tenant shall not install or permit to remain any improvements to any of the Premises which exceed the structural loads of floors or walls of any buildings located on such Premises, or adversely affect the mechanical, plumbing or electrical systems of any such buildings, or affect the structural integrity of any such buildings in any way.

(e) Tenant shall not commit or permit to be committed any action or circumstance in or about any of the Premises, nor bring or keep anything therein which, directly or indirectly, would or might cause a cancellation of any insurance policy covering such Premises, nor shall Tenant sell or permit to be kept, used or sold in or about any of the Premises any articles which may be prohibited by a standard

form policy of fire insurance unless Tenant provides additional insurance coverage extending protection to cover all risks associated with those articles.

(f) Tenant shall, at Tenant's sole cost and expense, promptly comply with all Legal Requirements now in force or which may hereafter be in force and with the requirements of any board of fire underwriters or other similar body now or hereafter constituted relating to or affecting the use or occupancy of all of the Premises, excluding such structural changes as do not relate to or affect the use or occupancy of the Premises, or as are not related to or afforded by Tenant's improvements or acts.

4.3 **Hazardous Substances**. Tenant acknowledges that Tenant occupied each of the Premises listed on the original Schedule A to this Lease prior to the Commencement Date for such Premises as set forth on Schedule A. Except with respect to matters arising prior to Tenant's occupancy of the Premises, or matters caused by Landlord or any of Landlord's employees, agents, or contractors, Tenant shall at all times comply with, or cause to be complied with, any "Environmental Law" (as defined below in Section 4.4) governing each of the Premises or the use thereof by Tenant or any of Tenant's employees, agents, contractors, invitees, licensees, customers, or clients, except as permitted in Section 4.5 below, shall not use, store, generate, treat, transport, or dispose of, or permit any of Tenant's employees, agents, contractors, invitees, licensees, customers, or clients to use, store, generate, treat, transport, or dispose of, any "Hazardous Substance" (as defined below in Section 4.4) on any of the Premises without first obtaining Landlord's written approval, shall promptly and completely respond to and clean up any release or presence of any Hazardous Substances upon each of the Premises, except to the extent such release or presence either occurred prior to the date on which Tenant occupied such Premises or was caused by Landlord or any of Landlord's employees, agents, or contractors, and shall pay all costs incurred as a result of the environmental state, condition and quality of each of the Premises, including, but not limited to, the costs of any "Environmental Cleanup Work" (as defined below in Section 4.4) and the preparation of any closure or other required plans, except to the extent such release or presence either occurred prior to the date on which Tenant occupied such Premises or was caused by Landlord or any of Landlord's employees, agents, or contractors, (all of the foregoing obligations of Tenant under this Section 4.3 are hereinafter collectively "Tenant's Environmental Obligations"). Tenant shall indemnify, defend and hold harmless Landlord from and against any and all claims, actions, damages, penalties, fines, liabilities and expenses, including reasonable attorneys' fees, which are directly or indirectly, in whole or in part, caused by or arise out of Tenant's failure to timely perform Tenant's Environmental Obligations. Landlord represents and warrants to Tenant that, as of the date on which Tenant occupied each Premises, no Hazardous Substances were located on such Premises and such Premises were in compliance with all Environmental Laws. Landlord shall indemnify, defend and hold harmless Tenant from and against any and all claims, actions, damages, penalties, fines, liabilities and expenses, including reasonable attorneys' fees, to the extent caused by or arising out of any failure of the foregoing representation and warranty of being true and accurate. Landlord and Tenant shall promptly deliver to the other true and complete copies of all notices, correspondence and requests received by the notifying party from any governmental authority or third parties relating to the presence, release, use, storage, treatment, transportation, or disposal of Hazardous Substances on any of the Premises. Tenant shall permit Landlord and Landlord's agents to enter into and upon each of the Premises, during normal business hours on prior reasonable notice, for the purpose of inspecting the Premises and verifying Tenant's compliance with these covenants. The provisions of this Section 4.3 shall survive the expiration or other termination of this Lease.

4.4 **Environmental Definitions**. As used in this Lease: "Environmental Cleanup Work" shall mean an obligation to perform work, cleanup, removal, repair, remediation, construction, alteration, demolition, renovation or installation in or in connection with the Premises in order to comply with any Environmental Law. "Environmental Law" shall mean any federal, state or local law, regulation, ordinance or order, whether currently existing or hereafter enacted, concerning the environmental state, condition or quality of the Premises or use, generation, transport, treatment, removal, or recovery of Hazardous Substances, including building materials, and including, but not limited to, the following: the Solid Waste Disposal Act as amended by the Resource Conservation and Recovery Act of 1976 (42 U.S.C. Article 6901, et seq.), as amended, and all regulations promulgated thereunder; the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (42 U.S.C. Article 9601, et seq.), as amended, and all regulations promulgated thereunder; the Hazardous Materials Transportation Act (49 U.S.C. Article 1801, et seq.), as amended, and all regulations promulgated thereunder; the Clean Air Act (42 U.S.C. Article 7401, et seq.), as amended, and all regulations promulgated thereunder; the Federal Water Pollution Control Act (33 U.S.C. Article 1251 et seq.), as amended, and all regulations promulgated thereunder; and the Occupational Safety and Health Act (29 U.S.C. Article 651, et seq.), as amended, and all regulations promulgated thereunder. "Hazardous Substance" shall mean (a) "hazardous waste," "hazardous substance," and any other hazardous, radioactive, reactive, flammable or infectious materials, solid wastes, toxic or dangerous substances or materials, or related materials, as defined in, regulated by, or which form the basis of liability now or hereafter under any Environmental Law; (b) asbestos, (c) polychlorinated biphenyls (PCBs); (d) petroleum products or materials; (e) flammable explosives, (f) any substance the presence of which on the Premises is or becomes prohibited by Environmental Law: (g) urea formaldehyde foam insulation; and (h) any substance which under Environmental Law requires special handling or notification in its use, collection, storage, treatment or disposal. Notwithstanding anything to the contrary in this Section 4.4, "Hazardous Substance" shall not include with respect to any Premises (i) supplies for cleaning and maintenance in commercially reasonable amounts required for use in the ordinary course of business, provided such items are incidental to the permitted use of such Premises (as set forth in Section 4.1) and are stored and used in compliance with all Environmental Laws, and (ii) standard office supplies in commercially reasonable amounts required for use in the ordinary course of business, provided such items are incidental to the permitted use of such Premises (as set forth in Section 4.1) and are stored and used in compliance with all Environmental Laws.

4.5 **Permitted Environmentally Sensitive Uses**. Landlord acknowledges that, as set forth on Schedule A, Tenant intends to use one or more of the Premises for fleet maintenance and parking and one or more of the Premises for the development and/or production of vitamins, dietary supplements, and cosmetic products (hereinafter "Permitted Environmental Activities") and that in connection with such Permitted Environmental Activities, Tenant will use, store, generate, treat, transport, and/or dispose of Hazardous Substances on and/or from such Premises. To the extent that either a Permitted Environmental Activity is a permitted use of such Premises (as set forth in Section 4.1) or the use, storage, generation, treatment, transportation and/or disposal of Hazardous Substances is in connection with an activity on such Premises

that is not materially different (in terms of the nature and quantity of Hazardous Substances to be used, stored, generated, treated or disposed on or from such Premises) from a Permitted Environmental

Activity which is a permitted use of such Premises (as set forth in Section 4.1), Landlord consents to the use, storage, generation, treatment, transportation, and/or disposal of Hazardous Substances on and/or from such Premises provided that such use, storage, generation, treatment, transportation or disposal is done in the ordinary course of Tenant's business on such Premises and in accordance with Section 4.3 above and applicable Environmental Laws.

ARTICLE 5 : QUIET ENJOYMENT

Provided Tenant has performed all of Tenant's obligations under this Lease, Landlord hereby covenants with Tenant that Tenant shall peaceably and quietly hold and enjoy the full possession and use of the Premises during the term of this Lease. Landlord shall warrant and forever defend Tenant's right to occupancy of the Premises against the claims of any and all persons whosoever lawfully claim the same or any part thereof, by, through or under Landlord, but not otherwise, subject to the provisions of this Lease.

ARTICLE 6 : IMPOSITIONS

6.1 Payment of Impositions. Tenant shall be solely responsible for and pay prior to delinquency all real estate, personal property, rental, water, sewer, transit, use, occupancy, owners' association and other taxes, assessments, charges, excises and levies (including any interest, cost or penalties with respect thereto, unless such interest, cost or penalties result from Landlord's acts or omissions, but excluding from Tenant's obligation any income, excise, franchise and similar taxes of Landlord), general and special, ordinary and extraordinary, foreseen and unforeseen, of any kind and nature whatsoever which are assessed, levied, charged or imposed upon or with respect to the Premises or any portion thereof, or the sidewalks, streets or alleyways adjacent thereto, or the ownership, use, occupancy or enjoyment thereof, and all charges for any easement, license, permit or agreement maintained for the benefit of the Premises and other governmental charges (collectively "Impositions") accruing or becoming due during the term of this Lease. If the term of this Lease covers only part of the period to which any Impositions relate, such Impositions shall be equitably prorated between Landlord and Tenant.

6.2 **Right to Contest Impositions**. Tenant, at its sole cost, shall have the right to contest, in accordance with the provisions of the laws relating to such contests, any Impositions, and the failure of Tenant to pay any Impositions shall not constitute a default by Tenant so long as Tenant complies with the provisions of this Section 6.2. Prior to initiating any contest or proceeding, Tenant shall give Landlord written notice of such contest or proceeding and shall either pay such Impositions to the applicable authority, deposit with Landlord cash in such amount as Landlord deems to be sufficient, considering the amount of such Impositions, any potential penalties and interest thereon, and any potential expenses that might be incurred by Landlord with respect thereto, or furnish good and sufficient undertakings and sureties designating Landlord as the beneficiary thereof in such amount as Landlord deems to be sufficient, considering the amount of such Impositions, any potential penalties and interest thereon, and any potential expenses that might be incurred by Landlord with respect thereto. Landlord shall not be required to join in any proceeding or contest brought by Tenant unless the provisions of any law require that the proceeding or contest be brought by or in the name of

Landlord or any owner of the Premises. In that case, Landlord shall join in the proceeding or contest or permit such proceeding or contest to be brought in its name as long as Landlord is not required to bear any cost. Tenant, on final determination of the proceeding or contest, shall promptly pay or discharge any decision or judgment rendered, together with all costs, charges, interest and penalties incidental to the decision or judgment and Landlord shall make available to Tenant any funds provided by Tenant pursuant to this Section 6.2 as security for Tenant's performance hereunder

ARTICLE 7 : TRANSFER BY TENANT

7.1 **Prohibition on Transfers**. Without the prior written consent of Landlord, Tenant shall not effect or suffer an assignment (direct or indirect, absolute or conditional, by operation of law or otherwise) by Tenant of all or any portion of Tenant's interest in this Lease or the leasehold estate created hereby. Notwithstanding the foregoing, Tenant may, without the consent of Landlord, (a) sublease all or any portion of the Premises, or (b) assign this Lease to any successor corporation, subsidiary, Affiliate (as defined below) or corporation that acquires all or substantially all of the assets of Tenant, provided that Tenant gives Landlord prior or concurrent written notice of such assignment. No assignment or subletting shall release Tenant from liability for the full and timely performance of all of Tenant's obligations under this Lease without the written consent of Landlord, which consent may be granted or withheld by Landlord in Landlord's sole and absolute discretion. As a condition to any such release, Landlord may require the assignee to deposit with Landlord a security deposit in an amount equal to the then-current Monthly Rent payable with respect to each Premises which is the subject of such assignment. As used in this Lease, "Affiliate" means a person that controls, is controlled by, or is under common control with, another person.

7.2 **Liens**. Without in any way limiting the generality of the foregoing, Tenant shall not grant, place or suffer, or permit to be granted, placed or suffered, against any of the Premises, or any Improvements, or any portion thereof, any lien, security interest, pledge, conditional sale, contract, claim, charge or encumbrance (whether constitutional, statutory, contractual or otherwise) and, if any of the aforesaid does arise or is asserted, Tenant will, promptly upon demand by Landlord and at Tenant's expense, cause the same to be released.

ARTICLE 8 : UTILITIES

Tenant shall be solely responsible for, and pay when due, all charges for water, gas, heat, light, power, telephone, garbage removal, snow removal and other utilities or services used by or supplied to Tenant or to each of the Premises, together with any taxes thereon, during the term of this Lease.

ARTICLE 9 : SUBORDINATION AND ATTORNMENT

9.1 **General**. This Lease, Tenant's leasehold estate created hereby, and all Tenant's rights, titles and interests hereunder and in and to the Premises are subject and subordinate to any Mortgage (as defined below) presently existing or hereafter placed upon all or any of the

Premises or any portion thereof; provided, however, that in the event of foreclosure or the exercise of any other right asserted under the Mortgage by Landlord's Mortgagee (as defined below), or if Landlord's Mortgagee otherwise succeeds to the interest of Landlord under this Lease, this Lease and the rights of Tenant under this Lease shall continue in full force and effect and shall not be terminated or disturbed, except in accordance with the provisions of this Lease, and Landlord's Mortgagee shall recognize Tenant as the tenant under this Lease. Concurrently with the execution and delivery of this Lease, any existing Landlord's Mortgagee shall execute and deliver a nondisturbance agreement in favor of Tenant, consistent with the immediately preceding sentence. However, Landlord and Landlord's Mortgagee may, at any time upon the giving of written notice to Tenant and without any compensation or consideration being payable to Tenant, make this Lease, and the aforesaid leasehold estate and rights, titles and interests, superior to any Mortgage. Upon the written request by Landlord or by Landlord's Mortgagee to Tenant, and within fifteen (15) days of the date of such request, and without any compensation or consideration being payable to Tenant, Tenant shall execute, have acknowledged and deliver a recordable instrument confirming, subject to the above nondisturbance provisions, that this Lease, Tenant's leasehold estate in the Premises and all of Tenant's rights, titles and interest hereunder are subject and subordinate (or, at the election of Landlord or Landlord's Mortgagee, superior) to the Mortgage benefiting Landlord's Mortgagee, which instrument shall be provided subject to the concurrent delivery by Landlord's Mortgagee of a nondisturbance agreement in favor of Tenant and reasonably consistent with the provisions of this ARTICLE 9. As used in this Lease, the term "Landlord's Mortgagee" shall mean the mortgagee of any mortgage, the beneficiary of any deed of trust, the pledgee of any pledge, the secured party of any security interest, the assignee of any assignment and the transferee of any other instrument of transfer (including the ground lessor of any ground lease on any real property in the Premises) now or hereafter in existence on all or any of the Premises or any portion of any of the Premises, and their successors, assigns and purchasers, and "Mortgage" shall mean any such mortgage, deed or trust, pledge, security agreement, assignment or transfer instrument, including all renewals, extensions and rearrangements thereof and of all debts secured thereby.

9.2 **Attornment**. Upon the written request of any person or party succeeding to the interest of Landlord under this Lease, Tenant shall automatically become the tenant of and attorn to such successor in interest without any change in any of the terms of this Lease. No successor in interest shall be (a) bound by any payment of Monthly Rent for more than one month in advance, except payments of security for the performance by Tenant of Tenant's obligations under this Lease (b) subject to any offset, defense or damages arising out of a default or any obligations of any preceding Landlord. Neither Landlord's Mortgagee nor its successor in interest shall be bound by any amendment of this Lease entered into after Tenant has been given written notice of the name and address of Landlord's Mortgagee and without the written consent of Landlord's Mortgagee or such successor in interest. The attornment and mortgagee protection clauses of this Section 9.2 shall be self-operative and no further instruments of attornment or mortgagee protection need be required by any Landlord's Mortgagee or successor in interest thereto. Nevertheless, upon the written request therefor and without any compensation or consideration being payable to Tenant, Tenant agrees to execute, have acknowledged and deliver such instruments as may be requested to confirm the same.

ARTICLE 10: INSURANCE

10.1 **Tenant's Insurance Coverage**. Tenant shall, at all times during the term of this Lease, and at Tenant's own cost and expense, procure and continue in force the following insurance coverage:

(a) Commercial general liability insurance with a combined single limit for bodily injury and property damage of not less than One Million Dollars ($1,000,000) per occurrence and Two Million Dollars ($2,000,000) in the aggregate, including, without limitation, contractual liability coverage for the performance by Tenant of the indemnity agreement set forth in ARTICLE 16.

(b) Insurance covering any buildings and all improvements on each of the Premises, including Tenant's leasehold improvements and personal property in or upon each such Premises in an amount not less than one hundred percent (100%) of full replacement cost, providing protection against any peril generally included within the classification "Fire and Extended Coverage," together with insurance against sprinkler damage, vandalism and malicious mischief and a standard inflation guard endorsement. Tenant hereby assigns to Landlord any and all proceeds payable with respect to such policies except to the extent such proceeds are payable with respect to any property that would remain the property of Tenant upon the termination of this Lease; provided, however, that to the extent required pursuant to the provisions of ARTICLE 15, such proceeds shall be made available to Tenant and applied to the repair and restoration of the Premises with respect to which such proceeds are payable.

(c) Worker's compensation insurance satisfying Tenant's obligations under the worker's compensation laws of the State of Utah.

(d) Such other policy or policies of insurance with respect to each Premises as Landlord may reasonably require in accordance with commercially reasonable practices for premises and in geographical areas similar to such Premises.

Such minimum limits shall in no event limit the liability of Tenant under this Lease. Such liability insurance shall name Landlord, and any other person specified from time to time by Landlord, as an additional insured; such property insurance shall name Landlord as a loss payee as Landlord's interest may appear; and both such liability and property insurance shall be with companies licensed to do business in Utah reasonably acceptable to Landlord. All liability policies maintained by Tenant shall contain a provision that Landlord and any other additional insured, although named as an insured, shall nevertheless be entitled to recover under such policies for any loss sustained by Landlord and Landlord's agents and employees as a result of the acts or omissions of Tenant. Tenant shall furnish Landlord with certificates of coverage. No such policy shall be cancelable or subject to reduction of coverage or other modification except after thirty (30) days' prior written notice to Landlord by the insurer. All such policies shall be written as primary policies, not contributing with and not in excess of the coverage which Landlord may carry, and shall only be subject to such deductibles as are reasonably acceptable to Landlord. Tenant shall, within ten (10) days after the expiration of such policies, furnish Landlord with renewals of, or binders for, such policies. Tenant shall cause all other occupants of the Premises claiming by, through or under Tenant to execute and deliver to Landlord a

waiver of claims similar to the waiver contained in Section 10.2 and to obtain such waiver of subrogation rights endorsements. At Landlord's request, any Landlord's Mortgagee shall be afforded coverage under any policy required to be secured by Tenant under this Lease by use of a mortgagee's endorsement to the policy concerned.

10.2 **Waiver of Subrogation**. Landlord hereby waives all claims, rights of recovery and causes of action that Landlord or any party claiming by, through or under Landlord may now or hereafter have by subrogation or otherwise against Tenant or against any of Tenant's officers, directors, shareholders or employees for any loss or damage that may occur to any of the Premises, Tenant's improvements or any of the contents of any of the foregoing by reason of fire or other casualty, or by reason of any other cause, to the extent that such loss or damage is actually covered by a policy of insurance maintained by Landlord; provided, however, that the waiver set forth in this Section 10.2 shall not apply to any deductibles on insurance policies carried by Landlord or to any coinsurance penalty which Landlord may sustain. Tenant hereby waives all claims, rights of recovery and causes of action that Tenant or any party claiming by, through or under Tenant may now or hereafter have by subrogation or otherwise against Landlord or against any of Landlord's officers, directors, members, shareholders, partners or employees for any loss or damage that may occur to any of the Premises, Tenant's improvements or any of the contents of any of the foregoing by reason of fire or other casualty, or by reason of any other cause, to the extent that such loss or damage either (a) is actually covered by a policy of insurance maintained by Tenant, or (b) would have been covered had Tenant obtained the insurance policies required to be obtained and maintained under Section 10.1. Landlord and Tenant shall cause an endorsement to be issued to their respective insurance policies recognizing this waiver of subrogation.

ARTICLE 11 : MAINTENANCE AND REPAIRS

During the term of this Lease, Tenant shall, at Tenant's sole cost, maintain each of the Premises, including the floor slab, foundation, load-bearing walls, other structural elements and roofs of any buildings, in good order, condition and repair, and in a clean, safe, operable, attractive and sanitary condition which is consistent with the nature and quality of such Premises as compared to other similar properties in the area where such Premises are located. Tenant will not commit or allow to remain any waste or damage to any portion of the Premises. Subject to ARTICLE 15, Tenant shall repair or replace, subject to Landlord's direction and supervision, any damage to any buildings and/or any of the Premises (including the structural components and the roof of any buildings) caused by Tenant or Tenant's agents, contractors or invitees. If Tenant fails to make such repairs or replacements, Landlord may make the same at Tenant's cost. Such cost shall be payable to Landlord by Tenant on demand.

ARTICLE 12 : FIXTURES AND ALTERATIONS

12.1 **Landlord Approval**. Tenant shall not make (or permit to be made) any change, addition or improvement to any of the Premises (including, without limitation, the attachment of any fixture or equipment) unless such change, addition or improvement (a) equals or exceeds the quality of materials used in construction of such Premises and utilizes only new materials, (b) is in conformity with all Legal Requirements as defined in Section 4.2(a), and is made after

obtaining any required permits and licenses, (c) if a "Major Improvement" (hereinafter defined), is made with prior written consent of Landlord pursuant to plans and specifications approved in writing in advance by Landlord and, if reasonably required by Landlord, such plans and specifications are prepared by an architect approved in writing in advance by Landlord, (d) if a Major Improvement, is made after Tenant has provided to Landlord such indemnification, insurance, and/or bonds requested by Landlord, including, without limitation, a performance and completion bond in such form and amount as may be satisfactory to Landlord to protect against claims and liens for labor performed and materials furnished, and to insure the completion of any change, addition or improvement, and (e) if a Major Improvement, is carried out by persons approved in writing by Landlord who, if required by Landlord, deliver to Landlord before commencement of their work proof of such insurance coverage as Landlord may require, with Landlord named as an additional insured. Any request for Landlord's consent to any change, addition or improvement or for Landlord's approval of plans or specifications to which Landlord does not respond within twenty (20) days shall be deemed granted by Landlord. All such alterations, improvements and additions shall become the property of Landlord and, if approved in advance by Landlord (unless approved subject to removal by Tenant) shall, at Tenant's option, either be removed by Tenant, at Tenant's expense, with all damage caused by such removal repaired by Tenant, or be surrendered with such Premises as part thereof at the termination or expiration of the term of this Lease with respect to such Premises, without any payment, reimbursement or compensation therefor. Any such

alterations, improvements and additions that are approved by Landlord subject to removal by Tenant shall be removed by Tenant, at Tenant's expense, with all damage caused by such removal repaired by Tenant, at the termination or expiration of the term of this Lease with respect to such Premises, without any payment, reimbursement or compensation therefor. All such alterations, improvements and additions that pursuant to the provisions of this Section 12.1 do not require the prior approval of Landlord shall, at Landlord's election given by written notice at least sixty (60) days prior to the expiration of this Lease with respect to the Premises concerned, be removed by Tenant, at Tenant's expense, with all damage caused by such removal repaired by Tenant. Within fifteen (15) days after the end of each calendar quarter during the term of the Lease, Tenant shall give Landlord written notice of the completion of any improvements to a Premises completed during the immediately preceding calendar quarter which, pursuant to the provisions of this Section 12.1, did not require the prior consent of Landlord. Such notice shall include a brief description of such improvements and identify the Premises in which such Improvements were made. Tenant may remove Tenant's trade fixtures, office supplies, movable office furniture and equipment, provided such removal is made prior to the expiration of the term of this Lease with respect to such Premises, no uncured Event of Default then exists and Tenant promptly repairs all damage caused by such removal. Tenant shall indemnify, defend and hold harmless Landlord from and against all liens, claims, damages, losses, liabilities and expenses, including attorneys' fees, which may arise out of, or be connected in any way with, any such change, addition or improvement. If Tenant leases or finances any personal property or equipment to be used by Tenant at a Premises, Landlord shall, within a reasonable time after receipt of written request from Tenant, execute and deliver to the lessor of, or lender providing financing for, such personal property or equipment, as applicable, a lien waiver or subordination with respect to such personal property or equipment in a form reasonably acceptable to Landlord. As used in this Section 12.1, the following terms shall have the meanings hereinafter specified: (1) "Building Structure" shall mean with respect to any building the structural portions of such building, including the foundation, floor/ceiling slabs, roof, exterior walls, exterior glass and mullions, columns, beams, shafts (including elevator shafts), and elevator cabs; (2) "Building Systems"

shall mean with respect to any building the mechanical, electrical, life safety, plumbing, and sprinkler systems and HVAC systems (including primary and secondary loops connected to the core) servicing such building; and (3) "Major Improvement" shall mean with respect to each Premises any change, addition or improvement to such Premises if (A) the cost of such change, addition or improvement exceeds $50,000.00, (B) such change, addition or improvement affects either the exterior of any building or any Building Structure located on such Premises, or (C) such change, addition or improvement has a material affect on any Building System of any building located on such Premises.

12.2 **Manner of Construction, Materialmen, Lien Claims**. All construction performed on or with respect to any of the Premises by Tenant shall be performed in a good, workmanlike and first-class manner, in accordance with all applicable permits, authorizations, laws, ordinances, orders, regulations and requirements of all governmental authorities having jurisdiction of such Premises and, to the extent required by Section 12.1, in accordance with plans approved by Landlord. Tenant shall promptly pay all contractors and materialmen, so as to eliminate the possibility of a lien attaching to such Premises or any Improvements, and should any such lien be made or filed by reason of any fault of Tenant, Tenant shall bond against or discharge the same within forty-five (45) days after written request by Landlord. If Tenant fails to bond against or discharge the same within such forty-five (45) day period, Landlord shall have the right, but not the obligation, to pay and discharge any such lien that attached to such Premises and Tenant shall reimburse Landlord for any such sums paid together with interest at the rate specified in Section 3.2 within thirty (30) days after written demand by Landlord.

ARTICLE 13 : ACCESS BY LANDLORD

Landlord, its employees, contractors, agents, and representatives shall have the right (and Landlord, for itself and such persons and firms, hereby reserves the right) to enter each of the Premises during normal business hours and at a time least likely to interrupt Tenant's operations upon advance reasonable notice (not less than 24 hours) (a) to inspect, maintain or repair the Premises, (b) to show the Premises to prospective purchasers of such Premises (and, during the last six (6) months of the term of this Lease with respect to such Premises, to prospective tenants of the Premises), (c) to determine whether Tenant is performing its obligations hereunder and, if it is not, to perform the same at Landlord's option and Tenant's expense in accordance with this Lease following any applicable notice and cure period, or (d) for any other reasonable purpose. In an emergency with respect to any of the Premises, Landlord (and such persons and firms) may use any means to open any door into or on such Premises without any liability therefore (except for repair of any damage caused thereby). Entry into any of the Premises by Landlord or any other person or firm named in the first sentence of this ARTICLE 13 for any purpose permitted herein shall not constitute a trespass or an eviction (constructive or otherwise), or entitle Tenant to any abatement or reduction of Monthly Rent, or constitute grounds for any claim (and Tenant hereby waives any claim) for damages for any injury to or interference with Tenant's business, for loss of occupancy or quiet enjoyment, or for consequential damages, excepting any damage or injury to property or person actually caused by Landlord or any such person or firm.

ARTICLE 14: CONDEMNATION

As used in this Paragraph, the term "Condemnation Proceedings" means any actions or proceedings in which any interest in any Premises (the "Affected Premises") is taken for any public or quasi-public purpose by any lawful authority through exercise of the power of eminent domain or by purchase or other means in lieu of such exercise. If the whole of the Affected Premises is taken through Condemnation Proceedings, this Lease shall automatically terminate as of the date of the taking with respect to the Affected Premises (only). The phrase "as of the date of the taking" means the date of taking actual physical possession by the condemning authority or such earlier date as the condemning authority gives notice that it is deemed to have taken possession. Tenant may terminate this Lease with respect to the Affected Premises if more than twenty-five percent (25%) of the Affected Premises is taken or any portion of the Affected Premises is taken which substantially interferes with Tenant's ability to operate or use the Affected Premises for either the permitted use for such Premises specified in Schedule A or such other use of such Affected Premises for which Landlord has previously given written approval. Any such termination must

be accomplished through written notice given no later than thirty (30) days after, and shall be effective as of, the date of such taking. In all other cases, or if Tenant fails to exercise its right to terminate, this Lease shall remain in effect, and Tenant shall, subject to the availability of adequate condemnation proceeds, promptly repair and restore the Affected Premises as nearly as possible to the nature and character that existed immediately prior to such taking and, to the extent required by Section 12.1, in accordance with plans approved by Landlord. If a portion of the Affected Premises is taken and this Lease is not terminated, the Monthly Rent shall be reduced in the proportion that the area of the Premises taken bears to the total area of the Premises immediately prior to the taking. Whether or not this Lease is terminated as a consequence of Condemnation Proceedings, all damages or compensation awarded for a partial or total taking, including any award for severance damage and any sums compensating for diminution in the value of or deprivation of the leasehold estate under this Lease, shall be the sole and exclusive property of Landlord, provided that Tenant shall be entitled to any award for the loss of, or damage to, Tenant's trade fixtures, loss of business and moving expenses; provided, however, that if (y) this Lease is not terminated as a consequence of Condemnation Proceedings, and (z) Landlord receives an award in such Condemnation Proceedings for the repair and restoration of the Premises, Landlord shall make available to Tenant all or a portion of the award so designated, as necessary, for Tenant to complete its obligations of repair and restoration under this Paragraph. If made, the disbursement of such portion of the award shall be made by Landlord to Tenant in accordance with disbursement procedures typically used by construction lenders in the Provo/Orem, Utah metropolitan area. Tenant shall have no claim against Landlord for the occurrence of any Condemnation Proceedings, or for the termination of this Lease or a reduction in the Premises as a result of any Condemnation Proceedings.

ARTICLE 15 : DAMAGE OR DESTRUCTION

Tenant shall give prompt written notice to Landlord of any casualty of which Tenant is aware to any Premises (the "Damaged Premises"). If the Damaged Premises are totally destroyed, or are partially destroyed but in Tenant's opinion cannot be restored to an economically viable building for either the use for such building specified in Schedule A or such other use of such building for which Landlord has previously given written approval, or if the insurance proceeds actually paid to Tenant as a result of any casualty are, in Tenant's reasonable

opinion inadequate to restore the portion remaining of the Damaged Premises to an economically viable building for such use, Tenant may, at its election exercisable by giving written notice to Landlord within sixty (60) days after the casualty, terminate this Lease with respect to the Damaged Premises as of the date of the casualty or the date Tenant is deprived of possession of such Premises (whichever is later). If this Lease is terminated with respect to the Damaged Premises as a result of a casualty, Tenant shall promptly deliver to Landlord all insurance proceeds received by Tenant under the insurance policy carried by Tenant on the Damaged Premises, net of any insurance proceeds attributable to Tenant's personal property or other property that would be Tenant's property upon termination of the Lease and any costs expended or fees or other charges incurred by Tenant in collecting such proceeds. If this Lease is not terminated as a result of a casualty, subject to the availability of adequate insurance proceeds, Tenant shall restore the Damaged Premises as nearly as possible to the nature and character that existed immediately prior to the occurrence of such casualty and, to the extent required by Section 12.1, in accordance with plans approved by Landlord. Except for Tenant's share of any insurance proceeds received by Landlord and attributed to Tenant's property as provided more fully above, if any, Tenant shall have no claim against Landlord for any loss suffered by reason of any such damage, destruction, repair or restoration. Other than providing Tenant any insurance proceeds attributable to Tenant's property as described above, Landlord shall not be required to repair any damage to or to make any restoration of any furnishings, trade fixtures, leasehold improvements, equipment, merchandise and other personal property installed in the Premises by Tenant or at the direct or indirect expense of Tenant.

ARTICLE 16 : INDEMNITY

16.1 **Tenant's Indemnity.** Except to the extent such obligations are otherwise limited by Section 4.3, Tenant shall defend, indemnify and hold harmless Landlord and Landlord's officers, directors, shareholders, members, partners and employees from and against all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including court costs and reasonable attorneys' fees) resulting from any injuries to or death of any person or damage to any property occurring during the term of this Lease in or about the Premises except to the extent such injury, death or damage is caused by Landlord or Landlord's employees, agents, or contractors.

16.2 **Landlord's Indemnity.** Landlord shall defend, indemnify and hold harmless Tenant and Tenant's officers, directors, shareholders and employees from and against all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including court costs and reasonable attorneys' fees) resulting from any injuries to or death of any person or damage to any property occurring during the term of this Lease in or about the Premises to the extent such injury, death or damage is caused by Landlord or Landlord's employees, agents, or contractors.

ARTICLE 17 : LANDLORD NOT LIABLE

Landlord shall have no liability to Tenant, or to Tenant's officers, directors, shareholders, employees, agents, contractors or invitees, for bodily injury, death, property damage, business interruption, loss of profits, loss of trade secrets or other direct or consequential damages

occasioned by (a) vandalism, theft, burglary and other criminal acts, (b) water leakage, or (c) the repair, replacement, maintenance, damage or destruction of the Premises, unless any of the foregoing are caused by Landlord or Landlord's employees, agents, or contractors.

ARTICLE 18 : DEFAULT AND REMEDIES

18.1 **Default**. The occurrence of any of the following shall constitute a material default and breach of this Lease by Tenant (hereinafter "Event of Default"):

(a) Any failure by Tenant to pay the Monthly Rent payable with respect to any of the Premises or any other monetary sums required to be paid under this Lease, where such failure continues for fifteen (15) days after written notice thereof by Landlord to Tenant;

(b) Any failure by Tenant to observe and perform any other term, covenant or condition of this Lease to be observed or performed, by Tenant, where such failure continues for thirty (30) days after written notice thereof by Landlord to Tenant; provided, however, that if the nature of the default is such that the default cannot reasonably be cured within the thirty (30) day period, Tenant shall not be deemed to be in default if Tenant shall within the thirty (30) day period commence action to cure the default and thereafter diligently prosecute the same to completion;

(c) The filing of a petition by or against Tenant (1) in any bankruptcy or other insolvency proceeding, (2) seeking any relief under the Bankruptcy Code or any similar debtor relief law, (3) for the appointment of a liquidator or receiver for all or substantially all of Tenant's property or for Tenant's interest in this Lease, or (4) to reorganize or modify Tenant's capital structure, unless such petition is dismissed within sixty (60) days after filing; or

(d) The admission by Tenant in writing that it cannot meet its obligations as they become due or the making by Tenant of an assignment for the benefit of its creditors.

18.2 **Nonexclusive Remedies**. Upon any Event of Default, Landlord shall have, in addition to any other remedies provided in this Lease, the following nonexclusive remedies to be applied only with respect to the particular Premises to which the Event of Default relates (the "Default Premises"):

(a) At Landlord's option and without waiving any default by Tenant, Landlord shall have the right to continue this Lease in full force and effect and to collect all Monthly Rent and any other fees to be paid by Tenant under this Lease as and when due. During any period that Tenant is in default, Landlord shall have the right, pursuant to legal proceedings or pursuant to any notice provided for by law, to enter and take possession of (only) the Default Premises, without terminating this Lease, for the purpose of reletting the Default Premises or any part thereof and making any alterations and repairs that may be necessary or desirable in connection with such reletting. Any such reletting or relettings may be for such term or terms (including periods that exceed the

balance of the term of this Lease), and upon such other terms, covenants and conditions as Landlord may in Landlord's reasonable discretion deem advisable. Upon each and any such reletting, the rent or rents received by Landlord from such reletting shall be applied as follows, as the same relate (only) to the Default Premises: (1) to the payment of any amounts (other than Monthly Rent) due hereunder from Tenant to Landlord; (2) to the payment of reasonable costs and expenses of such reletting, including reasonable brokerage fees, attorney's fees, court costs, and costs of any alterations or repairs; (3) to the payment of any Monthly Rent and any other amounts due and unpaid hereunder; and (4) the residue, if any, shall be held by Landlord and applied in payment of future Monthly Rent and any other amounts as they become due and payable hereunder. If the rent or rents received during any month and applied as provided above shall be insufficient to cover all such amounts including the Monthly Rent and any other amounts to be paid by Tenant pursuant to this Lease for such month with respect to the Default Premises, Tenant shall pay to Landlord any deficiency; such deficiencies shall be calculated and paid monthly. No entry or taking possession of all or any of the Default Premises by Landlord shall be construed as an election by Landlord to terminate this Lease with respect to any of the Default Premises, unless Landlord gives written notice of such election to Tenant or unless such termination shall be decreed by a court of competent jurisdiction. Notwithstanding any reletting by Landlord without termination, Landlord may at any time thereafter terminate this Lease with respect to the Default Premises for such previous default by giving written notice thereof to Tenant.

(b) Terminate Tenant's right to possession of the Default Premises by notice to Tenant, in which case this Lease shall terminate with respect to the Default Premises and Tenant shall immediately surrender possession of the Default Premises to Landlord. In such event Landlord shall be entitled to recover from Tenant all damages incurred by Landlord by reason of Tenant's default, including without limitation the following, as the same relate (only) to the Default Premises to the extent permitted by law: (1) all unpaid rent which has been earned at the time of such termination, plus (2) the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that is proved could have been reasonably avoided, plus (3) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform Tenant's obligations under this Lease, or in addition to or in lieu of the foregoing such damages as may be permitted from time to time under applicable law. Upon any such re-entry Landlord shall have the right to make any reasonable repairs, alterations or modifications to the Default Premises, which Landlord in Landlord's reasonable discretion determines are reasonable and necessary.

(c) If an Event of Default specified in Section 18.1 occurs, Landlord may remove and store any property that remains on the Default Premises and, if Tenant does not claim such property within thirty (30) days after Landlord has delivered to Tenant notice of such storage, Landlord may appropriate, sell, destroy or otherwise dispose of the property in question without notice to Tenant or any other person, and without an obligation to account for such property.

18.3 **Payment by Tenant**. Upon any Event of Default, Tenant shall also pay to Landlord all reasonable costs and expenses incurred by Landlord, including court costs and reasonable attorneys' fees, in (a) retaking or otherwise obtaining possession of the Default Premises, (b)

removing and storing Tenant's or another occupant's property, (c) repairing, restoring, altering, remodeling, or otherwise putting all or any of the Default Premises into a condition acceptable to a new tenant or tenants, (d) reletting all or any part of the Default Premises, (e) paying or performing the underlying obligation which Tenant failed to pay or perform, and (f) enforcing any of Landlord's rights, remedies or recourse arising as a consequence of the Event of Default.

18.4 **Reletting**. Upon termination of this Lease with respect to the Default Premises or upon termination of Tenant's right to possession of all or any of the Default Premises, Landlord shall use reasonable efforts to mitigate its damages in accordance with Utah law and relet the Default Premises on such terms and conditions as Landlord in its reasonable discretion may determine (including a term different than the term of this Lease, rental concession, and alterations to and improvements of the Default Premises). Subject to Landlord's obligation to mitigate damages, Landlord shall not be obligated to relet any of the Default Premises before leasing other property owned by Landlord. Landlord shall not be liable for, nor shall Tenant's obligations hereunder be diminished because of, Landlord's failure to relet any of the Default Premises or collect rent due with respect to such reletting provided the Landlord has complied with Landlord's duty to mitigate damages as set forth above. If Landlord relets any of the Default Premises, rent Landlord receives from such reletting shall be applied to the payment of the following, as the same relate (only) to the Default Premises: first, any indebtedness from Tenant to Landlord other than Monthly Rent (if any); second, all costs, including for maintenance and alterations, incurred by Landlord in reletting; and third, Monthly Rent due and unpaid. In no event shall Tenant be entitled to the excess of any rent obtained by reletting over the Monthly Rent herein reserved until all of Tenant's obligations to Landlord have been satisfied

18.5 **Landlord's Right to Pay or Perform**. Upon an Event of Default, Landlord may, but without obligation to do so and without thereby waiving or curing such Event of Default, pay or perform the underlying obligation for the account of Tenant, and enter any Premises and expend any security deposit or other sums paid by Tenant for the purpose of securing faithful performance of Tenant's obligations under this Lease.

18.6 **No Waiver; No Implied Surrender**. Provisions of this Lease may only be waived by the party entitled to the benefit of the provision, and any such waiver shall be in writing. Thus, neither the acceptance of Monthly Rent by Landlord following an Event of Default (whether known to Landlord or not), nor any other custom or practice followed in connection with this Lease, shall constitute a waiver by Landlord of such Event of Default or any other Event of Default. Further, the failure by Landlord to complain of any action or inaction by Tenant, or to assert that any action or inaction by Tenant constitutes (or would constitute, without the giving of notice and the passage of time) an Event of Default, regardless of how long such failure continues, shall not extinguish, waive or in any way diminish the rights, remedies and recourse of Landlord with respect to such action or inaction. No waiver by Landlord of any provision of this Lease or of any breach by Tenant of the same or any other provision hereof shall constitute a waiver of any other provision or any other breach. Landlord's consent to any act by Tenant requiring Landlord's consent shall not be deemed to render unnecessary the obtaining of Landlord's consent to any subsequent act of Tenant. No act or omission by Landlord (other than Landlord's execution of a document acknowledging such surrender) or Landlord's agents, including the delivery of the keys to any Premises, shall constitute an acceptance of a surrender of such Premises.

ARTICLE 19 : DEFAULT BY LANDLORD

Landlord shall not be in default under this Lease, and Tenant shall not be entitled to exercise any right, remedy or recourse against Landlord or otherwise as a consequence of any alleged default by Landlord under this Lease unless Landlord fails to perform any of its obligations hereunder and said failure continues for a period of thirty (30) days after Tenant gives Landlord and (provided that Tenant shall have been given the name and address of Landlord's Mortgagee) Landlord's Mortgagee written notice thereof specifying, with reasonable particularity, the nature of Landlord's failure. If, however, the failure cannot reasonably be cured within the thirty (30) day period, Landlord shall not be in default hereunder if Landlord or Landlord's Mortgagee commences to cure the failure within the thirty (30) days and thereafter pursues the curing of the same diligently to completion. If Tenant recovers a money judgment against Landlord for Landlord's default of its obligations hereunder or otherwise, the judgment shall be limited to Tenant's actual, direct, but no consequential, damages therefor and shall be satisfied only out of the interest of Landlord in the Premises as the same may then be encumbered, and Landlord shall not otherwise be liable for any deficiency. The foregoing shall not limit any right that Tenant might have to obtain specific performance of Landlord's obligations hereunder.

ARTICLE 20 : RIGHT OF RE-ENTRY

20.1 **Surrender of Premises**. Upon the expiration or termination of the term of this Lease for whatever cause for any Premises, or upon the exercise by Landlord of its right to re-enter any Premises without terminating this Lease, Tenant shall immediately, quietly and peaceably surrender to Landlord possession of such Premises "broom clean" and in good order, condition and repair, except only for ordinary wear and tear, damage by casualty (subject to ARTICLE 15) and repairs to be made by Landlord under this Lease. If Tenant is in default under this Lease, Landlord shall have a lien on Tenant's personal property, trade fixtures and other property as set forth in Section 38-3-1, et seq., of the Utah Code Ann. (or any replacement provision), subject to any lien waiver or subordination previously executed by Landlord. In addition to the provisions of ARTICLE 12, Tenant may, and Landlord may require Tenant to, remove any personal property, equipment, trade fixtures and other property owned by Tenant. All personal property, trade fixtures and other property of Tenant not removed from any Premises on the abandonment of such Premises or on the expiration of the term of this Lease or sooner termination of this Lease with respect to any Premises for any cause shall conclusively be deemed to have been abandoned and may be appropriated, sold, stored, destroyed or otherwise disposed of by Landlord without notice to, and without any obligation to account to, Tenant or any other person. Tenant shall pay to Landlord all expenses incurred in connection with the disposition of such property in excess of any amount received by Landlord from such disposition. While Tenant remains in possession of any Premises after such expiration with Landlord's prior written consent, Tenant shall be deemed to be occupying such Premises as a month-to-month tenant, subject to all of the obligations of Tenant under this Lease, except that the Monthly Rent shall be one hundred ten percent (110%) of the Monthly Rent in effect

immediately before such expiration, termination or exercise by Landlord. While Tenant remains in possession of any Premises after such expiration, termination or exercise by Landlord of its re-entry right without Landlord's prior written consent, Tenant shall be deemed to be occupying such Premises as a tenant-at-sufferance, subject to all of the obligations of Tenant under this Lease, except that the daily rent shall be twice the per-day rent in effect immediately before such expiration, termination or exercise by Landlord. No such holding over shall extend the Term. If Tenant fails to surrender possession of the Premises in the condition herein required, Landlord may, at Tenant's expense, restore the Premises to such condition.

20.2 **Hazardous Substances**. Except to the extent that Landlord has an obligation to indemnify Tenant pursuant to the provisions of Section 4.3 and except to the extent caused by Landlord or Landlord's employee's agents, or contractors, no spill, deposit, emission, leakage or other release of Hazardous Substance in the soils, groundwaters or waters shall be deemed to result in either wear and tear that would be normal for the term of this Lease or a casualty to the Premises and the provisions of Section 4.3 shall apply to such spill, deposit, emission, leakage, or other release.

ARTICLE 21 : MISCELLANEOUS

21.1 **Entire Agreement**. This instrument along with any exhibits, attachments and addenda hereto constitutes the entire agreement between Landlord and Tenant relative to the Premises and this Lease and the exhibits, attachments, and addenda may be altered, amended or revoked only by an instrument in writing signed by both Landlord and Tenant. All prior or contemporaneous oral agreements between and among Landlord and Tenant and their agents or representatives relative to the leasing of the Premises are merged in or revoked by this Lease.

21.2 **Severability**. If any term or provision of this Lease shall, to any extent, be determined by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Lease shall not be affected thereby, and each term and provision of this Lease shall be valid and enforceable to the fullest extent permitted by law.

21.3 **Costs of Suit**. If Tenant or Landlord shall bring any action for any relief against the other, declaratory or otherwise, arising out of this Lease, including any suit by Landlord for the recovery of rent or possession of any Premises or any part thereof, the losing party shall pay the successful party a reasonable sum for attorney's fees whether or not such action is prosecuted to judgment.

21.4 **Time and Remedies**. Time is of the essence of this Lease and every provision hereof. All rights and remedies of the parties shall be cumulative and nonexclusive of any other remedy at law or in equity.

21.5 **Binding Effect, Successors and Choice of Law**. All time provisions of this Lease are to be construed as both covenants and conditions as though the words importing such covenants and conditions were used in each separate Article of this Lease. Subject to any provisions restricting assignment by Tenant as set forth in Section 7.1, all of the terms hereof shall bind and inure to the benefit of the parties hereto and their respective successors and assigns. This Lease shall be governed by the laws of the State of Utah.

21.6 **Waiver**. No term, covenant or condition of this Lease shall be deemed waived, except by written consent of the party against whom the waiver is claimed, and any waiver of the breach of any term, covenant or condition shall not be deemed to be a waiver of any preceding or succeeding breach of the same or any other term, covenant or condition. Acceptance by Landlord of any performance by Tenant after the time the same shall have become due shall not constitute a waiver by Landlord of the breach or default of any term, covenant or condition unless otherwise expressly agreed to by Landlord in writing.

21.7 **Reasonable Consent**. Except as expressly limited elsewhere in this Lease, wherever in this Lease Landlord or Tenant is required to give consent or approval to any action on the part of the other, such consent or approval shall not be unreasonably withheld, conditioned or delayed. In the event of failure to give any such consent, the other party shall be entitled to specific performance at law and shall have such other remedies as are reserved to such party under this Lease.

21.8 **Notice**. Any notice required to be given under this Lease shall be given in writing and shall be delivered in person or by registered or certified mail, return receipt requested, postage prepaid, and addressed to the addresses for Landlord and Tenant set forth above. Either Landlord or Tenant may change the address at which such party desires to receive notice on written notice of such change to the other party. Any such notice shall be deemed to have been given, and shall be effective, on delivery to the notice address then applicable for the party to which the notice is directed; provided, however, that refusal to accept delivery of a notice or the inability to deliver a notice because of an address change which was not properly communicated shall not defeat or delay the giving of a notice.

21.9 **No Partnership**. Landlord does not, as a result of entering into this Lease, in any way or for any purpose become a partner of Tenant in the conduct of Tenant's business, or otherwise, or joint venturer or a member of a joint enterprise with Tenant.

21.10 **Estoppel Certificates; Financial Statements**. Tenant shall, from time to time and within twenty (20) days of written request from either Landlord or Landlord's Mortgagee, and without compensation or consideration execute and deliver a certificate setting forth the following: (a) a ratification of this Lease; (b) the Commencement Date and expiration date for each Premises; (c) that this Lease is in full force and effect and has not been assigned, modified, supplemented or amended (except by such writing as shall be stated): (d) that this Lease, as modified, supplemented or amended (if such is the case) constitutes the complete agreement between Landlord and Tenant with respect to all Premises and that Tenant does not hold an option to purchase any Premises or any interest therein, (e) that all conditions under this Lease to be performed by Landlord have been satisfied or, in the alternative, those claimed by Tenant to be unsatisfied; (f) that no defenses or offsets exist against the enforcement of this Lease by Landlord or, in the alternative, those claimed by Tenant to exist; (g) whether within the knowledge of Tenant there are any existing breaches or defaults by Landlord hereunder and, if so, stating the defaults with reasonable particularity; (h) the amount of advance Monthly Rent, if any (or none if such is the case), paid by Tenant for any or all of the Premises; (i) the date to which Monthly

Rent has been paid; and (j) such other information as Landlord or Landlord's Mortgagee may reasonably request. Landlord's Mortgagee and purchasers from either Landlord's Mortgagee or Landlord shall be entitled to rely on any estoppel certificate executed by Tenant.

21.11 **Number and Gender; Captions and References**. As the context of this Lease may require, pronouns shall include natural persons and legal entities of every kind and character, the singular number shall include the plural, and the neuter shall include the masculine and the feminine gender. Article headings in this Lease are for convenience of reference only and are not intended, to any extent and for any purpose, to limit or define any Article hereof. Whenever the terms "hereof," "hereby," "herein," "hereunder," or words of similar import are used in this Lease, they shall be construed as referring to this Lease in its entirety rather than to a particular Article or provision, unless the context specifically indicates to the contrary. Any reference to a particular "Article" shall be construed as referring to the indicated Article of this Lease.

21.12 **Brokers**. Tenant and Landlord each hereby warrants and represents to the other that it has not incurred or authorized any brokerage commission, finder's fees or similar payments in connection with this Lease. Each party shall defend, indemnify and hold the other harmless from and against any claim for brokerage commission, finder's fees or similar payment arising by virtue of the authorization of such indemnifying party, or any Affiliate of such party, in connection with this Lease.

21.13 **Authority**. Tenant warrants and represents to Landlord that (a) Tenant is a duly organized and existing legal entity, in good standing in the State of Utah, (b) Tenant has full right and authority to execute, deliver and perform this Lease, and (c) the person executing this Lease on behalf of Tenant was authorized to do so. Landlord warrants and represents to Tenant that (x) Landlord is a duly organized and existing legal entity, in good standing in the State of Utah, (y) Landlord has full right and authority to execute, deliver and perform this Lease, and (z) the person executing this Lease on behalf of Landlord was authorized to do so.

21.14 **Recording**. This Lease (including any addenda or exhibit hereto) shall not be recorded, but one or more notices or memoranda of this Lease, in form and substance reasonably satisfactory to Landlord and Tenant, shall be executed by Landlord and Tenant concurrently with the execution of this Lease, and may be recorded at Tenant's sole cost and expense.

21.15 **Multiple Counterparts; Exhibits.** This Lease may be executed in two or more counterparts, each of which shall be an original, but all of which shall constitute but one instrument. All, schedules, addenda and exhibits hereto are incorporated herein for any and all purposes.

21.16 **Miscellaneous**. No amendment to this Lease shall be binding on Landlord or Tenant unless reduced to writing and signed by both parties. Venue on any action arising out of this Lease shall be proper only in the District Court of Utah County, State of Utah. Landlord and Tenant waive trial by jury in any action, proceeding or counterclaim brought by either of them against the other on all matters arising out of this Lease or the use and occupancy of the Premises.

21.17 **Acknowledgment**. TENANT ACKNOWLEDGES THAT LANDLORD HAS MADE NO WARRANTIES TO TENANT AS TO THE CONDITION OF ANY PREMISES, EITHER EXPRESS OR IMPLIED, AND LANDLORD AND TENANT EXPRESSLY DISCLAIM ANY IMPLIED WARRANTY THAT ANY PREMISES ARE SUITABLE FOR TENANT'S INTENDED COMMERCIAL PURPOSE. THE TAKING OF POSSESSION OF EACH PREMISES BY TENANT SHALL CONCLUSIVELY ESTABLISH THAT SUCH PREMISES, THE TENANT IMPROVEMENTS THEREIN, ANY BUILDINGS AND THE COMMON AREAS WERE AT SUCH TIME COMPLETE AND IN GOOD, SANITARY AND SATISFACTORY CONDITION AND REPAIR WITH ALL WORK REQUIRED TO BE PERFORMED BY LANDLORD, IF ANY, COMPLETED AND WITHOUT ANY OBLIGATION ON LANDLORD'S PART TO MAKE ANY ALTERATIONS, UPGRADES OR IMPROVEMENTS THERETO.

21.18 **Force Majeure**. If either Landlord or Tenant is delayed or hindered in or prevented from the performance of any act required under this Lease by reason of acts of God, strikes, lockouts, other labor troubles, inability to procure labor or materials, fire, accident, failure of power, restrictive governmental laws, ordinances, regulations or requirements of general applicability, riots, civil commotion, insurrection, war or other reason not the fault of the party delayed, hindered or prevented and beyond the control of such party (financial inability excepted), performance of the action in question shall be excused for the period of delay and the period for the performance of such act shall be extended for a period equivalent to the period of such delay.

ARTICLE 22 : RENEWAL

Provided that no Event of Default has occurred and is then continuing beyond any applicable cure period, Tenant shall have the right and option (hereinafter individually a "Renewal Option" and collectively the "Renewal Options") to renew this Lease with respect to each (or any) of the Premises for the terms set forth on Schedule A (hereinafter individually a "Renewal Term" and collectively the "Renewal Terms") under the same terms, conditions and covenants contained in this Lease, except that (a) no abatements or other concessions, if any, applicable to the initial Lease term shall apply to any Renewal Term, (b) the Monthly Rent payable with respect to such Premises for each Lease Year of each Renewal Term (hereinafter the "Renewal Term Monthly Rent") shall be determined as set forth below, (c) Tenant shall have no option to renew this Lease beyond the expiration of the last Renewal Term specified herein, and (d) all leasehold improvements within the Premises shall be provided in their then-existing condition (on an "as is" basis) at the time each Renewal Term commences. Tenant shall be deemed to have exercised each Renewal Option unless Tenant gives Landlord written notice of Tenant's election not to exercise a Renewal Option at least 365 days prior to the date on which the term of the Lease would expire but for the exercise of such Renewal Option. Upon exercise of the Renewal Option with respect to any Premises for the applicable Renewal Term by Tenant and subject to the conditions set forth hereinabove, this Lease

shall be extended with respect to such Premises (only) for the period of such Renewal Term and Landlord and Tenant shall promptly enter into a written agreement modifying and supplementing this Lease in accordance with the provisions hereof. Any termination of this Lease during the initial Lease term or any Renewal Term with respect to any Premises shall terminate all remaining renewal rights hereunder with respect to such Premises. The renewal rights of Tenant hereunder shall not be severable from this Lease. The Renewal Term Monthly Rent shall be determined as follows:

(a) The Renewal Term Monthly Rent payable with respect to the first Lease year of a Renewal Term shall be one hundred two and five-tenths percent (102.5%) of the Monthly Rent payable each month during the Lease Year immediately preceding such Renewal Term; provided, however, that if the initial term with respect to the Premises concerned is five (5) years or more, Landlord or Tenant may each give the other written notice (hereinafter an "Election Notice"), within thirty (30) days of the date on which Tenant is deemed to have exercised the Renewal Option with respect to such Renewal Term, that the Renewal Term Monthly Rent will be determined in accordance with the following provisions of this ARTICLE 22, and if the initial term with respect to the Premises concerned is less than five (5) years, Landlord (but not Tenant) may, within thirty (30) days of the date on which Tenant is deemed to have exercised the Renewal Option with respect to such Renewal Term, give Tenant an Election Notice with respect to such Premises and the Renewal Term Monthly Rent will be determined in accordance with the following provisions of this ARTICLE 22; provided further, however, that neither Landlord nor Tenant shall have the right to give an Election Notice with respect to the first Renewal Term of this Lease with respect to the Premises identified on Schedule A as "NOC."

(b) The Renewal Term Monthly Rent payable with respect to each Lease Year of a Renewal Term other than the first Lease Year of such Renewal Term shall be one hundred two and five-tenths percent (102.5%) of the Renewal Term Monthly Rent payable each month during the immediately preceding Lease Year of such Renewal Term.

If an Election Notice is given with respect to a Renewal Term, the Renewal Term Monthly Rent for the first Lease Year of such Renewal Term shall be determined as set forth in the balance of this ARTICLE 22, and shall be (i) ninety-five percent (95%) of the Fair Market Rental Rate (as defined below) of the Premises concerned for any Premises with an initial Lease term of five (5) years or more, and (ii) seventy-five percent (75%) of the Fair Market Rental Rate of the Premises concerned for any Premises with an initial Lease term of less than five (5) years.

The term "Fair Market Rental Rate" shall mean, with respect to each Premises, the amount that a comparable landlord of comparable premises would accept in current transactions between non-Affiliated parties from renewal and non-equity tenants of comparable credit-worthiness and for a comparable use for a comparable period of time ("Comparable Transactions"). In any determination of Comparable Transactions, appropriate consideration shall be given to the annual rental rates, the extent of Tenant's liability under the Lease, abatement provisions reflecting free rent and/or no rent during the period of construction or subsequent to the commencement date as to the space in question, brokerage commissions, if any, which would be payable by Landlord in similar transactions, length of the lease term, size and location of premises being leased, building standard work letter and/or tenant improvement allowances, if any, and other generally applicable conditions of tenancy for such Comparable Transactions. The intent is that the Fair Market Rental Rate will reflect the same rent and other economic benefits that Landlord would otherwise give in Comparable Transactions and that Landlord will make, and receive the same economic payments and concessions that Landlord would otherwise make, and receive in Comparable Transactions.

The Fair Market Rental Rate shall be determined as follows:

1. Landlord and Tenant shall meet with each other no later than thirty (30) days after the date on which the Election Notice is given exchange sealed envelopes containing their respective proposals of the Fair Market Rental Rate and then open such envelopes in each other's presence. If such proposals are within ten percent (10%) of each other, the average of such proposals shall be the Fair Market Rental Rate. If such proposals are not within ten percent (10%) of each other, and if Landlord and Tenant do not mutually agree upon the Fair Market Rental Rate within ten (10) business days after the exchange and opening of envelopes, then, within twenty (20) business days of the exchange and opening of envelopes Landlord and Tenant shall agree upon and jointly appoint a single arbitrator who shall by profession be a real estate broker who shall have been active over at least the ten (10) year period ending on the date of such appointment in the leasing of comparable properties in the vicinity of the Premises. Neither Landlord nor Tenant shall consult with such broker as to his or her opinion as to Fair Market Rental Rate prior to the appointment. The determination of the arbitrator shall be limited solely to the issue of whether Landlord's or Tenant's submitted Fair Market Rental Rate for the Premises is the closer to the actual Fair Market Rental Rate for the Premises as determined by the arbitrator, taking into account the requirements of this ARTICLE 22. Such arbitrator may hold such hearings and require such briefs as the arbitrator, in his or her sole discretion, determines is necessary. In addition, Landlord or Tenant may submit to the arbitrator with a copy to the other party within five (5) business days after the appointment of the arbitrator any market data and additional information that such party deems relevant to the determination of Fair Market Rental Rate ("FMRR Data") and the other party may submit a reply in writing within five (5) business days after receipt of such FMRR Data.

2. The arbitrator shall, within thirty (30) days of his or her appointment, reach a decision as to whether the parties shall use Landlord's or Tenant's submitted Fair Market Rental Rate, and shall notify Landlord and Tenant of such determination.

3. The decision of the arbitrator shall be binding upon Landlord and Tenant.

4. If Landlord and Tenant fail to agree upon and appoint an arbitrator, then the appointment of the arbitrator shall be made by the Presiding Judge of a court of general jurisdiction having jurisdiction over the parties.

5. The cost of arbitration shall be paid by Landlord and Tenant equally.

LANDLORD AND TENANT have executed this Lease on the respective dates set forth below, to be effective as of the day and year first above written.

LANDLORD:

SCRUB OAK, LLC,
by its Manager:

MAPLE HILLS INVESTMENTS, INC.

By /s/ Brooke B. Roney
Brooke B. Roney
Vice President

Date 1/16/2003

TENANT:

NU SKIN INTERNATIONAL, INC.

By /s/ M. Truman Hunt
M. Truman Hunt
Vice President

Date 1/16/2003

SCHEDULE A
to
MASTER LEASE
[Scrub Oak, LLC]

PREMISES

The Premises, together with their respective Lease term and Monthly Rent are set forth below.

HIGH RISE

1. Commencement Date: July 1, 2001.

2. Expiration Date: June 30, 2011.

3. Term: Ten (10) years.

4. Renewal Terms: Two (2) ten (10) year terms.

5. Monthly Rent:

MONTHS	MONTHLY RENT
1-6	$ 149,210.08
7-18	$ 152,940.34
19-30	$ 156,763.87
31-42	$ 160,682.91

43-54	$ 164,699.97
55-66	$ 168,817.54
67-78	$ 173,038.00
79-90	$ 177,363.85
91-102	$ 181,797.95
103-114	$ 186,342.93
115-120	$ 191,001.53

6. Premises: Landlord has installed certain communications equipment on the Building that is used both by Landlord and by third parties pursuant to licenses from Landlord to such third parties. Tenant acknowledges that such communications equipment is not part of the Premises and Tenant's rights to the Premises shall be subject to the rights of Landlord and any third parties to whom Landlord has granted or hereafter grants a license to install, maintain, repair, and operate communications equipment on the roof of the Building and in conduits located in the interior of the Building so long as such equipment does not interfere with the structural integrity of the Building and the use of such equipment by Landlord and/or such licensees does not unreasonably interfere with Tenant's use of the Building.

7. Permitted Use. General office space, cafeteria, retail store, studio production and related uses.

KRESS BUILDING

1. Commencement Date: July 1, 2001.

2. Expiration Date: June 30, 2011.

3. Term: Ten (10) years.

4. Renewal Terms: Two (2) five (5) year terms.

5. Monthly Rent:

MONTHS	MONTHLY RENT
1-6	$ 22,893.75
7-18	$ 23,466.09
19-30	$ 24,052.76
31-42	$ 24,654.07
43-54	$ 25,270.43
55-60	$ 25,902.18
67-78	$ 26,549.73
79-90	$ 27,213.48
91-102	$ 27,893.80
103-114	$ 28,591.16
115-120	$ 29,305.94

6. Permitted Use. General office, cafeteria, retail store, studio production and related uses.

ANNEX "B"

1. Commencement Date: July 1, 2001.

2. Premises: All of Annex B, except for 4800 sq. ft. of the Bay located at 1070 South 350 East, which is not being leased by Tenant from and after December 31, 2002.

3. Expiration Date: June 30, 2003.

4. Term: Two (2) years.

5. Renewal Terms: Two (2) two (2) year terms.

6. Monthly Rent:

MONTHS	MONTHLY RENT
1-6	$ 2,559.42
7-18	$ 2,623.41
19-24	$ 2,258.75

7. Option to Terminate Lease: Landlord and Tenant shall each have the right to terminate the Lease with respect to Annex "B" upon sixty (60) days' prior written notice to the other.

8. Permitted Use. General warehouse storage, fleet maintenance and related uses.

9. Utilities. In the event utilities for the space not being leased by Tenant cannot be separately metered, Landlord shall reimburse Tenant a portion of such shared utility costs pro rata based on square footage (4800/30000).

10. Taxes/Repairs. Landlord shall reimburse Tenant pro rata for property taxes based on square footage retained by Landlord (4800/30000). Landlord shall be responsible for paying for any and all repairs to the portion of the Premises retained by Landlord.

ANDERSON PROPERTY

1. Commencement Date: July 1, 2001.

2. Expiration Date: June 30, 2003.

3. Term: Two (2) years.

4. Renewal Terms: Two (2) two (2) year terms.

5. Monthly Rent:

MONTHS	MONTHLY RENT
1-6	$ 1,254.24
7-18	$ 1,285.61
19-24	$ 1,317.75

6. Permitted Use. General warehouse and related uses.

PARKING LOT #2

1. Commencement Date: July 1, 2001.

2. Expiration Date: June 30, 2011.

3. Term: Ten (10) years.

4. Renewal Terms: Two (2) ten (10) year terms.

5. Monthly Rent:

MONTHS	MONTHLY RENT
1-6	$ 1,200.42
7-18	$ 1,230.43
19-30	$ 1,261.19
31-42	$ 1,292.72

43-54	$ 1,325.04
55-66	$ 1,358.16
67-78	$ 1,392.12
79-90	$ 1,426.92
91-102	$ 1,462.59
103-114	$ 1,499.16
115-120	$ 1,536.63

6. Permitted Use. Vehicle parking.

DEER VALLEY CONDOMINIUM

1. Commencement Date: July 1, 2001.

2. Expiration Date: June 30, 2006.

3. Term:Five (5) year terms.

4. Renewal Terms: Two (2) five (5) year terms.

5. Monthly Rent:

MONTHS	MONTHLY RENT
1-6	$ 2,500.00
7-18	$ 2,562.50
19-30	$ 2,626.56
31-42	$ 2,692.23
43-54	$ 2,759.53
55-60	$ 2,828.52

6. Permitted Use. Retreat and entertainment facility for employees, directors, guests and invitees of Tenant and their family members.

MASTER LEASE AGREEMENT

[Aspen Country, LLC]

THIS MASTER LEASE AGREEMENT (hereinafter the "Lease") is made and entered into this 16th day of January 2003, to be effective as of the 1st day of July, 2001, by and between ASPEN COUNTRY, LLC, a Utah limited liability company, whose address is 75 West Center Street, Provo, Utah 84601, ATTN: Brooke Roney (hereinafter "Landlord"), and NU SKIN INTERNATIONAL, INC., a Utah corporation, whose address is 75 West Center Street, Provo, Utah 84601 (hereinafter "Tenant").

R E C I T A L S:

A. Landlord presently owns and may hereafter from time to time acquire certain real property.

B. Tenant desires to lease certain real property from Landlord, which property is identified on the attached Schedule A, incorporated by this reference. In addition, Tenant may desire to lease additional real property from Landlord, which additional property shall be identified, from time to time, in the manner set forth in this Lease.

C. Subject to the terms and conditions of this Lease, Landlord is willing to lease the real property identified on Schedule A to Tenant, and Tenant is willing to lease such real property from Landlord.

NOW, THEREFORE, in consideration of the rents, covenants and agreements hereinafter set forth, Landlord and Tenant mutually agree as follows:

ARTICLE 1 : PREMISES AND LEASE TERMS

1.1 **Description of Premises**. Landlord hereby leases and demises to Tenant and Tenant hereby leases from Landlord those certain parcels of real property, together with all buildings and other improvements now or hereafter located thereon (hereinafter collectively "Improvements"), and all privileges, easements, and appurtenances belonging thereto or granted herein, set forth on Schedule A, together with any additional real property that may be described from time to time in an amendment to said Schedule A, executed by, and in form and substance satisfactory to, Landlord and Tenant (collectively, the "Premises").

1.2 **Additional Lease Terms**. In Schedule A, Landlord and Tenant adopted certain additional terms and conditions applicable to only one or more specific Premises specified in Schedule A and not to the other Premises. Furthermore, in any amendment to Schedule A executed by Landlord and Tenant, Landlord and Tenant may adopt additional terms and conditions applicable to a particular Premises and to other Premises, and/or applicable to that Premises but not applicable to any of the other Premises. If there is any conflict between the provisions of this Lease and Schedule A, as the same may be amended from time to time, the provisions of said Schedule A (as amended) shall control.

ARTICLE 2 : TERM COMMENCEMENT

2.1 **Term of Lease**. With respect to each of the Premises, this Lease shall be for the term, and shall commence on the date, specified in Schedule A with respect to such Premises (hereinafter individually the "Commencement Date" and collectively the "Commencement Dates") and shall end on the date specified in Schedule A with respect to such Premises, unless the term is extended or sooner terminated pursuant to the terms, covenants and conditions of this Lease or pursuant to law.

2.2 **Lease Year**. The term "Lease Year" as used in this Lease with respect to any of the Premises shall mean a period of twelve (12) consecutive calendar months during the term of this Lease with respect to such Premises. The first Lease Year with respect to any of the Premises shall begin on the Commencement Date for such Premises if that Commencement Date occurs on the first day of a calendar month; if not, the first Lease Year with respect to such Premises shall begin on the first day of the calendar month next following the Commencement Date for that Premises. Each succeeding Lease Year shall begin at the expiration of the immediately preceding Lease Year.

ARTICLE 3 : MONTHLY RENT

3.1 **Payment of Rent**. As monthly rent for each of the Premises, Tenant shall pay to Landlord, in advance on or before the first day of each calendar month during the term of this Lease, an amount equal to the "Monthly Rent" for such Premises as set forth in Schedule A. Rent shall be paid to Landlord at its address specified below for notices, or to such other person or at such other address as Landlord may from time to time designate in writing. Rent shall be paid without notice, demand, abatement (except as provided in this Lease), deduction or offset in legal tender of the United States of America. If the Commencement Date with respect to any Premises is not on the first day of the month, or if this Lease terminates with respect to any Premises on a day other than the last day of the month, the Monthly Rent for such Premises shall be prorated for such fractional month or months, if any, during which this Lease commences or terminates, at the then current rate.

3.2 **Delinquent Payments and Handling Charge**. All Monthly Rent and other payments required of Tenant hereunder shall bear interest from the date that is ten (10) days after the date due until the date paid at the lesser of (a) the rate announced from time to time by Wells Fargo Bank, or if Wells Fargo Bank ceases to exist or ceases to publish such rate, then the rate announced from time to time by the largest (as measured by deposits) chartered bank operating in Utah, as its "prime rate" or "reference rate," plus five percent (5%) per annum; or (b) the maximum rate permitted by law. In addition to interest, if any such Monthly Rent or other payment is not received within ten (10) days after the date it is due, Tenant shall pay to Landlord a late charge equal to four percent (4%) of the amount of such Monthly Rent or other payment to reimburse Landlord for its cost and inconvenience incurred as a consequence of Tenant's delinquency. In no event, however, shall the charges permitted under this Section 3.2 or elsewhere in this Lease, to the extent the same are considered to be interest under applicable law, exceed the maximum rate of interest allowable under applicable law.

3.3 **Security Deposit**. As of the date of this lease, no security deposit is being required from Tenant with respect to any of the Premises. In accordance with the provisions of this Section 3.3 and Section 7.1 below, however, Landlord may hereafter require a security deposit with respect to some or all of the Premises, which may, at Tenant's election, be made by depositing cash or by posting an irrevocable letter of credit in the form specified below in this Section 3.3. If Tenant deposits a letter of credit with Landlord pursuant to either this Section 3.3 or Section 7.1, the following provisions shall apply to such letter of credit: (a) payment of such letter of credit by the issuer shall be conditioned solely upon submission to the issuer of written demand for payment by Landlord, (b) Tenant shall, at least five (5) business days prior to the expiration of the term of such letter of credit provide Landlord with either a renewal letter of credit (in the form specified in this Section 3.3) or cash in the amount of such letter of credit to be held pursuant to the provisions of this Section 3.3, and (c) if at least five (5) business days prior to the expiration of a letter of credit deposited by Tenant with Landlord Tenant has not provided Landlord with either a replacement letter of credit or cash in accordance with (b) above, Landlord shall have the right to draw down the full amount of such letter of credit and hold the proceeds thereof as a cash deposit in accordance with the provisions of this Section 3.3. If, pursuant to the provisions of either this Section 3.3 or Section 7.1 below a security deposit is required with respect to any of the Premises (hereinafter a "Premises Security Deposit"), the following provisions of this Section 3.3 shall apply. For purposes of this Section 3.3, the term "Security Deposits" shall mean all Premises Security Deposits, taken in the aggregate. Provided that no uncured Tenant default of which Landlord has given Tenant written notice is then existing with respect to the Premises concerned, the Premises Security Deposit applicable to such Premises shall be returned to Tenant (or, at Landlord's option, to the last permitted assignee of Tenant's interest under this Lease) after the expiration of the term applicable to such Premises, or sooner termination of this Lease, and delivery of possession of such Premises to Landlord in accordance with ARTICLE 20. If Landlord's interest in this Lease is conveyed, transferred or assigned, Landlord shall transfer or credit the Security Deposits to Landlord's successor in interest, and Landlord shall be released from any liability for the return of the Security Deposits, provided that such successor in interest assumes all of Landlord's obligations under this Lease. Landlord may intermingle the Security Deposits with Landlord's own funds, and shall not be deemed to be a trustee of the Security Deposit. Tenant shall not be entitled to receive interest with respect to the Security Deposits. If Tenant fails to timely pay or perform any obligation under this Lease, Landlord may, prior to, concurrently with or subsequent to exercising any other right or remedy, use, apply or retain all or any part of the Premises Security Deposit then held by Landlord with respect to the Premises concerned for the payment of any monetary obligation due under this Lease for such Premises, or to compensate Landlord for any other expense, loss or damage which Landlord may incur by reason of Tenant's failure, including any damage or deficiency in the reletting of such Premises. If all or any portion of the Security Deposits is so used, applied or retained, Tenant shall immediately deposit with Landlord cash in an amount sufficient to restore the Security Deposits to the original amount. Landlord may withhold the Premises Security Deposit after the expiration of the term for the Premises concerned or sooner termination of this Lease until Tenant has paid the full Tenant's share of any Impositions or any other amounts payable by Tenant under this Lease, but only with respect to the Premises concerned. The Security Deposits are not a limitation on Landlord's damages or other rights under this Lease, a payment of liquidated damages or prepaid rent, and shall not be applied by Tenant to the rent for the last (or any) month of the term with respect to any Premises, or to any other amount due under this Lease. Tenant agrees that if Blake M. Roney, Brooke B. Roney, Sandra N. Tillotson, Craig S. Tillotson, Steven J. Lund, Craig R. Bryson, and Nedra D. Roney,

either individually or as a group, cease to own or hold (directly or indirectly) more than fifty percent of the voting power of Tenant, Tenant shall within thirty (30) days after written demand by Landlord deposit with Landlord a Premises Security Deposit with respect to each Premises in an amount equal to the then-current Monthly Rent payable with respect to such Premises. Such Security Deposits shall be held by Landlord subject to and in accordance with the provisions of this Section 3.3. Notwithstanding anything to the contrary set forth in this Lease, any Premises Security Deposit may only be used, and shall be returned, in connection with the Premises to which such Premises Security Deposit relates, and may not be used or applied in reference to any other Premises.

ARTICLE 4 : USE OF PREMISES

4.1 **Use**. Each Premises shall be used and occupied by Tenant solely for purposes specified for such Premises in Schedule A and for such other lawful purposes to which Landlord may, from time to time, consent.

4.2 **Prohibited Uses.**

(a) Tenant will not use, occupy or permit the use or occupancy of any of the Premises for any purpose or in any manner which is or may be, directly or indirectly, in violation of any (i) judicial decisions, order, injunctions, writs, statutes, rulings, rules, regulations, promulgations, directives, permits, certificates or ordinances of any governmental authority in any way applicable to Tenant or the Premises, including but not limited to zoning, environmental and utility conservation matters (hereinafter "Legal Requirements"), (ii) covenants, conditions, or restrictions applicable to such Premises and appearing of record in the office of the county recorder of the county in which such Premises are located on or before the date on which such Premises became subject to this Lease, or (iii) insurance requirements.

(b) Tenant shall not keep or permit to be kept any substance in, or conduct or permit to be conducted any operation from, any of the Premises which is not reasonably consistent with the Permitted Use for such Premises and which might emit offensive odors or conditions, or make undue noise or create undue vibrations.

(c) Tenant shall not commit or permit to remain any waste to any of the Premises.

(d) Tenant shall not install or permit to remain any improvements to any of the Premises which exceed the structural loads of floors or walls of any buildings located on such Premises, or adversely affect the mechanical, plumbing or electrical systems of any such buildings, or affect the structural integrity of any such buildings in any way.

(e) Tenant shall not commit or permit to be committed any action or circumstance in or about any of the Premises, nor bring or keep anything therein which, directly or indirectly, would or might cause a cancellation of any insurance policy covering such Premises, nor shall Tenant sell or permit to be kept, used or sold in or about any of the Premises any articles which may be prohibited by a standard

form policy of fire insurance unless Tenant provides additional insurance coverage extending protection to cover all risks associated with those articles.

(f) Tenant shall, at Tenant's sole cost and expense, promptly comply with all Legal Requirements now in force or which may hereafter be in force and with the requirements of any board of fire underwriters or other similar body now or hereafter constituted relating to or affecting the use or occupancy of all of the Premises, excluding such structural changes as do not relate to or affect the use or occupancy of the Premises, or as are not related to or afforded by Tenant's improvements or acts.

4.3 **Hazardous Substances**. Tenant acknowledges that Tenant occupied each of the Premises listed on the original Schedule A to this Lease prior to the Commencement Date for such Premises as set forth on Schedule A. Except with respect to matters arising prior to Tenant's occupancy of the Premises, or matters caused by Landlord or any of Landlord's employees, agents, or contractors, Tenant shall at all times comply with, or cause to be complied with, any "Environmental Law" (as defined below in Section 4.4) governing each of the Premises or the use thereof by Tenant or any of Tenant's employees, agents, contractors, invitees, licensees, customers, or clients, except as permitted in Section 4.5 below, shall not use, store, generate, treat, transport, or dispose of, or permit any of Tenant's employees, agents, contractors, invitees, licensees, customers, or clients to use, store, generate, treat, transport, or dispose of, any "Hazardous Substance" (as defined below in Section 4.4) on any of the Premises without first obtaining Landlord's written approval, shall promptly and completely respond to and clean up any release or presence of any Hazardous Substances upon each of the Premises, except to the extent such release or presence either occurred prior to the date on which Tenant occupied such Premises or was caused by Landlord or any of Landlord's employees, agents, or contractors, and shall pay all costs incurred as a result of the environmental state, condition and quality of each of the Premises, including, but not limited to, the costs of any "Environmental Cleanup Work" (as defined below in Section 4.4) and the preparation of any closure or other required plans, except to the extent such release or presence either occurred prior to the date on which Tenant occupied such Premises or was caused by Landlord or any of Landlord's employees, agents, or contractors, (all of the foregoing obligations of Tenant under this Section 4.3 are hereinafter collectively "Tenant's Environmental Obligations"). Tenant shall indemnify, defend and hold harmless Landlord from and against any and all claims, actions, damages, penalties, fines, liabilities and expenses, including reasonable attorneys' fees, which are directly or indirectly, in whole or in part, caused by or arise out of Tenant's failure to timely perform Tenant's Environmental Obligations. Landlord represents and warrants to Tenant that, as of the date on which Tenant occupied each Premises, no Hazardous Substances were located on such Premises and such Premises were in compliance with all Environmental Laws. Landlord shall indemnify, defend and hold harmless Tenant from and against any and all claims, actions, damages, penalties, fines, liabilities and expenses, including reasonable attorneys' fees, to the extent caused by or arising out of any failure of the foregoing representation and warranty of being true and accurate. Landlord and Tenant shall promptly deliver to the other true and complete copies of all notices, correspondence and requests received by the notifying party from any governmental authority or third parties relating to the presence, release, use, storage, treatment, transportation, or disposal of Hazardous Substances on any of the Premises. Tenant shall permit Landlord and Landlord's agents to enter into and upon each of the Premises, during normal business hours on prior reasonable notice, for the purpose of inspecting the Premises and verifying Tenant's compliance with these covenants. The provisions of this Section 4.3 shall survive the expiration or other termination of this Lease.

4.4 **Environmental Definitions**. As used in this Lease: "Environmental Cleanup Work" shall mean an obligation to perform work, cleanup, removal, repair, remediation, construction, alteration, demolition, renovation or installation in or in connection with the Premises in order to comply with any Environmental Law. "Environmental Law" shall mean any federal, state or local law, regulation, ordinance or order, whether currently existing or hereafter enacted, concerning the environmental state, condition or quality of the Premises or use, generation, transport, treatment, removal, or recovery of Hazardous Substances, including building materials, and including, but not limited to, the following: the Solid Waste Disposal Act as amended by the Resource Conservation and Recovery Act of 1976 (42 U.S.C. Article 6901, et seq.), as amended, and all regulations promulgated thereunder; the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (42 U.S.C. Article 9601, et seq.), as amended, and all regulations promulgated thereunder; the Hazardous Materials Transportation Act (49 U.S.C. Article 1801, et seq.), as amended, and all regulations promulgated thereunder; the Clean Air Act (42 U.S.C. Article 7401, et seq.), as amended, and all regulations promulgated thereunder; the Federal Water Pollution Control Act (33 U.S.C. Article 1251 et seq.), as amended, and all regulations promulgated thereunder; and the Occupational Safety and Health Act (29 U.S.C. Article 651, et seq.), as amended, and all regulations promulgated thereunder. "Hazardous Substance" shall mean (a) "hazardous waste," "hazardous substance," and any other hazardous, radioactive, reactive, flammable or infectious materials, solid wastes, toxic or dangerous substances or materials, or related materials, as defined in, regulated by, or which form the basis of liability now or hereafter under any Environmental Law; (b) asbestos, (c) polychlorinated biphenyls (PCBs); (d) petroleum products or materials; (e) flammable explosives, (f) any substance the presence of which on the Premises is or becomes prohibited by Environmental Law: (g) urea formaldehyde foam insulation; and (h) any substance which under Environmental Law requires special handling or notification in its use, collection, storage, treatment or disposal. Notwithstanding anything to the contrary in this Section 4.4, "Hazardous Substance" shall not include with respect to any Premises (i) supplies for cleaning and maintenance in commercially reasonable amounts required for use in the ordinary course of business, provided such items are incidental to the permitted use of such Premises (as set forth in Section 4.1) and are stored and used in compliance with all Environmental Laws, and (ii) standard office supplies in commercially reasonable amounts required for use in the ordinary course of business, provided such items are incidental to the permitted use of such Premises (as set forth in Section 4.1) and are stored and used in compliance with all Environmental Laws.

4.5 **Permitted Environmentally Sensitive Uses**. Landlord acknowledges that, as set forth on Schedule A, Tenant intends to use one or more of the Premises for fleet maintenance and parking and one or more of the Premises for the development and/or production of vitamins, dietary supplements, and cosmetic products (hereinafter "Permitted Environmental Activities") and that in connection with such Permitted Environmental Activities, Tenant will use, store, generate, treat, transport, and/or dispose of Hazardous Substances on and/or from such Premises. To the extent that either a Permitted Environmental Activity is a permitted use of such Premises (as set forth in Section 4.1) or the use, storage, generation, treatment, transportation and/or disposal of Hazardous Substances is in connection with an activity on such Premises

that is not materially different (in terms of the nature and quantity of Hazardous Substances to be used, stored, generated, treated or disposed on or from such Premises) from a Permitted Environmental

Activity which is a permitted use of such Premises (as set forth in Section 4.1), Landlord consents to the use, storage, generation, treatment, transportation, and/or disposal of Hazardous Substances on and/or from such Premises provided that such use, storage, generation, treatment, transportation or disposal is done in the ordinary course of Tenant's business on such Premises and in accordance with Section 4.3 above and applicable Environmental Laws.

ARTICLE 5 : QUIET ENJOYMENT

Provided Tenant has performed all of Tenant's obligations under this Lease, Landlord hereby covenants with Tenant that Tenant shall peaceably and quietly hold and enjoy the full possession and use of the Premises during the term of this Lease. Landlord shall warrant and forever defend Tenant's right to occupancy of the Premises against the claims of any and all persons whosoever lawfully claim the same or any part thereof, by, through or under Landlord, but not otherwise, subject to the provisions of this Lease.

ARTICLE 6 : IMPOSITIONS

6.1 Payment of Impositions. Tenant shall be solely responsible for and pay prior to delinquency all real estate, personal property, rental, water, sewer, transit, use, occupancy, owners' association and other taxes, assessments, charges, excises and levies (including any interest, cost or penalties with respect thereto, unless such interest, cost or penalties result from Landlord's acts or omissions, but excluding from Tenant's obligation any income, excise, franchise and similar taxes of Landlord), general and special, ordinary and extraordinary, foreseen and unforeseen, of any kind and nature whatsoever which are assessed, levied, charged or imposed upon or with respect to the Premises or any portion thereof, or the sidewalks, streets or alleyways adjacent thereto, or the ownership, use, occupancy or enjoyment thereof, and all charges for any easement, license, permit or agreement maintained for the benefit of the Premises and other governmental charges (collectively "Impositions") accruing or becoming due during the term of this Lease. If the term of this Lease covers only part of the period to which any Impositions relate, such Impositions shall be equitably prorated between Landlord and Tenant.

6.2 **Right to Contest Impositions**. Tenant, at its sole cost, shall have the right to contest, in accordance with the provisions of the laws relating to such contests, any Impositions, and the failure of Tenant to pay any Impositions shall not constitute a default by Tenant so long as Tenant complies with the provisions of this Section 6.2. Prior to initiating any contest or proceeding, Tenant shall give Landlord written notice of such contest or proceeding and shall either pay such Impositions to the applicable authority, deposit with Landlord cash in such amount as Landlord deems to be sufficient, considering the amount of such Impositions, any potential penalties and interest thereon, and any potential expenses that might be incurred by Landlord with respect thereto, or furnish good and sufficient undertakings and sureties designating Landlord as the beneficiary thereof in such amount as Landlord deems to be sufficient, considering the amount of such Impositions, any potential penalties and interest thereon, and any potential expenses that might be incurred by Landlord with respect thereto. Landlord shall not be required to join in any proceeding or contest brought by Tenant unless the provisions of any law require that the proceeding or contest be brought by or in the name of

Landlord or any owner of the Premises. In that case, Landlord shall join in the proceeding or contest or permit such proceeding or contest to be brought in its name as long as Landlord is not required to bear any cost. Tenant, on final determination of the proceeding or contest, shall promptly pay or discharge any decision or judgment rendered, together with all costs, charges, interest and penalties incidental to the decision or judgment and Landlord shall make available to Tenant any funds provided by Tenant pursuant to this Section 6.2 as security for Tenant's performance hereunder

ARTICLE 7 : TRANSFER BY TENANT

7.1 **Prohibition on Transfers**. Without the prior written consent of Landlord, Tenant shall not effect or suffer an assignment (direct or indirect, absolute or conditional, by operation of law or otherwise) by Tenant of all or any portion of Tenant's interest in this Lease or the leasehold estate created hereby. Notwithstanding the foregoing, Tenant may, without the consent of Landlord, (a) sublease all or any portion of the Premises, or (b) assign this Lease to any successor corporation, subsidiary, Affiliate (as defined below) or corporation that acquires all or substantially all of the assets of Tenant, provided that Tenant gives Landlord prior or concurrent written notice of such assignment. No assignment or subletting shall release Tenant from liability for the full and timely performance of all of Tenant's obligations under this Lease without the written consent of Landlord, which consent may be granted or withheld by Landlord in Landlord's sole and absolute discretion. As a condition to any such release, Landlord may require the assignee to deposit with Landlord a security deposit in an amount equal to the then-current Monthly Rent payable with respect to each Premises which is the subject of such assignment. As used in this Lease, "Affiliate" means a person that controls, is controlled by, or is under common control with, another person.

7.2 **Liens**. Without in any way limiting the generality of the foregoing, Tenant shall not grant, place or suffer, or permit to be granted, placed or suffered, against any of the Premises, or any Improvements, or any portion thereof, any lien, security interest, pledge, conditional sale, contract, claim, charge or encumbrance (whether constitutional, statutory, contractual or otherwise) and, if any of the aforesaid does arise or is asserted, Tenant will, promptly upon demand by Landlord and at Tenant's expense, cause the same to be released.

ARTICLE 8 : UTILITIES

Tenant shall be solely responsible for, and pay when due, all charges for water, gas, heat, light, power, telephone, garbage removal, snow removal and other utilities or services used by or supplied to Tenant or to each of the Premises, together with any taxes thereon, during the term of this Lease.

ARTICLE 9 : SUBORDINATION AND ATTORNMENT

9.1 **General**. This Lease, Tenant's leasehold estate created hereby, and all Tenant's rights, titles and interests hereunder and in and to the Premises are subject and subordinate to any Mortgage (as defined below) presently existing or hereafter placed upon all or any of the

Premises or any portion thereof; provided, however, that in the event of foreclosure or the exercise of any other right asserted under the Mortgage by Landlord's Mortgagee (as defined below), or if Landlord's Mortgagee otherwise succeeds to the interest of Landlord under this Lease, this Lease and the rights of Tenant under this Lease shall continue in full force and effect and shall not be terminated or disturbed, except in accordance with the provisions of this Lease, and Landlord's Mortgagee shall recognize Tenant as the tenant under this Lease. Concurrently with the execution and delivery of this Lease, any existing Landlord's Mortgagee shall execute and deliver a nondisturbance agreement in favor of Tenant, consistent with the immediately preceding sentence. However, Landlord and Landlord's Mortgagee may, at any time upon the giving of written notice to Tenant and without any compensation or consideration being payable to Tenant, make this Lease, and the aforesaid leasehold estate and rights, titles and interests, superior to any Mortgage. Upon the written request by Landlord or by Landlord's Mortgagee to Tenant, and within fifteen (15) days of the date of such request, and without any compensation or consideration being payable to Tenant, Tenant shall execute, have acknowledged and deliver a recordable instrument confirming, subject to the above nondisturbance provisions, that this Lease, Tenant's leasehold estate in the Premises and all of Tenant's rights, titles and interest hereunder are subject and subordinate (or, at the election of Landlord or Landlord's Mortgagee, superior) to the Mortgage benefiting Landlord's Mortgagee, which instrument shall be provided subject to the concurrent delivery by Landlord's Mortgagee of a nondisturbance agreement in favor of Tenant and reasonably consistent with the provisions of this ARTICLE 9. As used in this Lease, the term "Landlord's Mortgagee" shall mean the mortgagee of any mortgage, the beneficiary of any deed of trust, the pledgee of any pledge, the secured party of any security interest, the assignee of any assignment and the transferee of any other instrument of transfer (including the ground lessor of any ground lease on any real property in the Premises) now or hereafter in existence on all or any of the Premises or any portion of any of the Premises, and their successors, assigns and purchasers, and "Mortgage" shall mean any such mortgage, deed or trust, pledge, security agreement, assignment or transfer instrument, including all renewals, extensions and rearrangements thereof and of all debts secured thereby.

9.2 **Attornment**. Upon the written request of any person or party succeeding to the interest of Landlord under this Lease, Tenant shall automatically become the tenant of and attorn to such successor in interest without any change in any of the terms of this Lease. No successor in interest shall be (a) bound by any payment of Monthly Rent for more than one month in advance, except payments of security for the performance by Tenant of Tenant's obligations under this Lease (b) subject to any offset, defense or damages arising out of a default or any obligations of any preceding Landlord. Neither Landlord's Mortgagee nor its successor in interest shall be bound by any amendment of this Lease entered into after Tenant has been given written notice of the name and address of Landlord's Mortgagee and without the written consent of Landlord's Mortgagee or such successor in interest. The attornment and mortgagee protection clauses of this Section 9.2 shall be self-operative and no further instruments of attornment or mortgagee protection need be required by any Landlord's Mortgagee or successor in interest thereto. Nevertheless, upon the written request therefor and without any compensation or consideration being payable to Tenant, Tenant agrees to execute, have acknowledged and deliver such instruments as may be requested to confirm the same.

ARTICLE 10: INSURANCE

10.1 **Tenant's Insurance Coverage**. Tenant shall, at all times during the term of this Lease, and at Tenant's own cost and expense, procure and continue in force the following insurance coverage:

(a) Commercial general liability insurance with a combined single limit for bodily injury and property damage of not less than One Million Dollars ($1,000,000) per occurrence and Two Million Dollars ($2,000,000) in the aggregate, including, without limitation, contractual liability coverage for the performance by Tenant of the indemnity agreement set forth in ARTICLE 16.

(b) Insurance covering any buildings and all improvements on each of the Premises, including Tenant's leasehold improvements and personal property in or upon each such Premises in an amount not less than one hundred percent (100%) of full replacement cost, providing protection against any peril generally included within the classification "Fire and Extended Coverage," together with insurance against sprinkler damage, vandalism and malicious mischief and a standard inflation guard endorsement. Tenant hereby assigns to Landlord any and all proceeds payable with respect to such policies except to the extent such proceeds are payable with respect to any property that would remain the property of Tenant upon the termination of this Lease; provided, however, that to the extent required pursuant to the provisions of ARTICLE 15, such proceeds shall be made available to Tenant and applied to the repair and restoration of the Premises with respect to which such proceeds are payable.

(c) Worker's compensation insurance satisfying Tenant's obligations under the worker's compensation laws of the State of Utah.

(d) Such other policy or policies of insurance with respect to each Premises as Landlord may reasonably require in accordance with commercially reasonable practices for premises and in geographical areas similar to such Premises.

Such minimum limits shall in no event limit the liability of Tenant under this Lease. Such liability insurance shall name Landlord, and any other person specified from time to time by Landlord, as an additional insured; such property insurance shall name Landlord as a loss payee as Landlord's interest may appear; and both such liability and property insurance shall be with companies licensed to do business in Utah reasonably acceptable to Landlord. All liability policies maintained by Tenant shall contain a provision that Landlord and any other additional insured, although named as an insured, shall nevertheless be entitled to recover under such policies for any loss sustained by Landlord and Landlord's agents and employees as a result of the acts or omissions of Tenant. Tenant shall furnish Landlord with certificates of coverage. No such policy shall be cancelable or subject to reduction of coverage or other modification except after thirty (30) days' prior written notice to Landlord by the insurer. All such policies shall be written as primary policies, not contributing with and not in excess of the coverage which Landlord may carry, and shall only be subject to such deductibles as are reasonably acceptable to Landlord. Tenant shall, within ten (10) days after the expiration of such policies, furnish Landlord with renewals of, or binders for, such policies. Tenant shall cause all other occupants of the Premises claiming by, through or under Tenant to execute and deliver to Landlord a

waiver of claims similar to the waiver contained in Section 10.2 and to obtain such waiver of subrogation rights endorsements. At Landlord's request, any Landlord's Mortgagee shall be afforded coverage under any policy required to be secured by Tenant under this Lease by use of a mortgagee's endorsement to the policy concerned.

10.2 **Waiver of Subrogation**. Landlord hereby waives all claims, rights of recovery and causes of action that Landlord or any party claiming by, through or under Landlord may now or hereafter have by subrogation or otherwise against Tenant or against any of Tenant's officers, directors, shareholders or employees for any loss or damage that may occur to any of the Premises, Tenant's improvements or any of the contents of any of the foregoing by reason of fire or other casualty, or by reason of any other cause, to the extent that such loss or damage is actually covered by a policy of insurance maintained by Landlord; provided, however, that the waiver set forth in this Section 10.2 shall not apply to any deductibles on insurance policies carried by Landlord or to any coinsurance penalty which Landlord may sustain. Tenant hereby waives all claims, rights of recovery and causes of action that Tenant or any party claiming by, through or under Tenant may now or hereafter have by subrogation or otherwise against Landlord or against any of Landlord's officers, directors, members, shareholders, partners or employees for any loss or damage that may occur to any of the Premises, Tenant's improvements or any of the contents of any of the foregoing by reason of fire or other casualty, or by reason of any other cause, to the extent that such loss or damage either (a) is actually covered by a policy of insurance maintained by Tenant, or (b) would have been covered had Tenant obtained the insurance policies required to be obtained and maintained under Section 10.1. Landlord and Tenant shall cause an endorsement to be issued to their respective insurance policies recognizing this waiver of subrogation.

ARTICLE 11 : MAINTENANCE AND REPAIRS

During the term of this Lease, Tenant shall, at Tenant's sole cost, maintain each of the Premises, including the floor slab, foundation, load-bearing walls, other structural elements and roofs of any buildings, in good order, condition and repair, and in a clean, safe, operable, attractive and sanitary condition which is consistent with the nature and quality of such Premises as compared to other similar properties in the area where such Premises are located. Tenant will not commit or allow to remain any waste or damage to any portion of the Premises. Subject to ARTICLE 15, Tenant shall repair or replace, subject to Landlord's direction and supervision, any damage to any buildings and/or any of the Premises (including the structural components and the roof of any buildings) caused by Tenant or Tenant's agents, contractors or invitees. If Tenant fails to make such repairs or replacements, Landlord may make the same at Tenant's cost. Such cost shall be payable to Landlord by Tenant on demand.

ARTICLE 12 : FIXTURES AND ALTERATIONS

12.1 **Landlord Approval**. Tenant shall not make (or permit to be made) any change, addition or improvement to any of the Premises (including, without limitation, the attachment of any fixture or equipment) unless such change, addition or improvement (a) equals or exceeds the quality of materials used in construction of such Premises and utilizes only new materials, (b) is in conformity with all Legal Requirements as defined in Section 4.2(a), and is made after

obtaining any required permits and licenses, (c) if a "Major Improvement" (hereinafter defined), is made with prior written consent of Landlord pursuant to plans and specifications approved in writing in advance by Landlord and, if reasonably required by Landlord, such plans and specifications are prepared by an architect approved in writing in advance by Landlord, (d) if a Major Improvement, is made after Tenant has provided to Landlord such indemnification, insurance, and/or bonds requested by Landlord, including, without limitation, a performance and completion bond in such form and amount as may be satisfactory to Landlord to protect against claims and liens for labor performed and materials furnished, and to insure the completion of any change, addition or improvement, and (e) if a Major Improvement, is carried out by persons approved in writing by Landlord who, if required by Landlord, deliver to Landlord before commencement of their work proof of such insurance coverage as Landlord may require, with Landlord named as an additional insured. Any request for Landlord's consent to any change, addition or improvement or for Landlord's approval of plans or specifications to which Landlord does not respond within twenty (20) days shall be deemed granted by Landlord. All such alterations, improvements and additions shall become the property of Landlord and, if approved in advance by Landlord (unless approved subject to removal by Tenant) shall, at Tenant's option, either be removed by Tenant, at Tenant's expense, with all damage caused by such removal repaired by Tenant, or be surrendered with such Premises as part thereof at the termination or expiration of the term of this Lease with respect to such Premises, without any payment, reimbursement or compensation therefor. Any such

alterations, improvements and additions that are approved by Landlord subject to removal by Tenant shall be removed by Tenant, at Tenant's expense, with all damage caused by such removal repaired by Tenant, at the termination or expiration of the term of this Lease with respect to such Premises, without any payment, reimbursement or compensation therefor. All such alterations, improvements and additions that pursuant to the provisions of this Section 12.1 do not require the prior approval of Landlord shall, at Landlord's election given by written notice at least sixty (60) days prior to the expiration of this Lease with respect to the Premises concerned, be removed by Tenant, at Tenant's expense, with all damage caused by such removal repaired by Tenant. Within fifteen (15) days after the end of each calendar quarter during the term of the Lease, Tenant shall give Landlord written notice of the completion of any improvements to a Premises completed during the immediately preceding calendar quarter which, pursuant to the provisions of this Section 12.1, did not require the prior consent of Landlord. Such notice shall include a brief description of such improvements and identify the Premises in which such Improvements were made. Tenant may remove Tenant's trade fixtures, office supplies, movable office furniture and equipment, provided such removal is made prior to the expiration of the term of this Lease with respect to such Premises, no uncured Event of Default then exists and Tenant promptly repairs all damage caused by such removal. Tenant shall indemnify, defend and hold harmless Landlord from and against all liens, claims, damages, losses, liabilities and expenses, including attorneys' fees, which may arise out of, or be connected in any way with, any such change, addition or improvement. If Tenant leases or finances any personal property or equipment to be used by Tenant at a Premises, Landlord shall, within a reasonable time after receipt of written request from Tenant, execute and deliver to the lessor of, or lender providing financing for, such personal property or equipment, as applicable, a lien waiver or subordination with respect to such personal property or equipment in a form reasonably acceptable to Landlord. As used in this Section 12.1, the following terms shall have the meanings hereinafter specified: (1) "Building Structure" shall mean with respect to any building the structural portions of such building, including the foundation, floor/ceiling slabs, roof, exterior walls, exterior glass and mullions, columns, beams, shafts (including elevator shafts), and elevator cabs; (2) "Building Systems"

shall mean with respect to any building the mechanical, electrical, life safety, plumbing, and sprinkler systems and HVAC systems (including primary and secondary loops connected to the core) servicing such building; and (3) "Major Improvement" shall mean with respect to each Premises any change, addition or improvement to such Premises if (A) the cost of such change, addition or improvement exceeds $50,000.00, (B) such change, addition or improvement affects either the exterior of any building or any Building Structure located on such Premises, or (C) such change, addition or improvement has a material affect on any Building System of any building located on such Premises.

12.2 **Manner of Construction, Materialmen, Lien Claims**. All construction performed on or with respect to any of the Premises by Tenant shall be performed in a good, workmanlike and first-class manner, in accordance with all applicable permits, authorizations, laws, ordinances, orders, regulations and requirements of all governmental authorities having jurisdiction of such Premises and, to the extent required by Section 12.1, in accordance with plans approved by Landlord. Tenant shall promptly pay all contractors and materialmen, so as to eliminate the possibility of a lien attaching to such Premises or any Improvements, and should any such lien be made or filed by reason of any fault of Tenant, Tenant shall bond against or discharge the same within forty-five (45) days after written request by Landlord. If Tenant fails to bond against or discharge the same within such forty-five (45) day period, Landlord shall have the right, but not the obligation, to pay and discharge any such lien that attached to such Premises and Tenant shall reimburse Landlord for any such sums paid together with interest at the rate specified in Section 3.2 within thirty (30) days after written demand by Landlord.

ARTICLE 13 : ACCESS BY LANDLORD

Landlord, its employees, contractors, agents, and representatives shall have the right (and Landlord, for itself and such persons and firms, hereby reserves the right) to enter each of the Premises during normal business hours and at a time least likely to interrupt Tenant's operations upon advance reasonable notice (not less than 24 hours) (a) to inspect, maintain or repair the Premises, (b) to show the Premises to prospective purchasers of such Premises (and, during the last six (6) months of the term of this Lease with respect to such Premises, to prospective tenants of the Premises), (c) to determine whether Tenant is performing its obligations hereunder and, if it is not, to perform the same at Landlord's option and Tenant's expense in accordance with this Lease following any applicable notice and cure period, or (d) for any other reasonable purpose. In an emergency with respect to any of the Premises, Landlord (and such persons and firms) may use any means to open any door into or on such Premises without any liability therefore (except for repair of any damage caused thereby). Entry into any of the Premises by Landlord or any other person or firm named in the first sentence of this ARTICLE 13 for any purpose permitted herein shall not constitute a trespass or an eviction (constructive or otherwise), or entitle Tenant to any abatement or reduction of Monthly Rent, or constitute grounds for any claim (and Tenant hereby waives any claim) for damages for any injury to or interference with Tenant's business, for loss of occupancy or quiet enjoyment, or for consequential damages, excepting any damage or injury to property or person actually caused by Landlord or any such person or firm.

ARTICLE 14: CONDEMNATION

As used in this Paragraph, the term "Condemnation Proceedings" means any actions or proceedings in which any interest in any Premises (the "Affected Premises") is taken for any public or quasi-public purpose by any lawful authority through exercise of the power of eminent domain or by purchase or other means in lieu of such exercise. If the whole of the Affected Premises is taken through Condemnation Proceedings, this Lease shall automatically terminate as of the date of the taking with respect to the Affected Premises (only). The phrase "as of the date of the taking" means the date of taking actual physical possession by the condemning authority or such earlier date as the condemning authority gives notice that it is deemed to have taken possession. Tenant may terminate this Lease with respect to the Affected Premises if more than twenty-five percent (25%) of the Affected Premises is taken or any portion of the Affected Premises is taken which substantially interferes with Tenant's ability to operate or use the Affected Premises for either the permitted use for such Premises specified in Schedule A or such other use of such Affected Premises for which Landlord has previously given written approval. Any such termination must

be accomplished through written notice given no later than thirty (30) days after, and shall be effective as of, the date of such taking. In all other cases, or if Tenant fails to exercise its right to terminate, this Lease shall remain in effect, and Tenant shall, subject to the availability of adequate condemnation proceeds, promptly repair and restore the Affected Premises as nearly as possible to the nature and character that existed immediately prior to such taking and, to the extent required by Section 12.1, in accordance with plans approved by Landlord. If a portion of the Affected Premises is taken and this Lease is not terminated, the Monthly Rent shall be reduced in the proportion that the area of the Premises taken bears to the total area of the Premises immediately prior to the taking. Whether or not this Lease is terminated as a consequence of Condemnation Proceedings, all damages or compensation awarded for a partial or total taking, including any award for severance damage and any sums compensating for diminution in the value of or deprivation of the leasehold estate under this Lease, shall be the sole and exclusive property of Landlord, provided that Tenant shall be entitled to any award for the loss of, or damage to, Tenant's trade fixtures, loss of business and moving expenses; provided, however, that if (y) this Lease is not terminated as a consequence of Condemnation Proceedings, and (z) Landlord receives an award in such Condemnation Proceedings for the repair and restoration of the Premises, Landlord shall make available to Tenant all or a portion of the award so designated, as necessary, for Tenant to complete its obligations of repair and restoration under this Paragraph. If made, the disbursement of such portion of the award shall be made by Landlord to Tenant in accordance with disbursement procedures typically used by construction lenders in the Provo/Orem, Utah metropolitan area. Tenant shall have no claim against Landlord for the occurrence of any Condemnation Proceedings, or for the termination of this Lease or a reduction in the Premises as a result of any Condemnation Proceedings.

ARTICLE 15 : DAMAGE OR DESTRUCTION

Tenant shall give prompt written notice to Landlord of any casualty of which Tenant is aware to any Premises (the "Damaged Premises"). If the Damaged Premises are totally destroyed, or are partially destroyed but in Tenant's opinion cannot be restored to an economically viable building for either the use for such building specified in Schedule A or such other use of such building for which Landlord has previously given written approval, or if the insurance proceeds actually paid to Tenant as a result of any casualty are, in Tenant's reasonable

opinion inadequate to restore the portion remaining of the Damaged Premises to an economically viable building for such use, Tenant may, at its election exercisable by giving written notice to Landlord within sixty (60) days after the casualty, terminate this Lease with respect to the Damaged Premises as of the date of the casualty or the date Tenant is deprived of possession of such Premises (whichever is later). If this Lease is terminated with respect to the Damaged Premises as a result of a casualty, Tenant shall promptly deliver to Landlord all insurance proceeds received by Tenant under the insurance policy carried by Tenant on the Damaged Premises, net of any insurance proceeds attributable to Tenant's personal property or other property that would be Tenant's property upon termination of the Lease and any costs expended or fees or other charges incurred by Tenant in collecting such proceeds. If this Lease is not terminated as a result of a casualty, subject to the availability of adequate insurance proceeds, Tenant shall restore the Damaged Premises as nearly as possible to the nature and character that existed immediately prior to the occurrence of such casualty and, to the extent required by Section 12.1, in accordance with plans approved by Landlord. Except for Tenant's share of any insurance proceeds received by Landlord and attributed to Tenant's property as provided more fully above, if any, Tenant shall have no claim against Landlord for any loss suffered by reason of any such damage, destruction, repair or restoration. Other than providing Tenant any insurance proceeds attributable to Tenant's property as described above, Landlord shall not be required to repair any damage to or to make any restoration of any furnishings, trade fixtures, leasehold improvements, equipment, merchandise and other personal property installed in the Premises by Tenant or at the direct or indirect expense of Tenant.

ARTICLE 16 : INDEMNITY

16.1 **Tenant's Indemnity.** Except to the extent such obligations are otherwise limited by Section 4.3, Tenant shall defend, indemnify and hold harmless Landlord and Landlord's officers, directors, shareholders, members, partners and employees from and against all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including court costs and reasonable attorneys' fees) resulting from any injuries to or death of any person or damage to any property occurring during the term of this Lease in or about the Premises except to the extent such injury, death or damage is caused by Landlord or Landlord's employees, agents, or contractors.

16.2 **Landlord's Indemnity.** Landlord shall defend, indemnify and hold harmless Tenant and Tenant's officers, directors, shareholders and employees from and against all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including court costs and reasonable attorneys' fees) resulting from any injuries to or death of any person or damage to any property occurring during the term of this Lease in or about the Premises to the extent such injury, death or damage is caused by Landlord or Landlord's employees, agents, or contractors.

ARTICLE 17 : LANDLORD NOT LIABLE

Landlord shall have no liability to Tenant, or to Tenant's officers, directors, shareholders, employees, agents, contractors or invitees, for bodily injury, death, property damage, business interruption, loss of profits, loss of trade secrets or other direct or consequential damages

occasioned by (a) vandalism, theft, burglary and other criminal acts, (b) water leakage, or (c) the repair, replacement, maintenance, damage or destruction of the Premises, unless any of the foregoing are caused by Landlord or Landlord's employees, agents, or contractors.

ARTICLE 18 : DEFAULT AND REMEDIES

18.1 **Default**. The occurrence of any of the following shall constitute a material default and breach of this Lease by Tenant (hereinafter "Event of Default"):

(a) Any failure by Tenant to pay the Monthly Rent payable with respect to any of the Premises or any other monetary sums required to be paid under this Lease, where such failure continues for fifteen (15) days after written notice thereof by Landlord to Tenant;

(b) Any failure by Tenant to observe and perform any other term, covenant or condition of this Lease to be observed or performed, by Tenant, where such failure continues for thirty (30) days after written notice thereof by Landlord to Tenant; provided, however, that if the nature of the default is such that the default cannot reasonably be cured within the thirty (30) day period, Tenant shall not be deemed to be in default if Tenant shall within the thirty (30) day period commence action to cure the default and thereafter diligently prosecute the same to completion;

(c) The filing of a petition by or against Tenant (1) in any bankruptcy or other insolvency proceeding, (2) seeking any relief under the Bankruptcy Code or any similar debtor relief law, (3) for the appointment of a liquidator or receiver for all or substantially all of Tenant's property or for Tenant's interest in this Lease, or (4) to reorganize or modify Tenant's capital structure, unless such petition is dismissed within sixty (60) days after filing; or

(d) The admission by Tenant in writing that it cannot meet its obligations as they become due or the making by Tenant of an assignment for the benefit of its creditors.

18.2 **Nonexclusive Remedies**. Upon any Event of Default, Landlord shall have, in addition to any other remedies provided in this Lease, the following nonexclusive remedies to be applied only with respect to the particular Premises to which the Event of Default relates (the "Default Premises"):

(a) At Landlord's option and without waiving any default by Tenant, Landlord shall have the right to continue this Lease in full force and effect and to collect all Monthly Rent and any other fees to be paid by Tenant under this Lease as and when due. During any period that Tenant is in default, Landlord shall have the right, pursuant to legal proceedings or pursuant to any notice provided for by law, to enter and take possession of (only) the Default Premises, without terminating this Lease, for the purpose of reletting the Default Premises or any part thereof and making any alterations and repairs that may be necessary or desirable in connection with such reletting. Any such reletting or relettings may be for such term or terms (including periods that exceed the

balance of the term of this Lease), and upon such other terms, covenants and conditions as Landlord may in Landlord's reasonable discretion deem advisable. Upon each and any such reletting, the rent or rents received by Landlord from such reletting shall be applied as follows, as the same relate (only) to the Default Premises: (1) to the payment of any amounts (other than Monthly Rent) due hereunder from Tenant to Landlord; (2) to the payment of reasonable costs and expenses of such reletting, including reasonable brokerage fees, attorney's fees, court costs, and costs of any alterations or repairs; (3) to the payment of any Monthly Rent and any other amounts due and unpaid hereunder; and (4) the residue, if any, shall be held by Landlord and applied in payment of future Monthly Rent and any other amounts as they become due and payable hereunder. If the rent or rents received during any month and applied as provided above shall be insufficient to cover all such amounts including the Monthly Rent and any other amounts to be paid by Tenant pursuant to this Lease for such month with respect to the Default Premises, Tenant shall pay to Landlord any deficiency; such deficiencies shall be calculated and paid monthly. No entry or taking possession of all or any of the Default Premises by Landlord shall be construed as an election by Landlord to terminate this Lease with respect to any of the Default Premises, unless Landlord gives written notice of such election to Tenant or unless such termination shall be decreed by a court of competent jurisdiction. Notwithstanding any reletting by Landlord without termination, Landlord may at any time thereafter terminate this Lease with respect to the Default Premises for such previous default by giving written notice thereof to Tenant.

(b) Terminate Tenant's right to possession of the Default Premises by notice to Tenant, in which case this Lease shall terminate with respect to the Default Premises and Tenant shall immediately surrender possession of the Default Premises to Landlord. In such event Landlord shall be entitled to recover from Tenant all damages incurred by Landlord by reason of Tenant's default, including without limitation the following, as the same relate (only) to the Default Premises to the extent permitted by law: (1) all unpaid rent which has been earned at the time of such termination, plus (2) the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that is proved could have been reasonably avoided, plus (3) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform Tenant's obligations under this Lease, or in addition to or in lieu of the foregoing such damages as may be permitted from time to time under applicable law. Upon any such re-entry Landlord shall have the right to make any reasonable repairs, alterations or modifications to the Default Premises, which Landlord in Landlord's reasonable discretion determines are reasonable and necessary.

(c) If an Event of Default specified in Section 18.1 occurs, Landlord may remove and store any property that remains on the Default Premises and, if Tenant does not claim such property within thirty (30) days after Landlord has delivered to Tenant notice of such storage, Landlord may appropriate, sell, destroy or otherwise dispose of the property in question without notice to Tenant or any other person, and without an obligation to account for such property.

18.3 **Payment by Tenant**. Upon any Event of Default, Tenant shall also pay to Landlord all reasonable costs and expenses incurred by Landlord, including court costs and reasonable attorneys' fees, in (a) retaking or otherwise obtaining possession of the Default Premises, (b)

removing and storing Tenant's or another occupant's property, (c) repairing, restoring, altering, remodeling, or otherwise putting all or any of the Default Premises into a condition acceptable to a new tenant or tenants, (d) reletting all or any part of the Default Premises, (e) paying or performing the underlying obligation which Tenant failed to pay or perform, and (f) enforcing any of Landlord's rights, remedies or recourse arising as a consequence of the Event of Default.

18.4 **Reletting**. Upon termination of this Lease with respect to the Default Premises or upon termination of Tenant's right to possession of all or any of the Default Premises, Landlord shall use reasonable efforts to mitigate its damages in accordance with Utah law and relet the Default Premises on such terms and conditions as Landlord in its reasonable discretion may determine (including a term different than the term of this Lease, rental concession, and alterations to and improvements of the Default Premises). Subject to Landlord's obligation to mitigate damages, Landlord shall not be obligated to relet any of the Default Premises before leasing other property owned by Landlord. Landlord shall not be liable for, nor shall Tenant's obligations hereunder be diminished because of, Landlord's failure to relet any of the Default Premises or collect rent due with respect to such reletting provided the Landlord has complied with Landlord's duty to mitigate damages as set forth above. If Landlord relets any of the Default Premises, rent Landlord receives from such reletting shall be applied to the payment of the following, as the same relate (only) to the Default Premises: first, any indebtedness from Tenant to Landlord other than Monthly Rent (if any); second, all costs, including for maintenance and alterations, incurred by Landlord in reletting; and third, Monthly Rent due and unpaid. In no event shall Tenant be entitled to the excess of any rent obtained by reletting over the Monthly Rent herein reserved until all of Tenant's obligations to Landlord have been satisfied

18.5 **Landlord's Right to Pay or Perform**. Upon an Event of Default, Landlord may, but without obligation to do so and without thereby waiving or curing such Event of Default, pay or perform the underlying obligation for the account of Tenant, and enter any Premises and expend any security deposit or other sums paid by Tenant for the purpose of securing faithful performance of Tenant's obligations under this Lease.

18.6 **No Waiver; No Implied Surrender**. Provisions of this Lease may only be waived by the party entitled to the benefit of the provision, and any such waiver shall be in writing. Thus, neither the acceptance of Monthly Rent by Landlord following an Event of Default (whether known to Landlord or not), nor any other custom or practice followed in connection with this Lease, shall constitute a waiver by Landlord of such Event of Default or any other Event of Default. Further, the failure by Landlord to complain of any action or inaction by Tenant, or to assert that any action or inaction by Tenant constitutes (or would constitute, without the giving of notice and the passage of time) an Event of Default, regardless of how long such failure continues, shall not extinguish, waive or in any way diminish the rights, remedies and recourse of Landlord with respect to such action or inaction. No waiver by Landlord of any provision of this Lease or of any breach by Tenant of the same or any other provision hereof shall constitute a waiver of any other provision or any other breach. Landlord's consent to any act by Tenant requiring Landlord's consent shall not be deemed to render unnecessary the obtaining of Landlord's consent to any subsequent act of Tenant. No act or omission by Landlord (other than Landlord's execution of a document acknowledging such surrender) or Landlord's agents, including the delivery of the keys to any Premises, shall constitute an acceptance of a surrender of such Premises.

ARTICLE 19 : DEFAULT BY LANDLORD

Landlord shall not be in default under this Lease, and Tenant shall not be entitled to exercise any right, remedy or recourse against Landlord or otherwise as a consequence of any alleged default by Landlord under this Lease unless Landlord fails to perform any of its obligations hereunder and said failure continues for a period of thirty (30) days after Tenant gives Landlord and (provided that Tenant shall have been given the name and address of Landlord's Mortgagee) Landlord's Mortgagee written notice thereof specifying, with reasonable particularity, the nature of Landlord's failure. If, however, the failure cannot reasonably be cured within the thirty (30) day period, Landlord shall not be in default hereunder if Landlord or Landlord's Mortgagee commences to cure the failure within the thirty (30) days and thereafter pursues the curing of the same diligently to completion. If Tenant recovers a money judgment against Landlord for Landlord's default of its obligations hereunder or otherwise, the judgment shall be limited to Tenant's actual, direct, but no consequential, damages therefor and shall be satisfied only out of the interest of Landlord in the Premises as the same may then be encumbered, and Landlord shall not otherwise be liable for any deficiency. The foregoing shall not limit any right that Tenant might have to obtain specific performance of Landlord's obligations hereunder.

ARTICLE 20 : RIGHT OF RE-ENTRY

20.1 **Surrender of Premises**. Upon the expiration or termination of the term of this Lease for whatever cause for any Premises, or upon the exercise by Landlord of its right to re-enter any Premises without terminating this Lease, Tenant shall immediately, quietly and peaceably surrender to Landlord possession of such Premises "broom clean" and in good order, condition and repair, except only for ordinary wear and tear, damage by casualty (subject to ARTICLE 15) and repairs to be made by Landlord under this Lease. If Tenant is in default under this Lease, Landlord shall have a lien on Tenant's personal property, trade fixtures and other property as set forth in Section 38-3-1, et seq., of the Utah Code Ann. (or any replacement provision), subject to any lien waiver or subordination previously executed by Landlord. In addition to the provisions of ARTICLE 12, Tenant may, and Landlord may require Tenant to, remove any personal property, equipment, trade fixtures and other property owned by Tenant. All personal property, trade fixtures and other property of Tenant not removed from any Premises on the abandonment of such Premises or on the expiration of the term of this Lease or sooner termination of this Lease with respect to any Premises for any cause shall conclusively be deemed to have been abandoned and may be appropriated, sold, stored, destroyed or otherwise disposed of by Landlord without notice to, and without any obligation to account to, Tenant or any other person. Tenant shall pay to Landlord all expenses incurred in connection with the disposition of such property in excess of any amount received by Landlord from such disposition. While Tenant remains in possession of any Premises after such expiration with Landlord's prior written consent, Tenant shall be deemed to be occupying such Premises as a month-to-month tenant, subject to all of the obligations of Tenant under this Lease, except that the Monthly Rent shall be one hundred ten percent (110%) of the Monthly Rent in effect

immediately before such expiration, termination or exercise by Landlord. While Tenant remains in possession of any Premises after such expiration, termination or exercise by Landlord of its re-entry right without Landlord's prior written consent, Tenant shall be deemed to be occupying such Premises as a tenant-at-sufferance, subject to all of the obligations of Tenant under this Lease, except that the daily rent shall be twice the per-day rent in effect immediately before such expiration, termination or exercise by Landlord. No such holding over shall extend the Term. If Tenant fails to surrender possession of the Premises in the condition herein required, Landlord may, at Tenant's expense, restore the Premises to such condition.

20.2 **Hazardous Substances**. Except to the extent that Landlord has an obligation to indemnify Tenant pursuant to the provisions of Section 4.3 and except to the extent caused by Landlord or Landlord's employee's agents, or contractors, no spill, deposit, emission, leakage or other release of Hazardous Substance in the soils, groundwaters or waters shall be deemed to result in either wear and tear that would be normal for the term of this Lease or a casualty to the Premises and the provisions of Section 4.3 shall apply to such spill, deposit, emission, leakage, or other release.

ARTICLE 21 : MISCELLANEOUS

21.1 **Entire Agreement**. This instrument along with any exhibits, attachments and addenda hereto constitutes the entire agreement between Landlord and Tenant relative to the Premises and this Lease and the exhibits, attachments, and addenda may be altered, amended or revoked only by an instrument in writing signed by both Landlord and Tenant. All prior or contemporaneous oral agreements between and among Landlord and Tenant and their agents or representatives relative to the leasing of the Premises are merged in or revoked by this Lease.

21.2 **Severability**. If any term or provision of this Lease shall, to any extent, be determined by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Lease shall not be affected thereby, and each term and provision of this Lease shall be valid and enforceable to the fullest extent permitted by law.

21.3 **Costs of Suit**. If Tenant or Landlord shall bring any action for any relief against the other, declaratory or otherwise, arising out of this Lease, including any suit by Landlord for the recovery of rent or possession of any Premises or any part thereof, the losing party shall pay the successful party a reasonable sum for attorney's fees whether or not such action is prosecuted to judgment.

21.4 **Time and Remedies**. Time is of the essence of this Lease and every provision hereof. All rights and remedies of the parties shall be cumulative and nonexclusive of any other remedy at law or in equity.

21.5 **Binding Effect, Successors and Choice of Law**. All time provisions of this Lease are to be construed as both covenants and conditions as though the words importing such covenants and conditions were used in each separate Article of this Lease. Subject to any provisions restricting assignment by Tenant as set forth in Section 7.1, all of the terms hereof shall bind and inure to the benefit of the parties hereto and their respective successors and assigns. This Lease shall be governed by the laws of the State of Utah.

21.6 **Waiver**. No term, covenant or condition of this Lease shall be deemed waived, except by written consent of the party against whom the waiver is claimed, and any waiver of the breach of any term, covenant or condition shall not be deemed to be a waiver of any preceding or succeeding breach of the same or any other term, covenant or condition. Acceptance by Landlord of any performance by Tenant after the time the same shall have become due shall not constitute a waiver by Landlord of the breach or default of any term, covenant or condition unless otherwise expressly agreed to by Landlord in writing.

21.7 **Reasonable Consent**. Except as expressly limited elsewhere in this Lease, wherever in this Lease Landlord or Tenant is required to give consent or approval to any action on the part of the other, such consent or approval shall not be unreasonably withheld, conditioned or delayed. In the event of failure to give any such consent, the other party shall be entitled to specific performance at law and shall have such other remedies as are reserved to such party under this Lease.

21.8 **Notice**. Any notice required to be given under this Lease shall be given in writing and shall be delivered in person or by registered or certified mail, return receipt requested, postage prepaid, and addressed to the addresses for Landlord and Tenant set forth above. Either Landlord or Tenant may change the address at which such party desires to receive notice on written notice of such change to the other party. Any such notice shall be deemed to have been given, and shall be effective, on delivery to the notice address then applicable for the party to which the notice is directed; provided, however, that refusal to accept delivery of a notice or the inability to deliver a notice because of an address change which was not properly communicated shall not defeat or delay the giving of a notice.

21.9 **No Partnership**. Landlord does not, as a result of entering into this Lease, in any way or for any purpose become a partner of Tenant in the conduct of Tenant's business, or otherwise, or joint venturer or a member of a joint enterprise with Tenant.

21.10 **Estoppel Certificates; Financial Statements**. Tenant shall, from time to time and within twenty (20) days of written request from either Landlord or Landlord's Mortgagee, and without compensation or consideration execute and deliver a certificate setting forth the following: (a) a ratification of this Lease; (b) the Commencement Date and expiration date for each Premises; (c) that this Lease is in full force and effect and has not been assigned, modified, supplemented or amended (except by such writing as shall be stated): (d) that this Lease, as modified, supplemented or amended (if such is the case) constitutes the complete agreement between Landlord and Tenant with respect to all Premises and that Tenant does not hold an option to purchase any Premises or any interest therein, (e) that all conditions under this Lease to be performed by Landlord have been satisfied or, in the alternative, those claimed by Tenant to be unsatisfied; (f) that no defenses or offsets exist against the enforcement of this Lease by Landlord or, in the alternative, those claimed by Tenant to exist; (g) whether within the knowledge of Tenant there are any existing breaches or defaults by Landlord hereunder and, if so, stating the defaults with reasonable particularity; (h) the amount of advance Monthly Rent, if any (or none if such is the case), paid by Tenant for any or all of the Premises; (i) the date to which Monthly

Rent has been paid; and (j) such other information as Landlord or Landlord's Mortgagee may reasonably request. Landlord's Mortgagee and purchasers from either Landlord's Mortgagee or Landlord shall be entitled to rely on any estoppel certificate executed by Tenant.

21.11 **Number and Gender; Captions and References**. As the context of this Lease may require, pronouns shall include natural persons and legal entities of every kind and character, the singular number shall include the plural, and the neuter shall include the masculine and the feminine gender. Article headings in this Lease are for convenience of reference only and are not intended, to any extent and for any purpose, to limit or define any Article hereof. Whenever the terms "hereof," "hereby," "herein," "hereunder," or words of similar import are used in this Lease, they shall be construed as referring to this Lease in its entirety rather than to a particular Article or provision, unless the context specifically indicates to the contrary. Any reference to a particular "Article" shall be construed as referring to the indicated Article of this Lease.

21.12 **Brokers**. Tenant and Landlord each hereby warrants and represents to the other that it has not incurred or authorized any brokerage commission, finder's fees or similar payments in connection with this Lease. Each party shall defend, indemnify and hold the other harmless from and against any claim for brokerage commission, finder's fees or similar payment arising by virtue of the authorization of such indemnifying party, or any Affiliate of such party, in connection with this Lease.

21.13 **Authority**. Tenant warrants and represents to Landlord that (a) Tenant is a duly organized and existing legal entity, in good standing in the State of Utah, (b) Tenant has full right and authority to execute, deliver and perform this Lease, and (c) the person executing this Lease on behalf of Tenant was authorized to do so. Landlord warrants and represents to Tenant that (x) Landlord is a duly organized and existing legal entity, in good standing in the State of Utah, (y) Landlord has full right and authority to execute, deliver and perform this Lease, and (z) the person executing this Lease on behalf of Landlord was authorized to do so.

21.14 **Recording**. This Lease (including any addenda or exhibit hereto) shall not be recorded, but one or more notices or memoranda of this Lease, in form and substance reasonably satisfactory to Landlord and Tenant, shall be executed by Landlord and Tenant concurrently with the execution of this Lease, and may be recorded at Tenant's sole cost and expense.

21.15 **Multiple Counterparts; Exhibits.** This Lease may be executed in two or more counterparts, each of which shall be an original, but all of which shall constitute but one instrument. All, schedules, addenda and exhibits hereto are incorporated herein for any and all purposes.

21.16 **Miscellaneous**. No amendment to this Lease shall be binding on Landlord or Tenant unless reduced to writing and signed by both parties. Venue on any action arising out of this Lease shall be proper only in the District Court of Utah County, State of Utah. Landlord and Tenant waive trial by jury in any action, proceeding or counterclaim brought by either of them against the other on all matters arising out of this Lease or the use and occupancy of the Premises.

21.17 **Acknowledgment**. TENANT ACKNOWLEDGES THAT LANDLORD HAS MADE NO WARRANTIES TO TENANT AS TO THE CONDITION OF ANY PREMISES, EITHER EXPRESS OR IMPLIED, AND LANDLORD AND TENANT EXPRESSLY DISCLAIM ANY IMPLIED WARRANTY THAT ANY PREMISES ARE SUITABLE FOR TENANT'S INTENDED COMMERCIAL PURPOSE. THE TAKING OF POSSESSION OF EACH PREMISES BY TENANT SHALL CONCLUSIVELY ESTABLISH THAT SUCH PREMISES, THE TENANT IMPROVEMENTS THEREIN, ANY BUILDINGS AND THE COMMON AREAS WERE AT SUCH TIME COMPLETE AND IN GOOD, SANITARY AND SATISFACTORY CONDITION AND REPAIR WITH ALL WORK REQUIRED TO BE PERFORMED BY LANDLORD, IF ANY, COMPLETED AND WITHOUT ANY OBLIGATION ON LANDLORD'S PART TO MAKE ANY ALTERATIONS, UPGRADES OR IMPROVEMENTS THERETO.

21.18 **Force Majeure**. If either Landlord or Tenant is delayed or hindered in or prevented from the performance of any act required under this Lease by reason of acts of God, strikes, lockouts, other labor troubles, inability to procure labor or materials, fire, accident, failure of power, restrictive governmental laws, ordinances, regulations or requirements of general applicability, riots, civil commotion, insurrection, war or other reason not the fault of the party delayed, hindered or prevented and beyond the control of such party (financial inability excepted), performance of the action in question shall be excused for the period of delay and the period for the performance of such act shall be extended for a period equivalent to the period of such delay.

ARTICLE 22 : RENEWAL

Provided that no Event of Default has occurred and is then continuing beyond any applicable cure period, Tenant shall have the right and option (hereinafter individually a "Renewal Option" and collectively the "Renewal Options") to renew this Lease with respect to each (or any) of the Premises for the terms set forth on Schedule A (hereinafter individually a "Renewal Term" and collectively the "Renewal Terms") under the same terms, conditions and covenants contained in this Lease, except that (a) no abatements or other concessions, if any, applicable to the initial Lease term shall apply to any Renewal Term, (b) the Monthly Rent payable with respect to such Premises for each Lease Year of each Renewal Term (hereinafter the "Renewal Term Monthly Rent") shall be determined as set forth below, (c) Tenant shall have no option to renew this Lease beyond the expiration of the last Renewal Term specified herein, and (d) all leasehold improvements within the Premises shall be provided in their then-existing condition (on an "as is" basis) at the time each Renewal Term commences. Tenant shall be deemed to have exercised each Renewal Option unless Tenant gives Landlord written notice of Tenant's election not to exercise a Renewal Option at least 365 days prior to the date on which the term of the Lease would expire but for the exercise of such Renewal Option. Upon exercise of the Renewal Option with respect to any Premises for the applicable Renewal Term by Tenant and subject to the conditions set forth hereinabove, this Lease

shall be extended with respect to such Premises (only) for the period of such Renewal Term and Landlord and Tenant shall promptly enter into a written agreement modifying and supplementing this Lease in accordance with the provisions hereof. Any termination of this Lease during the initial Lease term or any Renewal Term with respect to any Premises shall terminate all remaining renewal rights hereunder with respect to such Premises. The renewal rights of Tenant hereunder shall not be severable from this Lease. The Renewal Term Monthly Rent shall be determined as follows:

(a) The Renewal Term Monthly Rent payable with respect to the first Lease year of a Renewal Term shall be one hundred two and five-tenths percent (102.5%) of the Monthly Rent payable each month during the Lease Year immediately preceding such Renewal Term; provided, however, that if the initial term with respect to the Premises concerned is five (5) years or more, Landlord or Tenant may each give the other written notice (hereinafter an "Election Notice"), within thirty (30) days of the date on which Tenant is deemed to have exercised the Renewal Option with respect to such Renewal Term, that the Renewal Term Monthly Rent will be determined in accordance with the following provisions of this ARTICLE 22, and if the initial term with respect to the Premises concerned is less than five (5) years, Landlord (but not Tenant) may, within thirty (30) days of the date on which Tenant is deemed to have exercised the Renewal Option with respect to such Renewal Term, give Tenant an Election Notice with respect to such Premises and the Renewal Term Monthly Rent will be determined in accordance with the following provisions of this ARTICLE 22; provided further, however, that neither Landlord nor Tenant shall have the right to give an Election Notice with respect to the first Renewal Term of this Lease with respect to the Premises identified on Schedule A as "NOC."

(b) The Renewal Term Monthly Rent payable with respect to each Lease Year of a Renewal Term other than the first Lease Year of such Renewal Term shall be one hundred two and five-tenths percent (102.5%) of the Renewal Term Monthly Rent payable each month during the immediately preceding Lease Year of such Renewal Term.

If an Election Notice is given with respect to a Renewal Term, the Renewal Term Monthly Rent for the first Lease Year of such Renewal Term shall be determined as set forth in the balance of this ARTICLE 22, and shall be (i) ninety-five percent (95%) of the Fair Market Rental Rate (as defined below) of the Premises concerned for any Premises with an initial Lease term of five (5) years or more, and (ii) seventy-five percent (75%) of the Fair Market Rental Rate of the Premises concerned for any Premises with an initial Lease term of less than five (5) years.

The term "Fair Market Rental Rate" shall mean, with respect to each Premises, the amount that a comparable landlord of comparable premises would accept in current transactions between non-Affiliated parties from renewal and non-equity tenants of comparable credit-worthiness and for a comparable use for a comparable period of time ("Comparable Transactions"). In any determination of Comparable Transactions, appropriate consideration shall be given to the annual rental rates, the extent of Tenant's liability under the Lease, abatement provisions reflecting free rent and/or no rent during the period of construction or subsequent to the commencement date as to the space in question, brokerage commissions, if any, which would be payable by Landlord in similar transactions, length of the lease term, size and location of premises being leased, building standard work letter and/or tenant improvement allowances, if any, and other generally applicable conditions of tenancy for such Comparable Transactions. The intent is that the Fair Market Rental Rate will reflect the same rent and other economic benefits that Landlord would otherwise give in Comparable Transactions and that Landlord will make, and receive the same economic payments and concessions that Landlord would otherwise make, and receive in Comparable Transactions.

The Fair Market Rental Rate shall be determined as follows:

1. Landlord and Tenant shall meet with each other no later than thirty (30) days after the date on which the Election Notice is given exchange sealed envelopes containing their respective proposals of the Fair Market Rental Rate and then open such envelopes in each other's presence. If such proposals are within ten percent (10%) of each other, the average of such proposals shall be the Fair Market Rental Rate. If such proposals are not within ten percent (10%) of each other, and if Landlord and Tenant do not mutually agree upon the Fair Market Rental Rate within ten (10) business days after the exchange and opening of envelopes, then, within twenty (20) business days of the exchange and opening of envelopes Landlord and Tenant shall agree upon and jointly appoint a single arbitrator who shall by profession be a real estate broker who shall have been active over at least the ten (10) year period ending on the date of such appointment in the leasing of comparable properties in the vicinity of the Premises. Neither Landlord nor Tenant shall consult with such broker as to his or her opinion as to Fair Market Rental Rate prior to the appointment. The determination of the arbitrator shall be limited solely to the issue of whether Landlord's or Tenant's submitted Fair Market Rental Rate for the Premises is the closer to the actual Fair Market Rental Rate for the Premises as determined by the arbitrator, taking into account the requirements of this ARTICLE 22. Such arbitrator may hold such hearings and require such briefs as the arbitrator, in his or her sole discretion, determines is necessary. In addition, Landlord or Tenant may submit to the arbitrator with a copy to the other party within five (5) business days after the appointment of the arbitrator any market data and additional information that such party deems relevant to the determination of Fair Market Rental Rate ("FMRR Data") and the other party may submit a reply in writing within five (5) business days after receipt of such FMRR Data.

2. The arbitrator shall, within thirty (30) days of his or her appointment, reach a decision as to whether the parties shall use Landlord's or Tenant's submitted Fair Market Rental Rate, and shall notify Landlord and Tenant of such determination.

3. The decision of the arbitrator shall be binding upon Landlord and Tenant.

4. If Landlord and Tenant fail to agree upon and appoint an arbitrator, then the appointment of the arbitrator shall be made by the Presiding Judge of a court of general jurisdiction having jurisdiction over the parties.

5. The cost of arbitration shall be paid by Landlord and Tenant equally.

LANDLORD AND TENANT have executed this Lease on the respective dates set forth below, to be effective as of the day and year first above written.

LANDLORD:

ASPEN COUNTRY, LLC,
by its Manager:

MAPLE HILLS INVESTMENTS, INC.

By /s/ Brooke B. Roney
Brooke B. Roney
Vice President

Date 1/16/2003

TENANT:

NU SKIN INTERNATIONAL, INC.

By /s/ M. Truman Hunt
M. Truman Hunt
Vice President

Date 1/16/2003

SCHEDULE A
to
MASTER LEASE
[Aspen Country, LLC]

PREMISES

The Premises, together with their respective Lease term and Monthly Rent are set forth below.

DISTRIBUTION CENTER

1. Commencement Date: July 1, 2001.

2. Expiration Date: June 30, 2011.

3. Term: Ten (10) years. ----

4. Renewal Terms: Two (2) ten (10) year terms.

5. Monthly Rent:

MONTHS	MONTHLY RENT
1-6	$ 70,165.42
7-18	$ 71,919.54
19-30	$ 73,717.43
31-42	$ 73,560.48

43-54	$ 77,449.50
55-66	$ 79,385.67
67-78	$ 81,370.37
79-90	$ 83,404.61
91-102	$ 85,489.76
103-114	$ 87,627.01
115-120	$ 89,817.56

6. Previously Completed Alterations: Tenant has previously installed certain conveyor systems, racking, flow pack systems and structural mezzanines designed specifically for the building (hereinafter “warehouse improvements”). Tenant shall not have the right to remove the warehouse improvements from the Premises without the consent of Landlord and upon the expiration or earlier termination of the Lease, all such warehouse improvements shall become the property of Landlord and shall be deemed to be part of the Premises.

7. Permitted Use. General office space, warehouse, packaging, retail store operations and related uses.

NOC

1. Commencement Date: July 1, 2001.

2. Expiration Date: June 30, 2006.

3. Term: Five (5) years.

4. Renewal Terms: Two (2) five (5) year terms.

5. Monthly Rent:

MONTHS	MONTHLY RENT
1-6	$ 8,121.67
7-18	$ 8,324.70
19-30	$ 8,532.82
31-42	$ 8,746.14
43-54	$ 8,964.80
55-60	$ 9,188.92

6. Permitted Use. General office, computer center, call center, laboratory (for research and development of vitamins, dietary supplements and cosmetic products) and related uses.

ANNEX “A”

1. Commencement Date: July 1, 2001.

2. Expiration Date: June 30, 2003.

3. Term: Two (2) years.

4. Renewal Terms: Two (2) two (2) year terms.

5. Monthly Rent:

MONTHS	MONTHLY RENT
1-6	$ 3,318.75
7-18	$ 3,401.73
19-24	$ 3,486.76

6. Option to Terminate Lease: Landlord and Tenant shall each have the right to terminate the Lease with respect to Annex "A" upon sixty (60) days' prior written notice to the other.

7. Permitted Use. General warehouse storage, fleet maintenance and related uses.

BARLOW LAND

1. Commencement Date: July 1, 2001.

2. Expiration Date: June 30, 2004.

3. Term: Three (3) years.

4. Renewal Terms: Two (2) two (2) year terms.

5. Monthly Rent:

MONTHS	MONTHLY RENT
1-6	$ 400.00
7-18	$ 410.00
19-30	$ 420.25
31-36	$ 430.76

6. Permitted Use. Vehicle parking.

PARKING LOT #1

1. Commencement Date: July 1, 2001.

2. Expiration Date: June 30, 2011.

3. Term: Ten (10) years.

4. Renewal Terms: Two (2) ten (10) year terms.

5. Monthly Rent:

MONTHS	MONTHLY RENT
1-6	$ 2,018.42
7-18	$ 2,068.88
19-30	$ 2,120.60
31-42	$ 2,173.61
43-54	$ 2,227.95
55-66	$ 2,283.65
67-78	$ 2,340.74
79-90	$ 2,399.26
91-102	$ 2,459.24
103-114	$ 2,520.73
115-120	$ 2,583.74

6. Permitted Use. Vehicle parking.

SUNDANCE CABIN

1. Commencement Date: July 1, 2001.

2. Expiration Date: June 30, 2006.

3. Term: Five (5) years.

4. Renewal Terms: Two (2) five (5) year terms.

5. Monthly Rent:

MONTHS	MONTHLY RENT
1-6	$ 4,000.00
7-18	$ 4,100.00
19-30	$ 4,202.50
31-42	$ 4,307.56
43-54	$ 4,415.25
55-60	$ 4,525.63

6. Permitted Use. Retreat and entertainment facility for employees, directors, guests and invitees of Tenant and their family members.

NU SKIN ENTERPRISES, INC.
SECOND AMENDED AND RESTATED 1996 STOCK INCENTIVE PLAN
MASTER
STOCK OPTION AGREEMENT

This Master Stock Option Agreement (the "Agreement") is made effective as of August ___, 200_ (the "Effective Date"), to _____ _____ (the "Optionee") under the Nu Skin Enterprises, Inc. Second Amended and Restated 1996 Stock Incentive Plan (the "Plan") by Nu Skin Enterprises, Inc., a Delaware corporation ("Nu Skin Enterprises"), under authority of the Plan Committee (the "Committee"). Capitalized terms used herein without definition and defined in the Plan have the same meanings as provided in the Plan. For purposes of this Agreement, the term "Company" shall refer collectively to Nu Skin Enterprises and all of its Subsidiaries. The term "Key Employee Covenants" shall mean the Key Employee Covenants executed by the Optionee as they may be amended or replaced from time to time.

1. **MASTER AGREEMENT**. This Agreement is a Master Agreement and the terms of each stock option grant set forth in any Stock Option Schedule hereto shall be deemed to have been granted pursuant to this Agreement and shall be subject to any and all conditions and provisions set forth in this Agreement as it may be amended from time to time. Each Stock Option Schedule shall incorporate all of the terms and conditions of this Agreement and shall contain such other terms and conditions that the Committee shall establish for the grant of options covered by such Stock Option Schedule. In the event of a conflict between the language of this Agreement and any Stock Option Schedule, the language of the Stock Option Schedule shall prevail with respect to that Stock Option Schedule. In order to be effective, the Stock Option Schedule must be executed by a duly authorized executive officer of the Company. No signature of the Optionee shall be required, and the Optionee's acceptance of the Stock Option Schedule shall be deemed to be his or her acceptance of all the terms and conditions set forth therein. Optionee shall be deemed to have accepted the Stock Option Schedule (and all of the terms and conditions set forth therein) unless Optionee provides written notice of his or her rejection of the Stock Option Schedule and all of the Options granted thereunder within 20 days after receipt of the Stock Option Schedule.

2. **OPTION GRANTS**. Each Stock Option Schedule shall set forth the number of options (the "Options") that the Committee has granted to Optionee and the effective date of such grant. Such Options are granted as an incentive to work to increase the value of the Company for its stockholders. Each Option shall entitle the Optionee to purchase, on the terms and conditions of this Agreement, the respective Stock Option Schedule and the Plan, one fully paid and non-assessable share of Class A Common Stock, par value $ .001 per share (the "Class A Common Stock"), of Nu Skin Enterprises at the exercise price set forth in the relevant Stock Option Schedule. The Options are subject to all the terms and conditions of the Plan, the Stock Option Schedule and this Agreement.

3. **NATURE OF OPTION**. Each Stock Option Schedule shall designate whether the options granted thereunder are Nonqualifed Stock Options or Incentive Stock Options.

4. **TERMS AND EXERCISE PERIOD**.

(a) Options awarded under this Agreement may not be exercised at any time until such Options are vested as provided in Section 5 below.

(b) Except as otherwise provided in a Stock Option Schedule or this Agreement, the Options granted hereunder shall terminate on the earlier of (i) the tenth anniversary of the date of the grant of the options as set forth in the Stock Option Schedule, or (ii) the date such Options are fully exercised.

5. **VESTING**. Unless expressly provided otherwise in a Stock Option Schedule, Options granted hereunder shall vest according to the following schedule:

ANNUAL ANNIVERSARY OF EFFECTIVE DATE OF GRANT	VESTED PERCENTAGE
1	25%
2	50%
3	75%
4	100%

6. **TERMINATION OF SERVICE**.

(a) In the event the employment of the Optionee is terminated for any reason, all Options that are not vested at the time of termination of employment shall be terminated and forfeited immediately upon termination of employment.

(b) Subject to Section 7 below, in the event the employment of the Optionee is terminated for any reason other than the death or disability of the Optionee, then any Options granted hereunder that are vested but unexercised at the time of termination of employment shall terminate immediately upon the earliest to occur of the following: (i) the full exercise of the Options, (ii) the expiration of the Options by their terms, or (iii) 90 days following the date of termination of such employment of the Optionee.

(c) Subject to Section 7 below, in the event the employment of the Optionee is terminated as a result of death or disability prior to the termination of the Options, then any Options granted hereunder that are vested but unexercised at the time of death or disability shall terminate immediately upon the earliest to occur of the following: (i) the full exercise of the Options, (ii) the expiration of the Options by their terms, or (iii) one year following the date of death or disability of Optionee. The Options may be exercised, to the extent vested and unexercised at the time of death or disability, as the case may be, by the Optionee, the estate of the Optionee, or the person or persons to whom the Options may have been transferred by will or by the laws of descent and distribution for the period set forth in this Section 6(c).

7. **FORFEITURE**. If at any time during the term of the Options granted pursuant to this Agreement a Forfeiture Event (as defined below) shall occur or be discovered, then all outstanding Options shall immediately terminate in full. If at any time during the Optionee's employment or at any time following Optionee's termination of employment until the later of (i) the twelve-month anniversary of the date Optionee's employment is terminated for any reason, or (ii) the six-month anniversary of the date Optionee exercises Optionee's last remaining Options, a Forfeiture Event occurs, then the Optionee shall pay to the Company an amount equal to the "Option Gain" on any Options exercised during the twelve-month period preceding such Forfeiture Event and any Options exercised following such Forfeiture Event. For purposes hereof, "Option Gain" shall mean the Fair Market Value of a share of the Class A Common Stock on the date of exercise over the Option Price,

multiplied by the number of shares purchased upon exercise of the Options. "Forfeiture Event" means the following: (i) conduct related to the Optionee's employment for which either criminal or civil penalties may be sought, (ii) the commission of an act of fraud or intentional misrepresentation, (iii) embezzlement or misappropriation or conversion of assets or opportunities of the Company, (iv) any breach of the non-competition or non-solicitation provisions of the Key Employee Covenants, (v) disclosing or misusing any confidential or proprietary information of the Company in violation of the Key Employee Covenants, or any other non-disclosure agreement with the Company or other duty of confidentiality or the Company's insider trading policy, (vi)

any other material breach of the Key Employee Covenants, or (vii) any other actions of Optionee that the Committee determines in good faith are harmful to the interests of the Company. The Committee, in its sole discretion, may waive, at any time, in writing this forfeiture provision and release the Optionee from liability hereunder. In addition, the Committee may, in its sole discretion, elect to purchase any shares acquired upon exercise of the Option for the exercise price paid by the Optionee in lieu of enforcing payment of the Option Gain with respect to any shares which have not been sold or otherwise transferred by the Optionee.

8. **STOCK CERTIFICATES**. Within a reasonable time after the exercise of an Option and the satisfaction of the Optionee's obligations hereunder, the Company shall cause to be delivered to the person entitled thereto a certificate for the shares purchased pursuant to the exercise of such Option.

9. **TRANSFERABILITY OF OPTIONS**. This Agreement and the Options granted hereunder shall not be transferable otherwise than by will or by the laws of descent and distribution and shall be exercised, during the lifetime of the Optionee, only by the Optionee.

10. **EXERCISE OF OPTIONS**. Options shall become exercisable at such time, as may be provided herein and shall be exercisable by written notice of such exercise, in the form prescribed by the Committee, to the person designated by the Committee at the corporate offices of Nu Skin Enterprises. The notice shall specify the number of Options that are being exercised. The exercise price shall be payable on the exercise of the Options and shall be paid in cash, in shares of Class A Common Stock, including shares of Class A Common Stock acquired pursuant to the Plan, part in cash and part in shares, or such other manner as may be approved by the Committee consistent with the terms of the Plan as it may be amended from time to time. Shares of Class A Common Stock transferred in payment of the exercise price shall be valued as of the date of transfer based on the Fair Market Value of the Company's Class A Common Stock, which for purposes hereof shall be considered to be the average closing price of the Company's Class A Common Stock as reported on the New York Stock Exchange for the ten trading days just prior to the date of exercise. Only shares of the Company's Class A Common Stock which have been held for at least six months may be used to exercise the Option.

11. **NO RIGHTS AS SHAREHOLDER**. This Agreement shall not entitle the Optionee to any rights as a stockholder of the Company until the date of the issuance of a stock certificate to the Optionee for shares pursuant to the exercise of Options covered hereby.

12. **GOVERNING PLAN DOCUMENT.** This Agreement incorporates by reference all of the terms and conditions of the Plan as presently existing and as hereafter amended. The Optionee expressly acknowledges and agrees that the terms and provisions of this Agreement are subject in all respects to the provisions of the Plan. The Optionee also hereby expressly acknowledges, agrees and represents as follows:

(a) Acknowledges receipt of a copy of the Plan and represents that the Optionee is familiar with the provisions of the Plan, and that the Optionee enters into this Agreement subject to all of the provisions of the Plan.

(b) Recognizes that the Committee has been granted complete authority to administer the Plan in its sole discretion and agrees to accept all decisions related to the Plan and all interpretations of the Plan made by the Committee as final and conclusive upon the Optionee and upon all persons at any time claiming any interest through the Optionee in any Option granted hereunder.

(c) If Optionee is an executive officer, acknowledges and understands that the establishment of the Plan and the existence of this Agreement are not sufficient, in and of themselves, to exempt the Optionee from the requirements of Section 16(b) of the Exchange Act and any rules or regulations promulgated thereunder and that the Optionee (to the extent Section 16(b) applies to

Optionee) shall not be exempt from such requirements pursuant to Rule 16b-3 unless and until the Optionee shall comply with all applicable requirements of Rule 16b-3, including without limitation, the possible requirement that the Optionee must not sell or otherwise dispose of any share of Class A Common Stock acquired upon exercise of an Option unless and until a period of at least six months shall have elapsed between the date upon which such Option was granted to the Optionee and the date upon which the Optionee desires to sell or otherwise dispose of any share of Class A Common Stock acquired upon exercise of such Option.

(d) Acknowledges and understands that the Optionee's use of Class A Common Stock owned by the Optionee to pay the Option Price of an Option could have substantial adverse tax consequences to the Optionee and that the Company recommends the Optionee consult with a knowledgeable tax advisor before paying the Option Price of any Option with Class A Common Stock.

(e) Represents that Optionee has received and carefully read a copy of the Prospectus (as defined below) together with the Company's most recent Annual Report to Stockholders. Optionee hereby acknowledges that he or she is aware of the risks associated with the Options and that there can be no assurance the price of the Class A Common Stock will not decrease in the future or that the Options will ever have any value. Optionee hereby acknowledges no representations or statements have been made to Optionee concerning the value or potential value of the Class A Common Stock. Optionee acknowledges that Optionee has relied only on information contained in the Prospectus and that Optionee has received no representations, written or oral, from the Company or its employees, attorneys or agents, other than those contained in the Prospectus or this Agreement. The Prospectus means those materials bearing a legend that such materials constitute a prospectus under the Securities Act of 1933 and the documents incorporated by reference therein. Optionee acknowledges that the Company has made no representations concerning the tax and other effects of this Option and the exercise thereof, and Optionee represents that Optionee has consulted with Optionee's own tax and other advisors concerning the tax and other effects of the Option and the exercise thereof.

13. **REPRESENTATIONS AND WARRANTIES**. As a condition to the exercise of any Option granted pursuant to the Plan, the Company may require the person exercising such Option to make any representations and warranties to the Company that legal counsel to the Company may determine to be required or advisable under any applicable law or regulation, including without limitation, representations and

warranties that the shares of Class A Common Stock being acquired through the exercise of such Option are being acquired only for investment and without any present intention or view to sell or distribute any such shares.

14. **NO EMPLOYMENT OR SERVICE CONTRACT**. Nothing in this Agreement or in the Plan shall confer upon Optionee any right to continue in the employment or service of the Company for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company, which rights are hereby expressly reserved, to terminate Optionee's employment or service at any time for any reason, with or without cause except as may otherwise be provided pursuant to a separate written employment agreement.

15. **WITHHOLDING OF TAXES**. The Optionee authorizes the Company to withhold, in accordance with applicable laws and regulations, from any compensation or other payment payable to the Optionee, all federal, state and other taxes attributable to taxable income realized by the Optionee as a result of the grant or exercise of any Options. As a condition to the exercise of any Option, Optionee shall remit to the Company the amount of cash necessary to pay any withholding taxes associated therewith or make other arrangements acceptable to the Company, in the Company's sole discretion, for the payment of any withholding taxes.

16. **EFFECTIVE DATE OF GRANT**. Each Option granted pursuant to this Agreement shall be effective as of the date first written above.

17. **COMPLIANCE WITH LAW AND REGULATIONS.** The obligations of the Company hereunder are subject to all applicable federal and state laws and to the rules, regulations and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Class A Common Stock is then listed and any other government or regulatory agency.

18. **SECTION REFERENCES**. The references to Plan sections shall be to the sections as in existence on the date hereof unless an amendment to the Plan specifically provides otherwise.

19. **QUESTIONS**. All questions regarding this Agreement shall be addressed to M. Truman Hunt.

[Intentionally Left Blank]

IN WITNESS WHEREOF, these parties hereby execute this Agreement to be effective as of the Effective Date.

NU SKIN ENTERPRISES, INC., a Delaware corporation

By: /s/Steven J. Lund
Its: Steven J. Lund, President and CEO

_____

Optionee

_____

_____

Optionee's Address

NU SKIN ENTERPRISES, INC.STOCK
OPTION GRANT NOTICE2006
STOCK INCENTIVE PLAN

Nu Skin Enterprises, Inc. ("Company"), pursuant to its 2006 Stock Incentive Plan ("Plan") and the 2006 Stock Incentive Plan Master Stock Option Agreement ("Master Agreement") previously entered into by the parties, hereby grants to the "Optionholder" identified below an option to purchase the number of shares of the Company's common stock ("Shares") set forth below. This option is subject to all of the terms and conditions set forth in this Stock Option Grant Notice (the "Grant Notice"), the Master Agreement and the Plan, all of which are incorporated herein in their entirety. Any capitalized terms not defined herein shall have the meaning provided to such terms in the Plan.

Optionholder:
Date of Grant:
Vesting Commencement Date:
Number of Shares Subject to Option:
Exercise Price (Per Share): US$
Total Exercise Price:
Expiration Date:

Type of Grant [check one]: ☐ Incentive Stock Option(1) ☐ Nonstatutory Stock Option

Exercise Schedule: Same as Vesting Schedule.

Vesting Schedule:

(a) 50% of the Options shall vest at such time as the Company's earnings per share for the previous 12 months (determined on a quarterly basis by the Compensation Committee on the date the Company' files its Quarterly Report on Form 10-Q with the Securities and Exchange Commission or within a reasonable time thereafter) equals or exceeds $1.50 per share.

(b) The remaining 50% of the Options shall vest at such time as the Company's earnings per share for the previous 12 months (determined on a quarterly basis by the Compensation Committee on the date the Company' files its Quarterly Report on Form 10-Q with the Securities and Exchange Commission or within a reasonable time thereafter) equals or exceeds $2.00 per share.

(c) For purposes of the foregoing, "earnings per share" shall mean fully-diluted earnings per share calculated in accordance with generally accepted accounting principles; provided, however, that the following shall be excluded from the calculation of "earnings per share: (A) asset write-downs, (B) litigation or claim judgments or settlements related to claims arising prior to the Date of Grant or claims based, in whole or in part, on events or actions occurring prior to the Date of Grant, (C) accruals for recapitalization, reorganization and restructuring programs, (D) the discontinuation, disposal or acquisition of a business or division, and (E) any other extraordinary items. The Compensation Committee shall review and approve the calculation of "earnings per share," and shall determine, exercising its judgment, the items to be excluded pursuant to the exceptions set forth above, which determination shall be binding on the Company and the Optionholder. The respective vesting dates under (a) and (b) above shall be the date that the Compensation Committee approves the calculation of earnings per share that meet or exceed the performance measures set forth in (a) or (b) above, as the case may be.

In the event any Options have not vested on or prior to the second business day following the filing of the Company's annual report for the year ended December 31, 2012, all unvested options shall immediately terminate.

Payment:
☐ By cash or check
☐ Same day sale program (if permitted by the Board)
☐ Tender of Common Stock (if permitted by the Board)

Additional Terms/Acknowledgements: The undersigned Optionholder acknowledges receipt of, and understands and agrees that his or her Option is subject to this Grant Notice, the Master Agreement and the Plan. Optionholder further acknowledges that as of the Date of Grant, this Grant Notice, the Master Agreement and the Plan set forth the entire understanding between Optionholder and the Company regarding the acquisition of Shares covered by this Grant Notice and supersedes all prior oral and written agreements on that subject with the exception of the agreements, if any, listed below. To the extent that this Grant Notice varies the terms of the Master Agreement, this Grant Notice will prevail only with respect to Options granted pursuant to this Grant Notice.

Other Agreements:

NU SKIN ENTERPRISES, INC.

By:
Signature
Title:
Date:

NU SKIN ENTERPRISES, INC.2006
STOCK INCENTIVE PLAN
MASTER STOCK OPTION AGREEMENT

This Master Stock Option Agreement (the "Master Agreement") is made and entered into effective as of _____ (the "Effective Date") by and between Nu Skin Enterprises, Inc., a Delaware corporation (the "Company"), and _____ subject to the terms and conditions of the Nu Skin Enterprises, Inc. 2006 Stock Incentive Plan (the "Plan"). In the event of a conflict between the terms and conditions of the Plan and the terms and conditions of this Master Agreement, the terms and conditions of the Plan shall prevail. Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Master Agreement.

1. Master Agreement. By executing this Master Agreement, you agree that this Master Agreement shall govern all Options granted to you under the Plan on or after the Effective Date pursuant to a Stock Option Grant Notice ("Grant Notice") that incorporates by reference the terms of this Master Agreement. Each Option grant that is intended to be governed by this Master Agreement shall incorporate all of the terms and conditions of this Master Agreement and shall contain such other terms and conditions as the Committee shall establish for the grant of options covered by such Grant Notice. In the event of a conflict between the language of this Master Agreement and any Grant Notice, the language of the Grant Notice shall prevail with respect to Options granted pursuant to that Grant Notice. In order to be effective, the Grant Notice must be executed by a duly authorized executive officer of the Company. You will not be required to sign each Grant Notice, but you shall be deemed to have accepted the Grant Notice (and all of the terms and conditions set forth therein) unless you provide written notice to the Plan Administrator of your rejection of the Grant Notice and all of the Options granted pursuant to such Grant Notice within 20 days after receipt of the Grant Notice.

2. Grant of Option. The Company grants to you, as of the Date of Grant specified in the Grant Notice, an Option to purchase up to the number of shares of the Company's Common Stock ("Shares") specified in the Grant Notice.

3. Vesting.

(a) Each Option will vest and become exercisable as set forth in the applicable Grant Notice, provided that vesting will cease upon the termination of your Continuous Service, as described in Section 15(h) of this Master Agreement.

(b) Notwithstanding any provision in the Master Agreement to the contrary, if, during the two-year period following a Change of Control, your Continuous Service is terminated other than for Cause, or if you terminate your Continuous Service for "Good Reason," the vesting of each Option governed by this Master Agreement shall be accelerated such that it shall be deemed to be vested in full immediately prior to the termination of your Continuous Service.

For purposes of this Master Agreement:

"Cause" shall have the meaning set forth in the Plan.

"Change of Control" shall have the meaning set forth in the Plan.

"Good Reason" means the occurrence of any of the following, without your express written consent, after the occurrence of a Change of Control:

(i) the assignment to you of any duties inconsistent in any material adverse respect with your position, authority or responsibilities as in effect immediately prior to a Change of Control, or any other material adverse change in such position, including authority or responsibilities;

(ii) any failure by the Company (or any successor company) to continue to provide you with base pay, incentive compensation opportunities, and other material benefits (including, but not limited to, savings plans, defined benefit plans, welfare benefit plans and perquisites) at a level which is, in the aggregate, at least equal to that in effect immediately prior to a Change of Control, but shall not include any reduction in incentive compensation opportunities or other material benefits granted by the Company that are part of an across-the-board reduction of the incentive compensation or other material benefits of employees who are similarly situated with respect to you;

(iii) the Company's (or any successor company's) requiring you to be based at any office or location more than 49 miles from that location at which you performed your services immediately prior to the Change of Control, except for travel reasonably required in the performance of your responsibilities; or

(iv) any failure by the Company or an Affiliate to obtain the commitment of any successor in interest or failure on the part of such successor in interest to perform the obligations to you under this Agreement or any employee-related obligations assumed by the successor in interest in connection with its acquisition of the Company or an Affiliate.

The occurrence of the events or conditions in clauses (i)-(iv) shall not constitute Good Reason unless you provide written notice of the action(s) or omission(s) deemed to constitute Good Reason and the Company (or any successor company) or, if applicable, an Affiliate fails to remedy such action(s) or omission(s) within 30 days after the receipt of such written notice. In no event shall the mere occurrence of a Change of Control, absent any further impact on you, be deemed to constitute Good Reason.

4. Exercise Price. Your Option may be exercised, to the extent vested, prior to the Expiration Date (unless earlier terminated) at the Exercise Price (Per Share) specified in the applicable Grant Notice. The Exercise Price indicated in your Grant Notice may be adjusted from time to time for various adjustments in the Company's equity capital structure, as provided in the Plan.

5. Method of Payment.

(a) Payment of the Exercise Price with respect to the exercised Option is due in full upon exercise of all or any part of your Option. You may elect to make payment of the Exercise Price in cash, by check or pursuant to a program developed under Regulation T as promulgated by the Federal Reserve Board that, prior to the issuance of Common Stock, results in either the receipt of cash (or check) by the Company or the receipt of irrevocable instructions to pay the aggregate Exercise Price to the Company from the sales proceeds. Notwithstanding the terms of the previous sentence, you may not be permitted to exercise your Option pursuant to a program developed under Regulation T

as promulgated by the Federal Reserve Board if such exercise would violate the provisions of Section 402 of the Sarbanes-Oxley Act of 2002.

(b) The Company may permit you to make payment of the Exercise Price, in whole or in part, in Shares having a Fair Market Value equal to the amount of the aggregate Exercise Price or such portion thereof, as applicable; provided, however, that you must satisfy all such requirements as may be imposed by the Board including without limitation that you have held such shares for not less than six months (or such other period as established from time to time by the Board in order to avoid a supplemental charge to earnings for financial accounting purposes).

(c) Where you are permitted to pay the Exercise Price of an Option by delivering Shares, you may, subject to procedures satisfactory to the Board, satisfy such delivery requirement by presenting proof that you are the Beneficial Owner of such Shares, in which case the Company shall treat the as exercised without further payment and shall withhold such number of shares from the Option Shares acquired by the exercise of the Option.

(d) The Company may permit you to make payment of the Exercise Price in any other form of legal consideration that may be acceptable to the Board, in its sole discretion.

6. Whole Shares. You may exercise your Option only for whole Shares.

7. Compliance.

(a) Securities Law Compliance. Notwithstanding anything to the contrary contained herein, you may not exercise your Option unless the Shares issuable upon such exercise are then registered under the Securities Act or, if such Shares are not then so registered, the Company has determined that such exercise and issuance would be exempt from the registration requirements of the Securities Act. The exercise of your Option must also comply with other applicable laws and regulations governing your Option, and you may not exercise your Option if the Company determines that such exercise would not be in material compliance with such laws and regulations.

(b) Plan Compliance. Notwithstanding anything to the contrary contained herein, you may not exercise your Option if the terms of the Plan do not permit the exercise of Options, or if the Company exercises its rights under the Plan to suspend, delay or restrict the exercise of Options.

8. Term. Subject to the provisions of the Plan and this Master Agreement, you may exercise all or any part of the vested portion of an Option at any time prior to the earliest to occur of:

(a) the date on which your Continuous Service is terminated for Cause;

(b) three (3) months after the termination of your Continuous Service for any reason other than for Cause or as a result of your death or Disability;

(c) twelve (12) months after the termination of your Continuous Service due to your Disability;

(d) twelve (12) months after the termination of your Continuous Service due to your death; or

(e) the Expiration Date indicated in the Grant Notice.

Notwithstanding the foregoing, if the exercise of an Option is prevented by the Company within the applicable time periods set forth in Sections 8(b), (c), or (d) for any reason, your Option shall not expire before the date that is thirty (30) days after the date that you are notified by the Company that the Option is again exercisable, but in any event no later than the Expiration Date indicated in your Grant Notice; provided, however, that if the Grant Notice designates your Option as an Incentive Stock Option, and if any such extension causes the term of your Option to exceed the maximum term allowable for Incentive Stock Options, your Option shall cease to be treated as an Incentive Stock Option and instead shall be treated thereafter as a Nonstatutory Stock Option.

9. Exercise Procedures.

(a) Subject to Section 5 and 8 above and other relevant terms and conditions of the Plan and this Master Agreement, you may exercise the vested portion of an Option during its term by delivering a Notice of Exercise (in a form designated by the Company) specifying the number of Shares for which the Option is being exercised, together with the Exercise Price, to the Board or a Committee appointed by the Board, or to such other person as the Company may designate, during regular business hours, together with such additional documents as the Company may then reasonably require.

(b) By exercising an Option you agree that, as a condition to any exercise of an Option, the Company may require you to enter into an arrangement providing for the payment by you to the Company of any tax withholding obligation of the Company (including any Affiliate) arising by reason of (1) the exercise of your Option, or (2) other applicable events (as described in Section 14 of this Master Agreement).

(c) Your participation in the Plan, including vesting in any Options, will cease upon termination of Continuous Service for any reason (unless otherwise provided in the Plan or this Master Agreement); for the purposes of this Master Agreement, in the event of involuntary termination of Continuous Service, the termination shall be effective as of the date stated in the relevant notice of termination and, unless otherwise required by law, will not be extended by any notice period or other period of leave under local law. Subject to applicable law, the Company shall determine the date of termination in its sole discretion.

10. Documents Governing Issued Common Stock. Shares that you acquire upon exercise of an Option are subject to the terms of the Plan, the Company’s bylaws, the Company’s certificate of incorporation, any applicable Master Agreement relating to such Shares, or any other similar

document. You should ensure that you understand your rights and obligations as a stockholder of the Company prior to the time that you exercise an Option.

11. Limitations on Transfer of Options. Options are not transferable, except by will or by the laws of descent and distribution, and is exercisable during your life only by you. Any purported assignment, alienation, pledge, sale, transfer or encumbrance, other than as expressly permitted herein, shall be void and unenforceable against the Company and any Affiliate. Notwithstanding the foregoing, by delivering written notice to the Company, in a form satisfactory to the Company, you may designate a third party who, in the event of your death, shall thereafter be entitled to exercise your Options. In the absence of such designation, your Option shall remain exercisable by your executor or administrator, or the person or persons to whom your rights under this Master Agreement shall pass by will or by the laws of descent and distribution, as the case may be. Any heir or legatee shall take rights herein granted subject to the terms and conditions hereof and in accordance with such requirements as may be established by the Company from time to time.

12. Rights Upon Exercise. You will not have any rights to dividends or other rights of a stockholder with respect to the Shares subject to an Option until you have given written notice of the exercise of the Option, paid the Exercise Price and any applicable taxes for such shares in full, satisfied any other conditions imposed by the Board pursuant to the Plan, if applicable, and become a holder of record of the purchased Shares.

13. Forfeiture of Options and Related Gains.

(a) If at any time during your Continuous Service or following the termination of your Continuous Service until the later of (i) the twelve (12) month anniversary of the termination of your Continuous Service for any reason, and (ii) the six (6) month anniversary of the date you exercise any outstanding Options, a Forfeiture Event occurs, then the Company may, in its sole discretion: (A) direct that you return for cancellation (without the payment of any consideration) any Shares which you hold that were issued to you under the Plan, and/or (B) direct that you pay back, in cash or in shares, or any combination thereof, an amount equal to the gain realized or payment received upon the exercise of any of your Options and/or the sale of any underlying Shares obtained under the Plan (whether or not pursuant to the exercise of Options) during the 12 month period immediately preceding the Forfeiture Event or upon or after the occurrence of any such Forfeiture Event. The Company shall determine the manner of the recovery of any such amounts which may be due and which may include, without limitation, set-off against any amounts which may be owed by the Company or any of its Affiliates to you. For purposes of determining whether a "Forfeiture Event" has occurred, the term "Cause" shall mean the following: (i) conduct related to your employment for which criminal penalties may be sought, (ii) the commission of an act of fraud or intentional misrepresentation, (iii) embezzlement or misappropriation or conversion of assets or opportunities of the Company, (iv) any material breach of the non-competition or non-solicitation provisions of the Key Employee Covenants previously provided to you, (v) any material breach of the confidentiality provisions of the Key Employee Covenants, or any other non-disclosure Master Agreement with the Company or other duty of confidentiality, or (vi) any other material breach of the Key Employee Covenants. The Committee, in its sole discretion, may waive at any time in writing this forfeiture provision and release you from liability hereunder.

(b) If the Company is required to prepare an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, the Compensation Committee may terminate any options granted hereunder or require you to reimburse the Company the amount of any payment or benefit received upon exercise of any option granted hereunder to the extent the Option would not have been earned or accrued after giving effect to the accounting restatement.

14. Responsibility for Taxes and Notice Requirement.

(a) Regardless of any action the Company or, if different, your employer (the "Employer") takes with respect to any or all income tax (including federal, state and other taxes), social insurance, payroll tax or other tax-related withholding ("Tax-Related Items"), you acknowledge that the ultimate liability for all Tax-Related Items legally due by you is and remains your responsibility and that the Company and/or the Employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Options, including the grant of the Options, the vesting of the Options, the exercise of the Options, the subsequent sale of any Shares acquired upon exercise and the receipt of any dividends; and (ii) do not commit to structure the terms of the grant or any aspect of the Options to reduce or eliminate your liability for Tax-Related Items.

(b) You may not exercise an Option unless and until the tax withholding obligations of the Company and/or any Affiliate are satisfied or appropriate arrangements (acceptable to the Company) are made therefor, and you authorize the Company and its Affiliates to take such action as may be necessary to satisfy any such tax withholding obligations.

(c) If permissible under local law and regulations, you authorize the Company and/or the Employer, at their discretion, to satisfy the obligations with respect to Tax-Related Items by one or a combination of the following: (i) selling or arranging for the sale of Shares otherwise deliverable to you upon exercise of the Options; (ii) withholding from your wages or other cash compensation payable to you by the Company or the Employer (whether in cash, securities or other property); (iii) withholding from proceeds of the sale of Shares purchased upon exercise of the Options (including by means of a "same day sale" program developed under Regulation T as promulgated by the Federal Reserve Board to the extent permitted by the Company and applicable law, including, but not limited to, Section 402 of the Sarbanes-Oxley Act of 2002); or (iv) withholding in Shares, provided that the Company only withholds the amount of Shares necessary to satisfy the minimum withholding amount. Finally, you will pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold as a result of your participation in the Plan that cannot be satisfied by the means previously described.

(d) The Company may permit you to make provision for the payment of any tax withholding obligation by delivering shares, or authorizing the Company to withhold shares, of Common Stock having a Fair Market Value equal to the amount of such taxes or a portion thereof, as applicable. Where you are permitted to pay the taxes relating to the exercise of an Option by delivering shares of Common Stock, you may, subject to procedures satisfactory to the Board, satisfy such delivery requirement by presenting proof that you are the Beneficial Owner of such shares of Common Stock, in which case the Company shall treat the taxes as paid without further payment and shall withhold such number of shares from the shares acquired by the exercise of the Option.

(e) The Company may refuse to deliver any of the Shares if you fail to comply with your obligations in connection with the Tax-Related Items described in this Section.

(f) You agree to promptly notify the Company of any disposition of shares issued pursuant to the exercise of an Incentive Stock Option that results in a "disqualifying disposition" for purposes of Section 421 of the Code.

15. Nature of Grant. In accepting the Options and signing this Master Agreement, you acknowledge that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature and may be modified, amended, suspended or terminated by the Company at any time, unless otherwise provided in the Plan;

(b) the grant of the Option is voluntary and occasional and does not create any contractual or other right to receive future awards of options, or benefits in lieu of options even if options have been awarded repeatedly in the past;

(c) nothing in this Master Agreement or in the Plan shall confer upon you any right to continue in the employment or service of the Employer or the Company for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Employer or the Company, which rights are hereby expressly reserved, to terminate your employment or service at any time for any reason, with or without Cause except as may otherwise be provided pursuant to a separate written employment agreement. In addition, nothing in this Master Agreement or the Plan shall obligate the Company or your Employer or any of its Affiliates, their respective stockholders, Boards of Directors, officers or employees to continue any relationship that you might have as a Director or Consultant or otherwise for your Employer or the Company or any of its Affiliates;

(d) all decisions with respect to future grants of Options, if any, will be at the sole discretion of the Company;

(e) your participation in the Plan is voluntary;

(f) the Option is not part of normal or expected compensation or salary for any purpose, including, but not limited to, calculation of any severance, resignation, termination, redundancy, end of service payments, bonuses, long-service awards, pension, welfare or retirement benefits or similar payments;

(g) in consideration of the grant of the Option, no claim or entitlement to compensation or damages arises from termination of the Option or diminution in value of the Option or Shares received upon vesting of the Option resulting from termination of your Continuous Service or other service-providing relationship with the Company or any Affiliate (for any reason whatsoever and whether or not in breach of local labor laws) and you irrevocably release the Company and the Employer from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen, then, by signing this Master Agreement, you shall be deemed irrevocably to have waived your entitlement to pursue such claim;

(h) in the event of the termination of your Continuous Service (whether or not in breach of local labor laws), your right to receive and vest in the Option under the Plan, if any, will terminate effective as of the date that you are no longer actively employed or providing service and will not be extended by any notice period mandated under local law (*e.g.*, active employment or service would not include a period of "garden leave" or similar period pursuant to local law); the Committee shall have the exclusive discretion to determine when you are no longer providing Continuous Service for purposes of the Plan; and

(i) the Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding your participation in the Plan, or your acquisition or sale of the underlying Shares; and

(j) you are hereby advised to consult with your personal tax, legal and financial advisors regarding your participation in the Plan before taking any action related to the Plan.

16. Severability. If any one or more terms, provisions, covenants or restrictions contained herein shall be determined by a court of competent jurisdiction to be invalid, void or unenforceable, then the remainder of the terms, provisions, covenants and restrictions shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

17. Notices. Any notices provided for in this Master Agreement (including the Notice of Exercise required under Section 9 of this Master Agreement) or the Plan shall be given in writing and shall be deemed effectively given upon receipt, or in the case of notices delivered by mail, five (5) days after deposit in the United States mail (or with another delivery service), certified or registered mail, return receipt requested or postage prepaid. Notices from the Company will be provided to you at the last address you provided to the Company and will be deemed effectively given to you at that address.

18. Signature in Counterparts. This Master Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

19. Electronic Delivery. The Company may, in its sole discretion, decide to deliver any documents related to participation in the Plan, Options granted under the Plan or future options that may be granted under the Plan by electronic means or to request your consent to participate in the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and, if requested, to agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

20. Option Subject to Plan Document. By entering into this Master Agreement, you agree and acknowledge that you have received and read a copy of the Plan and this Master Agreement. The Option is subject to the terms and provisions of the Plan, this Master Agreement and the applicable Grant Notice.

21. Choice of Law. The interpretation, performance and enforcement of this Master Agreement shall be governed by the laws of the State of Utah, without regard to principles of conflicts of laws.

IN WITNESS WHEREOF, the parties have executed this Master Agreement to be effective as of the date first indicated above.

Nu Skin Enterprises, Inc.

By: _____
Title: _____
Date:

Employee

Name:

Date:

Address:

NU SKIN ENTERPRISES, INC.
STOCK OPTION GRANT NOTICE
2006 STOCK INCENTIVE PLAN
FOR NON-U.S. EMPLOYEES

Nu Skin Enterprises, Inc. ("Company"), pursuant to its 2006 Stock Incentive Plan ("Plan") and the 2006 Stock Incentive Plan Master Stock Option Agreement, together with the Appendix for your country of residence (if any) (collectively, the "Master Agreement") previously entered into by the parties, hereby grants to the "Optionholder" identified below an option to purchase the number of shares of the Company's common stock ("Shares") set forth below. This option is subject to all of the terms and conditions set forth in this Stock Option Grant Notice (the "Grant Notice"), the Master Agreement and the Plan, all of which are incorporated herein in their entirety. Any capitalized terms not defined herein shall have the meaning provided to such terms in the Plan.

Optionholder:
Date of Grant:
Vesting Commencement Date:
Number of Shares Subject to Option:
Exercise Price (Per Share): US$
Total Exercise Price:
Expiration Date:

Type of Grant: Nonstatutory Stock Option

Exercise Schedule: Same as Vesting Schedule.

Vesting Schedule:

(a) 50% of the Options shall vest at such time as the Company's earnings per share for the previous 12 months (determined on a quarterly basis by the Compensation Committee on the date the Company' files its Quarterly Report on Form 10-Q with the Securities and Exchange Commission or within a reasonable time thereafter) equals or exceeds $1.50 per share.

(b) The remaining 50% of the Options shall vest at such time as the Company's earnings per share for the previous 12 months (determined on a quarterly basis by the Compensation Committee on the date the Company' files its Quarterly Report on Form 10-Q with the Securities and Exchange Commission or within a reasonable time thereafter) equals or exceeds $2.00 per share.

(c) For purposes of the foregoing, "earnings per share" shall mean fully-diluted earnings per share calculated in accordance with generally accepted accounting principles; provided, however, that the following shall be excluded from the calculation of "earnings per share: (A) asset write-downs, (B) litigation or claim judgments or settlements related to claims arising prior to the Date of Grant or claims based, in whole or in part, on events or actions occurring prior to the Date of Grant, (C) accruals for recapitalization, reorganization and restructuring programs, (D) the discontinuation, disposal or acquisition of a business or division, and (E) any other extraordinary items. The Compensation Committee shall review and approve the calculation of "earnings per share," and shall determine, exercising its judgment, the items to be excluded pursuant to the exceptions set forth above, which determination shall be binding on the Company and the Optionholder. The respective vesting dates under (a) and (b) above shall be the date that the Compensation Committee approves the calculation of earnings per share that meet or exceed the performance measures set forth in (a) or (b) above, as the case may be.

In the event any Options have not vested on or prior to the second business day following th filing of the Company's annual report for the year ended December 31, 2012, all unvested options shall immediately terminate.

Payment: ☐ By cash or check
☐ Same day sale program (if permitted by the Board)

Additional Terms/Acknowledgements: The undersigned Optionholder acknowledges receipt of, and understands and agrees that his or her Option is subject to this Grant Notice, the Master Agreement and the Plan. Optionholder further acknowledges that as of the Date of Grant, this Grant Notice, the Master Agreement and the Plan set forth the entire understanding between Optionholder and the Company regarding the acquisition of Shares covered by this Grant Notice and supersedes all prior oral and written agreements on that subject with the exception of the agreements, if any, listed below. To the extent that this Grant Notice varies the terms of the Master Agreement, this Grant Notice will prevail only with respect to Options granted pursuant to this Grant Notice.

Other Agreements:

NU SKIN ENTERPRISES, INC.

By:
Signature
Title:
Date:

NU SKIN ENTERPRISES, INC.
2006 STOCK INCENTIVE PLAN

MASTER STOCK OPTION AGREEMENT
FOR NON-U.S. EMPLOYEES

This Master Stock Option Agreement, together with the Appendix for your country of residence (if any) (collectively, the "Master Agreement"), is made and entered into effective as of _____ (the "Effective Date") by and between Nu Skin Enterprises, Inc., a Delaware corporation (the "Company"), and _____ subject to the terms and conditions of the Nu Skin Enterprises, Inc. 2006 Stock Incentive Plan and any sub-plan for your country of residence (collectively, the "Plan"). In the event of a conflict between the terms and conditions of the Plan and the terms and conditions of this Master Agreement, the terms and conditions of the Plan shall prevail. Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Master Agreement.

1. Master Agreement. By executing this Master Agreement, you agree that this Master Agreement shall govern all Options granted to you under the Plan on or after the Effective Date pursuant to a Stock Option Grant Notice ("Grant Notice") that incorporates by reference the terms of this Master Agreement. Each Option grant that is intended to be governed by this Master Agreement shall incorporate all of the terms and conditions of this Master Agreement and shall contain such other terms and conditions as the Committee shall establish for the grant of options covered by such Grant Notice. In the event of a conflict between the language of this Master Agreement and any Grant Notice, the language of the Grant Notice shall prevail with respect to Options granted pursuant to that Grant Notice. In order to be effective, the Grant Notice must be executed by a duly authorized executive officer of the Company. You will not be required to sign each Grant Notice, but you shall be deemed to have accepted the Grant Notice (and all of the terms and conditions set forth therein) unless you provide written notice to the Plan Administrator of your rejection of the Grant Notice and all of the Options granted pursuant to such Grant Notice within 20 days after receipt of the Grant Notice.

2. Appendix. Notwithstanding any provision in this Master Agreement, the Options shall be subject to any special terms and conditions as set forth in the Appendix for your country of residence, if any.

3. Grant of Option. The Company grants to you, as of the Date of Grant specified in the Grant Notice, an Option to purchase up to the number of shares of the Company's Common Stock ("Shares") specified in the Grant Notice.

4. Vesting.

(a) Each Option will vest and become exercisable as set forth in the applicable Grant Notice, provided that vesting will cease upon the termination of your Continuous Service, as described in Section 16(i) of this Master Agreement.

(b) Notwithstanding any provision in the Master Agreement to the contrary, if, during the two-year period following a Change of Control, your Continuous Service is terminated other than for Cause, or if you terminate your Continuous Service for "Good Reason," the vesting of each Option governed by this Master Agreement shall be accelerated such that it shall be deemed to be vested in full immediately prior to the termination of your Continuous Service.

For purposes of this Master Agreement:

"Cause" shall have the meaning set forth in the Plan.

"Change of Control" shall have the meaning set forth in the Plan.

"Good Reason" means the occurrence of any of the following, without your express written consent, after the occurrence of a Change of Control:

(i) the assignment to you of any duties inconsistent in any material adverse respect with your position, authority or responsibilities as in effect immediately prior to a Change of Control, or any other material adverse change in such position, including authority or responsibilities;

(ii) any failure by the Company (or any successor company) to continue to provide you with base pay, incentive compensation opportunities, and other material benefits (including, but not limited to, savings plans, defined benefit plans, welfare benefit plans and perquisites) at a level which is, in the aggregate, at least equal to that in effect immediately prior to a Change of Control, but shall not include any reduction in incentive compensation opportunities or other material benefits granted by the Company that are part of an across-the-board reduction of the incentive compensation or other material benefits of employees who are similarly situated with respect to you;

(iii) the Company's (or any successor company's) requiring you to be based at any office or location more than 49 miles from that location at which you performed your services immediately prior to the Change of Control, except for travel reasonably required in the performance of your responsibilities; or

(iv) any failure by the Company or an Affiliate to obtain the commitment of any successor in interest or failure on the part of such successor in interest to perform the obligations to you under this Agreement or any employee-related obligations assumed by the successor in interest in connection with its acquisition of the Company or an Affiliate.

The occurrence of the events or conditions in clauses (i)-(iv) shall not constitute Good Reason unless you provide written notice of the action(s) or omission(s) deemed to constitute Good Reason and the Company (or any successor company) or, if applicable, an Affiliate fails to remedy such action(s) or omission(s) within 30 days after the receipt of such written notice. In no event shall the mere occurrence of a Change of Control, absent any further impact on you, be deemed to constitute Good Reason.

5. Exercise Price. Your Option may be exercised, to the extent vested, prior to the Expiration Date (unless earlier terminated) at the Exercise Price (Per Share) specified in the applicable Grant Notice. The Exercise Price indicated in your Grant Notice may be adjusted from time to time for various adjustments in the Company's equity capital structure, as provided in the Plan.

6. Method of Payment.

(a) Payment of the Exercise Price with respect to the exercised Option is due in full upon exercise of all or any part of your Option. You may elect to make payment of the Exercise Price in cash, by check or pursuant to a program developed under Regulation T as promulgated by the Federal Reserve Board that, prior to the issuance of Common Stock, results in either the receipt of cash (or check) by the Company or the receipt of irrevocable instructions to pay the aggregate Exercise Price to the Company from the sales proceeds. Notwithstanding the terms of the previous sentence, you may not be permitted to exercise

your Option pursuant to a program developed under Regulation T as promulgated by the Federal Reserve Board if such exercise would violate the provisions of Section 402 of the Sarbanes-Oxley Act of 2002.

(b) The Company may permit you to make payment of the Exercise Price in any other form of legal consideration that may be acceptable to the Board, in its sole discretion.

7. Whole Shares. You may exercise your Option only for whole Shares.

8. Compliance.

(a) Securities Law Compliance. Notwithstanding anything to the contrary contained herein, you may not exercise your Option unless the Shares issuable upon such exercise are then registered under the Securities Act or, if such Shares are not then so registered, the Company has determined that such exercise and issuance would be exempt from the registration requirements of the Securities Act. The exercise of your Option must also comply with other applicable laws and regulations governing your Option, and you may not exercise your Option if the Company determines that such exercise would not be in material compliance with such laws and regulations.

(b) Plan Compliance. Notwithstanding anything to the contrary contained herein, you may not exercise your Option if the terms of the Plan do not permit the exercise of Options, or if the Company exercises its rights under the Plan to suspend, delay or restrict the exercise of Options.

9. Term. Subject to the provisions of the Plan and this Master Agreement, you may exercise all or any part of the vested portion of an Option at any time prior to the earliest to occur of:

(a) the date on which your Continuous Service is terminated for Cause;

(b) three (3) months after the termination of your Continuous Service for any reason other than for Cause or as a result of your death or Disability;

(c) twelve (12) months after the termination of your Continuous Service due to your Disability;

(d) twelve (12) months after the termination of your Continuous Service due to your death; or

(e) the Expiration Date indicated in the Grant Notice.

Notwithstanding the foregoing, if the exercise of an Option is prevented by the Company within the applicable time periods set forth in Sections 9(b), (c) or (d) for any reason, your Option shall not expire before the date that is thirty (30) days after the date that you (or your legal heirs) are notified by the Company that the Option is again exercisable, but in any event no later than the Expiration Date indicated in your Grant Notice.

10. Exercise Procedures.

(a) Subject to Sections 6 and 9 above and other relevant terms and conditions of the Plan and this Master Agreement, you may exercise the vested portion of an Option during its term by delivering a Notice of Exercise (in a form designated by the Company) specifying the number of Shares for which the Option is being exercised, together with the Exercise Price, to the Board or a Committee appointed by the Board, or to such other person as the Company may designate, during regular business hours, together with such additional documents as the Company may then reasonably require.

(b) By exercising an Option you agree that, as a condition to any exercise of an Option, the Company may require you to enter into an arrangement providing for the payment by you to the Company of any tax withholding obligation of the Company (including any Affiliate) arising by reason of (1) the exercise of your Option, or (2) other applicable events (as described in Section 15 of this Master Agreement).

(c) Your participation in the Plan, including vesting in any Options, will cease upon termination of Continuous Service for any reason, as described in Section 16(i) of this Master Agreement (unless otherwise provided in the Plan or this Master Agreement).

11. Documents Governing Issued Common Stock. Shares that you acquire upon exercise of an Option are subject to the terms of the Plan, the Company's bylaws, the Company's certificate of incorporation, any applicable Master Agreement relating to such Shares, or any other similar document. You should ensure that you understand your rights and obligations as a stockholder of the Company prior to the time that you exercise an Option.

12. Limitations on Transfer of Options. Options are not transferable, except by will or by the laws of descent and distribution, and is exercisable during your life only by you. Any purported assignment, alienation, pledge, sale, transfer or encumbrance, other than as expressly permitted herein, shall be void and unenforceable against the Company and any Affiliate. In the event of your death, your vested Option shall remain exercisable by your executor or administrator, or the person or persons to whom your rights under this Master Agreement shall pass by will or by the laws of descent and distribution, as the case may be. Any heir or legatee shall take rights herein granted subject to the terms and conditions hereof and in accordance with such requirements as may be established by the Company from time to time.

13. Rights Upon Exercise. You will not have any rights to dividends or other rights of a stockholder with respect to the Shares subject to an Option until you have given written notice of the exercise of the Option, paid the Exercise Price and any applicable taxes for such shares in full, satisfied any other conditions imposed by the Board pursuant to the Plan, if applicable, and become a holder of record of the purchased Shares.

14. Forfeiture of Options and Related Gains.

(a) If at any time during your Continuous Service or following the termination of your Continuous Service until the later of (i) the twelve (12) month anniversary of the termination of your Continuous Service for any reason, and (ii) the six (6) month anniversary of the date you exercise any outstanding Options, a Forfeiture Event occurs, then the Company may, in its sole discretion: (A) direct that you return for cancellation (without the payment of any consideration) any Shares which you hold that were issued to you under the Plan, and/or (B) direct that you pay back, in cash or in shares, or any combination thereof, an amount equal to the gain realized or payment received upon the exercise of any of your Options and/or the sale of any underlying

Shares obtained under the Plan (whether or not pursuant to the exercise of Options) during the 12 month period immediately preceding the Forfeiture Event or upon or after the occurrence of any such Forfeiture Event. The Company shall determine the manner of the recovery of any such amounts which may be due and which may include, without limitation, set-off against any amounts which may be owed by the Company or any of its Affiliates to you. For purposes of determining whether a "Forfeiture Event" has occurred, the term "Cause" shall mean the following: (i) conduct related to your employment for which criminal penalties may be sought, (ii) the commission of an act of fraud or intentional misrepresentation, (iii) embezzlement or misappropriation or conversion of assets or opportunities of the Company, (iv) any *material* breach of the non-competition or non-solicitation provisions of the Key Employee Covenants previously provided to you, (v) any material breach of the confidentiality provisions of the Key Employee Covenants, or any other non-disclosure Master Agreement with the Company or other duty of confidentiality, or (vi) any other material breach of the Key Employee Covenants. The Committee, in its sole discretion, may waive at any time in writing this forfeiture provision and release you from liability hereunder.

(b) If the Company is required to prepare an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, the Compensation Committee may terminate any options granted hereunder or require you to reimburse the Company the amount of any payment or benefit received upon exercise of any option granted hereunder to the extent the Option would not have been earned or accrued after giving effect to the accounting restatement.

15. *Responsibility for Taxes and Notice Requirement.*

(a) *Regardless of any action the Company or, if different, your employer (the "Employer") takes with respect to any or all income tax (including federal, state and other taxes), social insurance, payroll tax, payment on account or other tax-related withholding ("Tax-Related Items"), you acknowledge that the ultimate liability for all Tax-Related Items legally due by you is and remains your responsibility and that the Company and/or the Employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Options, including the grant of the Options, the vesting of the Options, the exercise of the Options, the subsequent sale of any Shares acquired upon exercise and the receipt of any dividends; and (ii) do not commit to structure the terms of the grant or any aspect of the Options to reduce or eliminate your liability for Tax-Related Items.*

(b) *You may not exercise an Option unless and until the tax withholding obligations of the Company and/or any Affiliate are satisfied or appropriate arrangements (acceptable to the Company) are made therefor, and you authorize the Company and its Affiliates to take such action as may be necessary to satisfy any such tax withholding obligations.*

(c) *If permissible under local law and regulations, you authorize the Company and/or the Employer, at their discretion, to satisfy the obligations with respect to Tax-Related Items by one or a combination of the following: (i) selling or arranging for the sale of Shares otherwise deliverable to you upon exercise of the Options; (ii) withholding from your wages or other cash compensation payable to you by the Company or the Employer (whether in cash, securities or other property); (iii) withholding from proceeds of the sale of Shares purchased upon exercise of the Options (including by means of a "same day sale" program developed under Regulation T as promulgated by the Federal Reserve Board to the extent permitted by the Company and applicable law, including, but not limited to, Section 402 of the Sarbanes-Oxley Act of 2002); or (iv) withholding in Shares, provided that the Company only withholds the amount of Shares necessary to satisfy the minimum withholding amount. Finally, you will pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold as a result of your* participation in the Plan that cannot be satisfied by the means previously described.

(d) The Company may permit you to make provision for the payment of any tax withholding obligation by authorizing the Company to withhold Shares having a Fair Market Value equal to the amount of such taxes or a portion thereof, as applicable. The Company may refuse to deliver any of the Shares if you fail to comply with your obligations in connection with the Tax-Related Items described in this Section.

16. Nature of Grant. In accepting the Options and signing this Master Agreement, you acknowledge that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature and may be modified, amended, suspended or terminated by the Company at any time, unless otherwise provided in the Plan;

(b) the grant of the Option is voluntary and occasional and does not create any contractual or other right to receive future awards of options, or benefits in lieu of options even if options have been awarded repeatedly in the past;

(c) the Option is an extraordinary item that does not constitute compensation of any kind for services of any kind rendered to the Company or to any Affiliate, and the Option is outside the scope of your employment contract, if any;

(d) nothing in this Master Agreement or in the Plan shall confer upon you any right to continue in the employment or service of the Employer or the Company for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Employer or the Company, which rights are hereby expressly reserved, to terminate your employment or service at any time for any reason, with or without Cause except as may otherwise be provided pursuant to a separate written employment agreement. In addition, nothing in this Master Agreement or the Plan shall obligate the Company or your Employer or any of its Affiliates, their respective stockholders, Boards of Directors, officers or employees to continue any relationship that you might have as a Director or Consultant or otherwise for your Employer or the Company or any of its Affiliates;

(e) all decisions with respect to future grants of Options, if any, will be at the sole discretion of the Company;

(f) your participation in the Plan is voluntary;

(g) the Option is not part of normal or expected compensation or salary for any purpose, including, but not limited to, calculation of any severance, resignation, termination, redundancy, end of service payments, bonuses, long-service awards, pension or welfare or retirement benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for the Company or any Affiliate or the Employer;

(h) in consideration of the grant of the Option, no claim or entitlement to compensation or damages arises from termination of the Option or diminution in value of the Option or Shares received upon vesting of the Option resulting from termination of your Continuous Service or other service-providing relationship with the Company or any Affiliate (for any reason whatsoever and whether or not in breach of local labor laws) and you irrevocably release the Company and the Employer from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen, then, by signing this Master Agreement, you shall be deemed irrevocably to have waived your entitlement to pursue such claim;

(i) in the event of the termination of your Continuous Service (whether or not in breach of local labor laws), your right to receive and vest in the Option under the Plan, if any, will terminate effective as of the date that you are no longer actively employed or providing service and will not be extended by any notice period mandated under local law (*e.g.*, active employment or service would not include a period of "garden leave" or similar period pursuant to local law); furthermore, in the event of termination of employment (whether or not in breach of local labor laws), your right to exercise the Option after termination of employment, if any, will be measured by the date of termination of your active employment and will not be extended by any notice period mandated under local law; the Committee shall have the exclusive discretion to determine when you are no longer actively employed for purposes of the Plan;

(j) the Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding your participation in the Plan, or your acquisition or sale of the underlying Shares; and

(k) you are hereby advised to consult with your own personal tax, legal and financial advisors regarding your participation in the Plan before taking any action related to the Plan.

17. Data Privacy Notice and Consent. ***You hereby explicitly and unambiguously consent to the collection, use and transfer, in electronic or other form, of your personal data as described in this Master Agreement by and among, as applicable, the Employer, the Company, and its Affiliates for the exclusive purpose of implementing, administering and managing your participation in the Plan.***

You understand that the Company and the Employer may hold certain personal information about you, including, but not limited to, your name,

home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all Options or any other entitlement to Shares awarded, canceled, vested, unvested or outstanding in your favor, for the purpose of implementing, administering and managing the Plan ("Data").

You understand that Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan,

that these recipients may be located in your country, or elsewhere, and that the recipient's country may have different data privacy laws and protections than your country. You understand that you may request a list with the names and addresses of any potential recipients of the Data by contacting your local human resources representative. You authorize the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing your participation in the Plan, including any requisite transfer of such Data as may be required to a broker, escrow agent or other third party with whom the Shares received upon exercise of the Option may be deposited. You understand that Data will be held only as long as is necessary to implement, administer and manage your participation in the Plan. You understand that you may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing your local human resources representative. You understand, however, that refusal or withdrawal of consent may affect your ability to participate in the Plan. For more information on the consequences of your refusal to consent or withdrawal of consent, you understand that you may contact your local human resources representative.

18. Severability. If any one or more terms, provisions, covenants or restrictions contained herein shall be determined by a court of competent jurisdiction to be invalid, void or unenforceable, then the remainder of the terms, provisions, covenants and restrictions shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

19. Notices. Any notices provided for in this Master Agreement (including the Notice of Exercise required under Section 10 of this Master Agreement) or the Plan shall be given in writing and shall be deemed effectively given upon receipt, or in the case of notices delivered by mail, five (5) days after deposit in the United States mail (or with another delivery service), certified or registered mail, return receipt requested or postage prepaid. Notices from the Company will be provided to you at the last address you provided to the Company and will be deemed effectively given to you at that address.

20. Language. If you have received this Master Agreement or any other document related to the Plan translated into a language other than English and if the translated version is different than the English version, the English version will control, unless otherwise prescribed by local law.

21. Signature in Counterparts. This Master Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

22. Electronic Delivery. The Company may, in its sole discretion, decide to deliver any documents related to participation in the Plan, Options granted under the Plan or future options that may be granted under the Plan by electronic means or to request your consent to participate in the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and, if requested, to agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

23. Option Subject to Plan Document. By entering into this Master Agreement, you agree and acknowledge that you have received and read a copy of the Plan and this Master Agreement. The Option is subject to the terms and provisions of the Plan, this Master Agreement and the applicable Grant Notice.

24. Choice of Law. The interpretation, performance and enforcement of this Master Agreement shall be governed by the laws of the State of Utah, without regard to principles of conflicts of laws, as provided in the Plan. For purposes of litigating any dispute that arises under this Master Agreement or the grant of the Option, the parties hereby submit to and consent to the jurisdiction of the State of Utah, agree that such litigation shall be conducted in the courts of Utah Country, Utah, or the federal courts of the United States for the District of Utah where this grant is made and/or to be performed.

IN WITNESS WHEREOF, the parties have executed this Master Agreement to be effective as of the date first indicated above.

Nu Skin Enterprises, Inc.

By: _____
Title: _____
Date:

Employee

Name:

Date:

Address:

The following summarizes the relevant incentive periods, performance targets, and formulas established by the Compensation Committee under the 2006 Senior Executive Plan for 2008.

Incentive Periods.

(1) Annual Incentive Period. There shall be one annual incentive period (the "Annual Incentive Period") commencing on January 1st.

(2) Quarterly Incentive Periods. In addition, there shall be four quarterly incentive periods (the "Quarterly Incentive Periods") commencing on the first day of each of the Company's fiscal quarters.

(3) Base Salary. Target bonuses shall be established by the Compensation Committee for each Participant. The target bonuses shall be expressed in terms of a percentage of base salary. Fifty percent of the target bonus shall be based on performance in the Annual Incentive Period and 12.5% of the target bonus shall be based on performance in each of the Quarterly Incentive Periods. Based on this allocation of target bonus, the calculation of bonuses for the Annual Incentive Period shall be based on 50% of annual base salary as defined below, and the calculation of bonuses for the Quarterly Incentive Periods shall be based on 12.5% of base salary as defined below. Base salary shall be the base salary that is in effect on the date the final Incentive Award is calculated and shall include foreign service premiums, but shall not include cost of living allowances or any other premiums.

(4) Incentive Period. The Annual Incentive Period and the Quarterly Incentive Periods are collectively referred to as the "Incentive Periods," and individually as an "Incentive Period."

Incentive Targets

(1) Critical Success Factors. "Diluted Earnings per share," "Operating Income" and "Revenue" shall be the performance targets used to determine whether an Incentive Award shall be paid for an Incentive Period and the amount of any such Incentive Awards to be paid to a Participant under the Plan. In addition, the Compensation Commmittee may utilize one or more additional performance targets to determine the portion of an Incentive Award that shall be paid.

(2) Establishment of Incentive Targets. The Compensation Committee shall approve minimum level, budget level and stretch level earnings per share targets (the "EPS Targets") for global results, minimum level, budget level and stretch level operating income targets for regional results, and minimum level, budget level and stretch level revenue targets (the "Rev Targets") for each Incentive Period for each Executive. The targets are referred to as the "Targets." The Compensation Committee shall also approve targets for the additional performance targets (the "Additional Targets").

Incentive Award Thresholds

(1) Threshold. In the event that the Company's earnings per share target is less than the minimum EPS target for the applicable Incentive Period, no Incentive Award shall be paid to any Participant for such Incentive Period for global results. In the event operating income for a region is less than the minimum OP target for the region, no Incentive Award shall be paid to the applicable regional executive Participant for such Incentive Period for regional results.

(2) Other Thresholds. If actual performance is less than the minimum Target of another specified Target for an Executive in any given Incentive Period, the portion of the Incentive Award tied to such Target shall not be paid for such Incentive Period, but this shall not affect the payment of the portion of the Incentive Award tied to other Targets in which performance is equal to or greater than the minimum Target of the applicable Target except as provided in Paragraph (1) above.

(3) Compensation Committee Discretion. Notwithstanding anything to the contrary, the Compensation Committee may elect not to pay an Incentive Award under this Plan to a Participant even if the applicable Targets have been met. Such determination may be made based on such factors that the Compensation Committee considers relevant including, without limitation, failure of such Participant to perform individual employment responsibilities at acceptable performance level or other performance related issues.

Incentive Awards

(1) Incentive Awards. In the event the relevant EPS and OP targets have been satisfied, the total Incentive Award for an Executive for any Incentive Period shall be determined by multiplying the applicable portion of Participant's base salary (as set forth in "Incentive Periods" above) by the sum of all of the Adjusted Bonus Percentages applicable for such Incentive Period with respect to the Targets and Additional Targets where the required performance thresholds have been met.

(2) Bonus Percentages. The Committee has established a target bonus percentage (the "Bonus Percentage") for each Participant representing a percentage of base salary. Such Bonus Percentage shall be allocated to the respective Targets as follows:

Regional Executives

Global Revenue	15%
Global EPS	15%
Regional Revenue	49%
Regional OP	21%

Corporate

Global Revenue	50%
Global EPS	50%

(3) Adjusted Bonus Percentages. The formulas described in parts (a) and (b) below are used to adjust the Bonus Percentage for the applicable Target. The formulas shall not apply to the Additional Targets.

a. In the event that actual performance equals or exceeds the minimum level Target, but is less than the budget level Target, the Bonus Percentage for such Incentive Period and such Target shall be adjusted in accordance with the following formula:

Adjusted Bonus Percentage = Bonus Percentage * [.50+ (.50* ((Actual Performance - Minimum Level Target)/(Budget Level Target - Minimum Level Target))]

The formula results in a 50% negative adjustment to the applicable Bonus Percentage at the minimum level Target, with the adjusted bonus percentage increasing linearly to equal the applicable Bonus Percentage at the budget level Target.

b. In the event that actual performance equals or is greater than the budget level Target, the Bonus Percentage for such Incentive Period and such Target shall be adjusted in accordance with the following formula:

Adjusted Bonus Percentage = Bonus Percentage * [1+ ((Actual Performance - Budget Level Target)/(Stretch Level Target - Budget Level Target))]

The formula results in a linear adjustment to the applicable Bonus Percentage with the Adjusted Bonus Percentage being equal to 200% of the applicable Bonus Percentage at the stretch level Target.

c. In the event that actual performance exceeds the stretch level Target, the Bonus Percentage for such Incentive Period and such Target shall be adjusted in accordance with the following formula:

Adjusted Bonus Percentage = Bonus Percentage * [1+ ((Actual Performance)/(Stretch Level Target))]

(4) Additional Targets. In the event the Additional Targets are not achieved, the Compensation Committee shall have the discretion to reduce the bonuses otherwise payable under this Plan by an amount up to the Additional Target Percentage multiplied by the bonus otherwise earned. For regional executives, the reduction will only apply against bonuses attributable to regional results. The Compensation Committee may determine the method, if any, of adjusting the Bonus Percentage for Additional Targets. The Additional Target Percentages are as follows:

Regional Executives	20%
Corporate Executives	10%

In the event an Additional Target is an annual performance measure rather than a quarterly performance measure, the Compensation Committee shall have the discretion to make the reduction against quarterly Incentive Awards based on projections, and make a true up with respect to future awards.

(5) Cap. Incentive Awards will be capped according to the following schedule:

a. For markets which budget a loss and achieve a loss – 100% b. For markets which budget a loss and achieve positive results – 150% c. For markets which budget operating income less than 5% of revenue – 150% d. There is no cap for markets which budget operating income exceeding 5% of total revenue.

(6) Determination of Incentive Award Payments. The Compensation Committee shall make the determination of whether a Target has been achieved and the level of Incentive Award that is payable with respect to each executive. In determining whether a performance target has been satisfied, the Compensation Committee may make such adjustments as allowed under the Plan or determine performance levels without regard to items as allowed by the Plan. In the event that the accrual of an Incentive Award would result in an EPS or OP Target not being achieved, but the Target would be achieved without the accrual, then the amount of bonus that will be payable shall be reduced in amount until the EPS or OP Target will be achieved.

January 17, 2003

Mr. Truman Hunt
75 West Center Street
Provo, Utah 84601

Dear Truman:

It is with great pleasure that we offer you the position of President and Chief Executive Officer of Nu Skin Enterprises, Inc. The President/CEO reports to the Chairman of the Board of Directors.

This position is offered on the following terms:

1. Effective Dates. You would assume the title and responsibilities of the Company's President effective immediately. Your responsibilities and those retained by Mr. Lund will be determined between the two of you. Upon Mr. Lund's departure to serve a mission, currently anticipated to be June 2003, you will assume the additional title and responsibilities of the CEO.

2. Base Salary. Your annual base salary will be immediately increased to $425,000. Upon your assumption of CEO responsibilities, your annual base salary will be increased to $550,000. Your base salary will be evaluated annually by the Compensation Committee of the Board of Directors and will be subject to adjustments based on company performance, market conditions and any other relevant data.

3. Cash Bonus Plan. You will participate in the company's standard cash incentive plan, as may be amended time from to time, and you will be eligible to receive cash bonuses at the "60%-level" within that incentive plan.

4. Stock Award. You will receive a restricted stock award immediately of 250,000 shares. These shares will vest at a rate of 25% per calendar year, with the first 25% vesting on January 1, 2004, and on January 1 of each year thereafter. The company recognizes that, upon vesting, the tax consequences of the stock award will require that you sell shares of stock to cover tax liabilities associated with the award. Therefore, the shares subject to the award will be registered by the company.

In addition, in connection with the stock award, you shall be entitled to receive a cash payment upon the Company's payment of any cash dividends to shareholders generally in an amount equal to 250,000 times the amount of the cash dividends paid per share.

5. Stock Options. You will receive an immediate grant of 250,000 stock options at current fair market value. These stock options will vest 25% per calendar year, with the first 25% vesting on December 31, 2003.

In addition, beginning in 2004, you will participate in the company's standard stock option awards at a level to be determined annually by the Compensation Committee, but at a level not to be less than 50,000 shares of common stock per year, vesting ratably over a four-year period.

6. Change of Control. In the event of a change in voting control of the Company, the following shall occur:

A. All outstanding stock awards and stock options shall be considered vested immediately prior to the announcement of any such transaction.

B. If within 24 months of a change of control your employment is terminated involuntarily or you are asked to assume a lesser position with the company for any reason except for cause (as defined below), you shall be entitled to terminate your employment if you so choose and accept (i) a lump sum severance payment equal to three times your annual target compensation then in effect (base plus cash bonus at 60% of base), (ii) continuation of health insurance benefits for a period of 36 months following termination or until similar benefits are obtained through other employment, and (iii) tax protection to offset the impact of any excise tax imposed on the above termination benefits as a result of any applicable IRS or state regulations on excessive compensation payments. A request to relocate to an office with located at a distance greater than a radius of 60 miles from the Provo, Utah office, will constitute involuntary termination.

7. Other Benefits. You shall be eligible to participate in all of the benefit plans offered by the company to members of senior management at the highest level authorized the Compensation Committee for any member of management.

8. Termination. In the event your employment is terminated for any reason other than for cause, your resignation, death or disability, you shall be entitled to (i) a lump sum severance payment equal to two times your annual target compensation then in effect, and (ii) tax protection to offset the impact of any excise tax imposed on the above termination benefit as a result of any applicable IRS or state regulations on excessive compensation payments. In addition, you shall be allowed to exercise any vested stock options that have

vested as the date of your termination for a period of 1 year following termination of your employment.

A. As used herein, "cause" shall mean (i) any act or omission that constitutes a material breach by you of your obligations as CEO and which breach is materially injurious to the Company, (ii) your willful and continued failure or refusal to substantially perform the duties required of you in you position with the Company, which failure is not cured within twenty (20) days following written notice of such failure, (iii) any willful violation by you of any material law or regulation applicable to the business of the Company or any of its subsidiaries or affiliates, or your conviction of, or a plea of nolo contendre to, a felony, or any willful perpetration by

you of a common law fraud, or (iv) any other willful misconduct by you that is materially injurious to the financial condition or business reputation of, or is otherwise materially injurious to, the Company or any of its subsidiaries or affiliates.

9. Key Employee Covenants. You shall continue to be subject to and bound by the Company's Key Employee Covenants that apply generally to members of senior management, including covenants of confidentiality, assignment of work product, and non-competition and non-solicitation.

Please confirm your willingness to accept the employment terms set forth above by signing and returning a copy of this letter. We look forward to a rich and rewarding professional relationship with you.

Very truly yours,

/s/ Steven J. Lund
Steven J. Lund
President and Chief Executive Officer

/s/ Blake M. Roney
Blake M. Roney
Chairman

Accepted this 17th day of January, 2003

/s/ Truman Hunt
Truman Hunt

SEVENTH AMENDMENT TO NOTE PURCHASE AGREEMENT

THIS SEVENTH AMENDMENT, dated as of February 25, 2008 (this "**Seventh Amendment**"), to the Note Purchase Agreement, dated as of October 12, 2000 (as amended to date, the "**Note Agreement**"), is between Nu Skin Enterprises, Inc., a Delaware corporation (the "**Company**"), and The Prudential Insurance Company of America ("**Prudential**").

RECITALS

A. Pursuant to the request of the Company, the Company and Prudential now desire to amend the Note Agreement in the respects, but only in the respects, hereinafter set forth.

B. Capitalized terms used herein shall have the respective meanings ascribed thereto in the Note Agreement unless herein defined or the context shall otherwise require.

C. All requirements of law have been fully complied with and all other acts and things necessary to make this Seventh Amendment a valid, legal and binding instrument according to its terms for the purposes herein expressed have been done or performed.

NOW, THEREFORE, upon the full and complete satisfaction of the conditions precedent to the effectiveness of this Seventh Amendment set forth in Section 3 hereof, and in consideration of good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the Company and Prudential do hereby agree as follows:

Section 1 Amendments to Note Agreement.

Solely for purposes of calculating the minimum Fixed Charges Coverage ratio in Section 10.6 of the Note Agreement, the amount of Consolidated Income Available for Fixed Charges for the fiscal quarter ended December 31, 2007 shall be increased by $15,000,000.

Section 2. Representations and Warranties and Covenants of the Company.

2.1 To induce Prudential to execute and deliver this Seventh Amendment (which representations shall survive the execution and delivery of this Seventh Amendment), the Company represents and warrants to Prudential that:

(a) this Seventh Amendment has been duly authorized, executed and delivered by it and this Seventh Amendment constitutes the legal, valid and binding obligation, contract and agreement of the Company, enforceable against it in accordance with its terms, except as enforcement may be limited by (i) bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally, and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law);

(b) the Note Agreement, as amended by this Seventh Amendment, constitutes the legal, valid and binding obligation, contract and agreement of the Company, enforceable against it in accordance with its terms, except as enforcement may be limited by (i) bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally, and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law);

(c) the execution, delivery and performance by the Company of this Seventh Amendment (i) has been duly authorized by all requisite corporate action and, if required, shareholder action, (ii) does not require the consent or approval of any governmental or regulatory body or agency, and (iii) will not (A) violate (1) any provision of law, statute, rule or regulation or its certificate of incorporation or bylaws, (2) any order of any court or any rule, regulation or order of any other agency or government binding upon it, or (3) any provision of any material indenture, agreement or other instrument to which it is a party or by which its properties or assets are or may be bound, or (B) result in a breach or constitute (alone or with due notice or lapse or both) a default under any indenture, agreement or other instrument referred to in clause (iii)(A)(3) of this Section 2.1(c); and

(d) as of the date hereof and after giving effect to this Seventh Amendment, no Default or Event of Default has occurred which is continuing.

2.2 The Company agrees that it shall promptly pay the reasonable fees and expenses of Bingham McCutchen LLP in connection with the negotiation, preparation, approval, execution and delivery of this Seventh Amendment.

Section 3 Conditions to Effectiveness of This Agreement.

This Seventh Amendment shall become effective as of the opening of business on the date hereof (the "**Seventh Amendment Effective Date**") upon (a) the delivery to Prudential of executed counterparts of this Seventh Amendment, duly executed by the Company, the Subsidiary Guarantors named as signatories hereto and the Required Holders, and (b) the delivery to Prudential of a fully executed and effective amendment to the Company's principal bank credit agreement which provides for an amendment thereto which is substantially identical to that provided herein.

Section 4 Miscellaneous.

4.1 This Seventh Amendment may be executed in any number of counterparts, each counterpart constituting an original, but all together only one agreement.

4.2 The amendments, limited waiver and other modifications set forth in this Seventh Amendment shall be limited precisely as written and shall not be deemed to be (a) an amendment, consent or waiver of any other terms or conditions of the Note Agreement or any other document related to the Note Agreement, or (b) a consent to any future amendment, consent or waiver. Except as expressly set forth in this letter, the Note Agreement and the documents related to the Note Agreement shall continue in full force and effect.

4.3 This Seventh Amendment shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the internal laws of the State of New York, excluding choice-of-law principles of the law of such state that would require the application of the laws of a jurisdiction other than such state.

[Signature page follows.]

IN WITNESS WHEREOF, the parties hereto have caused this Seventh Amendment to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

By: _____
Its: Vice President

NU SKIN ENTERPRISES, INC.

By: /s/ Ritch N. Wood
Name: Ritch N. Wood
Its: Chief Financial Officer

The undersigned Subsidiary Guarantors hereby consent and agree to the foregoing, and to each previous amendment to the Note Purchase Agreement.

NU SKIN ENTERPRISES HONG KONG, INC., a Delaware corporation
NU SKIN INTERNATIONAL, INC., a Utah corporation
NU SKIN TAIWAN, INC., a Utah corporation
NU SKIN ENTERPRISES UNITED STATES, INC., a Delaware corporation
BIG PLANET, INC., a Delaware corporation
NSE PRODUCTS, INC., a Delaware corporation
NU SKIN ASIA INVESTMENT, INC., a Delaware corporation

By: /s/ D. Matthew Dorny
Name: D. Matthew Dorny
Title: Vice President

SEVENTH AMENDMENT TO PRIVATE SHELF AGREEMENT

THIS SEVENTH AMENDMENT, dated as of February 25, 2008 (this "**Seventh Amendment**"), to the Multi-Currency Private Shelf Agreement, dated as of August 26, 2003 (as amended to date, the "**Private Shelf Facility**"), is between Nu Skin Enterprises, Inc., a Delaware corporation (the "**Company**"), on the one hand, and Prudential Investment Management, Inc. and the holders of the Series A Senior Notes, Series B Senior Notes, Series C Senior Notes, Series D Senior Notes, Series E Senior Notes, the Series EE Senior Notes and Series F Senior Notes issued under the Private Shelf Facility that are signatories hereto (collectively "**Prudential**"), on the other hand.

RECITALS

A. Pursuant to the request of the Company, the Company and Prudential now desire to amend the Private Shelf Facility in the respects, but only in the respects, hereinafter set forth.

B. Capitalized terms used herein shall have the respective meanings ascribed thereto in the Private Shelf Facility unless herein defined or the context shall otherwise require.

C. All requirements of law have been fully complied with and all other acts and things necessary to make this Seventh Amendment a valid, legal and binding instrument according to its terms for the purposes herein expressed have been done or performed.

NOW, THEREFORE, upon the full and complete satisfaction of the conditions precedent to the effectiveness of this Seventh Amendment set forth in Section 3 hereof, and in consideration of good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the Company and Prudential do hereby agree as follows:

Section 1 Amendments to Private Shelf Facility.

Solely for purposes of calculating the minimum Fixed Charges Coverage ratio in Section 10.6 of the Private Shelf Facility, the amount of Consolidated Income Available for Fixed Charges for the fiscal quarter ended December 31, 2007 shall be increased by $15,000,000.

Section 2 Representations and Warranties and Covenants of the Company.

2.1 To induce Prudential to execute and deliver this Seventh Amendment (which representations shall survive the execution and delivery of this Seventh Amendment), the Company represents and warrants to Prudential that:

(a) this Seventh Amendment has been duly authorized, executed and delivered by it and this Seventh Amendment constitutes the legal, valid and binding obligation, contract and agreement of the Company, enforceable against it in accordance with its terms, except as enforcement may be limited by (i) bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally, and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law);

(b) the Private Shelf Facility, as amended by this Seventh Amendment, constitutes the legal, valid and binding obligation, contract and agreement of the Company, enforceable against it in accordance with its terms, except as enforcement may be limited by (i) bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally, and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law);

(c) the execution, delivery and performance by the Company of this Seventh Amendment (i) has been duly authorized by all requisite corporate action and, if required, shareholder action, (ii) does not require the consent or approval of any governmental or regulatory body or agency, and (iii) will not (A) violate (1) any provision of law, statute, rule or regulation or its certificate of incorporation or bylaws, (2) any order of any court or any rule, regulation or order of any other agency or government binding upon it, or (3) any provision of any material indenture, agreement or other instrument to which it is a party or by which its properties or assets are or may be bound, or (B) result in a breach or constitute (alone or with due notice or lapse or both) a default under any indenture, agreement or other instrument referred to in clause (iii)(A)(3) of this Section 2.1(c); and

(d) as of the date hereof and after giving effect to this Seventh Amendment, no Default or Event of Default has occurred which is continuing.

2.2 The Company agrees that it shall promptly pay the reasonable fees and expenses of Bingham McCutchen LLP in connection with the negotiation, preparation, approval, execution and delivery of this Seventh Amendment.

Section 3 Conditions to Effectiveness of This Agreement.

This Seventh Amendment shall become effective as of the opening of business on the date hereof (the "**Seventh Amendment Effective Date**") upon (a) the delivery to Prudential of executed counterparts of this Seventh Amendment, duly executed by the Company, the Subsidiary Guarantors named as signatories hereto and the Required Holders, and (b) the delivery to Prudential of a fully executed and effective amendment to the Company's principal bank credit agreement which provides for an amendment thereto which is substantially identical to that provided herein.

Section 4 Miscellaneous.

4.1 This Seventh Amendment may be executed in any number of counterparts, each counterpart constituting an original, but all together only one agreement.

4.2 The amendments, limited waiver and other modifications set forth in this Seventh Amendment shall be limited precisely as written and shall not be deemed to be (a) an amendment, consent or waiver of any other terms or conditions of the Private Shelf Facility or any other document related to the Private Shelf Facility, or (b) a consent to any future amendment, consent or waiver. Except as expressly set forth in this letter, the Private Shelf Facility and the documents related to the Private Shelf Facility shall continue in full force and effect.

4.3 This Seventh Amendment shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the internal laws of the State of New York, excluding choice-of-law principles of the law of such state that would require the application of the laws of a jurisdiction other than such state.

IN WITNESS WHEREOF, the parties hereto have caused this Seventh Amendment to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

PRUDENTIAL INVESTMENT MANAGEMENT, INC.

By: _____
Its: Vice President

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

By: _____
Its: Vice President

PRUCO LIFE INSURANCE COMPANY

By: _____
Its: Vice President

BAYSTATE INVESTMENTS, LLC Prudential Private Placement Investors, L.P.,

;as Investment AdvisorBy:
Prudential Private Placement Investors,Inc., General Partner

By: _____
Its: Vice President

GOLDEN AMERICAN LIFE INSURANCE COMPANYPrudential
Private Placement Investors, L.P.,

as Investment AdvisorBy:
Prudential Private Placement Investors,

Inc., General Partner

By: _____
Its: Vice President

PRUDENTIAL RETIREMENT INSURANCE AND ANNUITY COMPANY

By: Prudential Investment Management,Inc.,
Investment Manager

By: _____
Its: Vice President

;NU SKIN ENTERPRISES, INC.

By: _____
Name:
Its:

The undersigned Subsidiary Guarantors hereby consent and agree to the foregoing, and to each previous amendment to the Private Shelf Agreement.

NU SKIN ENTERPRISES HONG KONG, INC., a Delaware corporation
NU SKIN INTERNATIONAL, INC., a Utah corporation
NU SKIN TAIWAN, INC., a Utah corporation
NU SKIN ENTERPRISES UNITED STATES, INC., a Delaware corporation
BIG PLANET, INC., a Delaware corporation
NSE PRODUCTS, INC., a Delaware corporation
NU SKIN ASIA INVESTMENT, INC., a Delaware corporation

By: _____
Name:
Title:

EIGHTH AMENDMENT

THIS EIGHTH AMENDMENT dated as of February 29, 2008 (this "Amendment") amends the Credit Agreement dated as of May 10, 2001 (as previously amended, the "Credit Agreement") among Nu Skin Enterprises, Inc. (the "Company"), various financial institutions (the "Lenders") and JPMorgan Chase Bank, N.A. (as successor to Bank One, NA), as successor administrative agent (in such capacity, the "Administrative Agent"). Terms defined in the Credit Agreement are, unless otherwise defined herein or the context otherwise requires, used herein as defined therein.

WHEREAS, the Company, the Lenders and the Administrative Agent have entered into the Credit Agreement; and

WHEREAS, the parties hereto desire to amend the Credit Agreement in certain respects as more fully set forth herein;

NOW, THEREFORE, the parties hereto agree as follows:

SECTION 1 Amendment. Subject to the satisfaction of the conditions precedent set forth in Section 3, Section 10.10.2 of the Credit Agreement is amended by adding the following sentence at the end of such Section: "Solely for purposes of this Section 10.10.2, the amount of Consolidated Income Available for Fixed Charges with respect to the fiscal quarter ended December 31, 2007 shall be increased by $15,000,000."

SECTION 2 Warranties. The Company represents and warrants to the Administrative Agent and the Lenders that (a) each warranty set forth in Section 9 of the Credit Agreement is true and correct in all material respects as of the date of the execution and delivery of this Amendment by the Company, with the same effect as if made on such date (except to the extent any such warranty expressly relates to a specific earlier date, in which case such warranty was true and correct in all material respects as of such earlier date), (b) after giving effect to this amendment, no Event of Default or Unmatured Event of Default exists and (c) the Credit Agreement as amended hereby constitutes the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as such enforceability may be limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally, and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

SECTION 3 Effectiveness. The amendment set forth in Section 1 above shall become effective as of the date first written above when the Administrative Agent has received (i) counterparts of this Amendment executed by the Company and the Required Lenders, (ii) a Confirmation, substantially in the form of Exhibit A, signed by the Company and each Subsidiary Guarantor and (iii) a fully executed and effective amendment to each of the Senior Note Purchase Agreement and the Company's Multi-Currency Private Shelf Agreement dated as of August 26, 2003 which provides for an amendment thereto which is substantially identical to that provided herein.

SECTION 4 Miscellaneous.

4.1 Continuing Effectiveness, etc. As herein amended, the Credit Agreement shall remain in full force and effect and is hereby ratified and confirmed in all respects. After the effectiveness of this Amendment, all references in the Credit Agreement and the other Loan Documents to "Credit Agreement" or similar terms shall refer to the Credit Agreement as amended hereby.

4.2 Counterparts. This Amendment may be executed in any number of counterparts and by the different parties on separate counterparts, and each such counterpart shall be deemed to be an original but all such counterparts shall together constitute one and the same Amendment. Delivery to the Administrative Agent of a counterpart hereof, or a signature page hereto, by facsimile shall be effective as an original, manually-signed counterpart.

4.3 Governing Law. This Amendment shall be a contract made under and governed by the laws of the State of New York (without regard to principles of conflicts of laws, other than Title 15 of Article 5 of the New York General Obligations Law).

4.4 Successors and Assigns. This Amendment shall be binding upon the Company, the Lenders and the Administrative Agent and their respective successors and assigns, and shall inure to the benefit of the Company, the Lenders and the Administrative Agent and the respective successors and assigns of the Lenders and the Administrative Agent.

Delivered as of the day and year first above written.

NU SKIN ENTERPRISES, INC.

By
Title

JPMORGAN CHASE BANK, N.A. (as successor to Bank One, NA), as Administrative Agent and as a Lender

By
Title

Exhibit A

CONFIRMATION

Dated as of February 29, 2008

To: JPMorgan Chase Bank, N.A., individually and as Administrative Agent (as defined below), and the other financial institutions party to the Credit Agreement referred to below

Please refer to (a) the Credit Agreement dated as of May 10, 2001 (as amended prior to the date hereof, the "Credit Agreement") among Nu Skin Enterprises, Inc., various financial institutions (the "Lenders") and JPMorgan Chase Bank, N.A., as successor to Bank One, NA (in such capacity, the

"Administrative Agent"); (b) the other "Loan Documents" (as defined in the Credit Agreement), including the Guaranty and the Pledge Agreement; and (c) the Eighth Amendment dated as of the date hereof to the Credit Agreement (the "Amendment").

Each of the undersigned hereby confirms to the Administrative Agent and the Lenders that, after giving effect to the Amendment and the transactions contemplated thereby, each Loan Document to which such undersigned is a party continues in full force and effect and is the legal, valid and binding obligation of such undersigned, enforceable against such undersigned in accordance with its terms.

NU SKIN ENTERPRISES, INC.

By:_____
Name: _____
Title: _____

NU SKIN INTERNATIONAL, INC.
NU SKIN ENTERPRISES HONG KONG, INC.
NU SKIN TAIWAN, INC.
NU SKIN ENTERPRISES UNITED STATES, INC. (f/k/a Nu Skin United States, Inc.)
BIG PLANET, INC.
NSE PRODUCTS, INC.
NU SKIN ASIA INVESTMENT, INC.

By: _____
Name:_____
Title: _____

EXHIBIT 21.1

SUBSIDIARIES OF REGISTRANT

Big Planet, Inc., a Delaware corporation

First Harvest International, LLC, a Utah limited liability company

Jixi Nu Skin Vitameal Co., Ltd., a Chinese corporation

Niksun Acquisition Corporation, a Delaware corporation

NSE Korea, Ltd., a Korean corporation

NSE Products, Inc., a Delaware corporation

Nu Family Benefits Insurance Brokerage, Inc., a Utah corporation

Nu Skin (China) Daily-Use and Health Products Co., Ltd., Chinese company

Nu Skin (Malaysia) Sdn. Bhd., a Malaysian corporation

Nu Skin (Shanghai) Management Co., Ltd., a Chinese corporation

Nu Skin Argentina, Inc., a Utah corporation with an Argentine branch

Nu Skin Asia Investment, Inc., a Delaware corporation

Nu Skin Belgium, NV, a Belgium corporation

Nu Skin Brazil, Ltda., a Brazilian corporation

Nu Skin Canada, Inc., a Utah corporation

Nu Skin Chile, Inc., a Utah corporation

Nu Skin Chile, S.A., a Chilean corporation

Nu Skin Costa Rica, a Costa Rican corporation

Nu Skin Eastern Europe Ltd. A Delaware corporation

Nu Skin El Salvadore S.A. de C.V., an El Salvadore corporation

Nu Skin Enterprises (Thailand), Ltd., a Delaware corporation

Nu Skin Enterprises (Thailand), Ltd., a Thailand corporation

Nu Skin Enterprises Australia, Inc., a Utah corporation

Nu Skin Enterprises Hong Kong, Inc., a Delaware corporation

Nu Skin Enterprises India Private Ltd., an Indian corporation

Nu Skin Enterprises New Zealand, Inc., a Utah corporation

Nu Skin Enterprises Philippines, Inc., a Delaware corporation with a Philippines branch

Nu Skin Enterprises Poland Sp. z.o.o., a Polish corporation

Nu Skin Enterprises RS, Ltd., a Russian limited liability company

Nu Skin Enterprises Singapore Pte. Ltd., a Singapore corporation

Nu Skin Enterprises United States, Inc., a Delaware corporation

Nu Skin Enterprises, SRL, a Romanian corporation

Nu Skin France, SARL, a French corporation

Nu Skin Germany, GmbH, a German corporation

Nu Skin Guatemala, S.A., a Guatemalan corporation

Nu Skin International Management Group, Inc., a Utah corporation

Nu Skin International, Inc., a Utah Corporation

Nu Skin Israel, Inc, a Delaware corporation

Nu Skin Italy, Srl, an Italian corporation

Nu Skin Japan Company Limited, a Japanese corporation

Nu Skin Japan, Ltd., a Japanese corporation

Nu Skin Malaysia Holdings Sdn. Bhd., a Malaysian corporation

Nu Skin Mexico, S.A. de C.V., a Mexican corporation

Nu Skin Netherlands, B.V., a Netherlands corporation

Nu Skin New Caledonia EURL, a New Caledonian corporation

Nu Skin Norway AS, a Norwegian corporation

Nu Skin Poland Sp. z.o.o., a Polish corporation

Nu Skin Scandinavia A.S., a Denmark corporation

Nu Skin Taiwan, Inc., a Taipei Branch

Nu Skin Taiwan, Inc., a Utah corporation

Nu Skin U.K., Ltd., a United Kingdom corporation

Nu Skin Venezuela, a Venezuela corporation

NuSkin Pharmanex (B) Sdn Bhd, a Brunei corporation

Nutriscan, Inc., a Utah corporation

Pharmanex (Huzhou) Health Products Co., Ltd., a Chinese corporation

Pharmanex Electronic-Optical Technology (Shanghai) Co., Ltd., a Chinese corporation

Pharmanex License Acquisition Corporation, a Utah Corporation

Pharmanex, LLC, a Delaware limited liability company

PT. Nu Skin Distribution Indonesia, an Indonesian corporation

PT. Nusa Selaras Indonesia, an Indonesian corporation

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in this Registration Statement on Form S-3 (Nos. 333-118495, and 333-123469) and in the Registration Statements on Form S-8 (Nos. 333-48611, 333-68407, 333-95033, 333-102327, 333-124764, 333-130304, and 333-136464) of Nu Skin Enterprises, Inc. of our report dated February 28, 2008 relating to the financial statements, and the effectiveness of internal control over financial reporting, which appear in the Nu Skin Enterprise, Inc. Annual Report on Form 10-K for the year ended December 31, 2007. ..

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP

Salt Lake City, UT
February 29, 2008

EXHIBIT 31.1
SECTION 302 – CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, M. Truman Hunt, certify that:

1. I have reviewed this annual report on Form 10-K of Nu Skin Enterprises, Inc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 29, 2008

/s/ M. Truman Hunt
M. Truman Hunt
Chief Executive Officer

EXHIBIT 31.2
SECTION 302 – CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Ritch N. Wood, certify that:

1. I have reviewed this annual report on Form 10-K of Nu Skin Enterprises, Inc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 29, 2008

/s/ Ritch N. Wood
Ritch N. Wood
Chief Financial Officer

EXHIBIT 32.1
SECTION 1350 CERTIFICATION OF CHIEF EXECUTIVE OFFICER

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TOSECTION
906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of Nu Skin Enterprises, Inc. (the "Company") on Form 10-K for the period ended December 31, 2007, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, M. Truman Hunt, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 29, 2008

/s/ M. Truman Hunt
M. Truman Hunt
Chief Executive Officer

EXHIBIT 32.2
SECTION 1350 CERTIFICATION OF CHIEF FINANCIAL OFFICER

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TOSECTION
906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of Nu Skin Enterprises, Inc. (the "Company") on Form 10-K for the period ended December 31, 2007, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ritch N. Wood, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 29, 2008

/s/ Ritch N. Wood
Ritch N. Wood
Chief Financial Officer