

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 8-K/A

(Amendment No. 1)

CURRENT REPORT  
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

January 31, 2005

Date of Report (Date of earliest event reported)

NU SKIN ENTERPRISES, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of  
incorporation)

001-12421

(Commission File Number)

87-0565309

(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)

N/A

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4 (c))

We filed a Current Report on Form 8-K dated February 8, 2005 (the "Form 8-K") in which, among other items, we reported the entry into a material definitive agreement under Item 1.01 and the creation of a direct financial obligation under Item 2.03 with respect to our issuance of a series of promissory notes to affiliates of Prudential Investment Management, Inc. We are filing this amendment to the Form 8-K in order to provide additional detail with respect to that transaction as set forth in Items 1.01 and 2.03 below.

This amendment does not modify or update our reported results of operation and financial condition for our fourth quarter and year ended December 31, 2004 as disclosed under Item 2.02 of the Form 8-K. Consequently, this amendment does not include Item 2.02 information.

**Item 1.01 Entry into a Material Definitive Agreement.**

The information provided in Item 2.03 of this Current Report on Form 8-K regarding the Notes (as such term is defined below) is incorporated by reference into this Item 1.01.

In addition, the terms of the Shelf Agreement referred to in Item 2.03 below require us to pledge equity securities of our Material Foreign Subsidiaries (as defined in the Shelf Agreement) as collateral for the debt. In connection with the issuance of the Notes, we were required to pledge equity securities of our Mainland China subsidiary, which had become a Material Foreign Subsidiary. On January 31, 2004, a Pledge Agreement was executed in this regard (the "Pledge Agreement"). The parties to the Pledge Agreement are Nu Skin Asia Investment, Inc., our wholly owned subsidiary ("NSAI") and US Bank National Association, as collateral agent for the lenders. The Pledge Agreement provides that NSAI pledges 65% of the equity securities of Nu Skin (China) Daily-Use & Health Products Co., Ltd., which is a wholly-owned subsidiary of NSAI and is our primary operating entity in Mainland China.

The foregoing summary of the Pledge Agreement is subject to, and qualified in its entirety by, the Pledge Agreement attached as Exhibit 99.3 to this report and incorporated by reference

**Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.**

On February 7, 2005, we issued a series of Japanese Yen denominated senior promissory notes (the "Notes") to affiliates of Prudential Investment Management, Inc. ("Prudential"). The Notes were issued pursuant to a \$125 million Private Shelf Agreement entered into between us and Prudential on August 26, 2003 (the "Shelf Agreement"). The Shelf Agreement and Amendment No. 1 thereto were filed as Exhibits 10.52 and 10.53, respectively, to our Annual Report on Form 10-K filed on March 15, 2004. Amendment No. 2 to the Shelf Agreement was filed as Exhibit No. 10.3 to our Quarterly Report on Form 10-Q filed on August 9, 2004.

The aggregate principal amount of the Notes is 3.12 billion Japanese Yen, bearing a 1.7225% interest rate per annum, with interest payable semi-annually beginning on April 30, 2005. The final maturity date of the Notes is April 30, 2014 and principal prepayments are required annually beginning on April 30, 2008 in equal installments of 162,076,572 Japanese Yen. The Notes are also governed by the terms of the Shelf Agreement and amendments thereto, which contain certain representations, warranties and covenants by us, as well as customary conditions upon which the obligations under the Notes may be accelerated and become due and payable immediately, or become subject to additional obligations. For complete information regarding these terms, please refer to the Shelf Agreement and amendments thereto filed with our annual and quarterly reports as described above.

The foregoing summary of the Notes is subject to, and qualified in its entirety by, the Notes attached as Exhibit 99.2 to this report and incorporated by reference.

**Item 9. Financial Statements and Exhibits.**

(c) Exhibits.

99.2\* Nu Skin Enterprises, Inc. Series C Senior Notes Nos. C-1 and C-2 dated February 7, 2005.

99.3 Pledge Agreement dated as of January 31, 2005 between Nu Skin Asia Investment, Inc. and U.S. Bank National Association.

\*Previously filed.

**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 hereunto duly authorized.

**NU SKIN ENTERPRISES, INC.**  
(Registrant)

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

Date: March 10, 2005

**EXHIBIT INDEX**

**Exhibit No.      Exhibit Description**

99.2\*              Nu Skin Enterprises, Inc. Series C Senior Notes Nos. C-1 and C-2 dated February 7, 2005.

99.3              Pledge Agreement dated as of January 31, 2005 between Nu Skin Asia Investment, Inc. and U.S. Bank National Association.

\*Previously filed.

PLEDGE AGREEMENT

This PLEDGE AGREEMENT (this “**Agreement**”) is dated as of January 31, 2005 and is entered into by and among Nu Skin Asia Investment, Inc., a Delaware corporation (“**NSAI**” and “**Pledgor**”), and U.S. Bank National Association (“**Secured Party**”), as agent for and on behalf of the other Benefited Parties under the Amended and Restated Collateral Agency and Intercreditor Agreement referred to below.

PRELIMINARY STATEMENTS

A. NSAI is a wholly-owned subsidiary of Nu Skin Enterprises, Inc., a Delaware corporation (“**NSE**”).

B. The Prudential Insurance Company of America (“**Prudential**”) previously purchased an aggregate principal amount of JPY9,706,500,000 of NSE’s Senior Secured Notes due October 12, 2010 (the “**2000 Notes**”) pursuant to that certain Note Purchase Agreement dated as of October 12, 2000 by and between NSE and Prudential (as amended from time to time, the “**Note Purchase Agreement**”).

C. NSE has previously entered into a Credit Agreement dated as of May 10, 2001 by and between NSE and various financial institutions (as amended from time to time, the “**Credit Agreement**”) pursuant to which the lenders party thereto may from time to time make senior loans and other financial accommodations to NSE.

D. NSE has previously entered into a Private Shelf Facility Agreement dated as of August 26, 2003 between NSE and Prudential Investment Management, Inc. (and certain of its affiliates) (as amended from time to time, the “**Private Shelf Agreement**”) pursuant to which NSE or its subsidiaries may from time to time issue and sell to the lender its senior promissory notes in the aggregate principal amount of up to US\$125,000,000 or the equivalent amount in certain other currencies.

E. Capitalized terms used herein shall have the respective meanings ascribed thereto in the Note Purchase Agreement, the Credit Agreement and the Private Shelf Agreement (collectively, the “**Senior Credit Agreements**”) and the Amended and Restated Collateral Agency and Intercreditor Agreement (described below) unless herein defined or the context shall otherwise require.

F. The Senior Credit Agreements require NSE to (i) pledge, or cause a pledge of, 65% of the Equity Securities of each of NSE’s Material Foreign Subsidiaries to Secured Party, for the ratable benefit of the Benefitted Parties, as security for the obligations under the Senior Credit Agreements, and (ii) take all actions as may be necessary or desirable to give to Secured Party, for the ratable benefit of the Benefitted Parties, a valid and perfected first priority Lien on and security interest in the pledged securities.

G. Secured Party, the lenders party to the Senior Credit Agreements and each of the other Benefitted Parties have entered into that certain Amended and Restated Collateral Agency and Intercreditor Agreement dated as of August 26, 2003 (as amended from time to time, the “**Collateral Agency and Intercreditor Agreement**”).

H. NSAI is a wholly-owned subsidiary of NSE, and NSAI is the owner of all of the Equity Securities of Nu Skin (China) Daily-Use & Health Products Co., Ltd. (formerly know as Shanghai Nu Skin Daily-Use and Health Products Co., Ltd.), a company established in the PRC with its registered office at No. 29 Factory Building, Long Yang Industrial Park, Fengxian District, Shanghai, PRC (“**Nu Skin (China)**”).

I. NSE is required under the Senior Credit Agreements to cause NSAI to grant the security interest and undertake the obligations contemplated by this Agreement and the Senior Credit Agreements.

J. This Agreement, the Senior Credit Agreements and each of the other documents relating to the Secured Obligations (as defined in Section 2) are hereinafter referred to collectively as the “**Senior Secured Loan Documents**.”

K. In this Agreement:

(i) “**Approval Authority**” means the examination and approval authority having jurisdiction over Nu Skin (China) (which is the Shanghai Foreign Investment Commission).

(ii) “**Investment Certificate**” means an investment certificate issued or to be issued by Nu Skin (China) to the Pledgor, confirming an aggregate amount of contributions by the Pledgor to the registered capital of Nu Skin (China), and any other investment certificate to be issued to the Pledgor from time to time that confirms any future contributions (whether by direct contribution to the registered capital or by acquisition of equity interest from others) in respect of the Equity Securities.

(iii) “**PRC**” means the People’s Republic of China, which, for the purpose of this Agreement only, excludes Hong Kong Special Administration Region, Macao Special Administration Region and Taiwan.

(iv) “**Pledge**” means any and all of the security created or expressed to be created by or pursuant to this Agreement.

(v) “**Registration Authority**” means the industrial and commercial administration authority at which Nu Skin (China) is registered (which is the Shanghai Administration Bureau for Industry and Commerce).

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Pledgor hereby agrees with Secured Party as follows:

**SECTION 1. Pledge of Security.** Pledgor hereby pledges to Secured Party, and hereby grants to Secured Party a first priority security interest in, all of Pledgor’s right, title and interest in and to the following (the “**Pledged Collateral**”):

(a) the Equity Securities described in Schedule I attached hereto, including all securities convertible into, and rights, warrants, options and other rights to purchase or otherwise acquire, any of the foregoing now or hereafter owned by Pledgor, and the certificates or other instruments representing any of the foregoing and any interest of Pledgor in the entries on the books of any securities intermediary pertaining thereto (the “**Pledged Equity**”), and all dividends, distributions, returns of capital, cash, warrants, option, rights, instruments, right to vote or manage the business of the issuer of such Equity Securities pursuant to

organizational documents governing the rights and obligations of the stockholders, and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such Pledged Equity; provided that the Pledged Equity shall not include (i) any Equity Securities of such issuer in excess of the number of shares or other equity interests of such issuer possessing up to but not exceeding 65% of the voting power of all classes of Equity Securities entitled to vote of such issuer or (ii) dividends, cash, warrants, rights, instruments and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Equity Securities described in the foregoing clause (i); and

(b) to the extent not covered by clause (a) above, all proceeds of any or all of the foregoing. For purposes of this Agreement, the term “**proceeds**” includes whatever is receivable or received when Pledged Collateral or proceeds are sold, exchanged, collected or otherwise disposed of, whether such disposition is voluntary or involuntary.

**SECTION 2. Security for Obligations.** This Agreement secures, and the Pledged Collateral is collateral security for, the prompt payment or performance in full when due, whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise (including the payment of amounts that would become due but for the operation of the automatic stay under Section 362(a) of the Bankruptcy Code, 11 U.S.C. §362(a) or any similar or comparable laws of jurisdictions outside the United States), of all obligations and liabilities of every nature of NSE or any of its affiliates now or hereafter existing under or arising out of or in connection with the Obligations (as defined in the Collateral Agency and Intercreditor Agreement) and all extensions or renewals thereof, whether for principal, interest (including without limitation interest that, but for the filing of a petition in bankruptcy with respect to NSE or any of its affiliates, would accrue on such Obligations, whether or not a claim is allowed against NSE and its affiliates for such interest in the related bankruptcy proceeding), reimbursement of amounts drawn under Letters of Credit, fees, expenses, indemnities or otherwise, whether voluntary or involuntary, direct or indirect, absolute or contingent, liquidated or unliquidated, whether or not jointly owed with others, and whether or not from time to time decreased or extinguished and later increased, created or incurred, and all or any portion of such Obligations that are paid, to the extent all or any part of such payment is avoided or recovered directly or indirectly from Secured Party or any Benefitted Party as a preference, fraudulent transfer or otherwise, and all obligations of every nature of NSE or its affiliates now or hereafter existing under any Senior Secured Loan Document (all such obligations of NSE and its affiliates being the “**Secured Obligations**”).

**SECTION 3. Delivery of Investment Certificate(s); Approval and Registration.**

(a) Pledgor shall deliver to Secured Party the following:

- (i) All Investment Certificate(s), which shall be held by or on behalf of Secured Party.
- (ii) A copy of resolutions of the board of directors of Nu Skin (China) consenting to the Pledge.
- (iii) A verification report issued by a Chinese certified public accountant relating to the Pledged Equity.

(b) Pledgor will:

- (i) immediately after the date of this Agreement,
  - (A) procure that Nu Skin (China) registers the Pledge in its register of shareholders' names; and
  - (B) apply to, or procure that Nu Skin (China) applies to, the Approval Authority for approval in respect of this Agreement and the Pledge.
- (ii) immediately after the approval by the Approval Authority (if granted),
  - (A) deliver the approval certificate evidencing approval of the Pledge to Secured Party; and
  - (B) in no event later than thirty (30) days after such approval (if granted), procure that Nu Skin (China) submits this Agreement and the Pledge to the Registration Authority for filing.

**SECTION 4. Representations and Warranties.** Pledgor represents and warrants as follows:

(a) Due Authorization, etc. of Pledged Equity. All of the Pledged Equity described on Schedule I has been duly authorized and validly issued and is fully paid and non-assessable.

(b) Description of Pledged Equity. The Pledged Equity constitutes 65% of the voting power of all classes of Equity Securities of the issuer thereof, and there are no outstanding warrants, options or other rights to purchase, or other agreements outstanding with respect to, or property that is now or hereafter convertible into, or that requires the issuance or sale of, any Pledged Equity.

(c) Ownership of Pledged Collateral. Pledgor is the owner of the Pledged Collateral free and clear of any Lien except for Permitted Liens.

(d) Governmental Authorizations. Except for the requirements that the Pledge be approved by the Approval Authority and registered with the Registration Authority as described in Section 3(b) above, no authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for either (i) the pledge by Pledgor of the Pledged Collateral pursuant to this Agreement and the grant by Pledgor of the security interest granted hereby, (ii) the execution, delivery or performance of this Agreement by Pledgor, or (iii) the exercise by Secured Party of the voting or other rights, or the remedies in respect of the Pledged Collateral, provided for in this Agreement (except as may be required in connection with a disposition of Pledged Collateral by laws affecting the offering and sale of securities generally).

(e) Perfection. Subject to compliance with the approval and registration requirements set out in Section 3(b) above, the pledge of the Pledged Collateral pursuant to this Agreement creates a valid and perfected first priority security interest in the Pledged Collateral, securing the payment of the Secured Obligations.

(f) Margin Regulations. The pledge of the Pledged Collateral pursuant to this Agreement does not violate Regulation T, U or X of the Board of Governors of the Federal Reserve System.

(g) Other Information. All information heretofore, herein or hereafter supplied to Secured Party by or on behalf of Pledgor with respect to the Pledged Collateral is accurate and complete in all respects.

**SECTION 5. Transfers and Other Liens; Additional Pledged Collateral; etc.** Pledgor shall:

(a) not, except as expressly permitted by the Senior Secured Loan Documents, (i) sell, assign (by operation of law or otherwise) or otherwise dispose of, or grant any option with respect to, any of the Pledged Collateral or any other Equity Securities of Nu Skin (China) owned by Pledgor, (ii) create or suffer to exist any Lien upon or with respect to any of the Pledged Collateral, except for Permitted Liens, or (iii) permit any issuer of Pledged Equity to merge or consolidate unless all the outstanding Equity Securities of the surviving or resulting corporation is, upon such merger or consolidation, pledged hereunder and no cash, securities or other property is distributed in respect of the outstanding Equity Securities of any other constituent corporation; provided, if the surviving or resulting corporation is a foreign corporation, then Pledgor shall only be required to pledge outstanding Equity Securities of such surviving or resulting corporation possessing up to but not exceeding 65% of the voting power of all classes of Equity Securities of such issuer entitled to vote;

(b) (i) cause each issuer of Pledged Equity not to issue any Equity Securities in addition to or in substitution for the Pledged Equity issued by such issuer, except to Pledgor or as otherwise permitted by the Senior Secured Loan Documents, (ii) pledge hereunder, immediately upon its acquisition (directly or indirectly) thereof, any and all additional Equity Securities of each issuer of Pledged Equity, and (iii) pledge hereunder, immediately upon its acquisition (directly or indirectly) thereof, any and all Equity Securities of any Person that, after the date of this Agreement, becomes, as a result of any occurrence, a Material Foreign Subsidiary; provided, notwithstanding anything contained in clause (ii) or this clause (iii) to the contrary, Pledgor shall only be required to pledge the outstanding Equity Securities up to but not exceeding 65% of the voting power of all classes of Equity Securities of such controlled foreign corporation entitled to vote;

(c) promptly deliver to Secured Party all written notices received by it with respect to the Pledged Collateral (other than customary notices received from a governmental or regulatory body and customary and routine notices received from the issuer of the Pledged Equity in the ordinary course of business); and

(d) pay promptly when due all taxes, assessments and governmental charges or levies imposed upon, and all claims against, the Pledged Collateral, except to the extent the validity thereof is being contested in good faith; provided that Pledgor shall in any event pay such taxes, assessments, charges, levies or claims not later than five days prior to the date of any proposed sale under any judgment, writ or warrant of attachment entered or filed against Pledgor or any of the Pledged Collateral as a result of the failure to make such payment.

**SECTION 6. Further Assurances; Pledge Amendments.**

(a) Pledgor agrees that from time to time, at the expense of Pledgor, Pledgor will promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or desirable, or that Secured Party may request, in order to perfect and protect any security interest granted or purported to be granted hereby or to enable Secured Party to exercise and enforce its rights and remedies hereunder with respect to any Pledged Collateral. Without limiting the generality of the foregoing, Pledgor will: (i) execute and file such financing or continuation statements, or amendments thereto, and such other instruments or notices, as may be necessary or desirable, or as Secured Party may reasonably request, in order to perfect and preserve the security interests granted or purported to be granted hereby and (ii) at Secured Party's request, appear in and defend any action or proceeding that may affect Pledgor's title to or Secured Party's security interest in all or any part of the Pledged Collateral. Pledgor hereby authorizes Secured Party to file one or more financing or continuation statements, and amendments thereto, relative to all or any part of the Pledged Collateral without the signature of Pledgor. Pledgor agrees that a carbon, photographic or other reproduction of this Agreement or of a financing statement signed by Pledgor shall be sufficient as a financing statement and may be filed as a financing statement in any and all jurisdictions.

(b) Pledgor further agrees that it will, upon obtaining any additional shares of stock or other Equity Securities required to be pledged hereunder as provided in the Senior Credit Agreements, promptly (and in any event within five Business Days) deliver to Secured Party a Pledge Amendment, duly executed by Pledgor, in substantially the form of Schedule II annexed hereto (a "**Pledge Amendment**"), in respect of the additional Pledged Equity to be pledged pursuant to this Agreement. Upon each delivery of a Pledge Amendment to Secured Party, the representations and warranties contained in Section 4 hereof shall be deemed to have been made by Pledgor as to the Pledged Collateral described in such Pledge Amendment. Pledgor hereby authorizes Secured Party to attach each Pledge Amendment to this Agreement and agrees that all Pledged Equity listed on any Pledge Amendment delivered to Secured Party shall for all purposes hereunder be considered Pledged Collateral; provided that the failure of Pledgor to execute a Pledge Amendment with respect to any additional Pledged Equity pledged pursuant to this Agreement shall not impair the security interest of Secured Party therein or otherwise adversely affect the rights and remedies of Secured Party hereunder with respect thereto.

**SECTION 7. Voting Rights; Dividends; Etc.**

(a) So long as no Triggering Event shall have occurred and be continuing:

(i) Pledgor shall be entitled to exercise any and all voting and other consensual rights pertaining to the Pledged Collateral or any part thereof for any purpose not inconsistent with the terms of the Senior Secured Loan Documents; provided, however, that Pledgor shall not exercise or refrain from exercising any such right if Secured Party or Required Creditors shall have notified Pledgor that, in Secured Party's or Required Creditors' judgment, such action would have a material adverse effect on the value of the Pledged Collateral or any part thereof; and provided, further, that Pledgor shall give Secured Party and each Senior Secured Party at least five Business Days' prior written notice of the manner in which it intends to exercise, or the reasons for refraining from exercising, any such right (it being understood, however, that neither (A) the voting by Pledgor of any Pledged Equity for or Pledgor's consent to the election of directors at a regularly scheduled annual or other meeting of stockholders or with respect to incidental matters at any such meeting, nor (B) Pledgor's consent to or approval of any action otherwise not prohibited under this Agreement and each of the other Senior Secured Loan Documents shall be deemed inconsistent with the terms of any Senior Secured Loan Document within the meaning of this Section 7(a)(i), and no notice of any such voting or consent need be given to Secured Party);

(ii) Pledgor shall be entitled to receive and retain, and to utilize free and clear of the lien of this Agreement, any and all dividends, other distributions and interest paid in respect of the Pledged Collateral; provided, however, that any and all dividends, other distributions and interest paid or payable other than in cash in respect of, and instruments and other property received, receivable or otherwise distributed in respect of, or in exchange for, any Pledged Collateral shall be, and shall forthwith be delivered to Secured Party to hold as, Pledged Collateral and shall, if received by Pledgor, be received in trust for the benefit of Secured Party, be segregated from the other property or funds of Pledgor and be forthwith delivered to Secured Party as Pledged Collateral in the same form as so received (with all necessary indorsements); and

(iii) Secured Party shall promptly execute and deliver (or cause to be executed and delivered) to Pledgor all such proxies, dividend payment orders and other instruments as Pledgor may from time to time reasonably request for the purpose of enabling Pledgor to exercise the voting and

other consensual rights which it is entitled to exercise pursuant to paragraph (i) above and to receive the dividends, other distributions, principal or interest payments which it is authorized to receive and retain pursuant to paragraph (ii) above.

- (b) Upon the occurrence and during the continuation of a Triggering Event (other than an Involuntary Proceeding) or upon the occurrence and continuation of an Involuntary Proceeding for at least 60 consecutive days and during the continuation of such Involuntary Proceeding:
  - (i) upon written notice from Secured Party to Pledgor, all rights of Pledgor to exercise the voting and other consensual rights which it would otherwise be entitled to exercise pursuant to Section 7(a)(i) shall cease, and all such rights shall thereupon become vested in Secured Party which shall thereupon have the sole right to exercise such voting and other consensual rights;
  - (ii) all rights of Pledgor to receive the dividends and interest payments which it would otherwise be authorized to receive and retain pursuant to Section 7(a)(ii) shall cease, and all such rights shall thereupon become vested in Secured Party which shall thereupon have the sole right to receive and hold as Pledged Collateral such dividends, other distributions and interest payments; and
  - (iii) all dividends, principal, interest payments and other distributions which are received by Pledgor contrary to the provisions of paragraph (ii) of this Section 7(b) shall be received in trust for the benefit of Secured Party, shall be segregated from other funds of Pledgor and shall forthwith be paid over to Secured Party as Pledged Collateral in the same form as so received (with any necessary indorsements).
- (c) In order to permit Secured Party to exercise the voting and other consensual rights which it may be entitled to exercise pursuant to Section 7(b)(i) and to receive all dividends and other distributions which it may be entitled to receive under Section 7(a)(ii) or Section 7(b)(ii), (i) Pledgor shall promptly execute and deliver (or cause to be executed and delivered) to Secured Party all such proxies, dividend payment orders and other instruments as Secured Party may from time to time reasonably request and (ii) without limiting the effect of the immediately preceding clause (i), Pledgor hereby grants to Secured Party an irrevocable proxy to vote the Pledged Equity and to exercise all other rights, powers, privileges and remedies to which a holder of the Pledged Equity would be entitled (including, without limitation, giving or withholding written consents of shareholders, calling special meetings of shareholders and voting at such meetings), which proxy shall be effective, automatically and without the necessity of any action (including any transfer of any Pledged Equity on the record books of the issuer thereof) by any other Person (including the issuer of the Pledged Equity or any officer or agent thereof), upon the occurrence of a Triggering Event (other than an Involuntary Proceeding) or the occurrence and continuation of an Involuntary Proceeding for at least 60 consecutive days and which proxy shall only terminate upon the payment in full of the Secured Obligations.

**SECTION 8. Secured Party Appointed Attorney-in-Fact.** Pledgor hereby irrevocably appoints Secured Party as Pledgor's attorney-in-fact, with full authority in the place and stead of Pledgor and in the name of Pledgor, Secured Party or otherwise, from time to time in Secured Party's discretion to, subject to the applicable laws and regulations of the PRC, take any action and to execute any instrument that Secured Party may deem necessary or advisable to accomplish the purposes of this Agreement, including without limitation:

- (a) to file one or more financing or continuation statements, or amendments thereto, relative to all or any part of the Pledged Collateral without the signature of Pledgor;
- (b) upon the occurrence and during the continuation of a Triggering Event (other than an Involuntary Proceeding) or upon the occurrence and continuation of an Involuntary Proceeding for at least 60 consecutive days and during the continuation of such Involuntary Proceeding, to ask, demand, collect, sue for, recover, compound, receive and give acquittance and receipts for moneys due and to become due under or in respect of any of the Pledged Collateral;
- (c) upon the occurrence and during the continuation of a Triggering Event (other than an Involuntary Proceeding) or upon the occurrence and continuation of an Involuntary Proceeding for at least 60 consecutive days and during the continuation of such Involuntary Proceeding, to receive, endorse and collect any instruments made payable to Pledgor representing any dividend, principal or interest payment or other distribution in respect of the Pledged Collateral or any part thereof and to give full discharge for the same;
- (d) upon the occurrence and during the continuation of a Triggering Event (other than an Involuntary Proceeding) or upon the occurrence and continuation of an Involuntary Proceeding for at least 60 consecutive days and during the continuation of such Involuntary Proceeding, to file any claims or take any action or institute any proceedings that Secured Party may deem necessary or desirable for the collection of any of the Pledged Collateral or otherwise to enforce the rights of Secured Party with respect to any of the Pledged Collateral;
- (e) to pay or discharge taxes or Liens (other than Permitted Liens) levied or placed upon or threatened against the Pledged Collateral, the legality or validity thereof and the amounts necessary to discharge the same to be determined by Secured Party in its sole discretion, any such payments made by Secured Party to become obligations of such Pledgor to Secured Party, due and payable immediately without demand; and
- (f) upon the occurrence and during the continuation of a Triggering Event (other than an Involuntary Proceeding) or upon the occurrence and continuation of an Involuntary Proceeding for at least 60 consecutive days and during the continuation of such Involuntary Proceeding, to take such actions as described in Section 11 below.

**SECTION 9. Secured Party May Perform.** If Pledgor fails to perform any agreement contained herein, Secured Party may itself perform, or cause performance of, such agreement, and the expenses of Secured Party incurred in connection therewith shall be payable by Pledgor under Section 13(b).

**SECTION 10. Standard of Care.** The powers conferred on Secured Party hereunder are solely to protect its interest in the Pledged Collateral and shall not impose any duty upon it to exercise any such powers. Except for the exercise of reasonable care in the custody of any Pledged Collateral in the Secured Party's possession and the accounting for moneys actually received by it hereunder, Secured Party shall have no duty as to any Pledged Collateral, it being understood by the parties hereto that Secured Party shall have no responsibility for (a) ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relating to any Pledged Collateral, whether or not Secured Party or any Benefitted Party has or is deemed to have knowledge of such matters, (b) taking any necessary steps (other than steps taken in accordance with the standard of care set forth above to maintain possession of the Pledged Collateral) to preserve rights against any prior parties or any other rights pertaining to any Pledged Collateral, (c) taking any necessary steps to collect or realize upon the Secured Obligations or any guarantee therefor, or any part thereof, or any of the Pledged Collateral, or (d) initiating any action to protect the Pledged Collateral against the possibility of a decline in market value. Secured Party shall be deemed to have exercised reasonable care in the custody and preservation of Pledged Collateral in its possession if such Pledged Collateral is accorded treatment substantially equal to that which Secured Party accords its own property consisting of negotiable securities.

## **SECTION 11. Remedies.**

(a) If any Triggering Event (other than any Involuntary Proceeding) shall have occurred and be continuing or any Involuntary Proceeding shall have occurred and be continuing for at least 60 consecutive days, Secured Party may exercise in respect of the Pledged Collateral by:

- (i) requesting Pledgor to transfer the Pledged Collateral to Secured Party at a price which Secured Party in its sole discretion reasonably considers to be the fair market price of the Pledged Collateral in the circumstances (and Pledgor shall promptly upon demand undertake to so transfer), provided that if such price of the Pledged Collateral exceeds the amount of the Secured Obligations, Secured Party shall return the excess amount to Pledgor, and if such price of the Pledged Collateral is lower than the amount of the Secured Obligations, the deficient amount of the Secured Obligations shall remain outstanding and shall not be treated as having been discharged or released as a result of such realisation subject to the applicable laws and regulations; or
- (ii) requesting Pledgor to transfer the Pledged Collateral to any other person by way of auction or private sale at a price which Secured Party in its sole discretion reasonably considers to be the best obtainable in the circumstances (and Pledgor shall promptly upon demand undertake to so transfer) and receiving compensation in full and in first priority from the funds obtained through such auction or private sale to the extent of the Secured Obligations subject to the applicable laws and regulations.

(b) Without limiting the generality of Section 11(a) above, upon the occurrence and during the continuation of a Triggering Event (other than an Involuntary Proceeding) or upon the occurrence and continuation of an Involuntary Proceeding for at least 60 consecutive days and during the continuation of such Involuntary Proceeding, Secured Party may enter into an agreement with Pledgor (and the Pledgor shall promptly on demand enter into such agreement) to arrange for the sale or other disposal (whether by way of auction, private sale or otherwise) of the Pledged Collateral or any part thereof (i) subject to the conditions which Secured Party may reasonably consider appropriate to impose; (ii) to any person (including any person connected with Secured Party or any Benefitted Party); and (iii) at a price which Secured Party reasonably considers to be the best obtainable in the circumstances.

(c) Pledgor shall do and procure the doing of all such acts and things as are necessary in connection with the enforcement of the Pledge, including, without limitation procuring that Nu Skin (China) applies to the Approval Authority for approval and the Registration Authority for registration in respect of any change in the ownership of the Equity Securities and any change in other information as a result of enforcement of the Pledge.

(d) Subject to Section 11(a) to (c) above and the applicable laws and regulations, if any Triggering Event (other than Involuntary Proceeding) shall have occurred and be continuing or any Involuntary Proceeding shall have occurred and be continuing for at least 60 consecutive days, Secured Party may, in addition to all other rights and remedies provided for herein or otherwise available to it, exercise in respect of the Pledged Collateral all the rights and remedies of a secured party on default under the Uniform Commercial Code as in effect in any relevant jurisdiction (the "UCC") (whether or not the UCC applies to the affected Pledged Collateral).

(e) Pledgor recognizes that, by reason of certain prohibitions contained in the Securities Act of 1933, as from time to time amended (the "**Securities Act**"), and applicable state securities laws, Secured Party may be compelled, with respect to any sale of all or any part of the Pledged Collateral conducted without prior registration or qualification of such Pledged Collateral under the Securities Act and/or such state securities laws, to limit purchasers to those who will agree, among other things, to acquire the Pledged Collateral for their own account, for investment and not with a view to the distribution or resale thereof. Pledgor acknowledges that any such private sales may be at prices and on terms less favorable than those obtainable through a public sale without such restrictions (including, without limitation, a public offering made pursuant to a registration statement under the Securities Act) and Pledgor agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner and that Secured Party shall have no obligation to engage in public sales and no obligation to delay the sale of any Pledged Collateral for the period of time necessary to permit the issuer thereof to register it for a form of public sale requiring registration under the Securities Act or under applicable state securities laws, even if such issuer would, or should, agree to so register it.

(f) Subject to any applicable laws or regulations, if Secured Party determines to exercise its right to sell any or all of the Pledged Collateral, upon written request, Pledgor shall and shall cause each issuer of any Pledged Equity to be sold hereunder from time to time to furnish to Secured Party all such information as Secured Party may request in order to determine the value or percentage of equity interest in Nu Skin (China) included in the Pledged Collateral which may be sold by Secured Party in exempt transactions under the Securities Act and the rules and regulations of the Securities and Exchange Commission thereunder, as the same are from time to time in effect.

**SECTION 12. Application of Proceeds.** Except as expressly provided elsewhere in this Agreement, all proceeds received by Secured Party in respect of any sale of, collection from, or other realization upon all or any part of the Pledged Collateral shall be applied as provided in the Collateral Agency and Intercreditor Agreement.

## **SECTION 13. Indemnity and Expenses.**

(a) Pledgor agrees to indemnify Secured Party and each Benefitted Party from and against any and all claims, losses and liabilities in any way relating to, growing out of or resulting from this Agreement and the transactions contemplated hereby (including, without limitation, enforcement of this Agreement), except to the extent such claims, losses or liabilities result solely from Secured Party's or such Senior Benefitted Party's gross negligence or willful misconduct as finally determined by a court of competent jurisdiction.

(b) Pledgor agrees to pay to Secured Party upon demand the amount of any and all costs and expenses, including the reasonable fees and expenses of counsel and of any experts and agents, that Secured Party may incur in connection with (i) the administration of this Agreement and the Collateral Agency and Intercreditor Agreement, (ii) the custody or preservation of, or the sale of, collection from, or other realization upon, any of the Pledged Collateral, (iii) the exercise or enforcement of any of the rights of Secured Party hereunder and under the Collateral Agency and Intercreditor Agreement, or (iv) the failure by Pledgor to perform or observe any of the provisions hereof.

**SECTION 14. Continuing Security Interest; Transfer of Loans.** This Agreement shall create a continuing security interest in the Pledged Collateral and shall (a) remain in full force and effect until the payment in full of all Secured Obligations, the cancellation or termination of all commitments under each Senior Secured Loan Document, and the cancellation or expiration of all outstanding Letters of Credit (as defined in the Collateral Agency and Intercreditor Agreement), (b) be binding upon Pledgor, its successors and assigns, and (c) inure, together with the rights and remedies of Secured Party hereunder, to the benefit of Secured Party and each Benefitted Party and their respective successors, transferees and assigns. Upon the payment in full of all Secured Obligations, the cancellation or termination of all commitments under each Senior Secured Loan Document, and the cancellation or expiration of all outstanding Letters of Credit, the security interest granted hereby shall terminate and all rights to the Pledged Collateral shall revert to Pledgor. Upon any such termination Secured Party will, at Pledgor's expense, execute and deliver to Pledgor such documents as Pledgor shall reasonably request to evidence such termination.

## **SECTION 15. Secured Party as Agent.**

(a) Secured Party has been appointed to act as Secured Party hereunder by the Benefitted Parties. Secured Party shall be obligated, and shall have the right hereunder, to make demands, to give notices, to exercise or refrain from exercising any rights, and to take or refrain from taking any action (including, without limitation, the release or substitution of Pledged Collateral), solely in accordance with this Agreement and the other Senior Secured Loan Documents; provided that Secured Party shall exercise, or refrain from exercising, any remedies provided for in Section 11 in accordance with the instructions of Requisite Creditors (as defined in the Collateral Agency and Intercreditor Agreement). In furtherance of the foregoing provisions of this Section 15, each Benefitted Party, by its acceptance of the benefits hereof, agrees that it shall have no right individually to realize upon any of the Pledged Collateral hereunder, it being understood and agreed by such Benefitted Party that all rights and remedies hereunder may be exercised solely by Secured Party for the benefit of the Benefitted Parties in accordance with the terms of this Section 15.

(b) Secured Party shall at all times be the same Person that is Collateral Agent under the Collateral Agency and Intercreditor Agreement. Written notice of resignation by the Collateral Agent pursuant to subsection 4(h) of the Collateral Agency and Intercreditor Agreement shall also constitute notice of resignation as Secured Party under this Agreement; removal of the Collateral Agent pursuant to subsection 4(h) of the Collateral Agency and Intercreditor Agreement shall also constitute removal as Secured Party under this Agreement; and appointment of a successor Collateral Agent pursuant to subsection 4(h) of the Collateral Agency and Intercreditor Agreement shall also constitute appointment of a successor Secured Party under this Agreement. Upon the acceptance of any appointment as Collateral Agent under subsection 4(h) of the Collateral Agency and Intercreditor Agreement by a successor Collateral Agent, that successor Collateral Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring or removed Secured Party under this Agreement, and the retiring or removed Secured Party under this Agreement shall promptly (i) transfer to such successor Secured Party all sums, securities and other items of Collateral held hereunder, together with all records and other documents necessary or appropriate in connection with the performance of the duties of the successor Secured Party under this Agreement, and (ii) execute and deliver to such successor Secured Party such amendments to financing statements, and take such other actions, as may be necessary or appropriate in connection with the assignment to such successor Secured Party of the security interests created hereunder, whereupon such retiring or removed Secured Party shall be discharged from its duties and obligations under this Agreement. After any retiring or removed Agent's resignation or removal hereunder as Secured Party, the provisions of this Agreement shall inure to its benefit as to any actions taken or omitted to be taken by it under this Agreement while it was Secured Party hereunder.

(c) Secured Party shall not be deemed to have any duty whatsoever with respect to any Additional Senior Lender (as defined in the Collateral Agency and Intercreditor Agreement) until Secured Party shall have received written notice in form and substance satisfactory to Secured Party from Pledgor or such Additional Senior Lender as to the existence and terms of the applicable Senior Secured Loan Documents.

**SECTION 16. Amendments; Etc.** No amendment, modification, termination or waiver of any provision of this Agreement, and no consent to any departure by Pledgor therefrom, shall in any event be effective unless the same shall be in writing and signed by Secured Party and, in the case of any such amendment or modification, by Pledgor. Any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given.

**SECTION 17. Notices.** Any notice or other communication herein required or permitted to be given shall be in writing and may be personally served or sent by telefacsimile or United States mail or courier service and shall be deemed to have been given when received. For the purposes hereof, the address of each party hereto shall be as set forth under such party's name on the signature pages hereof or at such other address as shall be designated by such party in a written notice delivered to the other party hereto.

**SECTION 18. Failure or Indulgence Not Waiver; Remedies Cumulative.** No failure or delay on the part of Secured Party in the exercise of any power, right or privilege hereunder shall impair such power, right or privilege or be construed to be a waiver of any default or acquiescence therein, nor shall any single or partial exercise of any such power, right or privilege preclude any other or further exercise thereof or of any other power, right or privilege. All rights and remedies existing under this Agreement are cumulative to, and not exclusive of, any rights or remedies otherwise available.

**SECTION 19. Severability.** In case any provision in or obligation under this Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

**SECTION 20. Headings.** Section and subsection headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose or be given any substantive effect.

**SECTION 21. Governing Law; Terms.** THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK (INCLUDING, WITHOUT LIMITATION, SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK), WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES, EXCEPT TO THE EXTENT THAT THE UCC PROVIDES THAT THE PERFECTION OF THE SECURITY INTEREST HEREUNDER, OR REMEDIES HEREUNDER, IN RESPECT OF ANY PARTICULAR PLEDGED COLLATERAL ARE GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF NEW YORK. Unless otherwise defined herein or in the Senior Credit Agreements, terms used in Articles 8 and 9 of the Uniform Commercial Code in the State of New York are used herein as therein defined. The rules of construction set forth in Section 23.4 of the Note Purchase Agreement shall be applicable to this Agreement *mutatis mutandis*.

**SECTION 22. Consent to Jurisdiction and Service of Process.** ALL JUDICIAL PROCEEDINGS BROUGHT AGAINST ANY PLEDGOR ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR ANY OBLIGATIONS HEREUNDER, MAY BE BROUGHT IN ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION IN THE STATE, COUNTY AND CITY OF NEW YORK. BY EXECUTING AND DELIVERING THIS AGREEMENT, PLEDGOR, FOR ITSELF AND IN CONNECTION WITH ITS PROPERTIES, IRREVOCABLY (I) ACCEPTS GENERALLY AND UNCONDITIONALLY THE NONEXCLUSIVE JURISDICTION AND VENUE OF SUCH COURTS; (II) WAIVES ANY DEFENSE OF *FORUM NON CONVENIENS*; (III) AGREES THAT SERVICE OF ALL PROCESS IN ANY SUCH PROCEEDING IN ANY SUCH COURT MAY BE MADE BY REGISTERED OR CERTIFIED MAIL, RETURN RECEIPT REQUESTED, TO PLEDGOR AT ITS ADDRESS PROVIDED IN ACCORDANCE WITH SECTION 17; (IV) AGREES THAT SERVICE AS PROVIDED IN CLAUSE (III) ABOVE IS SUFFICIENT TO CONFER PERSONAL JURISDICTION OVER PLEDGOR IN ANY SUCH PROCEEDING IN ANY SUCH COURT, AND OTHERWISE CONSTITUTES EFFECTIVE AND BINDING SERVICE IN EVERY RESPECT; (V) AGREES THAT SECURED PARTY RETAINS THE RIGHT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO BRING PROCEEDINGS AGAINST PLEDGOR IN THE COURTS OF ANY OTHER JURISDICTION; AND (VI) AGREES THAT THE PROVISIONS OF THIS SECTION 22 RELATING TO JURISDICTION AND VENUE SHALL BE BINDING AND ENFORCEABLE TO THE FULLEST EXTENT PERMISSIBLE UNDER NEW YORK GENERAL OBLIGATIONS LAW SECTION 5-1402 OR OTHERWISE.

**SECTION 23. Waiver of Jury Trial.** PLEDGOR AND SECURED PARTY HEREBY AGREE TO WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT. The scope of this waiver is intended to be all-



encompassing of any and all disputes that may be filed in any court and that relate to the subject matter of this transaction, including without limitation contract claims, tort claims, breach of duty claims, and all other common law and statutory claims. Pledgor and Secured Party acknowledge that this waiver is a material inducement for Pledgor and Secured Party to enter into a business relationship, that Pledgor and Secured Party have already relied on this waiver in entering into this Agreement and that each will continue to rely on this waiver in their related future dealings. Pledgor and Secured Party further warrant and represent that each has reviewed this waiver with its legal counsel, and that each knowingly and voluntarily waives its jury trial rights following consultation with legal counsel. THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING (OTHER THAN BY A MUTUAL WRITTEN WAIVER SPECIFICALLY REFERRING TO THIS SECTION 23 AND EXECUTED BY EACH OF THE PARTIES HERETO), AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT. In the event of litigation, this Agreement may be filed as a written consent to a trial by the court.

**SECTION 24. Counterparts.** This Agreement may be executed in one or more counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document.

[Remainder of page intentionally left blank]

**IN WITNESS WHEREOF**, Pledgor and Secured Party have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

**NU SKIN ASIA INVESTMENT, INC.,**

as Pledgor

By: /s/ D. Matthew Dorny  
 Name: D. Matthew Dorny  
 Title: Vice President

Notice Address  
 One Nu Skin Plaza  
 75 West Center Street  
 Provo, Utah 84601  
 Attention: General Counsel  
 Facsimile: (801) 345-6061

**US BANK NATIONAL ASSOCIATION**

as Secured Party

By: /s/ Brad Scarbrough  
 Name: Brad Scarbrough  
 Title: Vice President

Notice Address  
 633 W. 5th Street 24th floor  
 Los Angeles, CA 90071  
 Attn: Corporate Trust Services  
 Fax: (213) 615-6047

**SCHEDULE I**

**PLEDGED EQUITY**

Attached to and forming a part of the Pledge Agreement dated as of January 31, 2005 between Nu Skin Asia Investment, Inc., as Pledgor, and U.S. Bank National Association, as Secured Party.

<b>Company Name</b>	<b>Percentage Represented by Pledged Equity</b>	<b>Owner of Equity Not Pledged</b>
Nu Skin (China) Daily-Use & Health Products Co., Ltd. (formerly known as Shanghai Nu Skin Daily-Use and Health Products Co., Ltd.)	65%	Pledgor

**SCHEDULE II**

[FORM OF PLEDGE AMENDMENT]

This Pledge Amendment, dated \_\_\_\_\_, 20\_\_, is delivered pursuant to Section 6(b) of the Pledge Agreement referred to below.

The undersigned hereby agrees that this Pledge Amendment may be attached to the Pledge Agreement dated \_\_\_\_\_, 2005, between Nu Skin Asia Investment, Inc., as Pledgor, and U.S. Bank National Association, as Secured Party (the "**Pledge Agreement**," capitalized terms defined therein being used herein as therein defined), and that the Pledged Equity listed on this Pledge Amendment shall be deemed to be part of the Pledged Shares and shall become part of the Pledged Collateral and shall secure all Secured Obligations.

**NU SKIN ASIA INVESTMENT, INC.**

By: \_\_\_\_\_  
Name:  
Title:

Notice Address

Company Name						Percentage Represented by Pledged Equity	Owner of Equity Not Pledged
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