UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2006

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission File Number: **001-12421**

NU SKIN ENTERPRISES, INC.

(Exact name of registrant as specified in its charter)

Delaware	**87-0565309**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)

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

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

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 whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

As of July 29, 2006, 69,829,558 shares of the registrant’s Class A common stock, $.001 par value per share were outstanding.

NU SKIN ENTERPRISES, INC.

2006 FORM 10-Q QUARTERLY REPORT – SECOND QUARTER

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

NU SKIN ENTERPRISES, INC.
Consolidated Balance Sheets (Unaudited)
(U.S. dollars in thousands)

	June 30, 2006	December 31, 2005
ASSETS		
Current assets:		
Cash and cash equivalents	$ 121,553	$ 155,409
Current investments	2,000	—
Accounts receivable	17,695	16,683
Inventories, net	104,462	99,399
Prepaid expenses and other	37,185	36,663
	282,895	308,154
Property and equipment, net	74,681	84,053
Goodwill	112,446	112,446
Other intangible assets, net	92,341	91,137
Other assets	87,912	83,076
Total assets	$ 650,275	$ 678,866
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 21,555	$ 20,276
Accrued expenses	103,832	112,023
Current portion of long-term debt	27,118	26,757
	152,505	159,056
Long-term debt	110,737	123,483
Other liabilities	41,478	41,699
Total liabilities	304,720	324,238
Commitments and contingencies (Note 11)		
Stockholders' equity:		
Class A common stock - 500 million shares authorized, $.001 par value, 90.6 million shares issued at June 30, 2006 and December 31, 2005	91	91
Additional paid-in capital	184,546	179,335

Treasury stock, at cost 20.6 million and 20.5 million shares at June 30, 2006 and December 31, 2005, respectively	(287,608)	(284,138)
Accumulated other comprehensive loss	(67,690)	(67,197)
Retained earnings	516,216	526,537
	345,555	354,628
Total liabilities and stockholders' equity	$ 650,275	$ 678,866

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

NU SKIN ENTERPRISES, INC.
Consolidated Statements of Income (Unaudited)
(U.S. dollars in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	**2005**	**2006**	**2005**
Revenue	$ 284,111	$ 310,057	$ 549,891	$ 599,408
Cost of sales	48,445	53,919	95,439	103,583
Gross profit	235,666	256,138	454,452	495,825
Operating expenses:				
Selling expenses	122,971	129,192	235,269	252,935
General and administrative expenses	88,787	89,910	178,790	177,093
Impairment of assets and other	—	—	20,840	—
Restructuring and other charges	—	—	11,115	—
Total operating expenses	211,758	219,102	446,014	430,028
Operating income	23,908	37,036	8,438	65,797
Other income (expense), net	(1,407)	(1,173)	(2,461)	(1,828)
Income before provision for income taxes	22,501	35,863	5,977	63,969
Provision for income taxes	8,438	13,054	2,242	23,453
Net income	$ 14,063	$ 22,809	$ 3,735	$ 40,516
Net income per share (Note 4):				
Basic	$ .20	$ .33	$ .05	$ .58
Diluted	$ .20	$ .32	$ .05	$ .57
Weighted-average common shares outstanding:				
Basic	70,203	69,955	70,167	69,849
Diluted	71,148	71,452	71,193	71,389

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

NU SKIN ENTERPRISES, INC.
Consolidated Statements of Cash Flows (Unaudited)
(U.S. dollars in thousands)

	Six Months Ended June 30,	
	2006	**2005**
Cash flows from operating activities:		
Net income	$ 3,735	$ 40,516
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	14,173	15,041
Stock-based compensation	4,509	389
Impairment of Scanner asset	18,984	—
Changes in operating assets and liabilities:		

Accounts receivable	(1,012)	(1,238)
Inventories, net	(5,063)	(8,012)
Prepaid expenses and other	(143)	15,744
Other assets	(2,863)	184
Accounts payable	1,279	(6,099)
Accrued expenses	(11,968)	8,250
Other liabilities	201	1,290
Net cash provided by operating activities	21,832	66,065
Cash flows from investing activities:		
Purchases of property and equipment	(21,476)	(17,415)
Proceeds from investment sales	96,205	72,165
Purchases of investments	(98,205)	(72,540)
Purchase of long-term asset	(1,981)	(3,985)
Net cash used in investing activities	(25,457)	(21,775)
Cash flows from financing activities:		
Exercises of employee stock options	2,129	4,080
Proceeds from long-term debt	—	30,000
Payments of cash dividends	(14,055)	(12,590)
Payments on debt financing	(15,000)	(5,000)
Income tax benefit of options exercised	466	—
Repurchases of shares of common stock	(5,362)	(11,511)
Net cash provided by (used in) financing activities	(31,822)	4,979
Effect of exchange rate changes on cash	1,591	(7,497)
Net increase (decrease) in cash and cash equivalents	(33,856)	41,772
Cash and cash equivalents, beginning of period	155,409	109,865
Cash and cash equivalents, end of period	$ 121,553	$ 151,637

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

NU SKIN ENTERPRISES, INC.
Notes to 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; North America, which consists of the United States and Canada; South Asia/Pacific, which consists of Australia, Brunei, Indonesia, Malaysia, New Zealand, the Philippines, Singapore and Thailand; and Other Markets, which consists of Brazil, Europe, Guatemala/Central America, Israel, Mexico and Russia (the Company's subsidiaries operating in these countries are collectively referred to as the "Subsidiaries").

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. The unaudited consolidated financial statements include the accounts of the Company and its Subsidiaries. All significant intercompany accounts and transactions are eliminated in consolidation. In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments, consisting of normal recurring adjustments, considered necessary for a fair statement of the Company's financial information as of June 30, 2006, and for the three- and six-month periods ended June 30, 2006 and 2005. The results of operations of any interim period are not necessarily indicative of the results of operations to be expected for the fiscal year. For further information, refer to the consolidated financial statements and accompanying footnotes included in the Company's Annual Report on Form 10-K/A for the year ended December 31, 2005.

2. RECENT ACCOUNTING PRONOUNCEMENTS

In June 2006, the Financial Accounting Standards Board issued FASB Interpretation Number 48 "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109." The interpretation contains a two step approach to recognizing and measuring uncertain tax positions accounted for in accordance with SFAS No. 109. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more than 50% likely of being realized upon ultimate settlement. The

provisions are effective for the Company beginning in the first quarter of 2007. The Company is evaluating the impact this statement will have on its consolidated financial statements.

3. 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 for the first and second quarters of 2006 includes compensation expense for 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 for the first and second quarters of 2006 based on its historical experience since options were issued in 1997.

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 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.

At June 30, 2006, the Company has stock-based employee compensation plans as described below:

Employee Stock Purchase Plan

Effective February 1, 2000, the Company's board of directors adopted the Employee Stock Purchase Plan (the "Purchase Plan"), which provides for the issuance of a maximum of 200,000 shares of Class A common stock. Eligible employees can have up to 15% of their earnings withheld, up to certain maximums, to be used to purchase shares of the Company's Class A common stock on every April 30, July 31, October 31 or January 31 (the "Purchase Date"). The price of the Class A common stock purchased under the Purchase Plan will be equal to 85% of the lower of the fair market value of the Class A common stock on the commencement date of each three-month offering period or Purchase Date. The Company recognized approximately $50,000 in compensation expense for this plan for the three- and six-month periods ended June 30, 2006. The Company has terminated its Employee Stock Purchase Plan as of August 1, 2006.

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. 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. As of June 30, 2006, 6.0 million shares were authorized for issuance under the 2006 Stock Incentive Plan.

NU SKIN ENTERPRISES, INC.
Notes to Consolidated Financial Statements

The total compensation expense related to these plans was approximately $2.0 million and $4.4 million for the three- and six-month periods ended June 30, 2006. As a result of adopting SFAS 123R, income (loss) before provision for income taxes and net income (loss) for the three-month period ended June 30, 2006 was $2.0 million and $1.2 million lower, respectively, and for the six-month period ended June 30, 2006 was $3.9 million and $2.4 million lower, respectively, than if the Company had continued to account for stock-based compensation under APB 25. The impact on both basic and diluted earnings per share for the three- and six-month periods ended June 30, 2006 was $0.02 and $0.03 per share, respectively. In addition, 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 three- and six-month periods ended June 30, 2006, all stock-based compensation expense was recorded within general and administrative expenses.

The pro forma table below reflects net income and basic and diluted net income per share for the three- and six-month periods ended June 30, 2005, had the Company applied the fair value recognition provisions of SFAS 123, as follows (in thousands, except per share amounts):

	Three Months Ended June 30, 2005	Six Months Ended June 30, 2005
Net income, as reported	$ 22,809	$ 40,516
Less: Stock-based compensation expense determined under the fair-value-based method for all awards, net of related tax effects	(1,824)	(3,552)
Pro forma net income	$ 20,985	$ 36,964
Net income per share:		
Basic - as reported	$ 0.33	$ 0.58
Basic - pro forma	$ 0.30	$ 0.53
Diluted - as reported	$ 0.32	$ 0.57
Diluted - pro forma	$ 0.29	$ 0.52

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:

Stock Options[(1)]:	Three Months Ended March 31, 2005	Three Months Ended June 30, 2005	Three Months Ended June 30, 2006
Weighted average grant date fair value of grants	$ 10.90	$ 10.41	$ 6.43
Risk-free interest rate	4.1%	3.8%	5.0%
Dividend yield	1.5%	1.7%	2.0%
Expected volatility	53.0%	52.2%	43.1%
Expected life in months	75 months	70 months	58 months

(1) The fair value calculation was based on stock options granted during the period. There were no stock option grants during the three months ended March 31, 2006.

Options under the plans as of June 30, 2006 and changes during the six months ended June 30, 2006 were as follows:

	Shares (in thousands)	Weighted-Average Exercise Price	Weighted- Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2005	6,762.2	$ 15.99		
Granted	—	—		
Exercised	(56.5)	8.69		
Forfeited/cancelled/expired	(381.9)	21.20		
Outstanding at March 31, 2006	6,323.8	15.74	7.02	$ 24,016
Vested and expected to vest at March 31, 2006	5,817.9	15.74	7.02	23,536
Exercisable at March 31, 2006	3,720.2	12.98	6.06	20,261

Outstanding at March 31, 2006	6,323.8	15.74		
Granted	378.5	17.48		
Exercised	(133.3)	10.06		
Forfeited/cancelled/expired	(143.3)	19.09		
Outstanding at June 30, 2006	6,425.7	15.88	6.71	13,902
Vested and expected to vest at June 30, 2006	5,926.9	15.88	6.71	13,624
Exercisable at June 30, 2006	3,596.4	13.34	5.86	11,737

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 first and second quarters of 2006 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 March 31, 2006 and June 30, 2006, respectively. This amount varies based on the fair market value of the Company's stock. The total intrinsic value of options exercised for the three months ended March 31, 2006 and June 30, 2006 was $0.5 million and $0.6 million, respectively. The total fair value of options vested and expensed was $1.2 million and $1.2 million, net of tax, for the three months ended March 31, 2006 and June 30, 2006, respectively.

Nonvested restricted stock awards as of June 30, 2006 and changes during the six months ended June 30, 2006 were as follows:

	Number of Shares (in thousands)	**Weighted-Average Grant Date Fair Value**
Nonvested at December 31, 2005	172.5	$ 15.30
Granted	—	—
Vested	(62.5)	12.45
Forfeited	—	—
Nonvested at March 31, 2006	110.0	16.83
Granted	144.5	17.33
Vested	(2.5)	23.82
Forfeited	—	—
Nonvested at June 30, 2006	252.0	17.05

As of June 30, 2006, there was $3.5 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 June 30, 2006, there was $15.7 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 2.6 years.

4. 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. For the three-month periods ended June 30, 2006 and 2005, other stock options totaling 3.3 million and 0.8 million, respectively, and for the six-month periods ended June 30, 2006 and 2005, other stock options totaling 3.0 million and 0.8 million, respectively, were excluded from the calculation of diluted earnings per share because they were anti-dilutive.

5. DIVIDENDS PER SHARE

In February and May 2006, our board of directors declared quarterly cash dividends of $0.10 per share for all shares of Class A common stock. These quarterly cash dividends of $7.0 million each were paid on March 22, 2006 and June 21, 2006 to stockholders of record on March 3, 2006 and June 2, 2006, respectively.

6. DERIVATIVE FINANCIAL INSTRUMENTS

At June 30, 2006 and December 31, 2005, the Company held forward contracts designated as foreign currency cash flow hedges with notional amounts totaling approximately $21.8 million and $23.7 million, respectively, to hedge foreign-currency-denominated intercompany transactions. All such contracts were denominated in Japanese yen. As of June 30, 2006 and December 31, 2005, $0.2 million of net unrealized loss and $1.8 million of net

unrealized gain, net of related taxes, respectively, were recorded in accumulated other comprehensive loss. The contracts held at June 30, 2006 have maturities through June 2007 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 Company recognized pre-tax gains on foreign currency cash flow hedges of $0.1 million and $2.3 million for the three- and six-month periods ended June 30, 2006 and recognized pre-tax losses on foreign currency cash flow hedges of $0.2 million and $0.4 million for the three- and six-month periods ended June 30, 2005, respectively. These gains and losses were recorded primarily as offsets to revenue in Japan in the respective periods.

7. REPURCHASES OF COMMON STOCK

During the three- and six-month periods ended June 30, 2006, the Company repurchased approximately 330,000 and 340,000 shares of its Class A common stock under its open market repurchase plan for approximately $5.2 million and $5.4 million, respectively. During the three- and six-month periods ended June 30, 2005, the Company repurchased approximately 286,000 and 514,000 shares of its Class A common stock under its open market repurchase plan for approximately $6.5 million and $11.5 million, respectively.

8. COMPREHENSIVE INCOME

The components of comprehensive income, net of related tax, for the three- and six-month periods ended June 30, 2006 and 2005, were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Net income	$ 14,063	$ 22,809	$ 3,735	$ 40,516
Other comprehensive income, net of tax:				
Foreign currency translation adjustment	95	(325)	911	4,413
Net unrealized gains (losses) on foreign currency cash flow hedges	(249)	1,210	42	3,890
Less: Reclassification adjustment for realized losses (gains) in current earnings	(85)	105	(1,446)	254
Comprehensive income	$ 13,824	$ 23,799	$ 3,242	$ 49,073

9. 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 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, North America, South Asia/Pacific and Other Markets.

Revenue generated in each of these regions is set forth below (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
Revenue:	2006	2005	2006	2005
North Asia	$ 152,679	$ 171,181	$ 293,293	$ 332,010
Greater China	53,892	64,077	105,844	123,204
North America	39,104	39,247	77,164	75,239
South Asia/Pacific	21,202	21,657	41,849	42,292
Other Markets	17,234	13,895	31,741	26,663
Totals	$ 284,111	$ 310,057	$ 549,891	$ 599,408

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

	Three Months Ended June 30,		Six Months Ended June 30,	
Revenue:	2006	2005	2006	2005
Nu Skin	$ 116,332	$ 127,875	$ 226,833	$ 246,221
Pharmanex	160,835	175,619	309,739	341,118
Big Planet	6,944	6,563	13,319	12,069
Totals	$ 284,111	$ 310,057	$ 549,891	$ 599,408

Additional information as to the Company's operations in its most significant geographic areas is set forth below (in thousands):

Revenue:	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
Japan	$ 122,222	$ 148,533	$ 237,438	$ 289,764
United States	36,392	36,812	72,097	70,493
South Korea	30,457	22,648	55,855	42,246

Long-lived assets:	June 20, 2006	December 31, 2005
Japan	$ 10,608	$ 14,234
United States	37,021	37,235
Mainland China	14,127	15,104

10. DEFERRED TAX ASSETS AND LIABILITIES

The Company accounts 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. 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 June 30, 2006, the Company has net deferred tax assets of $35.2 million. The Company has netted these deferred tax assets and deferred tax liabilities by jurisdiction.

11. COMMITMENTS AND CONTINGENCIES

In 1999, the Company implemented a duty valuation methodology with respect to the importation of certain products into Japan. The Valuation Department of the Yokohama customs authority reviewed and approved this methodology at that time, and it has been reviewed on several occasions by the audit division of the Japan customs authority since then. In connection with recent audits, the Yokohama customs authorities have 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 that which was previously approved. The Company has disputed this assessment. The Company has also disputed the amount of duties it was required to pay on products imported from November of 2004 to June of 2005. The total amount assessed or in dispute is approximately $25 million as of June 30, 2006, net of any recovery of consumption taxes. Effective July 1, 2005, the Company implemented some modifications to its business structure in Japan and in the United States that it believes will eliminate any further customs valuation disputes with respect to product imports in Japan after that time.

Because the valuation methodology the Company used with respect to the products in dispute was reviewed and approved by the Japan customs authority, the Company believes the assessments are improper and filed letters of protest with the Yokohama customs authority with respect to this entire amount. The Yokohama customs authority has rejected the Company's letters of protest to date, and to follow proper administrative procedures the Company filed appeals with the Japan Ministry of Finance. On June 26, 2006, the Company was also advised that the Ministry of Finance has rejected the appeals filed with their office. The Company currently plans to appeal the decision of the Ministry of Finance through the judicial court system in Japan. The Company paid the $25 million in customs duties and assessments, the amount of which it recorded in "Other Assets" in its Consolidated Balance Sheet. The Company has filed requests for refunds for this entire amount, and to the extent that the Company is unsuccessful in recovering the amounts assessed and paid, the Company will be required to take a corresponding charge to its earnings.

In Taiwan, the Company is 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 and 2000 tax years, the Taiwan tax authorities have disallowed the Company's commission expense deductions for those years and assessed the Company a total of approximately $19 million. At this stage of the discussions, the Company is not required to pay the amount of tax under dispute. The Company is contesting this assessment and is in discussions with the tax authorities in an effort to resolve this matter. Based on its understanding of this matter, management does not believe that it is probable that the Company will incur a loss relating to this matter and accordingly has not provided any related reserves.

12. PURCHASE OF LONG-TERM ASSET

In March 2002, the Company acquired the exclusive rights to a new light-source technology related to measuring the level of certain antioxidants. The acquisition included contingent payments of up to $8.5 million of cash and up to 1.2 million shares of the Company's Class A common stock if certain development and revenue targets were met. In 2004, some of these specific development and revenue targets were met resulting in contingent payments owed of approximately $5.1 million of cash (of which $1.8 million was paid during the first quarter of 2005) and 525,000 shares (of which 262,500 shares were issued in 2005) of the Company's Class A common stock. In 2005, all remaining targets were met and the total payments of $8.5 million of

cash and the value of the 1.2 million shares of stock have been added to the carrying value of other finite-lived intangible assets. On March 7, 2006, the Company acquired Caroderm, Inc. for $4.0 million. As a result of the acquisition, the Company acquired Caroderm's license to use the Scanner technology within the professional medical community. As the sole asset of Caroderm was its license and field of use rights with respect to the Scanner technology, all the consideration paid was allocated to that asset and is being amortized over the period of the remaining license agreements related to the Scanner technology. As of June 30, 2006, the Company had paid approximately $2.0 million of the purchase price and anticipates paying the remaining balance within the next two years.

13. LONG-TERM DEBT

The Company maintains a $25.0 million revolving credit facility that expires in May 2007. 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 June 30, 2006, there were no outstanding balances under this revolving credit facility.

The Company also has a $125.0 million multi-currency private shelf facility with Prudential Investment Management, Inc. As of June 30, 2006, the Company had $77.3 million outstanding under its shelf facility, $15.0 million of which is included in the current portion of long-term debt. $50.0 million of this long-term debt is U.S. dollar denominated, bears interest of approximately 4.5% per annum and is amortized in two tranches over five and seven years. The remaining $27.3 million as of June 30, 2006, is Japanese yen-denominated senior promissory notes in the aggregate principal amount of 3.1 billion Japanese yen, which were issued on February 7, 2005. The notes bear interest of 1.7% per annum, 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 June 30, 2006, the outstanding balance on the notes was 6.9 billion Japanese yen, or $60.5 million, $12.1 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 our material subsidiaries or by pledges of 65% to 100% of the outstanding stock of our material subsidiaries.

14. IMPAIRMENT OF ASSETS AND OTHER

During the first quarter 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 our digital product category, to terminate its purchase commitments for video technology for approximately $1.8 million.

15. RESTRUCTURING AND OTHER CHARGES

During the first quarter of 2006, the Company recorded restructuring and other 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.

The components of restructuring and other charges are summarized as follows (U.S. dollars in thousands):

	Total Incurred During the 1st Quarter of 2006	Amounts Paid During the 1st & 2nd Quarters of 2006	Accrued as of June 30, 2006
Severance	$ 10,072	$ 9,508	$ 564
Other	1,043	407	636
Total	$ 11,115	$ 9,915	$ 1,200

The amount accrued as of June 30, 2006 is included within accrued liabilities.

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

The following Management's Discussion and Analysis should be read in conjunction with Management's Discussion and Analysis included in our Annual Report on Form 10-K/A for the year ended December 31, 2005 filed with the Securities and Exchange Commission ("SEC") on March 17, 2006, and our other filings, including Current Reports on Form 8-K, filed with the SEC through the date of this report.

Overview

Our revenue for the three- and six-month periods ended June 30, 2006 decreased 8% to $284.1 million and $549.9 million, respectively, compared to the same periods in 2005. The decrease in revenue for these periods was primarily attributable to revenue declines in Japan and China. In addition, foreign currency exchange rate fluctuations negatively impacted revenue by 2% for the three- and six-month periods ended June 30, 2006, particularly as a result of weakening of the Japanese yen. Revenue was positively impacted by growth in South Korea, Hong Kong, and Europe, and expansion into Indonesia in 2005.

Earnings per share for the second quarter of 2006 were $0.20 compared to $0.32 for the same prior year period, and for the six-month period ended June 30, 2006 were $0.05 compared to $0.57 for the same prior year period. In addition to the factors described above, earnings for these periods were negatively impacted by $1.2 million and $2.4 million in stock option expense, net of income taxes, respectively, as a result of the implementation of a new accounting standard requiring the expensing of stock options beginning in the first quarter of 2006. In addition, earnings per share for the first half of 2006 were negatively impacted by restructuring charges and impairment and other charges totaling $32.0 million, or $.28 per share, relating to a business transformation initiative that we implemented during the first quarter. These charges are more fully described in the sections below entitled “Impairment of assets and other” and “Restructuring and other charges.”

Revenue

North Asia. The following table sets forth revenue for the three-month and six-month periods ended June 30, 2006 and 2005 for the North Asia region and its principal markets (in millions):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2006	2005	Change	2006	2005	Change
Japan	$ 122.2	$ 148.5	(18%)	$ 237.4	$ 289.8	(18%)
South Korea	30.5	22.7	34%	55.9	42.2	32%
North Asia total	$ 152.7	$ 171.2	(11%)	$ 293.3	$ 332.0	(12%)

Foreign currency exchange rate fluctuations, particularly a weakening of the Japanese yen, negatively impacted revenue in North Asia by 3% and 5%, respectively, for the three- and six-month periods ended June 30, 2006. Revenue in this region was also negatively impacted by a 13% and 12% local currency decline in Japan in the second quarter and first half of 2006, respectively, compared to the same prior year periods. The executive distributor count in Japan decreased 9% in the second quarter compared to the prior year period.

Several factors contributed to the year-over-year revenue decline in Japan for the second quarter and first half of 2006, including:

- modifications we made to our compensation plan in Japan in 2005 that we believe have negatively impacted revenue and distributor counts;

- a scale-back of the roll-out of the first generation Pharmanex® BioPhotonic Scanner and related promotional campaigns during the latter part of 2005 in anticipation of the planned launch of the second generation scanner (the “S2” or the “Scanner”);
- regulatory issues related to our nutritional supplements and the Scanner which impact the way in which we can market certain products, and which have resulted in some cases in delays in the launch of certain products;
- some adverse publicity and image challenges resulting from aggressive sales and recruiting techniques by some distributor leaders; and
- continued competitive pressures.

We believe that we are beginning to see some stabilization of our business in Japan as a result of various initiatives we have implemented during the last quarter designed to stem the declines and renew growth in this market. We began introducing S2 Scanners in the market during the second quarter, and we plan to continue the roll-out of this tool over the next couple of quarters. Other key second quarter initiatives included enhancements to distributor incentives that became effective April 1, 2006 designed to address the negative impact of the previous changes, the launch of our *g3* nutrition drink, and the launch of a corporate image enhancement campaign that includes facility upgrades and media campaigns.

Our South Korea market continued its strong growth in both our personal care and nutrition businesses, and is now our third largest market. This market grew 27% on a local currency basis in the second quarter compared to the same period in 2005 and increased 19% sequentially over the first quarter of 2006. Executive and active distributor counts continued to grow significantly as well. We believe that these results are due to the success of our management team in launching strong product and other initiatives, particularly the recent launch of our *g3* nutrition drink, and in achieving alignment of our distributor leaders behind these initiatives.

Greater China. The following table sets forth revenue for the three-month and six-month periods ended June 30, 2006 and 2005 for the Greater China region and its principal markets (in millions):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2006	2005	Change	2006	2005	Change
Mainland China	$ 17.8	$ 29.0	(39%)	$ 37.5	$ 55.6	(33%)
Taiwan	23.3	24.4	(5%)	45.4	46.6	(3%)
Hong Kong	12.8	10.7	20%	22.9	21.0	9%
Greater China total	$ 53.9	$ 64.1	(16%)	$ 105.8	$ 123.2	(14%)

Foreign currency exchange rate fluctuations did not significantly impact reported revenue in the Greater China region in the second quarter and first half of 2006. China revenue decreased by 41% on a local currency basis in the second quarter of 2006 compared to the same period in 2005. We believe that sales in China were negatively impacted by several factors, including:

- continued consumer uncertainty in China regarding the impact of recently enacted direct selling regulations and uncertainty regarding the timing of the direct selling application process, contributing to a 45% decline in each of our executive and active distributor counts;
- increased government and media scrutiny on the direct selling industry, particularly following last year's publication of the new direct selling regulations;

- changes we made to our compensation plan last year in preparation for the anticipated addition of direct selling to our business model that negatively impacted revenue as our sales representatives adapted to them;
- increasing instances of certain sales employees making product sales through unauthorized channels at discounted prices; and
- our conservative business approach we have taken as we worked towards obtaining a direct selling license, including limitations we have imposed on the activities of our sales representatives in order to ensure regulatory compliance.

In late July, our direct selling application was approved by the Chinese government, and we now plan to begin the process of augmenting our current business model with a direct selling component. This will allow us to engage an entry-level, non-employee sales force that will be able to sell certain products away from our fixed retail locations. The new direct selling regulations prohibit the use of multi-level compensation plans for direct selling, so we will compensate these independent contractors based on their personal selling efforts only. We plan to maintain our retail store/employed sales representative model because we believe it provides us with more flexibility in the manner in which we conduct business in China, including the manner in which we compensate our full-time sales representatives. In addition, products we market with a “general food” classification, including our *LifePak* supplements and certain other Pharmanex products, are not approved for direct selling, and will therefore continue to be sold only through our retail store channel until such time as we obtain a “health food” classification for these products.

We plan to begin conducting direct selling activities in Shanghai in late 2006, and we will then proceed to expand our direct selling model throughout China. The direct selling regulations require us to establish service centers and secure licenses in each of the provinces in which we wish to implement direct selling. This provincial licensing process will include a requirement that we establish “service centers” that will primarily be used to provide a product return location and will not require a large capital investment. Although it will likely take some time to integrate direct selling into our business model, expand throughout the market and train our sales force to work successfully within the new direct selling guidelines, we believe that this will positively impact our business in China as this process unfolds.

Although revenue in Taiwan was slightly down on a local currency basis in the second quarter and first half of 2006 compared to the same prior year periods, we believe that this market continues to be healthy. Revenue in this market was negatively impacted in the second quarter by Taiwanese distributors purchasing products in Hong Kong as they attended the Greater China Convention held there in May. However, we continue to see success with the Scanner and new products, and our second quarter launch of the S2 Scanner should help bolster further growth in this market. In addition, in late June we completed the build-out of a “gym spa” in this market in an effort to generate additional brand awareness. The gym spa consists of a product showcase combined with a fitness center and spa. Hong Kong revenue was up 19% in local currency on a year-over-year basis in the second quarter largely due to sales to distributors from China and Taiwan attending the Greater China Convention held in May. In addition, sales to local Hong Kong distributors increased on a year-over-year basis. Our executive distributor counts in Taiwan and Hong Kong were up 1% and 17%, respectively, in the second quarter of 2006 compared to the same prior year period.

North America. The following table sets forth revenue for the three-month and six-month periods ended June 30, 2006 and 2005 for the North America region and its principal markets (in millions):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2006	2005	Change	2006	2005	Change
United States	$ 36.4	$ 36.8	(1%)	$ 72.1	$ 70.5	2%
Canada	2.7	2.4	13%	5.1	4.7	9%
North America total	$ 39.1	$ 39.2	—	$ 77.2	$ 75.2	3%

Revenue in the United States remained relatively flat, while executive and active distributor counts in the North America region grew 3% and 4%, respectively, in the second quarter of 2006 compared to the same prior year period. During the second quarter we began to implement key growth initiatives in the United States. We introduced a limited number of S2 Scanners and Nu Skin® ProDerm™ Skin Analyzer (the “ProDerm Skin Analyzer”) units into this market, and we plan to implement a more aggressive roll-out of these tools during the next couple of quarters. The initial version of the ProDerm Skin Analyzer will enable distributors to demonstrate the effectiveness of our skin care products by providing close up skin images, while we continue to work on developing a model that will quantify skin conditions and attributes. Our global strategy with respect to the ProDerm Skin Analyzer will be to focus this tool initially on the United States, and then over time consider the launch of this tool in our other global markets as we assess its success in the United States and as we work to develop a tool with enhanced functionality.

South Asia/Pacific. The following table sets forth revenue for the three-month and six-month periods ended June 30, 2006 and 2005 for the South Asia/Pacific region and its principal markets (in millions):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2006	2005	Change	2006	2005	Change
Singapore/Malaysia/Brunei	$ 8.1	$ 11.0	(26%)	$ 15.6	$ 21.8	(28%)
Thailand	6.3	6.2	2%	12.1	12.1	—
Australia/New Zealand	3.6	3.5	3%	6.9	6.7	3%
Indonesia	2.5	—	N/A	5.1	—	N/A
Philippines	0.7	1.0	(30%)	2.2	1.7	29%
South Asia/Pacific total	$ 21.2	$ 21.7	(2%)	$ 41.9	$ 42.3	(1%)

Foreign currency exchange rate fluctuations negatively impacted revenue in South Asia/Pacific by 3% and 1% during the three- and six-month periods ended June 30, 2006 compared to the same periods in 2005. This region benefited from $2.5 million in revenue during the second quarter and $5.1 million during the first half from Indonesia, which we opened for business in August of 2005. Year-over-year comparisons in Singapore/Malaysia/Brunei were negatively impacted by revenue declines in the latter part of 2005 that were a result of some of our distributor leaders in these markets focusing their attention on the newly opened Indonesia market and away from their home markets, and by compensation plan changes made in 2005. Executive and active distributor counts in the region declined by 5% and 4%, respectively when compared with the second quarter of 2005.

Other Markets. The following table sets forth revenue for the three-month and six-month periods ended June 30, 2006 and 2005 for our Other Markets (in millions):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2006	2005	Change	2006	2005	Change
Europe	$ 15.0	$ 11.9	26%	$ 27.4	$ 23.0	19%
Latin America	2.2	2.0	10%	4.3	3.7	16%
Other Markets total	$ 17.2	$ 13.9	24%	$ 31.7	$ 26.7	19%

Revenue growth in Europe resulted from growth in Germany and France and the expansion into Israel and Russia. Distributor sponsorship and leadership also remained strong, and we believe that our success in Europe is in part attributable to the strong alignment of distributor leaders behind certain initiatives in the various local markets.

Gross profit

Gross profit as a percentage of revenue increased to 83.0% for the second quarter of 2006 from 82.6% for the same period in 2005, due to a decrease in Scanner amortization following our write-down of first generation Scanner units in the first quarter. For the first half of 2006, however, gross profit as a percentage of revenue decreased slightly to 82.6% from 82.7% for the same period in 2005, due to a strengthening of the U.S. dollar, particularly against the Japanese yen.

Selling expenses

Selling expenses as a percentage of revenue increased to 43.3% and 42.8% for the three- and six-month periods ended June 30, 2006 from 41.7% and 42.2% for the same periods in 2005. This increase was due to enhancements to our compensation plan in Japan that took effect April 1, 2006. The modified plan pays out at a slightly higher rate, and as a result we anticipate selling expenses as a percentage of revenue to be approximately 43% over the next couple of quarters.

General and administrative expenses

General and administrative expenses as a percentage of revenue for the three- and six-month periods ended June 30, 2006 increased to 31.3% and 32.5% from 29.0% and 29.5% for the same periods in 2005. In U.S. dollars, general and administrative expenses decreased in the second quarter to $88.8 million from $90.0 million for the same period in 2005 and increased in the first half of 2006 to $178.8 million from $177.1 million for the same period in 2005. The increase in general and administrative expenses as a percentage of revenue for the second quarter and second half of 2006 were impacted by:

- lower overall revenue;
- a $5.0 million Japan convention expense in the first quarter of 2006 that was not incurred in the prior-year period; and
- increased compensation cost of $1.9 million and $2.0 million for the first and second quarters, respectively, related to stock option expenses as a result of the adoption of SFAS 123R in the first quarter of 2006.

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 BioPhotonic Scanners. In February 2006, as a result of our launch of and transition to the second generation BioPhotonic 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 quarter ended March 31, 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 looked to change direction with our Big Planet business.

Restructuring and other charges

During the first quarter of 2006, we recorded restructuring and other 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.

Although our business transformation initiative will be an ongoing process, nearly all of the restructuring expenses related to the transformation were incurred during the first quarter of 2006. We believe that these initiatives will generate savings of approximately $15 million in 2006 and approximately $30 million in 2007. We plan to reinvest a portion of these savings towards various growth initiatives, particularly in Japan.

Other income (expense), net

Other income (expense), net for the three- and six-month periods ended June 30, 2006 was approximately $1.4 million and $2.5 million of expense compared to $1.2 million and $1.8 million of expense for the same periods in 2005. Fluctuations in other income (expense), net are impacted by interest 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 for the three- and six-month periods ended June 30, 2006 was an $8.4 million and a $2.2 million expense compared to a $13.1 million and $23.5 million expense for the same periods in 2005. The effective tax rate was 37.5% of pre-tax income during the three- and six-month periods ended June 30, 2006, compared to rates of 36.4% and 36.7% in the same prior-year periods.

Net income

As a result of the foregoing factors, net income for the three- and six-month periods ended June 30, 2006 decreased to $14.1 million and $3.7 million from $22.8 million and $40.5 million for the same periods 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 and dividends, 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 $21.8 million in cash from operations during the six-month period ended June 30, 2006, compared to $66.1 million during the same period in 2005. This decrease in cash generated from operations is due to lower revenue and lower profitability in the first half of 2006 resulting from the severance payments and other restructuring charges as well as the increased payment of taxes in 2006.

As of June 30, 2006, working capital was $130.4 million, compared to $149.1 million as of December 31, 2005. Cash and cash equivalents at June 30, 2006 and December 31, 2005 were $121.6 million and $155.4 million, respectively. The decrease in cash balances was primarily due to the increase in the payment of debt in 2006 compared to 2005 as well as the proceeds from debt in 2005. The decrease in working capital was due primarily to the decrease in cash balances.

We anticipate capital expenditures of approximately $40 million to $45 million for 2006, of which we incurred $21.5 million in the first half of 2006. These capital expenditures are primarily related to:

- purchases of Scanners;
- purchases of computer systems and software; and

- the build-out of manufacturing and additional retail stores in China, as well as other leasehold improvements in our various markets.

We currently have long-term debt pursuant to various credit facilities and other borrowings. The following table summarizes these long-term debt arrangements as of June 30, 2006:

Facility or Arrangement[1]	Original Principal Amount	Balance as of June 30, 2006[2]	Interest Rate	Repayment terms

2000 Japanese yen denominated notes	9.7 billion yen	6.9 billion yen ($60.6 million as of June 30, 2006)	3.0%	Notes due October 2010, with annual principal payments that began in October 2004.
2003 $125.0 million multi-currency uncommitted shelf facility:				
U.S. dollar denominated:	$50.0 million	$40.0 million	4.5%	Notes due April 2010 with annual principal payments beginning April 2006.
	$25.0 million	$10.0 million	4.0%	Notes due April 2008 with annual principal payments that began in October 2004.
Japanese yen denominated:	3.1 billion yen	3.1 billion yen ($27.3 million as of June 30, 2006)	1.7%	Notes due April 2014, with annual principal payments beginning April 2008.
2004 $25.0 million revolving credit facility	N/A	N/A	N/A	N/A

(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% to 100% 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 $12.1 million of the balance on our 2000 Japanese yen denominated notes and $15.0 million of the balance on our U.S. dollar denominated debt under the 2003 multi-currency uncommitted shelf facility.

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. During the second quarter of 2006, we repurchased approximately 331,000 shares of Class A common stock under this program for an aggregate amount of approximately $5.2 million. Currently, approximately $47.1 million is available under the stock repurchase program for repurchases.

In February and May 2006, our board of directors declared quarterly cash dividends of $0.10 per share for all shares of Class A common stock. These quarterly cash dividends of $7.0 million each were paid on March 22, 2006 and June 21, 2006 to stockholders of record on March 3, 2006 and June 2, 2006, respectively. In July 2006, the board of directors declared a quarterly cash dividend of $0.10 per share for all shares of Class A common stock to be paid in September 2006. 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 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.

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. The Valuation Department of the Yokohama customs authorities reviewed and approved this methodology at that time, and it has been reviewed on several occasions by the audit division of the Japan customs authorities since then. In connection with recent audits, the Yokohama customs authorities have 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. We have also disputed the amount of duties we were required to pay on products imported from November of 2004 to June of 2005. The total amount assessed or in dispute is approximately $25 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 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 has rejected our letters of protest to date, and to follow proper administrative procedures we filed appeals with the Japan Ministry of Finance. On June 26, 2006, we were also

advised that the Ministry of Finance has rejected the appeals filed with their office. We currently plan to appeal the decision of the Ministry of Finance through the judicial court system in Japan. We paid the $25 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.

In Taiwan, we are 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 and 2000 tax years, the Taiwan tax authorities have disallowed our commission expense deductions for those years and assessed us a total of approximately $19 million. At this stage of the discussions, we are not required to pay the amount of tax under dispute. We are contesting this assessment and are in discussions with the tax authorities in an effort to resolve this matter. Based on our understanding of this matter, we do not believe that it is probable that we will incur a loss relating to this matter and accordingly have not provided any related reserves.

Stock-Based Compensation Expense

Effective January 1, 2006, we adopted the fair value recognition provisions of Statement of Financial Accounting Standards ("SFAS") No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123R") using the modified prospective transition method and therefore have not restated results for prior periods. Our results of operations for the first and second quarters of 2006 were impacted by the recognition of non-cash expense related to the fair value of our stock-based compensation awards. During the three- and six- month periods ended June 30, 2006, we recorded $2.0 million and $3.9 million in pre-tax stock-based compensation expense. Total stock-based compensation expense, net of tax, for the three- and six-month periods ended June 30, 2006 was $1.2 million and $2.4 million, respectively.

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, and our interim unaudited 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 upon the selling efforts of the distributors and 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 June 30, 2006, we had net deferred tax assets of $35.2 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. We have considered projected future taxable income and ongoing tax planning strategies in determining that no valuation allowance is required. 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.

Our foreign taxes paid are high relative to foreign operating income and our U.S. taxes paid are low relative to U.S. operating income due largely to the flow of funds among our Subsidiaries around the world. As payments for services, management fees, license arrangements and royalties are made from our foreign affiliates to our 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 our 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.

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 SFAS No. 5, "Accounting for Contingencies," 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 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." For example, with the recent completion of the earnout payments in connection with the acquisition of Scanner-related technology, we have recorded an intangible asset of approximately $42.0 million, which we are amortizing over the life of the patent related to the technology. We are required to make judgments regarding the useful life 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. No impairment charges related to intangible assets were recognized during the three- and six-month periods ended June 30, 2006 or 2005. 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 Expense. 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, and therefore have not restated prior periods' results. 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 forfeiture rate and only recognize compensation cost for those shares expected to vest 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 a combination of historical volatility of the Company's common stock.

Recent Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board issued FASB Interpretation Number 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109.* The interpretation contains a two step approach to recognizing and measuring uncertain tax positions accounted for in accordance with SFAS No. 109. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more than 50% likely of being realized upon ultimate settlement. The provisions are effective for us beginning in the first quarter of 2007. We are evaluating the impact this statement will have on our consolidated financial statements.

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 employed full-time sales representatives in China who have completed a qualification process and receive a salary, labor benefits and bonuses based on their personal sales efforts.

	As of June 30, 2006		As of June 30, 2005	
Region:	**Active**	**Executive**	**Active**	**Executive**
North Asia	330,000	15,418	351,000	16,052
Greater China	165,000	6,593	245,000	9,059
North America	144,000	3,662	138,000	3,546
South Asia/Pacific	72,000	1,953	75,000	2,064
Other Markets	61,000	1,902	55,000	1,615
Total	772,000	29,528	864,000	32,336

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. The Chinese government is beginning to allow the yuan to float more freely against the U.S. dollar and other major currencies. A strengthening of the yuan would benefit our reported revenue and profits and a weakening of the yuan would negatively impact reported revenue and profits. Given the large portion of our business derived from Japan, any weakening of the yen would negatively impact 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 June 30, 2006, we had $21.8 million of these contracts with expiration dates through June 2007. All of these contracts were denominated in Japanese yen. For the three- and six-month periods ended June 30, 2006, we recorded pre-tax gains of $0.1 million and $2.7 million, which were included in our revenue in Japan, and gains of $0.1 million and $1.4 million as of June 30, 2006, 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 June 30, 2006, 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.

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 that 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 plans to launch 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 regarding direct selling in China;
- our expectation that we will spend approximately $40 million to $45 million for capital expenditures during 2006;
- our plans to continue to invest resources in continued expansion and build-out of our infrastructure in China;
- our belief that our business transformation initiative will provide savings, and our plans to invest some of these savings into various growth initiatives;
- 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 plans to continue protesting and appealing assessments by the Yokohama customs authority for duties on products imported into Japan and our expectation that the $25 million payment will be recoverable;
- our belief that we are beginning to see some stabilization of our business in Japan;
- 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; and
- our belief that it is not probable that we will incur a loss relating to the Taiwan audit.

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 in our Annual Report on Form 10-K and amendments thereto (which contains 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, except as required by law. 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) Because a substantial majority of our sales are generated in Asia, particularly Japan, significant variations in operating results including revenue, gross margin and earnings from those expected could be caused by:

- continued weakening of the Japanese yen;
- regulatory constraints with respect to the claims we can make regarding the efficacy of our products and tools;

- increasing competitive pressures;
- renewed or sustained weakness of Asian economies or consumer confidence;
- political unrest or uncertainty; or
- natural disasters or epidemics.

(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 minor fines being paid in some cases. 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. 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. 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) Towards the end of 2005, Chinese regulators adopted anti-pyramiding and new direct selling regulations that will allow direct selling but contain significant restrictions and limitations, including a restriction on multi-level compensation. 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 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 planned direct selling business. Although we have obtained a direct selling license in China, if we are unable to establish required service centers as quickly as we would like, or if we are not able to offer a direct selling opportunity that is attractive to distributors as a result of the limitations under the direct selling regulations, our ability to grow our business there could be negatively impacted.

(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 such as the Scanner and others 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. In addition, some initiatives may have unanticipated negative impacts on our markets. For example, during the past year certain modifications were made to compensation incentives in China, Japan, and Singapore that appear not to have been as well received by some distributors as expected, contributing to declines in distributor numbers and revenue results. We have recently implemented compensation plan enhancements in Japan designed to address the negative impacts of previous changes, but there can be no assurance that these measures will be successful in generating distributor excitement.

(e) Our use of the Scanner is subject to regulatory risks and uncertainties in our various markets. For example, in March 2003 the United States Food and Drug Administration (the "FDA") questioned its status as a non-medical device and we subsequently filed an application with the FDA to have the Scanner classified as a non-medical device. The FDA has not yet acted on our application. There are various factors that could determine whether the Scanner is a medical device, including the claims that we or our distributors make about it. We face similar regulatory issues in other markets with respect to the status of the Scanner as a non-medical device and the claims that can be made in using it. For example, during the past year we faced regulatory inquiries in Singapore, Korea and Japan regarding distributor claims with respect to the Scanner. Although these matters have not resulted in any adverse action against us, our revenue in any market going forward could be negatively impacted if we face similar issues in the future or if such inquiries weaken distributor enthusiasm surrounding the Scanner. A determination in any market that the Scanner is a medical device or that distributors are using it to make medical claims could negatively impact our ability to use the Scanner in such market. In addition, if distributors make claims regarding the Scanner outside of claims approved by us, or use it in a manner not authorized by us, this could result in regulatory actions against our business.

(f) Our current and planned initiatives surrounding the introduction of the S2 Scanner and the Nu Skin® ProDerm™ skin analysis tool in our various markets are subject to technical and regulatory risks and uncertainties. The S2 Scanner is a newly developed tool and we cannot be certain that it will consistently meet performance expectations. In addition, we have experienced delays and challenges in completion of a ProDerm unit that will quantify skin conditions and attributes in a manner that meets our specifications and objectives. We have decided to introduce a version in the United States that has less features while we continue to develop an enhanced version. If we continue to experience difficulties or delays in completing this process that prevent us from meeting our launch schedules or developing a tool that performs the desired functions, our business may be harmed. Our plans are also subject to regulatory risks, particularly in Japan, where there is a risk that regulatory authorities in Japan may impose limitations on the use of this tool and on claims that may be made in connection with its use. Such limitations in Japan or any other markets could weaken the ability of our distributors to utilize this tool in building their businesses, and could dampen distributor enthusiasm surrounding it.

(g) As we begin operations in Russia, prepare for the implementation of direct selling regulations in China and look to develop other new markets, we anticipate that some distributor leaders in other markets will shift their focus away from their home markets and towards business prospects in these markets. This shift of focus of distributor leaders can negatively impact distributor leadership and growth in these other markets and consequently negatively impact revenue. In addition, if Russia and China are not as successful as the distributor leaders from these other markets anticipate, this can also dampen distributor enthusiasm.

(h) 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.

(i) 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.

(j) 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. 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. For example, we were recently assessed by the Japan customs authorities for additional duties on products imported into Japan, and we are currently contesting this assessment. Audits are also often focused on whether or not certain expenses are deductible for tax purposes in a given country. Currently, audits are underway with respect to this issue in a number of our markets, including Taiwan. To the extent we are unable to successfully defend ourselves against such audits and reviews, we may be required to pay assessments and penalties and increased duties, which may, individually or in the aggregate, negatively impact our gross margins and operating results.

(k) 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 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by Item 3 of Part I of Form 10-Q is incorporated herein by reference from the section entitled “Currency Risk and Exchange Rate Information” in “Item 2 Management’s Discussion and Analysis of Financial Condition and Results of Operations” of Part I and also in Note 6 to the Financial Statements contained in Item 1 of Part I.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures.

As of the end of the period covered by this report, 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 defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”)). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as the result of the on-going remediation of a material weakness identified in the prior quarter and discussed below, our disclosure controls and procedures were not effective as of June 30, 2006.

Notwithstanding the material weakness discussed below, our management has concluded that the consolidated financial statements included in this Quarterly Report on Form 10-Q fairly state, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with accounting principles generally accepted in the United States of America.

Material Weakness in Internal Control Over Financial Reporting

A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. As of March 31, 2006, we did not maintain effective controls related to the accuracy of our impairment evaluation of long-lived assets, as required under Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-lived Assets* (“SFAS 144”). Specifically, management’s review of the impairment analysis and computation failed to detect an error in the application of the discount rate used to estimate the fair value of the first generation BioPhotonic (“S1”) Scanners. This control deficiency resulted in a material adjustment to the impairment charge that we had initially recorded relating to our S1 Scanners in our first quarter financial statements. This control

deficiency could result in a misstatement of our long-lived assets and related impairment charges that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected. Accordingly, management has determined that this control deficiency constitutes a material weakness.

Our remediation plan outlined in last quarter's report included the implementation by management of the following controls and procedures:

- improve its review process by developing formal checklists which will provide guidance regarding matters to consider when performing impairment analyses, such as the appropriate discount rate, time periods, cash flow assumptions and other details;
- perform a detailed review of the computations and assumptions using the checklist to ensure that appropriate matters have been considered;
- ensure that the appropriate impairment analyses and related checklist are considered and completed, as appropriate, these procedures will be added to our quarterly closing checklist, which is reviewed each quarter for completeness by management; and

- provide ongoing training, as necessary, regarding the appropriate methodologies and assumptions to utilize in performing impairment analyses.

We have begun implementation of controls and procedures to remediate this control deficiency. However, as of June 30, 2006, we have not completed our remediation efforts, including subsequent testing and evaluation of the revised controls for operating effectiveness. Accordingly, we have determined that this control deficiency remains a material weakness as of June 30, 2006.

Changes in internal controls.

Other than described above, there has been no change in our internal control over financial reporting (as defined in Rule 13a-15 (f) under the Exchange Act) during the most recent fiscal quarter covered by this report, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

No updates to report. Please refer to our recent SEC filings, including our Annual Report on Form 10-K for the 2005 fiscal year, and amendments thereto for information regarding the status of certain legal proceedings.

ITEM 1A. RISK FACTORS

Our 2005 Annual Report on Form 10-K, and amendments thereto, includes a detailed discussion of our risk factors. The information presented below updates six of those risk factors and should be read in conjunction with the risk factors and information disclosed in that Form 10-K.

Because our Japanese operations account for a majority of our business, adverse changes in our business operations in Japan would harm our business.

Approximately 48% of our 2005 revenue was generated in Japan. We have experienced declines in our business in this market during the past several quarters, and many of our competitors have seen their businesses in this market contract in the last few years. We believe our operating results have been negatively impacted by a variety of factors, including 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. We have implemented several initiatives, including the launch of the second generation of the BioPhotonic Scanner and compensation plan changes, and have other initiatives planned to help renew growth in these markets. If these and other planned initiatives are delayed, are impacted by regulatory constraints or do not generate distributor excitement or attract new distributors or customers in Japan, it may limit our prospects for renewed growth in that market and harm our financial results. For example, we have elected to wait until we have completed an updated version of the Nu Skin® ProDerm™ Skin Anlayzer before implementing this initiative in Japan, which likely will not occur until sometime in 2007. In addition, there are regulatory issues that may prevent us from quantifying skin attributes in a score for this market.

Technical and regulatory issues associated with the second generation BioPhotonic Scanner and the Nu Skin® ProDerm™ Skin Analyzer could negatively impact the success of these programs, which could harm our business.

Our current and planned initiatives surrounding the introduction of the S2 Scanner and the Nu Skin® ProDerm™ Skin Analyzer in our various markets are subject to technical and regulatory risks and uncertainties. The S2 is smaller, more portable, and faster than its predecessor in terms of calibration and scan time.

However, the S2 is a newly developed tool and we cannot be certain that the units we introduce in the field will consistently perform according to expectation in terms of speed, accuracy and other factors. If the S2 does not perform as expected, distributors may be limited in their ability to utilize this tool, and distributor enthusiasm may be dampened with respect to this tool. As with any new, innovative technology, we have also experienced challenges in our development of the ProDerm™ tool, including some software glitches in beta units that were tested in some Asia markets. As we continue to work through these technical issues, we have elected to introduce the initial version that has fewer features than we initially anticipated, while we continue to refine the technology. The initial version of this tool that we plan to launch during the next couple of quarters will provide close-up skin images that will enable distributors to demonstrate the effectiveness of our skin care products. We plan to aggressively continue to work on the development of an updated version that will provide a quantifiable assessment of skin conditions and attributes. There can be no assurance, however, that we will be successful in achieving this result. Our plans with respect to the launch of the ProDerm™ are also subject to regulatory risks, particularly in Japan, where it appears that regulatory restrictions in Japan may impose limitations on the use of this tool and on claims that may be made in connection with its use. Such limitations in Japan or any other markets could weaken the ability of our distributors to utilize this tool in building their businesses, and could dampen distributor enthusiasm surrounding it.

Our operations in China are subject to significant governmental scrutiny, and our operations in China 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. This scrutiny has increased following adoption of the new direct selling and anti-pyramiding regulations. The regulatory environment in China with regards to direct selling is evolving, and officials 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 has been subject to significant governmental scrutiny over the last few years, and reviews and investigations by government regulators have at times obstructed 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 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 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 implement direct selling into our business model. 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, 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 current business model or our planned dual business model there, our business in China would be harmed.

Towards the end of 2005, Chinese regulators adopted anti-pyramiding and new direct selling regulations. These regulations contain significant restrictions and limitations, including a restriction on multi-level compensation for independent distributors selling away from a fixed location. 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 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 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 planned implementation of direct selling 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 planned direct selling business.

Although we have obtained a direct selling license in China, if we are unable to establish required service centers in China as quickly as we would like, or if we are not able to offer a direct selling opportunity that is attractive to distributors as a result of the limitations under the direct selling regulations, our ability to grow our business there could be negatively impacted.

The new direct selling regulations and supplemental rules recently adopted in China require us to establish a service center in each area where we conduct direct selling activities. We will be required to obtain approval from local governmental authorities for each service center we intend to establish. The local approval processes vary and remain uncertain in some areas. The local governmental officials also have broad discretion in approving these service centers. If regulators fail to approve licenses for service centers at a rate that meets our growth demands, this could limit our ability to obtain direct selling licenses in some provinces and harm our business. In addition, the direct selling regulations 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. In addition, the regulations do not allow the sale of general foods through a direct selling business model. As some of our supplements are being marketed as general foods until we obtain health food status for these products, including *LifePak*, we will only be able to sell these products at our stores and not away from the stores until they receive health food status. 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.

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 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 prohibit completely 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 disclosure requirements and waiting periods before a distributor could sign up to become a distributor that are restrictive and burdensome. The direct selling industry has filed comments objecting to many of these requirements and are working to get the FTC to change their proposal for new regulations. If these regulations were adopted in there 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.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in millions)[1]
April 1 - 30, 2006	—	—	—	$ 52.3
May 1 - 31, 2006	214	$ 16.91	—	$ 52.3
June 1 - 30, 2006	330,504[2]	$ 15.68	330,200	$ 47.1
Total	330,718		330,200	

(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 $160.0 million is currently authorized. As of June 30, 2006, we had repurchased approximately $112.9 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 in 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, 214 shares for May and 304 shares for June relate to repurchases from such employees at an average per share price of $16.91 and $15.41, respectively.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

Our Annual Meeting of Stockholders was held on May 25, 2006. At the Annual Meeting of Stockholders Blake M. Roney, M. Truman Hunt, Sandra N. Tillotson, Jake Garn, Paula F. Hawkins, Daniel W. Campbell, Andrew D. Lipman, Jose Ferreira, Jr., Dee Allen Andersen and Patricia Negrón were elected to serve as our directors until the next annual meeting of stockholders or until their successors are duly elected. Each director was elected by a plurality of votes in accordance with the Delaware General Corporation Law. There was no solicitation in opposition to management's director nominees. The following chart reflects the vote tabulation with respect to each director nominee. The figures reported reflect votes cast by holders of our Class A common stock. Each share of Class A common stock entitles its holder to one vote.

Name of Director Nominee	Votes For	Votes Withheld

Blake M. Roney	45,628,280	12,284,554
M. Truman Hunt	46,499,849	11,412,985
Sandra N. Tillotson	46,256,407	11,656,427
E.J. "Jake" Garn	42,566,605	15,346,229
Paula F. Hawkins	54,318,771	3,594,063
Daniel W. Campbell	43,930,595	13,982,239
Andrew D. Lipman	41,966,294	15,946,540
Jose Ferreira, Jr	46,483,958	11,428,876
Dee Allen Andersen	43,226,922	14,685,912
Patricia Negrón	42,598,928	15,313,906

The stockholders ratified Proposal 2, The 2006 Stock Incentive Plan, with 52,062,595 votes being cast for, 5,719,052 votes being cast against and 5,247,356 abstentions and broker non-votes.

The stockholders ratified Proposal 3, The 2006 Senior Executive Incentive Plan, with 57,419,097 votes being cast for, 349,623 votes being cast against and 5,260,283 abstentions and broker non-votes.

The stockholders also ratified the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm, with 42,857,210 votes being cast for, 15,054,709 votes being cast against and 6,914 abstentions.

ITEM 5. OTHER INFORMATION

On August 9, 2006, our Board of Directors approved a Change of Control Severance Plan that we currently anticipate to enter into with our executive officers who do not already have an existing change in control arrangement, and certain other senior corporate officers. This plan provides that if the executive officer or other senior corporate officer is terminated by us without cause within 2 years after a change of control, then such person is entitled to a severance payment equal to 1.5 times the then applicable annual compensation (salary plus target bonus), and is also entitled to be paid a pro rata portion of such person's target bonus for that period that would have been earned had the employment not been terminated.

The foregoing does not constitute a complete summary of the terms of the Change of Control Severance Agreement, and reference is made to the complete text of the form of agreement, which is attached as Exhibit 10.8 to this report and incorporated by reference in this Item 5.

ITEM 6. EXHIBITS

Exhibits Regulation S-K Number	**Description**
10.1	Joseph Chang Employment Agreement dated April 17, 2006 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 18, 2006).
10.2	Settlement and Release Agreement with Lori Bush dated April 20, 2006 (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006).
10.3	Nu Skin Enterprises 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).
10.4	Nu Skin Enterprises 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).
10.5	Form of Nu Skin Enterprises Master Stock Option Agreement.
10.6	Form of Nu Skin Enterprises Master Restricted Stock Unit Agreement.
10.7	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).
10.8	Nu Skin Enterprises Change of Control Severance Plan.
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.

SIGNATURE

Pursuant to the requirements 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.

August 9, 2006

NU SKIN ENTERPRISES, INC.

By: /s/ Ritch N. Wood
Ritch N. Wood
Its: Chief Financial Officer
(Duly Authorized Officer and Principal Financial and Accounting Officer)

EXHIBIT INDEX

10.1 Joseph Chang Employment Agreement dated April 17, 2006 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 18, 2006).

10.2 Settlement and Release Agreement with Lori Bush dated April 20, 2006 (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006).

10.3 Nu Skin Enterprises 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).

10.4 Nu Skin Enterprises 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).

10.5 Form of Nu Skin Enterprises Master Stock Option Agreement.

10.6 Form of Nu Skin Enterprises Master Restricted Stock Unit Agreement.

10.7 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).

10.8 Nu Skin Enterprises Change of Control Severance Plan.

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.

NU SKIN ENTERPRISES, INC.
STOCK OPTION GRANT NOTICE
2006 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:

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 (i) options previously granted and delivered to Optionholder under the 1996 Stock Incentive Plan, and (ii) 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 Master Agreements:

NU SKIN ENTERPRISES, INC.

By: _____
Signature

Title: _____
Date: _____

(1) If this is an incentive stock option, it (plus Optionholder's other outstanding incentive stock options) cannot be first *exercisable* for more than US $100,000 in any calendar year. Any excess over US $100,000 is a nonstatutory stock option.

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.

(b) Change of Control. Notwithstanding any provision in the Agreement to the contrary, if, during the two-year period following a Change of Control, Employee's Continuous Service is terminated other than for Cause, or if Employee terminates his or her Continuous Service for "Good Reason," the vesting of the Restricted Stock Units governed by this Agreement shall be accelerated such that all such Restricted Stock Units shall be deemed to be vested in full immediately prior to the termination of Employee's Continuous Service.

For purposes of this 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 the express written consent of Employee, after the occurrence of a Change of Control:

(i) the assignment to Employee of any duties inconsistent in any material adverse respect with Employee's 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 Employee 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 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 Employee;

(iii) the Company's (or any successor company's) requiring Employee to be based at any office or location more than 49 miles from that location at which Employee performed his or her services immediately prior to the Change of Control, except for travel reasonably required in the performance of Employee's 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 Employee 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 (a)-(d) shall not constitute Good Reason unless Employee provides 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 Employee, be deemed to constitute Good Reason.

4. Exercise Price. An 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 a 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 is due in full upon exercise of all or any part of your Options. 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 Options 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 Options only for whole Shares.

7. Compliance.

(a) Securities Law Compliance. Notwithstanding anything to the contrary contained herein, you may not exercise your Options 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 Options must also comply with other applicable laws and regulations governing your Options, and you may not exercise your Options 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 Options 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 6(b) or (c) 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 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 Plan administrator, 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. 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 breach of the non-competition or non-solicitation provisions of the Key Employee Covenants previously provided to you, (v) disclosing or misusing any confidential or proprietary information of the Company in violation 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.

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 Options 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 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 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) Options are 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 retirement benefits or similar payments;

(g) in consideration of the grant of Options, no claim or entitlement to compensation or damages arises from termination of the Options or diminution in value of the Options or Shares received upon vesting of Options resulting from termination of your employment or other service-providing relationship with the Company or Employer (for any reason whatsoever and whether or not in breach of local labor laws) and you irrevocably releases 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 Agreement, you shall be deemed irrevocably to have waived your entitlement to pursue such claim; and

(h) in the event of the termination of your Continuous Service (whether or not in breach of local labor laws), your right to receive Options and vest 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

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 another 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 hits 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 on the day and year first indicated above.

Nu Skin Enterprises, Inc.

By: _____

Title: _____

Employee

Name: _____

Address: _____

NU SKIN ENTERPRISES, INC.
RESTRICTED STOCK UNIT GRANT NOTICE
2006 STOCK INCENTIVE PLAN

Nu Skin Enterprises, Inc. ("Company"), pursuant to its 2006 Stock Incentive Plan ("Plan") and the 2006 Stock Incentive Plan Master Restricted Stock Unit Agreement ("Master Restricted Stock Unit Agreement") previously entered into by the parties, hereby grants to the "Employee" identified below _____ Restricted Stock Units. The Restricted Stock Units are subject to all of the terms and conditions as set forth herein and in the Master Restricted Stock Unit Agreement and the Plan, both 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.

Employee:
Date of Grant:
Vesting Commencement Date:
Number of Restricted Stock Units:

Vesting Schedule:

Additional Terms/Acknowledgements: The undersigned Employee acknowledges receipt of, and understands and agrees to, this Grant Notice, the Master Restricted Stock Unit Agreement and the Plan. Employee further acknowledges that as of the Date of Grant, this Grant Notice, the Master Restricted Stock Unit Agreement and the Plan set forth the entire understanding between Employee and the Company regarding the Restricted Stock Units granted pursuant hereto and supersede all prior oral and written agreements on that subject.

NU SKIN ENTERPRISES, INC.

By: _____
Signature

Title: _____
Date: _____

NU SKIN ENTERPRISES, INC.
2006 STOCK INCENTIVE PLAN

MASTER RESTRICTED STOCK UNIT AGREEMENT

This Master Restricted Stock Unit Agreement (the "Agreement") is made and entered into effective as of _____ by and between Nu Skin Enterprises, Inc., a Delaware corporation (the "Company"), and _____ ("Employee") 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 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 Agreement.

1. Grant of Restricted Stock Units.

1.1 Master Agreement. By executing this Agreement, Employee agrees that this Agreement shall govern the term of all Restricted Stock Units granted to him or her under the Plan pursuant to a Restricted Stock Unit Grant Notice ("Grant Notice") that incorporates by reference the terms of this Agreement. Each Restricted Stock Unit grant that is intended to be governed by this Agreement shall incorporate all of the terms and conditions of this Agreement and shall contain such other terms and conditions as the Committee shall establish for the grant of Restricted Stock Units covered by such Grant Notice. In the event of a conflict between the language of this Agreement and any Grant Notice, the language of the Grant Notice shall prevail with respect to that Grant Notice. In order to be effective, the Grant Notice must be executed by a duly authorized executive officer of the Company. Employee will not be required to sign each Grant Notice, but Employee shall be deemed to have accepted the Grant Notice (and all of the terms and conditions set forth therein) unless Employee provides written notice to the Plan Administrator of Employee's rejection of the Grant Notice and all of the Restricted Stock Units granted thereunder within 20 days after receipt of the Grant Notice.

1.2 Grant of Restricted Stock Units. The Company grants to Employee an award of the number of Restricted Stock Units as set forth in each applicable Grant Notice. Each Restricted Stock Unit is a bookkeeping entry representing the Company's unfunded promise to deliver one (1) share of the Company's Common Stock (the "Share"), on the terms provided herein and in the Plan.

1.3 Vesting of Restricted Stock Units. The Restricted Stock Units shall vest on the dates (the "Vesting Dates") and in the amounts set forth in the applicable Grant Notice provided that Employee remains in the Continuous Service of the Company or one of its Affiliates during the period commencing on the date of this Agreement and ending on each of the respective Vesting Dates (the "Vesting Period") except as otherwise provided in Section 4:

1.4 Settlement of Restricted Stock Units. Subject to the terms of the Plan and this Agreement, Restricted Stock Units shall be settled in Shares, provided that Employee has satisfied any tax withholding obligations pursuant to Section 9 below. Shares will be issued to Employee within a reasonable time following each Vesting Date (as evidenced by the appropriate entry in the books of the Company or a duly authorized transfer agent of the Company), but in no event shall the Shares be issued after the period ending on the later to occur of the date that is 2 1/2 months from the end of (i) Employee's tax year that includes the applicable Vesting Date, or (ii) the Company's tax year that includes the applicable Vesting Date.

1.5 Stockholder Rights. Unless and until the Shares are issued by the Company after the Vesting Date, Employee shall have none of the rights or privileges of a shareholder of the Company (including voting, dividend and liquidation rights) with respect to the Shares covered by the Restricted Stock Units.

1.6 Change of Control. Notwithstanding any provision in the Agreement to the contrary, if, during the two-year period following a Change of Control, Employee's Continuous Service is terminated other than for Cause, or if Employee terminates his or her Continuous Service for "Good Reason," the vesting of the Restricted Stock Units governed by this Agreement shall be accelerated such that all such Restricted Stock Units shall be deemed to be vested in full immediately prior to the termination of Employee's Continuous Service.

For purposes of this 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 the express written consent of Employee, after the occurrence of a Change of Control:

(a) the assignment to Employee of any duties inconsistent in any material adverse respect with Employee's 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;

(b) any failure by the Company (or any successor company) to continue to provide Employee 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 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 Employee;

(c) the Company's (or any successor company's) requiring Employee to be based at any office or location more than 49 miles from that location at which Employee performed his or her services immediately prior to the Change of Control, except for travel reasonably required in the performance of Employee's responsibilities; or

(d) 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 Employee 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 (a)-(d) shall not constitute Good Reason unless Employee provides 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 Employee, be deemed to constitute Good Reason.

2. Securities Law Compliance. Employee represents that Employee has received and carefully read a copy of the Prospectus for the Plan, together with the Company's most recent Annual Report to Stockholders. Employee hereby acknowledges that Employee is aware of the risks associated with the Shares and that there can be no assurance the price of the Common Stock will not decrease in the future. Employee hereby acknowledges no representations or statements have been made to Employee concerning the value or potential value of the Common Stock. Employee acknowledges that Employee has relied only on information contained in the Prospectus and 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. Employee acknowledges that the Company has made no representations concerning the tax and other effects of the Restricted Stock Units and Employee represents that Employee has consulted with Employee's own tax and other advisors concerning the tax and other effects of the Restricted Stock Units.

3. Transfer Restrictions. Employee shall not transfer, assign, sell, encumber, pledge, grant a security interest in or otherwise dispose of the Restricted Stock Units subject to this Agreement in any manner other than by the laws of descent or distribution. Any such transfer, assignment, sale, encumbrance, pledge, security interest or disposition shall be void and shall result in the automatic termination of the Restricted Stock Units and this Agreement.

4. Termination of Employment. In the event Employee's Continuous Service is terminated for any reason prior to the full vesting of the Restricted Stock Units, the Restricted Stock Units granted hereunder shall terminate to the extent they are not vested as of the termination of Employee's Continuous Service (as described in Section 10.8), and Employee shall not have any right to receive any Shares subject to such unvested Restricted Stock Units.

5. Forfeiture. If at any time during Employee's employment or at any time during the 12-month period following termination of Employee's Continuous Service, a Forfeiture Event (as defined below) occurs, then at the election of the Committee, (a) this Agreement and all unvested Restricted Stock Units granted hereunder shall terminate, and (b) Employee shall return to the Company for cancellation all Shares held by Employee plus pay the Company the amount of any proceeds received from the sale of any Shares to the extent such Shares were issued pursuant to Restricted Stock Units granted under this Agreement that vested (i) during the 12-month period immediately preceding the Forfeiture Event, or (ii) on the date of or at any time after such Forfeiture Event. "Forfeiture Event" means the following: (i) conduct related to Employee's 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 breach of the non-competition or non-solicitation provisions of the Key Employee Covenants previously provided to Employee, (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 (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 Employee from liability hereunder.

6. Governing Plan Document. This Agreement incorporates by reference all of the terms and conditions of the Plan, as presently existing and as hereafter amended. Employee expressly acknowledges and agrees that the terms and provisions of this Agreement are subject in all respects to the provisions of the Plan. Employee also expressly acknowledges, agrees and represents as follows:

a. Acknowledges receipt of the Plan, a copy of which is attached hereto as Exhibit A, and represents that Employee is familiar with the provisions of the Plan, and that Employee 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 Employee and upon all persons at any time claiming any interest through Employee in the Restricted Stock Units or the Shares subject to this Agreement.

c. Acknowledges and understands that the establishment of the Plan and the existence of this Agreement are not sufficient, in and of themselves, to exempt Employee from the requirements of Section 16(b) of the Exchange Act and any rules or regulations promulgated thereunder, and that Employee (to the extent Section 16(b) applies to Employee) shall not be exempt from such requirements pursuant to Rule 16b-3 unless and until Employee shall comply with all applicable requirements of Rule 16b-3, including without limitation, the possible requirement that Employee must not sell or otherwise dispose of any Share acquired hereby unless and until a period of at least six months shall have elapsed between the date upon which such Restricted Stock Unit was granted to Employee and the date upon which Employee desires to sell or otherwise dispose of any Share acquired under this award.

7. **Representations And Warranties**. As a condition to the receipt of any Shares upon vesting, the Company may require Employee 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 are being acquired only for investment and without any present intention or view to sell or distribute any such shares.

8. **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 Common Stock is then listed and any other government or regulatory agency.

9. **Taxes.** Regardless of any action the Company or, if different, the Employee's 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"), Employee acknowledges that the ultimate liability for all Tax-Related Items legally due by Employee is and remains his or her 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 Restricted Stock Units, including the grant of the Restricted Stock Units, the vesting of the Restricted Stock Units, the settlement of the Restricted Stock Units, the subsequent sale of any Shares acquired at settlement and the receipt of any dividends; and (ii) do not commit to structure the terms of the grant or any aspect of the Restricted Stock Units to reduce or eliminate the Employee's liability for Tax-Related Items.

Prior to vesting of the Restricted Stock Units, Employee agrees to make arrangements satisfactory to the Company and/or the Employer to satisfy any applicable Tax-Related Items in connection with the Restricted Stock Units. In this regard, if permissible under local law and regulations, Employee authorizes 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 Employee in settlement of the Restricted Stock Units; (ii) withholding from Employee's wages or other cash compensation payable to Employee by the Company or the Employer; (iii) withholding from proceeds of the sale of Shares acquired upon vesting of the Restricted Stock Units; or (iv) withholding in Shares, provided that the Company only withholds the amount of Shares necessary to satisfy the minimum withholding amount. Finally, Employee 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 Employee's participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to deliver any of the Shares if Employee fails to comply with his or her obligations in connection with the Tax-Related Items described in this Section.

10. **Nature of Grant.** In accepting the Restricted Stock Units and signing this Agreement, Employee acknowledges that:

10.1 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;

10.2 the grant of Restricted Stock Units is voluntary and occasional and does not create any contractual orother right to receive future awards of Restricted Stock Units, or benefits in lieu of Restricted Stock Units even if Restricted Stock Units have been awarded repeatedly in the past;

10.3 nothing in this Agreement or in the Plan shall confer upon Employee any right to continue in the employmentor 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 Employee'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;

10.4 all decisions with respect to future grants of Restricted Stock Units, if any, will be at the solediscretion of the Company;

10.5 Employee's participation in the Plan is voluntary;

10.6 Restricted Stock Units are 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 retirement benefits or similar payments;

10.7 in consideration of the grant of Restricted Stock Units, no claim or entitlement to compensation or damages arises from termination of the Restricted Stock Units or diminution in value of the Restricted Stock Units or Shares received upon vesting of Restricted Stock Units resulting from termination of the Employee's employment or other service-providing relationship with the Company or Employer (for any reason whatsoever and whether or not in breach of local labor laws) and Employee irrevocably releases 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 Agreement, Employee shall be deemed irrevocably to have waived his or her entitlement to pursue such claim; and

10.8 in the event of the termination of Employee's Continuous Service (whether or not in breach of local labor laws), Employee's right to receive Restricted Stock Units and vest under the Plan, if any, will terminate effective as of the date that Employee is 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 Employee is no longer providing Continuous Service for purposes of the Plan.

11. General Provisions.

11.1 Notices. Any notice required to be given under this Agreement shall be in writing and shall be deemed effective upon personal delivery or upon deposit in the U.S. mail, registered or certified, postage prepaid and properly addressed to the party entitled to such notice at the address indicated below such party's signature line on this Agreement or at such other address as such party may designate by ten (10) days advance written notice under this Section to all other parties to this Agreement.

11.2 No Waiver. The failure of the Company in any instance to exercise any rights under this Agreement, including the forfeiture rights under Section 5, shall not constitute a waiver of any other rights that may subsequently arise under the provisions of this Agreement or any other agreement between the Company and Employee. No waiver of any breach or condition of this Agreement shall be deemed to be a waiver of any other or subsequent breach or condition, whether of like or different nature.

12. Miscellaneous Provisions.

12.1 Employee Undertaking. Employee hereby agrees to take whatever additional action and execute whatever additional documents the Company may deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on either Employee or the Shares pursuant to the provisions of this Agreement.

12.2 Entire Contract. This Agreement and the Plan constitute the entire understanding and agreement of the parties with respect to the subject matter contained herein. This Agreement is made pursuant to, and incorporates by reference, the provisions of the Plan and shall in all respects be construed in conformity with the terms of the Plan (which is attached as Exhibit A).

12.3 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

12.4 Electronic Delivery. The Company may, in its sole discretion, decide to deliver any documents related to participation in the Plan, Restricted Stock Units granted under the Plan or future Restricted Stock Units that may be granted under the Plan by electronic means or to request Employee's consent to participate in the Plan by electronic means. Employee hereby consents 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 another third party designated by the Company.

12.5 Successors and Assigns. The provisions of this Agreement shall inure to the benefit of, and be binding upon, the Company and its successors and assigns and upon Employee, Employee's permitted assigns and the legal representatives, heirs and legatees of Employee's estate, whether or not any such person shall have become a party to this Agreement and have agreed in writing to join herein and be bound by the terms hereof. Employee may not assign this Agreement other than by the laws of decent and distribution.

12.6 Severability. In the event that any provision in this Agreement will be held invalid or unenforceable, such provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of this Agreement.

12.7 Governing Law. Restricted Stock Units and the provisions of this Agreement shall be governed by, and construed in accordance with, the laws of the State of Utah without resort to that State's conflict-of-laws rules, as provided in the Plan. In the event of any legal proceeding involving this Agreement, the prevailing party shall be entitled to recover its legal fees and expenses (including reasonable attorneys' fees).

By Employee's signature and the signature of the Company's representative below, Employee and the Company agree that this Restricted Stock Unit is granted under and governed by the terms and conditions of the Plan and this Agreement. Employee has read and understands the Plan and this Agreement. Employee hereby agrees to accept as binding and conclusive all decisions or interpretations of the Board and/or the Committee related to the Plan.

IN WITNESS WHEREOF, the parties have executed this Agreement on the day and year first indicated above.

Nu Skin Enterprises, Inc.

By: _____

Title: _____

Employee

Name: _____

Address: _____

NU SKIN ENTERPRISES, INC. CHANGE OF CONTROL SEVERANCE PLAN FOR _____

(Effective as of August 9, 2006)

NU SKIN ENTERPRISES, INC.

CHANGE OF CONTROL SEVERANCE PLAN FOR _____

PREAMBLE

WHEREAS, Nu Skin Enterprises, Inc. (the "Company") believes that, in the event it is confronted with a situation that could result in a change in ownership or control of the Company, continuity of management will be essential to its ability to evaluate and respond to such a situation in the best interests of shareholders;

WHEREAS, the Company also understands that any such situation will present significant concerns for certain key management personnel at the Company and designated senior officers of its subsidiaries or other affiliates with respect to financial and job security;

WHEREAS, the Company wants to be proactive in assuring itself and its subsidiaries and affiliates of the services of these critical individuals during the period in which it is confronting such a situation, and in providing such individuals with certain financial assurances to enable them to (i) perform their responsibilities without undue distraction and (ii) exercise their judgment without bias due to their personal circumstances;

WHEREAS, the Company wishes to provide these financial assurances in a uniform and equitable manner without engaging in negotiations with individual executives.

NOW, THEREFORE, this Nu Skin Enterprises, Inc. Change of Control Severance Plan for _____ (the "Plan") is effective as of August 9, 2006, to provide such assurances for _____.

ARTICLE 1
DEFINITIONS

1.1 "Accrued Obligations" has the meaning set forth in Section 2.3(a)(iii).

1.2 "Affiliate" means any corporation, partnership, limited liability company, business trust or other entity in which the Company owns, directly or indirectly, more than 50% of the Voting Power in such entity.

1.3 "Aggregate Parachute Payments" has the meaning set forth in Section 3.2.

1.4 "Annual Compensation" shall mean the sum of (i) Participant's annual Base Pay, and (ii) the higher of (A) Participant's actual annual incentive compensation payment(s) with respect to services performed in the calendar year prior to Participant's Year of Termination, or (B) Participant's target bonus the year of Termination; provided, however, that in the case Participant's annual compensation for services consists in any material fashion of commissions and/or other forms of compensation other than Base Pay and annual incentive pay, the Compensation Committee shall determine the amount of Participant's Annual Compensation.

1.5 "Base Pay" means Participant's annual base salary, excluding bonuses, commissions, incentive and all other remuneration for services rendered to the Company and prior to reduction for any salary deferrals, including but not limited to, deferrals under plans established pursuant to Section 125 of the Code or qualified pursuant to Section 401(k) of the Code.

1.6 "Board" shall mean the Board of Directors of the Company.

1.7 "Cause" means any of the following: (1) the Participant's theft, dishonesty, misappropriation or conversion of assets or opportunities belonging to the Company or falsification of any documents or records related to the Company or any of its Affiliates; (2) the Participant's improper use or disclosure of the Company's or any of its Affiliate's confidential or proprietary information; (3) any action by the Participant which has a material detrimental effect on the reputation or business of the Company or any of its Affiliates including the commission of an act of fraud or intentional misrepresentation; (4) the Participant's failure or inability to perform any reasonable assigned duties, if such failure or inability is reasonably capable of cure, after being provided with a reasonable opportunity to cure, such failure or inability; (5) any material breach by the Participant of any employment or service agreement between the Participant and the Company or any of its Affiliates or applicable policy of the Company or any of its Affiliates, including any non-disclosure agreement or other duty of confidentiality or insider trading policy, unless such breach can be cured and is cured pursuant to the terms of such agreement; (6) breach of any applicable restrictive covenant evidenced by an agreement between the Participant and the Company or any Affiliate, including breach of any applicable non-competition or non-solicitation provision and/or improper disclosure or misuse of any confidential or proprietary information, or (7) the Participant's conviction (including any plea of guilty or nolo contendere) of any criminal act which impairs the Participant's ability to perform his or her duties with the Company or any of its Affiliates or conduct related to the Participant's service for which either criminal or civil penalties may be sought. Notwithstanding the foregoing, the definition of "Cause" in an individual written agreement, other than an individual written agreement for stock awards, between the Company or any of its Affiliates and the Participant shall supersede the foregoing definition (it being understood, however, that if no definition of the term Cause is set forth in such an individual written agreement, the foregoing definition shall apply).

1.8 "Change of Control" shall be deemed to have occurred if any of the following events shall occur:

(a) The sale, exchange, lease or other disposition, in one or a series of related transactions, of all or substantially all of the assets of the Company to a "person" or "group" (as such terms are defined or described in Sections 3(a)(9), 13(d)(3) or 14(d)(2) of the Exchange Act);

(b) Any person or group is or becomes the Beneficial Owner, directly or indirectly, of more than 50% of the total Voting Power of the voting stock of the Company (or any successor to all or substantially all of the assets of the Company or any entity which controls the Company), including by way of merger, consolidation or otherwise;

(c) Either a merger or consolidation of the Company with or into another person (as defined by Section 13(d) or 14(d) of the Exchange Act) if the

shareholders of the Common Stock of the Company immediately prior to such transaction are not the Beneficial Owners of a majority of the outstanding common stock of the surviving company or its parent immediately after the transaction;

(d) During any period of two (2) consecutive years, individuals who at the beginning of such period constituted the Board (together with any new Directors whose election by such Board or whose nomination for election by the shareholders of the Company was approved by a vote of a majority of the Directors of the Company then still in office, who were either Directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board then in office; or

(e) A dissolution or liquidation of the Company.

Notwithstanding the foregoing, a Change of Control shall not be deemed to have occurred merely as a result of an underwritten offering of the equity securities of the Company where no Person (including any "group" (within the meaning of Rule 13d-5(b) under the Exchange Act)) acquires more than twenty-five percent (25%) of the beneficial ownership interests in such securities.

1.9 "Code" means the Internal Revenue Code of 1986, as amended.

1.10 "Company" means Nu Skin Enterprises, Inc., a Delaware corporation, or any successor company.

1.11 "Compensation Committee" means a committee comprised of the persons who, prior to or at the time of a Potential Change of Control or an actual Change of Control, are serving as the members of the Compensation Committee of the Company's Board. Following the occurrence of a Potential Change of Control or Change of Control, the Company shall not have the right to change the individuals who serve on the committee acting as the Compensation Committee. Any vacancies on such Committee following the occurrence of a Change of Control shall be filled, if at all, by a vote of at least 75% of the individuals then still serving as members of the Compensation Committee.

1.12 "Date of Termination" means the date of receipt of a Notice of Termination or, if later, the date of termination of Participant's employment specified therein.

1.13 "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

1.14 "Exchange Act" means the Securities Exchange Act of 1934, as amended.

1.15 "Excise Tax" has the meaning set forth in Section 3.1.

1.16 "Excise Tax Gross-Up Payment" has the meaning set forth in Section 3.3(b).

1.17 "End Date" means the 18-month anniversary of the Date of Termination.

1.18 "Good Reason" means the occurrence of any of the following, without the express written consent of Participant, after the occurrence of a Change of Control:

(a) the assignment to Participant of any duties inconsistent in any material adverse respect with Participant's 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;

(b) any failure by the Company to continue to provide Participant 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 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 Participant;

(c) the Company's requiring Participant to be based at any office or location more than 49 miles from that location at which he performed his services immediately prior to the Change of Control, except for travel reasonably required in the performance of Participant's responsibilities; or

(d) 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 Participant under this Plan 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 (a)-(d) shall not constitute Good Reason unless Participant provides written notice of the action(s) or omission(s) deemed to constitute Good Reason in accordance with the provisions hereof and the 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 Participant, be deemed to constitute Good Reason.

1.19 "Group Welfare Benefit Plans" has the meaning set forth in Section 2.3(b).

1.20 "Notice of Termination" Any termination by the Company (and/or, where applicable, an Affiliate), whether with or without Cause, or by Participant for Good Reason shall be communicated by Notice of Termination to Participant or the Company (or the applicable Affiliate), as the case may be (except that such notice may be waived by the party intended to receive such notice). A "Notice of Termination" means a written notice given, in the case of a termination for Cause, within thirty (30) business days of the Company's (or the applicable Affiliate's) having actual knowledge of the events giving rise to such termination, and in the case of a termination for Good Reason, within thirty (30) days of Participant's having actual knowledge of the events giving rise to such termination, and which (i) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Participant's employment, and (ii) if the termination date is other than the date of receipt of such notice, specifies the Date of Termination (which date, in the case of any termination for other than Good Reason, shall be not more than 15 days after the giving of such notice). Notwithstanding any other provision hereunder, in the case of a termination for Good Reason, the Date of Termination shall be 30 days after the Notice of Termination, provided that Participant may not terminate his or her employment for Good Reason if the Company (or the applicable Affiliate) cures the cause for such termination within 30 days of receiving the Notice of Termination. The failure by

Participant to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason shall not waive any right of Participant hereunder or preclude Participant from asserting such fact or circumstance in enforcing his rights hereunder. A Notice of Termination shall be given in writing and delivered by first class mail, return receipt requested (or other form of delivery which requires signature for delivery), addressed to the Company's headquarters, if the notice is to the Company (or the applicable Affiliate), or to the address of Participant on the Company's (or the applicable Affiliate's) records, if addressed to Participant.

1.21 "Nu Skin Enterprises Deferred Compensation Plans" means the Nu Skin Enterprises, Inc. Deferred Compensation Plan and any other deferred compensation plan sponsored by the Company or any Affiliate that is unfunded and is maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees.

1.22 "Participant" means _____.

1.23 "Payment Cap" has the meaning set forth in Section 3.3(a).

1.24 "Person" means any person (within the meaning of Section 3(a)(9) of the Exchange Act, including any group (within the meaning of Rule 13d-5(b) under the Exchange Act)), but excluding any of the Company, any Affiliate or any employee benefit plan sponsored or maintained by the Company or any Affiliate.

1.25 "Potential Change of Control" shall be deemed to have occurred if any of the following events shall have occurred:

(a) a Person commences a tender offer (with adequate financing) for securities representing at least 10% of the Voting Power of the Company's securities;

(b) the Company enters into an agreement the consummation of which would constitute a Change of Control;

(c) at a time at which the Company is subject to the proxy disclosure rules of Section 14 of the Exchange Act, proxies for the election of directors of the Company are solicited by anyone other than the Company; or

(d) any other event occurs which is deemed to be a Potential Change of Control by the Board.

1.26 "Plan" means the Nu Skin Enterprises, Inc. Change of Control Severance Plan for _____.

1.27 "Section 280G PlaceNameplaceSafe PlaceTypeHarbor Amount" has the meaning set forth in Section 3.2.

1.28 "Separation Agreement and General Release" means a written document that includes, but is not limited to, a release of rights and claims from Participant, a confidentiality agreement, a non-compete agreement, and an agreement not to solicit employees of the Company and its Affiliates, in a form substantially similar to Exhibit A, as the same may be amended by the Compensation Committee from time to time.

1.29 "Severance Amount" has the meaning set forth in Section 2.3(a)(iv).

1.30 "Voting Power" means such number of the Voting Securities as shall enable the holders thereof to cast such percentage of all the votes which could be cast in an annual election of directors.

1.31 "Voting Securities" means all securities of a company entitling the holders thereof to vote in an annual election of directors.

1.32 "Year of Termination" means the calendar year during which Participant's employment with the Company or any Affiliate is terminated.

ARTICLE II
BENEFITS PAYABLE

2.1 Death; Disability or Retirement. If Participant's employment with the Company and/or any Affiliate is terminated by reason of Participant's death, voluntary retirement or termination of employment as a result of Participant's inability to perform the basic requirements of his or her position due to physical or mental limitations, no benefits will be payable under this Plan.

2.2 Cause and Voluntary Termination. If Participant's employment with the Company and/or any Affiliate is terminated for Cause or is voluntarily terminated by Participant (other than on account of Good Reason), no benefits will be payable under this Plan.

2.3 Termination by the Company other than for Cause. If, during the two-year period following a Change of Control, Participant's employment is terminated by the Company and/or any Affiliate other than for Cause, the Company shall provide (or the Company shall cause an Affiliate to provide) Participant with the following compensation and benefits:

(a) Severance and Other Termination Payments. Participant shall be entitled to receive the following upon the execution of a Separation Agreement and General Release:

(i) Participant's full Base Pay through the Date of Termination;

(ii) an amount (the "Pro-Rated Annual Incentive") equal to the target annual incentive compensation opportunity applicable to Participant for the fiscal year in which the Date of Termination occurs (or, if there is no target opportunity stated for such year, an amount equal to the average of the annual incentive compensation payments made to Participant for the three calendar years (or, if less, the number of calendar years during which Participant was employed by the Company or any Affiliate) ended immediately prior to Participant's Year of Termination), multiplied by a fraction, the numerator of which is the number of completed months in such fiscal year which have elapsed on or before (and including) the Date of Termination and the denominator of which is 12;

(iii) any vested amounts or benefits owing to Participant under any otherwise applicable employee benefit plans and programs, both qualified and nonqualified, and not yet paid and any accrued vacation pay not yet paid by the Company (the "Accrued Obligations"); and

(iv) a severance payment (the "Severance Amount") equal to 1.5 times Participant's Annual Compensation.

The Base Pay, Pro-Rated Annual Incentives, and Severance Amount shall be paid in cash in a single lump sum as soon as practicable, but in no event more than 30 days (or at such earlier date required by law) following the later of (a) the Date of Termination or (b) the execution of a Separation Agreement and General Release. The Pro-Rated Annual Incentive shall be paid in cash as soon as practicable after the amount of each such payment (or any portion thereof) can be determined. Accrued Obligations shall be paid in accordance with the terms of the applicable plan, program or arrangement.

(b) Continuation of Benefits. After the Date of Termination, Participant (and, to the extent applicable, his or her dependents) shall be entitled to continue participation in all of the group health and group life employee benefit plans of the Company or any Affiliate in which he or she participated (the "Group Welfare Benefit Plans") during Participant's (or if applicable, his or her dependents') applicable coverage period under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, to the degree such participation is permitted under the terms of the applicable plan, program or policy and in accordance with the requirements of the Code, ERISA or otherwise applicable law. The Company or the appropriate Affiliate shall pay Participant, as soon as reasonably practical, a lump-sum payment equal to the excess of the cost of the medical coverage and life insurance provided to Participant (and to the extent applicable, Participant's dependents) hereunder over the cost that Participant (or his dependents) would have paid for such coverage if Participant had remained employed.

Notwithstanding the above, to the extent Section 409A of the Code applies to any payment amount under this Section, payment to Participant will begin no earlier than six months following Participant's termination to the extent required by Section 409A of the Code.

2.4 Termination by Participant for Good Reason. If, after a Change of Control and prior to the second anniversary of such Change of Control, Participant terminates his employment for Good Reason, the Company or the appropriate Affiliate shall provide to Participant the same amounts and benefits as would be payable to Participant if such termination were a termination by the Company or such Affiliate without Cause.

2.5 Termination of Employment by the Company Following a Potential Change of Control. If the Company or Affiliate terminates Participant's employment other than for Cause after the occurrence of a Potential Change of Control, and within six months after such Potential Change of Control a Change of Control actually occurs, Participant shall be treated, solely for purposes of this Plan, to have continued in employment until the occurrence of the Change of Control and to have been terminated thereafter by the Company and such Affiliate, without Cause, in which case he or she shall be entitled to the benefits described in Section 2.3 above, reduced by the amount of any other severance benefits previously provided to him in connection with such termination (other than any such benefits payable pursuant to the terms of a plan which is intended to meet the requirements of Section 401(a) of the Code).

2.6 Discharge of the Company's Obligations. Except as expressly provided herein, the amounts payable to Participant pursuant to this Plan (whether or not reduced as provided below) shall be conditioned upon Participant's executing a Separation Agreement and General Release in favor of the Company and each Affiliate and certain other parties designated therein of any claims Participant may have in respect of his employment by any of the Company or any Affiliate. Any payment under this Plan shall be null and void upon Participant's failure to sign, or subsequent revocation of, such Separation Agreement and General Release. Any breach by Participant of a Separation Agreement and General Release upon which any payment under this Plan has been conditioned shall give the Company the right to terminate any payment otherwise due and/or to the return of such amounts already paid under this Plan, in addition to any other remedy the Company may have. Notwithstanding the foregoing, nothing in this Plan shall be construed to:

(a) affect, limit or modify in any way or release any claim Participant may have with respect to any amounts payable pursuant to this Plan or any vested amounts or benefits owing to Participant under any otherwise applicable employee benefit plans and programs maintained or contributed by any of the Company or any Affiliate (except that this Plan will supersede any otherwise applicable severance policy), including any compensation previously deferred by Participant (together with any accrued earnings thereon) and not yet paid and any accrued vacation pay not yet paid, or

(b) release the Company or any Affiliate from its commitment to indemnify Participant and hold Participant harmless from and against any claim, loss or cause of action arising from or out of Participant's performance as an officer, director or employee of the Company or any such Affiliate or in any other capacity, including any fiduciary capacity, in which Participant served at the request of the Company or any Affiliate.

Except as otherwise expressly provided herein, the obligation of the Company or any Affiliate to make the payments provided for in this Plan shall not be affected by any circumstances, including, without limitation, any set-off, counterclaim, recoupment, defense or other right which the Company or any such Affiliate may have against Participant or others whether by reason of the subsequent employment of Participant or otherwise.

ARTICLE III
LIMIT ON PAYMENTS BY THE COMPANY

3.1 Application of this Article III. In the event that any amount or benefit paid or distributed to Participant pursuant to this Plan, taken together with any amounts or benefits otherwise paid or distributed to Participant by the Company or any Affiliate (the "Covered Payments"), would be an "excess parachute payment" as defined in Section 280G of the Code and would thereby subject Participant to the tax (the "Excise Tax") imposed under Section 4999 of the Code (or any similar tax that may hereafter be imposed), the provisions of this Article III shall apply to determine the amounts payable to Participant pursuant to this Plan.

3.2 Calculation of Aggregate Parachute Payments. Immediately following delivery of any Notice of Termination, the Company shall notify Participant of the aggregate present value of all "parachute payments" (within the meaning of Section 280G of the Code) to which Participant would be entitled under this Plan and any other plan, program or arrangement as of the projected Date of Termination (the "Aggregate Parachute Payments").

3.3 Best Alternative Payment. The Aggregate Parachute Payments shall be reduced if such reduction would maximize the Participant's after-tax retention. For this purpose, the Company shall perform two calculations, as follows:

(a) the first being the amount the Participant would retain net after all taxes, including excise taxes, if all of the Participant's Aggregate Parachute Payments are made; and

(b) the second being the amount the Participant would retain net after all taxes if the Aggregate Parachute Payments are reduced until no portion of the Aggregate Parachute Payments is not deducible by reason of Section 280G of the Code.

The Participant will receive the greater of (a) or (b) above, whichever maximizes the Participant's net after tax retention.

3.4 Application of Section 280G. For purposes of determining whether any of the Covered Payments will be subject to the Excise Tax and the amount of such Excise Tax:

(a) such Covered Payments will be treated as "parachute payments" within the meaning of Section 280G of the Code, and all "parachute payments" in excess of the "base amount" (as defined under Section 280G(b)(3) of the Code) shall be treated as subject to the Excise Tax, unless, and except to the extent that, in the good faith judgment of an independent certified public accountant other than the Company's normal independent certified public accountants or tax counsel selected by such accountants (the "Accountants"), relying on the best authority available at the time of such determination (including, but not limited to, any proposed Treasury regulations upon which taxpayers may rely), that the Company or any otherwise applicable Affiliate has a reasonable basis to conclude that such Covered Payments (in whole or in part) either do not constitute "parachute payments" or represent reasonable compensation for personal services actually rendered (within the meaning of Section 280G(b)(4)(B) of the Code) in excess of the "base amount," or such "parachute payments" are otherwise not subject to such Excise Tax, and

(b) the value of any non-cash benefits or any deferred payment or benefit shall be determined by the Accountants in accordance with the principles of Section 280G of the Code.

3.5 Adjustments in Respect of the Payment Cap.

(a) If Participant receives reduced payments and benefits under this Article III (or this Article III is determined not to be applicable to Participant because the Accountants conclude that Participant is not subject to any Excise Tax) and it is established pursuant to a final determination of a court or an Internal Revenue Service proceeding (a "Final Determination") that, notwithstanding the good faith of the parties in applying the terms of this Plan, the aggregate "parachute payments" within the meaning of Section 280G of the Code paid to Participant or for his benefit are in an amount that would result in Participant being subject an Excise Tax and Participant would still be subject to the payment cap under the provisions of Section 3.3(b), then the amount equal to such excess parachute payments shall be deemed for all purposes to be a loan to Participant made on the date of receipt of such excess payments, which Participant shall have an obligation to repay to the entity making such payment on demand, together with interest on such amount at the applicable Federal rate (as defined in Section 1274(d) of the Code) from the date of the payment hereunder to the date of repayment by Participant.

(b) If Participant receives reduced payments and benefits by reason of this Article III and it is established pursuant to a Final Determination that Participant could have received a greater amount without exceeding the payment cap under the provisions of Section 3.3(b), then the Company or the appropriate Affiliate shall promptly thereafter pay Participant the aggregate additional amount which could have been paid without exceeding the cap, together with interest on such amount at the applicable Federal rate (as defined in Section 1274(d) of the Code) from the original payment due date to the date of actual payment.

ARTICLE IV
DISPUTES

Any dispute or controversy arising under or in connection with this Plan shall be resolved by binding arbitration. The arbitration shall be held in the State of Utah (or such other location as the parties shall mutually agree to in writing) and shall be conducted in accordance with the Expedited Employment Arbitration Rules of the American Arbitration Association then in effect at the time of the arbitration (or such other rules as the parties may agree to in writing), and otherwise in accordance with principles which would be applied by a court of law or equity. The arbitrator shall be acceptable to both the Company and Participant. If the parties cannot agree on an acceptable arbitrator, the dispute shall be heard by a panel of three arbitrators, one appointed by each of the parties and the third appointed by the other two arbitrators. If Participant asserts any claim as to his or her eligibility for benefits under this Plan, Participant's employer shall pay Participant's legal expenses (or cause such expenses to be paid) including, without limitation, his or her reasonable attorney's fees, on a quarterly basis, upon presentation of proof of such expenses in a form acceptable to the Company, provided that Participant shall reimburse such amounts, plus simple interest thereon at the 90-day United States Treasury Bill rate as in effect from time to time, compounded annually, if Participant does not prevail as to at least one material issue presented to the arbitrator(s).

ARTICLE V
GENERAL INFORMATION

5.1 Administration. The Plan is sponsored solely by the Company, and will be payable from the general assets of the Company and, as applicable, an Affiliate. The Plan will be administered by the Compensation Committee. The Compensation Committee shall have full and complete authority to interpret this Plan, and to make all determinations hereunder, but not limited to, making determinations as to eligibility for benefits or to participate in the Plan, the amount of benefits payable, the time at which benefits cease to be payable, and other comparable issues. In addition, the Compensation Committee may delegate any of its authority and responsibilities, subject to Compensation Committee review and to the extent permitted by law, to any officer or committee of officer(s) of the Company. The determinations made by the Compensation Committee or its delegate shall be final, binding and conclusive on all persons affected thereby, including, but not limited to, Participant, the Company and each Affiliate. The Company and/or the Compensation Committee, as the case may be, shall maintain such procedures and records as each deems necessary or appropriate. Participant shall receive a copy of the Plan.

5.2 Plan Amendment Or Termination. This Plan may be amended or terminated at any time by the Board, subject to the following limitations. Any amendment or termination that adversely affects Participant shall not be given any effect until the expiration of one year from the date that Participant is given written notice of such amendment or termination. Upon a Change of Control or any Potential Change of Control, the Plan may not be terminated or amended in a manner that adversely affects Participant. In the event a Change of Control occurs during the one-year notice period required with respect to a termination or amendment that adversely affects Participant, such termination or amendment shall be rendered void and without effect. The Compensation Committee may terminate Participant's participation in the Plan at any time, provided that (i) such termination shall not be given effect until the expiration of six months from the date that Participant is given notice thereof, and (ii) Participant's participation hereunder may not be terminated after a Change of Control or a Potential Change of Control (even if notice of termination had been given prior to the occurrence of any such event). Notwithstanding anything else contained herein to the contrary, no Participant shall be or become entitled to benefits hereunder upon the termination of his or her employment by the Company, or as a result of any

event that would otherwise have constituted Good Reason hereunder, if such termination or event first occurs after the second anniversary of the Change of Control occurring during the term of this Plan. This Plan shall automatically terminate at the later of two years after a Change of Control or the satisfaction of all Plan liabilities to Participant.

5.3 No Contract Of Employment. The existence of this Plan, as in effect at any time or from time to time, shall not be deemed to constitute a contract of employment between the Company or any Affiliate and Participant, nor shall it constitute a right to remain in the employ of the Company or any Affiliate. Employment with the Company or any Affiliate is employment-at-will and either party may terminate Participant's employment at any time, for any reason, with or without cause or notice.

5.4 Limitation On Liability. The liability of the Company or any Affiliate under this Plan is limited to the obligations expressly set forth in the Plan, and no term or provision of this Plan may be construed to impose any further or additional duties, obligations, or costs on the Company, any Affiliate or the Compensation Committee not expressly set forth in the Plan.

5.5 Exclusivity Of Benefits. Except as otherwise expressly provided herein with respect to a termination occurring prior to a Change of Control but after a Potential Change of Control, Participant who receives benefits under this Plan shall not be entitled to any severance benefits under any other severance plan, program, or arrangement sponsored or adopted by the Company.

5.6 Impact on Other Benefits. Amounts paid under the Plan shall not be included in Participant's compensation for purposes of calculating benefits under any other plan, program or arrangement sponsored by the Company or a Participating Company, unless such plan, program or arrangement expressly provides that amounts paid under the Plan shall be included.

5.7 Taxes. The Company or the appropriate Affiliate shall have the right to deduct from all payments any federal, state, or local taxes or other obligations required by law to be withheld with respect to such payments.

5.8 Third Parties. Nothing express or implied in this Plan is intended or may be construed to give any person other than eligible Participant any rights or remedies under this Plan.

5.9 Captions. The headings and captions appearing herein are inserted only as a matter of convenience. They do not define, limit, construe, or describe the scope or intent of the provisions of the Plan.

5.10 Choice Of Law. Except to the extent that they may be preempted by the operation of Federal law, this Plan shall be governed by the laws of the State of StateplaceUtah, other than the provisions thereof relating to conflict of laws.

5.11 No Limitations On Corporate Actions. Except to the extent expressly provided in Section 5.2, nothing contained in this Plan shall be construed to prevent the Company, or any Affiliate, from taking any corporate action which is deemed by it to be appropriate, or in its best interest, whether or not such action would have an adverse effect on this Plan. No employee, beneficiary, or other person, shall have any claim against the Company or any Affiliate as a result of any such action.

5.12 Non-Alienation Provision. Subject to the provisions of applicable law, no interest of any person or entity in any benefit under the Plan shall be subject in any manner to sale, transfer, assignment, pledge, attachment, garnishment, or other alienation or encumbrance of any kind; nor may such benefit be taken, either voluntarily or involuntarily, for the satisfaction of the debts of, or other obligations or claims against, such person or entity, including (but not limited to) claims for alimony, support, separate maintenance and claims in bankruptcy proceedings.

5.13 Successors. All obligations of the Company and any Affiliate under the Plan shall be binding upon and inure to the benefit of any successor to the Company or such Affiliate, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, demutualization or otherwise.

To signify its adoption of this Plan document, the Company has caused this Plan document to be executed by a duly authorized officer of the Company on this August 9, 2006.

NU SKIN ENTERPRISES, INC.

By: _____

Its: _____

EXHIBIT 31.1
SECTION 302 – CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, M. Truman Hunt, Chief Executive Officer of the registrant, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: August 9, 2006

/s/ M. Truman Hunt
M. Truman Hunt
Chief Executive Officer

EXHIBIT 31.2
SECTION 302 – CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Ritch N. Wood, Chief Financial Officer of the registrant, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: August 9, 2006

/s/ Ritch N. Wood
Ritch N. Wood
Chief Financial Officer

EXHIBIT 32.1
SECTION 1350 CERTIFICATION OF CHIEF EXECUTIVE OFFICER

CERTIFICATION PURSUANT TO18
U.S.C. SECTION 1350, AS ADOPTED PURSUANT TOSECTION
906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Nu Skin Enterprises, Inc. (the "Company") on Form 10-Q for the quarterly period ended June 30, 2006, 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: August 9, 2006

/s/ M. Truman Hunt
M. Truman Hunt
Chief Executive Officer

EXHIBIT 32.2
SECTION 1350 CERTIFICATION OF CHIEF FINANCIAL OFFICER

CERTIFICATION PURSUANT TO18
U.S.C. SECTION 1350, AS ADOPTED PURSUANT TOSECTION
906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Nu Skin Enterprises, Inc. (the "Company") on Form 10-Q for the quarterly period ended June 30, 2006, 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: August 9, 2006

/s/ Ritch N. Wood
Ritch N. Wood
Chief Financial Officer