UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008

OR

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

Commission file number: 001-12421

NU SKIN ENTERPRISES, INC.

(Exact name of registrant as specified in its charter)

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

75 WEST CENTER STREET
PROVO, UT 84601
(Address of principal executive offices, including zip code)

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

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

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

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

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

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

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

Based on the closing sales price of the Class A common stock on the New York Stock Exchange on June 30, 2008, the aggregate market value of the voting stock held by non-affiliates of the Registrant was approximately $737.2 million. All executive officers and directors of the Registrant, and all stockholders holding more than 10% of Registrant's outstanding voting stock, other than institutional investors, such as registered investment companies, eligible to file beneficial ownership reports on Schedule 13G, have been deemed, solely for the purpose of the foregoing calculation, to be "affiliates" of the Registrant.

As of February 17, 2009, 63,357,374 shares of the Registrant's Class A common stock, $.001 par value per share, and no shares of the Registrant's Class B common stock, $.001 par value per share, were outstanding.

Documents incorporated by reference. Portions of the Registrant's definitive Proxy Statement for the Registrant's 2009 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days after the Registrant's fiscal year end are incorporated by reference in Part III of this report.

TABLE OF CONTENTS

FORWARD-LOOKING STATEMENTS

THIS ANNUAL REPORT ON FORM 10-K, IN PARTICULAR "ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION," AND "ITEM 1. BUSINESS," INCLUDE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. THESE STATEMENTS REPRESENT OUR EXPECTATIONS OR BELIEFS CONCERNING, AMONG OTHER THINGS, FUTURE REVENUE, EARNINGS, GROWTH STRATEGIES, NEW PRODUCTS AND INITIATIVES, FUTURE OPERATIONS AND OPERATING RESULTS, AND FUTURE BUSINESS AND MARKET OPPORTUNITIES. WE UNDERTAKE NO OBLIGATION TO PUBLICLY UPDATE OR REVISE ANY FORWARD-LOOKING STATEMENT, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE, EXCEPT AS REQUIRED BY LAW. WE WISH TO CAUTION AND ADVISE READERS THAT THESE STATEMENTS INVOLVE RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THE EXPECTATIONS AND BELIEFS CONTAINED HEREIN. FOR A SUMMARY OF CERTAIN RISKS RELATED TO OUR BUSINESS, SEE "ITEM 1A – RISK FACTORS" BEGINNING ON PAGE 22.

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

PART I

ITEM 1. BUSINESS

Overview

Nu Skin Enterprises is a leading, global direct selling company with operations in 48 markets worldwide. We develop and distribute innovative, premium-quality personal care products and nutritional supplements that are sold under the Nu Skin and Pharmanex brands. We conduct business using a direct selling model in all of our markets with the exception of Mainland China (hereinafter "China") where we operate through a modified business model.

In 2008, we posted revenue of $1.2 billion. As of December 31, 2008, we had a global network of approximately 761,000 active independent distributors, sales representatives, and preferred customers, approximately 31,000 of whom were executive level distributors (including sales representatives in China). Our executive level distributors play an important leadership role in our distribution network and are critical to the growth and profitability of our business.

Approximately 85% of our 2008 revenue came from markets outside the United States. Japan accounted for approximately 36% of our 2008 total revenue and is our largest revenue market. Due to the size of our foreign operations, our results are often impacted positively or negatively by foreign currency fluctuations, particularly fluctuations in the Japanese yen. In addition, our results are impacted by global economic, political and general business conditions.

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

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

Strategies

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

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

Unique Tools. We remain committed to providing unique tools and initiatives that help demonstrate our difference, motivate distributors, and aid in recruiting and product sales. We are focused on tools and initiatives that provide demonstrable results or evidence of our product efficacy. Throughout 2008, we benefited from strong interest in our *Galvanic Spa System II*, a handheld spa unit that uses galvanic current. Our distributors can easily demonstrate the benefits of the *Galvanic Spa System II* through product demonstrations. Our distributors typically introduce the *Galvanic Spa System II* by having them use the *Galvanic Spa System II* on half of their face as a demonstration. Consumers can see immediate benefits to the appearance of their skin following this demonstration. Our distributors also utilize our *Pharmanex BioPhotonic Scanner*, a portable unit based on patented technologies that allows distributors to non-invasively measure the impact of our nutritional products, particularly our *LifePak* line of nutritional products.

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

- *Galvanic Spa Gels* with *ageLOC*, our newestanti-aging product that is used with our *Galvanic Spa System II* and incorporates our innovative *ageLOC* technology;
- *Tru Face Essence* and *Tru Face Essence Ultra*, anti-aging products featuring the ingredient Ethocyn which helps to minimize the natural loss of skin elastin and improve skin tone*;*
- *LifePak*, a family of anti-aging nutritional supplement products aimed at providing optimal levels of antioxidants, phytonutrients, vitamins, minerals and other vital ingredients that help promote general wellness;

- *g3*, a nutrient-rich juice blend containing a highly bioavailable mix of carotenoid antioxidants and micronutrients with a natural delivery system called lipocarotenes*;*
- *Nu Skin 180° Anti-aging Skin Therapy System*, designed to combat the visible signs of aging, specifically facial lines and wrinkles; and
- *MyVictory!* and *The Right Approach (TRA)*, weight management systems focus on controlling cravings while boosting metabolism.

Distributor Incentives. We are committed to providing generous compensation and incentives to our distributors in order to motivate them and reward them for distributing our products. We believe our global sales compensation plan is one of our competitive advantages and we often refine our plan and add enhancements to help our distributors grow their businesses. For example, during the year ended December 31, 2008, we launched enhancements to our compensation plan in select markets. These enhancements are targeted at providing additional commissions and early income for new distributors who are interested in building their sales organizations and rewards positive business building behavior. We also offer incentive trips and recognition events for distributors that reach key levels in our compensation plan. In addition, we have continued to expand and promote product subscription and loyalty programs in many of our markets that provide incentives for customers who commit to purchase a set amount of products on a recurring basis. We believe that these programs,

along with a concerted focus on global compensation plan alignment and an increased level of distributor recognition, goal setting and accountability, will help motivate our distributors to drive revenue growth.

Our Product Categories

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

Presented below are the U.S. dollar amounts and associated revenue percentages from the sale of Nu Skin, Pharmanex, and other products and services for the years ended December 31, 2006, 2007, and 2008. This table should be read in conjunction with the information presented in "*Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation*," which discusses the costs associated with generating the aggregate revenue presented.

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

Product Category	Year Ended December 31, 2006		2007		2008	
Nu Skin	$ 454.5	40.8%	$ 498.5	43.0%	$ 633.4	50.8%
Pharmanex	632.7	56.7	634.2	54.8	597.7	47.9
Other	28.2	2.5	25.0	2.2	16.5	1.3
	$ 1,115.4	100.0%	$ 1,157.7	100.0%	$ 1,247.6	100.0%

(1) In 2008, 85% of our sales were transacted in foreign currencies that were then converted to U.S. dollars for financial reporting purposes at weighted-average exchange rates. Foreign currency fluctuations negatively impacted reported revenue by approximately 3% in 2008 compared to 2007, and positively impacted reported revenue by approximately 1% in 2007 compared to 2006.

Nu Skin. Nu Skin is our original product line and offers premium-quality personal care products in the areas of core systems, targeted treatments, total care, cosmetics and our specialty botanical-based Epoch line. Our strategy is to leverage our network marketing distribution model to establish Nu Skin as an innovative leader in the personal care market. We are committed to continuously improving and evolving our product formulations to develop and incorporate innovative and proven ingredients. In 2008, we launched *Galvanic Spa Gels* with *ageLOC*, the first products that incorporate our innovative *ageLOC* technology. The products that incorporate this technology have been developed to address not only the outward signs of aging, but also the sources of aging in the skin. We plan a global rollout of *ageLOC* later this year at our global convention in a new daily skin care system.

In addition to marketing premium-quality personal care products, we are committed to developing tools to help distributors market our products more effectively. The *Galvanic Spa System II*, which was first introduced in 2002, is a great direct selling product because our distributors can easily demonstrate the benefits of this tool. This helps them to recruit new customers and distributors. The *Galvanic Spa System II* has experienced strong growth during the last 24 months as sales have risen from $7.5 million in the first quarter of 2007 to $52.0 million in the fourth quarter of 2008. In 2008, revenue from the sales of the *Galvanic Spa System II* and *Galvanic Spa Gels* accounted for 13% of our total revenue and 26% of Nu Skin revenue.

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

Category	Description	Selected Products
Core Systems	Regardless of skin type, our core systems provide a solid foundation for our customers' individual skin care needs. Our systems are developed to target specific skin concerns and are made from ingredients scientifically proven to provide visible results for concerns ranging from aging to acne.	*Nu Skin 180° Anti-Aging Skin Therapy System* *Nu Skin Tri-Phasic White* *Nutricentials* *Nu Skin Clear Action Acne Medication System*
Targeted Treatments	Our customized skin care line allows a customer to tailor product regimens that help deliver younger looking skin at any age. The products are developed using cutting-edge ingredient technologies that target specific skin care needs.	*Nu Skin Galvanic Spa System II* *Galvanic Spa Gels with ageLOC* *Tru Face Essence Ultra* *Tru Face Line Corrector* *Enhancer Skin Conditioning Gel* *Celltrex Ultra Recovery Fluid* *Celltrex CoQ10 Complete* *NAPCA Moisturizer* *Polishing Peel Skin Refinisher*

Category	Description	Selected Products

Total Care	Our total care line addresses body, hair and oral care. The total care line can be used by families and the products are designed to deliver superior benefits from head to toe for the ultimate sense of total body wellness.	*Body Bar* *Liquid Body Lufra* *Perennial Intense Body Moisturizer* *Dividends Men's Care* *AP-24 Dental Care* *Nu Skin Renu Hair Mask*
Cosmetic	The *Nu Colour* cosmetic line products are targeted to define and highlight your natural beauty.	*Tinted Moisturizer SPF 15* *Finishing Powder* *Contouring Lip Gloss* *Defining Effects Mascara*
Epoch	Our *Epoch* line is distinguished by utilizing traditional knowledge of indigenous cultures for skin care. Each *Epoch* product is formulated with botanical ingredients derived from renewable resources found in nature. In addition, we contribute a percentage of our proceeds from *Epoch* sales to charitable causes.	*Baobab Body Butter* *Sole Solution Foot Treatment* *Calming Touch Soothing Skin Cream* *Glacial Marine Mud* *IceDancer Invigorating Leg Gel* *Everglide Foaming Shave Gel* *Ava puhi moni Shampoo* *Epoch Baby Hibiscus Hair & Body Wash*

***Pharmanex*.** We market a variety of nutritional products comprised of comprehensive nutritional products, targeted solution supplements and weight management products under the Pharmanex brand. We also sell a nutritious meal product called *Vitameal* that can be purchased and donated through our Nourish the Children initiative to feed starving children in various locations throughout the world or purchased for personal food storage. *LifePak*, our flagship line of micronutrient supplements, accounted for 20% of our total revenue and 41% of Pharmanex revenue in 2008.

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

In 2003, we launched the *Pharmanex BioPhotonic Scanner*, a cutting edge tool that safely measures carotenoid antioxidant levels in the skin, serving as a general indicator of a person's overall antioxidant status. This tool is used globally in our business, and is utilized by our distributors. Several improvements and enhancements have been made to the unit since its introduction.

The following table summarizes our Pharmanex product line by category:

Category	Description	Selected Products
Nutritionals	Pharmanex nutritional products supply a broad spectrum of micronutrients that our bodies need as a foundation for a lifetime of optimal health. Our *LifePak* family of products along with our *g3* superfruit juice are the top-selling products in our nutritionals line.	*LifePak* family of products *g3* juice
Solutions	Our targeted solutions supplements contain standardized levels of botanical and other active ingredients that are formulated for consumers to meet the demands of everyday life.	*Tegreen 97* *ReishiMax GLp* *MarineOmega* *Cholestin* *CordyMax Cs-4* *Cortitrol* *Detox Formula* *Eye Formula*
Weight Management	Our weight loss management products include supplements as well as meal replacement shakes.	*The Right Approach (TRA)* weight management system *MyVictory!* weight management program
Vitameal	A highly nutritious meal that can be purchased and donated through our Nourish the Children initiative to feed starving children or purchased for personal food storage.	*Vitameal*

***Other*.** We also offer simple and innovative technology products and services under the Big Planet and other brands. These products include digital content, storage and related services we market under the *Maxvault* name, digital video services we market under the *Maxcast* name, and other technology related products. We also have integrated technology into our other areas of our business and offer other advanced tools and services that help distributors establish an online presence and manage their business.

We also market a small line of home care products under the Ecosphere brand, designed to clean and protect the home environment, which include water purifiers, filtering showerheads and surface wipes. These products are primarily distributed in our Asian markets.

Sourcing and Production

Nu Skin. In order to maintain high product quality, we acquire our ingredients and contract production of our proprietary products from suppliers and manufacturers that we believe are reliable, reputable and deliver high quality materials and service. Our *Galvanic Spa System II* is procured from a single vendor who owns certain patent rights associated with such product. In the event our relationship with this vendor were terminated, we would be required to develop a new galvanic unit and source it from another supplier. We also acquire ingredients and products from one other supplier that currently manufactures products that represent approximately 21% of our Nu Skin personal care revenue in 2008. We maintain a good relationship with our suppliers and do not anticipate that either party will terminate the relationship in the near term. We also have ongoing relationships with secondary and tertiary suppliers. *Please refer to "Item 1A. — Risk Factors" for a discussion of risks and uncertainties associated with our supplier relationships and with the sourcing of raw materials and ingredients.*

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

Pharmanex. Substantially all of our Pharmanex nutritional supplements and ingredients, including *LifePak*, are produced or provided by third-party suppliers and manufacturers. We rely on two partners for the majority of our Pharmanex products, one of which supplies products that represent approximately 40% of our nutritional supplement revenue while the other supplier manufactures products that represent approximately 18% of our nutritional supplement revenue in 2008. In the event we become unable to source any products or ingredients from these suppliers or from other current vendors, we believe that we would be able to produce or replace those products or substitute ingredients without great difficulty or significant increases to our cost of goods sold. *Please refer to "Item 1A. – Risk Factors" for a discussion of certain risks and uncertainties associated with our supplier relationships, as well as with the sourcing of raw materials and ingredients.*

We also maintain a facility in Zhejiang Province, China, where we produce some of our Pharmanex nutritional supplements for sale in China and herbal extracts used to produce *Tegreen 97, ReishiMax GLp* and other products sold globally.

Research and Development

We continually invest in our research and development capabilities. Our research and development expenditures were $8.7 million, $10.0 million and $9.6 million in 2006, 2007 and 2008, respectively. Because of our commitment to product innovation, we will continue to commit resources to research and development in the future.

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

We have joint research projects with numerous independent scientists, including scientific advisory boards comprised of recognized authorities in related disciplines for each of our nutritional and personal care product categories. We also enter into joint research projects with prominent universities and research institutions in the United States, Europe and Asia, whose staffs include scientists with expertise in natural product chemistry, biochemistry, dermatology, pharmacology and clinical studies. Some of the university research centers include Purdue University, Stanford University, Vanderbilt University, and Tufts University.

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

Geographic Sales Regions

We currently sell and distribute our products in 48 markets. We have segregated our markets into five geographic regions: North Asia, Americas, Greater China, Europe, and South Asia/Pacific. The following table sets forth the revenue for each of the geographic regions for the years ended December 31, 2006, 2007 and 2008:

	Year Ended December 31,					
(U.S. dollars in millions)	**2006**		**2007**		**2008**	
North Asia	$ 593.8	53%	$ 585.8	50%	$ 594.5	48%
Americas	165.9	15	188.3	16	223.9	18
Greater China	208.2	19	205.0	18	210.0	17
Europe	59.5	5	77.2	7	111.6	9
South Asia/Pacific	88.0	8	101.4	9	107.6	8
	$ 1,115.4	100%	$ 1,157.7	100%	$ 1,247.6	100%

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

North Asia. The following table provides information on each of the markets in the North Asia region, including the year it opened, 2008 revenue, and the percentage of our total 2008 revenue for each market:

(U.S. dollars in millions)	**Year Opened**	**2008 Revenue**	**Percentage of 2008 Revenue**
Japan	1993	$ 443.7	36%
South Korea	1996	$ 150.8	12%

Japan is our largest market and accounted for approximately 36% of total revenue in 2008. We market most of our Nu Skin and Pharmanex products in Japan, along with a limited number of other offerings. In addition, all product categories offer a limited number of locally developed products sold exclusively in our Japanese market. In 2008, we introduced *LifePak Nano EX* and *Tru Face Essence Ultra*, which have proven successful in other markets. In addition, we developed marketing programs surrounding the *Galvanic Spa System II*. In 2009, we have plans to introduce our new *ageLOC* technology anti-aging brand into the market with the launch of several new anti-aging products.

The direct selling environment in Japan continues to be difficult as the industry has been on the decline for several years and regulatory and media scrutiny have increased. *Please refer to "Government Regulation" and "Item 1A. – Risk Factors" for a discussion of risks and uncertainties associated with challenges in the Japan market.*

In South Korea, we offer most of our Nu Skin and Pharmanex products, along with a limited number of other offerings. Product introductions for 2008 included the launch of *Estera* and *Tru Face Essence Ultra.* In 2009, we plan to introduce *Prostate Formula* and *New Hair Care*.

Americas. The following table provides information on each of the markets in the Americas region, including the year opened, 2008 revenue, and the percentage of our total 2008 revenue for each market:

(U.S. dollars in millions)	**Year Opened**	**2008 Revenue**	**Percentage of 2008 Revenue**
United States	1984	$ 192.1	15%
Canada	1990	$ 16.2	1%
Latin America[(1)]	1994	$ 15.6	1%

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

Substantially all of our Nu Skin and Pharmanex products, as well as limited other products and services, are available for sale in the United States. In 2008, we introduced the *ageLOC* technology anti-aging brand with the introduction of *Galvanic Spa Gels*. In 2009, we will begin company authorized business activity in Colombia to assess the potential of this market for future opening and business infrastructure.

Greater China. The following table provides information on each of the markets in the Greater China region, including the year opened, 2008 revenue, and the percentage of our total 2008 revenue for each market:

(U.S. dollars in millions)	**Year Opened**	**2008 Revenue**	**Percentage of 2008 Revenue**
Taiwan	1992	$ 92.3	7%
China	2003	$ 65.3	5%
Hong Kong	1991	$ 52.4	4%

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

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

We currently are unable to fully operate under our global direct selling business model in China as a result of regulatory restrictions on direct selling activities in this market. Consequently, we have developed a retail sales model that utilizes an employed sales force and service contractors to sell products through fixed locations that we are supplementing with a single level direct sales opportunity in those locations where we have obtained a direct sales license. In addition, we have recently begun engaging contracted sales promoters to sell products through our retail stores. We rely on our sales force to market and sell products at the various retail locations supported by only minimal advertising and traditional promotional efforts. Our retail model in China is largely based upon our ability to attract customers to our retail stores through our sales force, to educate them about our products through frequent training meetings, and to obtain repeat purchases. While our distributor leaders from other markets are able to introduce customers and sales people to our stores, their promotional efforts are limited due to the restrictions on direct selling in this market.

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

Beginning in early 2008, we made significant changes to our China business and infrastructure as we decided to change our strategy for operating retail stores in order to operate more effectively and efficiently by focusing our business around plaza stores in major cities. As part of this plan, we closed down approximately 70 retail stores scattered throughout the country and terminated approximately 650 corporate employees.

Europe. The following table provides information on our Europe region, including the year opened, revenue for 2008, and the percentage of our total 2008 revenue for the region.

(U.S. dollars in millions)	**Year Opened**	**2008 Revenue**	**Percentage of 2008 Revenue**
Europe[1]	1995	$ 111.6	9%

(1) Europe includes Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Hungary, Ireland, Iceland, Israel, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, Romania, Russia, Slovakia, South Africa, Spain, Sweden, Switzerland, and the United Kingdom.

We currently operate and offer a full range of Nu Skin and Pharmanex products in 25 countries throughout Northern, Eastern, and Central Europe as well as in Israel and South Africa. Various products and distributor tools have contributed to Europe's recent success, including the *Galvanic Spa System II*, the *Pharmanex BioPhotonic Scanner*, and *g3*. We have been experiencing strong growth in Central and Eastern European markets. In 2008, we opened operations in South Africa and the Czech Republic. In 2009, we will begin company authorized business activity in Turkey and Ukraine to assess the potential of these markets for future opening and business infrastructure.

South Asia/Pacific. The following table provides information on each of the markets in the South Asia/Pacific region, including the year opened, 2008 revenue, and the percentage of our total 2008 revenue for each market:

(U.S. dollars in millions)	**Year Opened**	**2008 Revenue**	**Percentage of 2008 Revenue**
Singapore/Malaysia/Brunei	2000/2001/2004	$ 43.8	3%
Thailand	1997	$ 34.6	3%
Australia/New Zealand	1993	$ 13.3	1%
Indonesia	2005	$ 8.9	1%
Philippines	1998	$ 7.0	1%

We offer a majority of our Pharmanex and Nu Skin products in the South Asia/Pacific region. Marketing initiatives in South Asia/Pacific have centered on monthly product subscription orders and the *Galvanic Spa System II*.

Distribution

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

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

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

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

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

Our revenue is highly dependent upon the number and productivity of our distributors. Growth in sales volume requires an increase in the productivity and/or growth in the total number of distributors. As of December 31, 2008, we had approximately 761,000 active distributors of our products and services. Approximately 31,000 of these distributors were executive-level distributors. As of each of the dates indicated below, we had the following number of executive distributors in the referenced regions:

Total Number of Active and Executive Distributors by Region

	As of December 31, 2006		As of December 31, 2007		As of December 31, 2008	
	Active	Executive	Active	Executive	Active	Executive
North Asia	333,000	15,354	335,000	14,845	326,000	13,937
Americas	150,000	4,141	158,000	4,588	171,000	4,876
Greater China	155,000	6,492	138,000	6,389	115,000	6,323
Europe	50,000	1,600	59,000	1,957	83,000	2,911
South Asia/Pacific	73,000	2,169	65,000	2,223	66,000	2,541
Total	761,000	29,756	755,000	30,002	761,000	30,588

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

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

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

Global Compensation Plan. One of our competitive advantages is our global sales compensation plan. Under our global compensation plan, a distributor is paid consolidated monthly commissions in the distributor's home country, in local currency, for the distributor's own product sales and for product sales in that distributor's downline distributor network across all geographic markets. Because of restrictions on direct selling in China, our contractual and employed sales representatives there do not participate in the global compensation plan, but are instead compensated according to a compensation model established for that market.

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

From time to time, we make modifications and enhancements to our global compensation plan to help motivate distributors. In 2008, we successfully launched modifications to our compensation plan in the Americas and Europe regions designed to improve commission payments early in the distributor lifecycle. In 2009, we plan to modify our compensation plans in most of our Asian markets to conform to the revised plan implements in the Americas and Europe regions. In addition, we evaluate a limited number of distributor requests on a monthly basis for exceptions to the terms and conditions of the global compensation plan, including volume requirements. While our general policy is to discourage exceptions, we believe that the flexibility to grant exceptions is critical in retaining distributor loyalty and dedication and we make exceptions in limited cases as necessary.

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

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

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

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

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

Rules Affecting Distributors. We monitor regulations and distributor activity in each market to ensure our distributors comply with local laws. Our published distributor policies and procedures establish the rules that distributors must follow in each market. We also monitor distributor activity to maintain a level playing

field for our distributors, ensuring that some are not disadvantaged by the activities of others. We require our distributors to present products and business opportunities ethically and professionally. Distributors further agree that their presentations to customers must be consistent with, and limited to, the product claims and representations made in our literature.

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

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

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

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

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

Product Returns. We believe we are among the most consumer-protective companies in the direct selling industry. While the regulations and our operations vary somewhat from country to country, we generally follow a similar procedure for product returns. For 30 days from the date of purchase, our product return policy generally allows a retail customer to return any Nu Skin or Pharmanex product to us directly or to the distributor through whom the product was purchased for a full refund. After 30 days from the date of purchase, the end user's return privilege is at the discretion of the distributor. Our distributors can generally return unused products directly to us for a 90% refund for one year. Through 2008, our experience with actual product returns averaged less than 5% of annual revenue.

Payment. Distributors generally pay for products prior to shipment. Accordingly, we carry minimal accounts receivable. Distributors typically pay for products in cash, by wire transfer or by credit card.

Competition

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

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

Intellectual Property

Our major trademarks are registered in the United States and in each country where we operate or have plans to operate, and we consider trademark protection to be very important to our business. Our major trademarks include Nu Skin, Pharmanex, *LifePak* and *Galvanic Spa*. In addition, a number of our products and tools, including the *Pharmanex BioPhotonic Scanner*, are based on proprietary technologies and formulations, some of which are patented or licensed from third parties. We also rely on trade secret protection to protect our proprietary formulas and know-how.

Government Regulation

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

- impose cancellation/product return, inventory buy-backs and cooling-off rights for consumers and distributors;
- require us or our distributors to register with governmental agencies;
- impose caps on the amount of commission we can pay;

- impose reporting requirements; and

- impose upon us requirements, such as requiring distributors to maintain levels of retail sales to qualify to receive commissions, to ensure that distributors are being compensated for sales of products and not for recruiting new distributors.

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

Regulators in Japan have recently increased their scrutiny of our industry. Several direct sellers in Japan have been penalized for actions of their distributors that violated applicable regulations, including one prominent international direct selling company that was suspended from sponsoring activities for three months in 2008, and another large Japanese direct selling company that was suspended from sponsoring activities for six months in 2009. In addition, Japanese media has reported on increased political pressure on lawmakers supporting our industry.

We have also experienced an increase in complaints and inquiries to consumer protection centers in Japan and have taken steps to try to resolve these issues including providing additional training and restructuring our compliance group in Japan. We have been in contact with consumer protection centers in Japan, one of which recently sent us a written warning that we needed to reduce the number of complaints and inquiries being filed with that consumer protection center. If consumer complaints escalate to a government review or if the current level of complaints does not improve, there is an increased likelihood that regulators could take action against us or we could receive negative media attention, either of which could harm our business.

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

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

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

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

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

Our Pharmanex products are subject to various regulations promulgated by government agencies in the markets in which we operate. In the United States, we generally market our nutritional products as foods or dietary supplements. The FDA has jurisdiction over this regulatory area. Because these products are regulated under the Dietary Supplement and Health Education Act, we are generally not required to obtain regulatory approval prior to introducing a product into the United States market. None of this infringes, however, upon the FDA's power to remove from the market any product it determines to be unsafe or an unapproved drug. In our foreign markets, the products are generally regulated by similar government agencies, such as the Ministry of Health, Labor and Welfare in Japan, the KFDA in South Korea, and the Department of Health in Taiwan. We typically market our Pharmanex products in international markets as foods or health foods under applicable regulatory regimes. In the event a product, or an ingredient in a product, is classified as a drug or pharmaceutical product in any

market, we will generally not be able to distribute that product in that market through our distribution channel because of strict restrictions applicable to drug and pharmaceutical products. China has some of the most restrictive nutritional supplement product regulations. Products marketed as “health foods” are subject to extensive laboratory and clinical analysis by governmental authorities, and the product registration process for these products takes approximately two years. We market both “health foods” and “general foods” in China. Our flagship product, *LifePak*, is currently marketed as a general food with only one of the three main capsules having received “health food” classification. Currently, “general foods” is not an approved category for direct selling; therefore, we will only market LifePak through our retail stores until final “health food” classification for *LifePak* is obtained for the other two capsules. Additionally, there is some risk associated with the common practice in China of marketing a product as a “general food” while seeking “health food” classification. If government officials feel our categorization of our products is inconsistent with product claims, ingredients or function, this could limit our ability to market such products in China in their current form.

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

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

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

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

To date, we have not experienced any difficulty maintaining our import licenses. However, due to the varied regulations governing the manufacture and sale of nutritional products in the various markets, we have found it necessary to reformulate many of our products or develop new products in order to comply with such local requirements. In the United States, we are also subject to a consent decree with the FTC and various state regulatory agencies arising out of investigations that occurred in the early 1990s of certain alleged unsubstantiated product and earnings claims made by our distributors. The consent decree requires us to, among other things, supplement our procedures to enforce our policies, not allow our distributors to make earnings representations without making certain average earnings disclosures, and not allow our distributors to make unsubstantiated product claims. Compliance with the anti terrorism regulations of the US has caused some delays in customs but these situations have been resolved by working with the US customs officials and training our vendors and market staff in the guidelines.

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

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

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

Employees

As of December 31, 2008, we had approximately 9,185 full- and part-time employees worldwide, approximately 2,670 of whom are employed as sales representatives in our China operations. We also had labor contracts with approximately 2,949 potential new sales representatives in China. None of our employees are represented by a union or other collective bargaining group, except in China and a small number of employees in Japan. We believe that our relationship with our employees is good, and we do not foresee a shortage in qualified personnel necessary to operate our business.

Available Information

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

Executive Officers

Our executive officers as of February 27, 2009, are as follows:

Name	Age	Position
Blake Roney	50	Executive Chairman of the Board
Truman Hunt	49	President and Chief Executive Officer
Ritch Wood	43	Chief Financial Officer
Joe Chang	56	Chief Scientific Officer and Executive Vice President, Product Development
Dan Chard	44	Executive Vice President, Distributor Success
Scott Schwerdt	51	President, Americas and Europe
Matthew Dorny	45	General Counsel and Secretary
Ashok Pahwa	54	Chief Marketing Officer

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

Blake Roney founded our company in 1984 and served as its president through 1996. Mr. Roney currently serves as the executive Chairman of the Board, a position he has held since our company went public in 1996. Mr. Roney is also a trustee of the Force for Good Foundation, a charitable organization that was established in 1996 by Mr. Roney and the other founders of our company to help encourage and drive the philanthropic efforts of our company, its employees, its distributors and its customers to enrich the lives of others. He received a B.S. degree from Brigham Young University.

Truman Hunt has served as our President since January 2003 and our Chief Executive Officer since May 2003. He has also served as a director of our company since May 2003. Mr. Hunt joined our company in 1994 and has served in various positions, including Vice President and General Counsel from 1996 to January 2003 and Executive Vice President from January 2001 until January 2003. He received a B.S. degree from Brigham Young University and a J.D. degree from the University of Utah.

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

Joe Chang has served as Chief Scientific Officer and Executive Vice President of Product Development since February 2006. Dr. Chang served as President of our Pharmanex division from April 2000 to February 2006. Dr. Chang served as Vice President of Clinical Studies and Pharmacology of Pharmanex from 1997 until April 2000. Dr. Chang has nearly 20 years of pharmaceutical experience. He received a B.S. degree from Portsmouth University and a Ph.D. degree from the University of London.

Daniel Chard has served as Executive Vice President of Distributor Success since February 2006. Prior to serving in this position, Mr. Chard served as President of Nu Skin Europe from April 2004 to February 2006. Mr. Chard also served as Vice President of Marketing and Product Management of Big Planet, our technology products and services division, from September 2002 to March 2004 and as Senior Director of Marketing and Product Development at Pharmanex. Prior to joining us in 1998, Mr. Chard worked in a variety of strategic marketing positions in the consumer products industry. Mr. Chard holds a B.A. degree in Economics from Brigham Young University and an M.B.A. from the University of Minnesota.

Scott Schwerdt has served as President, Americas and Europe since February 2006. Mr. Schwerdt served as Regional Vice President of North America and President of Nu Skin Enterprises United States, Inc. from May 2004 to February 2006. Mr. Schwerdt previously served as the General Manager of our U.S. operations from May 2001 to May 2004. Mr. Schwerdt joined our company in 1988 and has held various positions, including Vice President of North America/South Pacific Operations and Vice President of Europe. Mr. Schwerdt received a B.A. degree in International Relations from Brigham Young University.

Matthew Dorny has served as our General Counsel and Secretary since January 2003. Mr. Dorny previously served as Assistant General Counsel from May 1998 to January 2003. Prior to joining us, Mr. Dorny was a securities and business attorney in private practice in Salt Lake City, Utah. Mr. Dorny received B.A.,

M.B.A. and J.D. degrees from the University of Utah.

Ashok Pahwa has served as Chief Marketing Officer since June 2008. Mr. Pahwa has over 25 years of marketing experience in the direct selling and consumer products industries. Prior to joining us, Mr. Pahwa was Vice President of Global Marketing and Sales at Wall Street Institute, a global English language training company, from February 2006 to January 2008. Mr. Pahwa served as Vice President of New Businesses at Avon Products, Inc., a global direct seller of personal care products, from 2003 to 2006. He also served in various positions at Mary Kay Cosmetics, a global direct seller of personal care products, from 1993 until 2003. He spent more than ten years with Publicis/Bloom and Ogilvy & Mather, global advertising agencies. Mr. Pahwa holds a bachelor's degree in economics from the University of Delhi, a master's degree in management studies from the University of Bombay and a master's degree in business administration from Texas Tech University.

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

Forward-looking statements include plans and objectives of management for future operations, including plans and objectives relating to our products and future economic performance in countries where we operate. These forward-looking statements involve risks and uncertainties and are based on certain assumptions that may not be realized. Actual results and outcomes may differ materially from those discussed or anticipated. We assume no responsibility or obligation to update these statements to reflect any changes. The forward-looking statements and associated risks set forth herein relate to, among other things:

- our plans to launch or continue to roll-out or promote various products, tools, and initiatives;
- our plans regarding new markets;
- the expectation that our relationship with our current primary suppliers will not end in the near term, and the belief that we could replace our primary suppliers of Pharmanex products without great difficulty or increased cost;
- our plans to continue to develop and introduce new, innovative products and to improve and evolve our existing product formulations;
- our belief that our global sales compensation plan will continue to motivate our distributors to drive revenue growth;
- our plans to modify our compensation plans in most of our Asian markets in 2009;
- our belief that compliance with certain regulatory requirements will not have a material adverse effect on our business;
- our belief that if the need arises, our production facility in Shanghai could be expanded or other facilities built in China to increase production for export or as a backup to our existing supply chain;
- our plans to commit resources to research and development in the future;
- our belief that providing effective distributor support will be important to our success; and
- our belief that we do not currently foresee a shortage in qualified personnel necessary to operate our business.

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

ITEM 1A. 1A. RISK FACTORS

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

Deteriorating economic conditions globally, including the current financial crisis and declining consumer confidence and spending could harm our business.

Global economic conditions have deteriorated significantly over the past year. Consumer confidence and spending have declined drastically and the global credit crisis has limited access to capital for many companies. Although we have continued to see growth in many of our markets during this period, the economic downturn could adversely impact our business in the future by causing a decline in demand for our products, particularly if the economic conditions are prolonged or continue to worsen. In South Korea, for example, we believe that our growth has started to slow due in part to prolonged difficult economic conditions in this market. In addition, such economic conditions may adversely impact access to capital for us and our suppliers, may decrease our distributors' ability to obtain or maintain credit cards, and may otherwise adversely impact our operations and overall financial condition. Although we have historically met our funding needs utilizing cash flow from operations, no assurances can be given that we will not need to obtain additional equity or debt financing and that such financing will be available to us on terms that are favorable.

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

In 2008, we recognized approximately 85% of our revenue in markets outside of the United States in each market's respective local currency. We purchase inventory primarily in the United States in U.S. dollars. In preparing our financial statements, we translate revenue and expenses in foreign countries from their local currencies into U.S. dollars using weighted-average exchange rates. If the U.S. dollar strengthens relative to local currencies, particularly the Japanese yen inasmuch as we generated approximately 36% of our 2008 revenue in Japan, our reported revenue, gross profit and net income will likely be reduced. Foreign currency fluctuations can also result in losses and gains resulting from translation of foreign currency denominated balances on our balance sheet. In 2008, significant fluctuations in foreign currencies resulted in an $18.4 million loss. During the last couple of years the Japanese yen has strengthened considerably, which has improved our results. However, in prior years our results have been negatively impacted by weakening of the yen. Given the complex global political and economic dynamics that affect exchange rate fluctuations, it is difficult to predict future fluctuations and the effect these fluctuations may have upon future reported results or our overall financial condition. In the event the Japanese yen or other foreign currencies weaken, our results in 2009 would be negatively impacted. In addition, fluctuations in foreign currencies could also result in additional losses related to our foreign currency denominated balances on our balance sheet. Although we attempt to reduce our exposure to short-term exchange rate fluctuations by using foreign currency exchange rate contracts for Japanese yen and through yen-denominated debt, we cannot be certain these contracts or any other hedging activity will effectively reduce exchange rate exposure.

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

Approximately 36% of our 2008 revenue was generated in Japan. We have experienced a significant revenue decline in Japan over the last several years and continue to face challenges in this market. Factors that could impact our results in the market include:

- continued or increased levels of regulatory and media scrutiny, or any adoption of more restrictive regulations in response to such scrutiny;
- any weakening of the Japanese yen;

- regulatory constraints with respect to the claims we can make regarding the efficacy of products and tools, which could limit our ability to introduce or effectively market them;
- risks that the new initiatives we are implementing in Japan, which are patterned after successful initiatives implemented in other markets, will not have the same level of success in Japan, may not generate renewed growth or increased productivity among our distributors, and may cost more or require more time to implement than we have anticipated;
- inappropriate activities by our distributors and any resulting regulatory actions against us or our distributors;
- any negative distributor reaction to our efforts to increase distributor compliance efforts in this market;
- any weakness in the economy or consumer confidence; and
- increased competitive pressures from other direct selling companies and their distributors who actively seek to solicit our distributors to join their businesses.

Regulators in Japan have increased their scrutiny of the direct selling industry.

Regulators in Japan have recently increased their scrutiny of our industry. Several direct sellers in Japan have been penalized for actions of distributors that violated applicable regualtions, including one prominent international direct selling company that was suspended from sponsoring activities for three months in 2008, and another large Japanese direct selling company that was suspended from sponsoring activities for six months in 2009. In addition, Japanese media has reported on increased political pressure on lawmakers supporting our industry.

We have also experienced an increase in complaints and inquiries to consumer protection centers in Japan and have taken steps to try to resolve these issues including providing additional training and restructuring our compliance group in Japan. We have been in contact with consumer protection centers in Japan, one of which recently sent us a written warning that we needed to reduce the number of complaints and inquiries being filed with that consumer protection center. If consumer complaints escalate to a government review or if the current level of complaints does not improve, there is an increased likelihood that regulators could take action against us or we could receive negative media attention, either of which could harm our business.

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

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

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

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

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

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 mature markets, one of the challenges we face is keeping distributor leaders with established businesses and high income levels motivated and actively engaged in business building activities and developing new distributor leaders. There can be no assurance that our initiatives 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 distributors, particularly changes to our compensation plan. The introduction of a new product or key initiative can also negatively impact other product lines to the extent our distributor leaders focus their efforts on the new product or initiative.

Our business transformation initiatives may not achieve reduced overhead and growth, and may have unintended negative consequences.

We continue to implement our business transformation initiatives to improve operational efficiencies in our corporate offices and reduce investments in unprofitable markets. In 2009, we plan to significantly reduce our workforce in Japan. There could be unintended negative consequences, including business disruptions, and any negative impact on our ability to effectively manage our business with reduced employee levels and corporate facilities. Further, we may not realize the cost improvements and greater efficiencies we hope for as a result of our realignment. In addition, as we continually evaluate strategic reinvestment of any savings generated as a result of our transformation initiative, we may not ultimately achieve the amount of savings that we anticipate.

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

Distributor activities in our existing markets that violate governmental laws or regulations could result in governmental actions against us in markets where we operate, which would harm our business. Except in China, our distributors are not employees and act independently of us. We implement strict policies and procedures to ensure our distributors will comply with legal requirements. However, given the size of our distributor force, we experience problems with distributors from time to time. For example, product claims made by some of our distributors in 1990 and 1991 led to an investigation by the FTC in the United States, which resulted in our entering into a consent decree with the FTC. In addition, recent rulings by the Korean FTC and by judicial authorities against us and other companies in Korea indicate that vicarious liability may be imposed on us for the criminal activity of our independent distributors. As we expand internationally, our distributors may attempt to anticipate which markets we will open in the future and may begin marketing and sponsoring activities in markets where we are not qualified to conduct business. If we are unable to address this issue, we could face fines or other legal action.

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

There has been an increase in governmental scrutiny of our industry in various markets, including Japan, China, Europe, and the United Kingdom. Any adverse results in these cases could spur further reviews and actions with respect to others in the industry. From time to time, we receive formal and informal inquiries from various government regulatory authorities about our business and our compliance with local laws and regulations. Any determination that we or our distributors are not in compliance with existing laws or regulations could potentially harm our business. Even if governmental actions do not result in rulings or orders, they potentially could create negative publicity which could detrimentally affect our efforts to recruit or motivate distributors and attract customers and, consequently, reduce revenue and net income.

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

Challenges by private parties to the form of our network marketing system or other regulatory compliance issues could harm our business.

We may be subject to challenges by private parties, including our distributors, to the form of our network marketing system or elements of our business. For example, lawsuits have recently been brought or threatened against some of our competitors that include allegations that the businesses involve unlawful pyramid schemes as well as other allegations. Adverse rulings in any of the cases that have been filed or that may be filed in the future could negatively impact our business if they create adverse publicity, modify current regulatory requirements in a manner that is inconsistent with our current business practices, or impose fines or other penalties. In the United States, the network marketing industry and regulatory authorities have generally relied on the implementation of distributor rules and policies designed to promote retail sales to protect consumers and to prevent inappropriate activities and to distinguish between legitimate network marketing distribution plans and unlawful pyramid schemes. We have adopted rules and policies based on case law, rulings of the FTC, discussions with regulatory authorities in several states and domestic and global industry standards. Legal and regulatory requirements concerning network marketing systems, however, involve a high level of subjectivity, are inherently fact-based and are subject to judicial interpretation. Because of the foregoing, we can provide no assurance that we would not be harmed by the application or interpretation of statutes or regulations governing network marketing, particularly in any civil challenge by a current or former distributor.

Current or future governmental regulations relating to the marketing and advertising of our products and services, in particular our nutritional supplements, may restrict, inhibit or delay our ability to sell these products and harm our business.

Our products and our related marketing and advertising efforts are subject to numerous domestic and foreign governmental agencies' and authorities' laws and extensive regulations, which govern the ingredients and products that may be marketed without registration as a drug and the claims that may be made regarding such products. Many of these laws and regulations involve a high level of subjectivity and are inherently fact-based and subject to interpretation. If these laws and regulations restrict, inhibit or delay our ability to introduce or market our products or limit the claims we are able to make regarding our products, our business may be harmed.

There has been an increasing movement in the United States and other markets to increase the regulation of dietary supplements, which could impose additional restrictions or requirements in the future. In several of our markets, including Europe, South Korea and Hong Kong, new regulations have been adopted or are likely to be adopted in the near-term that could impose new requirements, make changes in some classifications of supplements under the regulations, or limit the levels of ingredients we can include and claims we can make. In addition, there has been increased regulatory scrutiny of nutritional supplements and marketing claims under existing and new regulations. In Europe for example, we are unable to market supplements that contain ingredients that were not marketed prior to May 1997 in Europe ("novel foods") without going through an extensive registration and pre-market approval process. Europe is also expected to adopt additional regulations setting new limits on acceptable maximum levels of vitamins and minerals. In addition, the FDA recently finalized new regulations on Good Manufacturing Practices and Adverse Event Reporting requirements for the nutritional supplement industry. These regulations require good manufacturing processes for us and our vendors and reporting of serious adverse events associated with consumer use of our products. Our operations could be harmed if new regulations require us to reformulate products or effect new registrations, if regulatory authorities make determinations that any of our products do not comply with applicable good manufacturing practices and regulatory requirements, or if we are not able to effect necessary changes to our products in a timely and efficient manner in order to respond or comply to new regulations. In addition, our operations could be harmed if governmental laws or regulations are enacted that restrict the ability of companies to market or distribute nutritional supplements or impose additional burdens or requirements on nutritional supplement companies.

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

Because of the government's significant concerns about direct selling activities, government regulators in China closely scrutinize activities of direct selling companies or activities that resemble direct selling. The regulatory environment in China with regards to direct selling is evolving, and officials in multiple national and local levels in the Chinese government often exercise broad 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 operations in China are subject to significant regulatory scrutiny, and we have experienced challenges in the past, including interruption of sales activities at certain stores and fines being paid in some cases. Although we have now obtained a direct selling license for certain locations, government regulators continue to scrutinize our activities and the activities of our direct sellers, sales promoters and sales employees to monitor our compliance with the new regulations and other applicable regulations as we integrate direct selling into our business model. We continue to be subject to current governmental reviews and investigations. At times, complaints made by our sales representatives to the government have resulted in increased scrutiny by the government. Any determination that our operations or activities, or the activities of our employed sales representatives, contractual sales promoters or approved direct sellers, 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.

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

Chinese regulators have adopted anti-pyramiding and direct selling regulations that contain significant restrictions and limitations, including a restriction on multi-level compensation for independent distributors selling away from a fixed location. The regulations also impose various requirements on individuals before they can become direct sellers, including the passage of an examination, which are more burdensome than in our other markets and which could negatively impact the willingness of some people to sign up to become direct sellers. There continues to be some confusion and uncertainty as to the interpretation and enforcement of the regulations and their scope, and the specific types of restrictions and requirements imposed under them. 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 business model of retail stores with employed sales representatives and contractual sales promoters, or if regulations are interpreted in such a manner that our current method of conducting business through the use of employed sales representatives and contractual sales promoters or our implementation of direct selling that is currently underway is found to violate applicable regulations. In particular, our business would be harmed by any determination that our current method of compensating our sales employees and promoters, 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 business model of retail stores with employed sales representatives and contractual sales promoters and our direct selling business.

If we are unable to obtain additional necessary national and local governmental approvals in China as quickly as we would like, our ability to expand our direct selling business and grow our business there could be negatively impacted.

We have completed the required national and local licensing process and commenced direct selling activities in Beijing and Shanghai, Shenzhen City and four cities in the Guangdong province. In order to expand our direct selling model into additional provinces, we currently must obtain a series of approvals from district, city, provincial and national governmental agencies with respect to each province in which we wish to expand. The process for obtaining the necessary governmental approvals to conduct direct selling continues to evolve. As we are being required to work with such a large number of provincial, city, district and national governmental authorities, we have found that it is taking more time than anticipated to work through the approval process with these authorities. The complexity of the approval process as well as the government's continued cautious approach as direct selling develops in China makes it difficult to predict the timeline for obtaining these approvals. If the results of the government's evaluation of our direct selling activities result in further delays in obtaining licenses elsewhere, or if the current processes for obtaining approvals are delayed further for any reason or are changed or are interpreted differently than currently understood, our ability to expand direct selling in China and our growth prospects in this market, could be negatively impacted.

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

The direct selling regulations in China impose various limitations and requirements, including a prohibition on multi-level compensation and a requirement that all distributors pass a required examination before becoming a distributor. The regulations also impose other restrictions on direct selling activities that differ from the regulations in our other markets. As a result, we are implementing a direct selling compensation plan and business model for the direct sales component of our business that differs from the model we use in other markets. There can be no assurance that these restrictions will not negatively impact our ability to provide an attractive business opportunity to distributors in this market and limit our ability to grow our business in this market. In addition, the regulations do not allow the sale of general foods through a direct selling business model. Because some of our supplements, including *LifePak,* are being marketed as general foods until we obtain health food status for these products, we will only be able to sell these products at our stores and not away from the stores until they receive health food status, which could have a negative impact on our direct selling business.

Product diversion to certain markets, including China, may have a negative impact on our business.

From time to time, we see our product being sold through online or other distribution channels in certain markets. This has become a more significant problem in China. Product diversion causes confusion regarding our distribution channels and negatively impacts our distributors' ability to retail our products. It also creates a negative impression regarding the viability of the business opportunity for our distributors and sales representatives, which can harm our ability to recruit new distributors and sales representatives. In addition, in some cases, product diversion schemes may also involve illegal importation, investment or other activities. If we are unable to effectively address this issue or if diversion increases, our business could be harmed.

Intellectual property rights are difficult to enforce in China.

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

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

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

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

We have implemented a global compensation plan that has some components that differ from market to market. We modify components of our compensation plan from time to time in an attempt to keep our compensation plan competitive and attractive to existing and potential distributors, to address changing market dynamics, to provide incentives to distributors that we believe will help grow our business, and to address other business needs. Because of the size of our distributor force and the complexity of our compensation plans, it is difficult to predict whether such changes will achieve their desired results. For example, in 2005, we made changes to our compensation plan in Japan that had been successful in other markets, but did not have the impact in Japan that we anticipated and negatively impacted our business. China and certain markets in Southeast Asia similarly were negatively impacted by compensation plan changes in 2005. In 2008, we implemented modifications to our compensation plan in the Americas and Europe regions. We are currently planning to implement the same compensation plan features in most of our Asian markets in 2009. Because of unique features of existing plans in these markets, particularly in our Southeast Asia and Japan markets, implementation of these features will involve a more significant transition. There are risks that the compensation plan modifications we make

will not be well received or achieve desired results in each of these markets and that the transition could have a negative impact on revenue. If our distributors fail to adapt to these changes or find them unattractive, our business could be harmed.

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

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

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

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

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

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

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

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

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

As of December 31, 2008, we had approximately 761,000 active independent distributors, sales representatives and preferred customers, including approximately 31,000 executive level distributors or full-time sales representatives. Approximately 480 distributors occupied the highest distributor level under our global compensation plan as of that date. These distributors, together with their extensive networks of downline distributors, account for substantially all of our revenue. As a result, the loss of a high-level distributor or a group of leading distributors in the distributor's network of downline distributors, whether by their own choice or through disciplinary actions by us for violations of our policies and procedures, could negatively impact our distributor growth and our revenue.

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

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

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

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

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

Historically, we have imported most of our products into the countries in which they are ultimately sold. These countries impose various legal restrictions on imports and typically impose duties on our products. We are subject from time to time to reviews and audits by the foreign taxing authorities of the various jurisdictions in which we conduct business throughout the world. These audits sometimes result in challenges by such taxing authorities as to our methodologies used in determining our income tax, duties, customs, and other amounts owed in connection with the importation and distribution of our products. Currently, customs audits are underway in a number of our markets. We have been assessed by the Japan customs authorities approximately yen 2.7 billion (or approximately $29.7 million as of December 31, 2008) for additional duties on products imported into Japan, and we are currently contesting this assessment. Effective July 1, 2005, the Company is operating under a new structure in Japan and we are in the process of negotiating a new advanced pricing agreement with the income tax authorities in Japan related to our transfer pricing for products being imported into Japan. In connection with these negotiations, they have requested that we explain our position in the custom's appeal and the difference in our treatment of the transaction for customs purposes compared to our income tax treatment under the prior structures. In the event the income tax authorities disagree with our position or explanation, there is a risk that they could attempt to challenge our income tax position, which could negatively impact our ability to successfully prosecute our custom's appeal or result in additional income tax assessments. 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.

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

As a U.S. company doing business in international markets through subsidiaries, we are subject to various tax and intercompany pricing laws, including those relating to the flow of funds between our company and our subsidiaries. From time to time, we are audited by tax regulators in the United States and in our foreign markets. If regulators challenge our tax positions, corporate structure, transfer pricing mechanisms or intercompany transfers, we may be subject to fines and payment of back taxes, our effective tax rate may increase and our operations may be harmed. Tax rates vary from country to country, and, if regulators determine that our profits in one jurisdiction may need to be increased, we may not be able to fully utilize all foreign tax credits that are generated, which will increase our effective tax rate. For example, our corporate income tax rate in the United States is 35%. If our profitability in a higher tax jurisdiction, such as Japan where the corporate tax rate is currently set at 45%, increases disproportionately to the rest of our business, our effective tax rate may increase. The various customs, exchange control and transfer pricing laws are continually changing and are subject to the interpretation of governmental agencies. Despite our efforts to be aware of and comply with such laws and changes to and interpretations thereof, there is a risk that we may not continue to operate in compliance with such laws. We may need to adjust our operating procedures in response to such changes, and as a result, our business may suffer.

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

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

Production difficulties and quality control problems could harm our business.

Production difficulties and quality control problems and our reliance on third party suppliers to deliver quality products in a timely manner could harm our business. 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. In addition, these issues can negatively impact distributor confidence as well as potentially invite additional governmental scrutiny in our various markets.

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

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

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

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

We also compete with other network marketing companies for distributors. Some of these competitors have a longer operating history and greater visibility, name recognition and financial resources than we do. Some of our competitors have also adopted and could continue to adopt some of our successful business strategies, including our global compensation plan for distributors. Consequently, to successfully compete in this market and attract and retain distributors, we must ensure that our business opportunities and compensation plans are financially rewarding. We are beginning our 25th year in this industry and believe we have significant competitive advantages, but we cannot assure you that we will be able to successfully compete in every endeavor in this market.

Product liability claims could harm our business.

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

System failures could harm our business.

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

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

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

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

Our common stock closed at $17.72 per share on February 16, 2007 and closed at $10.83 per share on February 17, 2009. During this two-year period, our common stock traded as low as $8.42 per share and as high as $19.99 per share. Many factors could cause the market price of our common stock to fall. Some of these factors include:

- fluctuations in our quarterly operating results;

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

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

As of December 31,2008, our original stockholders, together with their family members, estate planning entities and affiliates, controlled approximately 30% of the combined stockholder voting power, and their interests may be different from yours.

The original stockholders of our company, together with their family members and affiliates, have the ability to influence the election and removal of the board of directors and, as a result, our future direction and operations. As of December 31, 2008, these stockholders owned approximately 30% of the voting power of the outstanding shares of common stock. Accordingly, they may influence decisions concerning business opportunities, declaring dividends, issuing additional shares of common stock or other securities and the approval of any merger, consolidation or sale of all or substantially all of our assets. They may make decisions that are adverse to your interests.

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

Several of our principal stockholders hold a large number of shares of the outstanding common stock. A decision by any of our principal stockholders to aggressively sell their shares could depress the market price of our common stock. As of December 31, 2008, we had approximately 63.4 million shares of common stock outstanding. All of these shares are freely tradable, except for approximately 17.3 million shares held by certain founding stockholders who

entered into lock-up agreements with us in connection with the repurchase of shares in 2003. Under the terms of these lock-up agreements, they are subject to certain volume limitations with respect to open market transactions. We have the discretion to waive or terminate these restrictions. In the event these lock-up restrictions were terminated, our stock price could be harmed if these stockholders sold large amounts of stock over a short period of time.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our principal properties consist of the following:

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

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

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

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

Retail Stores. As of December 31, 2008, we operated approximately 45 stores throughout China.

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

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

ITEM 3. LEGAL PROCEEDINGS

Due to the international nature of our business, we are subject from time to time to reviews and audits by the foreign taxing authorities of the various jurisdictions in which we conduct business throughout the world. In 1999, we implemented a duty valuation methodology with respect to the importation of certain products into Japan. For purposes of the import transactions at issue, we had taken the position that, under applicable customs law, there was a sale between the manufacturer and our Japan subsidiary, and that customs duties should be assessed on the manufacturer's invoice. The Valuation Department of the Yokohama customs authorities reviewed and approved this methodology at that time, and it had been reviewed on several occasions by the audit division of the Japan customs authorities since then. In connection with subsequent audits in 2004, the Yokohama customs authorities assessed us additional duties and penalties on these products imported into Japan from October 2002 to October 2004, based on a different valuation methodology than what was previously approved. With respect to the periods under audit, the customs authorities took the position that the relevant import transaction involved a sale between our U.S. affiliate and our Japan subsidiary and that duties should be assessed on the value of that transaction. We disputed this assessment. We also disputed the amount of duties we were required to pay on products imported from November of 2004 to June of 2005 for similar reasons. The total amount assessed or in dispute was approximately yen 2.7 billion (or approximately $29.7 million as of December 31, 2008), net of any recovery of consumption taxes. Effective July 1, 2005, we implemented some modifications to our business structure in Japan and in the United States that we believe will eliminate any further customs valuation disputes with respect to product imports in Japan after that time.

Because we believe the documentation and legal analysis supports our position and the valuation methodology we used with respect to the products in dispute had been reviewed and approved by the customs authorities in Japan, we believe the assessments are improper and we filed letters of protest with Yokohama customs with respect to this entire amount. Yokohama customs rejected our letters of protest, and to follow proper administrative procedures we filed appeals with the Japan Ministry of Finance. In order to appeal, we were required to pay the approximately yen 2.7 billion in custom duties and assessments related to all of the amounts at issue, which we recorded in "Other Assets" in our Consolidated Balance Sheet. On June 26, 2006, we were advised that the Ministry of Finance had rejected the appeals filed with their office relating to the imports from October 2002 to October 2004. We decided to appeal this issue through the judicial court system in Japan, and on December 22, 2006, we filed a complaint with the Tokyo District Court Civil Action Section with respect to this period. In January 2007, we were advised that the Ministry of Finance also rejected our appeal with them for the imports from November 2004 to June 2005. We appealed this decision with the court system in July 2007. Currently, all appeals are pending with the Tokyo District Court Civil Action Section. One of the findings cited by the Ministry of Finance in its decisions was that we had treated the transactions as sales between our U.S. affiliate and our Japan subsidiary on our corporate income tax return under applicable income tax and transfer pricing laws. 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.

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

There were no matters submitted to a vote of the security holders during the fourth quarter of the fiscal year ended December 31, 2008.

PART II

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

Our Class A common stock is listed on the New York Stock Exchange ("NYSE") and trades under the symbol "NUS." The following table is based upon the information available to us and sets forth the range of the high and low sales prices for our Class A common stock for the quarterly periods during 2007 and 2008 based upon quotations on the NYSE.

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

Quarter Ended	High	Low
March 31, 2008	$ 19.99	$ 14.51
June 30, 2008	19.12	14.91
September 30, 2008	17.83	14.51
December 31, 2008	16.34	8.42

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

The closing price of our Class A common stock on February 17, 2009, was $10.83. The approximate number of holders of record of our Class A common stock as of February 17, 2009 was 518. This number of holders of record does not represent the actual number of beneficial owners of shares of our Class A common stock because shares are frequently held in "street name" by securities dealers and others for the benefit of individual owners who have the right to vote their shares.

Dividends

We declared and paid a $0.105 per share dividend for Class A common stock in March, June, September and December of 2007, and a $0.11 per share quarterly dividend for Class A common stock in March, June, September and December of 2008. The board of directors approved an increase to the quarterly cash dividend to $0.115 per share of Class A common stock on February 2, 2009. This quarterly cash dividend will be paid on March 18, 2009, to stockholders of record on February 27, 2009. Management believes that cash flows from operations will be sufficient to fund this and future dividend payments, if any.

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

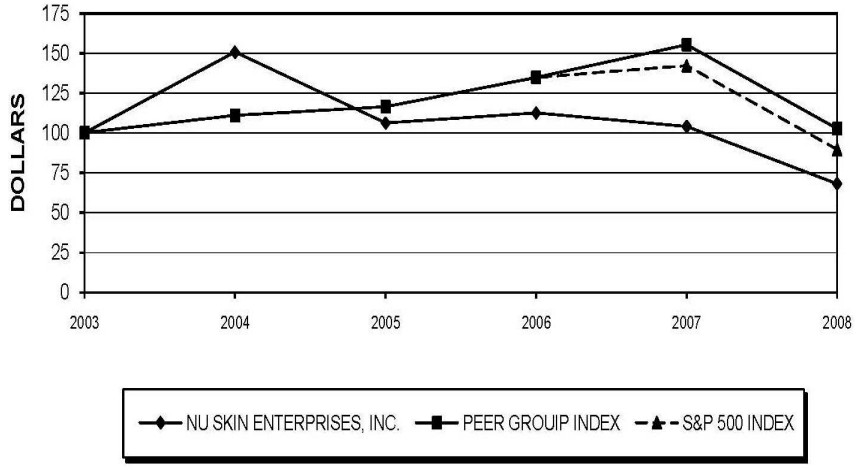
Purchases of Equity Securities by the Issuer

	(a)	(b)	(c)	(d)
Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that may yet be Purchased Under the Plans or Programs (in millions)[1]
October 1 - 31, 2008	—	$ —	—	$ 86.1
November 1 - 30, 2008	171,000	11.04	171,000	84.2
December 1 - 31, 2008	62,400	9.69	62,400	83.6
Total	233,400	10.68	233,400	

(1) In August 1998, our board of directors approved a plan to repurchase $10.0 million of our Class A common stock on the open market or in private transactions. Our board has from time to time increased the amount authorized under the plan and a total amount of approximately $335.0 million is currently authorized. As of December 31, 2008, we had repurchased approximately $251.4 million of shares under the plan. There has been no termination or expiration of the plan since the initial date of approval.

Stock Performance Graph

Set forth below is a line graph comparing the cumulative total stockholder return (stock price appreciation plus dividends) on the Class A Common Stock with the cumulative total return of the S&P 500 Index and a market-weighted index of publicly traded peers for the period from December 31, 2003 through December 31, 2008. The graph assumes that $100 is invested in each of the Class A Common Stock, the S&P 500 Index, and each of the indexes of publicly traded peers on December 31, 2003 and that all dividends were reinvested. The peer group consists of all of the following companies that compete in our industry and product categories: Avon Products, Inc., Estee Lauder, Nature's Sunshine Products, Inc., Tupperware Corporation, Herbalife LTD., USANA Health Sciences, Inc. and Alberto Culver Co.



Measured Period	Company	S&P 500 Index	Peer Group Index
December 31, 2003	$ 100.00	100.00	100.00
December 31, 2004	150.57	110.88	110.87
December 31, 2005	106.12	116.33	116.32
December 31, 2006	112.53	134.70	134.70
December 31, 2007	104.02	142.10	155.28
December 31, 2008	68.09	89.53	102.58

ITEM 6. SELECTED FINANCIAL DATA

The following selected consolidated financial data as of and for the years ended December 31, 2004, 2005, 2006, 2007 and 2008 have been derived from the audited consolidated financial statements.

	Year Ended December 31,				
	2004	2005	2006	2007	2008
	(U.S. dollars in thousands, except per share data and cash dividends)				
Income Statement Data:					
Revenue	$ 1,137,864	$ 1,180,930	$ 1,115,409	$ 1,157,667	$ 1,247,646
Cost of sales	191,211	206,163	195,203	209,283	228,597
Gross profit	946,653	974,767	920,206	948,384	1,019,049
Operating expenses:					
Selling expenses	487,631	497,421	480,136	496,454	529,368
General and administrative expenses[(1)]	333,263	354,223	353,412	361,242	364,253
Restructuring charges	—	—	11,115	19,775	—
Impairment of assets and other	—	—	20,840	—	—
Total operating expenses	820,894	851,644	865,503	877,471	893,621
Operating income	125,759	123,123	54,703	70,913	125,428
Other income (expense), net	(3,618)	(4,172)	(2,027)	(2,435)	(24,775)
Income before provision for income taxes	122,141	118,951	52,676	68,478	100,653
Provision for income taxes	44,467	44,918	19,859	24,606	35,306
Net income	$ 77,674	$ 74,033	$ 32,817	$ 43,872	$ 65,347
Net income per share:					
Basic	$ 1.10	$ 1.06	$ 0.47	$ 0.68	$ 1.03
Diluted	$ 1.07	$ 1.04	$ 0.47	$ 0.67	$ 1.02
Weighted-average common shares outstanding (000s):					
Basic	70,734	70,047	69,418	64,783	63,510
Diluted	72,627	71,356	70,506	65,584	64,132

Balance Sheet Data (at end of period):

Cash and cash equivalents and current investments	$ 120,095	$ 155,409	$ 121,353	$ 92,552	$ 114,586
Working capital	117,401	149,098	109,418	95,175	124,036
Total assets	609,737	678,866	664,849	683,243	709,772
Current portion of long-term debt	18,540	26,757	26,652	31,441	30,196
Long-term debt	132,701	123,483	136,173	169,229	158,760
Stockholders' equity	296,233	354,628	318,980	275,009	316,180
Cash dividends declared	0.32	0.36	0.40	0.42	0.44
Supplemental Operating Data (at end of period):					
Approximate number of active distributors[(2)]	820,000	803,000	761,000	755,000	761,000
Number of executive distributors[(2)]	32,016	30,471	29,756	30,002	30,588

(1) Beginning in 2006 the Company adopted FAS 123R which resulted in stock-based compensation expense of $9.3 million, 8.1 million and $7.3 million in 2006, 2007 and 2008, respectively.

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

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

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

Overview

We are a leading, global direct selling company with 2008 revenue of $1.2 billion and a global network of approximately 761,000 active independent distributors and preferred customers who purchase our products for resale and for personal use. Approximately 31,000 of these distributors are executive level distributors, who play an important leadership role in our distribution network and are critical to the growth of our business. We develop and distribute premium-quality, innovative personal care products and nutritional supplements that are sold under the Nu Skin and Pharmanex brands. We also market a limited number of other products and services. We currently operate in 48 countries worldwide.

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

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

Our distributors market and sell our products and recruit new distributors based on the distinguishing benefits and innovative characteristics of our products. As a result, it is vital to our business that we continuously leverage our research and development resources to develop and introduce innovative products and provide our distributors with an attractive portfolio of products. We also offer unique initiatives, products, and business tools, such as our *Galvanic Spa System II* and technologically-advanced *Pharmanex BioPhotonic Scanner* (the "Scanner"), to help distributors effectively differentiate our earnings opportunity and product offering. If we experience delays or difficulties in introducing compelling products or attractive initiatives or tools into a market, this can have a negative impact on revenue and distributor recruiting.

We have developed a global distributor compensation plan and other incentives designed to motivate our distributors to market and sell our products and to build sales organizations around the world and across product lines. In 2008, we implemented modifications to our compensation plan in the Americas and Europe regions designed to improve commission payments early in the distributor lifecycle. The initial results from these modifications have been positive and we plan to introduce the same compensation plan features in most of our Asian markets in 2009. While we anticipate that the changes will help support distributor growth in our Asia markets, the implementation of these modifications in these markets, particularly Southeast Asia and Japan, involve a more significant transition than the transition in the Americas and Europe because of the unique features of our existing compensation plans in these markets.

Our extensive global distributor network helps us to rapidly introduce products and penetrate our markets with little up-front promotional expense. Similar to other companies in our industry, we experience a high level of turnover among our distributors. As a result, it is important that we regularly introduce innovative and compelling products and initiatives in order to maintain a compelling business opportunity that will attract new distributors. We have also developed and continue to promote in many of our markets product subscription and loyalty programs that provide incentives for customers to commit to purchase a specific amount of products on a monthly basis. We believe these subscription programs have improved customer retention, have had a stabilizing impact on revenue, and have helped generate recurring sales for our distributors. Subscription orders represented 50% of our revenue in 2008.

In 2008, we generated approximately 73% of our revenue from our Asian markets, with sales in Japan representing approximately 36% of revenue. Because of the size of our foreign operations, operating results can be impacted negatively or positively by factors such as foreign currency fluctuations, in particular, fluctuations between the Japanese yen and the U.S. dollar, and economic, political and business conditions around the world. In addition, our business is subject to various laws and regulations related to network marketing activities and nutritional supplements that create certain risks for our business, including improper

claims or activities by our distributors and the potential inability to obtain necessary product registrations. *For more information about these risks and challenges we face, please refer to the "Note Regarding Forward-Looking Statements."*

Over the last few years, we have also taken steps to transform and align our business and operate more efficiently. These steps have helped improve our operating efficiencies as evidenced by our improved operating margin in 2008. We are taking additional steps in Japan in the beginning of 2009 to further align our operations in this market and to improve operating efficiencies.

Global economic conditions have deteriorated significantly over the last year. Consumer confidence and spending have declined drastically and the global credit crisis has limited access to capital for many companies. There is significant concern that such conditions may not improve in the near future and may get worse. To date, we have been fortunate that these economic conditions have not negatively impacted our operations significantly. Despite difficult economic conditions in the United States, South Korea and Europe, we experienced strong growth in these markets in 2008. While we are not immune to contractions in consumer spending, we believe we have benefited from the nature of our distribution model and strong execution around a demonstrative product/opportunity initiative, which has helped offset to some degree the impact of the decline in consumer spending. As a direct selling company, we offer a direct selling opportunity that allows an individual to supplement his/her income by selling our products and building a sales organization to market and sell our products. As the economy and the labor market decline, we find that there can be an increase in the number of people interested in becoming distributors in order to supplement their income. We believe that this increase in interest in our direct selling opportunity coupled with the strong marketing position of our *Galvanic Spa System II*, a product that shows immediate results in facial demonstrations, has helped us to continue growing our business in these difficult economic conditions. However, if the economic problems continue for an extended period of time, or if they continue to worsen, we expect that we could see a negative impact on our business as distributors may have a more difficult time selling products and finding new customers. For example, we have seen a slowing in the growth of our business in South Korea during the latter part of 2008, which we believe is due in part to the prolonged economic challenges in this market.

As a company, we have not experienced negative impact from the credit crisis, as we generally do not rely on debt or lines of credit to finance our operations or capital expenditures. In 2008, we generated $103.3 million in cash from operations. In the event capital needs require borrowings in the future, we have a $25 million revolving credit facility available to us through May 2010. In addition, $58 million is available under our shelf facility, which currently expires in August of this year.

Our financial results, however, have been negatively impacted during the past year by significant foreign currency fluctuations resulting from the global economic crisis. During 2008, we recorded an $18.4 million expense as a result of foreign currency transaction losses related to our yen-denominated debt as the Japanese yen strengthened from 111.45 at December 31, 2007 to 90.73 at December 31, 2008. In addition, we recorded foreign currency transaction losses with respect to our intercompany receivables and payables with certain of our international affiliates, including markets that are newly opened or have remained in a loss position since inception. Generally, foreign currency transaction losses with these affiliates would be offset by gains related to the foreign currency transactions of our yen-based bank debt. However, during 2008, the Japanese yen strengthened against the U.S. dollar while most foreign currencies weakened against the U.S. dollar. Other income (expense), net also includes approximately $7.8 million in interest expense during 2008. Because it is impossible to predict foreign currency fluctuations we cannot estimate the degree to which our operations will be impacted in the future, but we remain subject to these currency risks. However, the majority of these transaction losses are non-cash, non-operating losses.

Income Statement Presentation

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

Revenue by Region

	Year Ended December 31,								
(U.S. dollars in millions)	**2006**			**2007**			**2008**		
North Asia	$ 593.8	53%		$ 585.8	50%		$ 594.5	48%	
Americas	165.9	15		188.3	16		223.9	18	
Greater China	208.2	19		205.0	18		210.0	17	
Europe	59.5	5		77.2	7		111.6	9	
South Asia/Pacific	88.0	8		101.4	9		107.6	8	
	$ 1,115.4	100%		$ 1,157.7	100%		$ 1,247.6	100%	

Cost of sales primarily consists of:

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

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

subject to exchange rate risks in our gross margins. Because our gross margins vary from product to product and are higher in some markets such as Japan, changes in product mix and geographic revenue mix can impact our gross margins.

Selling expenses are our most significant expense and are classified as operating expenses. Selling expenses include distributor commissions as well as wages, benefits, bonuses and other labor and unemployment expenses we pay to employed sales representatives in China. Our global compensation plan, which we employ in all of our markets except China, is an important factor in our ability to attract and retain distributors. We pay monthly commissions to several levels of distributors on each product sale based upon a distributor's personal and group product volumes, as well as the group product volumes of up to six levels of executive distributors in such distributor's downline sales organization. We do not pay commissions on sales materials, which are sold to distributors at or near cost. Small fluctuations occur in the amount of commissions paid as the network of distributors actively purchasing products changes from month to month. However, due to the size of our distributor force of approximately 761,000 active distributors, the fluctuation in the overall payout is relatively small. The overall payout has typically averaged from 41% to 44% of global product sales. From time to time, we make modifications and enhancements to our global compensation plan in an effort to help motivate distributors and develop leadership characteristics, which can have an impact on selling expenses.

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

General and administrative expenses include:

- wages and benefits;
- rents and utilities;
- depreciation and amortization;
- promotion and advertising;
- professional fees;
- travel;
- research and development; and
- other operating expenses.

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

Provision for income taxes depends on the statutory tax rates in each of the jurisdictions in which we operate. For example, statutory tax rates in 2008 were approximately 17.5% in Hong Kong, 25% in Taiwan, 27.5% in South Korea (effective January 1, 2009 South Korea's tax rate is reduced to 24.2%), 45% in Japan and 25% in China. For the years 2006 through 2008 we were subject to a reduced tax rate of 13.5% in China, after which time we will be subject to the full statutory rate. We are subject to taxation in the United States at the statutory corporate federal tax rate of 35% and we pay taxes in multiple states within the United States at various tax rates. Our overall effective tax rate was 35.1% for the year ended December 31, 2008.

Critical Accounting Policies

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

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

Income Taxes. We account for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes." This statement establishes financial accounting and reporting standards for the effects of income taxes that result from an enterprise's activities during the current and preceding years. It requires an asset and liability approach for financial accounting and reporting of income taxes. We pay income taxes in many foreign jurisdictions based on the profits realized in those jurisdictions, which can be significantly impacted by terms of intercompany transactions among our affiliates around the world. Deferred tax assets and liabilities are created in this process. As of December 31, 2008, we had net deferred tax assets of $76.3 million. These net deferred tax assets assume sufficient future earnings will exist for their realization, as well as the continued application of current tax rates. In certain foreign jurisdictions, valuation allowances have been recorded against the deferred tax assets specifically related to use of net operating losses. When we determine that there is sufficient taxable

income to utilize the net operating losses, the valuation allowances will be released. In the event we were to determine that we would not be able to realize all or part of our net deferred tax assets in the future, an adjustment to the deferred tax assets would be charged to earnings in the period such determination was made.

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

We file income tax returns in the U.S. federal jurisdiction, and various states and foreign jurisdictions. We are currently under examination by the United States Internal Revenue Service (the "IRS") for the 2006 and 2007 tax years. With a few exceptions, we are no longer subject to state and local income tax examination by tax authorities for years before 2005. In major foreign jurisdictions, we are no longer subject to income tax examinations for years before 2002. Along with the IRS examination, we are currently under examination in certain foreign jurisdictions; however, the outcomes of those reviews are not yet determinable.

At December 31, 2008, we had $30.9 million in unrecognized tax benefits of which $5.8 million, if recognized, would affect the effective tax rate. In comparison, at December 31, 2007 we had $31.9 million in unrecognized tax benefits of which $9.1 million, if recognized, would affect the effective tax rate. During each of the years ended December 31, 2008 and December 31, 2007, we recognized approximately $0.5 million in interest and penalties. We had approximately $3.2 million and $2.7 million of accrued interest and penalties related to uncertain tax positions at December 31, 2008 and December 31, 2007. Interest and penalties related to uncertain tax positions are recognized as a component of income tax expense.

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

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

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

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

Results of Operations

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

	Year Ended December 31,		
	2006	**2007**	**2008**
Revenue	100.0%	100.0%	100.0%
Cost of sales	17.5	18.1	18.3
Gross profit	82.5	81.9	81.7
Operating expenses:			
Selling expenses	43.1	42.9	42.4
General and administrative expenses	31.7	31.2	29.2
Restructuring charges	.9	1.7	—
Impairment of assets and other	1.9	—	—
Total operating expenses	77.6	75.8	71.6
Operating income	4.9	6.1	10.1
Other income (expense), net	(.2)	(.2)	(2.0)
Income before provision for income taxes	4.7	5.9	8.1
Provision for income taxes	1.8	2.1	2.9
Net income	2.9%	3.8%	5.2%

2008 Compared to 2007

Overview

Revenue in 2008 increased 8% to $1.25 billion from $1.16 billion in 2007, with foreign currency exchange fluctuations positively impacting revenue by 3% in 2008 compared to 2007. Revenue in 2008 was positively impacted by growth in South Korea, Europe, the United States, and our South Asia markets. We also continued to see declines in our business in Japan and China, which negatively impacted financial results.

Earnings per share in 2008 increased to $1.02 compared to $0.67 in 2007 on a diluted basis. The increase in earnings is primarily a result of our transformation initiatives to improve operational efficiencies as evidenced by the improvements in selling expenses and general and administrative expenses as a percentage of revenue and the increase in revenue. Earnings per share in 2008 and 2007 were also impacted by:

- foreign currency transaction losses in 2008 of approximately $11.9 million (net of taxes of $6.5 million), or $.19 per share, as foreign currencies shifted dramatically during the year;

- restructuring charges in 2007 totaling $12.6 million (net of taxes of $7.2 million), or $0.20 per share, relating to our business transformation initiative to reduce overhead expenses and streamline operations; and

- the repurchase of approximately 4.1 million shares of our Class A common stock in 2007.

Revenue

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

	2007	2008	Change
Japan	$ 443.7	$ 443.7	—
South Korea	142.1	150.8	6%
North Asia total	$ 585.8	$ 594.5	1%

Foreign currency fluctuations positively impacted revenue by 5% in this region compared to the prior-year period. Currency fluctuations were most significant during the last quarter of the year when the average Japanese yen rate strengthened 11% and the average Korean won rate weakened by 28% during the fourth quarter of 2008. Our active and executive distributor counts decreased 10% and 12%, respectively, in Japan in 2008 compared to 2007. In South Korea, our active and executive distributor counts increased 19% and 13%, respectively, comparing 2008 to 2007.

Local currency revenue in Japan declined 12% in 2008 compared to 2007. We continue to experience weakness in our distributor numbers in this market as evidenced by the declines in both active and executive distributors. The direct selling environment in Japan continues to be very difficult as the industry has been in a decline for several years and, according to industry sources, the decline appears to have steepened. Most direct selling companies are seeing their businesses contract in this market. Increased regulatory and media scrutiny of the industry continues to negatively impact the industry and our business. In response to this regulatory environment and, as a result of increases in the number of complaints to consumer centers regarding the activities of some of our distributors, we have increased our focus on distributor compliance and training. We believe that some of the actions we have taken to address activities of distributor groups that were having higher levels of complaints have contributed to the declines in our revenue. We also engaged in less aggressive product promotions in 2008 than we had in 2007. In the last half of 2008, we implemented additional management changes in this market and are currently in the process of restructuring our operations to improve operational efficiencies and align more closely with our global operating structure. Given the difficult direct selling environment, we believe that it will take some time for us to generate growth in this market.

South Korea posted strong year-over-year local currency revenue growth of 24%. This growth was fueled by strong distributor alignment behind our product and distributor initiatives, maintaining a vibrant sponsoring environment for our distributors. During the latter part of 2008 and the first part of 2009, we have seen some slowing of our growth in this market, which we believe is due in part to the prolonged economic challenges in this market.

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

	2007	2008	Change
United States	$ 167.8	$ 192.1	14%
Canada	11.5	16.2	41%
Latin America	9.0	15.6	73%
Americas total	$ 188.3	$ 223.9	19%

We experienced strong growth in the United States particularly in the personal care brand. The revenue growth is being driven by interest in our *Galvanic Spa System II* as well as complementary products such as *Galvanic Spa Facial Gels*, *Tru Face Essence Ultra* and *Tru Face Line Corrector*. These products provide highly demonstrable results and are generating significant consumer interest. In the fourth quarter, we launched our *Galvanic Facial Gels* that incorporate innovative new *ageLoc* anti-aging technology. Revenue in 2007 was positively impacted by approximately $5.0 million as a result of product and convention fee revenue from foreign distributors attending our global convention in 2007, which convention is only held every two years. Active distributors in the United States increased 4% and executive distributors increased 8% compared to the prior-year period.

Revenue increased by 41% in Canada and by 73% in Latin America in 2008 compared to 2007, respectively. The growth in Latin America can be attributed to our opening of operations in Venezuela and strength in our Mexico market. Similar to the United States, revenue growth in Canada and Latin America is also being driven by the strong sales in our Nu Skin brand personal care products.

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

	2007	2008	Change
Taiwan	$ 93.0	$ 92.3	(1%)
China	66.5	65.3	(2%)
Hong Kong	45.5	52.4	15%
Greater China total	$ 205.0	$ 210.0	2%

Foreign currency exchange rate fluctuations positivley impacted revenue in the Greater China region by 5% in 2008. On a local currency basis, revenue in Mainland China decreased 10% in 2008 compared to 2007. Our revenue decline in Mainland China was primarily the result of a 25% decline in our preferred customers compared to the prior-year period and a 3% decline in the number of employed sales representatives. Given the regulatory environment in China, we have continued to be cautious in our promotions and the sales activities of our sales representatives. At the end of 2007, we also adjusted our store strategy to focus our business around plaza stores in major cities, which resulted in the closure of nearly 70 of our smaller stores in this market. In 2008, we opened new plaza stores in Shanghai and Guangzhou as part of this strategy. We also plan to open new plaza stores in Beijing and Xian in 2009 and in Shenzen in early 2010. Additionally, we modified our business model to engage sales promoters under a service contract as well as offer part-time employment. These business model changes were made in order to allow us to provide a supplemental income opportunity to individuals who may not be interested in working full-time in this business as well as reduce our selling expenses, as the amount of social benefits, taxes and unemployment charges under this model will be lower. While we believe that these adjustments to our store strategy and business model may have had a small negative impact on our revenue during the first part of the year as our sales representatives and preferred customers adapted to them, they significantly improved our profitability in this market during the year.

In the fourth quarter of 2008, we introduced the *Galvanic Spa System II* to a limited number of sales leaders in Mainland China. The launch has generated excitement among our sales force and helped contribute to an improvement in revenue trends, with revenue declining only 1% in the fourth quarter. We fully launched the *Galvanic Spa System II* in the first quarter of 2009, which we expect will have a positive impact on revenue given its success in other markets. In January 2009, we also received approvals to engage in direct selling in four cities in Guandong Province as well as Shenzhen City.

Local currency revenue in Taiwan was down 5% in 2008 compared to 2007. We believe that the decline in Taiwan is primarily attributed to regulatory restrictions that currently prevent us from marketing the *Galvanic Spa System II* in this market and a softening of sales of our weight loss products. The executive distributor count in Taiwan was up 3% compared to the prior-year period, while the number of active distributors was down 13% when compared to the prior-year period. Hong Kong local currency revenue was up 15% in 2008 compared to 2007, primarily as a result of the strength of our personal care initiatives. Executive distributors in Hong Kong were down 5% and the active distributors in Hong Kong were up 1% compared to 2007.

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

	2007	2008	Change
Europe	$ 77.2	$ 111.6	45%

Foreign currency exchange rate fluctuations positively impacted revenue in Europe by 9% in 2008 compared to the prior year. On a local currency basis, revenue in Europe grew by 36% in 2008 compared to 2007. The strong growth in Europe was primarily a result of distributor enthusiasm and strong interest in our *Galvanic Spa System II* and personal care business, as well as strong growth in our newer Eastern European markets. We believe that strong alignment of distributor leaders behind our key initiatives, including the *Galvanic Spa System II*, has helped contribute to the distributor excitement and revenue growth. In 2008, we also expanded our operations into the Czech Republic and South Africa. We are looking to expand into additional markets in this region in 2009 including Turkey and Ukraine. Our active and executive distributor counts increased by 43% and 49%, respectively, in 2008 compared to 2007.

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

	2007	2008	Change
Singapore/Malaysia/Brunei	$ 39.3	$ 43.8	11%
Thailand	32.3	34.6	7%
Australia/New Zealand	15.8	13.3	(16%)
Indonesia	8.8	8.9	1%
Philippines	5.2	7.0	35%
South Asia/Pacific total	$ 101.4	$ 107.6	6%

Foreign currency exchange rate fluctuations positively impacted revenue in South Asia/Pacific by 1% in 2008 compared to the same prior-year period. All of the markets in this region experienced growth except for Australia/New Zealand. The growth was fueled in part by continued success of our *TRA* family of weight loss products during the first part of the year and success of our *Galvanic Spa System II*. The decline in Australia/New Zealand is largely related to a transition away from *Photomax*, which has not proven to be a strong, long-term business initiative for our distributors. Executive distributors in the region increased 14% while active distributors increased 1% compared to the prior year.

Gross profit

Gross profit as a percentage of revenue in 2008 decreased to 81.7% from 81.9% in 2007. The decrease is due in part to a shift in our product mix as our Japan business, which historically has our strongest gross margins, now represents a smaller percentage of our overall business. Gross margins have also been impacted by the increase in sales of the *Galvanic Spa System II*, which has a slightly lower margin.

Selling expenses

Selling expenses decreased as a percentage of revenue to 42.4% in 2008 from 42.9% in 2007. The slight decrease as a percentage of revenue was due primarily to enhancements to our compensation plan to improve alignment between distributor and corporate growth objectives and encourage and reward targeted distributor activity.

General and administrative expenses

General and administrative expenses decreased as a percentage of revenue to 29.2% in 2008 from 31.2% in 2007. The improvement relates to restructuring efforts to reduce general and administrative levels and improve efficiencies.

Restructuring charges

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

In 2009, we expect to incur approximately $14 million in restructuring charges primarily related to transformation efforts in Japan designed to improve operational efficiencies and align organizationally in Japan with how we are organized globally in our other markets. We estimate that approximately $7 million of the charges will relate to severance payments to employees who voluntarily elect to retire early, and $7 million will relate to converting to smaller more-efficient walk-in centers. Most of these expenses will be incurred in the first-half of 2009.

Other income (expense), net

Other income (expense), net was $24.8 million of expense in 2008 compared to $2.4 million of expense in 2007. Of this amount, approximately $18.4 million relates to foreign currency transaction losses related to our yen-denominated debt as the Japanese yen strengthened from 111.45 at December 31, 2007 to 90.73 at December 31, 2008. In addition, we recorded foreign currency transaction losses with respect to our intercompany receivables and payables with certain of our international affiliates, including markets that are newly opened or have remained in a loss position since inception. Generally, foreign currency transaction losses with these affiliates would be offset by gains related to the foreign currency transactions of our yen-based bank debt. However, during 2008, the Japanese yen strengthened against the U.S. dollar while most foreign currencies weakened against the U.S. dollar. Other income (expense), net also includes approximately $7.8 million in interest expense during 2008. It is impossible to predict foreign currency fluctuations. We cannot estimate the degree to which our operations will be impacted in the future, but we remain subject to these currency risks. However, the majority of these transaction losses are non-cash, non-operating losses.

Provision for income taxes

Provision for income taxes increased to $35.3 million in 2008 from $24.6 million in 2007. The effective tax rate decreased to 35.1% from 35.9% of pre-tax income in 2007. The lower tax rate is due primarily to the expiration of the statute of limitations in certain tax jurisdictions. In connection with our reconciliation of deferred tax asset and liability accounts at year end, we identified accounting adjustments related to prior periods. These adjustments were included in our provision for income taxes at 2007 year end and totaled approximately $0.1 million.

Net income

As a result of the foregoing factors, net income increased to $65.3 million in 2008 from $43.9 million in 2007.

2007 Compared to 2006

Overview

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

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

- restructuring and impairment charges in the first quarter of 2006 totaling $20.0 million (net of taxes of $12.0 million), or $0.28 per share, relating to a business transformation initiative that we implemented during the first quarter;
- restructuring charges in the second quarter of 2007 totaling $1.8 million (net of taxes of $1.0 million), or $0.03 per share, relating to a business transformation initiative that we implemented during the first quarter;
- restructuring and impairment charges in the fourth quarter of 2007 totaling $10.8 million (net of taxes of $6.2 million), or $0.17 per share, relating to an additional step in our business transformation initiative to reduce overhead expenses and streamline operations;
- a decrease in our gross margin as a result of changing product and geographic sales mix; and
- the repurchase of approximately 4.1 million shares of our Class A common stock in 2007.

In the fourth quarter of 2007, we took additional steps in connection with our transformation efforts to further reduce our overhead and improve our earnings per share. These steps included simplifying our operations in China and identifying additional areas for improved operational efficiencies globally. As a result of these steps, we reduced our headcount globally by approximately 1,000 employees.

Revenue

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

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

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

In Japan, the weakness in sponsoring activity and the resulting declines in active and executive distributors contributed to the local currency revenue decline of 5% in 2007 compared to 2006. During 2007, we implemented a variety of strategic initiatives and product promotions, effected a change in management, and continued efforts to improve our corporate image and took steps to improve distributor recruitment and leadership development.

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

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

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

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

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

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

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

Foreign currency exchange rate fluctuations positively impacted revenue in the Greater China region by 1% in 2007. In China, revenue declined 10%, on a local currency basis, compared to the prior year as we continue to transition our business model in this market. The decrease is primarily attributed to a 17% decline in preferred customers and a 6% decline in our sales force as we were cautious in our promotions and the sales activities of our sales representatives given the regulatory environment. As discussed above, we took steps at the end of 2007 to allow us to operate more efficiently and effectively in this market, including a significant modification to our store strategy.

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

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

	2006	2007	Change
Europe	$ 59.5	$ 77.2	30%

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

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

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

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

Gross profit

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

Selling expenses

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

General and administrative expenses

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

Restructuring charges

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

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

Other income (expense), net

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

Provision for income taxes

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

Net income

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

Liquidity and Capital Resources

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

We typically generate positive cash flow from operations due to favorable gross margins and the variable nature of selling expenses, which constitute a significant percentage of operating expenses. We generated $103.3 million in cash from operations in 2008, compared to $48.7 million in 2007. This increase in cash generated from operations is primarily due to the increase in profitability from our restructuring efforts, the timing of payments of taxes and a reduction in our accounts receivable.

As of December 31, 2008, working capital was $124.0 million compared to $95.2 million as of December 31, 2007. Our working capital increased primarily due to an increase in cash and cash equivalents. Cash and cash equivalents, plus current investments, at December 31, 2008 were $114.6 million compared to $92.6 million at December 31, 2007. The increase in cash was primarily the result of the increase in our cash generated from operations in 2008.

Capital expenditures in 2008 totaled $16.0 million, and we anticipate capital expenditures of approximately $20 million to $25 million for 2009. These capital expenditures are primarily related to:

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

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

We currently have debt pursuant to various credit facilities and other borrowings. The following table summarizes these debt arrangements as of December 31, 2008:

Facility or Arrangement[1]	Original Principal Amount	Balance as of December 31, 2008[2]	Interest Rate	Repayment terms
2000 Japanese yen-denominated notes	9.7 billion yen	2.8 billion yen ($30.6 million as of December 31, 2008)	3.0%	Notes due October 2010, with annual principal payments that began in October 2004.
2003 $205.0 million multi-currency uncommitted shelf facility:				
U.S. dollar denominated:	$50.0 million	$20.0 million	4.5%	Notes due April 2010 with annual principal payments that began in April 2006.
	$40.0 million	$40.0 million	6.2%	Notes due July 2016 with annual principal payments beginning July 2010
	$20.0 million[3]	$20.0 million	6.2%	Notes due January 2017 with annual principal payments beginning January 2011.
Japanese yen denominated:	3.1 billion yen	2.7 billion yen ($29.5 million as of December 31, 2008)	1.7%	Notes due April 2014 with annual principal payments that began April 2008.
	2.3 billion yen	2.3 billion yen ($25.0 million as of December 31, 2008)	2.6%	Notes due September 2017, with annual principal payments beginning September 2011.
	2.2 billion yen	2.2 billion yen ($23.9 million as of December 31, 2008)	3.3%	Notes due January 2017, with annual principal payments beginning January 2011.
2004 $25.0 million revolving credit facility	N/A	None	N/A	Credit facility expires May 2010.

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

(2) The current portion of our long-term debt (i.e. becoming due in the next 12 months) includes $15.3 million of the balance on our 2000 Japanese yen-denominated notes, $4.9 million of the balance of our 2005 Japanese yen-denominated notes and $10.0 million of the balance on our U.S. dollar denominated debt under the 2003 multi-currency shelf facility.

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

Our board of directors has approved a stock repurchase program authorizing us to repurchase our outstanding shares of Class A common stock on the open market or in private transactions. The repurchases are used primarily for our equity incentive plans and strategic initiatives. On November 2, 2007, our board of directors authorized an increase of $100 million to our ongoing share repurchase authorization. During the year ended December 31, 2008, we repurchased approximately 0.4 million shares of Class A common stock under this program for an aggregate amount of approximately $6.1 million. At December 31, 2008, approximately $83.6 million was still available under the stock repurchase program.

During each quarter of 2008, our board of directors declared cash dividends of $0.11 per share on our Class A common stock. These quarterly cash dividends totaled approximately $27.9 million and were paid during 2008 to stockholders of record in 2008. In February 2009, the board of directors declared a dividend to be paid in March 2009 of $0.115 per share for Class A common stock. Currently, we anticipate that our board of directors will continue to declare quarterly cash dividends and that the cash flows from operations will be sufficient to fund our future dividend payments. However, the continued declaration of dividends is subject to the discretion of our board of directors and will depend upon various factors, including our net earnings, financial condition, cash requirements, future prospects and other factors deemed relevant by our board of directors.

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

Contractual Obligations and Contingencies

The following table sets forth payments due by period for fixed contractual obligations as of December 31, 2008 (U.S. dollars in thousands):

	Total	2009	2010-2011	2012-2013	Thereafter
Long-term debt obligations	$ 188,956	$ 30,196	$ 56,382	$ 40,944	$ 61,434
Capital lease obligations	—	—	—	—	—
Operating lease obligations[1]	50,745	14,689	21,807	13,653	596
Purchase obligations	85,424	49,769	25,411	9,468	776
Other long-term liabilities reflected on the balance sheet[2]	—	—	—	—	—
Total	$ 325,125	$ 94,654	$ 103,600	$ 64,065	$ 62,806

(1) Operating leases include corporate office and warehouse space with two entities that are owned by certain officers and directors of our company who are also founding shareholders. Total payments under these leases were $3.8 million for the year ended December 31, 2008 with remaining long-term obligations under these leases of $10.5 million.

(2) Other long-term liabilities reflected on the balance sheet of $68.5 million primarily consisting of long-term tax related balances, in which the timing of the commitments is uncertain.

Due to the international nature of our business, we are subject from time to time to reviews and audits by the foreign taxing authorities of the various jurisdictions in which we conduct business throughout the world. In 1999, we implemented a duty valuation methodology with respect to the importation of certain products into Japan. For purposes of the import transactions at issue, we had taken the position that, under applicable customs law, there was a sale between the manufacturer and our Japan subsidiary, and that customs duties should be assessed on the manufacturer's invoice. The Valuation Department of the Yokohama customs authorities reviewed and approved this methodology at that time, and it had been reviewed on several occasions by the audit division of the Japan customs authorities since then. In connection with subsequent audits in 2004, the Yokohama customs authorities assessed us additional duties and penalties on these products imported into Japan from October 2002 to October 2004, based on a different valuation methodology than what was previously approved. With respect to the periods under audit, the customs authorities took the position that the relevant import transaction involved a sale between our U.S. affiliate and our Japan subsidiary and that duties should be assessed on the value of that transaction. We disputed this assessment. We also disputed the amount of duties we were required to pay on products imported from November of 2004 to June of 2005 for similar reasons. The total amount assessed or in dispute was approximately yen 2.7 billion (or approximately $29.7 million as of December 31, 2008), net of any recovery of consumption taxes. Effective July 1, 2005, we implemented some modifications to our business structure in Japan and in the United States that we believe will eliminate any further customs valuation disputes with respect to product imports in Japan after that time.

Because we believe the documentation and legal analysis supports our position and the valuation methodology we used with respect to the products in dispute had been reviewed and approved by the customs authorities in Japan, we believe the assessments are improper and we filed letters of protest with Yokohama customs with respect to this entire amount. Yokohama customs rejected our letters of protest, and to follow proper administrative procedures we filed appeals with the Japan Ministry of Finance. In order to appeal, we were required to pay the approximately yen 2.7 billion in custom duties and assessments related to all of the amounts at issue, which we recorded in "Other Assets" in our Consolidated Balance Sheet. On June 26, 2006, we were advised that the Ministry of Finance had rejected the appeals filed with their office relating to the imports from October 2002 to October 2004. We decided to appeal this issue through the judicial court system in Japan, and on December 22, 2006, we filed a complaint with the Tokyo District Court Civil Action Section with respect to this period. In January 2007, we were advised that the Ministry of Finance also rejected our appeal with them for the imports from November 2004 to June 2005. We appealed this decision with the court system in July 2007. Currently, all appeals are pending with the Tokyo District Court Civil Action Section. One of the findings cited by the Ministry of Finance in its decisions was that we had treated the transactions as sales between our U.S. affiliate and our Japan subsidiary on

our corporate income tax return under applicable income tax and transfer pricing laws. 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.

Seasonality and Cyclicality

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

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

Distributor Information

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

	As of December 31, 2006		As of December 31, 2007		As of December 31, 2008	
	Active	Executive	Active	Executive	Active	Executive
North Asia	333,000	15,354	335,000	14,845	326,000	13,937
Americas	150,000	4,141	158,000	4,588	171,000	4,876
Greater China	155,000	6,492	138,000	6,389	115,000	6,323
Europe	50,000	1,600	59,000	1,957	83,000	2,911
South Asia/Pacific	73,000	2,169	65,000	2,223	66,000	2,541
Total	761,000	29,756	755,000	30,002	761,000	30,588

Quarterly Results

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

	2007				2008			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Revenue	$ 273.6	$ 287.2	$ 290.7	$ 306.1	$ 298.1	$ 321.7	$ 310.3	$ 317.6
Gross profit	223.0	236.2	238.5	250.8	243.9	262.4	253.3	259.4
Operating income	17.6	21.0	19.2	13.1	27.4	28.9	30.3	38.8
Net income	10.5	13.8	13.5	6.0	13.5	20.6	16.8	14.5
Net income per share:								
Basic	0.16	0.21	0.21	0.09	0.21	0.32	0.26	0.23
Diluted	0.16	0.21	0.21	0.09	0.21	0.32	0.26	0.23

Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157, *Fair Value Measurements* ("SFAS 157"), which defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. In February 2008, the FASB issued Staff Position 157-2, *Effective Date of FASB Statement No. 158*, which delays the effective date of SFAS No. 157 for nonfinancial assets and liabilities, except for those that are recognized or disclosed at fair value in the financial statements on a recurring basis, until January 1, 2009. We adopted SFAS 157 as of January 1, 2008, with the exception of the application of the statement to non-recurring, nonfinancial assets and liabilities. The adoption of SFAS 157 did not have a material impact on our consolidated financial statements. See Note 2, Fair Value of Financial Instruments, for additional information.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* ("SFAS 159"). Under SFAS 159, companies may elect to measure certain financial instruments and certain other items at fair value. The standard requires that unrealized gains and losses on items for which the fair value option has been elected be reported in earnings. SFAS 159 is effective for fiscal years beginning after November 15, 2007. We adopted SFAS 159 for fiscal 2008; however, we did not elect to apply the fair value option to any financial instruments or other items upon adoption of SFAS 159. Therefore, the adoption of SFAS 159 did not impact our consolidated financial position, results of operations or cash flows.

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

In June 2007, the FASB's Emerging Issues Task Force reached a consensus on EITF No. 07-3, *Accounting for Nonrefundable Advance Payments for Goods or Services to Be Used in Future Research and Development Activities*, that would require nonrefundable advance payments made by us for future research and

development activities to be capitalized and recognized as an expense as the goods or services are received by us. EITF Issue No. 07-3 is effective with respect to new arrangements entered into beginning January 1, 2008. We have implemented this standard and it did not have a material impact on our consolidated results of operations or financial condition.

In December 2007, the FASB ratified the Emerging Issues Task Force consensus on EITF Issue No. 07-1, *Accounting for Collaborative Arrangements*, that discusses how parties to a collaborative arrangement (which does not establish a legal entity within such arrangement) should account for various activities. The consensus indicated that costs incurred and revenues generated from transactions with third parties (i.e. parties outside of the collaborative arrangement) should be reported by the collaborators on the respective line items in their income statements pursuant to EITF Issue No. 99-19, *Reporting Revenue Gross as a Principal Versus Net as an Agent.* Additionally, the consensus provides that income statement characterization of payments between the participants in a collaborative arrangement should be based upon existing authoritative pronouncements; analogy to such pronouncements if not within their scope; or reasonable, rational, and consistently applied accounting policy election. EITF Issue 07-1 is effective for us beginning January 1, 2009 and is to be applied retrospectively to all periods presented for collaborative arrangements existing as of the date of adoption. We have evaluated the impact and required disclosures of this standard and do not expect EITF Issue No. 07-1 to have a material impact on our consolidated results of operations or financial condition.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements* ("SFAS 160"), which changes the accounting and reporting standards for the noncontrolling interests in a subsidiary in consolidated financial statements. SFAS 160 recharacterizes minority interests as noncontrolling interests and requires noncontrolling interests to be classified as a component of shareholders' equity. SFAS 160 is effective January 1, 2009 and requires retroactive adoption of the presentation and disclosure requirements for existing minority interests. We have evaluated the impact of SFAS 160 on our consolidated financial statements and do not expect SFAS 160 to have a material impact on our consolidated results of operations or financial condition.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities — an amendment of SFAS No. 133* ("SFAS 161"). This Standard requires enhanced disclosures regarding derivatives and hedging activities, including: (a) the manner in which an entity uses derivative instruments; (b) the manner in which derivative instruments and related hedged items are accounted for under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities; and (c) the effect of derivative instruments and related hedged items on an entity's financial position, financial performance, and cash flows. The Standard is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. As SFAS 161 relates specifically to disclosures, the Standard will have no impact on our financial condition, results of operations or cash flows.

In May 2008, the FASB issued SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles* ("SFAS 162"). This Standard identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles. SFAS 162 directs the hierarchy to the entity, rather than the independent auditors, as the entity is responsible for selecting accounting principles for financial statements that are presented in conformity with generally accepted accounting principles. The Standard is effective 60 days following SEC approval of the Public Company Accounting Oversight Board amendments to remove the hierarchy of generally accepted accounting principles from the auditing standards. SFAS 162 is not expected to have an impact on our financial condition, results of operations or cash flows.

Currency Risk and Exchange Rate Information

A majority of our revenue and many of our expenses are recognized outside of the United States, except for inventory purchases, which are primarily transacted in U.S. dollars from vendors in the United States. The local currency of each of our Subsidiaries' primary markets is considered the functional currency. All revenue and expenses are translated at weighted-average exchange rates for the periods reported. Therefore, our reported revenue and earnings will be positively impacted by a weakening of the U.S. dollar and will be negatively impacted by a strengthening of the U.S. dollar. Given the large portion of our business derived from Japan, any weakening of the yen negatively impacts reported revenue and profits, whereas a strengthening of the yen positively impacts our reported revenue and profits. Given the uncertainty of exchange rate fluctuations, it is difficult to predict the effect of these fluctuations on our future business, product pricing and results of operation or financial condition. However, based on current exchange rate levels, we currently anticipate that foreign currency fluctuations will have a negative impact on reported revenue in 2009.

We may 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. At December 31, 2007 and 2008, we did not hold any forward contracts designated as foreign currency cash flow hedges. At September 30, 2008, we held forward contracts to purchase yen 1.4 billion ($13.2 million as of September 30, 2008). We applied mark to market accounting for this forward contract and the loss was not material to our results in the quarter. These forward contracts were fulfilled as of October 14, 2008 which generated a small gain overall.

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

	2007				2008			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Japan[(1)]	119.3	120.8	117.7	113.0	105.0	104.6	107.6	95.7
Taiwan	32.9	33.1	32.9	32.4	31.5	30.4	31.2	33.0
Hong Kong	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8
South Korea	939.4	928.9	927.5	921.4	956.4	1,017.3	1,063.1	1,360.6
Malaysia	3.5	3.4	3.5	3.4	3.2	3.2	3.3	3.6
Thailand	33.9	32.6	31.5	31.2	31.0	32.3	33.9	34.9
China	7.8	7.7	7.6	7.4	7.2	7.0	6.8	6.8
Singapore	1.5	1.5	1.5	1.5	1.4	1.4	1.4	1.5

(1) As of February 17, 2009, the exchange rate of U.S. $1 into the Japanese yen was approximately 92.30.

Note Regarding Forward-Looking Statements

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

- our transformation efforts in Japan and other countries;

- our plans regarding new markets;
- our plans to launch or to continue to roll out certain products, tools and other initiatives in our various markets, and our belief that these initiatives and other recent product launches and initiatives will positively impact our business going forward;
- our plans to modify our compensation plans in most of our Asian markets in 2009;
- our expectation that we will spend approximately $20 million to $25 million for capital expenditures during 2009;
- our plans to open new stores in China;
- our belief that our recent business transformation initiative will provide continued savings going forward;
- our anticipation that our board of directors will continue to declare quarterly cash dividends and that the cash flows from operations will be sufficient to fund our future dividend payments;
- our belief that we have appropriately provided for income taxes for all years;
- 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; and
- our belief that recent modifications to our business structure in Japan and in the United States should eliminate any further customs valuation disputes with respect to product imports in Japan.

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

We wish to caution readers that our operating results are subject to various risks and uncertainties that could cause our actual results and outcomes to differ materially from those discussed or anticipated. Reference is made to the risks and uncertainties described below and factors described herein in *"Item 1A. — Risk Factors"* (which contain a more detailed discussion of the risks and uncertainties related to our business). We also wish to advise readers not to place any undue reliance on the forward-looking statements contained in this report, which reflect our beliefs and expectations only as of the date of this report. We assume no obligation to update or revise these forward-looking statements to reflect new events or circumstances or any changes in our beliefs or expectations, 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) Global economic conditions have deteriorated significantly over the past year. Consumer confidence and spending have declined drastically and the global credit crisis has limited access to capital for many companies. Although we have continued to see growth in many of our markets during this period, the economic downturn could adversely impact our business in the future by causing a decline in demand for our products, particularly if the economic conditions are prolonged or continue to worsen. In South Korea, for example, we believe that our growth has started to slow due in part to prolonged difficult economic conditions in this market. In addition, such economic conditions may adversely impact access to capital for us and our suppliers, may decrease our distributors' ability to obtain or maintain credit cards, and may otherwise adversely impact our operations and overall financial condition. Although we have historically met our funding needs utilizing cash flow from operations, no assurances can be given that we will not need to obtain additional equity or debt financing and that such financing will be available to us on terms that are favorable.

(b) Recently, numerous foreign currencies have weakened against the U.S. dollar, including substantial devaluations of the South Korean won and the euro. If these currencies continue at present levels or weaken further, our results could be negatively impacted.

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

- continued or increased levels of regulatory and media scrutiny and any regulatory actions taken by regulators, or any adoption of more restrictive regulations, in response to such scrutiny;
- any weakening of the Japanese yen;
- regulatory constraints with respect to the claims we can make regarding the efficacy of products and tools, which could limit our ability to effectively market them;
- risks that the new initiatives we are implementing in Japan, which are patterned after successful initiatives implemented in other markets, will not have the same level of success in Japan, may not generate renewed growth or increased productivity among our distributors, and may cost more

or require more time to implement than we have anticipated;

- inappropriate activities by our distributors and any resulting regulatory actions;
- any weakness in the economy or consumer confidence; and
- increased competitive pressures from other direct selling companies and their distributors who actively seek to solicit our distributors to join their businesses.

(d) Distributor activities that violate applicable laws or regulations could result in government or third party actions against us. We have experienced an increase in complaints and inquiries to consumer protection centers in Japan and have taken steps to try to resolve these issues including providing additional training and restructuring our compliance group in Japan. We have also been in contact with general consumer centers in Japan, one of which recently sent us a written warning that we needed to reduce the number of complaints and inquiries being filed with that consumer protection center. If consumer complaints escalate to a government review or, if the current level of complaints does not improve, regulators could take action against us.

(e) Our operations in China are subject to significant regulatory scrutiny, and we have experienced challenges in the past, including interruption of sales activities at certain stores and fines being paid in some cases. Even though we have now obtained a direct selling license, government regulators continue to scrutinize our activities and the activities of our distributors and sales employees to monitor our compliance with the 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.

(f) The direct selling regulations in China are restrictive and there continues to be some confusion and uncertainty as to the meaning of the 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 regulations. 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 rules. Our business could also be harmed if regulators inhibit our ability to concurrently operate our retail store/employed sales representative business model and our direct selling business.

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

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

(i) We plan to implement some compensation plan modifications in most of our Asian markets in 2009, similar to those we implemented in the Americas and Europe regions in 2008. Because of the size of our distributor force and the complexity of our compensation plans, it is difficult to predict whether such changes will achieve their desired results. Because of unique features of existing plans in these markets, particularly in our Southeast Asia and Japan markets, implementation of these features will involve a more significant transition. There are risks that the compensation plan modifications we make will not be well received or achieve desired results in each of these markets and that the transition could have a negative impact on revenue. If our distributors fail to adapt to these changes or find them unattractive, our business could be harmed.

(j) 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 we hope for as a result of this realignment. In addition, as we continually evaluate strategic reinvestment of any savings generated as a result of our transformation initiative, we may not ultimately achieve the amount of savings that we currently anticipate.

(k) 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. 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.

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

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

Nu Skin Enterprises, Inc.

Consolidated Balance Sheets
(U.S. dollars in thousands)

	December 31, 2007	December 31, 2008
ASSETS		
Current assets		
Cash and cash equivalents	$ 87,327	$ 114,586
Current investments	5,225	—
Accounts receivable	23,424	16,496
Inventories, net	100,792	114,378
Prepaid expenses and other	49,576	44,944
	266,344	290,404
Property and equipment, net	88,529	82,336
Goodwill	112,446	112,446
Other intangible assets, net	86,163	87,888
Other assets	129,761	136,698
Total assets	$ 683,243	$ 709,772
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 24,108	$ 20,378
Accrued expenses	115,620	115,794
Current portion of long-term debt	31,441	30,196
	171,169	166,368
Long-term debt	169,229	158,760
Other liabilities	67,836	68,464
Total liabilities	408,234	393,592
Commitments and contingencies (Notes 9 and 20)		
Stockholders' equity		
Class A common stock - 500 million shares authorized, $.001 par value, 90.6 million shares issued;	91	91
Additional paid-in capital	209,821	218,928
Treasury stock, at cost - 27.2 million shares	(413,976)	(417,017)
Accumulated other comprehensive loss	(67,759)	(70,061)
Retained earnings	546,832	584,239

	275,009	316,180
Total liabilities and stockholders' equity	$ 683,243	$ 709,772

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

Nu Skin Enterprises, Inc.

Consolidated Statements of Income

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

	Year Ended December 31,		
	2006	**2007**	**2008**
Revenue	$ 1,115,409	$ 1,157,667	$ 1,247,646
Cost of sales	195,203	209,283	228,597
Gross profit	920,206	948,384	1,019,049
Operating expenses:			
Selling expenses	480,136	496,454	529,368
General and administrative expenses	353,412	361,242	364,253
Restructuring charges	11,115	19,775	—
Impairment of assets and other	20,840	—	—
Total operating expenses	865,503	877,471	893,621
Operating income	54,703	70,913	125,428
Other income (expense), net (Note 23)	(2,027)	(2,435)	(24,775)
Income before provision for income taxes	52,676	68,478	100,653
Provision for income taxes	19,859	24,606	35,306
Net income	$ 32,817	$ 43,872	$ 65,347
Net income per share:			
Basic	$ 0.47	$ 0.68	$ 1.03
Diluted	$ 0.47	$ 0.67	$ 1.02
Weighted-average common shares outstanding (000s):			
Basic	69,418	64,783	63,510
Diluted	70,506	65,584	64,132

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

Nu Skin Enterprises, Inc.

Consolidated Statements of Stockholders' Equity and Comprehensive Income

(U.S. dollars in thousands)

	Class A Common Stock	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Retained Earnings	Total
Balance at January 1, 2006	$ 91	$ 179,335	$ (284,138)	$ (67,197)	$ 526,537	$ 354,628
Comprehensive income:						
Net income	—	—	—	—	32,817	32,817
Foreign currency translation adjustment	—	—	—	3,736	—	3,736
Net unrealized gains on foreign currency cash flow hedges	—	—	—	218	—	218
Less: Reclassification adjustment for realized gains in current earnings	—	—	—	(1,864)	—	(1,864)
Total comprehensive income						34,907
Repurchase of Class A common stock (Note 10)	—	—	(67,452)	—	—	(67,452)
Adjustment related to prior common control merger	—	8,151	—	—	—	8,151
Exercise of employee stock options (519,000 shares)						

	—	870	4,530	—	—	5,400
Excess tax benefit from equity awards	—	1,836	—	—	—	1,836
Stock-based compensation	—	9,130	171	—	—	9,301
Cash dividends	—	—	—	—	(27,791)	(27,791)
Balance at December 31, 2006	91	199,322	(346,889)	(65,107)	531,563	318,980
Comprehensive income:						
Net income	—	—	—	—	43,872	43,872
Foreign currency translation adjustment	—	—	—	(2,236)	—	(2,236)
Net unrealized losses on foreign currency cash flow hedges	—	—	—	(152)	—	(152)
Less: Reclassification adjustment for realized gains in current earnings	—	—	—	(264)	—	(264)
Total comprehensive income						41,220
Repurchase of Class A common stock (Note 10)	—	—	(71,100)	—	—	(71,100)
Exercise of employee stock options (593,000 shares)	—	1,734	3,996	—	—	5,730
Excess tax benefit from equity awards	—	1,770	—	—	—	1,770
Stock-based compensation	—	8,129	—	—	—	8,129
Adoption of FIN 48	—	(1,117)	—	—	(1,458)	(2,575)
Vesting of stock awards	—	(17)	17	—	—	—
Cash dividends	—	—	—	—	(27,145)	(27,145)
Balance at December 31, 2007	91	209,821	(413,976)	(67,759)	546,832	275,009
Comprehensive income:						
Net income	—	—	—	—	65,347	65,347
Foreign currency translation adjustment	—	—	—	(2,302)	—	(2,302)
Total comprehensive income						63,045
Repurchase of Class A common stock (Note 10)	—	—	(6,093)	—	—	(6,093)
Exercise of employee stock options (401,000 shares)	—	772	3,052	—	—	3,824
Excess tax benefit from equity awards	—	1,062	—	—	—	1,062
Stock-based compensation	—	7,273	—	—	—	7,273
Cash dividends	—	—	—	—	(27,940)	(27,940)
Balance at December 31, 2008	$ 91	$ 218,928	$ (417,017)	$ (70,061)	$ 584,239	$ 316,180

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

Nu Skin Enterprises, Inc.

Consolidated Statements of Cash Flows

(U.S. dollars in thousands)

	Year Ended December 31,		
	2006	**2007**	**2008**
Cash flows from operating activities:			
Net income	$ 32,817	$ 43,872	$ 65,347
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	29,132	32,967	30,393
Foreign currency (gains)/losses	(947)	(4,471)	18,409
Stock-based compensation	9,301	8,129	7,273
Impairment of Scanner asset	18,984	—	—
Changes in operating assets and liabilities:			
Accounts receivable	(2,786)	(2,647)	7,069
Inventories, net	163	(12,312)	(14,910)
Prepaid expenses and other	(8,289)	(4,623)	5,084
Other assets	(9,382)	(31,662)	(4,671)
Accounts payable	118	2,956	(6,139)
Accrued expenses	7,181	(8,641)	(3,250)
Other liabilities	(497)	25,085	(1,298)
Net cash provided by operating activities	75,795	48,653	103,307
Cash flows from investing activities:			
Purchase of property and equipment	(35,680)	(22,736)	(16,007)
Proceeds on investment sales	173,925	131,525	19,135
Purchases of investments	(173,925)	(136,750)	(13,910)
Purchase of long-term assets	(1,981)	—	—
Net cash used in investing activities	(37,661)	(27,961)	(10,782)
Cash flows from financing activities:			
Payment of cash dividends	(27,791)	(27,145)	(27,940)
Repurchase of shares of common stock	(67,452)	(71,100)	(6,094)

Exercise of distributor and employee stock options	5,400	5,731	3,824
Income tax benefit of options exercised	1,836	1,770	227
Payments on long-term debt	(31,611)	(31,733)	(32,711)
Proceeds from long-term debt	45,000	64,845	—
Net cash used in financing activities	(74,618)	(57,632)	(62,694)
Effect of exchange rate changes on cash	2,428	2,914	(2,572)
Net increase (decrease) in cash and cash equivalents	(34,056)	(34,026)	27,259
Cash and cash equivalents, beginning of period	155,409	121,353	87,327
Cash and cash equivalents, end of period	$ 121,353	$ 87,327	$ 114,586

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

1. The Company

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

2. Summary of Significant Accounting Policies

Consolidation

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

Use of estimates

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

Cash and cash equivalents

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

Inventories

Inventories consist primarily of merchandise purchased for resale and are stated at the lower of cost or market, using the first-in, first-out method. The Company had reserves for obsolete inventory totaling $5.0 million and $5.8 million as of December 31, 2007 and 2008, respectively.

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

	December 31,	
	2007	**2008**

Raw materials	$	25,605	$	33,182
Finished goods		75,187		81,196
	$	100,792	$	114,378

Property and equipment

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

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

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

Goodwill and other intangible assets

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

Revenue recognition

Revenue is recognized when products are shipped, which is when title and risk of loss pass to independent distributors and preferred customers who are the Company's customers. A reserve for product returns is accrued based on historical experience totaling $1.9 million and $2.1 million as of December 31, 2007 and 2008, respectively. The Company generally requires cash or credit card payment at the point of sale. The Company has determined that no allowance for doubtful accounts is necessary. Amounts received prior to shipment and title passage to distributors are recorded as deferred revenue. The global compensation plan for the Company's distributors generally does not provide rebates or selling discounts to distributors who purchase its products and services. The Company classifies selling discounts and rebates, if any, as a reduction of revenue.

Advertising expenses

Advertising costs are expensed as incurred. Advertising expense incurred for the years ended December 31, 2006, 2007 and 2008 totaled approximately $3.9 million, $2.1 million and $1.7 million, respectively.

Selling expenses

Selling expenses are the Company's most significant expense and are classified as operating expenses. Selling expenses include distributor commissions as well as wages, benefits, bonuses and other labor and unemployment expenses the Company pays to employed sales representatives in China. The Company pays monthly commissions to several levels of distributors on each product sale based upon a distributor's personal and group product volumes, as well as the group product volumes of up to six levels of executive distributors in such distributor's downline sales organization. The Company does not pay commissions on sales materials.

The Company's distributors may make retail profits by purchasing the products from the Company at wholesale and selling them to customers with a retail mark-up. The Company does not account for nor pay additional commissions on these retail mark-ups received by distributors. In many markets, the Company also allows individuals who are not distributors, referred to as "preferred customers," to buy products directly from the Company at wholesale or discounted prices. The Company pays commissions on preferred customer purchases to the referring distributors.

Research and development

The Company's research and development activities are conducted primarily through its Pharmanex division. Research and development costs are included in general and administrative expenses in the accompanying consolidated statements of income and are expensed as incurred and totaled $8.7 million, $10.0 million and $9.6 million in 2006, 2007 and 2008, respectively.

Deferred tax assets and liabilities

The Company accounts for income taxes in accordance with SFAS 109. This statement establishes financial accounting and reporting standards for the effects of income taxes that result from an enterprise's activities during the current and preceding years. It requires an asset and liability approach for financial accounting and reporting of income taxes. The Company pays income taxes in many foreign jurisdictions based on the profits realized in those jurisdictions,

which can be significantly impacted by terms of intercompany transactions between the Company and its foreign affiliates. Deferred tax assets and liabilities are created in this process. As of December 31, 2008, the Company has net deferred tax assets of $76.3 million. The Company has netted these deferred tax assets and deferred tax liabilities by jurisdiction. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be ultimately realized.

Uncertain Tax Positions

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

The Company files income tax returns in the U.S. federal jurisdiction, and various states and foreign jurisdictions. The Company is currently under examination by the United States Internal Revenue Service (the "IRS") for the 2006 and 2007 tax years. With a few exceptions, the Company is no longer subject to state and local income tax examination by tax authorities for years before 2005. In major foreign jurisdictions, the Company is no longer subject to income tax examinations for years before 2002. Along with the IRS examination, the Company is currently under examination in certain foreign jurisdictions; however, the outcomes of those reviews are not yet determinable.

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

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

Gross Balance at January 1, 2008	$ 38,130
Increases related to current year tax positions	1,494
Settlements	(14)
Decreases due to lapse of statutes of limitations	(5,977)
Currency adjustments	3,537
Gross Balance at December 31, 2008	$ 30,915

At December 31, 2008, the Company had $30.9 million in unrecognized tax benefits of which $5.8 million, if recognized, would affect the effective tax rate. In comparison, at December 31, 2007 the Company had $31.9 million in unrecognized tax benefits of which $9.1 million, if recognized, would affect the effective tax rate. The Company's unrecognized tax benefits relate to multiple foreign and domestic jurisdictions. Due to potential increases in unrecognized tax benefits from the multiple jurisdictions in which the Company operates, as well as the expiration of various statutes of limitation, it is reasonably possible that our gross unrecognized tax benefits, net of foreign currency adjustments, may change within the next 12 months by a range of approximately zero to $5 million.

During each of the years ended December 31, 2008 and December 31, 2007, the Company recognized approximately $0.5 million in interest and penalties. The Company had approximately $3.2 million and $2.7 million of accrued interest and penalties related to uncertain tax positions at December 31, 2008 and December 31, 2007, respectively. Interest and penalties related to uncertain tax positions are recognized as a component of income tax expense.

Net income per share

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

Foreign currency translation

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

Fair value of financial instruments

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

The Company adopted SFAS No. 157, *Fair Value Measurements* ("SFAS 157"), and the related FASB Staff Position FAS No. 157-2. The adoption of these pronouncements did not have a material impact on the Company's fair value measurements. SFAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. On a quarterly basis, the Company measures at fair value certain financial assets, including cash equivalents and available-for-sale securities. SFAS 157 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair-value hierarchy:

- Level 1 - quoted prices in active markets for identical assets or liabilities;
- Level 2 – inputs, other than the quoted prices in active markets, that are observable either directly or indirectly;
- Level 3 – unobservable inputs based on the Company's own assumptions.

The following table presents the fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2008 (U.S. dollars in millions):

	Fair Value at December 31, 2008			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Auction Rate Securities	$ —	$ —	$ —	$ —
Liabilities:	$ —	$ —	$ —	$ —

The following table provides a summary of changes in fair value of the Company's Level 3 marketable securities (U.S. dollars in millions):

Balance at January 31, 2008:	$ 5.2
Purchases	13.9
Sales	(19.1)
Balance at December 31, 2008:	$ —

Also, effective January 1, 2008, the Company adopted SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* ("SFAS 159"). This standard permits companies, at their option, to choose to measure many financial instruments and certain other items at fair value. The Company has elected to not fair value existing eligible items.

Stock-based compensation

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

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

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

The total compensation expense related to these plans was approximately $9.3 million, $8.1 million and $7.3 million for the years ended December 31, 2006, 2007 and 2008. 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 years ended December 31, 2007 and 2008, all stock-based compensation expense was recorded within general and administrative expenses.

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

Reporting comprehensive income

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

Accounting for derivative instruments and hedging activities

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

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

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

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

Recent accounting pronouncements

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

In June 2007, the FASB's Emerging Issues Task Force reached a consensus on EITF No. 07-3, *Accounting for Nonrefundable Advance Payments for Goods or Services to Be Used in Future Research and Development Activities*, that would require nonrefundable advance payments made by the Company for future research and development activities to be capitalized and recognized as an expense as the goods or services are received by the Company. EITF Issue No. 07-3 is

effective with respect to new arrangements entered into beginning January 1, 2008. The Company has implemented this standard and it did not have a material impact on its consolidated results of operations or financial condition.

In December 2007, the FASB ratified the Emerging Issues Task Force consensus on EITF Issue No. 07-1, *Accounting for Collaborative Arrangements*, that discusses how parties to a collaborative arrangement (which does not establish a legal entity within such arrangement) should account for various activities. The consensus indicated that costs incurred and revenues generated from transactions with third parties (i.e. parties outside of the collaborative arrangement) should be reported by the collaborators on the respective line items in their income statements pursuant to EITF Issue No. 99-19, *Reporting Revenue Gross as a Principal Versus Net as an Agent.* Additionally, the consensus provides that income statement characterization of payments between the participants in a collaborative arrangement should be based upon existing authoritative pronouncements; analogy to such pronouncements if not within their scope; or reasonable, rational, and consistently applied accounting policy election. EITF Issue 07-1 is effective for the Company beginning January 1, 2009 and is to be applied retrospectively to all periods presented for collaborative arrangements existing as of the date of adoption. The Company has evaluated the impact and required disclosures of this standard and does not expect EITF Issue No. 07-1 to have a material impact on its consolidated results of operations or financial condition.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements* ("SFAS 160"), which changes the accounting and reporting standards for the noncontrolling interests in a subsidiary in consolidated financial statements. SFAS 160 recharacterizes minority interests as noncontrolling interests and requires noncontrolling interests to be classified as a component of shareholders' equity. SFAS 160 is effective January 1, 2009 and requires retroactive adoption of the presentation and disclosure requirements for existing minority interests. The Company has evaluated the impact of SFAS 160 on its consolidated financial statements and does not expect SFAS 160 to have a material impact on its consolidated results of operations or financial condition.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities — an amendment of SFAS No. 133* ("SFAS 161"). This Standard requires enhanced disclosures regarding derivatives and hedging activities, including: (a) the manner in which an entity uses derivative instruments; (b) the manner in which derivative instruments and related hedged items are accounted for under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities; and (c) the effect of derivative instruments and related hedged items on an entity's financial position, financial performance, and cash flows. The Standard is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. As SFAS 161 relates specifically to disclosures, the Standard will have no impact on the Company's financial condition, results of operations or cash flows.

In May 2008, the FASB issued SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles* ("SFAS 162"). This Standard identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles. SFAS 162 directs the hierarchy to the entity, rather than the independent auditors, as the entity is responsible for selecting accounting principles for financial statements that are presented in conformity with generally accepted accounting principles. The Standard is effective 60 days following SEC approval of the Public Company Accounting Oversight Board amendments to remove the hierarchy of generally accepted accounting principles from the auditing standards. SFAS 162 is not expected to have an impact on the Company's financial condition, results of operations or cash flows.

3. Related Party Transactions

The Company leases corporate office and warehouse space from two entities that are owned by certain officers and directors of the Company. Total lease payments to these two affiliated entities were $3.7 million, $3.8 million and $3.8 million for the years ended December 31, 2006, 2007 and 2008 with remaining long-term minimum lease payment obligations under these operating leases of $13.7 million and $10.5 million at December 31, 2007 and 2008, respectively.

4. Property and Equipment

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

	December 31,	
	2007	**2008**
Furniture and fixtures	$ 53,517	$ 51,783
Computers and equipment	98,107	101,592
Leasehold improvements	58,584	64,885
Scanners	28,462	22,444
Vehicles	2,096	1,682
	240,766	242,386
Less: accumulated depreciation	(152,237)	(160,050)
	$ 88,529	$ 82,336

Depreciation of property and equipment totaled $23.7 million, $27.1 million and $24.4 million for the years ended December 31, 2006, 2007 and 2008, respectively, which includes amortization expense relating to the Scanners of approximately $7.3 million, $7.8 million and $6.7 million for the years ended December 31, 2006, 2007 and 2008, respectively.

5. Goodwill and Other Intangible Assets

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

	Carrying Amount at December 31,	
Goodwill and indefinite life intangible assets:	2007	2008
Goodwill	$ 112,446	$ 112,446
Trademarks and trade names	24,599	24,599
	$ 137,045	$ 137,045

	December 31, 2007		December 31, 2008		
Finite life intangible assets:	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	Weighted-average Amortization Period
Scanner technology	$ 46,482	$ 9,323	$ 46,482	$ 12,356	18 years
Developed technology	22,500	10,963	22,500	11,788	20 years
Distributor network	11,598	7,082	11,598	7,583	15 years
Trademarks	12,558	7,510	13,016	8,160	15 years
Other	21,938	18,634	29,216	19,636	5 years
	$ 115,076	$ 53,512	$ 122,812	$ 59,523	15 years

Amortization of finite-life intangible assets totaled $5.4 million, $5.9 million and $6.0 million for the years ended December 31, 2006, 2007 and 2008, respectively. Annual estimated amortization expense is expected to approximate $6.0 million for each of the five succeeding fiscal years.

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

6. Other Assets

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

	December 31,	
	2007	2008
Deferred taxes	$ 60,057	$ 66,427
Deposits for noncancelable operating leases	25,023	24,184
Deposit for customs assessment (Note 20)	24,184	29,707
Other	20,497	16,380
	$ 129,761	$ 136,698

7. Accrued Expenses

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

	December 31,	
	2007	2008
Accrued commissions and other payments to distributors	$ 43,064	$ 47,819
Income taxes payable	3,138	4,067
Other taxes payable	11,923	9,682
Accrued payroll and payroll taxes	9,742	14,432
Accrued payable to vendors	9,641	9,494
Accrued severance	5,455	482
Other accrued employee expenses	10,780	7,722
Other	21,877	22,096
	$ 115,620	$ 115,794

8. Long-Term Debt

The following tables summaries the Company's long-term debt arrangements as of December 31, 2008:

Facility or Arrangement[1]	Original Principal Amount	Balance as of December 31, 2008[2]	Interest Rate	Repayment terms
2000 Japanese yen-denominated notes	9.7 billion yen	2.8 billion yen ($30.6 million as of December 31, 2008)	3.0%	Notes due October 2010, with annual principal payments that began in October 2004.
2003 $205.0 million multi-currency uncommitted shelf facility:				
U.S. dollar denominated:	$50.0 million	$20.0 million	4.5%	Notes due April 2010 with annual principal payments that began in April 2006.
	$40.0 million	$40.0 million	6.2%	Notes due July 2016 with annual principal payments beginning July 2010
	$20.0 million[3]	$20.0 million	6.2%	Notes due January 2017 with annual principal payments beginning January 2011.
Japanese yen denominated:	3.1 billion yen	2.7 billion yen ($29.5 million as of December 31, 2008)	1.7%	Notes due April 2014 with annual principal payments that began April 2008.
	2.3 billion yen	2.3 billion yen ($25.0 million as of December 31, 2008)	2.6%	Notes due September 2017, with annual principal payments beginning September 2011.
	2.2 billion yen	2.2 billion yen ($23.9 million as of December 31, 2008)	3.3%	Notes due January 2017, with annual principal payments beginning January 2011.
2004 $25.0 million revolving credit facility	N/A	None	N/A	Credit facility expires May 2010.

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

(2) The current portion of our long-term debt (i.e. becoming due in the next 12 months) includes $15.3 million of the balance on our 2000 Japanese yen-denominated notes, $4.9 million of the balance of our 2005 Japanese yen-denominated notes and $10.0 million of the balance on our U.S. dollar denominated debt under the 2003 multi-currency shelf facility.

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

Interest expense relating to debt totaled $5.1 million, $8.3 million and $7.7 million for the years ended December 31, 2006, 2007 and 2008, respectively.

The notes and shelf facility contain other terms and conditions and affirmative and negative financial covenants customary for credit facilities of this type, including a requirement to maintain a minimum cash balance of $65.0 million. As of December 31, 2008, the Company is in compliance with all financial

covenants under the notes and shelf facility.

Maturities of all long-term debt at December 31, 2008, based on the year-end exchange rate, are as follows (U.S. dollars in thousands):

Year Ending December 31,		
2009	$	30,196
2010		35,910
2011		20,472
2012		20,472
2013		20,472
Thereafter		61,434
Total	$	188,956

9. Lease Obligations

Year Ending December 31,		
2009	$	14,689
2010		12,596
2011		9,211
2012		7,137
2013		6,516
Thereafter		596
Total	$	50,745

Rental expense for operating leases totaled $31.4 million, $32.2 million and $33.5 million for the years ended December 31, 2006, 2007 and 2008, respectively.

10. Capital Stock

The Company's authorized capital stock consists of 25 million shares of preferred stock, par value $.001 per share, 500 million shares of Class A common stock, par value $.001 per share and 100 million shares of Class B common stock, par value $.001 per share. The shares of Class A common stock and Class B common stock are identical in all respects, except for voting rights and certain conversion rights and transfer restrictions, as follows: (1) each share of Class A common stock entitles the holder to one vote on matters submitted to a vote of the Company's stockholders and each share of Class B common stock entitles the holder to ten votes on each such matter; (2) stock dividends of Class A common stock may be paid only to holders of Class A common stock and stock dividends of Class B common stock may be paid only to holders of Class B common stock; (3) if a holder of Class B common stock transfers such shares to a person other than a permitted transferee, as defined in the Company's Certificate of Incorporation, such shares will be converted automatically into shares of Class A common stock; and (4) Class A common stock has no conversion rights; however, each share of Class B common stock is convertible into one share of Class A common stock, in whole or in part, at any time at the option of the holder. All outstanding Class B shares have been converted to Class A shares. As of December 31, 2008 and 2007, there were no preferred or Class B common shares outstanding.

Weighted-average common shares outstanding

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

	Year Ended December 31,		
	2006	**2007**	**2008**
Basic weighted-average common shares outstanding	69,418	64,783	63,510
Effect of dilutive securities:			
Stock awards and options	1,088	801	622
Diluted weighted-average common shares outstanding	70,506	65,584	64,132

For the years ended December 31, 2006, 2007 and 2008, other stock options totaling 2.8 million, 3.3 million and 5.0 million, respectively, were excluded from the calculation of diluted earnings per share because they were anti-dilutive.

Repurchases of common stock

Since August 1998, the board of directors has authorized the Company to repurchase up to $335.0 million of the Company's outstanding shares of Class A common stock on the open market or in private transactions. The repurchases are used primarily for the Company's equity incentive plans and strategic initiatives. During the years ended December 31, 2006, 2007 and 2008, the Company repurchased approximately 3.8 million, 4.1 million and 0.4 million shares of Class A common stock for an aggregate price of approximately $67.5 million, $71.1 million and $6.1 million, respectively, under these repurchase programs. Included in the 4.1 million shares repurchased in 2007, are 1.5 million shares that we repurchased under a $25.0 million accelerated repurchase transaction during the fourth quarter of 2007. Between August 1998 and December 31, 2008, the Company repurchased a total of approximately 18.4 million shares of Class A common stock under this repurchase program for an aggregate price of approximately $251.4 million.

11. Stock–Based Compensation

At December 31, 2008, the Company had the following stock-based employee compensation plans:

Equity Incentive Plans

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

In the fourth quarter of 2007, the compensation committee of the board of directors approved the grant of performance stock options to certain senior level executives. Vesting for the options is performance based, with the options vesting in two installments if the Company's earnings per share equal or exceed the two established performance levels, measured in terms of diluted earnings per share. Fifty percent of the options will vest upon earnings per share meeting or exceeding the first performance level and fifty percent of the options will vest upon earnings per share meeting or exceeding the second performance level. If the performance levels have not been met on or prior to the 2nd business day following the filing of the Company's Annual Report on Form 10-K for the year ended December 31, 2012, then any unvested options shall terminate at such time. As of December 31, 2008, none of these performance levels have been met.

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

	December 31,		
Stock Options:	**2006**	**2007**	**2008**
Weighted average grant date fair value of grants	$ 6.52	$ 5.51	$ 4.69
Risk-free interest rate(1)	4.9%	3.8%	3.0%
Dividend yield(2)	2.1%	2.5%	2.6%
Expected volatility(3)	44.3%	40.4%	36.1%
Expected life in months(4)	58 months	59 months	58 months

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

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

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

(4) The expected term of the option is based on the historical employee exercise behavior, the vesting terms of the respective option, and a contractual life of either seven or ten years.

Options under the plans as of December 31, 2008 and changes during the year ended December 31, 2008 were as follows:

	Shares (in thousands)	Weighted-average Exercise Price	Weighted-average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Options activity - service based				
Outstanding at December 31, 2007	5,266.4	$ 16.74		
Granted	515.8	16.87		
Exercised	(334.1)	11.60		
Forfeited/cancelled/expired	(580.1)	18.71		
Outstanding at December 31, 2008	4,868.0	16.87	4.89	$ 1,320
Exercisable at December 31, 2008	3,603.3	16.50	4.53	1,320
Options activity - performance based				
Outstanding at December 31, 2007	1,435.0	$ 17.10		
Granted	425.0	17.12		
Exercised	—	—		
Forfeited/cancelled/expired	(55.0)	18.03		
Outstanding at December 31, 2008	1,805.0	17.08	6.04	$ —
Exercisable at December 31, 2008	—	—	—	—
Options activity - all options				
Outstanding at December 31, 2007	6,701.4	$ 16.82		
Granted	940.8	16.98		
Exercised	(334.1)	11.60		
Forfeited/cancelled/expired	(635.1)	18.65		
Outstanding at December 31, 2008	6,673.0	16.93	5.20	$ 1,320
Exercisable at December 31, 2008	3,603.3	16.50	4.53	1,320

The aggregate intrinsic value in the table above represents the total pretax intrinsic value (the difference between the Company's closing stock price on the last trading day of the respective years and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on December 31, 2008. This amount varies based on the fair market value of the Company's stock. The total fair value of options vested and expensed was $3.0 million, net of tax, for the year ended December 31, 2008.

Cash proceeds, tax benefits, and intrinsic value related to total stock options exercised during 2006, 2007 and 2008, were as follows (in millions):

	December 31,		
	2006	2007	2008
Cash proceeds from stock options exercised	$ 5.4	$ 5.7	$ 3.8
Tax benefit realized for stock options exercised	1.8	1.8	1.2
Intrinsic value of stock options exercised	3.7	3.4	0.2

Nonvested restricted stock awards as of December 31, 2008 and changes during the year ended December 31, 2008 were as follows:

	Number of Shares (in thousands)	Weighted-average Grant Date Fair Value
Nonvested at December 31, 2007	352.0	$ 17.42
Granted	155.6	16.88
Vested	(104.8)	17.00
Forfeited	(37.0)	16.74
Nonvested at December 31, 2008	365.8	17.27

As of December 31, 2008, there was $4.4 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 2.5 years. As of December 31, 2008, there was $12.9 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 2.7 years.

12. Income Taxes

Consolidated income before provision for income taxes consists of the following for the years ended December 31, 2006, 2007 and 2008 (U.S. dollars in thousands):

	2006	2007	2008
U.S.	$ 32,907	$ 45,235	$ 52,756
Foreign	19,769	23,243	47,897
Total	$ 52,676	$ 68,478	$ 100,653

The provision for current and deferred taxes for the years ended December 31, 2006, 2007 and 2008 consists of the following (U.S. dollars in thousands):

	2006	2007	2008
Current			
Federal	$ —	$ —	$ 10,524
State	2,121	(94)	2,620
Foreign	24,207	22,090	22,408
	26,328	21,996	35,552
Deferred			
Federal	4,115	(298)	713
State	(1,767)	2,181	(345)
Foreign	(8,817)	727	(614)
	(6,469)	2,610	(246)
Provision for income taxes	$ 19,859	$ 24,606	$ 35,306

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

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

	Year Ended December 31,	
	2007	2008
Deferred tax assets:		
Inventory differences	$ 3,481	$ 4,335
Stock-based compensation	5,470	6,127
Accrued expenses not deductible until paid	23,711	24,025
Minimum tax credit	7,611	—
Net operating losses	18,190	14,752
Capitalized research and development	18,779	21,481
Asian marketing rights	2,321	1,710
Exchange gains and losses	—	2,513
Other	44,455	53,614
Gross deferred tax assets	124,018	128,557
Deferred tax liabilities:		
Exchange gains and losses	3,719	—
Pharmanex intangibles step-up	14,696	14,105
Amortization of intangibles	8,155	5,911
Foreign outside basis in controlled foreign corporation	599	10,465
Prepaid expenses	11,812	11,239
Other	1,012	1,262
Gross deferred tax liabilities	39,993	42,982
Valuation allowance	(11,303)	(9,254)
Deferred taxes, net	$ 72,722	$ 76,321

At December 31, 2008, the Company had foreign operating loss carryforwards of approximately $76.0 million for tax purposes, which will be available to offset future taxable income. If not used, $39.3 million of carryforwards will expire between 2009 and 2018, while $36.7 million do not expire.

The valuation allowance primarily represents amounts for foreign operating loss carryforwards for which it is more likely than not some portion or all of the deferred tax asset will not be realized. In making such determination, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary difference, projected future taxable income, tax planning strategies and recent financial operations. When the Company determines that there is sufficient taxable income to utilize the net operating losses, the valuation will be released which would reduce the provision for income taxes.

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

	Year Ended December 31,	
	2007	**2008**
Net current deferred tax assets	$ 23,929	$ 23,105
Net noncurrent deferred tax assets	60,057	66,426
Total net deferred tax assets	83,986	89,531
Net current deferred tax liabilities	—	—
Net noncurrent deferred tax liabilities	11,264	13,210
Total net deferred tax liabilities	11,264	13,210
Deferred taxes, net	$ 72,722	$ 76,321

The Company's deferred tax assets as of December 31, 2008 and 2007 were increased due to the implementation of FIN 48.

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

The actual tax rate for the years ended December 31, 2006, 2007 and 2008 compared to the statutory U.S. Federal tax rate is as follows:

	Year Ended December 31,		
	2006	**2007**	**2008**
Income taxes at statutory rate	35.00%	35.00%	35.00%
Non-deductible expenses	.86	.27	.23
Other	1.84	.66	(.15)
	37.70%	35.93%	35.08%

The decrease in the effective tax rate in 2007 compared to 2006 and from 2008 compared to 2007 was due primarily to the expiration of the statute of limitations in certain tax jurisdictions.

13. Employee Benefit Plan

The Company has a 401(k) defined contribution plan which permits participating employees to defer up to a maximum of 100% of their compensation, subject to limitations established by the Internal Revenue Service. Employees age 18 and older are eligible to contribute to the plan starting the first of the month following their date of hire. After completing at least one year of service, employees age 21 and older are eligible to receive the Company's matching funds. The Company matches 100% of the first 2% and 50% of the next 2% of each participant's contributions to the plan. Participant contributions are immediately vested. Company contributions vest based on the participant's years of service at 25% per year over four years. Therefore, matching funds for employees with four or more years of service are 100% vested immediately upon contribution. The Company recorded compensation expense of $1.4 million, $1.5 million and $1.3 million for the years ended December 31, 2006, 2007 and 2008, respectively, related to its contributions to the plan. Beginning January 1, 2009, the following changes were made to the 401(k) defined contribution plan:

- all employees age 18 and older are eligible to contribute to the plan and receive the Company's matching funds starting the first of the month following their date of hire;

- the Company matches 100% of the first 1% and 50% of the next 5% of each participant's contributions to the plan; and
- the Company's match is 100% vested after the completion of 2 years of service.

The Company has a defined benefit pension plan for its employees in Japan. All employees of Nu Skin Japan, after certain years of service, are entitled to pension plan benefits when they terminate employment with Nu Skin Japan. The accrued pension liability was $5.0 million, $5.2 million and $6.9 million as of December 31, 2006, 2007 and 2008, respectively. Although Nu Skin Japan has not specifically funded this obligation, Nu Skin Japan believes it maintains adequate cash balances for this defined benefit pension plan. The Company recorded pension expense of $1.0 million, $1.4 million and $0.9 million for the years ended December 31, 2006, 2007 and 2008, respectively. Beginning in 2006, this plan is accounted for in accordance with Financial Accounting Standards Board ("FASB") Statement No. 158 "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106, and 132(R)" ("SFAS 158"). The adoption of SFAS 158 did not have a material impact on the Company's consolidated financial statements.

14. Executive Deferred Compensation Plan

The Company has an executive deferred compensation plan for select management personnel. Under this plan, the Company currently makes a contribution of up to 10% of each participant's salary. In addition, each participant has the option to defer a portion of their compensation up to a maximum of 100% of their compensation. Participant contributions are immediately vested. Company contributions vest based on the earlier of: (a) attaining 60 years of age; (b) continuous employment of 20 years; or (c) death or disability. The Company recorded compensation expense of $0.7 million, $0.7 million and $0.8 million for the years ended December 31, 2006, 2007 and 2008, respectively, related to its contributions to the plan. The Company had accrued $8.4 million and $6.2 million as of December 31, 2007 and 2008, respectively, related to the Executive Deferred Compensation Plan. Effective January 1, 2009, the plan was amended to revise the vesting schedule. Company contributions now vest on the earlier of: (a) attaining 60 years of age; (b) 50% after ten years of service and 5% each year of service thereafter; and (c) death or disability.

15. Derivative Financial Instruments

At December 31, 2007 and 2008, the Company held no forward contracts designated as foreign currency cash flow hedges to hedge forecasted foreign-currency-denominated intercompany transactions. As of December 31, 2007, $(0.2) million of net unrealized loss, net of related taxes, was recorded in accumulated other comprehensive loss and none was recorded as of December 31, 2008. The contracts held at December 31, 2008 have maturities through December 2009, and accordingly, all unrealized gains and losses on foreign currency cash flow hedges included in accumulated other comprehensive loss will be recognized in current earnings over the next 12 months. The pre-tax net (losses)/gains on foreign currency cash flow hedges recorded in current earnings were $3.3 million, $0.4 million and none for the years ended December 31, 2006, 2007 and 2008, respectively.

During 2006, 2007 and 2008, the Company did not have any gains or losses related to hedging ineffectiveness. Additionally, no component of gains and losses was excluded from the assessment of hedging effectiveness. During 2006, 2007 and 2008, the Company did not have any gains or losses reclassified into earnings as a result of the discontinuance of cash flow hedges.

16. Supplemental Cash Flow Information

Cash paid for interest totaled $5.6 million, $7.4 million and $7.9 million for the years ended December 31, 2006, 2007 and 2008, respectively. Cash paid for income taxes totaled $19.4 million, $21.9 million and $27.2 million for the years ended December 31, 2006, 2007 and 2008, respectively.

17. Segment Information

The Company operates in a single operating segment by selling products to a global network of independent distributors that operates in a seamless manner from market to market, except for its operations in Mainland China. In Mainland China, the Company utilizes an employed sales force, contractual sales promoters and direct sellers to sell its products through fixed retail locations. Selling expenses are the Company's largest expense comprised of the commissions paid to its worldwide independent distributors as well as remuneration to its Mainland China sales employees, promoters and direct sellers 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, Americas, Greater China, Europe and South Asia/Pacific.

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

	Year Ended December 31,		
Revenue:	**2006**	**2007**	**2008**
North Asia	$ 593,789	$ 585,805	$ 594,548
Americas	165,908	188,256	223,902
Greater China	208,226	205,026	209,968
Europe	59,469	77,163	111,572
South Asia/Pacific	88,017	101,417	107,656

Total	$ 1,115,409	$ 1,157,667	$ 1,247,646

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

	Year Ended December 31,		
Revenue:	**2006**	**2007**	**2008**
Nu Skin	$ 454,480	$ 498,500	$ 633,411
Pharmanex	632,705	634,191	597,714
Other	28,224	24,976	16,521
Total	$ 1,115,409	$ 1,157,667	$ 1,247,646

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

	Year Ended December 31,		
Revenue:	**2006**	**2007**	**2008**
Japan	$ 476,466	$ 443,670	$ 443,714
United States	147,090	167,701	192,140
South Korea	117,323	142,135	150,834
Europe	53,062	67,315	96,573
Taiwan	93,159	93,014	92,297
Mainland China	70,492	66,493	65,329

	December 31,	
Long-lived assets:	**2007**	**2008**
Japan	$ 11,907	$ 9,891
United States	48,378	45,940
South Korea	3,391	2,007
Europe	2,638	2,220
Taiwan	3,299	3,050
Mainland China	9,908	10,747

18. Restructuring charges

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

During the first half of 2006, the Company recorded restructuring charges of $11.1 million, primarily relating to its restructuring initiative designed to (i) eliminate organizational redundancies, (ii) revamp administrative support functions, (iii) prioritize investments to favor profitable initiatives and markets, and (iv) increase efficiencies in the supply chain process. As a result, the Company's overall headcount was reduced by approximately 225 employees, the majority of which related to the elimination of positions at the Company's U.S. headquarters. These expenses consisted primarily of severance and other charges and had all been paid as of December 31, 2006.

19. Impairment of assets and other

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

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

20. Commitments and Contingencies

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

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

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

Due to the international nature of the Company's business, it is subject from time to time to reviews and audits by the foreign taxing authorities of the various jurisdictions in which it conducts business throughout the world. In 1999, the Company implemented a duty valuation methodology with respect to the importation of certain products into Japan. For purposes of the import transactions at issue, the Company had taken the position that, under applicable customs law, there was a sale between the manufacturer and its Japan subsidiary, and that customs duties should be assessed on the manufacturer's invoice. The Valuation Department of the Yokohama customs authorities reviewed and approved this methodology at that time, and it had been reviewed on several occasions by the audit division of the Japan customs authorities since then. In connection with subsequent audits in 2004, the Yokohama customs authorities assessed the Company additional duties and penalties on these products imported into Japan from October 2002 to October 2004, based on a different valuation methodology than what was previously approved. With respect to the periods under audit, the customs authorities took the position that the relevant import transaction involved a sale between the Company's U.S. affiliate and its Japan subsidiary and that duties should be assessed on the value of that transaction. The Company disputed this assessment. It also disputed the amount of duties the Company was required to pay on products imported from November of 2004 to June of 2005 for similar reasons. The total amount assessed or in dispute was approximately yen 2.7 billion (or approximately $29.7 million as of December 31, 2008), 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 Company believes the documentation and legal analysis supports its position and the valuation methodology it used with respect to the products in dispute had been reviewed and approved by the customs authorities in Japan, the Company believes the assessments are improper and it filed letters of protest with Yokohama customs with respect to this entire amount. Yokohama customs rejected the Company's letters of protest, and to follow proper administrative procedures it filed appeals with the Japan Ministry of Finance. In order to appeal, the Company was required to pay the approximately yen 2.7 billion in custom duties and assessments related to all of the amounts at issue, which it recorded in "Other Assets" in its Consolidated Balance Sheet. On June 26, 2006, the Company was advised that the Ministry of Finance had rejected the appeals filed with their office relating to the imports from October 2002 to October 2004. The Company decided to appeal this issue through the judicial court system in Japan, and on December 22, 2006, it filed a complaint with the Tokyo District Court Civil Action Section with respect to this period. In January 2007, the Company was advised that the Ministry of Finance also rejected its appeal with them for the imports from November 2004 to June 2005. The Company appealed this decision with the court system in July 2007. Currently, all appeals are pending with the Tokyo District Court Civil Action Section. One of the findings cited by the Ministry of Finance in its decisions was that the Company had treated the transactions as sales between its U.S. affiliate and its Japan subsidiary on the Company's corporate income tax return under applicable income tax and transfer pricing laws. 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 November 2008, the U.S. Internal Revenue Service began an audit of the Company's 2006 and 2007 tax years. The Company anticipates this audit will be completed by approximately the end of 2009.

21. Dividends per Share

Quarterly cash dividends for the years ended December 31, 2007 and 2008 totaled $27.1 million and $27.9 million, respectively. In February 2009, the board of directors declared a quarterly cash dividend of $0.115 per share for all classes of common stock to be paid on March 18, 2009 to stockholders of record on February 27, 2009.

22. Quarterly Results

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

	2007				2008			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Revenue	$ 273.6	$ 287.2	$ 290.7	$ 306.1	$ 298.1	$ 321.7	$ 310.3	$ 317.6
Gross profit	223.0	236.2	238.5	250.8	243.9	262.4	253.3	259.4
Operating income	17.6	21.0	19.2	13.1	27.4	28.9	30.3	38.8
Net income	10.5	13.8	13.5	6.0	13.5	20.6	16.8	14.4
Net income per share:								
Basic	0.16	0.21	0.21	0.09	0.21	0.32	0.26	0.23
Diluted	0.16	0.21	0.21	0.09	0.21	0.32	0.26	0.23

23. Other income (expense), net

During 2008, the Company recorded other expense of $24.8 million related to significant fluctuations of foreign currencies against the U.S. dollar. The majority of this expense approximated $18.4 million as a result of foreign currency transaction losses related to the Company's yen-denominated debt as the Japanese yen strengthened from 111.45 at December 31, 2007 to 90.73 at December 31, 2008. In addition, the Company recorded foreign currency transaction losses with respect to intercompany receivables and payables with certain of its international affiliates, including markets that are newly opened or have remained in a loss position since inception. Generally, foreign currency transaction losses with these affiliates would be offset by gains related to the foreign currency transactions of the Company's yen-based bank debt. However, during 2008, the Japanese yen strengthened against the U.S. dollar while most foreign currencies weakened against the U.S. dollar. Other income (expense), net also includes approximately $7.8 million in interest expense during 2008.

24. Subsequent Event

The Company has announced it will begin an initiative to improve its cost structure in the Company's international markets, primarily Japan, Australia and New Zealand. On February 2, 2009, the Company's Board of Directors approved a workforce reduction as well as a shift to smaller walk-in centers, primarily in Japan, under this initiative. This initiative is expected to be completed by the end of 2009. The Company currently estimates that the total restructuring charges related to this initiative will be approximately $11 million to $14 million, and that approximately $8 million to $10 million of these charges will result in future cash expenditures. The estimated breakdown of the restructuring charges is as follows:

Employee severance costs:	$ 6 to $7 million	(future cash expenditures)
Leasehold termination costs:	$ 5 to $7 million	(cash and non-cash charges)
Total	$11 to $ 14 million	

Report of Independent Registered Public Accounting Firm

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

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows present fairly, in all material respects, the financial position of Nu Skin Enterprises, Inc. and its subsidiaries at December 31, 2008 and 2007 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal

control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting appearing in Item 9A. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Salt Lake City, Utah
February 27, 2009

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

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

***Changes in Internal Control over Financial Reporting*.** During the fourth quarter of 2008, there was no change in our internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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

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

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

Under the supervision and with the participation of our management, including our principal executive and principal financial officers, we assessed, as of December 31, 2008, the effectiveness of our internal control over financial reporting. This assessment was based on criteria established in the framework in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our assessment, our management concluded that our internal control over financial reporting was effective as of December 31, 2008.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2008 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

ITEM 9B. OTHER INFORMATION

On February 27, 2009, Gary Sumihiro entered into a separation agreement with the Company pursuant to which Mr. Sumihiro terminated his employment and resigned as a representative director of Nu Skin Japan. Pursuant to the terms of the agreement, the Company agreed to make a lump sum payment to Mr. Sumihiro of $224,722. The Company also agreed to continue to pay the living and educational expenses of Mr. Sumihiro consistent with the terms of his previous employment agreement through July 31, 2009 and to pay his relocation and moving expenses if he elects to relocate back to the United States. The Company also paid Mr. Sumihiro 850,000 yen for his transportation allowance through July 31, 2009. The Company also entered into a consulting agreement with Mr. Sumihiro pursuant to which Mr. Sumihiro will continue to consult with the Company on governmental and media relations and distributor compliance and regulatory matters. Mr. Sumihiro will be paid $2,500 per month under this agreement and can earn an additional bonus of $125,748.

PART III

The information required by Items 10, 11, 12, 13 and 14 of Part III is hereby incorporated by reference to our Definitive Proxy Statement filed or to be filed with the Securities and Exchange Commission for our 2009 Annual Meeting of Stockholders except for certain information required by Item 10 with respect to our executive officers which is set forth under Item 1 – Business, of this Annual Report on Form 10-K, and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Documents filed as part of this Form 10-K:

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

2. Financial Statement Schedules. N/A

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

Exhibit Number	Exhibit Description
3.1	Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-1 (File No. 333-12073) (the "Form S-1")).
3.2	Certificate of Amendment to the Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003).
3.3	Certificate of Designation, Preferences and Relative Participating, Optional and Other Special Rights of Preferred Stock and Qualifications, Limitations and Restrictions Thereof (incorporated by reference to Exhibit 3.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004).
3.4	Amended and Restated Bylaws of the Company (as amended) (incorporated by reference to Exhibit 3.4 to the Company's Annual Report on Form 10-K for the year ended December 31, 2007).
3.5	Amendment to the Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on January 7, 2008).
4.1	Specimen Form of Stock Certificate for Class A Common Stock (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-3 (File No. 333-90716)).
4.2	Specimen Form of Stock Certificate for Class B Common Stock (incorporated by reference to Exhibit 4.2 to the Company's Form S-1).

10.1 Note Purchase Agreement, dated October 12, 2000, by and between the Company and The Prudential Insurance Company of America (incorporated by reference to Exhibit 10.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2005).

10.2 First Amendment to Note Purchase Agreement, dated May 1, 2002, between the Company and The Prudential Insurance Company of America (incorporated by reference to Exhibit 10.2 of the Company's Annual Report on Form 10-K for the year ended December 31, 2007).

10.3 Second Amendment to Note Purchase Agreement, dated as of October 31, 2003 between the Company and The Prudential Insurance Company of America (incorporated by reference to Exhibit 10.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003).

10.4 Third Amendment to Note Purchase Agreement, dated as of May 18, 2004, between the Company and The Prudential Insurance Company of America (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004).

Exhibit
Number Exhibit Description

10.5 Fourth Amendment to Note Purchase Agreement, dated as of July 28, 2006, between the Company and The Prudential Insurance Company of America (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed on August 23, 2006).

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

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

10.8 Seventh Amendment to Note Purchase Agreement, dated as of February 25, 2008, between the Company and The Prudential Insurance Company of America (incorporated by reference to Exhibit 10.82 to the Company's Annual Report on Form 10-K for the year ended December 31, 2007).

10.9 Letter Agreement between the Company and The Prudential Insurance Company of America (incorporated by reference to Exhibit 99.4 to the Company's Current Report on Form 8-K filed November 13, 2007).

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

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

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

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

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

Exhibit
Number Exhibit Description

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

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

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

10.18 Eighth Amendment to Credit Agreement, dated as of February 29, 2008, among the Company, various financial institutions, and JPMorgan Chase Bank, N.A. as Administrative Agent (as successor to Bank One, N.A.) (incorporated by reference to Exhibit 10.87 to the Company's Annual Report on Form 10-K for the year ended December 31, 2007).

10.19 Letter Agreement among the Company, various financial institutions, and JPMorgan Chase Bank, N.A. as Adminsitrative Agent (as successor to Bank One, N.A.) (incorporated by reference to Exhibit 99.5 to the Company's Current Report on Form 8-K filed November 13, 2007).

10.20 Private Shelf Agreement, dated as of August 26, 2003, between the Company and Prudential Investment Management, Inc. (the "Private Shelf Agreement").

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

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

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

Exhibit
Number Exhibit Description

10.24 Fourth Amendment to the Private Shelf Agreement dated July 28, 2006 between the Company, Prudential Investment Management, Inc. and certain other lenders (incorporated by reference to Exhibit 99.3 to the Company's Current Report on Form 8-K filed on August 23, 2006).

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

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

10.27 Seventh Amendment to the Private Shelf Agreement, dated as of February 25, 2008, between the Company, Prudential Investment Management, Inc. and certain other lenders (incorporated by reference to Exhibit 10.83 to the Company's Annual Report on Form 10-K for the year ended December 31, 2007).

10.28 Letter Agreement among the Company, Prudential Investment Management, Inc. and certain other lenders (incorporated by reference to Exhibit 99.6 to the Company's Current Report on Form 8-K filed November 13, 2007).

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

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

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

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

Exhibit
Number Exhibit Description

10.33 Series E Senior Note E-6, issued July 20, 2007, by the Company to Prudential Insurance Company of America pursuant to the Private Shelf Agreement (incorporated by reference to Exhibit 99.1 to the Company's Current Report on 8-K filed January 14, 2008).

10.34 Series EE Senior Note EE-1, issued January 8, 2008, by the Company to Prudential Insurance Company of America pursuant to the Private Shelf Agreement (incorporated by reference to Exhibit 99.2 to the Company's Current Report on 8-K filed January 14, 2008).

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

10.36 Accelerated Share Repurchase Agreement dated November 7, 2007, between the Company and JP Morgan Chase Bank, N.A. (incorporated by reference to Exhibit 99.7 to the Company's Current Report on Form 8-K filed November 13, 2007).

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

2005).

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

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

10.40 Amended and Restated Collateral Agency and Intercreditor Agreement, dated as of August 26, 2003, by and among Nu Skin Enterprises, Inc. and various of its subsidiaries, U.S. Bank National Association, as Collateral Agent, and various lending institutions.

10.41 Master Lease Agreement dated January 16, 2003, by and between Nu Skin International, Inc. and Scrub Oak, LLC (incorporated by reference to Exhibit 10.36 to the Company's Annual Report on form 10-K for the year ended December 31, 2007).

10.42 Amendment No. 1 to the Master Lease Agreement, effective as of July 1, 2003, between Nu Skin International, Inc. and Scrub Oak, LLC.

Exhibit
Number Exhibit Description

10.43 Master Lease Agreement dated January 16, 2003, by and between Nu Skin International, Inc. and Aspen Country, LLC (incorporated by reference to Exhibit 10.38 to the Company's Annual Report on form 10-K for the year ended December 31, 2007).

10.44 Amendment No. 1 to the Master Lease Agreement, effective as of July 1, 2003, between Nu Skin International Inc. and Aspen Country, LLC.

10.45 Amendment No. 2 to the Master Lease Agreement, effective as of July 1, 2008, between Nu Skin International, Inc. and Aspen Country, LLC.

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

10.47 Form of Lock-up Agreement executed by certain of the Company's shareholders.

*10.48 Form of Indemnification Agreement to be entered into between the Company and certain of its officers and directors.

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

*10.50 Amendment to the Deferred Compensation Plan, effective as of January 1, 2009.

*10.51 Nu Skin Enterprises, Inc. Nonqualified Deferred Compensation Trust dated December 14, 2005 (incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K filed December 19, 2005).

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

*10.53 Form of Master Stock Option Agreement (1996 Plan) (incorporated by reference to Exhibit 10.49 to the Company's Annual Report on Form 10-K for the year ended December 31, 2007).

*10.54 Form of Stock Option Agreement for Directors (1996 Plan) (incorporated by reference to Exhibit 10.48 to the Company's Annual Report on Form 10-K for the year ended December 31, 2006).

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

Exhibit
Number Exhibit Description

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

*10.57 Form of Master Stock Option Agreement (2006 Plan Performance Option (U.S.)) (incorporated by reference to Exhibit 10.54 to the Company's Annual Report on Form 10-K for the year ended December 31, 2007).

*10.58 Form of Master Stock Option Agreement (2006 Plan Performance Option (non-U.S.)) (incorporated by reference to Exhibit 10.55 to the Company's Annual Report on Form 10-K for the year ended December 31, 2007).

*10.59 Form of Master Stock Option Agreement for Directors (2006 Plan).

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

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

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

*10.63 Performance Targets and Formulas 2008 (Approved under the 2006 Senior Executive Incentive Plan) (incorporated by reference to Exhibit 10.63 to the Company's Annual Report on Form 10-K for the year ended December 31, 2007).

*10.64 Performance Targets and Formulas for 2009 (Approved under the 2006 Senior Executive Incentive Plan).

*10.65 Nu Skin Enterprises, Inc. Senior Executive Benefits Policy, effective as of July 21, 2005 (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005).

*10.66 Summary Description of Nu Skin Japan Director Retirement Allowance Plan (incorporated by reference to Exhibit 10.52 to the Company's Annual Report on Form 10-K for the year 2006).

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

*10.68 Employment Letter between the Company and Truman Hunt dated January 17, 2003 (incorporated by reference to Exhibit 10.67 to the Company's Annual Report on Form 10-K for the year ended December 31, 2007).

Exhibit Number — Exhibit Description

*10.69 Summary of Modifications to Truman Hunt's Employment Letter.

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

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

*10.72 Summary of Non-management Director Standard Compensation (effective January 1, 2007) (incorporated by reference to Exhibit 10.63 to the Company's Annual Report on Form 10-K for the year ended December 31, 2006).

*10.73 Event Appearance Bonus Guidelines (Approved for Sandra Tillotson in October 2006) (incorporated by reference to Exhibit 10.68 to the Company's Annual Report on Form 10-K for the year ended December 31, 2006).

*10.74 Ashok Pahwa Employment Letter dated May 8, 2008, between Mr. Pahwa and the Company.

*10.75 Gary Sumihiro Employment Letter dated March 16, 2007 between Mr. Sumihiro and the Company (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter that ended on June 30, 2007).

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

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

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

21.1 Subsidiaries of the Company.

23.1 Consent of PricewaterhouseCoopers LLP.

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

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

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

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on February 27, 2009.

NU SKIN ENTERPRISES, INC.

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on February 27, 2009.

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

NU SKIN ENTERPRISES, INC.

$125,000,000

MULTI-CURRENCY

PRIVATE SHELF FACILITY

PRIVATE SHELF AGREEMENT

August 26, 2003

NU SKIN ENTERPRISES, INC.
One Nu Skin Plaza
75 West Center Street
Provo, Utah 84601

August 26, 2003

Prudential Investment Management, Inc. ("**Prudential**")
Each Prudential Affiliate (as hereinafter
defined) which becomes bound by certain
provisions of this Agreement as hereinafter
provided (together with Prudential,
the "**Purchasers**")

c/o Prudential Capital Group
Four Embarcadero Center
Suite 2700
San Francisco, California 94111

Ladies and Gentlemen:

The undersigned, Nu Skin Enterprises, Inc., a Delaware corporation (the "**Company**"), and each Issuer Subsidiary which from time to time may execute a Confirmation of Acceptance or issue Notes hereunder, hereby agree with the Purchasers as follows:

1. AUTHORIZATION OF ISSUE OF NOTES.

The Company (or in the case of an Issuer Subsidiary, such Issuer Subsidiary) may authorize the issue of its senior promissory notes (the "**Notes**") in the aggregate principal amount of $125,000,000 (including the equivalent in the Available Currencies), to be dated the date of issue thereof, to mature, in the case of each Note so issued, no more than ten years after the date of original issuance thereof, to have an average life of not more than seven years, to bear interest on the unpaid balance thereof from the date thereof at the rate per annum, to rank pari passu with all other outstanding Notes, and to have such other particular terms, as shall be set forth, in the case of each Note so issued, in the Confirmation of Acceptance with respect to such Note delivered pursuant to Section 2B(5), and to be substantially in the form of Exhibit A attached hereto. The terms "**Note**" and **"Notes**" as used herein shall include each Note delivered pursuant to any provision of this Agreement and each Note delivered in substitution or exchange for any such Note pursuant to any such provision. Notes which have (i) the same final maturity, (ii) the same scheduled principal prepayment dates, (iii) the same principal prepayment amounts (as a percentage of the original principal amount of each Note), (iv) the same interest rate, (v) the same interest payment periods, (vi) the same currency specification, (vii) the same issuer, and (viii) the same date of

issuance (which, in the case of a Note issued in exchange for another Note, shall be deemed for these purposes the date on which such Note's ultimate predecessor Note was issued), are herein called a "**Series**" of Notes. The Notes shall at all times be

guaranteed by all current and future Material Domestic Subsidiaries of the Company (the **"Subsidiary Guarantors**") pursuant to the Subsidiary Guaranty, and shall at all times, at the option of the Company, either be (x) secured by a pledge of the Pledged Securities of each Material Foreign Subsidiary pursuant to the Pledge Agreement or (y) guaranteed by each Material Foreign Subsidiary pursuant to a Foreign Subsidiary Guaranty. Certain capitalized terms used in this Agreement are defined in Schedule A; references to a "Schedule" or an "Exhibit" are, unless otherwise specified, to a Schedule or an Exhibit attached to this Agreement.

2. PURCHASE AND SALE OF NOTES.

2A [**Intentionally Omitted**.]

2B(1). **Facility**. Prudential is willing to consider, in its sole discretion and within limits which may be authorized for purchase by Prudential and Prudential Affiliates from time to time, the purchase of Notes pursuant to this Agreement. The willingness of Prudential to consider such purchase of Notes is herein called the "**Facility**." At any time, the aggregate principal amount of Notes stated in Section 1, minus the aggregate principal amount of Notes purchased and sold pursuant to this Agreement prior to such time, minus the aggregate principal amount of Accepted Notes (as hereinafter defined) which have not yet been purchased and sold hereunder prior to such time, is herein called the "**Available Facility Amount**" at such time. For purposes of the preceding sentence, all aggregate principal amounts of Notes and Accepted Notes shall be calculated in Dollars with the aggregate amount of any Notes denominated or Accepted Notes to be denominated in any Available Currency other than Dollars being converted to Dollars at the rate of exchange used by Prudential to calculate the Dollar equivalent at the time of the applicable Acceptance under Section 2B(5). **NOTWITHSTANDING THE WILLINGNESS OF PRUDENTIAL TO CONSIDER PURCHASES OF NOTES, THIS AGREEMENT IS ENTERED INTO ON THE EXPRESS UNDERSTANDING THAT NEITHER PRUDENTIAL NOR ANY PRUDENTIAL AFFILIATE SHALL BE OBLIGATED TO MAKE OR ACCEPT OFFERS TO PURCHASE NOTES, OR TO QUOTE RATES, SPREADS OR OTHER TERMS WITH RESPECT TO SPECIFIC PURCHASES OF NOTES, AND THE FACILITY SHALL IN NO WAY BE CONSTRUED AS A COMMITMENT BY PRUDENTIAL OR ANY PRUDENTIAL AFFILIATE**.

2B(2). **Issuance Period**. Notes may be issued and sold pursuant to this Agreement until the earlier of (i) the third anniversary of the date of this Agreement (or if such anniversary is not a New York Business Day, the New York Business Day next preceding such anniversary) and (ii) the thirtieth day after Prudential shall have given to the Company, or the Company shall have given to Prudential, written notice stating that it elects to terminate the issuance and sale of Notes pursuant to this Agreement (or if such thirtieth (30) day is not a New York Business Day, the New York Business Day next preceding such thirtieth (30) day). The period during which Notes may be issued and sold pursuant to this Agreement is herein called the "**Issuance Period**."

2B(3). **Request for Purchase**. The Company may from time to time during the Issuance Period make requests for purchases of Notes (each such request being herein called a "**Request for Purchase**"). Each Request for Purchase shall be made to Prudential by

telefacsimile or overnight delivery service to the applicable address set forth in the Information Schedule, and shall (i) specify the currency (which shall be an Available Currency) of the Notes covered thereby, (ii) specify the aggregate principal amount of Notes covered thereby, which, in the case of the initial draw, shall not be less than $10,000,000 (or its equivalent in another Available Currency) or which, in the case of any subsequent draw, shall not be less than $5,000,000 (or its equivalent in another Available Currency), and not be greater than the Available Facility Amount at the time such Request for Purchase is made, (iii) specify the principal amounts, final maturities, principal prepayment dates and amounts and interest payment periods (quarterly or semi-annually in arrears, with quarterly available only in the case of Notes denominated in Dollars) of the Notes covered thereby, (iv) specify the use of proceeds of such Notes, (v) specify the proposed day for the closing of the purchase and sale of such Notes, which shall be a Business Day during the Issuance Period not less than 6 Business Days (or, if the issuer of such notes will be an Issuer Subsidiary organized in a jurisdiction outside of the United States, not less than 15 Business Days) and not more than 42 days after the making of such Request for Purchase, (vi) specify the number of the account and the name and address of the depository institution to which the purchase prices of such Notes are to be transferred on the Closing Day for such purchase and sale, (vii) certify that the representations and warranties contained in Section 5 are true on and as of the date of such Request for Purchase and that there exists on the date of such Request for Purchase no Event of Default or Default, (viii) specify the issuer of the Notes (which shall be the Company or an Issuer Subsidiary), and (ix) be substantially in the form of Exhibit B attached hereto. Each Request for Purchase shall be deemed made when received by Prudential.

2B(4). **Rate Quotes**. Not later than two (2) Business Days after the Company shall have given Prudential a Request for Purchase pursuant to Section 2B(3), Prudential may, but shall be under no obligation to, provide to the Company by telephone or telefacsimile, in each case between 9:30 a.m. and 1:30 p.m. New York City local time (or such later time as Prudential may elect) interest rate quotes for the several currencies, principal amounts, maturities, principal prepayment schedules, and interest payment periods of Notes specified in such Request for Purchase (each such interest rate quote provided in response to a Request for Purchase herein called a "**Quotation**"). Each Quotation shall represent the interest rate per annum payable on the outstanding principal balance of such Notes at which Prudential or a Prudential Affiliate would be willing to purchase such Notes at 100% of the principal amount thereof.

2B(5). **Acceptance**. Within the Acceptance Window, an Authorized Officer of the Company may, subject to Section 2B(6), elect to accept a Quotation as to the aggregate principal amount of the Notes specified in the related Request for Purchase (each such Note being herein called an "**Accepted Note**" and such acceptance being herein called an "**Acceptance**"). The day the Company notifies an Acceptance with respect to any Accepted Notes is herein called the "**Acceptance Day**" for such Accepted Notes. Any Quotation as to which Prudential does not receive an Acceptance within the Acceptance Window shall expire, and no purchase or sale of Notes hereunder shall be made based on any such expired Quotation. Subject to Section 2B(6) and the other terms and conditions hereof, the Company agrees to sell (or to cause the applicable Issuer Subsidiary to sell) to Prudential or one or more Prudential Affiliates, and Prudential agrees to purchase, or to cause the purchase by one or more Prudential Affiliates of, the Accepted Notes at 100% of the principal amount of such Notes, which purchase

price shall be paid in the currency in which such Notes are to be denominated. As soon as practicable following the Acceptance Day, the Company, the Issuer Subsidiary (if applicable), Prudential and each Prudential Affiliate which is to purchase any such Accepted Notes will execute a confirmation of such Acceptance substantially in the form of Exhibit C attached hereto (herein called a "**Confirmation of Acceptance**"). If the Company and the Issuer Subsidiary (if applicable) should fail to execute and return to Prudential within three Business Days following receipt thereof a Confirmation of Acceptance with respect to any Accepted

Notes, Prudential may at its election at any time prior to its receipt thereof cancel the closing with respect to such Accepted Notes by so notifying the Company in writing.

2B(6). **Market Disruption**. Notwithstanding the provisions of Section 2B(5), any Quotation provided pursuant to Section 2B(4) shall expire if prior to the time an Acceptance with respect to such Quotation shall have been notified to Prudential in accordance with Section 2B(5): (i) in the case of any Notes, the domestic market for U.S. Treasury securities or derivatives shall have closed or there shall have occurred a general suspension, material limitation, or significant disruption of trading in securities generally on the New York Stock Exchange or in the domestic market for U.S. Treasury securities or derivatives, or (ii) in the case of Notes to be denominated in a currency other than Dollars, the markets for the relevant government securities (which in the case of the Euro, shall be the German Bund) or the spot and forward currency market, the financial futures market or the interest rate swap market shall have closed or there shall have occurred a general suspension, material limitation, or significant disruption of trading then such interest. No purchase or sale of Notes hereunder shall be made based on such expired Quotation. If the Company thereafter notifies Prudential of the Acceptance of any such Quotation, such Acceptance shall be ineffective for all purposes of this Agreement, and Prudential shall promptly notify the Company that the provisions of this Section 2B(6) are applicable with respect to such Acceptance.

2B(7). **Facility Closings**. Not later than 2:00 p.m. (New York City local time) on the Document Delivery Date for any Accepted Notes, the Company will deliver to each Purchaser listed in the Confirmation of Acceptance relating thereto at the offices of Prudential Capital Group (as set forth in this Agreement or such alternative address as is provided to the Company pursuant to Section 18(a)), the Accepted Notes to be purchased by such Purchaser in the form of one or more Notes in authorized denominations as such Purchaser may request for each Series of Accepted Notes to be purchased on the Closing Day, dated the Closing Day and registered in such Purchaser's name (or in the name of its nominee), against payment on the Closing Day of the purchase price thereof by transfer of immediately available funds for credit to the Company's account specified in the Request for Purchase of such Notes. If the Company fails to timely tender to any Purchaser the Accepted Notes to be purchased by such Purchaser on the applicable Document Delivery Date, or any of the conditions specified in Section 3 shall not have been fulfilled by the time required on the applicable Document Delivery Date, the Company shall, prior to 2:30 p.m., New York City local time, on the applicable Document Delivery Date notify Prudential (which notification shall be deemed received by each Purchaser) in writing whether (i) such closing is to be rescheduled (such rescheduled date to be a Business Day during the Issuance Period not less than one (1) day and not more than ten (10) days after such scheduled Closing Day (the "**Rescheduled Closing Day**")) and certify to Prudential (which certification shall be for the benefit of each Purchaser) that the Company reasonably believes that it will be able to comply with the conditions set forth in Section 3 on the Document Delivery

Date applicable to such Rescheduled Closing Day and that the Company will pay the Delayed Delivery Fee in accordance with Section 2B(8)(iii) or (ii) such closing is to be canceled. If a Rescheduled Closing Day is established in respect of Notes denominated in a currency other than Dollars, such Notes shall have the same maturity date, principal prepayment dates and amounts and interest payment dates as originally scheduled, but such Notes shall be dated the actual date of issuance. In the event that the Company shall fail to give such notice referred to in the second preceding sentence, Prudential (on behalf of each Purchaser) may at its election, at any time after 2:30 p.m., New York City local time, on such Document Delivery Date, notify the Company in writing that such closing is to be canceled. Notwithstanding anything to the contrary appearing in this Agreement, the Company may not elect to reschedule a closing with respect to any given Accepted Notes on more than one occasion, unless Prudential shall have otherwise consented in writing.

2B(8). **Fees**.

2B(8)(i) **Structuring Fee**. In consideration for the time, effort and expense involved in the structuring of this transaction and the preparation, negotiation and execution of this Agreement, at the time of the execution and delivery of this Agreement by the Company and Prudential, the Company will pay to Prudential in immediately available funds a fee (herein called the **"Structuring Fee**") in the amount of $50,000.

2B(8)(ii). **Issuance Fee**. The Company will pay to each Purchaser in immediately available funds a fee (herein called the "**Issuance Fee**") on each Closing Day in an amount equal to 0.10% of the Dollar equivalent of the aggregate principal amount of Notes to be sold to such Purchaser on such Closing Day (calculated for Notes which are to be denominated in an Available Currency other than Dollars using the rate of exchange used by Prudential to calculate the Dollar equivalent at the time of the applicable Acceptance under Section 2B(5)). Such fee shall be payable in Dollars.

2B(8)(iii). **Delayed Delivery Fee**. If the closing of the purchase and sale of any Accepted Note is delayed for any reason beyond the original Closing Day for such Accepted Note, the Company shall pay the Purchaser which shall have agreed to purchase such Accepted Note, on the Cancellation Date or Document Delivery Date applicable to the actual Closing Day of such purchase and sale, an amount (the "**Delayed Delivery Fee**") equal to

(a) in the case of an Accepted Note denominated in Dollars, the product of (1) the amount determined by Prudential to be the amount by which the bond equivalent yield per annum of such Accepted Note exceeds the investment rate per annum on an alternative Dollar investment of the highest quality selected by Prudential and having a maturity date or dates the same as, or closest to, the Rescheduled Closing Day from time to time fixed for the delayed delivery of such Accepted Note, (2) the principal amount of such Accepted Note, and (3) a fraction the numerator of which is equal to the number of actual days elapsed from and including the original Closing Day for such Accepted Note to but excluding the date of such payment, and the denominator of which is 360; and

(b) in the case of an Accepted Note denominated in a currency other than Dollars, the sum of (1) the product of (x) the amount by which the bond equivalent yield per annum of such Accepted Note exceeds the arithmetic average of the Overnight Interest Rates on each day from and including the original Closing Day for such Accepted Note, (y) the principal amount of such Accepted Note, and (z) a fraction the numerator of which is equal to the number of actual days elapsed from and including the original Closing Day for such Accepted Note to but excluding the date of such payment, and the denominator of which is 360 and (2) the costs and expenses (if any) incurred by such Purchaser or its affiliates with respect to any interest rate, currency exchange or similar agreement entered into by the Purchaser or any such affiliate in connection with the delayed closing of such Accepted Notes.

In no case shall the Delayed Delivery Fee be less than zero. The Delayed Delivery Fee described in clause (b), above, shall be paid in the currency in which the Accepted Notes are denominated. Nothing contained herein shall obligate any Purchaser to purchase any Accepted Note on any day other than the Closing Day for such Accepted Note, as the same may be rescheduled from time to time in compliance with Section 2B(7). Notwithstanding the foregoing, no Delayed Delivery Fee shall be due to any Purchaser which shall have failed to purchase an Accepted Note when each of the conditions precedent in Section 3 (other than the condition set forth in Section 3B) has been timely satisfied on the applicable Document Delivery Date.

2B(8)(iv). **Cancellation Fee**. If (a) the Company at any time notifies Prudential in writing that the Company is canceling the closing of the purchase and sale of any Accepted Note, or (b) if Prudential notifies the Company in writing under the circumstances set forth in the penultimate sentence of Section 2B(7) that the closing of the purchase and sale of such Accepted Note is to be canceled, or (c) if the closing of the purchase and sale of such Accepted Note is not consummated on or prior to the last day of the Issuance Period (the date of any such notification, or the last day of the Issuance Period, as the case may be, being herein called the "**Cancellation Date**"), the Company shall pay the Purchaser which shall have agreed to purchase such Accepted Note in immediately available funds on the Cancellation Date an amount (the "**Cancellation Fee**") equal to

(a) in the case of an Accepted Note denominated in Dollars, the product of (1) the principal amount of such Accepted Note and (2) the quotient (expressed in decimals) obtained by dividing (y) the excess of the ask price (as determined by Prudential) of the Hedge Treasury Note(s) on the Cancellation Date over the bid price (as determined by Prudential) of the Hedge Treasury Note(s) on the Acceptance Day for such Accepted Note by (z) such bid price, with the foregoing bid and ask prices as reported on TradeWeb, or if such information ceases to be available on TradeWeb, any publicly available source of such market data selected by Prudential, and rounded to the second decimal place; and

(b) in the case of an Accepted Note denominated in a currency other than Dollars, the sum of (1) the amount described in clause (a) above (calculated with respect to the Dollar principal amount and interest rate utilized by Prudential in providing the Quotation pursuant to Section 2B(4) relevant to such Accepted Note) and (2) aggregate of all unwinding costs incurred by such Purchaser or its affiliates on positions

described in this clause (2) shall be offset against any such unwinding costs described in this clause (2). Such positions include (without limitation) currency and interest rate swaps, futures and forwards, government bond hedges and currency exchange contracts, all of which may be subject to substantial price volatility. Such costs may also include (without limitation) losses incurred by such Purchaser or its affiliates as a result of fluctuations in exchange rates. All unwinding costs incurred by such Purchaser shall be determined by Prudential or its affiliate in accordance with generally accepted financial practice.

In no case shall the Cancellation Fee be less than zero. Notwithstanding the foregoing, no Cancellation Fee shall be due to any Purchaser which shall have failed to purchase an Accepted Note when each of the conditions precedent in Section 3 (other than the condition set forth in Section 3B) has been timely satisfied on the applicable Document Delivery Date.

3. CONDITIONS OF CLOSING.

On the date on which this Agreement is executed and delivered, (i) the Company shall pay to Prudential the Structuring Fee referenced in Section 2B(8)(i), (ii) the Amended and Restated Collateral Agency and Intercreditor Agreement shall have been duly executed and delivered by the parties thereto and shall be in full force and effect and each Purchaser shall have received a copy thereof, (iii) the Subsidiary Guaranty shall have been duly executed and delivered by each Subsidiary Guarantor and shall be in full force and effect and each Purchaser shall have received a copy thereof, and (iv) the Amended and Restated Subordination Agreement shall have been duly executed and delivered by the Company and each Subordinated Creditor named therein and shall be in full force and effect and each Purchaser shall have received a copy thereof. The obligation of any Purchaser to purchase and pay for any Notes is subject to the satisfaction, on or before the applicable Document Delivery Date for such Notes, of the foregoing conditions and the following additional conditions:

3A. **Certain Documents**. Such Purchaser shall have received the following, each dated the date of the applicable Closing Day (except as otherwise noted below):

(i) The Note(s) to be purchased by such Purchaser.

(ii) Certified copies of the resolutions of (a) the Board of Directors of the Company authorizing the execution and delivery of this Agreement (including the provision of the Parent Guaranty), the Collateral Documents and the issuance of the Notes, and of all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to this Agreement, the Collateral Documents and the Notes, (b) the Board of Directors of each of the Subsidiary Guarantors authorizing the execution and delivery of the Collateral Documents and (c), if applicable, certified copies of resolutions of the Board of Directors of the Issuer Subsidiary authorizing execution and delivery of the Notes and of a Confirmation of Acceptance with respect to this Agreement and the Notes. 7

(iii) Certificates of the Secretary or Assistant Secretary and one other officer of each of the Company, the Subsidiary Guarantors, and, if applicable, the Issuer Subsidiary certifying the names and true signatures of the officers of the Company, the Subsidiary Guarantors and, if applicable, the Issuer Subsidiary authorized to sign this Agreement, the Collateral Documents, the applicable Confirmation of Acceptance and the Notes (as applicable) and the other documents to be delivered hereunder or thereunder.

(iv) Certified copies of the Company's, each Subsidiary Guarantor's, and, if applicable, the Issuer Subsdiary's Certificate of Incorporation and By-laws.

(v) A favorable opinion of the General Counsel of the Company, the Subsidiary Guarantors and, if applicable, the Issuer Subsidiary (or such other counsel designated by the Company and acceptable to the Purchaser(s)) and substantially in the form of Exhibit D attached hereto, and as to such other matters as such Purchaser may reasonably request and (b) if Notes are to be issued by an Issuer Subsidiary which is not organized or incorporated under United States law, a favorable opinion of special counsel to such Issuer Subsidiary, which special counsel shall be satisfactory to the Purchasers and admitted to practice in the jurisdiction in which such Issuer Subsidiary is incorporated or organized, addressing such matters as the Purchasers may require. The Company and, if applicable, the Issuer Subsidiary hereby direct each such counsel to deliver such opinion, agree that the issuance and sale of any Notes will constitute a reconfirmation of such authorization, and understand and agree that each Purchaser receiving each such opinion(s) will and is hereby authorized to rely on such opinion(s).

(vi) A good standing (or equivalent) certificate for each of the Company, the Subsidiary Guarantors and, if applicable, the Issuer Subsidiary from the secretary of state (or equivalent official) of its jurisdiction of organization dated as of a recent date and such other evidence of the status of the

Company, the Subsidiary Guarantors, and, if applicable, the Issuer Subsidiary as such Purchaser may reasonably request.

(vii) Additional documents or certificates with respect to legal matters or corporate or other proceedings related to the transactions contemplated hereby as may be reasonably requested by such Purchaser.

For Closing Days subsequent to the Closing Day on which Notes are first issued, the requirements of clauses (ii), (iii) and (iv) above may, to the extent appropriate, be satisfied by delivery of "bring-down" certifications from the applicable officers.

3B. **Opinion of Purchaser's Special Counsel**. If Notes are to be issued by an Issuer Subsidiary which is not organized or incorporated under United States law, such Purchaser shall have received from its special U.S. counsel and special foreign counsel, favorable opinions satisfactory to such Purchaser as to such matters incident to the matters herein contemplated as it may reasonably request.

3C. **Representations and Warranties; No Default**. The representations and warranties contained in Section 5 shall be true on and as of such Closing Day; there shall exist on such Closing Day no Event of Default or Default; and the Company shall have delivered to such Purchaser an Officer's Certificate, dated such Closing Day, to both such effects.

3D. **Purchase Permitted by Applicable Laws**. On such Closing Day each Purchaser's purchase of Notes shall (i) be permitted by the laws and regulations of each jurisdiction to which such Purchaser is subject, without recourse to provisions (such as Section 1405(a)(8) of the New York Insurance Law) permitting limited investments by insurance companies without restriction as to the character of the particular investment, (ii) not violate any applicable law or regulation (including, without limitation, Regulation T, U or X of the Board of Governors of the Federal Reserve System) and (iii) not subject such Purchaser to any tax, penalty or liability on the date thereof. If requested by a Purchaser, it shall have received an Officer's Certificate certifying as to such matters of fact as it may reasonably specify to enable it to determine whether such purchase is so permitted.

3E. **Payment of Fees**. The Company shall have paid to Prudential any fees due it pursuant to or in connection with this Agreement, including any remaining balance of the Structuring Fee due pursuant to Section 2B8(i), any Issuance Fee due pursuant to Section 2B(8)(ii), and any Delayed Delivery Fee due pursuant to Section 2B(8)(iii).

3F. **Counterpart Amended and Restated Collateral Agency and Intercreditor Agreement**. The Purchasers, if not then a party to the Amended and Restated Collateral Agency and Intercreditor Agreement, shall have duly executed and delivered the Counterpart Amended and Restated Collateral Agency and Intercreditor Agreement to the Collateral Agent and such Counterpart shall be in full force and effect.

3G. **Issuer Subsidiary Counterpart**. The applicable Issuer Subsidiary, if not then a party to the Amended and Restated Collateral Agency and Intercreditor Agreement, shall have duly executed and delivered the Issuer Subsidiary Counterpart to the Collateral Agent and such Counterpart shall be in full force and effect.

3H. **Subsidiary Guaranty or Foreign Subsidiary Guaranty**. The applicable Issuer Subsidiary, if not then a party to the Subsidiary Guaranty or a Foreign Subsidiary Guaranty, shall have duly executed and delivered the Subsidiary Guaranty or Foreign Subsidiary Guaranty, as applicable, to the holders of the Notes and such Issuer Subsidiary shall have duly executed and delivered the same Subsidiary Guaranty or Foreign Subsidiary Guaranty, as applicable, to, and for the benefit of, each Senior Secured Creditor party to the Amended and Restated Collateral Agency and Intercreditor Agreement, and such Subsidiary Guaranties or Foreign Subsidiary Guaranties, as applicable, shall be in full force and effect.

4. [Intentionally Omitted.]

5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company represents and warrants to each Purchaser that:

5.1 Organization; Power and Authority.

The Company is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, and is duly qualified as a foreign corporation and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Company has the corporate power and authority to own or hold under lease the properties it purports to own or hold under lease, to transact the business it transacts and proposes to transact, to execute and deliver this Agreement, the Collateral Documents to which it is a party and the Notes, and to perform the provisions hereof and thereof.

5.2 Authorization, etc.

This Agreement, the Notes and the Collateral Documents to which the Company is a party have been duly authorized by all necessary corporate action on the part of the Company, and this Agreement and each of the Collateral Documents to which it is a party constitutes, and upon execution and delivery thereof each Note will constitute, a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as such enforceability may be limited by (a) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally, and (b) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

5.3 Disclosure.

Neither this Agreement nor any other document, certificate or statement furnished to any Purchaser by or on behalf of the Company or any Issuer Subsidiary in connection herewith contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein and therein not misleading. Except as disclosed in the form 10-K filed by the Company with the Securities and Exchange Commission for the period immediately prior to the applicable Document Delivery Date of the Notes or in any Form 10-Q, Form 8-K or other report filed by the Company with the Securities and Exchange Commission for any period subsequent to the date of such form 10-K filed by the Company (but at least five (5) Business Days prior to the applicable Document Delivery Date of such Notes), there is no fact peculiar to the Company or any of its Subsidiaries which has had a Material Adverse Effect or in the future may (so far as the Company can now foresee) have a Material Adverse Effect which has not been set forth in this Agreement or in the other documents or certificates furnished to the Purchasers in connection herewith.

5.4 Organization and Ownership of Shares of Subsidiaries; Affiliates.

(a) All of the outstanding shares of capital stock or similar equity interests owned by the Company and its Subsidiaries at any time have been validly issued, are fully paid and nonassessable and are owned by the Company or another Subsidiary free and clear of any Lien (except for Permitted Liens, directors' qualifying shares, shares required to be owned by Persons pursuant to applicable foreign laws regarding foreign ownership).

(b) Each Subsidiary is a corporation or other legal entity duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, and is duly qualified as a foreign corporation or other legal entity and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Each such Subsidiary has the corporate or other power and authority to own or hold under lease the properties it purports to own or hold under lease and to transact the business it transacts and proposes to transact.

(c) No Material Subsidiary, is a party to, or otherwise subject to any legal restriction or any agreement (other than this Agreement and customary limitations imposed by corporate law statutes) restricting the ability of such Material Subsidiary to pay dividends out of profits or make any other similar distributions of profits to the Company or any of its Subsidiaries that owns outstanding shares of capital stock or similar equity interests of such Material Subsidiary.

5.5 Financial Statements.

The Company has furnished each Purchaser of any Accepted Notes with the following financial statements: (i) a consolidated balance sheet of the Company and its Subsidiaries as of the last day in each of the three fiscal years of the Company most recently completed prior to the date as of which this representation is made or repeated to such Purchaser (other than fiscal years completed within 120 days prior to such date for which audited financial statements have not been released) and consolidated statements of income, cash flows and shareholders' equity of the Company and its Subsidiaries for each such year, all reported on by PricewaterhouseCoopers (which financial statements shall in all respects be consistent with the requirements of Section 7.1(b) hereof, including the provisos thereto) and (ii) a consolidated balance sheet of the Company and its Subsidiaries as at the end of the quarterly period (if any) most recently completed prior to such date and after the end of such fiscal year (other than quarterly periods completed within 60 days prior to such date for which financial statements have not been released) and the comparable quarterly period in the preceding fiscal year and consolidated statements of income, cash flows and shareholders' equity for the periods from the beginning of the fiscal years in which such quarterly periods are included to the end of such quarterly periods, prepared by the Company (which financial statements shall in all respects be consistent with the requirements of Section 7.1(a) hereof, including the provisos thereto). Such financial statements (including any related schedules and/or notes) fairly present the consolidated financial condition of the Company and its Subsidiaries as of the respective dates specified

therein and the results of their operations and cash flows for the periods specified therein (subject, as to interim statements, to changes resulting from audits and year-end adjustments), have been prepared in accordance with GAAP consistently followed throughout the periods involved and show all liabilities, direct and contingent, of the Company and its Subsidiaries required to be shown in accordance with GAAP. The balance sheets fairly present the condition of the Company and its Subsidiaries as at the dates thereof, and the statements of income, stockholders' equity and cash flows fairly present the results of the operations of the Company and its Subsidiaries and their cash flows for the periods indicated. There has been no material adverse change in the business, property or assets, condition (financial or otherwise), operations or prospects of the Company and its Subsidiaries taken as a whole since the end of the most recent fiscal year for which such audited financial statements have been furnished.

5.6 Compliance with Laws, Other Instruments, etc.

The execution, delivery and performance by the Company, each Subsidiary Guarantor and the Issuer Subsidiary (if applicable) of this Agreement, the Collateral Documents and the Notes (as applicable) will not (i) contravene, result in any breach of, or constitute a default under, or result in the creation of any Lien in respect of any property of the Company or any Subsidiary under, any indenture, mortgage, deed of trust, loan, note purchase or credit agreement, corporate charter or bylaws, or any other Material agreement, lease or instrument to which the Company or any Subsidiary is bound or by which the Company or any Subsidiary or any of their respective properties may be bound or affected, (ii) conflict with or result in a breach of any of the terms, conditions or provisions of any order, judgment, decree or ruling of any court, arbitrator or Governmental Authority applicable to the Company or any Subsidiary, or (iii) violate any provision of any statute or other rule or regulation of any Governmental Authority applicable to the Company or any Subsidiary.

5.7 Governmental Authorizations, etc.

No consent, approval or authorization of, or registration, filing or declaration with, any Governmental Authority is required in connection with the execution, delivery or performance by the Company, any Subsidiary Guarantor and any Issuer Subsidiary (if applicable) of this Agreement, the Collateral Documents or the Notes (as applicable).

5.8 Litigation; Observance of Agreements, Statutes and Orders.

(a) There are no actions, suits or proceedings pending or, to the knowledge of the Company, threatened against or affecting the Company or any Subsidiary or any property of the Company or any Subsidiary in any court or before any arbitrator of any kind or before or by any Governmental Authority that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

(b) Neither the Company nor any Restricted Subsidiary is in default under any term of any agreement or instrument to which it is a party or by which it is bound, or any order, judgment, decree or ruling of any court, arbitrator or Governmental Authority or is in violation of any applicable law, ordinance, rule or regulation (including without limitation Environmental Laws) of any Governmental Authority, which default or violation, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

5.9 Taxes.

The Company and its Subsidiaries have filed all tax returns that are required to have been filed in any jurisdiction (other than those tax returns which individually or collectively are not Material), and have paid all taxes shown to be due and payable on such returns and all other taxes and assessments levied upon them or their properties, assets, income or franchises, to the extent such taxes and assessments have become due and payable and before they have become delinquent, except for any taxes and assessments (i) the amount of which is not individually or in the aggregate Material, or (ii) the amount, applicability or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which the Company or a Subsidiary, as the case may be, has established adequate reserves in accordance with GAAP. The Company knows of no basis for any other tax or assessment that could reasonably be expected to have a Material Adverse Effect. The charges, accruals and reserves on the books of the Company and its Subsidiaries in respect of Federal, state or other taxes for all fiscal periods are adequate in accordance with GAAP.

5.10 Title to Property; Leases.

The Company and the Restricted Subsidiaries have good and sufficient title to their respective properties that individually or in the aggregate are Material, including all such properties reflected in the most recent audited balance sheet referred to in Section 5.5 or purported to have been acquired by the Company or any Restricted Subsidiary after said date (except as sold or otherwise disposed of in the ordinary course of business), in each case free and clear of Liens prohibited by this Agreement or the Collateral Documents. All leases that individually or in the aggregate are Material are valid and subsisting and are in full force and effect in all material respects.

5.11 Licenses, Permits, etc.

Except as disclosed in Schedule 5.11,

(a) the Company and the Restricted Subsidiaries own or possess all licenses, permits, franchises, authorizations, patents, copyrights, service marks, trademarks and trade names, or rights thereto, that individually or in the aggregate are Material, without any known Material conflict with the rights of others;

(b) to the best knowledge of the Company, no product of the Company infringes in any material respect any license, permit, franchise, authorization, patent, copyright, service mark, trademark, trade name or other right owned by any other Person; and

(c) to the best knowledge of the Company, there is no Material violation by any Person of any right of the Company or any Restricted Subsidiary with respect to any patent, copyright, service mark, trademark, trade name or other right owned or used by the Company or any Restricted Subsidiary.

5.12 Compliance with ERISA.

(a) The Company and each ERISA Affiliate have operated and administered each Plan in compliance with all applicable laws except for such instances of noncompliance as have not resulted in and could not reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any ERISA Affiliate has incurred any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans (as defined in Section 3 of ERISA), and no event, transaction or condition has occurred or exists that could reasonably be expected to result in the incurrence of any such liability by the Company or any ERISA Affiliate, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate, in either case pursuant to Title I or IV of ERISA or to such penalty or excise tax provisions or to Section 401(a)(29) or 412 of the Code, other than such liabilities or Liens as would not be, individually or in the aggregate, Material.

(b) Neither the Company nor any ERISA Affiliate maintains a “single employer plan” or a Multiemployer Plan that is subject to Title IV of ERISA.

(c) The Company and its ERISA Affiliates have not incurred withdrawal liabilities (and are not subject to contingent withdrawal liabilities) under section 4201 or 4204 of ERISA in respect of Multiemployer Plans that individually or in the aggregate are Material.

(d) The expected postretirement benefit obligation (determined as of the last day of the Company’s most recently ended fiscal year in accordance with Financial Accounting Standards Board Statement No. 106, without regard to liabilities attributable to continuation coverage mandated by section 4980B of the Code) of the Company and its Subsidiaries is not Material or has otherwise been disclosed in the most recent consolidated financial statements of the Company and its Subsidiaries.

(e) The execution and delivery of this Agreement and the Collateral Documents and the issuance and sale of the Notes hereunder will not involve any transaction that is subject to the prohibitions of section 406 of ERISA or in connection with which a tax could be imposed pursuant to section 4975(c)(1)(A)-(D) of the Code. The representation by the Company in the first sentence of this Section 5.12(e) is made in reliance upon and subject to the accuracy of each Purchaser’s representation in Section 6.2 as to the sources of the funds used to pay the purchase price of the Notes to be purchased by it.

5.13 Private Offering by the Company.

Neither the Company nor anyone acting on its behalf has offered the Notes or any similar securities for sale to, or solicited any offer to buy any of the same from, or otherwise approached or negotiated in respect thereof with, any Person other than the Purchasers and not more than 18 other Institutional Investors, each of which has been offered the Notes or any similar securities at a private sale for investment. Neither the Company nor anyone acting on its behalf has taken, or will take, any action that would subject the issuance or sale of the Notes to the registration requirements of Section 5 of the Securities Act.

5.14 Use of Proceeds; Margin Regulations.

No part of the proceeds from the sale of the Notes hereunder will be used, directly or indirectly, so as to involve the Company, any Issuer Subsidiary or any holder of a Note in a violation of Regulation U of the Board of Governors of the Federal Reserve System (12 CFR 221) or Regulation X of said Board (12 CFR 224), or to involve any broker or dealer in a violation of Regulation T of said Board (12 CFR 220). Margin stock does not constitute more than 15% of the value of the consolidated assets of the Company and its Subsidiaries and the Company does not have any present intention that margin stock will constitute more than 15% of the value of such assets. As used in this Section, the term “margin stock” shall have the meanings assigned to them in said Regulation U.

5.15 Existing Indebtedness and Liens.

Neither the Company nor any of its Restricted Subsidiaries has outstanding any Debt except as permitted by Section 10.5. There exists no default under the provisions of any instrument evidencing such Debt or of any agreement relating thereto which would constitute an Event of Default under clause (f) of Section 11. Neither the Company nor any of its Restricted Subsidiaries has agreed or consented to, or agreed to cause or permit in the future (upon the happening of a contingency or otherwise), any of its property, whether now owned or hereafter acquired, to be subject to a Lien not permitted by Section 10.3.

5.16 Foreign Assets Control Regulations, etc.

Neither the sale of the Notes by the Company or any Issuer Subsidiary hereunder nor its use of the proceeds thereof will violate the Trading with the Enemy Act, as amended, or any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto. Without limiting the foregoing, neither the Company nor any of its Subsidiaries or its Affiliates (a) is or will become a Person whose property or interests in property are blocked pursuant to Section 1 of Executive Order 13224 of September 23, 2001 Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism (66 Fed. Reg. 49079 (2001)) or (b) engages or will engage in any dealings or transactions, or be otherwise associated, with any such Person. The Company and its Subsidiaries and its Affiliates are in compliance, in all Material respects, with the Uniting And Strengthening America By Providing Appropriate Tools Required To Intercept And Obstruct Terrorism (USA Patriot Act of 2001). No part of the proceeds from the sale of the Notes hereunder has been or will be used, directly or indirectly, for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977, as amended.

5.17 Status under Certain Statutes.

None of the Company, any Subsidiary Guarantor, any Issuer Subsidiary or any Restricted Subsidiary is subject to regulation under the Investment Company Act of 1940, as amended, the Public Utility Holding Company Act of 1935, as amended, the Interstate Commerce Act, as amended, or the Federal Power Act, as amended.

5.18 Environmental Matters.

Neither the Company nor any of its Subsidiaries has knowledge of any claim or has received any notice of any claim, and no proceeding has been instituted raising any claim against the Company or any of its Subsidiaries or any of their respective real properties now or formerly owned, leased or operated by any of them or other assets, alleging any damage to the environment or violation of any Environmental Laws, except, in each case, such as could not reasonably be expected to result in a Material Adverse Effect. Except as otherwise disclosed to each Purchaser in writing,

(a) neither the Company nor any of its Subsidiaries has knowledge of any facts which would give rise to any claim, public or private, of violation of Environmental Laws or damage to the environment emanating from, occurring on or in any way related to real properties now or formerly owned, leased or operated by any of them or to other assets or their use, except, in each case, such as could not reasonably be expected to result in a Material Adverse Effect;

(b) neither the Company nor any of its Subsidiaries has stored any Hazardous Materials on real properties now or formerly owned, leased or operated by any of them in a manner contrary to any Environmental Laws and has not disposed of any Hazardous Materials in a manner contrary to any Environmental Laws, in each case in any manner that could reasonably be expected to result in a Material Adverse Effect; and

(c) all buildings on all real properties now owned, leased or operated by the Company or any of its Subsidiaries are in compliance with all applicable Environmental Laws, except where failure to comply could not reasonably be expected to result in a Material Adverse Effect.

5.19 Hostile Tender Offers. None of the proceeds of the sale of any Notes will be used to finance a Hostile Tender Offer.

6. REPRESENTATIONS OF THE PURCHASERS.

6.1 Purchase for Investment.

Each Purchaser represents that it is an institutional “accredited investor” within the meaning of subparagraphs (1), (2), (3) or (7) of Rule 501(a) promulgated under the Securities Act. Each Purchaser represents that it is purchasing the Notes to be purchased by it for its own account or for one or more

separate accounts maintained by it or for the account of one or more pension or trust funds and not with a view to the distribution thereof, provided that the disposition of its or their property shall at all times be within its or their control. Each Purchaser understand that the Notes have not been registered under the Securities Act and may be resold only if registered pursuant to the provisions of the Securities Act or if an exemption from registration is available, except under circumstances where neither such registration nor such an exemption is required by law, and that the Company is not required to register the Notes.

6.2 Source of Funds.

Each Purchaser represents that at least one of the following statements is an accurate representation as to each source of funds (a "**Source**") to be used by it to pay the purchase price of the Notes to be purchased by it hereunder:

(a) the Source is an "insurance company general account" (as the term is defined in the United States Department of Labor's Prohibited Transaction Exemption ("**PTE**") 95-60) in respect of which the reserves and liabilities (as defined by the annual statement for life insurance companies approved by the National Association of Insurance Commissioners (the "**NAIC Annual Statement**")) for the general account contract(s) held by or on behalf of any employee benefit plan together with the amount of the reserves and liabilities for the general account contract(s) held by or on behalf of any other employee benefit plans maintained by the same employer (or affiliate thereof as defined in PTE 95-60) or by the same employee organization in the general account do not exceed 10% of the total reserves and liabilities of the general account (exclusive of separate account liabilities) plus surplus as set forth in the NAIC Annual Statement filed with such Purchaser's state of domicile; or

(b) the Source is a separate account that is maintained solely in connection with such Purchaser's fixed contractual obligations under which the amounts payable, or credited, to any employee benefit plan (or its related trust) that has any interest in such separate account (or to any participant or beneficiary of such plan (including any annuitant)) are not affected in any manner by the investment performance of the separate account; or

(c) the Source is either (i) an insurance company pooled separate account, within the meaning of PTE 90-1, or (ii) a bank collective investment fund, within the meaning of the PTE 91-38 and, except as disclosed by such Purchaser to the Company in writing pursuant to this paragraph (c), no employee benefit plan or group of plans maintained by the same employer or employee organization beneficially owns more than 10% of all assets allocated to such pooled separate account or collective investment fund; or

(d) the Source constitutes assets of an "investment fund" (within the meaning of Part V of PTE 84-14 (the "**QPAM Exemption**")) managed by a "qualified professional asset manager" or "QPAM" (within the meaning of Part V of the QPAM Exemption), no employee benefit plan's assets that are included in such investment fund, when combined with the assets of all other employee benefit plans established or maintained by the same employer or by an affiliate (within the meaning of Section V(c)(1) of the QPAM Exemption) of such employer or by the same employee organization and managed by such QPAM, exceed 20% of the total client assets managed by such QPAM, the conditions of Part I(c) and (g) of the QPAM Exemption are satisfied, neither the QPAM nor a person controlling or controlled by the QPAM (applying the definition of "control" in Section V(e) of the QPAM Exemption) owns a 5% or more interest in the Company and (i) the identity of such QPAM and (ii) the names of all employee benefit plans whose assets are included in such investment fund have been disclosed to the Company in writing pursuant to this paragraph (d); or

(e) the Source constitutes assets of a "plan(s)" (within the meaning of Section IV of PTE 96-23 (the "**INHAM Exemption**")) managed by an "in-house asset manager" or "INHAM" (within the meaning of Part IV of the INHAM exemption), the conditions of Part I(a), (g) and (h) of the INHAM Exemption are satisfied, neither the INHAM nor a person controlling or controlled by the INHAM (applying the definition of "control" in Section IV(h) of the INHAM Exemption) owns a 5% or more interest in the Company and (a) the identity of such INHAM and (b) the name(s) of the employee benefit plan(s) whose assets constitute the Source have been disclosed to the Company in writing this paragraph (e); or

(f) the Source is a governmental plan; or

(g) the Source is one or more employee benefit plans, or separate account or trust fund comprised of one or more employee benefit plans, each of which has been identified to the Company in writing pursuant to this paragraph (g); or

(h) the Source does not include assets of any employee benefit plan, other than a plan exempt from the coverage of ERISA.

As used in this Section 6.2, the terms "**employee benefit plan**", "**governmental plan**" and "**separate account**" shall have the respective meanings assigned to such terms in Section 3 of ERISA.

7. INFORMATION AS TO COMPANY.

7.1 Financial and Business Information.

The Company shall deliver to Prudential and each holder of Notes that is an Institutional Investor:

(a) Quarterly Statements — within 60 days (or if sooner, on the date consolidated statements are required to be delivered to any other creditor of the Company) after the end of each quarterly fiscal period in each fiscal year of the Company (other than the last quarterly fiscal period of each such fiscal year), duplicate copies of,

(i) a consolidated and a consolidating balance sheet of the Company and its Subsidiaries as at the end of such quarter, and

(ii) consolidated and consolidating statements of income, changes in shareholders' equity and cash flows of the Company and its Subsidiaries, for such quarter and (in the case of the second and third quarters) for the portion of the fiscal year ending with such quarter,

setting forth in each case in comparative form the figures for the corresponding periods in the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP applicable to quarterly financial statements generally, and certified by a Senior Financial Officer as fairly presenting, in all material respects, the

financial position of the companies being reported on and their results of operations and cash flows, subject to changes resulting from year-end adjustments; provided that delivery within the time period specified above of copies of the Company's Quarterly Report on Form 10-Q prepared in compliance with the requirements therefor and filed with the Securities and Exchange Commission shall be deemed to satisfy the

requirements of this Section 7.1(a) to provide consolidated financial statements so long as such Quarterly Report on Form 10-Q includes the consolidated financial statements identified in clauses (i) and (ii) above; provided further that such consolidating financial statements shall show the elimination of all Unrestricted Subsidiaries and the resultant consolidated financial statements of the Company and its Restricted Subsidiaries;

(b) Annual Statements — within 120 days (or if sooner, on the date consolidated statements are required to be delivered to any other creditor of the Company) after the end of each fiscal year of the Company, duplicate copies of,

(i) a consolidated and a consolidating balance sheet of the Company and its Subsidiaries, as at the end of such year, and

(ii) consolidated and consolidating statements of income, changes in shareholders' equity and cash flows of the Company and its Subsidiaries, for such year,

setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP, which consolidated financial statements shall be accompanied by an opinion thereon of independent certified public accountants of recognized national standing, which opinion shall state that such consolidated financial statements present fairly, in all material respects, the financial position of the companies being reported upon and their results of operations and cash flows and have been prepared in conformity with GAAP, and that the examination of such accountants in connection with such consolidated financial statements has been made in accordance with generally accepted auditing standards, and that such audit provides a reasonable basis for such opinion in the circumstances, and which consolidating financial statements shall be certified by a Senior Financial Officer as fairly presenting, in all material respects, the financial position of the companies being reported on and their results of operations and cash flows, subject to changes resulting from year-end adjustments; provided that the delivery within the time period specified above of the Company's Annual Report on Form 10-K for such fiscal year (together with the Company's annual report to shareholders, if any, prepared pursuant to Rule 14a-3 under the Exchange Act) prepared in accordance with the requirements therefor and filed with the Securities and Exchange Commission shall be deemed to satisfy the requirements of this Section 7.1(b) to provide consolidated financial statements so long as such Annual Report on Form 10-K includes the consolidated financial statements identified in clauses (i) and (ii) above; provided further that such consolidating financial statements shall show the elimination of all Unrestricted Subsidiaries and the resultant consolidated financial statements of the Company and its Restricted Subsidiaries;

(c) SEC and Other Reports — promptly upon their becoming available, one copy of (i) each financial statement, report, notice or proxy statement sent by the Company or any Subsidiary to public securities holders generally, and (ii) each regular or periodic report, each registration statement (without exhibits except as expressly requested by such holder), and each prospectus and all amendments thereto filed by the Company or any Subsidiary with the Securities and Exchange Commission and of all press releases and other statements made

available generally by the Company or any Material Domestic Subsidiary to the public concerning developments that are Material;

(d) Notice of Default or Event of Default — promptly, and in any event within five days, after a Responsible Officer becoming aware of the existence of any Default or Event of Default or that any Person has given any notice or taken any action with respect to a claimed default hereunder or that any Person has given any notice or taken any action with respect to a claimed default of the type referred to in Section 11(f), a written notice specifying the nature and period of existence thereof and what action the Company is taking or proposes to take with respect thereto;

(e) ERISA Matters — promptly, and in any event within fifteen days after a Responsible Officer becoming aware of any of the following, a written notice setting forth the nature thereof and the action, if any, that the Company or an ERISA Affiliate proposes to take with respect thereto:

(i) with respect to any Plan, any reportable event, as defined in section 4043(b) of ERISA and the regulations thereunder, for which notice thereof has not been waived pursuant to such regulations as in effect on the date hereof, which could reasonably be expected to have a Material Adverse Effect; or

(ii) the taking by the PBGC of steps to institute, or the threatening by the PBGC of the institution of, proceedings under section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or the receipt by the Company or any ERISA Affiliate of a notice from a Multiemployer Plan that such action has been taken by the PBGC with respect to such Multiemployer Plan, which could reasonably be expected to have a Material Adverse Effect; or

(iii) any event, transaction or condition that could result in the incurrence of any liability by the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or such penalty or excise tax provisions, if such liability or Lien, taken together with any other such liabilities or Liens then existing, could reasonably be expected to have a Material Adverse Effect;

(f) Notices from Governmental Authority — promptly, and in any event within 30 days of receipt thereof, copies of any notice to the Company or any Subsidiary from any Federal or state Governmental Authority relating to any order, ruling, statute or other law or regulation that could reasonably be expected to have a Material Adverse Effect; and

(g) Requested Information — with reasonable promptness, such other data and information relating to the business, operations, affairs, financial condition, assets or properties of the Company or any of its Subsidiaries or relating to the ability of the Company to perform its obligations hereunder and under the Notes as from time to time may be reasonably

requested by any such holder of Notes, including without limitation, such information as is required by Rule 144A promulgated under the Securities Act to be delivered to a prospective transferee of the Notes.

7.2 Officer's Certificate.

Each set of financial statements delivered to a holder of Notes pursuant to Section 7.1 hereof shall be accompanied by a certificate of a Senior Financial Officer setting forth:

(a) Covenant Compliance — the information (including detailed calculations) required in order to establish whether the Company was in compliance with the requirements of Section 10.2 through Section 10.6 hereof, inclusive, during the quarterly or annual period covered by the statements then being furnished (including with respect to each such Section, where applicable, the calculations of the maximum or minimum amount, ratio or percentage, as the case may be, permissible under the terms of such Sections, and the calculation of the amount, ratio or percentage then in existence); and

(b) Event of Default — a statement that such officer has reviewed the relevant terms hereof and has made, or caused to be made, under his or her supervision, a review of the transactions and conditions of the Company and its Subsidiaries from the beginning of the quarterly or annual period covered by the statements then being furnished to the date of the certificate and that such review shall not have disclosed the existence during such period of any condition or event that constitutes a Default or an Event of Default or, if any such condition or event existed or exists (including, without limitation, any such event or condition resulting from the failure of the Company or any Subsidiary to comply with any Environmental Law), specifying the nature and period of existence thereof and what action the Company shall have taken or proposes to take with respect thereto.

7.3 Inspection.

The Company shall permit the representatives of each holder of Notes that is an Institutional Investor:

(a) No Default — if no Default or Event of Default then exists, at the expense of such holder and upon reasonable prior notice to the Company, to visit the principal executive office of the Company, to discuss the affairs, finances and accounts of the Company and its Subsidiaries with the Company's officers, and (with the consent of the Company, which consent will not be unreasonably withheld) its independent public accountants, and (with the consent of the Company, which consent will not be unreasonably withheld) to visit the other offices and properties of the Company and each Restricted Subsidiary, all at such reasonable times during business hours and as often as may be reasonably requested in writing; and

(b) Default — if a Default or Event of Default then exists, at the expense of the Company to visit and inspect any of the offices or properties of the Company or any Subsidiary, to examine all their respective books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers and independent public accountants (and by this provision the

Company authorizes said accountants to discuss the affairs, finances and accounts of the Company and its Subsidiaries), all at such reasonable times and as often as may be requested.

8. PREPAYMENT OF THE NOTES.

8.1 Required Prepayments. Each Series of Notes shall be subject to the required prepayments, if any, as are set forth in the Notes of such Series; provided that upon any partial prepayment of the Notes of a Series pursuant to Section 8.2, the principal amount of each required prepayment of the Notes of such Series becoming due on and after the date of such prepayment or purchase, as well as the payment required at maturity, shall be reduced in the same proportion as the aggregate unpaid principal amount of the Notes of such Series is reduced as a result of such prepayment or purchase.

8.2 Optional Prepayments with Make-Whole Amount.

(a) Prepayment Amount. The Company (or the Issuer Subsidiary, if applicable) may, at its option, upon notice as provided below, prepay on any Business Day all, or from time to time any part of, the Notes in an amount not less than 5% of the aggregate principal amount of the Notes then outstanding in the case of a partial prepayment, at 100% of the principal amount so prepaid, plus accrued interest thereon, plus the Make-Whole Amount determined for the prepayment date with respect to such principal amount.

(b) Notice. The Company (or the Issuer Subsidiary, if applicable) will give each holder of Notes written notice of each optional prepayment under this Section 8.2 not less than 30 days and not more than 60 days prior to the Business Day fixed for such prepayment. Each such notice shall specify the prepayment date, the aggregate principal amount of the Notes to be prepaid on such date, the principal amount of each Note held by such holder to be prepaid (determined in accordance with Section 8.3), and the interest to be paid on the prepayment date with respect to such principal amount being prepaid, and shall be accompanied by a certificate of a Senior Financial Officer as to the estimated Make-Whole Amount due in connection with such prepayment (calculated as if the date of such notice were the date of the prepayment), setting forth the details of such computation. Two Business Days prior to such prepayment, the Company (or the Issuer Subsidiary, if applicable) shall deliver to each holder of Notes which shall have designated a recipient for such notices in the Purchaser Schedule attached to the applicable Confirmation of Acceptance or by notice in writing to the Company a certificate of a Senior Financial Officer specifying the calculation of such Make-Whole Amount as of the specified prepayment date.

(c) Prepayments under the Amended and Restated Collateral Agency and Intercreditor Agreement. Any prepayments of the Notes in accordance with the Amended and Restated Collateral Agency and Intercreditor Agreement under circumstances in which the Notes have not been declared due and payable under Section 11 hereof shall be treated as optional prepayments under this Section 8 for purposes of calculating any Make-Whole Amount due in connection with such prepayment.

8.3 Allocation of Partial Prepayments.

In the case of each partial prepayment of the Notes, the principal amount of the Notes to be prepaid shall be allocated among all of the Notes at the time outstanding in proportion, as nearly as practicable, to the respective unpaid principal amounts thereof not theretofore called for prepayment.

8.4 Maturity; Surrender, etc.

In the case of each prepayment of Notes pursuant to this Section 8, the principal amount of each Note to be prepaid shall mature and become due and payable on the date fixed for such prepayment, together with interest on such principal amount accrued to such date and the applicable Make-Whole Amount, if any. From and after such date, unless the Company (or the Issuer Subsidiary, if applicable) shall fail to pay such principal amount when so due and payable, together with the interest and Make-Whole Amount, if any, as aforesaid, interest on such principal amount shall cease to accrue. Any Note paid or prepaid in full shall be surrendered to the Company (or the Issuer Subsidiary, if applicable) and cancelled and shall not be reissued, and no Note shall be issued in lieu of any prepaid principal amount of any Note.

8.5 Purchase of Notes.

The Company will not and will not permit any Affiliate to purchase, redeem, prepay or otherwise acquire, directly or indirectly, any of the outstanding Notes except upon the payment or prepayment of the Notes in accordance with the terms of this Agreement and the Notes. The Company will promptly cancel all Notes acquired by it or any Affiliate pursuant to any payment, prepayment or purchase of Notes pursuant to any provision of this Agreement and no Notes may be issued in substitution or exchange for any such Notes.

8.6 Make-Whole Amount.

The term "**Make-Whole Amount**" means, with respect to any Note, an amount equal to the excess, if any, of the Discounted Value of the Remaining Scheduled Payments with respect to the Called Principal of such Note over the amount of such Called Principal; provided that the Make-Whole Amount may in no event be less than zero. For the purposes of determining the Make-Whole Amount, the following terms have the following meanings:

"Called Principal" means, with respect to any Note, the principal of such Note that is to be prepaid pursuant to Section 8.2 or has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires.

"Discounted Value" means, with respect to the Called Principal of any Note, the amount obtained by discounting all Remaining Scheduled Payments with respect to such Called Principal from their respective scheduled due dates to the Settlement Date with respect to such Called Principal, in accordance with accepted financial practice and at a discount factor (applied on the same periodic basis as that on which interest on the Notes is payable) equal to the Reinvestment Yield with respect to such Called Principal.

"Implied Canadian Dollar Yield" shall mean, with respect to the Called Principal of any Note, the yield to maturity implied by (i) the yields reported as of 10:00 a.m. (New York time) on the second Business Day preceding the

Settlement Date with respect to such Called Principal, on the display designated as "Page 0#CABMK" on the Reuters Screen (or such other display as may replace "Page 0#CABMK" on the Reuters Screen) for actively traded benchmark Canadian Government bonds having a maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date, ascertainable, (ii) the average of the yields for such securities as determined by Recognized Canadian Government Bond Market Makers. Such implied yield shall be determined, if necessary, by (a) converting quotations to bond-equivalent yields in accordance with accepted financial practice and (b) interpolating linearly between (1) the actively traded benchmark Canadian Government bonds with the maturity closest to and greater than the Remaining Average Life of such Called Principal and (2) the actively traded benchmark Canadian Government bonds wit the maturity closest to and less than the Remaining Average Life of such Called Principal.

"Implied Dollar Yield" shall mean, with respect to the Called Principal of any Note, the yield to maturity implied by (i) the yields reported as of 10:00 a.m. (New York time) on the Business Day next preceding the Settlement Date with respect to such Called Principal for actively traded U.S. Treasury securities having a maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date on the Treasury Yield Monitor page of Standard & Poor's MMS – Treasury Market Insight (or, if Standard & Poor's shall cease to report such yields in MMS – Treasury Market Insight or shall cease to be Prudential Capital Group's customary source of information for calculating Make-Whole Amounts on privately placed notes, then such source as is then Prudential Capital Group's customary source of such information), or if such yields shall not be reported as of such time or the yields reported as of such time shall not be ascertainable, (ii) the Treasury Constant Maturity Series yields reported, for the latest day for which such yields shall have been so reported as of the Business Day next preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H.15 (519) (or any comparable successor publication) for actively traded U.S. Treasury securities having a constant maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date. Such implied yield shall be determined, if necessary, by (a) converting U.S. Treasury bill quotations to bond equivalent yields in accordance with accepted financial practice and (b) interpolating linearly between yields reported for various maturities.

"Implied British Pound Yield" means, with respect to the Called Principal of any Note, the yield to maturity implied by (i) the yields reported, as of 10:00 a.m. (New York time) on the second Business Day preceding the Settlement Date with respect to such Called Principal, on the display designated as "Page 0#GBBMK" on the Reuters Screen (or such other display as may replace "Page 0#GBBMK"on the Reuters Screen) for actively traded benchmark gilt-edged securities having a maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date, or if such yields are not reported as of such time or the yields reported shall not be ascertainable, (ii) the average of the yields for such securities as determined by Recognized British Government Bond Market Makers. Such

implied yield will be determined, if necessary, by (a) converting quotations to bond-equivalent yields in accordance with accepted financial practice and (b) interpolating linearly between (1) the actively benchmark traded gilt-edged securities with the maturity closest to and greater than the Remaining Average life, and (2) the actively traded benchmark gilt-edged securities with the maturity closest to and less than the Remaining Average Life.

"Implied Euro Yield" shall mean, with respect to the Called Principal of any Note, the yield to maturity implied by (i) the yields reported, as of 10:00 a.m. (New York time) on the second Business Day preceding the Settlement Date with respect to such Called Principal, on the display designated as "Page 0#DEBMK" on the Reuters Screen (or such other display as may replace "Page 0#DEBMK" on the Reuters Screen) for the actively traded benchmark German Bunds having a maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date, or if such yields are not reported as of such time or the yields reported shall not be ascertainable, (ii) the average of the yields for such securities as determined by Recognized German Bund Market Makers. Such implied yield will be determined, if necessary, by (a) converting quotations to bond-equivalent yields in accordance with accepted financial practice and (b) interpolating linearly between (1) the actively traded benchmark German Bunds with the maturity closest to and greater than the Remaining Average Life of such Called Principal and (2) the actively traded benchmark German Bunds with the maturity closest to and less than the Remaining Average Life of such Called Principal.

"**Implied Yen Yield**" means, with respect to the Called Principal of any Note, the yield to maturity implied by (i) the yields reported, as of 10:00 a.m. (New York time) on the second Business Day preceding the Settlement Date with respect to such Called Principal, on the display designated as "Page 0#JPBMK" on the Reuters Screen (or such other display as may replace "Page 0#JPBMK" on the Reuters Screen) for the actively traded benchmark Japanese Government bonds having a maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date, or if such yields are not reported as of such time or the yields reported shall not be ascertainable, (ii) the average of the yields for such securities as determined by Recognized Japanese Government Bond Market Makers. Such rate will be determined, if necessary, by (a) converting quotations to bond-equivalent yields in accordance with accepted financial practice and (b) interpolating linearly between (1) the actively traded benchmark Japanese Government bonds with the maturity closest to and greater than the Remaining Average Life of such Called Principal and (2) actively traded benchmark Japanese Government bonds with the maturity closest to and less than the Remaining Average Life of such Called Principal.

"**Recognized British Government Bond Market Makers**" shall mean two internationally recognized dealers of gilt edged securities reasonably selected by Prudential. "**Recognized Canadian Government Bond Market Makers**" shall mean two internationally recognized dealers of Canadian Government bonds reasonably selected by Prudential.

"**Recognized German Bund Market Makers**" shall mean two internationally recognized dealers of German Bunds reasonably selected by Prudential.

"**Recognized Japanese Government Bond Market Makers**" shall mean two internationally recognized dealers of Japanese Government bonds reasonably selected by Prudential.

"**Reinvestment Yield**" shall mean, with respect to the Called Principal of any Note denominated in (i) Dollars, 50 basis points plus the Implied Dollar Yield, (ii) British Pounds, the Implied British Pound Yield, (iii) Canadian Dollars, the Implied Canadian Dollar Yield, (iv) Euros, the Implied Euro Yield, and (v) Yen, the Implied Yen Yield. The Reinvestment Yield will be rounded to that number of decimals as appears in the coupon for the applicable Note.

"**Remaining Average Life**" means, with respect to any Called Principal, the number of years (calculated to the nearest one-twelfth year) obtained by dividing (i) such Called Principal into (ii) the sum of the products obtained by multiplying (a) the principal component of each Remaining Scheduled Payment with respect to such Called Principal by (b) the number of years (calculated to the nearest one-twelfth year) that will elapse between the Settlement Date with respect to such Called Principal and the scheduled due date of such Remaining Scheduled Payment.

"**Remaining Scheduled Payments**" means, with respect to the Called Principal of any Note, all payments of such Called Principal and interest thereon that would be due after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due date, provided that if such Settlement Date is not a date on which interest payments are due to be made under the terms of the Notes, then the amount of the next succeeding scheduled interest payment will be reduced by the amount of interest accrued to such Settlement Date and required to be paid on such Settlement Date pursuant to Section 8.2 or 12.1.

"**Settlement Date**" means, with respect to the Called Principal of any Note, the date on which such Called Principal is to be prepaid pursuant to Section 8.2 or has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires.

9. AFFIRMATIVE COVENANTS.

The Company covenants that during the Issuance Period and so long thereafter as any of the Notes are outstanding:

9.1 Compliance with Law.

The Company will and will cause each of its Subsidiaries to comply with all laws, ordinances or governmental rules or regulations to which each of them is subject, including, without limitation, Environmental Laws, and will obtain and maintain in effect all licenses, certificates, permits, franchises and other governmental authorizations necessary to the ownership of their respective properties or to the conduct of their respective businesses, in each case to the extent necessary to ensure that non-compliance with such laws, ordinances or governmental rules or regulations or failures to obtain or maintain in effect such licenses, certificates, permits, franchises and other governmental authorizations could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

9.2 Insurance.

The Company will and will cause each of the Restricted Subsidiaries to maintain, with financially sound and reputable insurers, insurance with respect to their respective properties and businesses against such casualties and contingencies, of such types, on such terms and in such amounts (including deductibles, co-insurance and self-insurance, if adequate reserves are maintained with respect thereto) as is customary in the case of entities of established reputations engaged in the same or a similar business and similarly situated.

9.3 Maintenance of Properties.

The Company will and will cause each of the Restricted Subsidiaries to maintain and keep, or cause to be maintained and kept, their respective properties in good repair, working order and condition (other than ordinary wear and tear), so that the business carried on in connection therewith may be properly conducted at all times, provided that this Section shall not prevent the Company or any Restricted Subsidiary from discontinuing the operation and the maintenance of any of its properties if such discontinuance is desirable in the conduct of its business and the Company has concluded that such discontinuance could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

9.4 Payment of Taxes and Claims.

The Company will and will cause each of its Subsidiaries to file all tax returns required to be filed in any jurisdiction and to pay and discharge all taxes shown to be due and payable on such returns and all other taxes, assessments, governmental charges, or levies imposed on them or any of their properties, assets, income or franchises, to the extent such taxes and assessments have become due and payable and before they have become delinquent and all claims for which sums have become due and payable that have or might become a Lien on properties or assets of the Company or any Subsidiary, provided that neither the Company nor any Subsidiary need pay any such tax or assessment or claims if (i) the amount, applicability or validity thereof is contested by the Company or such Subsidiary on a timely basis in good faith and in appropriate proceedings, and the Company or such Subsidiary has established adequate reserves therefor in accordance with GAAP on the books of the Company or such Subsidiary, or (ii) the nonpayment of all such taxes and assessments and claims in the aggregate could not reasonably be expected to have a Material Adverse Effect.

9.5 Corporate Existence, etc.

The Company will at all times preserve and keep in full force and effect its corporate existence and the existence of any Issuer Subsidiary. Subject to Section 10.2, the Company will at all times preserve and keep in full force and effect the corporate existence of each Restricted Subsidiary (unless merged into the Company or a Restricted Subsidiary) and all rights and franchises of the Company and the Restricted Subsidiaries unless, in the good faith judgment of the Company, the termination of or failure to preserve and keep in full force and effect such corporate existence, right or franchise could not, individually or in the aggregate, have a Material Adverse Effect.

9.6 Security; Execution of Pledge Agreement, Foreign Subsidiary Guaranty and Subsidiary Guaranty.

(a) The Notes and other Senior Secured Indebtedness will, at the option of the Company, either be (x) secured by the Pledged Securities of each Material Foreign Subsidiary, or (y) guaranteed by each Material Foreign Subsidiary pursuant to a foreign subsidiary guaranty substantially in the form of the Subsidiary Guaranty (with such modifications as the Required Holders may reasonably request) (a "**Foreign Subsidiary Guaranty**"), in either case, as set forth below; provided that if the Company elects to cause a Material Foreign Subsidiary to deliver a Foreign Subsidiary Guaranty, such Material Foreign Subsidiary shall also deliver the same Foreign Subsidiary Guaranty to, and for the benefit of, each Senior Secured Creditor party to the Amended and Restated Collateral Agency and Intercreditor Agreement.

(i) Pledged Securities of each Material Foreign Subsidiary. In each instance where the Company elects to comply with clause (x) of Section 9.6(a) above, within 5 days after the Company or any of its Restricted Subsidiaries acquires a Material Foreign Subsidiary or within 5 days after the Company delivers consolidating financial statements pursuant to Section 7.1 showing that any of Company's existing Subsidiaries has become a Material Foreign Subsidiary, the Company shall cause the Pledged Securities of such Material Foreign Subsidiary to be pledged pursuant to a supplement to the Pledge Agreement. The Company shall promptly take all actions as may be necessary or desirable to give to the Collateral Agent, for the ratable benefit of the holders of the Notes and the other Senior Secured Creditors, a valid and perfected first priority Lien on and security interest in the Pledged Securities of such Material Foreign Subsidiary and shall promptly deliver to the holders of the Notes (i) a supplement to the Pledge Agreement executed by each Pledgor of the Pledged Securities of such Material Foreign Subsidiary, (ii) a certificate executed by the secretary or an assistant secretary of each Pledgor as to (a) the incumbency and signatures of the officers of such Pledgor executing the supplement to the Pledge Agreement, and (b) the fact that the attached resolutions of the Board of Directors of such Pledgor authorizing the execution, delivery and performance of the supplement to the Pledge Agreement are in full force and effect and have not been modified or rescinded, (iii) at the request of a holder of any Note, a favorable opinion of counsel, in form and substance reasonably satisfactory to the holders of the Notes and their counsel, as to (a) the due organization and good standing of

Pledged Securities of each Material Foreign Subsidiary. In each instance such Pledgor, (b) the due authorization, execution and delivery by such Pledgor of the supplement to the Pledge Agreement, (c) the enforceability of the supplement to the Pledge Agreement, and (d) such other matters as the Required Holders may reasonably request, all of the foregoing to be satisfactory in form and substance to the holders of the Notes and their counsel; provided that the opinion described in this clause (iii) may be given by the Company's in-house counsel and may contain reasonable assumptions, if necessary, relating to the fact that such counsel may not be admitted to practice law in the applicable jurisdiction, and (iv) such other assurances, certificates, documents, consents or opinions as the Required Holders reasonably may require.

(ii) Foreign Subsidiary Guaranty. In each instance where the Company elects to comply with clause (y) of Section 9.6(a) above, within 5 days after the Company or any of its Restricted Subsidiaries acquires a Material Foreign Subsidiary or within 5 days after the Company delivers consolidating financial statements pursuant to Section 7.1 showing that any of Company's existing Subsidiaries has become a Material Foreign

Subsidiary, the Company shall cause such Material Foreign Subsidiary to execute and deliver a Foreign Subsidiary Guaranty. The Company shall promptly deliver to the holders of the Notes, together with the Foreign Subsidiary Guaranty, (i) a certificate executed by the secretary or an assistant secretary of such Material Foreign Subsidiary as to (a) the incumbency and signatures of the officers of such Material Foreign Subsidiary executing the Foreign Subsidiary Guaranty, and (b) the fact that the attached resolutions of the Board of Directors of such Material Foreign Subsidiary authorizing the execution, delivery and performance of the Foreign Subsidiary Guaranty are in full force and effect and have not been modified or rescinded, (ii) at the request of a holder of any Note, a favorable opinion of counsel, in form and substance reasonably satisfactory to the holders of the Notes and their counsel, as to (a) the due organization and good standing of such Material Foreign Subsidiary, (b) the due authorization, execution and delivery by such Material Foreign Subsidiary of the Foreign Subsidiary Guaranty, (c) the enforceability of the Foreign Subsidiary Guaranty, and (d) such other matters as the Required Holders may reasonably request, all of the foregoing to be satisfactory in form and substance to the holders of the Notes and their counsel; provided that the opinion described in this clause (ii) may be given by the Company's in-house counsel and may contain reasonable assumptions, if necessary, relating to the fact that such counsel may not be admitted to practice law in the applicable jurisdiction, and (iii) such other assurances, certificates, documents, consents or opinions as the Required Holders reasonably may require.

(b) Within 5 days after the Company or any of its Restricted Subsidiaries acquires a Material Domestic Subsidiary or within 5 days after the Company delivers consolidating financial statements pursuant to Section 7.1 showing that any of Company's existing Subsidiaries has become a Material Domestic Subsidiary (but not later than the time when such Material Domestic Subsidiary provides a guaranty or co-obligor agreement to the lenders party to any Significant Credit Facility) the Company will (x) cause such Material Domestic Subsidiary to execute and deliver to the holders of the Notes a counterpart of the

Subsidiary Guaranty, and (y) if the lenders party to such Significant Credit Facility are not then party to the Amended and Restated Collateral Agency and Intercreditor Agreement (either directly or through their agent) cause such lenders (either directly or through their agent) to become party to the Amended and Restated Collateral Agency and Intercreditor Agreement. The Company shall promptly deliver to the holders of the Notes, together with such counterpart of the Subsidiary Guaranty (i) certified copies of such Material Domestic Subsidiary's Articles or Certificate of Incorporation, together with a good standing certificate from the Secretary of State of the jurisdiction of its incorporation, each to be dated a recent date prior to their delivery to the holders of the Notes, (ii) a copy of such Material Domestic Subsidiary's Bylaws, certified by its corporate secretary or an assistant corporate secretary as of a recent date prior to their delivery to the holders of the Notes, (iii) a certificate executed by the secretary or an assistant secretary of such Material Domestic Subsidiary as to (a) the incumbency and signatures of the officers of such Material Domestic Subsidiary executing the counterpart of the Subsidiary Guaranty, and (b) the fact that the attached resolutions of the Board of Directors of such Material Domestic Subsidiary authorizing the execution, delivery and performance of the counterpart of the Subsidiary Guaranty are in full force and effect and have not been modified or rescinded, (iv) at the request of a holder of any Note, a favorable opinion of counsel to the Company and such Material Domestic Subsidiary, in form and substance reasonably satisfactory to the holders of the Notes and their counsel, as to (a) the due organization and good standing of such Material Domestic Subsidiary, (b) the due authorization, execution and delivery by such Material Domestic Subsidiary of the counterpart of the Subsidiary Guaranty, (c) the enforceability of the counterpart of the Material Domestic Subsidiary, and (d) such other matters as the Required Holders may reasonably request, all of the foregoing to be satisfactory in form and substance to the holders of the Notes and their counsel; provided, that the opinion described in clause (iv) above may be given by the Company's in-house counsel and may contain reasonable assumptions, if necessary, relating to the fact that counsel to the Company and such Material Domestic Subsidiary may not be admitted to practice law in the applicable jurisdiction, and (v) such other assurances, certificates, documents, consents or opinions as the Required Holders reasonably may require.

9.7 Maintenance of Ownership. The Company shall, at all times when Notes of an Issuer Subsidiary are outstanding, own, directly or indirectly, no less than 100% of the capital stock of such Issuer Subsidiary.

9.8 Pari Passu Ranking. The Company and each Issuer Subsidiary shall cause its respective obligations under the Notes and this Agreement to at all times rank at least *pari passu*, without preference or priority, with all of their respective other outstanding and future secured and unsubordinated obligations, except for those obligations that are mandatorily preferred by law.

9.9 Payment of Notes and Maintenance of Office. The Company and each Issuer Subsidiary will punctually pay, or cause to be paid, the principal and interest (and Make-Whole Amount, if any) to become due in respect of the Notes according to the terms thereof and will maintain an office at the address of the Company set forth in Section 18(c) hereof where notices, presentations and demands in respect hereof or the Notes may be made upon it. Such office will be maintained at such address until such time as such Company will notify the holders of the Notes of any change of location of such office.

10. NEGATIVE COVENANTS.

The Company covenants that during the Issuance Period and so long thereafter as any of the Notes are outstanding:

10.1 Transactions with Affiliates.

The Company will not and will not permit any Restricted Subsidiary to enter into, directly or indirectly, any Material transaction or Material group of related transactions (including without limitation the purchase, lease, sale or exchange of properties of any kind or the rendering of any service) with any Affiliate (other than the Company or another Restricted Subsidiary), except as approved by a majority of the disinterested directors of the Company, and upon fair and reasonable terms no less favorable to the Company or such Restricted Subsidiary than would be obtainable in a comparable arm's-length transaction with a Person not an Affiliate; provided that the foregoing restrictions shall not apply to Standard Securitization Undertakings effected as part of a Permitted Securitization Program.

10.2 Merger, Consolidation, Sale of Assets, etc.

(a) The Company will not and will not permit any Restricted Subsidiary to consolidate with or merge with any other Person unless immediately after giving

effect to any consolidation or merger no Default or Event of Default would exist and:

(i) in the case of a consolidation or merger of a Restricted Subsidiary, (x) the Company or another Restricted Subsidiary is the surviving or continuing corporation, (y) the surviving or continuing corporation is or immediately becomes a Restricted Subsidiary, or (z) such consolidation or merger, if considered as the sale of the assets of such Restricted Subsidiary to such other Person, would be permitted by Section 10.2(c); and

(ii) in the case of a consolidation or merger of the Company or an Issuer Subsidiary, as the case may be, the successor corporation or surviving corporation which results from such consolidation or merger (the "**surviving corporation**"), if not the Company or an Issuer Subsidiary, (A) is a solvent U.S. corporation, (B) executes and delivers to each holder of the Notes its assumption of (x) the due and punctual payment of the principal of and premium, if any, and interest on all of the Notes, and (y) the due and punctual performance and observation of all of the covenants in this Agreement, the Collateral Documents and the Notes to be performed or observed by the Company or the Issuer Subsidiary, as applicable, and (C) furnishes to each holder of the Notes an opinion of counsel, reasonably satisfactory to the Required Holders, to the effect that the instrument of assumption has been duly authorized, executed and delivered and constitutes the legal, valid and binding contract and agreement of the surviving corporation enforceable in accordance with its terms, except as enforcement of such terms may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the enforcement of creditors' rights generally and by general equitable principles.

(b) The Company will not sell, lease (as lessor) or otherwise transfer all or substantially all of its assets in a single transaction or series of transactions to any Person unless immediately after giving effect thereto no Default or Event of Default would exist and:

(i) the successor corporation to which all or substantially all of the Company's assets have been sold, leased or transferred (the "**successor corporation**") is a solvent U.S. corporation, and

(ii) the successor corporation executes and delivers to each holder of the Notes its assumption of the due and punctual payment of the principal of and premium, if any, and interest on all of the Notes, and the due and punctual performance and observation of all of the covenants in this Agreement, the Collateral Documents and the Notes to be performed or observed by the Company and shall furnish to such holders an opinion of counsel, reasonably satisfactory to the Required Holders, to the effect that the instrument of assumption has been duly authorized, executed and delivered and constitutes the legal, valid and binding contract and agreement of such successor corporation enforceable in accordance with its terms, except as enforcement of such terms may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the enforcement of creditors' rights generally and by general equitable principles.

No such conveyance, transfer or lease of all or substantially all of the assets of the Company shall have the effect of releasing the Company or any successor corporation that shall theretofore have become such in the manner prescribed in this Section 10.2 from its liability under this Agreement or the Notes.

(c) The Company will not, and will not permit any Restricted Subsidiary to, sell, lease (as lessor), transfer, abandon or otherwise dispose of assets to any Person; provided that the foregoing restrictions do not apply to:

(i) the sale, lease, transfer or other disposition of assets of the Company to a Restricted Subsidiary or of a Restricted Subsidiary to the Company or another Restricted Subsidiary;

(ii) the sale in the ordinary course of business of inventory held for sale, or equipment, fixtures, supplies or materials that are no longer required in the operation of the business of the Company or any Restricted Subsidiary or are obsolete;

(iii) the sale of property of the Company or any Restricted Subsidiary and the Company's or any Restricted Subsidiary's subsequent lease, as lessee, of the same property, within 270 days following the acquisition or construction of such property;

(iv) the sale of assets of the Company or any Restricted Subsidiary for cash or other property to a Person or Persons (other than an Affiliate) if (A) such assets (valued at net book value) do not constitute a "substantial part" of the assets of the Company and the Restricted Subsidiaries, (B) in the opinion of a

Responsible Officer of the Company, the sale is for fair value and is in the best interests of the Company, and (C) immediately after giving effect to the transaction, no Default or Event of Default would exist; or

(v) the sale of assets meeting the conditions set forth in clauses (B) and (C) of subparagraph (iv) above, as long as the net proceeds from such sale in excess of a substantial part of the assets of the Company and the Restricted Subsidiaries are (x) applied within 270 days of the date of receipt to the acquisition of productive assets useful and intended to be used in the operation of the business of the Company or the Restricted Subsidiaries, or (y) used to repay any Indebtedness of the Company (which in the case of the Notes shall be with the Make-Whole Amount) or the Restricted Subsidiaries (other than Indebtedness that is in any manner subordinated in right of payment or security in any respect to Indebtedness evidenced by the Notes, Indebtedness owing to the Company, any of its Subsidiaries or any Affiliate and Indebtedness in respect of any revolving credit or similar credit facility providing the Company or any of the Restricted Subsidiaries with the right to obtain loans or other extensions of credit from time to time, except to the extent that in connection with such payment of Indebtedness the availability of credit under such credit facility is permanently reduced not later than 270 days after the date of receipt of such proceeds by an amount not less than the amount of such proceeds applied to the payment of such Indebtedness).

(d) For purposes of Section 10.2(c), a sale of assets will be deemed to involve a "**substantial part**" of the assets of the Company and the Restricted Subsidiaries if the book value of such assets, together with all other assets sold during such fiscal year (except those assets sold pursuant to clauses (i) through (iii) of Section 10.2(c)), exceeds 10% of the Consolidated Total Assets of the Company and the Restricted Subsidiaries determined as of the end of the immediately preceding fiscal year.

(e) The Company will not, and will not permit any Restricted Subsidiary to, issue shares of stock (or any options or warrants to purchase stock or other Securities exchangeable for or convertible into stock) of any Restricted Subsidiary except (i) to the Company, (ii) to a Wholly-Owned Restricted Subsidiary, (iii) to any Restricted Subsidiary that owns equity in the Restricted Subsidiary issuing such equity, or (iv) with respect to a Restricted Subsidiary that is a partnership or joint venture, to any other Person who is a partner or equity owner if such issuance is made pursuant to the terms of the Joint Venture Agreement or Partnership Agreement entered into in connection with the formation of such partnership or joint venture; provided, that Restricted Subsidiaries may issue directors' qualifying shares and shares required to be issued by any applicable foreign law regarding foreign ownership requirements. The Company will not, and will not permit any Restricted Subsidiary to sell, transfer or otherwise dispose of its interest in any stock (or any options or warrants to purchase stock or other Securities exchangeable for or convertible into stock) of any Restricted Subsidiary (except to the Company or a Wholly-Owned Restricted Subsidiary) unless such sale, transfer or disposition would be permitted under Section 10.2(c).

10.3 Liens.

The Company will not and will not permit any of the Restricted Subsidiaries to directly or indirectly create, incur, assume or permit to exist (upon the happening of a contingency or otherwise) any Lien on or with respect to any property or asset (including, without limitation, any document or instrument in respect of goods or accounts receivable) of the Company or any Restricted Subsidiary, whether now owned or hereafter acquired, or any income or profits therefrom (unless the Company makes, or causes to be made, effective provision whereby the Notes will be equally and ratably secured with any and all other obligations thereby secured, such security to be pursuant to an agreement reasonably satisfactory to the Required Holders and, in any such case, the Notes shall have the benefit, to the fullest extent that, and with such priority as, the holders of the Notes may be entitled under applicable law, of any equitable Lien on such property), except for the following (which are collectively referred to as **"Permitted Liens**"):

(a) Liens for taxes, assessments or other governmental charges which are not yet delinquent or that are being contested in good faith;

(b) Liens incidental to the conduct of business or the ownership of properties and assets (including landlords', carriers', warehousemen's, mechanics' materialmen's, and other similar Liens) and Liens to secure the performance of bids, tenders, leases or trade contracts, or to secure statutory obligations (including obligations under workers compensation, unemployment insurance and other social security legislation), surety or appeal bonds or other Liens incurred in the ordinary course of business and not in connection with the borrowing of money;

(c) Liens resulting from judgments, unless such judgments are not, within 60 days, discharged or stayed pending appeal, or shall not have been discharged within 60 days after the expiration of any such stay;

(d) Liens securing Indebtedness of a Restricted Subsidiary owed to the Company or to a Wholly-Owned Restricted Subsidiary;

(e) Liens in existence on the date of this Agreement and reflected in Schedule 10.3 hereto;

(f) minor survey exceptions and the like which do not Materially detract from the value of such property;

(g) leases, subleases, easements, rights of way, restrictions and other similar charges or encumbrances incidental to the ownership of property or assets or the ordinary conduct of the Company's or any of the Restricted Subsidiaries' businesses, provided that the aggregate of such Liens do not Materially detract from the value of such property;

(h) Liens (i) existing on property at the time of its acquisition or construction by the Company or a Restricted Subsidiary and not created in contemplation thereof; (ii) on property created contemporaneously with its acquisition or within 180 days of the acquisition or completion of construction or improvement thereof to secure the purchase price or cost of construction or improvement thereof, including such Liens arising under Capital Leases; or (iii) existing on property of a Person at the time such Person is acquired by, consolidated with, or merged into the Company or a Restricted Subsidiary and not created in contemplation thereof; provided that such Liens shall attach solely to the property acquired or constructed and the principal amount of the Indebtedness secured by the Lien shall not exceed the principal amount of such Indebtedness just prior to the time such Person is consolidated with or merged into the Company or a Restricted Subsidiary;

(i) Liens on receivables of the Company or a Restricted Subsidiary and the related assets of the type specified in clauses (A) through (D) in the definition of "Permitted Securitization Program" in connection with any Permitted Securitization Program;

(j) Liens in favor of the holders of the Notes and the other Senior Secured Creditors party to the Amended and Restated Collateral Agency and Intercreditor Agreement in connection with the pledge of the Pledged Securities of each Material Foreign Subsidiary;

(k) banker's Liens and similar Liens (including set-off rights) in respect of bank deposits; provided, however, that any such Liens held by parties to the Amended and Restated Collateral Agency and Intercreditor Agreement will be governed by and subject to the Amended and Restated Collateral Agency and Intercreditor Agreement;

(l) Liens in favor of customs and revenue authorities as a matter of law to secure payment of custom duties and in connection with the importation of goods in the ordinary course of the Company's and its Subsidiaries' business;

(m) any Lien renewing, extending or replacing Liens permitted by Sections 10.3(e), (h), and (i), provided that (i) the principal amount of the Indebtedness secured is neither increased nor the maturity thereof changed to an earlier date, (ii) such Lien is not extended to any other property, and (iii) immediately after such extension, renewal or refunding, no Default or Event of Default would exist; and

(n) other Liens securing Indebtedness not otherwise permitted by paragraphs (a) through (m) of this Section 10.3, provided that Priority Indebtedness shall not, at any time, exceed an amount equal to 13% of Consolidated Net Worth.

Any Lien originally incurred in compliance with paragraph (n) of this Section 10.3 may be renewed, extended or replaced so long as the conditions set forth in subparagraphs (i), (ii) and (iii) of paragraph (m) of this Section 10.3 are satisfied.

10.4 Minimum Consolidated Net Worth.

The Company will not, at any time, permit Consolidated Net Worth to be less than the sum of (i) $271,935,200, (ii) an aggregate amount equal to 60% of Consolidated Net Income (but, in each case, only if a positive number) earned in (a) the six months ended December 31, 2000, and (b) each complete fiscal year thereafter, and (iii) 50% of the net proceeds realized by the Company and its Restricted Subsidiaries from the sale of Equity

Securities subsequent to June 30, 2000, excluding issuances of Equity Securities upon exercise of employee stock options or rights under any employee benefit plans (excluding such exercise by any Person who owns greater than 5% of the Equity Securities of the Company), issuances of Equity Securities in connection with acquisitions by the Company and its Restricted Subsidiaries, and reissuances of up to $60,000,000 of treasury securities purchased by the Company after October 12, 2000.

10.5 Limitation on Indebtedness.

(a) The Company will not permit at any time (i) the ratio of Total Indebtedness to EBITDA for the four most recently ended fiscal quarters of the Company to be greater than 1.85 to 1.0, or (ii) Priority Indebtedness to exceed 13% of Consolidated Net Worth.

(b) [Intentionally Omitted.]

(c) The Company will not, and will not permit any Restricted Subsidiary to, incur, assume or create any Indebtedness under any Significant Credit Facility unless each of the lenders under such Significant Credit Facility immediately becomes a party to the Amended and Restated Collateral Agency and Intercreditor Agreement.

10.6 Minimum Fixed Charges Coverage.

The Company will not permit, as of the end of each fiscal quarter of the Company, the ratio of Consolidated Income Available for Fixed Charges to Fixed Charges, for the period consisting of such fiscal quarter and the preceding three fiscal quarters, to be less than 2.75 to 1.0.

10.7 Nature of the Business.

The Company will not, and will not permit any Restricted Subsidiary, to engage in any business if, as a result, the general nature of the business of the Company and the Restricted Subsidiaries, taken as a whole, which would then be engaged in by the Company and the Restricted Subsidiaries would be substantially changed from the general nature of the business engaged in by the Company and the Restricted Subsidiaries, taken as a whole, on the date of this Agreement.

10.8 Designation of Restricted and Unrestricted Subsidiaries.

The Company may designate in writing to each of the holders of the Notes any Unrestricted Subsidiary as a Restricted Subsidiary and may designate in writing to each of the holders of the Notes any Restricted Subsidiary as an Unrestricted Subsidiary; provided that (i) no such designation of a Restricted Subsidiary as an Unrestricted Subsidiary shall be effective unless (A) such designation is treated as a transfer under Section 10.2 and such designation is permitted by Section 10.2, and (B) such Subsidiary does not own any stock, other equity interest or Indebtedness of the Company or a Restricted Subsidiary; and (ii) no such designation shall be effective unless, immediately after giving effect thereto no Default or Event of Default would exist; provided, further, that any Subsidiary that has been designated as a Restricted Subsidiary or an Unrestricted Subsidiary may not thereafter be redesignated as a Restricted Subsidiary or an

Unrestricted Subsidiary, as the case may be, more than once; and provided, further, that no Securitization Entity shall be a Restricted Subsidiary unless designated as such by the Company. Notwithstanding anything to the contrary in this Agreement, upon any Unrestricted Subsidiary becoming a Material Subsidiary, it shall immediately be deemed to be a Restricted Subsidiary.

10.9 Limitation on Swap Agreements.

The Company will not, and will not permit any Restricted Subsidiary to, have any obligations (contingent or otherwise) existing or arising under any Swap Agreement, unless such obligations are (or were) entered into by such Person in the ordinary course of business for the purpose of mitigating risks associated with liabilities, commitments or assets held by such Person, and not for purposes of speculation.

10.10 Limitation on Restricted Payments.

The Company will not, and will not permit any Restricted Subsidiary to, do any of the following if a Default or Event of Default exists or would exist immediately after giving effect thereto:

(a) Declare or pay any dividends, either in cash or property, on any shares of capital stock of any class of the Company or any Restricted Subsidiary (except (i) dividends or other distributions payable solely in shares of common stock, and (ii) dividends and distributions paid by a Restricted Subsidiary solely to the Company or a Wholly-Owned Restricted Subsidiary); or

(b) Directly or indirectly, or through any Restricted Subsidiary, purchase, redeem or retire any shares of capital stock of any class of the Company or any Restricted Subsidiary or any warrants, rights or options to purchase or acquire any shares of capital stock of the Company or any Restricted Subsidiary; or

(c) Make any other payment or distribution, either directly or indirectly or through any Restricted Subsidiary, in respect of capital stock of any class of the Company or any Restricted Subsidiary (except payments and distributions made by a Restricted Subsidiary solely to the Company or a Wholly-Owned Restricted Subsidiary).

11. EVENTS OF DEFAULT.

An "Event of Default" shall exist if any of the following conditions or events shall occur and be continuing:

(a) the Company or any Issuer Subsidiary defaults in the payment of any principal or Make-Whole Amount, if any, on any Note when the same becomes due and payable, whether at maturity or at a date fixed for prepayment or by declaration or otherwise; or

(b) the Company or any Issuer Subsidiary defaults in the payment of any interest on any Note or any amount payable under Section 14.4 for more than five Business Days after the same becomes due and payable; or

(c) the Company defaults in the performance of or compliance with any term contained in Section 10; or

(d) the Company or any of its Subsidiaries defaults in the performance of or compliance with any term contained herein (other than those referred to in paragraphs (a), (b) and (c) of this Section 11) or in any Collateral Document and such default is not remedied within 30 days after the earlier of (i) a Responsible Officer obtaining actual knowledge of such default, and (ii) the Company or such Subsidiary receiving written notice of such default from any holder of a Note (any such written notice to be identified as a "notice of default" and to refer specifically to this paragraph (d) of Section 11); or

(e) any representation or warranty made in writing by or on behalf of the Company, any Issuer Subsidiary or any Subsidiary Guarantor or by any officer of the Company, any Issuer Subsidiary or any Subsidiary Guarantor in this Agreement, the Collateral Documents or in any writing furnished in connection with the transactions contemplated hereby or thereby proves to have been false or incorrect in any material respect on the date as of which made; or

(f) (i) the Company or any Restricted Subsidiary is in default (as principal or as guarantor or other surety) in the payment of any principal of or premium or make-whole amount or interest on any Indebtedness beyond any period of grace provided with respect thereto, or (ii) the Company or any Restricted Subsidiary is in default for more than 20 Business Days in the performance of or compliance with any term of any evidence of any Indebtedness or of any mortgage, indenture or other agreement relating thereto or any other condition exists, and as a consequence of such default or condition (x) such Indebtedness has become, or has been declared (or one or more Persons are entitled to declare such Indebtedness to be) due and payable before its stated maturity or before its regularly scheduled dates of payment, or (y) one or more Persons have the right to require the Company or any Restricted Subsidiary to purchase or repay such Indebtedness, or (iii) as a consequence of the occurrence or continuation of any event or condition (other than the passage of time or the right of the holder of Indebtedness to convert such Indebtedness into equity interests), (x) the Company or any Restricted Subsidiary has become obligated to purchase or repay any Indebtedness before its regular maturity or before its regularly scheduled dates of payment, or (y) one or more Persons have exercised any right to require the Company or any Restricted Subsidiary to purchase or repay such Indebtedness, provided that the aggregate amount of all foregoing Indebtedness with respect to which a payment, performance or compliance default shall have occurred or a failure or other event causing or permitting the purchase or repayment by the Company or any Restricted Subsidiary shall have occurred exceeds $7,500,000; or

(g) the Company, any Issuer Subsidiary or any Material Subsidiary (i) is generally not paying, or admits in writing its inability to pay, its debts as they become due, (ii) files, or consents by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy, insolvency, reorganization, moratorium or other similar law of any jurisdiction, (iii) makes an assignment for the benefit of its creditors, (iv) consents to the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, (v) is adjudicated as insolvent or to be liquidated, or (vi) takes corporate action for the purpose of any of the foregoing; or

(h) a court or governmental authority of competent jurisdiction enters an order appointing, without consent by the Company, any Issuer Subsidiary or any Material Subsidiary, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or constituting an order for relief or approving a petition for relief or reorganization or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of the Company, any Issuer Subsidiary or any Material Subsidiary, or any such petition shall be filed against the Company, any Issuer Subsidiary or any Material Subsidiary and such petition shall not be dismissed within 60 days; or

(i) a final judgment or judgments for the payment of money aggregating in excess of $10,000,000 are rendered against one or more of the Company, any Issuer Subsidiary and any Restricted Subsidiary and which judgments are not, within 60 days after entry thereof, bonded, discharged or stayed pending appeal, or are not discharged within 60 days after the expiration of such stay; or

(j) the Subsidiary Guaranty ceases to be in full force and effect with respect to any Material Domestic Subsidiary, or any Material Domestic Subsidiary contests the validity thereof; or

(k) the Pledge Agreement ceases to be in full force and effect with respect to any Material Foreign Subsidiary, any Pledgor contests the validity of the Pledge Agreement, or the Collateral Agent shall fail to have a valid, perfected and enforceable first priority security interest in the Pledged Securities; or

(l) a Foreign Subsidiary Guaranty ceases to be in full force and effect with respect to any Material Foreign Subsidiary (or any other Foreign Subsidiary executing such Foreign Subsidiary Guaranty), or any Material Foreign Subsidiary (or any other Foreign Subsidiary executing such Foreign Subsidiary Guaranty) contests the validity thereof; or

(m) the Parent Guaranty shall cease to be in full force and effect or shall be declared by a court or administrative or governmental body of competent jurisdiction to be void, voidable or unenforceable against the Company, or the validity or enforceability of the Parent Guaranty against the Company shall be contested by the Company, or any Subsidiary or Affiliate of the Company, or the Company, or any Subsidiary or Affiliate of the Company, shall deny that the Company has any further liability or obligation under the Parent Guaranty; or

(n) (i) any Plan shall fail to satisfy the minimum funding standards of ERISA or the Code for any plan year or part thereof or a waiver of such standards or extension of any amortization period is sought or granted under section 412 of the Code, (ii) a notice of intent to terminate any Plan shall have been or is reasonably expected to be filed with the PBGC or the PBGC shall have instituted proceedings under ERISA section 4042 to terminate or appoint a trustee to administer any Plan or the PBGC shall have notified the Company or any ERISA Affiliate that a Plan may become a subject of any such proceedings, (iii) the aggregate "amount of unfunded benefit liabilities" (within the meaning of section 4001(a)(18) of ERISA) under all Plans, determined in accordance with Title IV of ERISA, shall exceed 5% of Consolidated Net Worth as of the end of the most recently ended fiscal quarter of the Company, (iv) the Company

or any of its Subsidiaries establishes or amends any employee welfare benefit plan that provides post-employment welfare benefits in a manner that would increase the liability of the Company or any of its Subsidiaries thereunder; and any such event or events described in clauses (i) through (vi) above, either individually or together with any other such event or events, could reasonably be expected to have a Material Adverse Effect.

As used in Section 11(n), the terms "**employee benefit plan**" and "**employee welfare benefit plan**" shall have the respective meanings assigned to such terms in Section 3 of ERISA.

12. REMEDIES ON DEFAULT, ETC.

12.1 Acceleration.

(a) If an Event of Default with respect to the Company or any Issuer Subsidiary described in paragraph (g) or (h) of Section 11 (other than an Event of Default described in clause (i) of paragraph (g) or described in clause (vi) of paragraph (g) by virtue of the fact that such clause encompasses clause (i) of paragraph (g)) has occurred, all the Notes then outstanding shall automatically become immediately due and payable.

(b) If any other Event of Default has occurred and is continuing, any holder or holders of more than 50% in principal amount of the Notes at the time outstanding may at any time at its or their option, by notice or notices to the Company, declare all the Notes then outstanding to be immediately due and payable.

(c) If any Event of Default described in paragraph (a) or (b) of Section 11 has occurred and is continuing, any holder or holders of Notes at the time outstanding affected by such Event of Default may at any time, at its or their option, by notice or notices to the Company, declare all the Notes held by it or them to be immediately due and payable.

Upon any Notes becoming due and payable under this Section 12.1, whether automatically or by declaration, such Notes will forthwith mature and the entire unpaid principal amount of such Notes, plus (x) all accrued and unpaid interest thereon and (y) the Make-Whole Amount determined in respect of such principal amount (to the full extent permitted by applicable law), shall all be immediately due and payable, in each and every case without presentment, demand, protest or further notice, all of which are hereby waived. The Company and each Issuer Subsidiary acknowledge, and the parties hereto agree, that each holder of a Note has the right to maintain its investment in the Notes free from repayment by the Company or such Issuer Subsidiary (except as herein specifically provided for) and that the provision for payment of a Make-Whole Amount by the Company or such Issuer Subsidiary in the event that the Notes are prepaid or are accelerated as a result of an Event of Default, is intended to provide compensation for the deprivation of such right under such circumstances.

12.2 Other Remedies.

If any Default or Event of Default has occurred and is continuing, and irrespective of whether any Notes have become or have been declared immediately due and payable under Section 12.1, the holder of any Note at the time outstanding may proceed to protect and enforce the rights of such holder by an action at law, suit in equity or other appropriate proceeding, whether for the specific performance of any agreement contained herein, in the Collateral Documents or in any Note, or for an injunction against a violation of any of the terms hereof or thereof, or in aid of the exercise of any power granted hereby or thereby or by law or otherwise.

12.3 Rescission.

At any time after any Notes have been declared due and payable pursuant to clause (b) or (c) of Section 12.1, the Required Holders, by written notice to the Company, may rescind and annul any such declaration and its consequences, and at any time after any Notes have become due and payable pursuant to clause (a) of Section 12.1, the holders of all Notes then outstanding, by written notice to the Company, may rescind acceleration of the Notes resulting from the occurrence of an Event of Default described in paragraph (h) of Section 11, if in each case (i) the Company or the Issuer Subsidiary has paid all overdue interest on the Notes, all principal of and Make-Whole Amount, if any, on any Notes that are due and payable and are unpaid other than by reason of such declaration, and all interest on such overdue principal and Make-Whole Amount, if any, and (to the extent permitted by applicable law) any overdue interest in respect of the Notes, at the Default Rate, (ii) all Events of Default and Defaults, other than non-payment of amounts that have become due solely by reason of such declaration or acceleration, have been cured or have been waived pursuant to Section 17, and (iii) no judgment or decree has been entered for the payment of any monies due pursuant hereto or to the Notes. No rescission and annulment under this Section 12.3 will extend to or affect any subsequent Event of Default or Default or impair any right consequent thereon.

12.4 No Waivers or Election of Remedies, Expenses, etc.

No course of dealing and no delay on the part of any holder of any Note in exercising any right, power or remedy shall operate as a waiver thereof or otherwise prejudice such holder's rights, powers or remedies. No right, power or remedy conferred by this Agreement, the Collateral Documents or by any Note upon any holder thereof shall be exclusive of any other right, power or remedy referred to herein or therein or now or hereafter available at law, in equity, by statute or otherwise. Without limiting the obligations of the Company under Section 15, the Company will pay to the holder of each Note on demand such further amount as shall be sufficient to cover all costs and expenses of such holder incurred in any enforcement or collection under this Section 12, including, without limitation, reasonable attorneys' fees, expenses and disbursements.

13. REGISTRATION; EXCHANGE; SUBSTITUTION OF NOTES.

13.1 Registration of Notes.

The Company shall keep at its principal executive office a register for the registration and registration of transfers of Notes. The name and address of each holder of one or more Notes, each transfer thereof and the name and address of each transferee of one or more Notes shall be registered in such register. Prior to due presentment for registration of transfer,

the Person in whose name any Note shall be registered shall be deemed and treated as the owner and holder thereof for all purposes hereof, and the Company shall not be affected by any notice or knowledge to the contrary. The Company shall give to any holder of a Note that is an Institutional Investor promptly upon request therefor, a complete and correct copy of the names and addresses of all registered holders of Notes.

13.2 Transfer and Exchange of Notes.

Upon surrender of any Note at the principal executive office of the Company for registration of transfer or exchange (and in the case of a surrender for registration of transfer, duly endorsed or accompanied by a written instrument of transfer duly executed by the registered holder of such Note or his attorney duly authorized in writing and accompanied by the address for notices of each transferee of such Note or part thereof), the Company or the applicable Issuer Subsidiary shall execute and deliver, at its expense (except as provided below), one or more new Notes (as requested by the holder thereof) in exchange therefor, in an aggregate principal amount equal to the unpaid principal amount of the surrendered Note. Each such new Note shall be payable to such Person as such holder may request and shall be substantially in the form of Exhibit A. Each such new Note shall be dated and bear interest from the date to which interest shall have been paid on the surrendered Note or dated the date of the surrendered Note if no interest shall have been paid thereon. The Company or the applicable Issuer Subsidiary may require payment of a sum sufficient to cover any stamp tax or governmental charge imposed in respect of any such transfer of Notes. Notes shall not be transferred in denominations of less than $100,000 (or its equivalent if denominated in another currency), provided that if necessary to enable the registration of transfer by a holder of its entire holding of Notes, one Note may be in a denomination of less than $100,000 (or its equivalent if denominated in another currency). Any transferee, by its acceptance of a Note registered in its name (or the name of its nominee), shall be deemed to have made the representations set forth in Section 6. Each transferee of a Note shall, as a condition to transfer, simultaneously become a party to the the Amended and Restated Collateral Agency and Intercreditor Agreement. Each transferee of a Note which was not previously a holder of the Notes under this Agreement and which is not incorporated under the laws of the United States of America or a state thereof shall, within three Business Days of becoming a holder, deliver to the Company such certificate and other evidence as the Company may reasonably request to establish that such holder is entitled to receive payments under the Notes without deduction or withholding of any United States federal income taxes.

13.3 Replacement of Notes.

Upon receipt by the Company or the applicable Issuer Subsidiary of evidence reasonably satisfactory to it of the ownership of and the loss, theft, destruction or mutilation of any Note (which evidence shall be, in the case of an Institutional Investor, notice from such Institutional Investor of such ownership and such loss, theft, destruction or mutilation), and

(a) in the case of loss, theft or destruction, of indemnity reasonably satisfactory to it (provided that if the holder of such Note is, or is a nominee for, an original Purchaser or another holder of a Note with a minimum net worth of at least $100,000,000, such Person's own unsecured agreement of indemnity shall be deemed to be satisfactory), or

(b) in the case of mutilation, upon surrender and cancellation thereof,

the Company or such Issuer Subsidiary at its own expense shall execute and deliver, in lieu thereof, a new Note, dated and bearing interest from the date to which interest shall have been paid on such lost, stolen, destroyed or mutilated Note or dated the date of such lost, stolen, destroyed or mutilated Note if no interest shall have been paid thereon.

14. PAYMENTS ON NOTES.

14.1 Place of Payment.

Subject to Section 14.2, payments of principal, Make-Whole Amount, if any, and interest becoming due and payable on the Notes shall be made in Provo, Utah at the principal office of the Company in such jurisdiction. The Company may at any time, by notice to each holder of a Note, change the place of payment of the Notes so long as such place of payment shall be either the principal office of the Company in such jurisdiction or the principal office of a bank or trust company in such jurisdiction.

14.2 Home Office Payment.

So long as any Purchaser or its nominee shall be the holder of any Note, and notwithstanding anything contained in Section 14.1 or in such Note to the contrary, the Company and each Issuer Subsidiary will pay all sums becoming due on such Note for principal, Make-Whole Amount, if any, and interest by wire transfer of immediately available funds to the account or accounts specified in the Purchaser Schedule to the Confirmation of Acceptance with respect to such Note, or by such other method or at such other address as such Purchaser shall have from time to time specified to the Company or such Issuer Subsidiary in writing for such purpose, without the presentation or surrender of such Note or the making of any notation thereon, except that upon written request of the Company or such Issuer Subsidiary made concurrently with or reasonably promptly after payment or prepayment in full of any Note, such Purchaser shall surrender such Note for cancellation, reasonably promptly after any such request, to the Company at its principal executive office or at the place of payment most recently designated by the Company pursuant to Section 14.1. Prior to any sale or other disposition of any Note held by any Purchaser or its nominee such Purchaser will, at its election, either endorse thereon the amount of principal paid thereon and the last date to which interest has been paid thereon or surrender such Note to the Company in exchange for a new Note or Notes pursuant to Section 13.2. The Company and each Issuer Subsidiary will afford the benefits of this Section 14.2 to any Institutional Investor that is the direct or indirect transferee of any Note purchased under this Agreement that has made the same agreement relating to such Note as the Purchasers have made in this Section 14.2.

14.3 Currency of Payments.

(a) All payments under this Agreement and the Notes shall be made in the Available Currency in which the relevant Notes are denominated.

(b) All expenses required to be reimbursed pursuant to this Agreement or the Notes shall be reimbursed in the currency in which such expenses were originally incurred.

(c) To the fullest extent permitted by applicable law, the obligation of the Company and each Issuer Subsidiary in respect of any amount due under or in respect of this Agreement and the Notes, notwithstanding any payment in any currency other than the currency required to be used to pay such amount (as set forth in this Section 14.3(c)), whether as a result of (1) any judgment or order or the enforcement thereof, (2) the realization on any security, (3) the liquidation of the Company or any Issuer Subsidiary, (4) any voluntary payment by the Company or any Issuer Subsidiary or any of them or (5) any other reason, shall be discharged only to the extent of the amount of the applicable Available Currency that each holder of Notes entitled to receive such payment may, in accordance with normal banking procedures, purchase with the sum paid in such other currency (after any premium and costs of exchange) on the New York Business Day immediately following the day on which such holder receives such payment and if the amount in such Available Currency that may be so purchased for any reason is less than the amount originally due, the Company or the applicable Issuer Subsidiary shall indemnify and save harmless such holder from and against all loss or damage arising out of or as a result of such deficiency. This indemnity shall constitute an obligation separate and independent from the other obligations contained in this Agreement and the Notes, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by such holder from time to time and shall continue in full force and effect notwithstanding any judgment or order for a liquidated sum in respect of an amount due under this Agreement or the Notes or under any judgment or order.

14.4 Payments Free and Clear of Taxes.

(a) Payments. The Company and each Issuer Subsidiary will pay all amounts of principal of, applicable Make-Whole Amount, if any, and interest on the Notes, and all other amounts payable hereunder or under the Notes, without set-off or counterclaim and free and clear of, and without deduction or withholding for or on account of, all present and future income, stamp, documentary and other taxes and duties, and all other levies, imposts, charges, fees, deductions and withholdings, now or hereafter imposed, levied, collected, withheld or assessed by any Governmental Authority (except net income taxes and franchise taxes in lieu of net income taxes imposed on any holder of any Note by its jurisdiction of incorporation or the jurisdiction in which its applicable lending office is located) (all such non-excluded taxes, duties, levies, imposts, duties, charges, fees, deductions and withholdings being hereinafter called "**Taxes**"). If any Taxes are required to be withheld from any amounts payable to a holder of any Notes, the amounts so payable to such holder shall be increased to the extent necessary to yield such holder (after payment of all Taxes) interest on any such other amounts payable hereunder at the rates or in the amounts specified in this Agreement and the Notes. Whenever any Taxes are payable by the Company or such Issuer Subsidiary, as promptly as possible thereafter, the Company or such Issuer Subsidiary shall send to each holder of the Notes, a certified copy of an original official receipt received by the Company or such Issuer Subsidiary showing payment thereof. If the Company or such Issuer Subsidiary fails to pay any Taxes when due to the appropriate taxing authority or fails to remit to each holder of the Notes the required receipts or other required documentary evidence, the Company or such Issuer Subsidiary shall indemnify each holder of the Notes for any taxes (including interest or penalties) that may become payable by such holder as a result of any such failure. The obligations of the Company and each Issuer Subsidiary under this subsection 14.4(a) shall survive the payment and performance of the Notes and the termination of this Agreement.

(b) Withholding Exemption Certificates. On or prior to the applicable Closing Day, each holder of the Notes which is not organized under the laws of the United States of America or a state thereof shall deliver to the Company such certificates and other evidence as the Company may reasonably request to establish that such holder is entitled to receive payments under the Notes without deduction or withholding of any United States federal income taxes. Each such holder further agrees (i) promptly to notify the Company of any change of circumstances (including any change in any treaty, law or regulation) which would prevent such holder from receiving payments under the Notes without any deduction or withholding of such taxes, and (ii) on or before the date that any certificate or other form delivered by such holder under this Section 14.4(b) expires or becomes obsolete or after the occurrence of any event requiring a change in the most recent such certificate or form previously delivered by such holder, to deliver to the Company a new certificate or form, certifying that such holder is entitled to receive payments under the Notes without deduction or withholding of such taxes. If any holder of the Notes which is not organized under the laws of the United States of America or a state thereof fails to provide to the Company pursuant to this Section 14.4(b) (or in the case of a transferee of a Note, Section 13.2) any certificates or other evidence required by such provision to establish that such holder is, at the time it becomes a holder, entitled to receive payments under the Notes without deduction or withholding of any United States federal income taxes, such holder shall not be entitled to any indemnification under Section 14.4(a) for any Taxes imposed on such holder.

15. EXPENSES, ETC.

15.1 Transaction Expenses.

Whether or not the transactions contemplated hereby are consummated, the Company will pay all costs and expenses (including reasonable attorneys' fees of one special counsel and, if reasonably required, local or other counsel) incurred by the Collateral Agent, each Purchaser or holder of a Note in connection with such transactions and in connection with any amendments, waivers or consents under or in respect of this Agreement, the Collateral Documents or the Notes (whether or not such amendment, waiver or consent becomes effective), including, without limitation: (a) the costs and expenses incurred in enforcing or defending (or determining whether or how to enforce or defend) any rights under this Agreement, the Collateral Documents or the Notes or in responding to any subpoena or other legal process or informal investigative demand issued in connection with this Agreement, the Collateral Documents or the Notes, or by reason of being a holder of any Note, and (b) the costs and expenses, including financial advisors' fees, incurred in connection with the insolvency or bankruptcy of the Company or any Subsidiary or in connection with any work-out or restructuring of the transactions contemplated hereby, by the Collateral Documents and by the Notes. The Company will pay, and will save each holder of a Note harmless from, all claims in respect of any fees, costs or expenses if any, of brokers and finders (other than those retained by such holder).

15.2 Survival.

The obligations of the Company under this Section 15 will survive the payment or transfer of any Note, the enforcement, amendment or waiver of any provision of this Agreement, the Collateral Documents or the Notes, and the termination of this Agreement and the Collateral Documents.

16. SURVIVAL OF REPRESENTATIONS AND WARRANTIES; ENTIRE AGREEMENT.

All representations and warranties contained herein, in the Collateral Documents or in any Confirmation of Acceptance shall survive the execution and delivery of this Agreement, the Collateral Documents, such Confirmation of Acceptance and the Notes, the purchase or transfer by any holder of any Note or portion thereof or interest therein and the payment of any Note, and may be relied upon by any subsequent holder of a Note, regardless of any investigation made at any time by or on behalf of any Purchaser or any other holder of a Note. All statements contained in any certificate or other instrument delivered by or on behalf of the Company pursuant to this Agreement or the Collateral Documents shall be deemed representations and warranties of the Company under this Agreement. Subject to the preceding sentence, this Agreement, the Collateral Documents and the Notes embody the entire agreement and understanding between the Prudential and the Purchasers, on the one hand, and the Company and each Issuer Subsidiary, on the other hand, and supersede all prior agreements and understandings relating to the subject matter hereof.

17. AMENDMENT AND WAIVER.

17.1 Requirements.

This Agreement and the Collateral Documents may be amended, and the Company (or any Issuer Subsidiary, as applicable) may take any action herein prohibited, or omit to perform any act herein required to be performed by it, if the Company (or such Issuer Subsidiary, as applicable) shall obtain the written consent to such amendment, action or omission to act, of the Required Holder(s) of the Notes, except that:

(i) without the written consent of the holders of all Notes of a particular Series, and if an Event of Default shall have occurred and be continuing, of the holders of all Notes of all Series, at the time outstanding, the Notes of such Series may not be amended or the provisions thereof waived to change the maturity thereof, to change or affect the principal thereof, or to change or affect the rate or time of payment of interest on or any Make-Whole Amount payable with respect to the Notes of such Series,

(ii) without the written consent of the holder or holders of all Notes at the time outstanding, no amendment to or waiver of the provisions of this Agreement shall change or affect the provisions of Section 12 or this Section 17 insofar as such provisions relate to proportions of the principal amount of the Notes of any Series, or the rights of any individual holder of Notes, required with respect to any declaration of Notes to be due and payable or with respect to any consent, amendment, waiver or declaration,

(iii) without the written consent of Prudential, the provisions of Section 2B may not be amended or waived (provided that if any such amendment or waiver would affect any rights or obligations with respect to the purchase and sale of Notes which shall have become Accepted Notes prior to such amendment or waiver, the requirements of clause (iv), below, must also be satisfied), and

(iv) without the written consent of all of the Purchasers which shall have become obligated to purchase Accepted Notes of any Series, no provision of Sections 2B or 3 may be amended or waived if such amendment or waiver would affect the rights or obligations with respect to the purchase and sale of the Accepted Notes of such Series or the terms and provisions of such Accepted Notes.

Each holder of any Note at the time or thereafter outstanding shall be bound by any consent authorized by this Section 17, whether or not such Note shall have been marked to indicate such consent. No course of dealing between the Company and the holder of any Note nor any delay in exercising any rights hereunder or under any Note shall operate as a waiver of any rights of any holder of such Note.

As used herein, the term “this Agreement” and “the Collateral Documents” and references thereto shall mean this Agreement and the Collateral Documents, respectively, as they may from time to time be amended or supplemented.

17.2 Notes held by Company, etc.

Solely for the purpose of determining whether the holders of the requisite percentage of the aggregate principal amount of Notes or any Series thereof then outstanding have approved or consented to any amendment, waiver or consent to be given under this Agreement or the Notes or any Series thereof, or have directed the taking of any action provided herein or in the Notes or any Series thereof to be taken upon the direction of the holders of a specified percentage of the aggregate principal amount of Notes or any Series thereof then outstanding, Notes or any Series thereof directly or indirectly owned by the Company or any of its Affiliates shall be deemed not to be outstanding.

18. NOTICES.

All notices and communications provided for hereunder (other than communication provided for in Section 2, which shall be provided as contemplated therein) shall be in writing and sent (a) by telefacsimile if the sender on the same day sends a confirming copy of such notice by a recognized overnight delivery service (charges prepaid), or (b) by registered or certified mail with return receipt requested (postage prepaid), or (c) by a recognized overnight delivery service (with charges prepaid). Any such notice must be sent:

(a) if to any Purchaser or its nominee, to such Person at the address specified for such communications in the Purchaser Schedule attached to the applicable Confirmation of Acceptance, or at such other address as such Person shall have specified to the Company in writing,

(b) if to any other holder of any Note, to such holder at such address as such other holder shall have specified to the Company in writing, or

(c) if to the Company or any Issuer Subsidiary, to the Company at One Nu Skin Plaza, 75 West Center Street, Provo, Utah 84601 to the attention of the Chief Financial Officer, or at such other address as the Company or such Issuer Subsidiary shall have specified to the holder of each Note in writing.

Notices under this Section 18 will be deemed to have been given and received when delivered at the address so specified. Any communication pursuant to Section 2 shall be made by a method specified for such communication in Section 2, and shall be effective to create any rights or obligations under this Agreement only if, in the case of a telephone communication, an Authorized Officer of the party conveying the information and of the party receiving the information are parties to the telephone call, and in the case of a telefacsimile communication, the communication is signed by an Authorized Officer of the party conveying the information, addressed to the attention of an Authorized Officer of the party receiving the information, and in fact received at the telefacsimile terminal the number of which is listed for the party receiving the communication on the Information Schedule hereto or at such other telefacsimile terminal as the party receiving the information shall have specified in writing to the party sending such information.

19. REPRODUCTION OF DOCUMENTS.

This Agreement, the Collateral Documents and all documents relating thereto, including, without limitation, (a) consents, waivers and modifications that may hereafter be executed, (b) documents received by any Purchaser may at the Closing Day (except the Notes themselves), and (c) financial statements, certificates and other information previously or hereafter furnished to any Purchaser, may be reproduced by such Purchaser by any photographic, photostatic, microfilm, microcard, miniature photographic or other similar process and such Purchaser may destroy any original document so reproduced. The Company agrees and stipulates that, to the extent permitted by applicable law, any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made in the regular course of business) and any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence. This Section 19 shall not prohibit the Company or any other holder of Notes from contesting any such reproduction to the same extent that it could contest the original, or from introducing evidence to demonstrate the inaccuracy of any such reproduction.

20. CONFIDENTIAL INFORMATION.

For the purposes of this Section 20, "Confidential Information" means information delivered to any Purchaser by or on behalf of the Company or any Subsidiary in connection with the transactions contemplated by or otherwise pursuant to this Agreement that is proprietary in nature and that was clearly marked or labeled or otherwise adequately identified when received by such Purchaser as being confidential information of the Company or such Subsidiary, provided that such term does not include information that (a) was publicly known or otherwise known to such Purchaser prior to the time of such disclosure, (b) subsequently becomes publicly known through no act or omission by such Purchaser or any person acting on its behalf, (c) otherwise becomes known to such Purchaser other than through disclosure (x) by

the Company or any Subsidiary, or (y) by another Person known by such Purchaser to be bound by a confidentiality agreement with the Company, or (d) constitutes financial statements delivered to such Purchaser under Section 7.1 that are otherwise publicly available. Each Purchaser will maintain the confidentiality of such Confidential Information in accordance with procedures adopted by it in good faith to protect confidential information of third parties delivered to it, provided that each Purchaser may deliver or disclose Confidential Information to (i) its directors, officers, employees, agents, attorneys and affiliates (to the extent such disclosure reasonably relates to the administration of the investment represented by any Notes), (ii) its financial advisors and other professional advisors who agree to hold confidential the Confidential Information substantially in accordance with the terms of this Section 20, (iii) any other holder of any Note, (iv) any Institutional Investor to which such Purchaser sells or offers to sell such Note or any part thereof or any participation therein (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 20), (v) any Person from which such Purchaser offers to purchase any security of the Company (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 20), (vi) any federal or state regulatory authority having jurisdiction over such Purchaser, (vii) the National Association of Insurance Commissioners or any similar organization, or any nationally recognized rating agency that requires access to information about such Purchaser's investment portfolio or (viii) any other Person to which such delivery or disclosure may be necessary or appropriate (w) to effect compliance with any law, rule, regulation or order applicable to such Purchaser, (x) in response to any subpoena or other legal process (provided that such Purchaser give prompt notice to the Company of such subpoena or legal process to the extent such Purchaser is legally permitted to do so), (y) in connection with any litigation to which such Purchaser is a party, or (z) if an Event of Default has occurred and is continuing, to the extent such Purchaser may reasonably determine such delivery and disclosure to be necessary or appropriate in the enforcement or for the protection of the rights and remedies under its Notes, this Agreement and the Collateral Documents. Each holder of a Note, by its acceptance of a Note, will be deemed to have agreed to be bound by and to be entitled to the benefits of this Section 20 as though it were a party to this Agreement. On reasonable request by the Company in connection with the delivery to any holder of a Note of information required to be delivered to such holder under this Agreement or requested by such holder (other than a holder that is a party to this Agreement or its nominee), such holder will enter into an agreement with the Company embodying the provisions of this Section 20.

21. GUARANTEED OBLIGATIONS.

21.1 Guaranteed Obligations.

The Company, in consideration of the execution and delivery of this Agreement and the purchase by the Purchasers of any Notes issued by an Issuer Subsidiary, hereby irrevocably, unconditionally, absolutely, jointly and severally guarantees, on a continuing basis, to each holder of Notes as and for the Company's own debt, until final and indefeasible payment has been made the due and punctual payment by each Issuer Subsidiary of the principal of, and interest, and the Make-Whole Amount (if any) on, the Notes issued by such Issuer Subsidiary at any time outstanding and the due and punctual payment of all other amounts payable, and all other indebtedness owing, by such Issuer Subsidiary to the holders of such Notes under this Agreement and such Notes, in each case when and as the same shall become due and payable,

whether at maturity, pursuant to mandatory or optional prepayment, by acceleration or otherwise, all in accordance with the terms and provisions hereof and thereof; it being the intent of the Company that the guaranty set forth herein shall be a continuing guaranty of payment and not a guaranty of collection. All of the obligations set forth in this Section 21.1 are referred to herein as the "**Guaranteed Obligations**" and the guaranty thereof set forth in this Section 21 is referred to herein as the "**Parent Guaranty**."

21.2 Payments and Performance.

In the event that an Issuer Subsidiary fails to make, on or before the due date thereof, any payment to be made of any principal amount of, or interest or Make-Whole Amount on, or in respect of, the Notes issued by such Issuer Subsidiary or of any other amounts due to any holder of Notes under the Notes or this Agreement, after giving effect to any applicable grace periods or cure provisions or waivers or amendments, the Company shall cause forthwith to be paid the moneys in respect of which such failure has occurred in accordance with the terms and provisions of this Agreement and the Notes. In furtherance of the foregoing, if any or all of the Notes have been accelerated as provided in Section 12.1 (and such acceleration has not been rescinded), the Guaranteed Obligations in respect of such Notes shall forthwith become due and payable without notice, regardless of whether the acceleration of such Notes shall be stayed, enjoined, delayed or deemed ineffective. Nothing shall discharge or satisfy the obligations of the Company hereunder except the full, final and indefeasible payment of the Guaranteed Obligations.

21.3 Releases.

The Company consents and agrees that, without any notice whatsoever to or by the Company, except with respect to any action (but not any failure to act) referred to in clauses (i), (ii) and (iv) below (it being understood that the Company shall be deemed to have notice of any matter as to which any Issuer Subsidiary has knowledge), and without impairing, releasing, abating, deferring, suspending, reducing, terminating or otherwise affecting the obligations of the Company hereunder, each holder of Notes, by action or inaction, may:

(i) compromise or settle, renew or extend the period of duration or the time for the payment, or discharge the performance of, or may refuse to, or otherwise not, enforce, or may, by action or inaction, release all or any one or more parties to, any one or more of the Notes, this Agreement, or any other guaranty or agreement or instrument related thereto or hereto;

(ii) assign, sell or transfer, or otherwise dispose of, any one or more of the Notes;

(iii) grant waivers, extensions, consents and other indulgences of any kind whatsoever to any Issuer Subsidiary or any other Person liable in any manner in respect of all or any part of the Guaranteed Obligations;

(iv) amend, modify or supplement in any manner whatsoever and at any time (or from time to time) any one or more of the Notes, this Agreement, or any other guaranty or any agreement or instrument related thereto or hereto;

(v) release or substitute any one or more of the endorsers or guarantors of the Guaranteed Obligations whether parties hereto or not; and

(vi) sell, exchange, release, accept, surrender or enforce rights in, or fail to obtain or perfect or to maintain, or cause to be obtained, perfected or maintained, the perfection of any security interest or other Lien on, by action or inaction, any property at any time pledged or granted as security in respect of the Guaranteed Obligations, whether so pledged or granted by the Company, any Issuer Subsidiary or any other Person.

The Company hereby ratifies and confirms any such action specified in this Section 21.3 and agrees that the same shall be binding upon the Company. The Company hereby waives any and all defenses, counterclaims or offsets which the Company might or could have by reason thereof.

21.4 Waivers.

To the fullest extent permitted by law, the Company hereby waives:

(i) notice of acceptance of this Agreement;

(ii) notice of any purchase or acceptance of the Notes under this Agreement, or the creation, existence or acquisition of any of the Guaranteed Obligations, subject to the Company's right to make inquiry of each holder of Notes to ascertain the amount of the Guaranteed Obligations at any reasonable time;

(iii) notice of the amount of the Guaranteed Obligations, subject to the Company's right to make inquiry of each holder of Notes to ascertain the amount of the Guaranteed Obligations at any reasonable time;

(iv) notice of adverse change in the financial condition of any Issuer Subsidiary or any other guarantor or any other fact that might increase the Company's risk hereunder;

(v) notice of presentment for payment, demand, protest, and notice thereof as to the Notes or any other instrument;

(vi) notice of any Default or Event of Default, so long as any Issuer Subsidiary has knowledge thereof;

(vii) all other notices and demands to which the Company might otherwise be entitled (except if such notice or demand is specifically otherwise required to be given to the Company under this Agreement);

(viii) the right by statute or otherwise to require any or each holder of Notes to institute suit against any Issuer Subsidiary or any other guarantor or to exhaust the rights and remedies of any or each holder of Notes against any Issuer

Subsidiary or any other guarantor, the Company being bound to the payment of each and all Guaranteed Obligations, whether now existing or hereafter accruing, as fully as if such Guaranteed Obligations were directly owing to each holder of Notes by the Company;

(ix) any defense arising by reason of any disability or other defense (other than the defense that the Guaranteed Obligations shall have been fully, finally and indefeasibly paid) of any Issuer Subsidiary or by reason of the cessation from any cause whatsoever of the liability of any Issuer Subsidiary in respect thereof;

(x) any stay (except in connection with a pending appeal), valuation, appraisal, redemption or extension law now or at any time hereafter in force that, but for this waiver, might be applicable to any sale of property of the Company made under any judgment, order or decree based on this Agreement, and the Company covenants that it will not at any time insist upon or plead, or in any manner claim or take the benefit or advantage of any such law; and

(xi) at all times prior to full, final and indefeasible payment of the Guaranteed Obligations, any claim of any nature arising out of any right of indemnity, contribution, reimbursement, indemnification or any similar right or any claim of subrogation (whether such right or claim arises under contract, common law or statutory or civil law (including, without limitation, section 509 of the United States Bankruptcy Code)) arising in respect of any payment made under this Agreement or in connection with this Agreement, against any Issuer Subsidiary or the estate of any Issuer Subsidiary (including Liens on the property of any Issuer Subsidiary or the estate of any Issuer Subsidiary), in each case whether or not any Issuer Subsidiary at any time shall be the subject of any proceeding brought under any Bankruptcy Law, and the Company further agrees that, except as provided in Section 21.9, it will not file any claims against any Issuer Subsidiary or the estate of any Issuer Subsidiary in the course of any such proceeding or otherwise, and further agrees that each holder of Notes may specifically enforce the provisions of this clause (xi).

21.5 Marshaling.

The Company consents and agrees:

(a) that each holder of Notes, and each Person acting for the benefit of one or more of the holders of Notes, shall be under no obligation to marshal any assets in favor of the Company or against or in payment of any or all of the Guaranteed Obligations; and

(b) that, to the extent that any Issuer Subsidiary makes a payment or payments to any holder of Notes, which payment or payments or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside or required, for any of the foregoing reasons or for any other reason, to be repaid or paid over to a custodian, trustee, receiver or any other party under any Bankruptcy Law, other common or civil law, or equitable

cause, then, to the extent of such payment or repayment, the obligation or part thereof intended to be satisfied thereby shall be revived and continued in full force and effect as if such payment or payments had not been made and the Company shall be primarily liable for such obligation.

21.6 Immediate Liability.

The Company agrees that the liability of the Company in respect of this Parent Guaranty shall be immediate and shall not be contingent upon the exercise or enforcement by any holder of Notes or any other Person of whatever remedies such holder of Notes or other Person may have against any Issuer Subsidiary or any other guarantor or the enforcement of any Lien or realization upon any security such holder of Notes or other Person may at any time possess.

21.7 Primary Obligations.

This Parent Guaranty is a primary and original obligation of the Company and is an absolute, unconditional, continuing and irrevocable guaranty of payment and shall remain in full force and effect without respect to any action by any holder of Notes specified in Section 21.3 hereof or any future changes in conditions, including, without limitation, change of law or any invalidity or irregularity with respect to the issuance or assumption of any obligations (including, without limitation, the Notes) of or by any Issuer Subsidiary or any other guarantor, or with respect to the execution and delivery of any agreement (including, without limitation, the Notes and this Agreement) by any Issuer Subsidiary or any other Person.

21.8 No Reduction or Defense.

The obligations of the Company under this Agreement, and the rights of any holder of Notes to enforce such obligations by any proceedings, whether by action at law, suit in equity or otherwise, shall not be subject to any reduction, limitation, impairment or termination, whether by reason of any claim of any character whatsoever or otherwise (other than payment in full of all amounts owing hereunder or under the Notes), including, without limitation, claims of waiver, release, surrender, alteration or compromise, and shall not be subject to any defense (other than any defense based upon the irrevocable payment in full of the obligations under this Agreement and the Notes), set-off, counterclaim, recoupment or termination whatsoever.

Without limiting the generality of the foregoing, the obligations of the Company shall not be discharged or impaired by:

(a) any default (including, without limitation, any Default or Event of Default), failure or delay, willful or otherwise, in the performance of any obligations by any Issuer Subsidiary or any of its respective Subsidiaries or Affiliates;

(b) any proceeding of, or involving, any Issuer Subsidiary under any Bankruptcy Law, or any merger, consolidation, reorganization, dissolution, liquidation, sale of assets or winding up or change in corporate constitution or corporate identity or loss of corporate identity of any Issuer Subsidiary or any of its Subsidiaries or Affiliates;

(c) any incapacity or lack of power, authority or legal personality of, or dissolution or change in the directors, stockholders or status of, any Issuer Subsidiary or any of its Subsidiaries or any other Person (other than the Company);

(d) impossibility or illegality of performance on the part of any Issuer Subsidiary under this Agreement or the Notes;

(e) the invalidity, irregularity or unenforceability of the Notes, this Agreement or any documents referred to therein or herein;

(f) in respect of any Issuer Subsidiary, any change of circumstances, whether or not foreseen or foreseeable, whether or not imputable to any Issuer Subsidiary, or impossibility of performance through fire, explosion, accident, labor disturbance, floods, droughts, embargoes, wars (whether or not declared), terrorist activities, civil commotions, acts of God or the public enemy, delays or failure of suppliers or carriers, inability to obtain materials or any other causes affecting performance, or any other force majeure, whether or not beyond the control of any Issuer Subsidiary and whether or not of the kind hereinbefore specified;

(g) any attachment, claim, demand, charge, Lien, order, process, encumbrance or any other happening or event or reason, similar or dissimilar to the foregoing, or any withholding or diminution at the source, by reason of any taxes, assessments, expenses, indebtedness, obligations or liabilities of any character, foreseen or unforeseen, and whether or not valid, incurred by or against any Person, corporation or entity, or any claims, demands, charges, Liens or encumbrances of any nature, foreseen or unforeseen, incurred by any Person, or against any sums payable under this Agreement or the Notes, so that such sums would be rendered inadequate or would be unavailable to make the payments herein provided; or

(h) any order, judgment, decree, ruling or regulation (whether or not valid) of any court of any nation or of any governmental authority or agency thereof, or any other action, happening, event or reason whatsoever which shall delay, interfere with, hinder or prevent, or in any way adversely affect, the performance by any Issuer Subsidiary of its obligations under this Agreement or the Notes, as the case may be.

21.9 Subordination.

In the event that, for any reason whatsoever, any Issuer Subsidiary is now or hereafter becomes indebted or obligated to the Company in any manner, the Company agrees that the amount of such obligation, interest thereon if any, and all other amounts due with respect thereto, shall, at all times during the existence of a Default or an Event of Default, be subordinate as to time of payment and in all other respects to all the Guaranteed Obligations, and the Company shall not be entitled to enforce or receive payment thereof until all sums then due and owing to the holders of the Notes in respect of the Guaranteed Obligations shall have been fully, finally and indefeasibly paid in full in cash, except that the Company may enforce (and shall enforce, at the request of the Required Holders, and at the Company's expense) any obligations in respect of any such obligation owing to the Company from any Issuer Subsidiary so long as all proceeds in respect of any recovery from such enforcement shall be held by the Company in trust for the benefit of the holders of the Notes, to be paid thereto as promptly as reasonably possible.

If any other payment, other than pursuant to the immediately preceding sentence, shall have been made to the Company by any Subsidiary in respect of any such obligation during any time that a Default or an Event of Default exists and there are Guaranteed Obligations outstanding, the Company shall hold in trust all such payments for the benefit of the holders of Notes, to be paid thereto as promptly as reasonably possible.

21.10 No Election.

Each holder of Notes shall, individually or collectively, have the right to seek recourse against the Company to the fullest extent provided for herein for its obligations under this Agreement. No election to proceed in one form of action or proceeding, or against any party, or on any obligation, shall constitute a waiver of such holder's right to proceed in any other form of action or proceeding or against other parties unless such holder of Notes has expressly waived such right in writing. Specifically, but without limiting the generality of the foregoing, no action or proceeding by or on behalf of any holder of Notes against an Issuer Subsidiary or any other Person under any document or instrument evidencing obligations of such Issuer Subsidiary or such other Person to or for the benefit of such holder of Notes shall serve to diminish the liability of the Company under this Agreement except to the extent that such holder of Notes unconditionally shall have realized payment by such action or proceeding.

21.11 Severability.

Each of the rights and remedies granted under this Section 21 to each holder of Notes in respect of the Notes held by such holder may be exercised by such holder without notice to, or the consent of or any other action by, any other holder of Notes.

21.12 Appropriations.

Until all amounts which may be or become payable by all Issuer Subsidiaries under or in connection with this Agreement or the Notes or by the Company under or in connection with this Agreement have been irrevocably paid in full, any holder of Notes (or any trustee or agent on its behalf) may refrain from applying or enforcing any moneys, security or rights held or received by such holder of Notes (or any trustee or agent on its behalf) in respect of those amounts, or apply and enforce the same in such manner and order as it sees fit (whether against those amounts or otherwise) and the Company shall not be entitled to the benefit of the same; provided, however, that any payments received from any Issuer Subsidiary, or the Company on behalf of any Issuer Subsidiary, will be applied to amounts owing by such Issuer Subsidiary hereunder or in respect of the Notes issued by it.

21.13 Other Enforcement Rights.

Each holder of Notes may proceed to protect and enforce this Agreement by suit or suits or proceedings in equity, at law or in bankruptcy or insolvency, and whether for the specific performance of any covenant or agreement contained herein or in execution or aid of any power herein granted, or for the recovery of judgment for the obligations hereby guarantied or for the enforcement of any other proper, legal or equitable remedy available under applicable law.

21.14 Invalid Payments.

To the extent that any payment is made to any holder of Notes in respect of the Guaranteed Obligations by any Person, which payment or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required, for any of the foregoing reasons or for any other reason, to be repaid or paid over to a custodian, trustee, receiver, administrative receiver, administrator or any other party or officer under any Bankruptcy Law, or any other common or civil law or equitable cause, then to the extent of such payment or repayment, the obligation or part thereof intended to be satisfied shall be revived and continued in full force and effect as if said payment had not been made and the Company shall be primarily liable for such obligation.

21.15 No Waivers or Election of Remedies; Expenses; etc.

No course of dealing and no delay on the part of any holder of any Note in exercising any right, power or remedy shall operate as a waiver thereof or otherwise prejudice such holder's rights, powers or remedies. No right, power or remedy conferred by this Agreement upon any holder of Notes shall be exclusive of any other right, power or remedy referred to herein or therein or now or hereafter available at law, in equity, by statute or otherwise.

21.16 Restoration of Rights and Remedies.

If any holder of Notes shall have instituted any proceeding to enforce any right or remedy under this Agreement or any Note held by such holder and such proceeding shall have been discontinued or abandoned for any reason, or shall have been determined adversely to such holder, then and in every such case each such holder of Notes, the Issuer Subsidiary which is the issuer of such Notes and the Company shall, except as may be limited or affected by any determination in such proceeding, be restored severally and respectively to its respective former position hereunder and thereunder, and thereafter the rights and remedies of such holder of Notes shall continue as though no such proceeding had been instituted.

21.17 No Setoff or Counterclaim.

Except as otherwise required by law, each payment by the Company shall be made without setoff or counterclaim.

21.18 Further Assurances.

The Company will cooperate with the holders of the Notes and execute such further instruments and documents as the Required Holders shall reasonably request to carry out, to the reasonable satisfaction of the Required Holders, the transactions contemplated by this Agreement, the Notes and the documents and instruments related hereto and thereto.

21.19 Survival.

So long as the Guaranteed Obligations shall not have been fully and finally performed and indefeasibly paid, the obligations of the Company under this Parent Guaranty shall survive the transfer and payment of any Note and the payment in full of all the Notes.

22. JUDICIAL PROCEEDINGS.

22.1 Consent to Jurisdiction.

The Company and each Issuer Subsidiary irrevocably submits to the non-exclusive jurisdiction of any New York State or United States federal court sitting in New York City, and irrevocably waives its own forum, over any suit, action or proceeding arising out of or relating to this Agreement or any Note. The Company and each Issuer Subsidiary irrevocably waives, to the fullest extent it may effectively do so under applicable law, any objection which it may have or hereafter have to the laying of the venue of any such suit, action or proceeding brought in any such court and any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. The Company and each Issuer Subsidiary agrees, to the fullest extent it may effectively do so under applicable law, that a final judgment in any such suit, action or proceeding brought in such court shall be conclusive and binding upon the Company and each Issuer Subsidiary may be enforced in the courts of the United States, the State of New York (or any other courts to the jurisdiction of which the Company is or may be subject) by a suit upon such judgment, provided that service of process is effected on the Company or such Issuer Subsidiary in one of the manners specified below or as otherwise permitted by law.

22.2 Service of Process.

The Company and each Issuer Subsidiary hereby consents to process being served in any suit, action or proceeding of the nature referred to in Section 22.1 by the mailing of a copy thereof by registered or certified air mail, postage prepaid, return receipt requested, to the address of the Company or such Issuer Subsidiary set forth in Section 18. The Company and each Issuer Subsidiary irrevocably waives, to the fullest extent it may effectively do so under applicable law, all claim of error by reason of any such service and agrees that such service (a) shall be deemed in every respect effective service of process upon the Company or such Issuer Subsidiary in any such suit, action or proceeding, and (b) shall, to the fullest extent permitted by law, be taken and held to be valid personal service upon the Company.

22.3 No Limitation on Service or Suit.

Nothing in this Section 22 shall affect the right of any hold er of the Notes to serve process in any manner permitted by law or limit the right of any holder of the Notes to bring proceedings against the Company or any Issuer Subsidiary in the courts of any jurisdiction or jurisdictions or to enforce in any lawful manner a judgment obtained in one jurisdiction in any other jurisdiction.

23. MISCELLANEOUS.

23.1 Successors and Assigns.

All covenants and other agreements contained in this Agreement and the Collateral Documents by or on behalf of any of the parties hereto or thereto bind and inure to the benefit of their respective successors and assigns (including, without limitation, any subsequent holder of a Note) whether so expressed or not.

23.2 Accounting Principles.

The Company shall prepare its accounts and financial statements required to be delivered pursuant to Section 7.1 hereof in accordance with GAAP as in effect on the date of, or at the end of the period covered by, such accounts and financial statements as specified in Section 7.1 hereof, and any such accounts and financial statements delivered pursuant to Section 7.1 hereof shall be audited, and an audit report or opinion in respect thereof shall be executed, by independent public accountants of recognized national standing, as more particularly set forth in Section 7.1 hereof.

23.3 Payments Due on Non-Business Days.

Anything in this Agreement, the Collateral Documents or the Notes to the contrary notwithstanding, any payment of principal of or Make-Whole Amount or interest on any Note that is due on a date other than a New York Business Day shall be made on the next succeeding New York Business Day without including the additional days elapsed in the computation of the interest payable on such next succeeding New York Business Day.

23.4 Severability.

Any provision of this Agreement or the Collateral Documents that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or thereof, and any such prohibition or unenforceability in any jurisdiction shall (to the full extent permitted by law) not invalidate or render unenforceable such provision in any other jurisdiction.

23.5 Construction.

Each covenant contained herein shall be construed (absent express provision to the contrary) as being independent of each other covenant contained herein, so that compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with any other covenant. Where any provision herein refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person.

23.6 Counterparts.

This Agreement and the Collateral Documents may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one

instrument. Each counterpart may consist of a number of copies hereof, each signed by less than all, but together signed by all, of the parties hereto.

23.7 Governing Law.

This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of New York excluding choice-of-law principles of the law of such State (other than Section 5-1401 of the New York General Obligations Law) that would require the application of the laws of a jurisdiction other than such State.

23.8 Binding Agreement.

When this Agreement is executed and delivered by the Company and Prudential, it shall become a binding agreement between the Company and Prudential. This Agreement shall also inure to the benefit of each Purchaser and Issuer Subsidiary which shall have executed and delivered a Confirmation of Acceptance, and each such Purchaser and Issuer Subsidiary shall be bound by this Agreement to the extent provided in such Confirmation of Acceptance.

Very truly yours,

NU SKIN ENTERPRISES, INC.

By: /s/ Ritch N. Wood
Name: Ritch N. Wood
Title: Chief Financial Officer

The foregoing Agreement is hereby accepted as of the date first above written.

PRUDENTIAL INVESTMENT MANAGEMENT, INC.

By: /s/ Iris Krause
Name: Iris Krause
Title: Vice President

SCHEDULE A

DEFINED TERMS

As used herein, the following terms have the respective meanings set forth below or set forth in the Section hereof following such term:

"**Acceptance**" shall have the meaning specified in Section 2B(5).

"**Acceptance Day**" shall have the meaning specified in Section 2B(5).

"**Accepted Note**" shall have the meaning specified in Section 2B(5).

"**Acceptance Window**" shall mean, with respect to any Quotation, the time period designated by Prudential during which the Company and Prudential shall be in live communication and the Company may elect to accept such Quotation.

"**Affiliate**" means, at any time, (a) with respect to any Person, any other Person that at such time directly or indirectly through one or more intermediaries Controls, or is Controlled by, or is under common Control with, such first Person, and (b) with respect to the Company and its Subsidiaries, any Person beneficially owning or holding, directly or indirectly, 5% or more of any class of voting or equity interests of the Company or any of its Subsidiaries or any corporation of which the Company and its Subsidiaries beneficially own or hold, in the aggregate, directly or indirectly, 5% or more of any class of voting or equity interests. As used in this definition, "**Control**" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. Unless the context otherwise clearly requires, any reference to an "Affiliate" is a reference to an Affiliate of the Company.

"**Amended and Restated Collateral Agency and Intercreditor Agreement**" means the Amended and Restated Collateral Agency and Intercreditor Agreement, substantially in the form of Exhibit G hereto, dated as of the date hereof, by and among the Collateral Agent, the Purchasers and each of the other Senior Secured Creditors, and acknowledged by the Company and the Subsidiary Guarantors, as such agreement may be amended, supplemented or modified from time to time.

"**Available Currencies**" shall mean British Pounds, Canadian Dollars, Dollars, Euros, and Yen.

"**Available Facility Amount**" shall have the meaning specified in Section 2B(1).

"**British Pounds**" means the lawful currency of the United Kingdom.

"**Business Day**" shall mean (i) other than as provided in clauses (ii) and (iii) below, any day other than a Saturday, a Sunday or a day on which commercial banks in New York City are authorized or required to be closed, (ii) for purposes of Section 2B(3) only, any day which is both a New York Business Day and a day on which Prudential is open for business and (iii) for purposes of Section 8.6 only, (a) if with respect to Notes denominated in British

Pounds, any day which is both a New York Business Day and a day on which commercial banks are not required or authorized to be closed in London, (b) if with respect to Notes denominated in Canadian Dollars, any day which is both a New York Business Day and a day on which commercial banks are not required or authorized to be closed in Ottawa, (c) if with respect to Notes denominated in Dollars, a New York Business Day, (d) if with respect to Notes denominated in Euros, any day which is both a New York Business Day and a day on which commercial banks are not required or authorized to be closed in Frankfurt and Brussels, and (e) if with respect to Notes denominated in Yen, any day which is both a New York Business Day and a day on which commercial banks are not required or authorized to be closed in Tokyo, Japan.

"**Canadian Dollars**" means the lawful currency of Canada.

"**Cancellation Date**" shall have the meaning specified in Section 2B(8)(iv).

"**Cancellation Fee**" shall have the meaning specified in Section 2B(8)(iv).

"**Capital Lease**" means, at any time, a lease with respect to which the lessee is required concurrently to recognize the acquisition of an asset and the incurrence of a liability in accordance with GAAP.

"**Closing Day**" shall mean, with respect to any Accepted Note, the Business Day specified for the closing of the purchase and sale of such Accepted Note in the Confirmation of Acceptance with respect to such Accepted Note, provided that (i) if the Company and the Purchaser which is obligated to purchase such Accepted Note agree on an earlier Business Day for such closing, the "Closing Day" for such Accepted Note shall be such earlier Business Day, and (ii) if the closing of the purchase and sale of such Accepted Note is rescheduled pursuant to Section 2B(7), the Closing Day for such Accepted Note, for all purposes of this Agreement except references to "original Closing Day" in Section 2B(8)(iii), shall mean the Rescheduled Closing Day with respect to such Accepted Note.

"**Code**" means the Internal Revenue Code of 1986, as amended from time to time, and the rules and regulations promulgated thereunder from time to time.

"**Collateral Agent**" means State Street Bank and Trust Company of California, N.A., acting in its capacity as collateral agent under the Amended and Restated Collateral Agency and Intercreditor Agreement, together with its successors and assigns.

"**Collateral Documents**" means the Pledge Agreement, the Subsidiary Guaranty, the Amended and Restated Collateral Agency and Intercreditor Agreement, any Foreign Subsidiary Guaranty, and all other documents, evidencing, securing or relating to the Notes, the payment of the indebtedness evidenced by the Notes and all other amounts due from the Company or any Restricted Subsidiary evidenced or secured by this Agreement, the Notes or the Collateral Documents.

"**Company**" means Nu Skin Enterprises, Inc., a Delaware corporation.

"**Confidential Information**" is defined in Section 20.

"**Confirmation of Acceptance**" shall have the meaning specified in Section 2B(5).

"**Consolidated Income Available for Fixed Charges**" means, with respect to any period, Consolidated Net Income for such period plus all amounts deducted in the computation thereof on account of (a) Fixed Charges, and (b) taxes imposed on or measured by income or excess profits of the Company and the Restricted Subsidiaries.

"**Consolidated Net Income**" means, with respect to any period, the net income (or loss) of the Company and the Restricted Subsidiaries for such period (taken as a cumulative whole), as determined in accordance with GAAP, after eliminating all offsetting debits and credits between the Company and the Restricted Subsidiaries and all other items required to be eliminated in the course of the preparation of consolidated financial statements of the Company and the Restricted Subsidiaries in accordance with GAAP.

"**Consolidated Net Worth**" means, at any time, (a) the consolidated stockholders' equity of the Company and the Restricted Subsidiaries, as defined according to GAAP, less (b) the sum of (i) to the extent included in clause (a), all amounts attributable to minority interests, if any, in the securities of Restricted Subsidiaries, and (ii) the amount by which Restricted Investments exceed 20% of the amount determined in clause (a).

"**Consolidated Total Assets**" means, at any date of determination, on a consolidated basis for the Company and the Restricted Subsidiaries, total assets, determined in accordance with GAAP.

"**Counterpart Amended and Restated Collateral Agency and Intercreditor Agreement**" means counterpart to the Amended and Restated Collateral Agency and Intercreditor Agreement attached thereto as Exhibit A.

"**Credit Facility**" means any credit facility providing for the borrowing of money or the issuance of letters of credit (a) for the Company, or (b) for any Restricted Subsidiary, if its obligations under such credit facility are guaranteed by the Company.

"**Default**" means an event or condition the occurrence or existence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

"**Default Rate**" shall mean (i) in the case of any Note denominated in Dollars, the greater of 2% over the interest rate expressed in such Note and 2% over the rate announced from time to time in New York City by the Bank of New York as its "base" or "prime" rate and (ii) in the case of any Note denominated in a currency other than Dollars, 2% over the interest rate expressed in such Note.

"**Delayed Delivery Fee"** shall have the meaning specified in Section 2B(8)(iii).

"**Document Delivery Date**" shall mean (i) the applicable Closing Day in the case of any Accepted Notes to be denominated in Dollars, (ii) two New York Business Days prior to the applicable Closing Day in the case of any Accepted Notes to be denominated in British Pounds, Canadian Dollars or Euros and (iii) three New York Business Days prior to the applicable Closing Day in the case of any Accepted Notes to be denominated in Yen.

"**Dollars**" and the symbol "**$**" mean the lawful money of the United States of America unless, in the case of "Dollars" or "$", if immediately preceded by the name of another country (e.g. "Canadian Dollars").

"**Domestic Subsidiary**" means, at any time, each Subsidiary of the Company (a) which is created, organized or domesticated in the United States or under the law of the United States or any state or territory thereof, (b) which was included as a member of the Company's affiliated group in the Company's most recent consolidated United States federal income tax return, or (c) the earnings of which were includable in the taxable income of the Company or any other Domestic Subsidiary (to the extent of the Company's and/or such other Domestic Subsidiary's ownership interest of such Subsidiary) in the Company's most recent consolidated United States federal income tax return.

"**EBITDA**" means, with respect to any period, the sum of (i) Consolidated Net Income for such period without giving effect to extraordinary gains and losses, gains and losses resulting from changes in GAAP and one time non-recurring income and expenses resulting from acquisitions and similar events, plus (ii) to the extent deducted in the calculation of Consolidated Net Income, the amount of all interest expense, depreciation expense, amortization expense, and income tax expense; provided that EBITDA will include or exclude, as applicable, acquisitions and divestitures of Restricted Subsidiaries or other business units on a pro forma basis as if such acquisitions or divestitures occurred on the first day of the applicable period.

"**Environmental Laws**" means any and all Federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including but not limited to those related to hazardous substances or wastes, air emissions and discharges to waste or public systems.

"**Equity Securities**" of any Person means (a) all common stock, Preferred Stock, participations, shares, partnership interest, membership interest or other equity interest in and of such Person (regardless of how designated and whether or not voting or non-voting), and (b) all warrants, options and other rights to acquire any of the foregoing.

"**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

"**ERISA Affiliate**" means any trade or business (whether or not incorporated) that is treated as a single employer together with the Company under section 414 of the Code.

"**Euros**" shall mean the single currency of participating member states of the European Union.

"**Event of Default**" is defined in Section 11.

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

"**Facility**" shall have the meaning specified in Section 2B(1).

"**Fixed Charges**" means, with respect to any period, the sum of (i) Interest Expense for such period, and (ii) Lease Rentals for such period.

"**Foreign Subsidiary**" means, at any time, each Subsidiary of the Company that is not a Domestic Subsidiary.

"**Foreign Subsidiary Guaranty**" shall have the meaning specified in Section 9.6(a).

"**GAAP**" means generally accepted accounting principles as in effect from time to time in the United States of America.

"**Governmental Authority"** means

(a) the government of

(i) the United States of America or any State or other political subdivision thereof, or

(ii) the jurisdiction of organization of any Issuer Subsidiary, or

(iii) any jurisdiction in which the Company or any Subsidiary conducts all or any part of its business, or which asserts jurisdiction over any properties of the Company or any Subsidiary, or

(b) any entity exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, any such government.

"**Guaranty**" means, with respect to any Person, any obligation (except the endorsement in the ordinary course of business of negotiable instruments for deposit or collection) of such Person guaranteeing or in effect guaranteeing any indebtedness, dividend or other obligation of any other Person in any manner, whether directly or indirectly, including (without limitation) obligations incurred through an agreement, contingent or otherwise, by such Person:

(a) to purchase such indebtedness or obligation or any property constituting security therefor;

(b) to advance or supply funds (i) for the purchase or payment of such indebtedness or obligation, or (ii) to maintain any working capital or other balance sheet condition or any income statement condition of any other Person or otherwise to advance or make available funds for the purchase or payment of such indebtedness or obligation;

(c) to lease properties or to purchase properties or services primarily for the purpose of assuring the owner of such indebtedness or obligation of the ability of any other Person to make payment of the indebtedness or obligation; or

(d) otherwise to assure the owner of such indebtedness or obligation against loss in respect thereof.

In any computation of the indebtedness or other liabilities of the obligor under any Guaranty, the indebtedness or other obligations that are the subject of such Guaranty shall be assumed to be direct obligations of such obligor.

"**Hazardous Material**" means any and all pollutants, toxic or hazardous wastes or any other substances that might pose a hazard to health or safety, the removal of which may be required or the generation, manufacture, refining, production, processing, treatment, storage, handling, transportation, transfer, use, disposal, release, discharge, spillage, seepage, or filtration of which is or shall be restricted, prohibited or penalized by any applicable law (including, without limitation, asbestos, urea formaldehyde foam insulation and polychlorinated biphenyls).

"**Hedge Treasury Note(s)**" shall mean, with respect to any Accepted Note, the United States Treasury Note or Notes whose cash flow duration (as determined by Prudential) most closely matches the duration of such Accepted Note.

"**holder**" means, with respect to any Note, the Person in whose name such Note is registered in the register maintained by the Company pursuant to Section 13.1.

"**Hostile Tender Offer**" shall mean, with respect to the use of proceeds of any Note, any offer to purchase, or any purchase of, shares of capital stock of any corporation or equity interests in any other entity, or securities convertible into or representing the beneficial ownership of, or rights to acquire, any such shares or equity interests, if such shares, equity interests, securities or rights are of a class which is publicly traded on any securities exchange or in any over-the-counter market, other than purchases of such shares, equity interests, securities or rights representing less than 5% of the equity interests or beneficial ownership of such corporation or other entity for portfolio investment purposes, and such offer or purchase has not been duly approved by the board of directors of such corporation or the equivalent governing body of such other entity prior to the date on which the Company makes the Request for Purchase of such Note.

"**Indebtedness**" with respect to any Person means, at any time, without duplication,

(a) its liabilities for borrowed money and its redemption obligations in respect of mandatorily redeemable Preferred Stock;

(b) its liabilities for the deferred purchase price of property acquired by such Person (excluding accounts payable arising in the ordinary course of business but including all liabilities created or arising under any conditional sale or other title retention agreement with respect to any such property);

(c) all liabilities appearing on its balance sheet in accordance with GAAP in respect of Capital Leases;

(d) all liabilities for borrowed money secured by any Lien with respect to any property owned by such Person (whether or not it has assumed or otherwise become liable for such liabilities);

(e) Securitization Debt; and

(f) any Guaranty (other than the Subsidiary Guaranty) of such Person with respect to liabilities of a type described in any of clauses (a) through (e) hereof.

Indebtedness of any Person shall include all obligations of such Person of the character described in clauses (a) through (f) to the extent such Person remains legally liable in respect thereof notwithstanding that any such obligation is deemed to be extinguished under GAAP.

"**INHAM Exemption**" shall have the meaning provided in Section 6.2(e).

"**Institutional Investor**" means (a) any original purchaser of a Note, and (b) any bank, trust company, savings and loan association or other financial institution, any pension plan, any investment company, any insurance company, any broker or dealer, or any other similar financial institution or entity, regardless of legal form, holding more than $2,000,000 (or its equivalent in another Available Currency) in of the aggregate principal amount of the Notes then outstanding or more than 20% of the aggregate principal amount of the Notes then outstanding.

"**Interest Expense**" means, with respect to the Company and the Restricted Subsidiaries for any period, the sum, determined on a consolidated basis in accordance with GAAP, of (a) all interest paid, accrued or scheduled for payment on the Indebtedness of the Company and the Restricted Subsidiaries during such period (including interest attributable to Capital Leases), plus (b) all fees in respect of outstanding letters of credit paid, accrued or scheduled for payment by the Company and the Restricted Subsidiaries during such period.

"**Investment**" means any investment, made in cash or by delivery of property, by the Company or any Restricted Subsidiary (a) in any Person, whether by acquisition of stock, Indebtedness or other obligation or Security, or by loan, Guaranty, advance, capital contribution or otherwise; or (b) in any property.

"**Issuance Period**" shall have the meaning specified in Section 2B(2).

"**Issuance Fee**" shall have the meaning provided in Section 2B(8)(ii).

"**Issuer Subsidiary**" shall mean (a) any Subsidiary Guarantor of the Company which has issued or proposes to issue any Notes, or (b) any Foreign Subsidiary of the Company which has issued or proposes to issue any Notes and has executed and delivered a Foreign Subsidiary Guaranty to the holders of the Notes and has executed and delivered the same Foreign Subsidiary Guaranty to, and for the benefit of, each Senior Secured Creditor party to the Amended and Restated Collateral Agency and Intercreditor Agreement.

"**Lease Rentals**" means, with respect to any period, the sum of the rental and other obligations required to be paid during such period by the Company or any Restricted Subsidiary as lessee under all leases of real or personal property (other than Capital Leases) as determined on a consolidated basis for the Company and the Restricted Subsidiaries in accordance with GAAP.

"**Lien**" means, with respect to any Person, any mortgage, lien, pledge, charge, security interest or other encumbrance, or any interest or title of any vendor, lessor, lender or other secured party to or of such Person under any conditional sale or other title retention agreement or Capital Lease, upon or with respect to any property or asset of such Person (including in the case of stock, stockholder agreements, voting trust agreements and all similar arrangements).

"**Make-Whole Amount**" is defined in Section 8.6.

"**Material**" or "**Materially**" means material or materially, as the case may be, in relation to the business, operations, affairs, financial condition, assets, properties or prospects of the Company and the Restricted Subsidiaries taken as a whole.

"**Material Adverse Effect**" means a material adverse effect on (a) the business, operations, affairs, financial condition, assets or properties of the Company and the Restricted Subsidiaries taken as a whole, or (b) the ability of the Company or any Subsidiary to perform its obligations under this Agreement, the Notes or the Collateral Documents (as applicable), or (c) the validity or enforceability of this Agreement, the Notes or any of the Collateral Documents.

"**Material Domestic Subsidiary**" means each Domestic Subsidiary of the Company that also is a Material Subsidiary.

"**Material Foreign Subsidiary**" means each Foreign Subsidiary of the Company that also is a Material Subsidiary.

"**Material Subsidiaries**" means, at any time, (a) Nu Skin Japan Co., Ltd., a Japanese corporation, Nu Skin International, Inc., a Utah corporation, Nu Skin Enterprises Hong Kong, Inc., a Utah corporation, Nu Skin Taiwan, Inc., a Utah corporation, Nu Skin United States, Inc., a Delaware corporation, and Big Planet, Inc., a Delaware corporation; and (b) each other Subsidiary of the Company which (i) had revenues during the four most recently ended fiscal quarters equal to or greater than 5.0% of the consolidated total revenues of the Company and its Subsidiaries during such period (provided that if the Company and Subsidiaries collectively own not more than 30% of the outstanding equity, by value, of Nu Skin Malaysia Holdings, then Nu Skin Malaysia Holdings and its subsidiaries shall not be deemed Material Subsidiaries by reason of this clause (i) unless their consolidated revenues during the four most recently ended fiscal quarters equaled or exceeded 15.0% of the consolidated total revenues of the Company and its Subsidiaries during such period), or (ii) is an obligor under any Guaranty with respect to the Indebtedness of the Company under any Significant Credit Facility.

"**Memorandum**" is defined in Section 5.3.

"**Multiemployer Plan**" means any Plan that is a "multiemployer plan" (as such term is defined in section 4001(a)(3) of ERISA).

"**NAIC Annual Statement**" shall have the meaning provided in Section 6.2(a).

"**New York Business Day**" shall mean any day other than a Saturday, a Sunday or a day on which commercial banks in New York are required or authorized to be closed.

"**Notes**" is defined in Section 1.

"**Officer's Certificate**" means a certificate of a Senior Financial Officer or of any other officer of the Company whose responsibilities extend to the subject matter of such certificate.

"**Overnight Interest Rate**" means with respect to an Accepted Note denominated in a currency other than Dollars, the actual rate of interest, if any, received by the Purchaser which intends to purchase such Accepted Note on the overnight deposit of the funds intended to be used for the purchase of such Accepted Note, it being understood that reasonable efforts will be made by or on behalf of the Purchaser to make any such deposit in an interest bearing account.

"**Parent Guaranty**" shall mean the guaranty of the Company pursuant to Section 21 hereof of any Notes issued by any Issuer Subsidiary.

"**PBGC**" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA or any successor thereto.

"**Permitted Securitization Program**" means any transaction or series of transactions that may be entered into by the Company or any Restricted Subsidiary pursuant to which the Company or any Restricted Subsidiary may sell, convey or otherwise transfer to (i) a Securitization Entity (in the case of a transfer by the Company or any Restricted Subsidiary) and (ii) any other Person (in the case of a transfer by a Securitization Entity), or may grant a security interest in, any receivables (whether now existing or arising or acquired in the future) of the Company or any Restricted Subsidiary, and any assets related thereto including (A) all collateral securing such receivables, (B) all contracts and contract rights and all guarantees or other obligations in respect of such receivables, (C) proceeds of such receivables, and (D) other assets (including contract rights) that are customarily transferred or in respect of which security interests are customarily granted in connection with asset securitization transactions involving receivables; provided that the resultant Securitization Debt, together with all other Priority Indebtedness then outstanding, shall not exceed the amount of Priority Indebtedness permitted by Section 10.5(a)(ii).

"**Person**" means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization, or a government or agency or political subdivision thereof.

"**Plan**" means an "employee benefit plan" (as defined in section 3(3) of ERISA) that is or, within the preceding five years, has been established or maintained, or to which contributions are or, within the preceding five years, have been made or required to be made, by the Company or any ERISA Affiliate or with respect to which the Company or any ERISA Affiliate may have any liability.

"**Pledge Agreement**" means the Pledge Agreement, dated as of October 12, 2000, executed and delivered by the Pledgors and the Collateral Agent, as amended, supplemented and modified from time to time.

"**Pledged Securities**" means (a) the Equity Securities described in Schedule I attached to the Pledge Agreement and the Equity Securities of each Person that becomes a Material Foreign Subsidiary, 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 such Pledgor, and the certificates or other instruments representing any of the foregoing and any interest of such Pledgor in the entries on the books of any securities intermediary pertaining thereto (the "**Pledged Shares**"), and all dividends, distributions, returns of capital, cash, warrants, option, rights, instruments, right to vote or manage the business of such Person 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 Shares; provided, that the Pledged Shares shall not include 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, and all 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 such Equity Securities; and (b) to the extent not covered by clause (a) above, all proceeds of any or all of the foregoing.

"**Pledgor**" means each Person who pledges Pledged Securities under the Pledge Agreement.

"**Preferred Stock**" means any class of capital stock of a corporation that is preferred over any other class of capital stock of such corporation as to the payment of dividends or the payment of any amount upon liquidation or dissolution of such corporation.

"**Priority Indebtedness**" means (without duplication) the sum of (a) any unsecured Indebtedness of the Restricted Subsidiaries other than (i) guarantees under the Subsidiary Guaranty, (ii) Indebtedness of a Restricted Subsidiary if (x) the Company has guaranteed such Indebtedness or is a primary obligor of such Indebtedness, and (y) the holder of such Indebtedness becomes a party to the Amended and Restated Collateral Agency and Intercreditor Agreement (provided that until the holder of such Indebtedness becomes a party to the Amended and Restated Collateral Agency and Intercreditor Agreement, such Indebtedness will be considered Priority Indebtedness), (iii) Indebtedness owed to the Company or any other Restricted Subsidiary, and (iv) Indebtedness of Issuer Subsidiaries evidenced by the Notes and (b) Indebtedness of the Company and its Restricted Subsidiaries secured by a Lien not permitted by paragraphs (a) through (m) of Section 10.3, and (c) Securitization Debt.

"**property**" or "**properties**" means and includes each and every interest in any property or asset, whether tangible or intangible and whether real, personal or mixed.

"**Prudential**" shall mean Prudential Investment Management, Inc..

"**Prudential Affiliate**" shall mean (i) any corporation or other entity controlling, controlled by, or under common control with, Prudential and (ii) any managed account or investment fund which is managed by Prudential or a Prudential Affiliate described in clause (i) of this definition. For purposes of this definition the terms "control", "controlling" and "controlled" shall mean the ownership, directly or through subsidiaries, of a majority of a corporation's or other Person's voting stock or equivalent voting securities or interests.

"**PTE**" shall have the meaning provided in Section 6.2(a).

"**Purchasers**" shall mean with respect to any Accepted Notes, Prudential and/or the Prudential Affiliate(s) which are purchasing such Accepted Notes.

"**QPAM Exemption**" shall have the meaning provided in Section 6.2(d).

"**Quotation**" shall have the meaning provided in Section 2B(4).

"**Request for Purchase**" shall have the meaning specified in Section 2B(3).

"**Required Holder(s)**" shall mean the holder or holders of at least 51% of the aggregate principal amount of the Notes or of a Series of Notes, as the context may require, from time to time outstanding and, if no Notes are outstanding, shall mean Prudential.

"**Rescheduled Closing Day**" shall have the meaning specified in Section 2B(7).

"**Responsible Officer**" means any Senior Financial Officer and any other officer of the Company or its Subsidiaries with responsibility for the administration of the relevant portion of this Agreement or the Collateral Documents.

"**Restricted Investments**" means all Investments except any of the following: (i) property to be used in the ordinary course of business; (ii) assets arising from the sale of goods and services in the ordinary course of business; (iii) Investments in one or more Restricted Subsidiaries or any Person that immediately becomes a Restricted Subsidiary; (iv) Investments existing at the date of Closing; (v) Investments in obligations, maturing within one year, issued by or guaranteed by the United States of America, or an agency thereof, or Canada, or any province thereof; (vi) Investments in tax-exempt obligations, maturing within one year, which are rated in one of the top two rating classifications by at least one national rating agency; (vii) Investments in certificates of deposit or banker's acceptances maturing within one year issued by Bank of America or other commercial banks which are rated in one of the top two rating classifications by at lest one national rating agency; (viii) Investments in commercial paper, maturing within 270 days, rated in one of the top two rating classifications by at least one national rating agency; (ix) Investments in repurchase agreements; (x) treasury stock; (xi) Investments in money market instrument programs which are classified as current assets in accordance with GAAP; (xii) Investments in foreign currency risk hedging contracts used in the ordinary course of business; and (xiii) Investments in Securitization Entities.

"**Restricted Subsidiary**" means any Subsidiary (a) at least a majority of the voting securities of which are owned by the Company and/or one or more Wholly-Owned Restricted Subsidiaries, and (b) which the Company has not designated as an Unrestricted

"**Restricted Subsidiary**" means any Subsidiary (a) at least a majority of the voting securities of which are owned by the Company and/or one or more Wholly-Owned Restricted Subsidiaries, and (b) which the Company has not designated as an Unrestricted Subsidiary in accordance with Section 10.8; provided that upon any Unrestricted

"**Securities Act**" means the Securities Act of 1933, as amended from time to time.

"**Security**" has the meaning set forth in section 2(l) of the Securities Act.

"**Securitization Debt**" for the Company and the Restricted Subsidiaries shall mean, in connection with any Permitted Securitization Program, (a) any amount as to which any Securitization Entity or other Person has recourse to the Company or any Restricted Subsidiary with respect to such Permitted Securitization Program by way of a Guaranty and (b) the amount of any reserve account or similar account or asset shown as an asset of the Company or a Restricted Subsidiary under GAAP that has been pledged to any Securitization Entity or any other Person in connection with such Permitted Securitization Program.

"**Securitization Entity**" means a wholly-owned Subsidiary (other than a Restricted Subsidiary) of the Company (or another Person in which the Company or any of its Subsidiaries makes an investment and to which the Company or any of its Subsidiaries transfers receivables and related assets) that engages in no activities other than in connection with the financing of receivables and that is designated by the Board of Directors of the Company (as provided below) as a Securitization Entity (i) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (A) is guaranteed by the Company or any of its Subsidiaries (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (B) is recourse to or obligates the Company or any of its Subsidiaries in any way other than pursuant to Standard Securitization Undertakings, or (C) subjects any property or asset of the Company or any other Subsidiary of the Company, directly or indirectly, continently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings, (ii) with which neither the Company nor any of its Subsidiaries has any material contract, agreement, arrangement or understanding other than on terms no less favorable to the Company or such Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Company, other than fees payable in the ordinary course of business in connection with servicing receivables of such entity, and (iii) to which neither the Company nor any of its Subsidiaries has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

"**Senior Financial Officer**" means the chief financial officer, principal accounting officer, treasurer or comptroller of the Company.

"**Senior Secured Creditor**" means (a) each holder of a Note, (b) each holder of a 3.03% Senior Note due October 12, 2010 issued pursuant to that certain Note Purchase Agreement dated as of October 12, 2000, and (c) each lender under a Significant Credit Facility.

"**Senior Secured Indebtedness**" means the Indebtedness of the Company under (a) this Agreement and the Notes, (b) the 3.03% Senior Notes due October 12, 2010 issued pursuant to that certain Note Purchase Agreement dated as of October 12, 2000, and (c) any Significant Credit Facility.

"**Significant Credit Facility**" means (a) any Credit Facility that has at least $7,500,000 available to be borrowed and/or outstanding at any time, and (b) any Credit Facility if the aggregate amount available to be borrowed and/or outstanding under all of the Credit Facilities exceeds $25,000,000 at any time; provided that the term "Significant Credit Facility" shall not include any Priority Indebtedness to the extent that such Priority Indebtedness is permitted by Section 10.5(a)(ii), any Indebtedness secured by a Lien permitted by Section 10.3(h), or any Indebtedness secured by a Lien renewing, extending or replacing Liens as described in Section 10.3(m).

"**Standard Securitization Undertakings**" means representations, warranties, covenants and indemnities entered into by the Company or any of its Subsidiaries that are reasonably customary in a receivables securitization transaction.

"**Structuring Fee**" shall have the meaning provided in Section 2B(8)(i).

"**Subsidiary**" means, as to any Person, (a) any corporation of which more than 50% of the issued and outstanding Equity Securities having ordinary voting power to elect a majority of the Board of Directors of such corporation (irrespective of whether at the time capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency) is at the time directly or indirectly owned or controlled by such Person, by such Person and one or more of its Subsidiaries or by one or more of such Person's other Subsidiaries, (b) any partnership, joint venture, limited liability company or other association of which more than 50% of the equity interest having the power to vote, direct or control the management of such partnership, joint venture, limited liability company or other association is at the time owned and controlled by such Person, by such Person and one or more of the other Subsidiaries or by one or more of such Person's other Subsidiaries, or (c) any other Person included in the financial statements of such Person on a consolidated basis.. Unless the context otherwise clearly requires, any reference to a "Subsidiary" is a reference to a Subsidiary of the Company.

"**Subsidiary Guarantors**" means all current and future Material Domestic Subsidiaries of the Company.

"**Subsidiary Guaranty**" means that certain Subsidiary Guaranty, substantially in the form of Exhibit E hereto, dated as of the date hereof, executed and delivered by the Subsidiary Guarantors, as amended, supplemented and modified from time to time.

"**Swap Agreement**" means (a) any and all rate swap transactions, basis swaps, forward rate transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), provided that any such transaction is governed by or subject to a Master Agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International

Swaps and Derivatives Association, Inc., or any other master agreement published by any successor organization thereto (any such master agreement, together with any related schedules, as amended, restated, extended, supplemented or otherwise modified in writing from time to time, a **"Master Agreement**"), including any such obligations or liabilities under any Master Agreement.

"**Taxes**" is defined in Section 14.4(a).

"**Total Indebtedness**" means, at any date of determination, the sum of (i) the total of all Indebtedness of the Company and the Restricted Subsidiaries outstanding on such date, after eliminating all offsetting debits and credits between the Company and the Restricted Subsidiaries and all other items required to be eliminated in the course of the preparation of consolidated financial statements of the Company and the Restricted Subsidiaries in accordance with GAAP, plus (ii) the aggregate amount of Indebtedness of the Company to any of its Restricted Subsidiaries that is not subordinated to the Notes pursuant to an Amended and Restated Subordination Agreement substantially in the form set forth in Exhibit F.

"**Unrestricted Subsidiary**" means any Subsidiary which is designated as an Unrestricted Subsidiary on Schedule B or is designated as such in writing by the Company to each of the holders of the Notes pursuant to Section 10.8; provided that no Material Subsidiary shall be an Unrestricted Subsidiary.

"**Wholly-Owned Restricted Subsidiary**" means, at any time, (a) with respect to Domestic Subsidiaries, any Restricted Subsidiary one hundred percent (100%) of all of the equity interests (except directors' qualifying shares) and voting interests of which are owned by any one or more of the Company and the Company's other wholly-owned Restricted Subsidiaries at such time, and (b) with respect to Foreign Subsidiaries, any Restricted Subsidiary ninety-five percent (95%) of all of the equity interests (except directors' qualifying shares) and voting interests of which are owned by any one or more of the Company and the Company's other Wholly-Owned Restricted Subsidiaries at such time.

"**Yen**" means the lawful currency of Japan.

SCHEDULE B
UNRESTRICTED SUBSIDIARIES

Shanghai Nu SKin Daily-Use and Health Products Co., Ltd., a Chinese company
Nu Skin Enterprises Singapore Pte. Lts., a Singapore corporation
Nu Skin (Malaysia) Sdn. Bhd., a Malaysian corporation
Cygnus Resources, Inc., a Delaware corporation

SCHEDULE 5.8
LITIGATION

None.

SCHEDULE 5.11
LICENSES, PERMITS, ETC.

1. The Company's Taiwan subsidiary has received a claim for infringement of patent rights in respect of hand-set free equipment for mobile phones. Nu Skin Taiwan's counsel drafted letters of reply, but has not recieved any responses from the claimant. The Company does not believe that the claimants will pursue the claim any further.

2. The Company is party to routine trademark matters involving oppositions to various trademarks of the Comapny and the trademarks of other parties in its markets world-wide.

SCHEDULE 10.3
LIENS

1. The Company has granted a security interest in 65% of its shares of stock of Nu Skin Japan Co., Ltd. to State Street Bank and Trust of California as collateral agent for the lenders party to that certain Intercreditor Agreement dated as of October 12, 2000, as amended from time to time to add additional lenders as parties and to make certain other changes.

2. The Company and its subsidiaries have netered into various operating leases for equipment. Many of the equipment vendors have filed UCC notice filings with respect to these leases.

EXHIBIT A

[FORM OF NOTE]

[NU SKIN ENTERPRISES, INC.]
[NAME OF ISSUER SUBSIDIARY]

SERIES __ SENIOR NOTE

No. _____

CURRENCY AND ORIGINAL PRINCIPAL AMOUNT:
ORIGINAL ISSUE DATE:
INTEREST RATE:
INTEREST PAYMENT DATES:
FINAL MATURITY DATE:
PRINCIPAL PREPAYMENT DATES AND AMOUNTS:

FOR VALUE RECEIVED, the undersigned, [**NU SKIN ENTERPRISES, INC.** (herein called the "**Company**")] [name of **ISSUER SUBSIDIARY** (herein called the "**Issuer Subsidiary**")], a corporation organized and existing under [the laws of Delaware] [_____], hereby promises to pay to [_____], or registered assigns, the principal sum of _____[specify principal amount and currency] [on the Final Maturity Date specified above] [, payable on the Principal Payment Dates and in the amounts specified above, and on the Final Maturity Date as specified above in an amount equal to the unpaid balance of the principal hereof,] with interest (computed on the basis of a [360-day year of twelve 30-day months)][1] [365-day year and actual days elapsed)][2] (a) on the unpaid balance thereof at the Interest Rate per annum specified above, payable on each Interest Payment Date specified above and on the Final Maturity Date specified above, commencing with the Interest Payment Date next succeeding the date hereof, until the principal hereof shall have become due and payable, and (b) on any overdue payment (including any overdue prepayment) of principal, any overdue payment of any Make-Whole Amount and any overdue payment of interest, payable on each Interest Payment Date as aforesaid (or, at the option of the registered holder hereof, on demand), at a rate per annum from time to time equal to the Default Rate.

Payments of principal, Make-Whole Amount, if any, and interest are to be made at The Bank of New York in New York City or at such other place as the holder hereof shall designate to the Company in writing, in lawful money of [specify country or European Union].

This Note is one of a series of Senior Notes (herein called the "**Notes**") issued pursuant to a Private Shelf Agreement, dated as of August 26, 2003 (as from time to time amended, herein called the "**Agreement**"), between Nu Skin Enterprises, Inc. (the "**Company**") and each Issuer Subsidiary which becomes party thereto, on the one hand,

and is entitled to the benefits thereof. Capitalized terms used and not otherwise defined herein shall have the meanings provided in the Agreement. Each holder of this Note will be deemed, by its acceptance hereof, (i) to have agreed to the confidentiality provisions set forth in Section 20 of the Agreement, and (ii) to have made the representations set forth in Section 6 of the Agreement. This Note is secured by the Collateral Documents and is guaranteed by the Subsidiary Guarantors pursuant to the Subsidiary Guaranty.

This Note is subject to optional prepayment, in whole or from time to time in part, on the terms specified in the Agreement.

This Note is a registered Note and, as provided in the Agreement, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Note for the then outstanding principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the [Company] [Issuer Subsidiary] may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the [Company] [Issuer Subsidiary] shall not be affected by any notice to the contrary.

[This Note is guaranteed by the Company pursuant to the Parent Guaranty set forth in the Agreement.]

In case an Event of Default shall occur and be continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount), and with the effect provided in the Agreement.

This Note shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of New York excluding choice-of-law principles of the law of such State (other than Section 5-1401 of the New York General Obligations Law) that would require the application of the laws of a jurisdiction other than such State.

[NU SKIN ENTERPRISES, INC.]
[NAME OF ISSUER SUBSIDIARY]

By:
Name:
Title:

EXHIBIT D

[FORM OF OPINION OF GENERAL COUNSEL

TO THE COMPANY, THE SUBSIDIARY GUARANTORS, AND, IF APPLICABLE, THE ISSUER SUBSIDIARY]

[Letterhead of Nu Skin Enterprises, Inc.]

[Date of Closing Day]

[Name of Each Purchaser]
c/o Prudential Capital Group
Four Embarcadero Center, Suite 2700
San Francisco, California 94111-4180

Re: Nu Skin Enterprises, Inc. – Series ___ Note Issuance

Ladies and Gentlemen:

I am the General Counsel of Nu Skin Enterprises, Inc., a Delaware corporation (the "Company"), [and _____, a _____ corporation (the "Issuer Subsidiary"),] and in such capacity have represented the Company[, the Issuer Subsidiary] and certain of the Company's subsidiaries listed on Schedule I hereto (the "Subsidiaries," and together with the Company [and the Issuer Subsidiary], the "Note Parties"), in connection with (i) the issuance and sale by [the Company] [the Issuer Subsidiary] on today's date of [describe Notes] (the "Notes") to the Purchaser[s] pursuant to the Private Shelf Agreement dated as of August 19, 2003 (the "Agreement") by and among the Company [and the Issuer Subsidiary)], on the one hand, and Prudential Investment Management, Inc. ("Prudential") and each Prudential Affiliate which has become bound by certain provisions thereof, on the other hand, (ii) the execution of the Subsidiary Guaranty, dated as of August 26, 2003, by each of the Subsidiaries in favor of Prudential and each of the holders of the Notes issued pursuant to the Agreement (the "Subsidiary Guaranty"), (iii) the execution and delivery of the Pledge Agreement dated as of October 12, 2000, by State Street Bank and Trust Company of California, N.A. (the "Collateral Agent") and the Company (the "Pledge Agreement"), (iv) the Amended and Restated Collateral Agency and Intercreditor Agreement dated as of August 26, 2003 (the "Intercreditor Agreement") by and among the Purchasers, the other senior creditors identified therein, and the Collateral Agent and acknowledged by the Company, the Subsidiaries and any Issuer Subsidiary which may become party to the Agreement, and (v) the execution and delivery of the Amended and Restated Subordination Agreement dated as of August 26, 2003 (the "Subordination Agreement") by the Company

and each of the Subsidiaries and Nu Skin Japan Co., Ltd., [and (vi) the execution and delivery of the Foreign Subsidiary Guaranty, dated as of _____, by _____ in favor of Prudential and each of the holders of the Notes issued pursuant to the Agreement (the "Foreign Subsidiary Guaranty")]. *[Note: clause (vi) only relevant if Issuer*

Subsidiary is a Foreign Subsidiary that must execute a Foreign Subsidiary Guaranty.] The Agreement, together with the Notes, the Subsidiary Guaranty, the Intercreditor Agreement, the Pledge Agreement and the Subordination Agreement [and the Foreign Subsidiary Guaranty] are collectively referred to in this opinion as the "Transaction Documents"). [The Company has provided its Parent Guaranty with respect to the Notes pursuant to the Agreement.]

This opinion is delivered to you pursuant to Section 3A(v) of the Agreement and with the understanding that you are purchasing the Notes in reliance hereon. Capitalized terms not otherwise defined herein are used herein with the meanings ascribed to such terms in the Agreement. "Applicable Laws" shall mean those laws, rules and regulations that in my experience, based on the nature of the transactions contemplated by the Transaction Documents and the nature of the business of the Company and its Subsidiaries [and the Issuer Subsidiary], are normally applicable to the transactions contemplated by the Transaction Documents (provided that the term "Applicable Laws" does not include (i) state securities laws, (ii) anti-fraud laws, or (iii) any law, rule or regulation that may have become applicable to the transactions contemplated by the Transaction Documents because of any fact specifically pertaining to the Purchasers) but without having made any special investigation concerning the applicability of any other law, rule or regulation. "Charter Documents" shall mean the Articles or Certificate of Incorporation, as the case may be, and the Bylaws, of a corporate entity [and _____ [specify if relevant]].

In connection with this opinion, I have examined the following documents:

(a) counterparts of the Agreement, together with all schedules and exhibits thereto, executed by each of the parties thereto;

(b) counterparts of the Subsidiary Guaranty, together with all schedules and exhibits thereto, executed by each of the parties thereto;

(c) counterparts of the Pledge Agreement, together with all schedules and exhibits thereto, executed by each of the parties thereto;

(d) counterparts of the Intercreditor Agreement, together with all schedules and exhibits thereto, executed by each of the parties thereto;

(e) counterparts of a Subordination Agreement, executed by each of the parties thereto;

[(f) counterparts of the Subsidiary Guaranty, together with all schedules and exhibits thereto, executed by each of the parties thereto;]

[(f)][(g)] originals of the Notes, executed by the [Company] [Issuer Subsidiary];

[(g)][(h)] certificates of public officials from the States of Delaware and Utah [and _____ [for the applicable Issuer Subsidiary]] as I have deemed necessary for the purpose of rendering this opinion;

[(h)][(i)] the Charter Documents of the Company[, the Issuer Subsidiary] and the Subsidiaries, in each case as amended to date;

[(i)][(j)] certified copies of resolutions of the [Board of Directors] of the Company[, the Issuer Subsidiary] and of each Subsidiary relating to the respective Transaction Documents; and

[(j)][(k)] such other documents, instruments and certificates as I have deemed necessary for the purpose of rendering this opinion.

In my examination of the Transaction Documents, to the extent my opinions set forth below are dependent thereon, I have assumed without independent investigation that (i) each party to each Transaction Document (other than any Note Party) is a corporation or other entity duly incorporated or otherwise organized and validly existing under the laws of the jurisdiction of its incorporation or organization, (ii) each party to each Transaction Document (other than any Note Party) has full corporate power and authority to execute, deliver and perform each Transaction Document to which it is a party, (iii) the execution, delivery and performance by each party (other than any Note Party) of each Transaction Document to which it is a party has been duly authorized by all necessary corporate action, (iv) the genuineness of all signatures (other than those of any Note Party), (v) the authenticity of all documents submitted to me as originals, (vi) the conformity to originals of all such documents submitted to me as copies, (vii) each Transaction Document has been duly executed and delivered by each of the parties thereto (other than any Note Party), and (viii) the Company has, or will have at the relevant time, rights in the Pledged Securities (as hereinafter defined) in which the Company has granted a security interest to the Collateral Agent within the meaning of Section 9-203(b)(2) of the NYUCC (as hereinafter defined) at all times relevant to this opinion.

As to all questions of fact material to my opinions below, I have relied upon, without independent investigation, and assumed the accuracy and completeness of, the representations and warranties of the parties to the Transaction Documents contained in the Transaction Documents and the certificates of such parties or their officers, partners, or managers, as the case may be, or of public officials. I have made no independent investigation of any of the facts stated in any of the representations.

Based upon and subject to the foregoing and subject to the limitations and qualifications set forth below, I am of the opinion that:

1. The Company has been duly incorporated and is validly existing and in good standing as a corporation under the laws of the State of Delaware and is duly qualified as a foreign corporation to do business and is in good standing in the State of Utah. [The Issuer Subsidiary has been duly incorporated and is validly existing and in good standing as a corporation under the laws of the State of [_____] and is duly qualified as a foreign corporation to do business and is in good standing in the State of Utah.] Each Subsidiary has been duly [incorporated in its respective state of incorporation and is validly existing and in good standing as corporation under the laws of such state] [alternative language, as appropriate, if any Subsidiary is not a corporation], and each Subsidiary that is a Delaware corporation is duly qualified as a foreign corporation to do business, and is in good standing, in the State of Utah.

2. The execution, delivery and performance by each Note Party of each Transaction Document to which it is a party are within its corporate powers and have been duly authorized by all necessary [corporate] [alternative language, as appropriate, if any Subsidiary is not a corporation] action. The execution, delivery and performance by each Note Party of each Transaction Document to which it is a party do not, and will not, contravene its respective Charter Documents or any Applicable Laws.

3. No order, filing, consent or approval of any Governmental Authority under Applicable Laws or filing with any Governmental Authority is required on the part of any Note Party in connection with the execution, delivery or performance by such Note Party of any Transaction Document to which it is a

party except as expressly contemplated by the Transaction Documents and except such as have been made or obtained and are in full force and effect and routine governmental filings required in the ordinary course of business.

4. Each Transaction Document has been duly executed and delivered by each Note Party that is a party thereto.

5. Each Transaction Document constitutes the legal, valid and binding obligation of each Note Party, enforceable against each such Note Party in accordance with its respective terms.

6. Neither the extension of credit evidenced by the Notes nor the use of proceeds thereof will violate Regulation T, U or X of the Board of Governors of the Federal Reserve System.

7. The Pledge Agreement and delivery to the Collateral Agent in the State of New York of the security certificates representing the shares of stock identified in Schedule I to the Pledge Agreement (the "Pledged Securities") endorsed to the Collateral Agent or in blank, created in favor of the Collateral Agent, as security for the payment of the Secured Obligations (as defined in the Pledge Agreement), a perfected security interest under the Uniform Commercial Code as in effect on the date of the Pledge Agreement in the State of New York (the "NYUCC") in the Pledged Securities, and such perfected security interest continues to be in full force and effect. Assuming the Collateral Agent acquired its interest in such Pledged Securities in good faith and without notice of any adverse claims (as to which I express no opinion), the Collateral Agent has acquired its security interest in such Pledged Securities free of adverse claims within the meaning of the NYUCC.

8. Assuming the accuracy of (i) the Company's representations in the first sentence of Section 5.13 of the Agreement and (ii) your representations in Section 6.1 of the Agreement, it is not necessary in connection with the execution and delivery of the Notes under the circumstances contemplated by the Agreement to register the Notes under the Securities Act of 1933, as amended or to qualify an indenture in respect thereof under the Trust Indenture Act of 1939, as amended.

9. No Note Party is an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

10. Assuming that the State of New York has a sufficient relationship to the parties to the Transaction Documents or the transactions contemplated in the Transactions, in any proceedings duly taken in the courts of the State of Utah or a United States court sitting in the State of Utah to enforce any Transaction Document, the choice of New York law as the substantive law governing such Transaction Document would be recognized and such law would be applied.

At your request, I also confirm to you the following:

(i) The execution and delivery by each Note Party of each Transaction Document to which it is a party do not, and the performance by each Note Party of each Transaction Document to which it is a party will not, (i) violate, breach or result in default under, or result in the imposition of any Lien upon any property of any Note Party pursuant to, the [describe all material credit agreements] or, to my knowledge, any existing obligation or restriction on any Note Party under any other agreement, instrument or indenture applicable to it, or (ii) to my knowledge, breach or otherwise violate any existing obligation of or restriction on any Note Party under any order, judgment or decree applicable to it.

(ii) To my knowledge, except as disclosed in the Transaction Documents, no actions, suits, proceedings or investigations are pending or threatened against any Note Party before any Governmental Authority or arbitrator that (a) could reasonably be expected (alone or in the aggregate) to have a Material Adverse Effect or (b) seek to enjoin, either directly or indirectly, the execution, delivery or performance by any Note Party of any Transaction Documents to which it is a party or the transactions contemplated thereby.

The opinions and confirmations set forth herein are predicated upon, limited by and subject to the following assumptions, qualifications, limitations and exceptions in addition to those set forth elsewhere herein:

A. I am an attorney admitted to practice in the State of Utah. Except as set forth below, the opinions expressed above are limited to the laws of the State of Utah, the State of New York (as to the opinion expressed in paragraphs 5 and 7) and the federal laws of the United States, and I do not express any opinion herein concerning any other law. In rendering the opinions set forth in paragraphs 1 and 2, to the extent such opinions concern the corporations incorporated under Delaware law, such opinions are limited to the published compilations of the Delaware General Corporation Law. In rendering the opinions set forth in paragraph 1, to the extent such opinions concern Delaware corporations, I have relied solely on (i) my review of the certificates of incorporation certified by the Secretary of State of Delaware, (ii) my review of the current published compilations of the Delaware General Corporation Law regarding the required content and execution of a certificate of incorporation, (iii) Certificates of Good Standing issued by the Secretary of State of Delaware, and (iv) Section 105 of the Delaware General

Corporation Law regarding the required content and execution of a certificate of incorporation, (iii) Certificates of Good Standing issued by the Secretary of State of Delaware, and (iv) Section 105 of the Delaware General Corporation Law which provides that a certificate of incorporation duly certified by the Secretary of State and accompanied by the certificate of the recorder of the county in which it has been recorded, shall be received in all courts, public offices, and official bodies, as prima facie evidence of: (a) due execution, acknowledgment, filing and recording of the instrument; (b) observance and performance of all acts and conditions necessary to have been observed and performed precedent to the instrument becoming effective; and (c) any other facts required or permitted by law to be stated in the instrument. I note that the Transaction Documents are governed by the laws of the State of New York, and for purposes of the opinions expressed in paragraphs 5and 7, I have assumed that the laws of the State of New York are the same as the laws of the State of Utah. *[Note: For any Issuer Subsidiary not incorporated in the State of Delaware, this paragraph will need to be modified to address the relevant state.]*

B. The qualification of the confirmations requested by the words "to my knowledge" or "of which I have knowledge" is intended to indicate that I do not have current and actual knowledge of the inaccuracy of such statement. However, except as expressly indicated in the following sentence, I have not undertaken any independent investigation to determine the accuracy of such statement. I have, however, made inquiry of each of the in-house counsel of the Company with respect to each matter and have also made inquiry to the Chief Executive Officer and Chief Financial Officer of the Company with respect to each matter.

C. My opinion in paragraph 5 is subject to the effect of any applicable bankruptcy, insolvency (including, without limitation, all laws relating to fraudulent transfers), reorganization, moratorium or similar law affecting creditors' rights generally.

D. My opinion in paragraph 5 is subject to the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing (regardless of whether considered in a proceeding in equity or at law) and the availability of specific performance or any other equitable remedy. Such principles of equity are of general application, and in applying such principles a court, among other things, might not allow a creditor to accelerate the maturity of a debt, or might decline to order the Note Parties to perform covenants. Such principles applied by a court might include a requirement that creditors act with reasonableness and in good faith. Such a requirement might be applied, among other situations, to the provisions of any Transaction Document purporting to authorize conclusive determinations by any Purchaser. Further, Section 2.4.e. of the Subsidiary Guaranty, which provides that the liabilities of the parties thereto shall not be affected by amendments, waivers or similar actions with respect to the Note Documents might be enforceable only to the extent that such amendments, waivers or other actions are not so material as to constitute a new contract among the parties.

E. My opinion in paragraph 7 is subject to the following qualifications:

(1) in the case of property that becomes Pledged Collateral (as defined in the Pledge Agreement) after the date hereof, Section 552 of the Federal Bankruptcy Code limits the extent to which property acquired by a debtor after the commencement of a case under the Federal Bankruptcy Code may be subject to a security interest arising from a security agreement entered into by the debtor before the commencement of such case;

(2) in the case of proceeds, continuation of perfection of the Collateral Agent's security interest therein is limited to the extent set forth in Section 9-3115 of the NYUCC;

(3) I express no opinion as to the priority of security interests as against any lien creditor (as defined in Section 9-102(a)(52) of the NYUCC) to the extent set forth in Section 9-323(b) of the NYUCC;

(4) in the case of the issuance or other distribution in respect of the Pledged Collateral of additional instruments (as such term is defined in Article 9 of the NYUCC), the security interest of the Collateral Agent therein will be perfected only if possession thereof is obtained in accordance with the provisions of Article 9 of the NYUCC;

(5) in the case of the Pledged Collateral consisting of investment property (as defined in Article 9 of the NYUCC), Sections 9-312, 9-314 and 9-106 of the NYUCC provide that perfection of a security interest in such investment property may be perfected by control (as defined in Article 8 of the NYUCC) or by filing;

(6) I have assumed that the Collateral Agent will maintain possession of the Pledged Securities in the State of New York; and

(7) in the case of property of a type as to which the Federal laws of the United States have preempted the NYUCC with respect to the validity or perfection of the security interest therein, the security interest may not be valid or perfected without compliance with applicable Federal law. In addition, Federal and State securities laws may limit the right to transfer or dispose of Pledged Collateral which may constitute securities under such laws.

F. I express no opinion as to any provision in the Transaction Documents providing for the payment or reimbursement of costs or expenses or indemnifying a party or the waiver of rights, to the extent such provisions may be held unenforceable as contrary to public policy.

G. I express no opinion as to the enforceability of Section 14.3 of the Agreement and Section 2.16 of the Subsidiary Guaranty providing for the respective Note Party's payments of obligations to the Purchaser in the Available Currency in which the Notes are denominated after a court judgment in another currency.

H. I advise you that Section 22.1 of the Agreement and Section 4.1 of the Subsidiary Guaranty, which provide for non-exclusive jurisdiction of the courts of the State of New York and federal courts sitting in the State of New York, may not be binding on federal courts sitting in New York (or any federal appellate court).

I. In addition to any other limitation by operation of law upon the scope, meaning, or purpose of this letter, this letter speaks only as of the date hereof. I have no obligation to advise the recipients of this letter of changes of law or fact that may occur after the date hereof even though the change may affect the legal analysis, a legal conclusion or any informational confirmation herein.

The opinions expressed in this letter are solely for the use of the Purchasers, and their successors and permitted transferees and assigns, in matters directly related to the Agreement and the transactions contemplated thereunder, and these opinions may not be relied on by any other persons or for any other purpose.

Very truly yours,

D. Matthew Dorny
General Counsel

Schedule I

Nu Skin Enterprises Hong Kong, Inc.

Nu Skin International, Inc.

Nu Skin Taiwan, Inc.

Nu Skin United States, Inc.

Big Planet, Inc.

NSE Korea Ltd.

AMENDED AND RESTATED COLLATERAL AGENCY AND INTERCREDITOR AGREEMENT

This **AMENDED AND RESTATED COLLATERAL AGENCY AND INTERCREDITOR AGREEMENT** (this "**Agreement**"), dated as of August 26, 2003, is entered into among the 2000 Senior Noteholder listed on the signature pages hereof (together with assignees of such 2000 Senior Noteholder, the "**2000 Senior Noteholders**"), the 2003 Senior Noteholder listed on the signature pages hereof (together with assignees of such 2003 Senior Noteholder and any Prudential Affiliate that may become a party hereto and assignees thereof, the "**2003 Senior Noteholders**"), the Senior Lenders listed on the signature pages hereof (together with any assignees of such Senior Lenders, the **"Senior Lenders**") and Bank of America, N.A., as Agent for the Senior Lenders (in such capacity, together with any successor in such capacity, the "**Agent**"), any Additional Creditors that may become parties to this Agreement (either directly or through their agent), and U.S. Bank National Association, as successor to State Street Bank and Trust Company of California, N.A., in its capacity as collateral agent for the 2000 Senior Noteholders, the 2003 Senior Noteholders, the Senior Lenders, the Agent and the Additional Creditors (the "**Collateral Agent**").

R E C I T A L S

A. Nu Skin Enterprises, Inc., a Delaware corporation (the "**Company**"), has issued to the 2000 Senior Noteholder its 3.03% Senior Notes due October 12, 2010 in the aggregate principal amount of JP¥9,706,500,000 (the "**2000 Senior Noteholder Notes**") pursuant to that certain Note Purchase Agreement, dated as of October 12, 2000 (as the same may be amended, supplemented, amended and restated or otherwise modified from time to time, the "**2000 Note Purchase Agreement**"), between the Company and the 2000 Senior Noteholder.

B. The Company and/or one or more Issuer Subsidiaries (as defined in the 2003 Private Shelf Agreement described below) may from time to time issue and sell to the 2003 Senior Noteholder and/or one or more Prudential Affiliates (as defined in the 2003 Private Shelf Agreement) its senior promissory notes in the aggregate principal amount of up to US$125,000,000 or the equivalent amount in certain other currencies (the "**2003 Senior Noteholder Notes**") pursuant to that certain Private Shelf Agreement, dated as of August 26, 2003 (as the same may be amended, supplemented, amended and restated or otherwise modified from time to time, the "**2003 Private Shelf Agreement**"), between the Company and each Issuer Subsidiary which may become party thereto, on the one hand, and the 2003 Senior Noteholder and each Prudential Affiliate which may become party thereto, on the other hand.

C. The Company, the Senior Lenders and the Agent have entered into a Credit Agreement dated as of May 10, 2001 (as amended, supplemented, amended and restated or otherwise modified from time to time, the "**Credit Agreement**"), pursuant to which the Senior Lenders may from time to time make loans and other financial accommodations to the Company.

D. Each of the Material Domestic Subsidiaries of the Company (together with any future Material Domestic Subsidiaries entering into a guaranty agreement with respect to the Obligations (as defined below), the "**Subsidiary Guarantors**") has entered into a guaranty agreement pursuant to which the Subsidiary Guarantors guarantee to the Senior Lenders the payment and performance of all of the Company's obligations under the Loan Documents (as defined in the Credit Agreement) (as such guaranty agreement may be modified, amended, renewed or replaced, including any increase in the amount guaranteed thereunder, the "**Bank Obligation Guaranty**").

E. The Subsidiary Guarantors have entered into a guaranty agreement pursuant to which the Subsidiary Guarantors have guaranteed to the 2000 Senior Noteholders the payment of the 2000 Noteholder Obligations and the payment and performance of all of the Company's obligations under the 2000 Note Purchase Agreement and the 2000 Senior Noteholders Notes (as such guaranty agreement may be modified, amended, renewed or replaced, including any increase in the amount guaranteed thereunder, the "**2000 Note Obligation Guaranty**").

F. Pursuant to the 2003 Private Shelf Agreement, (i) the Company will, with respect to any 2003 Senior Noteholders Notes issued by any Issuer Subsidiary, guarantee to the 2003 Senior Noteholders the payment of the 2003 Noteholder Obligations and the payment and performance of each such Issuer Subsidiary's obligations under the 2003 Private Shelf Agreement and the 2003 Senior Noteholders Notes and (ii) the Subsidiary Guarantors will enter into a guaranty agreement pursuant to which the Subsidiary Guarantors will guarantee to the 2003 Senior Noteholders the payment of the 2003 Noteholder Obligations and the payment and performance of all of the Company's and each Issuer Subsidiary's obligations under the 2003 Private Shelf Agreement and the 2003 Senior Noteholders Notes (such guaranty agreements of the Company and the Subsidiary Guarantors as they may be modified, amended, renewed or replaced, including any increase in the amount guaranteed thereunder, collectively, the "**2003 Note Obligation Guaranty**").

G. The Company may enter into additional note purchase agreements and/or credit agreements with investors and/or lenders which become parties to this Agreement, may enter into one or more interest rate swaps or collars, foreign currency exchange agreements, equity swap agreements, commodity price protection agreements or interest rate, currency exchange, equity price or commodity price hedging arrangements (any such agreement or arrangement, a "**Hedging Agreement**") with persons or entities which become parties to this Agreement and may incur obligations ("**Cash Management Obligations**") in respect of overdrafts or related liabilities or in connection with treasury, depositary or cash management services, including in connection with automated clearing house transfers of funds, to persons or entities which become parties to this Agreement (any such investor, lender or other party, together with the lenders and other parties referred to in the next sentence, the "**Additional Creditors**"; and the obligations of the Company under any such agreement or arrangement or in respect of any such overdrafts or related liabilities or any such services, the **"Additional Company Obligations**"), and such Additional Company Obligations may be guaranteed by one or more of the Subsidiary Guarantors pursuant to one or more guaranties (the "**Additional Subsidiary Guaranties**"). In addition, one or more Subsidiary Guarantors may become direct obligors (in respect of loans, reimbursement obligations relating to Letters of Credit, Hedging Agreements and/or Cash Management Obligations) to persons or entities which become parties to this Agreement and therefore are Additional Creditors, and the obligations of such Subsidiary Guarantors to such lenders or other parties (the "**Direct Subsidiary Obligations**" and, together with the Additional Company Obligations, the "**Additional Obligations**") may be guaranteed by the Company and the other Subsidiary Guarantors.

H. Certain foreign subsidiaries of the Company may enter into one or more guaranty agreements pursuant to which such foreign subsidiary guarantors will guarantee to the Benefitted Parties (as defined below) the payment and performance of all of the Company's and each Issuer Subsidiary's obligations, as the case may be, under the Senior Loan Documents (as defined below) (as each such guaranty agreement may be modified, amended, renewed or replaced, including any increase in the amount guaranteed thereunder, a **"Foreign Subsidiary Guaranty**").

I. The Bank Obligation Guaranty, the 2000 Note Obligation Guaranty, the 2003 Note Obligation Guaranty, any Additional Subsidiary Guaranty, any Direct Subsidiary Obligation and any Foreign Subsidiary Guaranty are each hereinafter referred to as a **"Subsidiary Guaranty**." The Loan Documents, the 2000 Note Purchase Agreement, the 2003 Private Shelf Agreement, each Subsidiary Guaranty and any additional credit agreement, note purchase agreement, Hedging

Agreement or agreement relating to Cash Management Obligations entered into in favor of any Additional Creditor are hereinafter referred to, collectively, as the "**Senior Loan** Documents".

J. The Company has secured all present and future obligations to the 2000 Senior Noteholders under the 2000 Senior Noteholder Notes and the 2000 Note Purchase Agreement (all such obligations, including, without limitation, principal, interest, Make-Whole Amounts, fees and indemnities, being referred to herein as the "**2000 Senior Noteholder Obligations**"), all present and future obligations to the 2003 Senior Noteholders under the 2003 Senior Noteholder Notes and the 2003 Private Shelf Agreement (all such obligations, including, without limitation, principal, interest, Make-Whole Amounts, fees and indemnities, being referred to herein as the "**2003 Senior Noteholder Obligations**") and all present and future obligations to the Senior Lenders, including, without limitation, principal, interest, letter of credit obligations (including Contingent L/C Obligations), break-funding amounts, fees and indemnities (the "**Senior Lender Obligations**") and may secure all Additional Obligations, pursuant to the terms of that certain Pledge Agreement dated as of October 12, 2000 between the Company and the Collateral Agent (the "**Pledge Agreement**") and any similar documents executed after the date hereof, as the same may be amended, supplemented or modified from time to time (the "**Security Documents**"). The 2000 Senior Noteholder Obligations, the 2003 Senior Noteholder Obligations, the Senior Lender Obligations and the Additional Obligations are collectively referred to as the "**Obligations**." The 2000 Senior Noteholders, the 2003 Senior Noteholders, the Senior Lenders and the Additional Creditors are sometimes collectively referred to as the "**Benefitted Parties**" and individually referred to as a "**Benefitted Party**." The Pledge Agreement grants to the Collateral Agent, for the ratable benefit of the Benefitted Parties, a valid, perfected and enforceable first priority lien on and a security interest in 65% of the equity securities of certain foreign subsidiaries of the Company (hereinafter all of such collateral, together with all rights to payment under any Subsidiary Guaranty, shall be referred to collectively as the "**Collateral**").

K. The 2000 Senior Noteholders, the 2003 Senior Noteholders, the Senior Lenders and the Additional Creditors wish to set forth their understandings and agreements regarding their respective rights and priorities with respect to amounts recovered through the exercise of any right of set off, payments received after a Triggering Event (as defined in Section 2(a), below) and proceeds of the Collateral.

L. The Collateral Agent and the Benefitted Parties are parties to a Collateral Agency and Intercreditor Agreement dated as of October 12, 2000, as amended by that certain First Amendment dated as of May 10, 2001 (as amended to date, the "**Existing Collateral Agency and Intercreditor Agreement**"), and intend for this Agreement to replace and supercede the Existing Collateral Agency and Intercreditor Agreement.

M. Capitalized terms used herein without being defined shall have the meanings set forth in the 2000 Note Purchase Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and the mutual covenants and promises set forth herein, each of the parties to this Agreement agrees as follows:

1. Sharing.

(a) The liens of the Collateral Agent relating to the Collateral shall be held by the Collateral Agent for the benefit of the Benefitted Parties, and any proceeds realized in respect thereof shall be shared by the Benefitted Parties and distributed in accordance with the rights and priorities set forth in this Agreement. Any Collateral Proceeds, Triggering Event Balances, Triggering Event Payments or Setoff Proceeds (as such terms are defined in Section 2(b)) shall be shared by the Benefitted Parties and distributed in accordance with the rights and priorities set forth in this Agreement. As used herein, the term **"Triggering Event**" means (a) the occurrence and continuation of a Bankruptcy Proceeding (as defined below) with respect to the Company, any Issuer Subsidiary, any Subsidiary Guarantor or any Material Foreign Subsidiary, (b) the Collateral Agent's receipt of a written notice that the unpaid principal amount of any of the Obligations has not been paid at the stated maturity thereof or has been declared to be then due and payable by the holder or holders thereof prior to the due date as a result of an event of default or (c) any exercise of any right of setoff or banker's lien by any Benefitted Party. As used herein, the term "**Bankruptcy Proceeding**" means, with respect to any Person, a general assignment of such Person for the benefit of its creditors, or the institution by or against such Person of any proceeding seeking relief as debtor, or seeking to adjudicate such Person as bankrupt or insolvent, or seeking reorganization, arrangement, adjustment or composition of such Person or its debts, under any law relating to bankruptcy, insolvency, reorganization or relief of debtors, or seeking appointment of a receiver, trustee, custodian or other similar official for such Person or for any substantial part of its property.

(b) Notwithstanding anything to the contrary set forth herein, any Collateral Proceeds, Triggering Event Balances, Triggering Event Payments or Setoff Proceeds which are to be remitted to any Benefitted Party on account of Obligations which are Contingent L/C Obligations (as defined

below) shall be remitted to the Collateral Agent to be held in a separate cash collateral account (the "**L/C Account**") by the Collateral Agent and distributed by the Collateral Agent only in accordance with this Section 1(b). In the event, and upon the condition that, any Contingent L/C Obligation becomes an absolute obligation of the Company upon the honoring of a draw under any Letter of Credit (as defined below), upon receipt of written direction from the applicable Benefitted Party, the Collateral Agent shall withdraw from the L/C Account and shall pay over to such Benefitted Party (or issuing bank on behalf of such Benefitted Party) that honored such draw an amount equal to the Withdrawal Amount (as defined below) with respect to the amount of such draw together with interest on such Withdrawal Amount at the rate earned while on deposit in the L/C Account. In the event that the Collateral Agent receives written notice that any Contingent L/C Obligation lapses on account of the expiration or other termination of the applicable Letter of Credit, an amount equal to the Withdrawal Amount with respect to such lapsed Contingent L/C Obligation, together with interest on account of such amount at the rate earned while on deposit in the L/C Account, shall be released from the L/C Account and shall be distributed by the Collateral Agent to the Benefitted Parties in accordance with clause "third" of Section 2(c). As used herein "**Withdrawal Amount**" means the product of (a) the quotient of (i) the amount of a Contingent L/C Obligation which has then become an absolute obligation on account of a draw or the amount of a Contingent L/C Obligation which has lapsed on account of the expiration or termination of the applicable Letter of Credit, as the case may be, over (ii) the total amount of all Contingent L/C Obligations, and (b) the total amount then deposited in the L/C Account.

As used herein, the term "**Contingent L/C Obligations**" means any and all contingent obligations of the Company to reimburse the issuers of Letters of Credit for drawings under such Letters of Credit.

As used herein, the term "**Letter of Credit**" means a letter of credit issued by a Benefitted Party, or an issuing bank on behalf of a Benefitted Party, for the account of the Company or any of the Subsidiary Guarantors pursuant to the Loan Documents or any additional credit agreements with lenders which become party to this Agreement.

2. Cash Collateral Account; Application of Proceeds

(a) The Collateral Agent has established an interest-bearing demand deposit cash collateral account subject to the lien and security interest created by the Security Documents (the "**Cash Collateral Account**") in the name of the Collateral Agent into which the proceeds, payments and amounts described in subsections (b)(i), (b)(ii), (b)(iii) and (b)(iv) below shall be deposited and from which only the Collateral Agent may effect withdrawals. Such amounts shall be held by the Collateral Agent in the Cash Collateral Account and shall be distributed from time to time by the Collateral Agent in accordance with Section 2(c) below.

(b) The following proceeds, payments and amounts shall be deposited and held by the Collateral Agent in the Cash Collateral Account and shall be distributed from time to time by the Collateral Agent in accordance with Section 2(c) below:

(i) any proceeds of any collection, recovery, receipt, appropriation, realization or sale of any or all of the Collateral or the enforcement of the Security Documents (the "**Collateral Proceeds**") received by the Collateral Agent or any Benefitted Party;

(ii) any amounts held in the Cash Collateral Account at the time a Triggering Event occurs (the "**Triggering Event Balances**");

(iii) any payments received or otherwise realized by any Benefitted Party in respect of any Obligations on or after the date on which a Triggering Event has occurred (the "**Triggering Event Payments**"); and

(iv) any amounts received or recovered by any Benefitted Party through any exercise of any right of setoff or banker's lien at any time on or after the occurrence of a Triggering Event (whether by law, contract or otherwise, but excluding any amount deposited into an account of the Company or any Subsidiary maintained with a Benefitted Party that is applied solely to pay overdrafts in, or fees and charges related to the maintenance of, such account or any related account) (the "**Setoff Proceeds**").

Each Benefitted Party agrees to deliver any Collateral Proceeds, any Triggering Event Balances, any Triggering Event Payments and any Setoff Proceeds to the Collateral Agent within two (2) Business Days after receipt (other than pursuant to subsection (c) below) of such Collateral Proceeds, Triggering Event Balances, Triggering Event Payments or Setoff Proceeds. (c) The Collateral Agent shall distribute the proceeds described in subsections (b)(i), (b)(ii), (b)(iii) and (b)(iv) above which are held in the Cash Collateral Account to the Collateral Agent and the Benefitted Parties in accordance with the following priorities:

first, to the reasonable costs and expenses of the Collateral Agent incurred in connection with the maintenance of the Cash Collateral Account and any collection, recovery, receipt, appropriation, legal proceeding (whether by or against any such party), realization or sale of any or all of the Collateral or the enforcement of the Security Documents;

second, after payment in full of all amounts set forth in item first, to the Benefitted Parties in payment of any and all amounts owed to the Benefitted Parties for reimbursement of amounts paid by them to the Collateral Agent in accordance with Section 4(g) pro rata in proportion to such amounts owed to such Benefitted Parties;

third, after payment in full of all amounts set forth in item second, to the payment and permanent reduction of the principal amount of the outstanding Obligations and the Contingent L/C Obligations, pro rata, based on the proportion that the principal amount of such outstanding Obligations and Contingent L/C Obligations held by each Benefitted Party at such time bears to the sum of the principal amount of all such Obligations and Contingent L/C Obligations;

fourth, after payment in full of all amounts set forth in item third, to the payment and permanent reduction of the amount of the outstanding Obligations representing interest, pro rata, based on the proportion that such outstanding Obligations representing interest held by each Benefitted Party at such time bears to the sum of all such Obligations representing interest;

fifth, after payment in full of all amounts set forth in item fourth, to the payment and permanent reduction of all other outstanding Obligations not representing principal, Contingent L/C Obligations or interest, pro rata, based on the proportion that such outstanding Obligations not representing principal, Contingent L/C Obligations or interest held by each Benefitted Party at such time bears to the sum of all such Obligations not representing principal, Contingent L/C Obligations or interest; and

sixth, after payment in full of all amounts set forth in item fifth, to or at the direction of the Company or as a court of competent jurisdiction may otherwise direct.

The Collateral Agent shall make such distributions promptly after the deposit of any Collateral Proceeds, Triggering Event Balances, Triggering Event Payments or Setoff Proceeds into the Cash Collateral Account. A Benefitted Party's pro rata share of the Obligations on any distribution date shall be determined by assuming that all Obligations are denominated in U.S. Dollars based upon the quoted spot rate at which the Collateral Agent's principal office offers to exchange any applicable currency for U.S. Dollars at 11:00 A.M. (local time at such principal office) on the Business Day preceding such distribution date (the "**Applicable Exchange Rate**"). For any distribution, the Collateral Agent shall exchange the relevant portion of such distribution into the applicable currency and make each such distribution in the applicable currency.

3. Payment of Obligations; Distributions Recovered.

(a) The Company, each Issuer Subsidiary and each Subsidiary Guarantor agree that any amounts received by a Benefitted Party and delivered by such Benefitted Party to the Collateral Agent pursuant to the terms of this Agreement will not be deemed to be a payment in respect of any Obligations owing to such Benefitted Party until such Benefitted Party receives its pro rata share of such amount from the Collateral Agent and then only to the extent of the actual payment and receipt of such pro rata share; provided that no Subsidiary Guarantor shall be obligated to pay any amount in respect of the Obligations (including, in the case of an Issuer Subsidiary, in respect of its Direct Subsidiary Obligations) in excess of the maximum amount of the Obligations that may be paid by such Subsidiary

Guarantor without rendering any Subsidiary Guaranty issued by such Subsidiary Guarantor (or, in the case of an Issuer Subsidiary, any of its Direct Subsidiary Obligations) void, voidable or illegal under any applicable law (including, without limitation, any fraudulent conveyance or fraudulent transfer).

(b) Notwithstanding anything to the contrary contained in this Agreement, in each case in which any proceeds (or the value thereof) or payments are recovered as a preferential or otherwise voidable payment (whether by a trustee in bankruptcy or otherwise) from the party (the "**Distributor**") which distributed those proceeds to another party or parties under this Agreement, each party (a **"Distributee**") to whom any of those proceeds were ultimately distributed shall, upon the Distributor's notice of the recovery to the Distributee, return to the Distributor an amount equal to the Distributee's ratable share of the amount recovered, together with a ratable share of interest thereon to the extent the Distributor is required to pay interest thereon. For purposes of this Agreement, "**proceeds**" means any payment (whether made voluntarily or involuntarily) from any source, including, without limitation, any offset of any deposit or other indebtedness, any security (including, without limitation, any guaranty or any collateral) or otherwise.

(c) Notwithstanding anything to the contrary contained in this Agreement, including Section 2 and the foregoing provisions of this Section 3, the Benefitted Parties may, without the consent of the Company, any Issuer Subsidiary or any Subsidiary Guarantor, enter into such other arrangements (including, without limitation, the purchase of participations) as the Benefitted Parties determine are necessary or appropriate to accomplish the ratable sharing of recoveries on the Obligations contemplated by this Agreement.

4. The Collateral Agent.

(a) By execution and delivery hereof, each Benefitted Party hereby appoints State Street Bank and Trust Company of California, N.A. as Collateral Agent and its representative hereunder and under the Security Documents and authorizes the Collateral Agent to act as such hereunder and thereunder on behalf of such Benefitted Party. The Collateral Agent agrees to act as such upon the express conditions contained in this Agreement. In performing its functions and duties under this Agreement and the Security Documents, the Collateral Agent shall act solely as agent of the Benefitted Parties to the extent, but only to the extent, provided in this Agreement and does not assume, and shall not be deemed to have assumed, any obligation towards or relationship of agency, fiduciary or trust with or for any other Person, other than as set forth herein and in the Security Documents.

(b) The Collateral Agent shall take any action with respect to the Collateral and/or the Security Documents only as directed in accordance with Section 5(a) hereof; provided that the Collateral Agent shall not be obligated to follow any directions given in accordance with Section 5(a) hereof to the extent that the Collateral Agent has received advice from its counsel to the effect that such directions are in conflict with any provisions of law, this Agreement, the Security Documents or any order of any court or administrative agency; provided further that the Collateral Agent shall not, under any circumstances, be liable to any Benefitted Party or any other person for following the written directions received in accordance with Section 5(a) hereof. Any directions given by the Required Creditors pursuant to Section 5(a) hereof may be withdrawn or modified by the Required Creditors by delivering written notice of withdrawal or modification to the Collateral Agent prior to the time when the Collateral Agent takes any action pursuant to such directions.

(c) Each Benefitted Party authorizes the Collateral Agent to take such action on such Benefitted Party's behalf and to exercise such powers hereunder as are specifically delegated to the Collateral Agent by the terms hereof and of the Security Documents, together with such powers as are reasonably incidental thereto. The Collateral Agent shall have only those duties and responsibilities that are expressly specified in this Agreement and the Security Documents, and it may perform such duties by or through its agents or employees. Nothing in this Agreement or the Security Documents, express or implied, is intended to or shall be construed as imposing upon the Collateral Agent any obligations in respect of this Agreement or such Security Documents except as expressly set forth herein.

(d) The Collateral Agent shall not be responsible to any Benefitted Party for the execution, effectiveness, genuineness, validity, perfection, enforceability, collectibility, value or sufficiency of the Collateral or the Security Documents or for any representations, warranties, recitals or statements made in any document executed in connection with the Obligations or

made in any written or oral statement or in any financial or other statements, instruments, reports, certificates or any other documents in connection herewith or therewith furnished or made by or on behalf of the Company and its Subsidiaries (including any Issuer Subsidiary) to any Benefitted Party or be required to ascertain or inquire as to the performance or observance by the Company or any of its Subsidiaries (including any Issuer Subsidiary) or any other pledgor or guarantor of any of the terms, conditions, provisions, covenants or agreements contained in any document executed in connection with the Obligations or of the existence or possible existence of any Triggering Event.

(e) The Collateral Agent shall not be liable to any Benefitted Party for any action taken or omitted hereunder or under the Security Documents or in connection herewith or therewith except to the extent caused by the Collateral Agent's gross negligence or willful misconduct. The Collateral Agent shall be entitled to rely, and shall be fully protected in relying, upon any written statement, instrument or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons and, except as otherwise specifically provided in this Agreement, shall be entitled to rely upon the written direction of the Required Creditors (as defined in Section 5(a)) certifying that the persons signing such direction constitute the "Required Creditors," and shall be entitled to rely and shall be fully protected in relying on opinions and judgments of counsel, accountants, experts and other professional advisors selected by it in good faith and with due care. The Collateral Agent shall be entitled to refrain from exercising any power, discretion or authority vested in it under this Agreement or the Security Documents unless and until it has obtained the directions in accordance with Section 5(a) hereof with respect to the matters covered thereby. The Collateral Agent shall be entitled to request from each Benefitted Party a certificate setting out the amount of the respective Obligations held by it (including, without limitation, amounts representing principal, Contingent L/C Obligations or interest on such Obligations) for purposes of calculating distributions pursuant to Section 2(c).

(f) Each Benefitted Party agrees not to take any action whatsoever to enforce any term or provision of the Security Documents or to enforce any of its rights in respect of the Collateral, in each case except through the Collateral Agent acting in accordance with this Agreement.

(g) The Company and each of its subsidiaries which is party to this Agreement, and any Issuer Subsidiary which may become party to this Agreement pursuant to Section 10(f) hereof, by its execution of the signature page of this Agreement, agrees to pay and save the Collateral Agent harmless from liability for payment of all costs and expenses of the Collateral Agent in connection with this Agreement and the Security Documents, other than liabilities, costs and expenses resulting from the Collateral Agent's gross negligence or willful misconduct. Each Benefitted Party severally agrees to indemnify the Collateral Agent, pro rata (to the extent set forth in the penultimate sentence of this Section 4(g)), to the extent the Collateral Agent shall not have been reimbursed by or on behalf of the Company or from proceeds of the Collateral or otherwise, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, reasonable expenses (including, without limitation, reasonable counsel fees and disbursements) or disbursements of any kind or nature

whatsoever which may be imposed on, incurred by or asserted against the Collateral Agent in performing its duties hereunder or under the Security Documents in its capacity as the Collateral Agent in any way relating to or arising out of this Agreement, the Security Documents

and/or the Collateral; provided that no Benefitted Party shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Collateral Agent's gross negligence, willful misconduct or breach of the express terms of this Agreement. For purposes of this Section 4(g), any pro rata calculation shall be on the basis of the outstanding principal amount of the Obligations (determined by assuming that all Obligations are denominated in U.S. Dollars based upon the Applicable Exchange Rate) held by or for each Benefitted Party at the time of the act, omission or transaction giving rise to the reimbursement or indemnity required by this Section 4(g). The provisions of this Section 4(g) shall survive the payment in full of all the Obligations and the termination of this Agreement and all other documents executed in connection with the Obligations.

(h) The Collateral Agent may resign at any time by giving sixty (60) days' prior written notice thereof to the Benefitted Parties and the Company, subject to the acceptance of its appointment by a successor Collateral Agent simultaneously with or prior to any resignation of the Collateral Agent. Upon any such notice of resignation, the Required Creditors (as defined in Section 5(a) below) shall have the right to appoint a successor Collateral Agent. The Collateral Agent may be removed at any time with or without cause, by an instrument in writing delivered to the Collateral Agent, the Company and the other Benefitted Parties by the Required Creditors (as defined in Section 5(a) below). Upon the acceptance of any appointment as Collateral Agent hereunder by a successor Collateral Agent, such successor Collateral Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring or removed Collateral Agent, and the retiring or removed Collateral Agent shall be discharged from its duties and obligations under this Agreement and the Security Documents; provided, however, that the retiring or removed Collateral Agent will continue to remain liable for all acts of, or the omission to act by, such retiring or removed Collateral Agent which occurred prior to such retirement or removal. If no successor Collateral Agent shall have been so appointed and shall have accepted such appointment within forty-five (45) days after the retiring Collateral Agent's giving of notice of resignation, then, upon five days' prior written notice to the Company and the Benefitted Parties, the retiring Collateral Agent may, on behalf of the Benefitted Parties, appoint a successor Collateral Agent, which shall be a bank or trust company organized under the laws of the United States or any state thereof (or under the laws of a foreign country and having a branch or agency located in the United States) having a combined capital and surplus of at least $500,000,000, and the short term unsecured debt obligations of which are rated at least P-1 by Moody's Investors Service or A-1 by Standard & Poor's, or any affiliate of such bank. After any retiring or removed Collateral Agent's resignation or removal hereunder as Collateral Agent, the provisions of this Agreement shall inure to its benefit as to any actions taken or omitted to be taken by it while it was the Collateral Agent under this Agreement and the Security Documents.

(i) Except as expressly set forth herein, the Collateral Agent and each of its affiliates may accept deposits from, lend money to and generally engage in any kind of banking, trust, financial advisory or other business with the Company or any affiliate thereof (including any Issuer Subsidiary), and may accept fees and other consideration from the Company or any affiliate thereof (including any Issuer Subsidiary) for services in connection with this Agreement and otherwise without having to account for the same to any Benefitted Party.

(j) The Collateral Agent shall not be liable for or by reason of (i) any failure or defect in the registration, filing or recording of any of the Security Documents, or any notice, caveat or financing statement with respect to the foregoing, or (ii) any failure to do any act necessary to constitute, perfect and maintain the priority of the security interest created by the Security Documents.

(k) Notwithstanding anything to the contrary contained in this Agreement or any document executed in connection with any of the Obligations, the Collateral Agent, unless it shall have actual knowledge thereof, shall not be deemed to have any knowledge of any Triggering Event unless and until it shall have received written notice from the Company, any Issuer Subsidiary, or any Benefitted Party describing such Triggering Event in reasonable detail (including, to the extent known, the date of occurrence of the same).

(l) Upon receipt by the Collateral Agent of any direction by the Required Creditors, all of the Benefitted Parties will be bound by such direction.

5. Relating to Defaults and Remedies.

(a) The Required Creditors may, after any Triggering Event (other than an Involuntary Proceeding) has occurred (or upon the occurrence and continuation of an Involuntary Proceeding for at least 60 consecutive days) and by giving the Collateral Agent written notice of such election, instruct and cause the Collateral Agent to exercise its rights and remedies under the Security Documents. The Collateral Agent shall follow the instructions of the Required Creditors with respect to the enforcement action to be taken. For purposes of this Agreement, the term "**Required Creditors"** shall mean (a) the Required Lenders as defined in the Credit Agreement, and (b) the 2000 Senior Noteholders and the 2003 Senior Noteholders holding a majority in principal amount of the 2000 Senior Noteholder Notes plus the 2003 Senior Noteholder Notes, each, in the case of both clause (a) and clause (b) above, voting as a class; provided that if at any time (i) the aggregate outstanding principal amount of Obligations (including the face amount of any undrawn Letters of Credit) owed to the Senior Lenders under and as defined in the Credit Agreement, or (ii) the aggregate outstanding principal amount of the 2000 Senior Noteholders Notes plus the aggregate outstanding principal amount of the 2003 Senior Noteholders Notes represents, in either case, less than 10% of the sum of the aggregate amounts referred to in clauses (i) and (ii) above, then **"Required Creditors**" shall mean Benefitted Parties, considered as a single class, holding more than 50% of the sum of (A) the face amount of any undrawn Letters of Credit plus (B) the outstanding funded principal amount of the Obligations (it being understood that all amounts referred to in this sentence shall be determined by assuming that such amounts are denominated in U.S. Dollars based upon the Applicable Exchange Rate). For purposes of the foregoing definitions, any Benefitted Party that has purchased a participation in the Obligations owing to another Benefitted Party shall be deemed to be the holder of the amount of such Obligations which are the subject of such participation.

(b) Notwithstanding anything to the contrary contained in this Agreement, the Collateral Agent shall not commence or otherwise take any action or proceeding to enforce any Collateral Document or to realize upon any or all of the Collateral unless and until the Collateral Agent has received instructions in accordance with Section 5(a) above. Upon receipt by the

Collateral Agent of any such instructions, the Collateral Agent shall seek to enforce the Security Documents and to realize upon the Collateral in accordance with such instructions; provided that the Collateral Agent shall not be obligated to follow any such directions as to which the Collateral Agent has received a written opinion of its counsel to the effect that such directions are in conflict with any provisions of law, this Agreement, the Security Documents or any order of any court or administrative agency, and the Collateral Agent shall not, under any circumstances, be liable to any Benefitted Party or any other Person for following the written directions received in accordance with Section 5(a) above.

(c) The duties and responsibilities of the Collateral Agent hereunder shall consist of and be limited to (i) selling, releasing, surrendering, realizing upon or otherwise dealing with, in any manner and in any order, all or any portion of the Collateral, (ii) exercising or refraining from exercising any rights, remedies or powers of the Collateral Agent under this Agreement or the Security Documents or under applicable law in respect of all or any portion of the Collateral, (iii) making any demands or giving any notices under the Security Documents, (iv) effecting amendments to and granting waivers under the Security Documents in accordance with the terms hereof, and (v) maintaining the Cash Collateral Account under its exclusive dominion and control for the benefit of the Benefitted Parties and making deposits therein and withdrawals therefrom as necessary to effect the provisions of this Agreement.

(d) In the event that the Collateral Agent proceeds to foreclose upon, collect, sell or otherwise dispose of or take any other action with respect to any or all of the Collateral or to enforce any provisions of the Security Documents or takes any other action pursuant to this Agreement or any provision of the Security Documents or requests directions from the Required Creditors as provided herein, upon the request of the Collateral Agent or any Benefitted Party, each of the Benefitted Parties agrees that such Benefitted Party (or any agent of or representative for such Benefitted Party) shall promptly notify the Collateral Agent in writing, as of any time that the Collateral Agent may specify in such request, (i) of the aggregate amount of the respective Obligations then owing to such Benefitted Party as of such date and (ii) such other information as the Collateral Agent may reasonably request.

(e) Promptly after the Collateral Agent receives written notice of the occurrence of any Triggering Event pursuant to Section 2(a), it shall promptly send copies of such notice to each of the Benefitted Parties.

(f) The Collateral Agent shall not be obliged to expend its own funds in performing its obligations under this Agreement and shall be entitled to require that the Benefitted Parties provide it with sufficient funds prior to taking any action required under this Agreement.

6. Third Party Beneficiaries. This Agreement is solely for the benefit of the parties hereto and their respective successors and assigns, and none of the Company, any Issuer Subsidiary or any other person or entity, including, without limitation, any guarantor of the obligations of the Company or any Issuer Subsidiary, is intended to be a third party beneficiary hereunder or to have any right, benefit, priority or interest under, or shall have any right to enforce, this Agreement.

7. Relation of Creditors. This Agreement is entered into solely for the purposes set forth herein, and no Benefitted Party assumes any responsibility to any other party hereto to advise such other party of information known to such Benefitted Party regarding the financial condition of the Company or any of its Subsidiaries (including any Issuer Subsidiary) or of any other circumstances bearing upon the risk of nonpayment of any Obligation. Each Benefitted Party specifically acknowledges and agrees that nothing contained in this Agreement is or is intended to be for the benefit of the Company or any of its Subsidiaries (including any Issuer Subsidiary) and nothing contained herein shall limit or in any way modify any of the obligations of the Company, any Issuer Subsidiary or any Subsidiary Guarantor to the Benefitted Parties.

8. Acknowledgment of Guaranties. Each party expressly acknowledges the existence and validity of the 2000 Note Obligation Guaranty, the 2003 Note Obligation Guaranty and the Bank Obligation Guaranty, agrees not to contest or challenge the validity of the 2000 Note Obligation Guaranty, the 2003 Note Obligation Guaranty or the Bank Obligation Guaranty and agrees that the judicial or other determination of the invalidity of the 2000 Note Obligation Guaranty, the 2003 Note Obligation Guaranty or the Bank Obligation Guaranty shall not affect the provisions of this Agreement.

9. Notice of Certain Events. Each Benefitted Party agrees that upon the occurrence of a Triggering Event, it shall promptly notify the Collateral Agent of the occurrence of such Triggering Event. In addition, each Benefitted Party agrees to provide to the Collateral Agent the amount and currency of its Obligations at such reasonable times as may be necessary to determine such Benefitted Party's pro rata share of the outstanding principal amount of the Obligations.

10. Miscellaneous.

(a) Notices. All notices and other communications provided for herein, (including, without limitation, any modifications of, or waivers or consents under, this Agreement) shall be sent (i) by telecopy if the sender on the same day sends a confirming copy of such notice by a recognized overnight delivery service (charges prepaid), or (ii) by registered or certified mail with return receipt requested (postage prepaid), or (iii) by a recognized overnight delivery service (with charges prepaid) to the intended recipient at the address for notices specified beneath the signature of such party hereto; or as to any party at such other address as shall be designated by such party in a notice to each other party. Except as otherwise provided in this Agreement, all such communications shall be deemed to have been duly given when actually received.

(b) Amendments, Waivers, Consents. All amendments, waivers or consents of any provision of this Agreement shall be effective only if the same shall be in writing and signed by all of the Benefitted Parties.

(c) Releases of Collateral. The parties hereto agree that the Collateral Agent shall release all or any portion of the Collateral (other than in connection with the exercise of its rights and remedies pursuant to Section 5) only upon the receipt by the Collateral Agent of (i) a written approval from the Required Creditors, or (ii) so long as no event of default exists under any Senior Loan Document and releasing such Collateral is not prohibited by any Senior Loan

Document, an Officers' Certificates of the Company and any applicable Subsidiary Guarantor, which shall be true and correct, (x) stating that the Collateral subject to such disposition is being sold, transferred or otherwise disposed of in compliance with the terms of each of the Senior Loan Documents, and (y) specifying the Collateral being sold, transferred or otherwise disposed of in the proposed transaction. Upon the receipt of such written approval or Officers' Certificates (so long as the Collateral Agent has no reason to believe that the Officers' Certificates delivered with respect to such disposition are not true and correct), the Collateral Agent shall, at the Company's expense, execute and deliver such releases of its security interest in such Collateral to be released, and provide a copy of such releases to each of the Benefitted Parties. In connection therewith, the Benefitted Parties hereby irrevocably authorize the Collateral Agent from time to time to release such Collateral or consent to such release in accordance with the terms of this Agreement. Notwithstanding anything provided herein to the contrary, no release of security shall in any way affect the guaranties by the Material Domestic Subsidiaries of the Obligations, which guaranties shall continue to remain in full force and effect after any such release.

(d) Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. At the time of any assignment of all or any portion of the 2000 Senior Noteholder Obligations by a 2000 Senior Noteholder, or of all or any portion of the 2003 Senior Noteholder Obligations by a 2003 Senior Noteholder, or of all or any portion of the Senior Lender Obligations by a Senior Lender, or of all or any portion of the Additional Obligations by any Additional Creditor, such assigning 2000 Senior Noteholder, 2003 Senior Noteholder, Senior Lender or Additional

Creditor, as the case may be, shall cause its assignee (each an "**Additional Benefitted Party**") to execute a Counterpart Amended and Restated Collateral Agency and Intercreditor Agreement substantially in the form attached hereto as Exhibit A (a "**Counterpart**") and become a party to this Agreement.

(e) Purchasers of 2003 Senior Noteholder Notes. As a condition precedent to purchasing any 2003 Senior Noteholder Notes, each Prudential Affiliate that becomes a party to the 2003 Private Shelf Agreement, if not then a party to this Agreement, shall execute a Counterpart and become a party to this Agreement, and each such Prudential Affiliate shall be as fully a party to this Agreement as a Benefitted Party as if it was an original signatory hereof without any action required to be taken by any other party hereto. Each other party to this Agreement expressly agrees that its rights and obligations arising hereunder shall continue after giving effect to the addition of each such Prudential Affiliate as a Benefitted Party to this Agreement.

(f) Additional Creditors. Upon the execution of a Counterpart by any Additional Creditor (either directly or through its agents) and delivery of such Counterpart to the other parties hereto, such Additional Creditor shall be as fully a party to this Agreement as a Benefitted Party as if such Additional Creditor was an original signatory hereof without any action required to be taken by any other party hereto, provided that each such Additional Creditor shall execute this Agreement simultaneously with the Subsidiary Guarantors' execution and delivery to it of a Subsidiary Guaranty. Each other party to this Agreement expressly agrees that its rights and obligations arising hereunder shall continue after giving effect to the addition of such Additional Creditor as a party to this Agreement. Notwithstanding the foregoing, after

the occurrence and during the continuation of an event of default under any Senior Loan Document, no Additional Creditor (other than a Prudential Affiliate pursuant to Section 10(e) hereof) may become party to this Agreement.

(g) Issuer Subsidiaries. Upon the execution of an Issuer Subsidiary Counterpart in the form attached hereto as Exhibit B (an **"Issuer Subsidiary Counterpart**") by any Issuer Subsidiary which may become a party to the 2003 Private Shelf Agreement and delivery of such Issuer Subsidiary Counterpart to the other parties hereto, such Issuer Subsidiary shall be deemed to acknowledge and consent to this Agreement, including without limitation Section 3 hereof, as if such Issuer Subsidiary was an original signatory hereof without any action required to be taken by any other party hereto, provided that as a condition precedent to issuing any 2003 Senior Noteholder Notes each such Issuer Subsidiary shall execute this Agreement. Each other party to this Agreement expressly agrees that its rights and obligations arising hereunder shall continue after giving effect to the addition of each such Issuer Subsidiary as a party to this Agreement. Notwithstanding the foregoing or any other provision of this Agreement, no entity may become an Issuer Subsidiary unless either (i) such entity has executed and delivered a counterpart of the Bank Obligation Guaranty or (ii) the Required Lenders (as defined in the Credit Agreement) have consented thereto.

(h) Captions. The captions and Section headings appearing herein are included solely for convenience of reference and are not intended to affect the interpretation of any provision of this Agreement.

(i) Conflicts. In the event of a conflict between the terms of this Agreement and the terms of any of the Security Documents, the terms of this Agreement shall control.

(j) Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together will constitute one and the same instrument and any of the parties hereto may execute this Agreement by signing any such counterpart.

(k) GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND PERFORMED IN THE STATE OF NEW YORK.

(l) Merger. This Agreement and the Security Documents supersede all prior agreements, written or oral, among the parties with respect to the subject matter of such agreements.

(m) Independent Investigation. None of the Collateral Agent or any of the Benefitted Parties, nor any of their respective directors, officers, agents or employees, shall be responsible to any of the others for the solvency or financial condition of the Company or any applicable Issuer Subsidiary or the ability of the Company or any applicable Issuer Subsidiary to repay any of the Obligations, or for the value, sufficiency, existence or ownership of any of the Collateral, or the statements of the Company or any applicable Issuer Subsidiary, oral or written, or for the validity, sufficiency or enforceability of any of the Obligations or any document or agreement executed or delivered in connection with or pursuant to any of the foregoing. Each

Benefitted Party has entered into its respective financial agreements with the Company or any applicable Issuer Subsidiary based upon its own independent investigation, and makes no warranty or representation to the other, nor does it rely upon any representation by any of the others, with respect to the matters identified or referred to in this Section.

(n) Severability. In case any one or more of the provisions contained in this Agreement shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby.

(o) Effect of Bankruptcy or Insolvency. This Agreement shall continue in effect notwithstanding the bankruptcy or insolvency of any party hereto or the Company or any of its Subsidiaries (including any Issuer Subsidiary).

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first set forth above.

U.S. BANK NATIONAL ASSOCIATION,
as successor to State Street Bank and Trust Company
of California, N.A. as Collateral Agent

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

Address for Notices:

U.S. Bank National Association
633 W 5th Street, 24th Floor
Los Angeles, California 90071
Attention: Brad Scarbrough
Vice President
Telephone: (213) 615-6047
Facsimile:
(213) 615-6197

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA,
as 2000 Senior Noteholder

By: /s/ Iris Krause
Name: Iris Krause
Title: Vice President

Address for Notices:

The Prudential Insurance Company of America
c/o Prudential Capital Group – Corporate Finance
Four Embarcadero Center, Suite 2700
San Francisco, California 94111
Attention: Managing Director
Facsimile: (415) 421-6233

PRUDENTIAL INVESMENT MANAGEMENT, INC.,
as 2003 Senior Noteholder
By: /s/ Iris Krause
Name: Iris Krause
Title: Vice President

Address for Notices:

Investment Management, Inc.
c/o Prudential Capital Group – Corporate Finance
Four Embarcadero Center, Suite 2700
San Francisco, California 94111
Attention: Managing Director
Facsimile: (415) 421-6233

BANK OF AMERICA, N.A.,
as Agent to the Senior Lenders and a Senior Lender

By: /s/ Sharon Burks Horos
Name: Sharon Burks Horos
Title: Vice President

Address for Notices:

Bank of America, N.A.
231 South LaSalle Street
Chicago, Illinois 60697
Attn: Sharon Burks Horos
Tel (312) 828-2149
Fax (312) 828-6269

BANK ONE, N.A.,
with its main office in Chicago, Illinois (as successor by merger to Bank One, Utah, NA
as a Senior Lender

By: /s/ Mark F. Nelson

Name: Mark F. Nelson
Title: Vice President

Address for Notices:

Bank One, N.A.
80 West Broadway, Suite 200
Salt Lake City, Utah 84101
Attn: Mark F. Nelson
Tel (801) 481-5041
Fax (801) 481-5351

EACH OF THE UNDERSIGNED HEREBY ACKNOWLEDGES AND CONSENTS TO THE FOREGOING, INCLUDING, WITHOUT LIMITATION, SECTION 3. EACH OF THE UNDERSIGNED HEREBY CONSENTS TO THE RELEASE BY THE COLLATERAL AGENT TO THE BENEFITTED PARTIES OF ANY INFORMATION PROVIDED TO OR OBTAINED BY THE COLLATERAL AGENT UNDER OR IN CONNECTION WITH THE SECURITY DOCUMENTS. EACH OF THE UNDERSIGNED HEREBY COVENANTS TO PAY TO THE COLLATERAL AGENT FROM TIME TO TIME REASONABLE REMUNERATION FOR ITS SERVICES HEREUNDER AND WILL PAY OR REIMBURSE THE COLLATERAL AGENT UPON ITS REQUEST FOR ALL REASONABLE EXPENSES, DISBURSEMENTS AND ADVANCES INCURRED OR MADE BY THE COLLATERAL AGENT IN THE ADMINISTRATION OR EXECUTION OF THE COLLATERAL AGENCY HEREBY CREATED (INCLUDING THE REASONABLE COMPENSATION AND THE DISBURSEMENTS OF ITS COUNSEL AND ALL OTHER ADVISERS AND ASSISTANTS NOT REGULARLY IN ITS EMPLOY) BOTH BEFORE ANY DEFAULT HEREUNDER AND THEREAFTER UNTIL ALL DUTIES OF THE COLLATERAL AGENT HEREUNDER SHALL BE FINALLY AND FULLY PERFORMED EXCEPT ANY SUCH EXPENSE, DISBURSEMENT OR ADVANCE AS MAY ARISE OUT OF OR RESULT FROM THE COLLATERAL AGENT'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT. THE UNDERSIGNED HEREBY AGREES TO PROVIDE TO EACH OF THE BENEFITTED PARTIES TRUE AND CORRECT COPIES OF ALL NOTICES, CERTIFICATES, SCHEDULES AND OTHER INFORMATION PROVIDED TO THE COLLATERAL AGENT PURSUANT TO THIS AGREEMENT AND THE SECURITY DOCUMENTS.

NU SKIN ENTERPRISES, INC.

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

NU SKIN INTERNATIONAL, INC.
NU SKIN ENTERPRISES HONG KONG, INC.
NU SKIN TAIWAN, INC.
NU SKIN UNITED STATES, INC.
BIG PLANET, INC.

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

NSE KOREA LTD.,
a Korean corporation domesticated under under the laws of Delaware

By: /s/ Sung Tae Han
Name: Sung Tae Han
Title: President, Representative Director and General Manager

Address for Notices:
One Nu Skin Plaza
75 West Center Street
Provo, Utah 84601
Attention: General Counsel
Facsimile: (801) 345-6099

EXHIBIT A

Counterpart Amended and Restated Collateral Agency and Intercreditor Agreement

IN WITNESS WHEREOF, the undersigned has caused this Counterpart Amended and Restated Collateral Agency and Intercreditor Agreement, dated as of _____, 20__ (this "Counterpart"), to be duly executed and delivered by its duly authorized officer. Upon execution and delivery of this Counterpart to Collateral Agent, the undersigned shall be an Additional Benefitted Party under the Amended and Restated Collateral Agency and Intercreditor Agreement and shall be as fully a party to the Amended and Restated Collateral Agency and Intercreditor Agreement as if such Additional Benefitted Party were an original signatory to the Amended and Restated Collateral Agency and Intercreditor Agreement.

[Name of Additional Benefitted Party]

By:
Name:
Title:

EXHIBIT B

Issuer Subsidiary Counterpart

IN WITNESS WHEREOF, the undersigned has caused this Issuer Subsidiary Counterpart, dated as of _____, 20__ (this "Issuer Subsidiary Counterpart"), to be duly executed and delivered by its duly authorized officer. Upon execution and delivery of this Issuer Subsidiary Counterpart to Collateral Agent, the undersigned shall be an Issuer Subsidiary under the Amended and Restated Collateral Agency and Intercreditor Agreement and shall be deemed to acknowledge and consent to the Amended and Restated Collateral Agency and Intercreditor Agreement, including without limitation Section 3 thereof, as if such Issuer Subsidiary were an original signatory to the Amended and Restated Collateral Agency and Intercreditor Agreement.

[Name of Issuer Subsidiary] By:
Name:
Title:

AMENDMENT NO. 1 TO THE

MASTER LEASE AGREEMENT

[Scrub Oak, LLC]

THIS AMENDMENT NO. 1 TO THE MASTER LEASE AGREEMENT (hereinafter the "Amendment"), effective as of the 1st day of July, 2003, by and between SCRUB OAK, LLC, a Utah limited liability company, whose address is 75 West Center Street, Provo, Utah 84601, ATTN: Brooke Roney (hereinafter "Landlord") and NU SKIN INTERNATIONAL, INC., a Utah corporation, whose address is 75 West Center Street, Provo, Utah 84601 (hereinafter "Tenant").

R E C I T A L S:

A. Tenant has the right to renew certain leases to the premises identified on Schedule A to this Amendment (the "Premises").

B. Tenant desires to renew such leases of the Premises from Landlord.

C. The parties desire to amend the Master Lease Agreement with respect to the Premises to reflect the renewal terms of the lease.

NOW, THEREFORE, in consideration of the rents, covenants and agreements hereinafter set forth, Landlord and Tenant mutually agree to the amended terms and conditions for the Premises set forth on Schedule A attached hereto.

SCHEDULE A

to

AMENDMENT NO. 1 TO THE MASTER LEASE

[Scrub Oak, LLC]

ANNEX "B"

1. Commencement Date: July 1, 2003

2. Premises: All of Annex B located at 1070 South 350 East

3. Expiration Date: June 30, 2008

4. Term: Five (5) years.

5. Renewal Terms: None

6. Monthly Rent:

MONTHS	MONTHLY RENT
1-12	$ 7,312.50
13-24	7,495.31
25-36	7,682.69
37-48	7,874.76
49-60	8,071.63

7. Permitted Use: General warehouse storage, fleet maintenance and related uses.

LANDLORD AND TENANT have executed this Amendment to the Lease effective as of the day and year first above written.

LANDLORD:

SCRUB OAK, LLC
by its Manager:

By: /s/ Brooke B. Roney
Brooke B. Roney
Manager

TENANT

NU SKIN INTERNATIONAL, INC.

By: /s/ D. Matthew Dorny
D. Matthew Dorny
Vice President and General Counsel

AMENDMENT NO. 1 TO THE

MASTER LEASE AGREEMENT

[Aspen Country, LLC]

THIS AMENDMENT NO. 1 TO THE MASTER LEASE AGREEMENT (hereinafter the "Amendment"), effective as of the 1st day of July, 2003, by and between ASPEN COUNTRY, LLC, a Utah limited liability company, whose address is 75 West Center Street, Provo, Utah 84601, ATTN: Brooke Roney (hereinafter "Landlord") and NU SKIN INTERNATIONAL, INC., a Utah corporation, whose address is 75 West Center Street, Provo, Utah 84601 (hereinafter "Tenant").

R E C I T A L S:

A. Tenant has the right to renew certain leases to the premises identified on Schedule A to this Amendment (the "Premises").

B. Tenant desires to renew such leases of the Premises from Landlord.

C. The parties desire to amend the Master Lease Agreement with respect to the Premises to reflect the renewal terms of the lease.

NOW, THEREFORE, in consideration of the rents, covenants and agreements hereinafter set forth, Landlord and Tenant mutually agree to the amended terms and conditions for the Premises set forth on Schedule A attached hereto.

SCHEDULE A

to

AMENDMENT NO. 1 TO THE MASTER LEASE

[Aspen Country, LLC]

ANNEX "A"

1. Commencement Date: July 1, 2003

2. Premises: All of Annex A except for 7,500 sq. ft. which is not being leased by Tenant.

3. Expiration Date: June 30, 2008

4. Term: Five (5) years.

5. Renewal Terms: None

6. Monthly Rent:

MONTHS	MONTHLY RENT
1-12	$ 5,343.75
13-24	5,477.34
25-36	5,614.28
37-48	5,754.63
49-60	5,898.50

7. Permitted Use: General warehouse storage, fleet maintenance and related uses.

8. Utilities: In the event utilities for the space not being leased by Tenant cannot be separately metered, Landlord shall reimburse Tenant a portion of such shared utility costs in a manner as mutually agreed upon.

9. Taxes/Repairs: Landlord shall reimburse Tenant pro rata for property taxes based on square footage if retained by Landlord (7500/30000). Landlord shall be responsible for paying for any and all repairs to the portion of the Premises retained by Landlord.

LANDLORD AND TENANT have executed this Amendment to the Lease effective as of the day and year first above written.

LANDLORD:

ASPEN COUNTRY, LLC
by its Manager:

By: /s/ Brooke B. Roney
Brooke B. Roney
Manager

TENANT

NU SKIN INTERNATIONAL, INC.

By /s/ D. Matthew Dorny
D. Matthew Dorny
Vice President and General Counsel

AMENDMENT NO. 2 TO MASTER LEASE AGREEMENT
("Annex A")

THIS AMENDMENT No. 2 TO MASTER LEASE AGREEMENT (the "Amendment") is made and entered into effective as of the 1st day of July, 2008, by and between Aspen Country, LLC., a Utah limited liability company whose address is 86 North University Ave, Suite 420, Provo, Utah ATTN: Brooke Roney ("Landlord") and Nu Skin International, Inc., a Utah corporation whose address is 75 West Center Street, Provo, Utah ("Tenant").

R E C I T A L S

A. Pursuant to that certain Master Lease Agreement dated as of July 1, 2001 together with Amendment No. 1 to Master Lease Agreement dated as of July 1, 2003 (collectively, the "Master Lease"), Landlord has been leasing to Tenant certain warehouse space known as Annex A and located at _____ (the "Premises")

B. Tenant and Landlord desire to extend the term of the lease for the Premises.

NOW, THEREFORE, the parties hereby agree to amend and restate in its entirety that portion of Schedule A to the Master Lease (or any amendment thereto) with respect to the Premises..

1. Term of Lease. The initial term of the lease shall be for a term of three (3) years commencing on July 1, 2008 (the "Commencement Date") and ending on June 30, 2011 (the "Expiration Date").

2. Option to Extend Term: The term of the lease of the Premise shall automatically be extended for a period of five years at the end of the initial term unless Tenant provides written notice of its intention not to renew the lease to Landlord no later than one-year prior to the expiration of the initial term set forth in paragraph 1 above.

3. Monthly Rent. The monthly rent shall be paid to the Landlord for the Premises in the following monthly payments:

MONTHS	MONTHLY BASE RENT
1-12	$ 9,000.00
13-24	$ 9,270.00
25-36	$ 9,548.10
RENEWAL TERM	
1-12	$ 9,834.54
13-24	$ 10,129.58
25-36	$ 10,433.47
37-48	$ 10,746.47
49-60	$ 11,068.86

4. Prepaid Rent; Security Deposit: Prepaid Rent: None; Security Deposit: $8,000.00.

5. Taxes/Repairs. Landlord shall reimburse Tenant for Landlord's shares of any property taxes assessed on the property based on the square footage retained by Landlord and the square footage utilized by Tenant. Landlord shall be responsible for any repairs and maintenance to the portion of the Premises retained by Landlord.

Executed on the dates indicated below November to be effective as of July 1, 2008.

LANDLORD:

ASPEN COUNTRY, LLC

/s/ Brooke B. Roney
By: Brooke B. Roney
Its: Manager

Date: November 10, 2008

TENTANT:

NU SKIN INTERNATIONAL, INC.

/s/ Matt Dorny
By: Matt Dorny
Its: Vice President

NU SKIN ENTERPRISES, INC.

LOCK-UP AGREEMENT

THIS LOCK-UP AGREEMENT (the "*Agreement*") is made as of October 22, 2003 (the "*Effective Date*") by and between Nu Skin Enterprises, Inc., a Delaware corporation (the "*Company*") and the Stockholder (as defined below).

Overview

This Agreement is intended to benefit all stockholders of the Company by providing for orderly sales of the Company's stock in the public market. This Agreement generally creates a blanket prohibition on the stockholder or related entities making any sales of the Company's stock or taking any actions that are economically similar to a sale, either directly or indirectly. This Agreement then lists exceptions to this general rule, which are the types of sales, transfers and other economically similar actions that a Stockholder is permitted to take, provided that various requirements are met. Generally, sales to the Company, donations to independent religious charities, limited pledges to secure loans, estate planning transfers and the satisfaction of existing options granted to independent parties are the only transactions allowed during the first two years of this Agreement. Thereafter, private and open market sales are allowed within volume limitations described in Section 2 and subject to compliance with securities laws. Definitions and cross-references appear in Section 24.

Background Information

A. The Stockholder is a party to that certain Amended and Restated Stockholders Agreement dated as of November 28, 1997, as amended by Amendment No. 1 dated as of March 8, 1999, and Amendment No. 2 dated as of May 13, 1999, to the Amended and Restated Stockholders Agreement (collectively referred to hereinafter as the "*Original Stockholders Agreement*").

B. The Company has agreed, pursuant to a certain Stock Repurchase Agreement dated of even date herewith (the "*Purchase Agreement*"), to purchase shares of the Class A Common Stock and Class B Common Stock (the "*Purchased Shares*") from certain stockholders of the Company, including the Stockholder, and it is a condition to the closing of the transactions contemplated by the Purchase Agreement that the Stockholder and the Company execute and deliver this Agreement, which describes certain of the rights and obligations of the Stockholder with respect to any shares of the Company's stock, other than (i) the Purchased Shares, (ii) shares sold contemporaneously with the transactions under the Purchase Agreement to a group of private investors and (iii) shares purchased in the open market (the "*Lock-Up Shares*"), that are now held or hereafter acquired by the Stockholder.

C. The Company and the Stockholder desire to terminate all rights and obligations with respect to the Stockholder and the Stockholder's Affiliated Entities (as defined below) under the Original Stockholders Agreement pursuant to Section 11 thereof and enter into this Agreement on the terms and conditions as provided below.

ACCORDINGLY, in consideration of the foregoing information and the mutual agreements herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. *Two-Year Prohibition on Sales or Transfers*. The Stockholder, including the Stockholder's Affiliated Entities, hereby agrees that for a period of two (2) years from the Effective Date (the "*Lock-Up Period*"), the Stockholder will not offer, sell, contract to sell, pledge, give, donate, transfer or otherwise dispose of, directly or indirectly, any Lock-Up Shares or securities or rights convertible into or exchangeable or exercisable for any Lock-Up Shares, enter into a transaction which would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic or voting consequences of ownership of such securities, whether any such aforementioned transaction is to be settled by delivery of the Lock-Up Shares or such other securities, in cash or otherwise, or publicly disclose the intention to make any such offer, sale, pledge or disposition, or to enter into any such transaction, swap, hedge or other arrangement (the "*Lock-Up Agreement*").

2. *Post-Lock-Up Restrictions on Sales—Volume Limitations*. After the expiration of the Lock-Up Period, the aggregate number of Lock-Up Shares that may be sold or otherwise Transferred (as defined below) by the Stockholder (taking into account sales and other Transfers (a) directly from the Stockholder, (b) by the Stockholder's Affiliated Entities and (c) by any holder of Lock-Up Shares previously sold or otherwise Transferred to such holder by the Stockholder after the Effective Date(but taking into account only Lock-Up Shares transferred to the holder by the Stockholder)) shall not exceed 300,000 Lock-Up Shares (as adjusted for any stock split, combination or the like) within any fiscal quarter of the Company and shall not exceed 125,000 Lock-Up Shares (as adjusted for any stock split, combination or the like) in any 30-day period (the "*Volume Limitations*").

3. *Allowable Sales During Lock-Up Period and Thereafter*. Notwithstanding the terms of Section 1 above, during the Lock-Up Period the Stockholder may:

(a) Transfer Lock-Up Shares to the Company or its designee.

(b) Make a *bona fide* charitable donation to a non-profit, religious organization or institution that is independent of the Stockholder (a "*Charitable Donee*").

(c) Grant and maintain a *bona fide* lien or security interest in, pledge, hypothecate or encumber (collectively, a "*Pledge*") any Lock-Up Shares beneficially owned by him, her or it to a nationally or internationally recognized financial institution with assets of not less than $10 billion (an "*Institution*") in connection with a loan to the Stockholder; *provided, however,* that (i) the Stockholder (treating the Stockholder and all Stockholder's Affiliated Entities in the aggregate as one entity) shall not Pledge Lock-Up Shares to secure loans in the aggregate in excess of Ten Million Dollars ($10,000,000); (ii) the Stockholder gives the Company's Secretary 5 days' prior written notice that he, she or it intends to Pledge Lock-Up Shares to an Institution pursuant to this Section 3(c); and (iii) the Institution agrees in writing at or prior to the time of such Pledge that the Company shall receive timely notice of any margin call or event of default and shall have the right to satisfy any margin call or cure any event of default by the Stockholder in connection with any loan to which the Pledge relates by purchasing any or all Lock-Up Shares Pledged at a price equal to 50% of the then-current market value (as calculated using the average closing sales price of the Company's Common Stock for the 15 immediately previous trading days) on the date of the margin call or event of default, such election by the Company to be shown by written notice to the Institution and payment within 5 business days of notice being received by the Company, with transfer of the Lock-Up Shares to the Company to be completed immediately upon receipt of such payment. In the event that the Company's payment for the Lock-Up Shares exceeds the amount owed to the Institution by the Stockholder, any excess amount shall be paid promptly by the Institution to the Stockholder. In the event that both the Company and the Stockholder attempt to make payment to satisfy any margin call or event of default, the first to make full payment shall be deemed to

have completed such purchase or cure (as the case may be), and any payments received by the Institution from the other party shall be promptly returned. This paragraph may not be relied upon for any non-*bona fide* loan or other form of indirect or disguised sale.

The Stockholder hereby appoints and constitutes each of Blake M. Roney and M. Truman Hunt, with full power of substitution, as attorneys-in-fact (each an "*Attorney-in–Fact*") to act in the Stockholder's name, place and stead, to transfer and convey to the Company all Lock-Up Shares purchased by the Company pursuant to this Section 3(c) and to execute and deliver all stock powers, endorse all stock certificates and execute and deliver any and all instruments, documents and agreements necessary to transfer all Lock-Up Shares purchased by the Company pursuant to this Section 3(c). The foregoing power of attorney is coupled with an interest and is irrevocable. The Stockholder agrees to indemnify and hold the Company and each Attorney-in-Fact, or their appointees, harmless from and against any and all liabilities, claims, damages and expenses (including attorney's fees and court costs) incurred by the Company or an Attorney-in-Fact, or their appointees, in connection with the exercise by the Company of its rights hereunder.

(d) Transfer Lock-Up Shares to one of the Stockholder's Affiliated Entities, so long as such Stockholder's Affiliated Entity agrees in an additional written instrument delivered to the Company to be subject to the terms and conditions of this Agreement.

(e) In the event that the Stockholder is subject, on the Effective Date, to any legally binding, written "put" or "call" option (the "Option"), the Stockholder shall furnish a copy of such written Option to the Chief Financial Officer or General Counsel of the Company prior to or at the time of signing this Agreement. In such event, the provisions of this Agreement shall not prevent the Stockholder from honoring his or her "put" rights or "call" obligations pursuant to such Option and the Company will, upon request, furnish any reasonably required written waiver of the applicability of this Agreement to the extent necessary to allow the Stockholder to meet his or her obligation.

4. *Allowable Sales After the Lock-Up Period*. In addition to the sales or other Transfers allowed pursuant to Section 3 above, following the Lock-Up Period, the Stockholder (treating the Stockholder and all Stockholder's Affiliated Entities in the aggregate as one entity) may:

(a) Sell or otherwise Transfer Lock-Up Shares in compliance with the Volume Limitations in the public market;

(b) Sell or otherwise Transfer Lock-Up Shares in compliance with the Company's Right of First Refusal described below; or

(c) Sell or otherwise Transfer Lock-Up Shares in a private placement transaction to any other person or entity; *provided that* such transferee agrees in a written instrument delivered to the Company to hold such Lock-Up Shares subject to the terms and conditions of this Agreement and *provided further* that any sale or other Transfer of such Lock-Up Shares thereafter shall be aggregated with sales or other Transfers by the selling or Transferring Stockholder for purposes of complying with the Volume Limitations.

5. *Company Right to Purchase Additional Shares from Stockholder*. During the Lock-Up Period, the Company shall have the right to purchase, on substantially the same terms and conditions as set forth in the Purchase Agreement, a number of Lock-Up Shares held by the Stockholder (treating the Stockholder and all Stockholder's Affiliated Entities in the aggregate as one entity) equal to up to thirty percent (30%) of the aggregate number of shares of the Company's stock sold by the Stockholder to the Company and contemporaneously to a group of private investors; *provided, however*, that (a) in no event shall the Stockholder be required to sell more Lock-Up Shares than the Stockholder then owns or controls, (b) the Stockholder shall not be required to sell any Lock-Up Shares that are subject to an Option, (c) the price paid shall be equal to the lesser of (i) 94% of the average closing sales price of the Company's stock for the immediately preceding 15 trading days or (ii) 94% of the closing sale price of the Company's stock on the date the Company gives notice to the Stockholder that the Company is exercising its right to purchase, and (d) in no event shall the purchase price be less than $11.75 per share. The Company shall provide at least 10 days' prior written notice to the Stockholder signing below of its election to exercise its right of purchase, setting forth the date on which the Company proposes to make such purchase (the "*Repurchase Date*") and the number of Lock-Up Shares the Company proposes to purchase ("*Repurchase Shares*"). On the Repurchase Date, the Stockholder shall have the irrevocable obligation to sell and deliver to the Company the Repurchase Shares, and the Company shall have the irrevocable obligation to purchase the Repurchase Shares and pay the Stockholder.

6. *Company Right of First Refusal for One Year Following the Lock-Up Period*. For a period of one (1) year following the expiration of the Lock-Up Period, the Company shall have the right to purchase, on substantially the same terms and conditions as set forth in the Purchase Agreement, all or any portion of any Lock-Up Shares desired to be sold by the Stockholder to any buyer, other than any Lock-Up Shares being sold by a Stockholder pursuant to an Option.

(a) Prior to a sale of any Lock-Up Shares pursuant to this Section, the Stockholder shall deliver to the Company a written notice (the "*Transfer Notice*"), stating: (i) the Stockholder's *bona fide* intention to sell or otherwise Transfer such Lock-Up Shares; (ii) the name, address and phone number of each proposed purchaser or other transferee (or that the sale will be into the public market) ("*Proposed Transferee*"); (iii) the aggregate number of Lock-Up Shares that the Stockholder (identifying by Stockholder entity the source of the Stockholder's stock) proposes to sell or otherwise Transfer to each Proposed Transferee (the "*Offered Shares*"); and (iv) the *bona fide* cash price (or that the sale will be in the public market at prevailing market prices) or, in reasonable detail, other consideration for which Seller proposes to Transfer the Offered Shares (the "*Offered Price*").

(b) For a period of 20 days (the "*Exercise Period*") after the date on which the Transfer Notice is actually received by the Company, the Company shall have the right to purchase all (but not less than all) of the Offered Shares on substantially the same terms and conditions as set forth in the Purchase Agreement, including that the the price paid shall be equal to the lesser of (i) 94% of the average closing sales price of the Company's stock for the immediately preceding 15 trading days or (ii) 94% of the closing sale price of the Company's stock on the date the Company gives notice to the Stockholder signing this Agreement that the Company is exercising its right to purchase, but in no event shall the purchase price be less than $11.75 per share. In order to exercise its right hereunder, the Company must deliver written notice of its intent to purchase to Seller within the Exercise Period and close within five (5) business days of giving such notice.

(c) Upon the earlier to occur of (i) the expiration of the Exercise Period or (ii) the time when Seller has received written notice from the Company that the Company will not exercise its right of first refusal, the Stockholder (by Stockholder entity as set forth in identifying the Offered Shares) shall be free to sell to the Proposed Transferee on terms no more favorable to the Proposed Transferee than those contained in the Transfer Notice, provided that any such sale is completed within 50 days after the date of the beginning of the Exercise Period.

7. *Application of this Agreement to Shares Sold or Otherwise Transferred*. So long as such sales or other Transfers are made in compliance with the Volume Limitations and other requirements of this Agreement, Lock-Up Shares sold in the public market shall thereafter not be subject to the restrictions on sale or other Transfer contained in this Agreement. Lock-Up Shares that are properly transferred to a Charitable Donee or Lock-Up Shares sold or otherwise Transferred in private sales or other Transfers pursuant to an Option shall thereafter not be subject to the restrictions on sale or other Transfer contained in this

Agreement. Private sales or other Transfers of Lock-Up Shares sold in a private transaction pursuant to Section 4(c) shall continue to be subject to the Volume Limitations and other terms of this Agreement as described in that Section. Transferred Lock-Up Shares may continue to be subject to restrictions imposed by federal or state securities laws and contractual agreements outside of this Agreement.

8. *Attempted Transfers*. Any attempted or purported sale or other Transfer of any Lock-Up Shares by the Stockholder in violation or contravention of the terms of this Agreement shall be null and void *ab initio*. The Company shall, and shall instruct its transfer agent to, reject and refuse to transfer on its books any Lock-Up Shares that may have been attempted to be sold or otherwise Transferred in violation or contravention of any of the provisions of this Agreement and shall not recognize any person or entity holding any of the Lock-Up Shares as being a stockholder of the Company.

9. *Underwriter Lock-Up Agreement*. If the Stockholder was a selling stockholder in the Company's 2002 secondary public offering, the Stockholder hereby acknowledges and confirms that the Stockholder has previously entered into a separate lock-up agreement with the underwriters of the Company's 2002 secondary public offering and is obligated to continue to comply with the Stockholder's obligations set forth in that lock-up agreement. 10. *Stockbrokers*. In order to enhance the Company's ability to facilitate compliance with applicable securities laws by the Stockholder, unless the Company in its good faith discretion determines otherwise, all sales or Transfers allowable pursuant to the Volume Limitations that involve a brokerage, exchange or trading system shall be made through the Provo, Utah office or a specific office in New York City (designated by the Company) of Merrill Lynch & Co., the Dallas, Texas office of Banc of America Securities LLC or such other broker or office as may be proposed by the Stockholder and approved in advance in writing by the Company; *provided, however*, that the Company may revoke such approval or modify or change the brokers and offices through which sales or other Transfers may be made at any time.

11. *Termination of Original Stockholders Agreement*. The rights and obligations of the Stockholder under the Original Stockholders Agreement are hereby terminated effective as of the Effective Date. *12. Lock-Up for Future Public Offerings.* Notwithstanding anything herein to the contrary, in the event that during the three (3) years subsequent to the Effective Date the Company notifies the Stockholder of its intent to file a registration statement under the Securities Act of 1933, as amended, for the public distribution of securities, on either a primary or secondary basis, the Stockholder agrees that the provisions of Section 1 will again apply to the Stockholder for a period beginning on the date of the notice from the Company (but not more than 10 days prior to the anticipated filing of the registration statement) and ending 90 days following the date of the final Prospectus used in such offering.

13. *Waiver of Claims*. The Stockholder hereby irrevocably waives any and all known or unknown claims and rights, whether direct or indirect, fixed or contingent, that the Stockholder may now have or that may hereafter arise against the Company or any of its affiliates, or any of its respective officers, directors, stockholders, employees, agents, attorneys or advisors arising out of the negotiation, documentation or operation of the Original Stockholders Agreement or any other agreement to which the Company and the Stockholder were party existing prior to the Original Stockholders Agreement or arising out of the negotiation and documentation of this Agreement.

14. *Consent or Approval of Company*. Whenever the waiver, consent or approval of the Company is required herein or is desired to amend this Agreement or waive any requirement in this Agreement, such consent, approval, amendment or waiver may only be given by the Company if and when approved by a majority of the Company's then independent directors; *provided, however*, that the independent directors may delegate this authority to executive officers of the Company if the Stockholder seeking or benefiting from the consent, approval, amendment or waiver is not serving as an officer or director of the Company.

15. *Acknowledgement of Representation*. The Stockholder represents and warrants to the Company that the Stockholder was or had the opportunity to be represented by legal counsel and other advisors selected by Stockholder in connection with the Original Stockholders Agreement and has been represented by legal counsel and other advisors selected by the Stockholder in connection with this Agreement. The Stockholder has reviewed this Agreement with his, her or its legal counsel and other advisors and understands the terms and conditions hereof. The Stockholder understands, acknowledges and confirms that M. Truman Hunt, Matt Dorny and Simpson Thacher & Bartlett LLP represented only the Company in connection with this Agreement. Wilson Sonsini Goodrich & Rosati, P.C. represented only the Special Committee of the Board of Directors of the Company in connection with this Agreement.

16. *Legends on Certificates*. All Purchased or Lock-Up Shares now or hereafter owned by the Stockholder, except any shares purchased in open market transactions by Stockholders that are not affiliates (as such term is defined under securities laws) of the Company, shall be subject to the provisions of this Agreement and the certificates representing such Purchased or Lock-Up Shares shall bear the following legends:

> THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR ANY STATE SECURITIES LAWS. THEY MAY NOT BE SOLD, ASSIGNED, PLEDGED OR OTHERWISE TRANSFERRED FOR VALUE UNLESS THEY ARE REGISTERED UNDER THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS OR UNLESS THE CORPORATION RECEIVES AN OPINION OF COUNSEL SATISFACTORY TO IT, OR OTHERWISE SATISFIES ITSELF, THAT AN EXEMPTION FROM REGISTRATION IS AVAILABLE.
>
> THE SALE, ASSIGNMENT, GIFT, BEQUEST, TRANSFER, DISTRIBUTION, PLEDGE, HYPOTHECATION OR OTHER ENCUMBRANCE OR DISPOSITION OF THE SHARES REPRESENTED BY THIS CERTIFICATE IS RESTRICTED BY AND MAY BE MADE ONLY IN ACCORDANCE WITH THE TERMS OF A LOCK-UP AGREEMENT, A COPY OF WHICH MAY BE EXAMINED AT THE OFFICE OF THE CORPORATION.

17. *Termination of Lock-Up Agreement*. This Agreement shall terminate upon the earlier to occur of:

(a) the execution of a written instrument to that effect by the Company and the Stockholder (or individual Stockholder entity) that then owns the Lock-Up Shares; or

(b) the merger or consolidation of the Company with a corporation or other entity upon consummation of which the Stockholder and all other persons or entities that are party to a lock-up agreement regarding the Company's stock with terms substantially identical to this Lock-Up Agreement immediately thereafter own in the aggregate less than 25% of the total voting power of the surviving or resulting corporation.

18. Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Utah.

19. *Notices*. Any notices and other communications given pursuant to this Agreement shall be in writing and shall be effective upon delivery by hand or on the fifth (5th) day after deposit in the mail if sent by certified or registered mail (postage prepaid and return receipt requested) or on the next business day if sent by a nationally recognized overnight courier service (appropriately marked for overnight delivery) or upon transmission if sent by facsimile (with immediate electronic confirmation of receipt in a manner customary for communications of such type). Notices are to be addressed as follows:

If to the Company:

Nu Skin Enterprises, Inc.75
West Center Street,
Suite 900
Provo, Utah 84601
Attention: Chief Financial Officer/General Counsel
Telecopy: (801) 345-5999

If to the Stockholder:

Address of the Stockholder signing this Agreement as indicated in the Company's records.

20. *Binding Effect*. This Agreement will be binding upon and inure to the benefit of the Company, its successors and assigns and to the Stockholder and their respective permitted heirs, personal representatives, successors and assigns.

21. *Entire Understanding*. This Agreement sets forth the entire agreement and understanding of the parties hereto in respect of the subject matter hereof and the transactions contemplated hereby and supersedes all prior written and oral agreements, arrangements and understandings relating to the subject matter hereof. This Agreement may not be changed orally, but may only be changed by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification or discharge is sought.

22. *Remedies*.

(a) The parties hereto acknowledge that money damages are not an adequate remedy for violations of this Agreement and that any party may, in such party's sole discretion, apply to any court of competent jurisdiction for specific performance or injunctive relief or such other relief as such court may deem just and proper in order to enforce this Agreement or prevent any violation hereof and, to the extent permitted by applicable law, each party hereto waives any objection to the imposition of such relief.

(b) All rights, powers and remedies provided under this Agreement or otherwise available in respect hereof, whether at law or in equity, shall be cumulative and not alternative, and the exercise or beginning of the exercise of any thereof by any party hereto shall not preclude the simultaneous or later exercise of any other such right, power or remedy by such party.

23. *Counterparts*. This Agreement may be executed by facsimile and in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument. Each counterpart may consist of a number of copies each signed by less than all, but together signed by all, of the parties hereto.

24. *Definitions*. The table below is intended to facilitate the finding of defined terms in this Agreement. Certain terms are defined in the table.

Term	Definition or Section Where Defined
Agreement	First paragraph
Attorney-in-Fact	Section 6(d)
Charitable Donee	Section 3(b)
Company	First paragraph
Effective Date	First paragraph
Exercise Period	Section 6(b)
Institution	Section 3(c)
Lock-Up Agreement	Section 1
Lock-Up Period	Section 1
Lock-Up Shares	Background Information, Paragraph B
Offered Price	Section 6(a)
Offered Shares	Section 6(a)
Option	Section 3(e)
Original Stockholders	Background Information, Paragraph A Agreement

Pledge	Section 3(c)
Proposed Transferee	Section 6(a)
Purchase Agreement	Background Information, Paragraph B
Purchased Shares	Background Information, Paragraph B
Repurchase Date	Section 5
Repurchase Shares	Section 5
Stockholder	"Stockholder" means (a) the individual whose name and signature appear on the signature page hereto, (b) his, her or its assignees hereunder, (c) his, her or its respective estate, guardian, conservator, committee, trustee, manager, partner or officer, (d) his or her spouse and descendants that are minors or legally incompetent (and any estate, guardian, conservator, committee, trustee, manager, partner or officer for such minor) and (e) his, her or its Stockholder's Affilated Entities. In the event of a transfer by operation of law of any Lock-Up Shares owned by the Stockholder, the Stockholder's rights and obligations under this Agreement shall remain and apply to any successor in interest to the Stockholder as if such successor in interest were the original Stockholder signing this Agreement.
Stockholder's Affiliated Entites	"Stockholder's Affiliated Entities" shall mean (a) the parties named on the Entities attached Exhibit A and (b) any legal entity, including any corporation, LLC, partnership, not-for-profit corporation, estate planning vehicle or trust, which is directly or indirectly owned or controlled by the Stockholder or his or her descendants or spouse, of which such Stockholder or his or her descendants or spouse are beneficial owners, or which is under joint control or ownership with any other person or entity subject to a lock-up agreement regarding the Company's stock with terms substantially identical to this Lock-Up Agreement.
Transfer	"Transfer" (including various forms of the word) shall mean to offer, sell, contract to sell, pledge, give, donate or otherwise dispose of, directly or indirectly, any Lock-Up Shares or securities convertible into or exchangeable or exercisable for any Lock-Up Shares, enter into a transaction which would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic or voting consequences of ownership of such securities, whether any such aforementioned transaction is to be settled by delivery of the Lock-Up Shares or such other securities, in cash or otherwise, or publicly disclose the intention to make any such offer, sale, pledge or disposition, or to enter into any such transaction, swap, hedge or other arrangement.
Transfer Notice	Section 6(a)
Volume Limitations	Section 2

IN WITNESS WHEREOF, this Agreement has been signed as of the date first above written.

NU SKIN ENTERPRISES, INC.

a Delaware Corporation

By:

Name:

Title:

STOCKHOLDER:

Signature:

Name:

STOCKHOLDER'S SPOUSE (as applicable):

The undersigned spouse of the Stockholder has read and hereby approves the foregoing Agreement and agrees to be irrevocably bound by the Agreement and further agrees that any community property interest shall be similarly bound by the Agreement. I hereby irrevocably appoint my spouse as my attorney-in-fact with respect to any amendment or exercise of any rights under the Agreement.

Signature:

Name:

EXHIBIT A

STOCKHOLDER'S AFFILATED ENTITIES AS OF EFFECTIVE DATE (includes estate planning vehicles even where stock is no (includes estate planning vehicles even where stock is no longer owned or controlled by Stockholder)

CONFIRMATION

This Confirmation is made by the undersigned person or entity, which person or entity may be deemed to be a Stockholder's Affiliated Entity as defined in that certain Lock-Up Agreement dated as of October 22, 2003 between Nu Skin Enterprises, Inc. and a related party to the undersigned (the "*Lock-Up Agreement*"). The undersigned, in consideration of the benefits it receives as a stockholder of Nu Skin Enterprises, Inc. and otherwise from the completion of the transactions contemplated by that certain Stock Repurchase Agreement dated as of October 22, 2003, acknowledges and agrees as follows:

1. That the undersigned shall be deemed to be a Stockholder's Affiliated Entity as defined in the Lock-Up Agreement.

2. That the rights and obligations of the Stockholder as set forth in that Lock-Up Agreement shall apply to the undersigned and the undersigned shall be legally bound by the Lock-Up Agreement.

3. For the avoidance of doubt, the undersigned specifically confirms that that certain Amended and Restated Stockholders Agreement dated as of November 28, 1997, as amended by Amendment No. 1 dated as of March 8, 1999, and Amendment No. 2 dated as of May 13, 1999, to the Amended and Restated Stockholders Agreement is terminated by the Lock-Up Agreement and has therefore become of no further force or effect.

4. For the avoidance of doubt, the undersigned specifically confirms that the Volume Limitations described in the Lock-Up Agreement are to be applied to the undersigned on an aggregated basis along with all other Stockholder's Affiliated Entities of the stockholder signing the Lock-Up Agreement.

5. For the avoidance of doubt, the undersigned specifically confirms that Section 1 of the Lock-Up Agreement applies to the undersigned and prohibits sales or other transfers of the stock of Nu Skin Enterprises, Inc. during the next two years, subject to certain exceptions in the Lock-Up Agreement.

6. Nu Skin Enterprises, Inc. is entitled to rely on this Confirmation.

Affirmed and agreed on October 22, 2003,

By: _____

Name: _____

Title: _____

INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT (the "Agreement") is made and entered into effective as of _____, 200__ between Nu Skin Enterprises, Inc., a Delaware corporation ("Corporation"), and _____ ("Indemnitee").

RECITALS:

A. WHEREAS, Indemnitee, an officer or a member of the Board of Directors of Corporation, performs a valuable service in such capacity for Corporation; and

B. WHEREAS, the directors of Corporation have adopted Bylaws (the "Bylaws") providing for the indemnification of the officers, directors, agents and employees of Corporation to the maximum extent authorized by Section 145 of the Delaware General Corporation Law, as amended (the "DGCL"); and

C. WHEREAS, the Bylaws and the DGCL, by their non-exclusive nature, permit contracts between Corporation and the members of its Board of Directors and officers with respect to indemnification of such directors and officers; and

D. WHEREAS, in accordance with the authorization as provided by the DCGL, Corporation has purchased or may purchase a policy or policies of Directors and Officers Liability Insurance ("D & O Insurance"), covering certain liabilities that may be incurred by its directors and officers in their performance as directors and officers of Corporation; and

E. WHEREAS, as a result of developments affecting the terms, scope and availability of D & O Insurance there exists general uncertainty as to the extent of protection afforded members of the Board of Directors and officers by such D & O Insurance and by statuary and bylaw indemnification provisions; and

F. WHEREAS, in order to induce Indemnitee to serve as a member of the Board of Directors or as an officer of Corporation, Corporation has determined and agreed to enter into this Agreement with Indemnitee;

NOW, THEREFORE, in consideration of Indemnitee's service as a director or officer of Corporation after the date hereof, the parties hereto agree as follows:

1. Indemnity of Indemnitee. Corporation hereby agrees to hold harmless and indemnify Indemnitee to the fullest extent authorized or permitted by the provisions of the DGCL, as the same may be amended from time to time (but, in case of any such amendment, only to the extent that such amendment permits Corporation to provide broader indemnification rights than the law permitted Corporation to provide prior to the amendment).

2. Additional Indemnity. Subject only to the exclusions set forth in Section 3 hereof, Corporation hereby further agrees to hold harmless and indemnify Indemnitee:

(a) against any and all expenses (including attorneys' fees), witness fees, judgments, fines, penalties, and amounts paid in settlement actually and reasonably incurred by Indemnitee in connection with any threatened, pending or completed action, suit or proceeding, whether civil, administrative or investigative (other than an action by or in the right of Corporation) ("Indemnifiable Liabilities Against Third Party Suits") to which Indemnitee is, was or at any time becomes a party, or is threatened to be made a party, by reason of the fact that Indemnitee is, was or at any time becomes a director, officer, employee or agent of Corporation, or is or was serving or at any time serves at the request of Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise; and

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

(c) otherwise to the fullest extent as may be provided to Indemnitee by Corporation under the non-exclusivity provisions of Article 5 of the Bylaws of Corporation and the DGCL.

3. Limitations on Additional Indemnity. No indemnity pursuant to Section 2 hereof shall be paid by Corporation:

(a) except to the extent the aggregate of losses to be indemnified thereunder exceeds the sum of such losses for which Indemnitee is indemnified pursuant to Section 1 hereof or pursuant to any D & O Insurance purchased and maintained by Corporation;

(b) in respect to remuneration paid to Indemnitee if it shall be determined by a final judgment or other final adjudication that such remuneration was in violation of law;

(c) on account of any suit in which judgment is rendered against Indemnitee for an accounting of profits made from the purchase or sale by Indemnitee of securities of Corporation pursuant to the provisions of Section 16(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or similar provisions of any federal, state or local statutory law;

(d) on account of Indemnitee's conduct that is finally adjudged to have been knowingly fraudulent or deliberately dishonest, or to constitute willful misconduct;

(e) on account of Indemnitee's conduct that is the subject of an action, suit or proceeding described in Section 8(c)(ii) hereof;

(f) on account of any action, claim or proceeding (other than a proceeding referred to in Section 10(b) hereof) initiated by Indemnitee unless such action, claim or proceeding was authorized in the specific case by action of the Board of Directors; and

(g) if a final decision by a court having jurisdiction in the matter shall determine that such indemnification is not lawful (and, in this respect, both Corporation and Indemnitee have been advised that the Securities and Exchange Commission believes that indemnification for liabilities under the federal securities laws is against public policy and is, therefore, unenforceable and that claims for indemnification should be submitted to appropriate courts for adjudication).

4. Change in Control.

(a) The Corporation agrees that if there is a Change in Control of the Corporation (other than a Change in Control which has been approved by a majority of the Corporation's Board of Directors who were directors immediately prior to such Change in Control) then with respect to all matters thereafter arising concerning the rights of Indemnitee to payments of Indemnifiable Liabilities under this Agreement and advancement of expenses under Section 8 of this Agreement or under any other agreement or under the Corporation's Amended and Restated Certificate of Incorporation or Bylaws, as now or hereafter in effect, the Corporation shall only take a position on the coverage or terms of the indemnification available under such documents after seeking advice from legal counsel selected by Indemnitee and approved by the Corporation (which approval shall not be unreasonably withheld) ("Independent Legal Counsel"). Such counsel, among other things, shall render its written opinion to the Corporation and Indemnitee as to whether and to what extent Indemnitee would be permitted to be indemnified under applicable law. The Corporation agrees to pay the reasonable fees of the Independent Legal Counsel referred to above and to fully indemnify such counsel against any and all expenses (including attorneys' fees), claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

(b) As used in this Agreement, the term "Change in Control" shall mean: (i) a dissolution or liquidation of the Corporation; (ii) a sale of all or substantially all of the assets of the Corporation; (iii) a merger or consolidation in which the Corporation is not the surviving corporation and in which beneficial ownership of securities of the Corporation representing at least 50% of the combined voting power entitled to vote in the election of directors has changed; or (iv) a reverse merger in which the Corporation is the surviving corporation but the shares of common stock outstanding immediately preceding the merger are converted by virtue of the merger into other property, whether in the form of securities, cash or otherwise, and in which beneficial ownership of securities of the Corporation representing at least 50% of the combined voting power entitled to vote in the election of directors has changed; or (v) an acquisition by any person, entity or group within the meaning of Section 13(d) or 14(d) of the Exchange Act, or any comparable successor provisions (excluding any employee benefit plan, or related trust, sponsored or maintained by the Corporation or subsidiary of the Corporation or other entity controlled by the Corporation) of the beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act or comparable successor rule) of securities of the Corporation representing at least 50% of the combined voting power entitled to vote in the election of directors.

5. Contribution.

(a) If the indemnification provided in Sections 1 and 2 hereof is unavailable by reason of a court decision described in paragraph (g) of Section 3 hereof based on grounds other than any of those set forth in paragraphs (b) through (f) of Section 3 hereof, then in respect of any threatened, pending or completed action, suit or proceeding in which Corporation is jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding), Corporation shall contribute to the amount of expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred and paid or payable by Indemnitee in such proportion as is appropriate to reflect (i) the relative benefits received by Corporation on the one hand and Indemnitee on the other hand from the transaction from which such action, suit or proceeding arose, and (ii) the relative fault of Corporation on the one hand and of Indemnitee on the other in connection with the events that resulted in such expenses, judgments, fines or settlement amounts, as well as any other relevant equitable considerations. The relative fault of Corporation on the one hand and of Indemnitee on the other shall be determined by reference to, among other things, the parties relative intent, knowledge, access to information and opportunity to correct or prevent the circumstances resulting in such expenses, judgments, fines or settlement amounts. Corporation agrees that it would not be just and equitable if contribution pursuant to this Section 5 were determined by pro rata allocation or any other method of allocation that does not take account of the foregoing equitable considerations.

(b) The determination as to the amount of the contribution, if any, shall be made by:

(i)a court of competent jurisdiction upon the application of both Indemnitee and Corporation (if an action or suit had been brought in, and final determination had been rendered by, such court); or

(ii) the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding.

6. Continuation of Obligations. All agreements and obligations of Corporation contained herein shall continue during the period Indemnitee is a director, officer, employee or agent of Corporation (or is or was serving at the request of Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, employee benefit plan or other enterprise) and shall continue thereafter so long as Indemnitee is subject to any possible or threatened, pending or completed action, suit or proceeding, whether civil, criminal or investigative, by reason of the fact that Indemnitee was a director of Corporation or serving in any other capacity referred to herein.

7. Notification and Defense of Claim. Not later than thirty (30) days after receipt by Indemnitee of notice of the commencement of any action, suit or proceeding, Indemnitee will, if a claim in respect thereof is to be made against Corporation under this Agreement, notify Corporation of the commencement thereof; but the omission so to notify Corporation will not relieve Corporation from any liability that it may have to Indemnitee otherwise than under this Agreement. With respect to any such action, suit or proceeding as to which Indemnitee notifies Corporation of the commencement thereof:

(a) Corporation will be entitled to participate therein at its own expense;

(b) except as otherwise provided below, to the extent that it may wish, Corporation jointly with any other indemnifying party similarly notified will be entitled to assume the defense thereof with counsel reasonably satisfactory to Indemnitee. After notice from Corporation to Indemnitee of its election so as to assume the defense thereof, Corporation will not be liable to Indemnitee under this Agreement for any legal or other expenses subsequently incurred by Indemnitee in connection with the defense thereof other than reasonable costs of investigation or as otherwise provided below. Indemnitee shall have the right to employ its counsel in such action, suit or proceeding but the fees and expenses of such counsel incurred after notice from Corporation of its assumption of the defense thereof shall be at the expense of Indemnitee unless (i) the employment of counsel by Indemnitee has been authorized by Corporation, (ii) Indemnitee shall have reasonably concluded that there may be a conflict of interest between Corporation and Indemnitee in the conduct of the defense of such action, suit or proceeding or (iii) Corporation shall not in fact have employed counsel to assume the defense of such action, in each of which cases the fees and expenses of Indemnitee's separate counsel shall be at the expense of Corporation. Corporation shall not be entitled to assume the defense of any action, suit or proceeding brought by or on behalf of Corporation or as to which Indemnitee shall have made the conclusion provided for in clause (ii) above;

(c) Corporation shall not be liable to indemnify Indemnitee under this Agreement for any amounts paid in settlement of any action, suit or proceeding or claim effected without its written consent. Corporation shall be permitted to settle any action, suit or proceeding except that it shall not settle any action, suit or proceeding in any manner that would impose damages that will not be paid or covered by the Company or proceeds of insurance provided by the Company, or any penalty or limitation without Indemnitee's written consent. Neither Corporation nor Indemnitee will unreasonably withhold its consent to any proposed settlement.

8. Advancement and Repayment of Expenses.

(a) In the event that Indemnitee employs his own counsel pursuant to Section 7(b)(i) through (iii) above, Corporation shall advance to Indemnitee, prior to any final disposition of any threatened or pending action, suit or proceeding, whether civil, administrative or investigative, any and all reasonable expenses (including legal fees and expenses) incurred in investigating or defending any such action, suit or proceeding within ten (10) days after receiving copies of invoices presented to Indemnitee for such expenses.

(b) Indemnitee agrees that he will reimburse Corporation for all reasonable expenses paid by Corporation in defending any civil or criminal action, suit or proceeding against Indemnitee in the event and only to the extent it shall be determined by a final judicial decision (from which there is no right of appeal) that Indemnitee is not entitled under the provisions of the DGCL, the Bylaws, this Agreement or otherwise, to be indemnified by Corporation for such expenses.

(c) Notwithstanding the foregoing, Corporation shall not be required to advance such expenses to Indemnitee if Indemnitee (i) commences any action, suit or proceeding as a plaintiff; unless such advance is specifically approved by a majority of the Board of Directors, or (ii) is a party to an action, suit or proceeding brought by Corporation and approved by a majority of the Board of Directors that alleges willful misappropriation of corporate assets by Indemnitee, disclosure of confidential information in violation of Indemnitee's fiduciary or contractual obligations to Corporation, or any other willful and deliberate breach in bad faith of Indemnitee's duty to Corporation or its stockholders.

(d) Notwithstanding anything contained herein, in the event any payment of Indemnifiable Liabilities would be deemed to violate the prohibitions against loans to directors or executive officers contained in Section 402 of the Sarbanes-Oxley Act of 2002 or any comparable rule or regulation, then the payment of such Indemnifiable Liabilities shall be restructured by Corporation in such a manner as may be determined by the reasonable business judgment of its disinterested directors to comply with the provisions of these regulations.

9. Partial Indemnification. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Corporation for some or a portion of Indemnifiable Liabilities incurred, but not, however, for all of the total amount thereof, the Corporation shall nevertheless indemnify Indemnitee for the portion of such Indemnifiable Liabilities to which Indemnitee is entitled.

10. Enforcement.

(a) Corporation expressly confirms and agrees that it has entered into this Agreement and assumed the obligation imposed on Corporation hereby in order to induce Indemnitee to serve as a director or officer of Corporation, and acknowledges that Indemnitee is relying upon this Agreement in serving in such capacity.

(b) In the event Indemnitee is required to bring any action to enforce rights or to collect moneys due under this Agreement and is successful in such action, Corporation shall reimburse Indemnitee for all of Indemnitee's reasonable fees and expenses in bringing and pursuing such action.

11. Burden of Proof. In connection with any determination by the Reviewing Party or otherwise as to whether the Indemnitee is entitled to be indemnified hereunder, the burden of proof shall be on Corporation to establish that Indemnitee is not so entitled. As used in this Agreement, the term "Reviewing Party" shall mean any person or body appointed by the Board of Directors and approved by the Indemnitee (which approval shall not be unreasonably withheld) in accordance with applicable law to review Corporation's obligations hereunder and under applicable law. The Reviewing Party may include any member of Corporation's Board of Directors, any independent legal counsel selected by Corporation, or any other person or body who is not a party to the particular Claim for which the Indemnified Person is seeking indemnification, in each case as appointed by the Board of Directors.

12. Appeal. If any Reviewing Party determines that the Indemnitee substantively is not entitled to be indemnified hereunder, in whole or in part, under applicable law, or fails to undertake its obligations under this Agreement within a reasonable timeframe, the Indemnitee shall have the right to commence litigation to seek an initial determination by the court or to challenge any such determination by such Reviewing Party or any aspect thereof, including the legal or factual bases therefor, and Corporation hereby consents to service of process and to appear in any such proceeding. Absent such litigation, any determination by any Reviewing Party shall be conclusive and binding upon Corporation and the Indemnitee.

13. Subrogation. In the event of payment under this Agreement, Corporation shall be subrogated to the extent of such payment to all of the rights of recovery of each Indemnitee, who shall execute all documents required and shall do all acts that may be necessary to secure such rights and to enable Corporation effectively to bring suit to enforce such rights.

14. Non-Exclusivity of Rights. The contract rights conferred on Indemnitee by this Agreement shall be in addition to, but not exclusive of any other right that Indemnitee may have or hereafter acquire under any statute, provisions of Corporation's Certificate of Incorporation or Bylaws, agreement, vote of the stockholders or directors, or otherwise, both as to action in his official capacity and as to action in another capacity while holding office.

15. Survival of Rights. The rights conferred on Indemnitee by this Agreement shall continue after Indemnitee has ceased to be a director, officer, employee or other agent of Corporation and shall inure to the benefit of Indemnitee's heirs, executors and administrators.

16. Separability. Each of the provisions of this Agreement is a separate and distinct agreement and is independent of the others, so that if any or all of the provisions hereof are held to be invalid or unenforceable for any reason, such invalidity or enforceability shall not affect the validity or enforceability of the other provisions hereof or the obligation of Corporation to indemnify Indemnitee to the fullest extent provided by the Bylaws or the DGCL.

17. Governing Law. This Agreement shall be interpreted and enforced in accordance with the laws of the State of Delaware.

18. Binding Effect. This Agreement shall be binding upon Indemnitee and upon Corporation, its successors and assigns, and shall inure to the benefit of Indemnitee, his heirs, personal representatives and assigns and to the benefit of Corporation, its successors and assigns.

19. Amendment and Termination. No amendment, modification, termination or cancellation of this Agreement shall be effective unless in writing signed by both parties hereto.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement to be effective as of the day and year first above written.

INDEMNITEE:

_____

CORPORATION:

NU SKIN ENTERPRISES, INC.
A Delaware corporation

By: _____
Its: Chief Executive Officer

NU SKIN ENTERPRISES, INC.

DEFERRED COMPENSATION PLAN

First Effective as of December 14, 2005 Amended and Restated as of December 19, 2008 but Effective January 1, 2009

NU SKIN ENTERPRISES, INC.

DEFERRED COMPENSATION PLAN

TABLE OF CONTENTS

NU SKIN ENTERPRISES, INC.

DEFERRED COMPENSATION PLAN

PREAMBLE

Nu Skin Enterprises, Inc., (the "Company") has previously established the Nu Skin Enterprises, Inc. Deferred Compensation Plan (the "Plan"). The purpose of the Plan is to provide a select group of management, highly compensated employees, or Directors of the Company (and certain affiliates) with the opportunity to defer a portion of their compensation. The Plan is intended to constitute an unfunded "top hat" plan described in Section 201(2), 301(a)(3), and 401(a)(1) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). As a "top hat" plan, the Plan is not subject to ERISA's eligibility, vesting, funding, or fiduciary responsibility requirements. The Plan has made a notice filing with the United States Department of Labor (the "DOL") and is required to provide information to the DOL on request.

The Plan has been, and shall continue to be, administered in good faith compliance with Section 409A and interim guidance issued thereunder from December 15, 2005 until January 1, 2008. This Plan was first amended and restated effective as of January 1, 2008 to comply with final regulations issued under Section 409A of the Code.

The Plan is hereby amended and restated effective January 1, 2009, to change the vesting schedule and payment terms applicable to Participants who are employed with the Company on or after January 1, 2009.

ARTICLE 1

DEFINITIONS

The following words and phrases used in the Plan with the initial letter capitalized shall have the meanings set forth in this Article, unless a clearly different meaning is required by the context in which the word or phrase is used:

1.1. "**Account**" means all of such accounts as are established under this Plan from time to time.

1.2. "**Affiliate**" means (a) a corporation that is a member of the same control group of corporations (within the meaning of Section 414(b) of the Code) as is the Company, (b) any other trade or business (whether or not incorporated) controlling, controlled by, or under common control (within the meaning of Section 414(c) of the Code) with the Company, and (c) any other corporation, partnership, or other organization that is a member of an affiliated service group (within the meaning of Section 414(m) of the Code) with the Company or which is otherwise required to be aggregated with the Company under Section 414(o) of the Code.

1.3. "**Base Salary**" means a 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.

1.4. "**Beneficiary**" means the person or entity that a Participant, in his most recent written designation filed with the Plan Administrator has designated to receive his benefit under the Plan in the event of his death. Changes in designations of Beneficiaries may be made upon written notice to the Plan Administrator in any form as the Plan Administrator may prescribe.

1.5. "**Board of Directors**" or "**Board**" means the Board of Directors of the Company.

1.6. "**Bonus**" means the additional cash compensation paid to a Participant by the Company or an Affiliate pursuant to any incentive or bonus plan, program, or practice of the Company or an Affiliate.

1.7. "**Cause.**" Termination of employment or service for "Cause" shall mean the termination of a Participant's employment with or service to the Company (for purposes of this Section 1.7, "Company" shall refer to the Company and any affiliates or subsidiaries of the Company) because of:

(a) a material breach by the Participant of any of the Participant's obligations under the Company's Key Employee Covenants or any Employment Agreement, which breach is (i) not cured within any applicable cure period set forth in the Key Employee Covenants or employment agreement, and (ii) materially injurious to the Company;

(b) any willful violation by the Participant of any material law or regulation applicable to the business of the Company, which is materially injurious to the Company, or the Participant's conviction of, or a plea of nolo contendre to, a felony or any willful perpetration of common law fraud; or

(c) any other willful misconduct by the Participant that is materially injurious to the financial condition or business reputation of, or is otherwise

materially injurious to, the Company or any of its subsidiaries or affiliates.

1.8. "**Change of Control**" means a "change in the ownership of the Employer," a "change in effective control of the Employer," and/or a "change in the ownership of a substantial portion of the Employer's assets" as defined under Treasury Regulation § 1.409A-3(i)(5).

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

1.10. "**Company**" means NU SKIN ENTERPRISES, INC. and any successor corporations.

1.11. "**Company Contribution**" means contributions by the Company pursuant to Section 3.2 of this Plan.

1.12. "**Company Contribution Account**" means the bookkeeping account maintained by or for the Company for each Participant that is credited with an amount equal to the Company Contributions Amount, if any, and earnings and losses credited on such amounts pursuant to Section 4.2.

1.13. "**Compensation**" means Base Salary or Director Fees payable in such Plan Year, and Bonuses earned in such Plan Year (whether payable during such Year or the following Year), that the Participant is entitled to receive for services rendered to the Company.

1.14. "**Compensation Committee**" means the compensation committee appointed by the Board of Directors, which includes select members of the Board of Directors.

1.15. "**Deferral Account**" means the bookkeeping account maintained by or for the Plan Administrator for each Participant, which account is credited with amounts equal to the portion of the Participant's Compensation that he or she elects to defer, and the earnings and losses pursuant to Section 4.1.

1.16. "**Deferral Contributions**" means contributions by a Participant pursuant to Section 3.1 of this Plan.

1.17. "**Director**" means a non-employee director of the Company.

1.18. "**Director Fees**" means all Board and committee meeting fees payable to a Director, and any annual retainer payable for a Plan Year beginning after the Effective Date, determined in each case before reduction for amounts deferred under the Plan. Director Fees do not include expense reimbursements, incentive stock awards or any form of noncash compensation or benefits.

1.19. "**Disability**" means any illness or other physical or mental condition of a Participant that renders the Participant unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months and in which Participant is receiving income replacement benefits for a period of not less than 3 months under and accident and health plan covering employees. The Plan Administrator may require such medical or other evidence as it deems necessary to judge the nature and permanency of the Participant's condition.

1.20. "**Distributable Amount**" means the vested balance in Participant's Deferral Account and Company Contribution Account.

1.21. "**Effective Date**" means the effective date of this restatement, which shall be January 1, 2009. The original effective date of the Plan was December 14, 2005.

1.22. "**Employee**" means (1) each person receiving remuneration, or who is entitled to remuneration, for services rendered to the Company or an Affiliate as a common-law employee, or (2) a Director of the Company or an Affiliate.

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

1.24. "**Fund**" means one or more of the investment funds selected by the Plan Administrator pursuant to Section 3.3.

1.25. "**Interest Rate**" means, for each Fund, an amount equal to the net gain or loss on the assets of such Fund during each month, as determined by the Plan Administrator.

1.26. "**Participant**" means an Employee who has been selected to participate under Section 2.1, who has elected to participate under Section 2.2, and whose participation has not been terminated. If indicated by the context, the term Participant also includes former Participants whose active participation in the Plan has terminated but who have not received all amounts to which they are entitled under the Plan.

1.27. "**Participation Agreement**" means the agreement entered into by the Company and a Participant as set forth in Section 2.2.

1.28. "**Plan**" means the Nu Skin Enterprises, Inc. Deferred Compensation Plan, as amended from time to time.

1.29. "**Plan Administrator**" means the Compensation Committee or its designated agents (to the extent such authority has been designated by the Compensation Committee).

1.30. "**Plan Year**" shall mean the calendar year.

1.31. "**Reasonable Time**" shall mean any date within the same calendar year as the applicable distribution event (*e.g.*, Separation from Service) or, if later, by the 15th day of the third calendar month following the occurrence of such distribution event.

1.32. "**Scheduled Withdrawal**" means the distribution date elected by the Participant for an in-service withdrawal from such Accounts deferred in a given Plan Year, and earnings and losses attributable thereto, as set forth on the election form for such Plan Year.

1.33. "**Separation from Service**" means a severance of a participant's employment relationship with the Company and all Affiliates for any reason other than the participant's death. Whether a Separation from Service has occurred is determined under Section 409A of the Code and Treasury Regulation 1.409A-1(h) (*i.e.*, whether the facts and circumstances indicate that the Employer and the employee reasonably anticipated that no further services would be performed after a

certain date or that the level of bona fide services the employee would perform after such date (whether as an employee or independent contractor) would permanently decrease to no more than 20% of the average level of bona fide services performed (whether as an employee or an independent contractor) over the immediately preceding 36 month period (or the full period of services to the employer if the employee has been providing services to the employer less than 36 months)). Separation from Service shall not be deemed to occur while the employee is on military leave, sick leave or other bona fide leave of absence if the period does not exceed six (6) months or, if longer, so long as the employee retains a right to reemployment with the Company or an affiliate under an applicable statute or by contract. For this purpose, a leave is bona fide only if, and so long as, there is a reasonable expectation that the employee will return to perform services for the Company or an affiliate. Notwithstanding the foregoing, a 29 month period of absence will be substituted for such 6 month period if the leave is due to any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of no less than 6 months and that causes the employee to be unable to perform the duties of his or her position of employment.

1.34. "**Trust Agreement**" means any trust agreement established pursuant to Section 8.1 between the Company and the Trustee or any trust agreement hereafter established.

1.35. "**Trustee**" means the Trustee under the Trust Agreement.

1.36. "**Trust Fund**" means all assets of whatsoever kind or nature held from time to time by the Trustee pursuant to the Trust Agreement and forming a part of this Plan, without distinction as to income and principal and without regard to source, i.e., Participant contributions, earnings, or forfeitures.

ARTICLE 2

ELIGIBILITY

2.1. **General**. For purposes of Title I of ERISA, the Plan is intended to be an unfunded plan of deferred compensation covering a select group of management, highly compensated employees, and Directors. As a result, participation in the Plan shall be limited to Employees who are properly included in one or all of these categories. The Plan Administrator shall designate the individuals who are eligible to participate in the Plan. The Plan Administrator, in the exercise of its discretion, may exclude an Employee who otherwise meets the requirements of this Section 2.1 from participation in the Plan if it concludes that excluding the Employee is necessary to satisfy these requirements. The Plan Administrator also may exclude an Employee who otherwise meets the requirements of this Section 2.1 for any other reason, or for no reason, as the Plan Administrator deems appropriate.

2.2. **Participation**. Each Employee who is designated as eligible to participate in the Plan by the Plan Administrator may become a Participant by completing and signing an enrollment form provided by the Plan Administrator and delivering the form to the Plan Administrator. The Employee must designate on the form the amount of his Deferral Contributions and must authorize the Company or an Affiliate to reduce his Compensation in an amount equal to his Deferral Contributions.

2.3. **Timing of Participation**. After an Employee has been selected by the Plan Administrator to participate in the Plan for the first time (and does not participate in or has not previously participated in another voluntary deferral plan of the Company or an Affiliate), the Employee has 30 days to notify the Plan Administrator whether he will participate in the Plan. If the Employee timely notifies the Plan Administrator of his intent to participate in the Plan, the Employee's participation will commence on the first payroll period following or coinciding with the first day of the calendar month after the Plan Administrator is so notified. If the Employee does not timely notify the Plan Administrator of his intent to participate in the Plan, the Employee's participation may commence on the first payroll period following or coinciding with the first day of any later Plan Year by notifying the Plan Administrator prior to the first day of such Plan Year and provided further that the Plan Administrator determines that the Employee remains eligible to participate in the Plan under Section 2.1.

2.4. **Discontinuance of Participation**. Once an Employee is designated as a Participant, he will continue as such for all future Plan Years unless the Plan Administrator specifically discontinues his participation. The Plan Administrator may discontinue an individual's participation in the Plan at any time for any or no reason. If an individual's participation is discontinued, the individual will no longer be eligible to make future deferral elections or receive Company Contributions. The Employee will not be entitled to receive a distribution, however, until the occurrence of one of the events listed in Article VI, or as permitted in Article VII.

ARTICLE 3

DEFERRAL ELECTIONS

3.1. **Elections to Defer Compensation**.

3.1.1. **Deferral of Base Salary**. For any Plan Year, a Participant may elect to defer a portion of the Base Salary otherwise payable to him. Any such deferrals shall be in whole percentages or a specific dollar amount of the Participant's Base Salary, as specified in the Participant's Participation Agreement.

3.1.2. **Deferral of Bonuses**. A Participant may also elect to defer a portion of any Bonus which might be payable to him by the Company. Any such deferrals shall be in whole percentages or a specific dollar amount of the Participant's Bonus, as specified in the Participant's Participation Agreement.

3.1.3. **Limitations on Deferrals**. A Participant may elect to defer up to 80% of Participant's Base Salary and 100% of Participant's Bonus for each Plan Year, provided that the total amount deferred by a Participant shall be limited in any calendar year, if necessary, to satisfy any employment tax, income tax and employee benefit plan withholding requirements as determined in the sole and absolute discretion of the Plan Administrator. There is no minimum deferral amount. The Plan Administrator reserves the right to change such limits from time to time.

3.1.4. **Duration of Compensation Deferral Election**. An Employee's initial election to defer Compensation must be made within the time frame established by the Plan Administrator, which shall be prior to the taxable year in which the election relates and is to be effective with respect to Compensation earned for services performed after such deferral election is processed. Such election shall specify the time and method of distribution of the annual deferral amount in accordance with Articles VI and VII. A Participant may increase, decrease or terminate a deferral election with respect to Compensation for any subsequent Plan Year by filing a new election within the time frame established by the Plan Administrator but in no event later than December 31 in the year prior to the beginning of the next Plan Year, which election shall be effective on the first day of the next following Plan Year. In the absence of a Participant making a new election, the last election on file will apply to

deferrals for the new Plan year. In the case of an employee who first becomes eligible to participate in the Plan after January 1, 2006 (and does not participate in or has not previously participated in another voluntary deferral plan of the Company or an Affiliate), such Employee shall have 30 days from the date he becomes eligible to make an election with respect to Compensation earned for services performed subsequent to the election. Such election shall be for the remainder of the Plan Year (and future Plan Years, unless subsequently changed prior to the commencement of a given Plan year) in the event the Plan Year has commenced. Such election shall specify the time and method of distribution of the annual deferral amount in accordance with Articles VI and VII.

3.1.5. **Elections Other Than Initial Election**. Any Employee or Director who has terminated a prior Compensation deferral election may elect to again defer Compensation by completing and signing an enrollment form provided by the Plan Administrator and delivering the form to the Plan Administrator within the time frame established by the Plan Administrator but in no event later than December 31 of the year prior to the beginning of the Plan Year to which such deferral election relates. An election to defer Compensation must be filed in a timely manner in accordance with Section 3.1(d). Such election shall apply to Compensation for services performed in the Plan Year to which such deferral election relates. Such election shall specify the time and method of distribution of the annual deferral amount in accordance with Articles VI and VII.

3.2. **Company Contribution**. On or before the end of each fiscal year of the Company, the Compensation Committee shall determine, in its sole discretion, an amount, if any, to be credited to each Participant's Account.

3.3. **Investment Elections**.

(a) At the time of making the deferral elections described in Section 3.1, Participant shall designate, on a form provided by the Plan Administrator, the types of investment funds in which Participant's Account will be deemed to be invested for purposes of determining the amount of earnings and losses to be credited to that Account. In making the designation pursuant to this Section 3.3, Participant may specify that all or any percentage of his Account is to be deemed invested, in whole percentage increments, in one or more of the types of investment funds deemed to be provided under the Plan, as communicated from time to time by the Plan Administrator. A Participant may change the designation made under this Section 3.3 by filing an election, on a form provided by the Plan Administrator, on a daily basis (limited to 4 per month)**.** If a Participant fails to elect a type of fund under this Section 3.3, he or she shall be deemed to have elected the money market type of investment fund.

(b) Although a Participant may designate the type of investments, the Plan Administrator shall not be bound by such designation. The Plan Administrator may select from time to time, in its sole and absolute discretion, commercially available investments of each of the types communicated by the Plan Administrator to the Participant pursuant to Section 3.3(a) above to be the Funds. The Interest Rate of each such commercially available investment fund shall be used to determine the amount of earnings or losses to be credited to Participant's Account under Article IV.

ARTICLE 4

DEFERRAL ACCOUNTS

4.1. **Deferral Accounts**. The Plan Administrator shall establish and maintain a Deferral Account for each Participant under the Plan. Each Participant's Deferral Account shall be further divided into separate subaccounts ("investment fund subaccounts"), each of which corresponds to an investment fund elected by the Participant pursuant to Section 3.3(a). A Participant's Deferral Account shall be credited as follows:

(a) Within a reasonable time after amounts are withheld and deferred from a Participant's Compensation, the Plan Administrator shall credit the investment fund subaccounts of the Participant's Deferral Account with an amount equal to Compensation deferred by the Participant in accordance with the Participant's election under Section 3.3(a); that is, the portion of the Participant's deferred Compensation that the Participant has elected to be deemed to be invested in a certain type of investment fund shall be credited to the investment fund subaccount corresponding to that investment fund;

(b) Each business day, each investment fund subaccount of a Participant's Deferral Account shall be credited with earnings or losses in an amount equal to that determined by multiplying the balance credited to such investment fund subaccount as of the prior day plus contributions credited that day to the investment fund subaccount by the Interest Rate for the corresponding fund selected by the Company pursuant to Section 3.3(b).

(c) In the event that a Participant elects for a given Plan Year's deferral of Compensation to have a Scheduled Withdrawal, all amounts attributed to the deferral of Compensation for such Plan Year shall be accounted for in a manner which allows separate accounting for the deferral of Compensation and investment gains and losses associated with such Plan Year's deferral of Compensation.

4.2. **Company Contribution Account**. The Plan Administrator shall establish and maintain a Company Contribution Account for each Participant under the Plan. Each Participant's Company Contribution Account shall be further divided into separate investment fund subaccounts corresponding to the investment fund elected by the Participant pursuant to Section 3.3(a). A Participant's Company Contribution Account shall be credited as follows:

(a) On the third business day after a Company Contribution, the Plan Administrator shall credit the investment fund subaccounts of the Participant's Company Contribution Account with an amount equal to the Company Contribution, if any, applicable to that Participant, that is, the proportion of the Company Contribution, if any, which the Participant elected to be deemed to be invested in a certain type of investment fund shall be credited to the corresponding investment fund subaccount; and

(b) Each business day, each investment fund subaccount of a Participant's Company Contribution Account shall be credited with earnings or losses in an amount equal to that determined by multiplying the balance credited to such investment fund subaccount as of the prior day plus contributions credited that day to the investment fund subaccount by the Interest Rate for the corresponding Fund selected by the Company pursuant to Section 3.3(b).

4.3. **Schedule a Accounts for Pre-Existing Deferred Compensation Obligations**. Prior to the Effective Date of the Plan, the Company and/or certain of its Affiliates had entered into non-qualified deferred compensation arrangements with certain Participants employed by the Company and/or its Affiliates. The terms of such arrangements are set forth in individual "plans" or agreements signed by the Company and/or an Affiliate and the employee. The deferred compensation arrangements identified on Schedule A attached hereto ("Schedule A Arrangements") are incorporated herein by reference. It is intended that the Schedule A Arrangements will comply with Code Section 409A . Effective January 1, 2005, the rights and obligations of the parties to those arrangements will be governed by the terms of this Plan, and will not be governed by the terms of the Schedule A Arrangements, except as otherwise provided hereafter. The Plan Administrator will establish and maintain under this Plan a "Schedule A Account" for each Participant who is party to a Schedule A Arrangement ("Schedule A Participant') and will credit to such Schedule A Account for each Schedule A Participant the value as of January 1, 2006 of the respective Schedule A Participant's Compensation Account(s) as established under the applicable Schedule A Arrangement. For greater clarity, generally the Compensation Accounts under the Schedule A Arrangements are divided into two sub-accounts (Employee Compensation Sub-Account and Company Compensation Sub-Account), and this distinction will be maintained under the Schedule A Accounts. The Company Compensation Sub-Account will continue to vest in accordance with the terms of the applicable Schedule A Arrangement. In addition, the Plan Administrator may further divide the sub-accounts under the Schedule A Accounts into separate investment fund sub-accounts corresponding to the investment fund elected by the Participant pursuant to Section 3.3(a). Schedule A Participants will elect, prior to December 31, 2006, the form of distribution for their Schedule A Accounts and such elections will comply with IRC Section 409A and applicable guidance thereunder. If a Schedule A Participant has not designated a form or payment for his or her Schedule A Account on or before December 31, 2006, the form of payment designated in the applicable Schedule A Arrangement will be the default form of payment for such Schedule A Account(s). After December 31, 2006, any change in the form of payment as to a Schedule A Account must be in accordance with the requirements of Section 6.5(f) of this Plan respecting election changes for forms of payment. The timing of distributions of Schedule A Accounts will be governed by the terms of this Plan.

4.4. **Accounting**. At the end of each quarter, the Company shall notify each Participant as to the amount, if any, of Participant's Deferral Account and Company Contribution Account. The accounting shall specify the vested portion of amounts held pursuant to the Plan.

4.5. **Preservation of Accounts**. A Participant shall not be deemed to have had a Separation from Service for purposes of preservation of all Deferral Accounts and Company Contribution Accounts in the event of a bona fide approved leave of absence from the Company for a prolonged period of time for:

(a) Service as a full-time missionary for any legally recognized ecclesiastical organization, or

(b) United States Military duty.

Notwithstanding the foregoing, a Separation from Service shall be deemed to occur six months after commencement of the leave in the absence of a contractual or statutory right to re-employment.

ARTICLE 5

VESTING

5.1. **Vesting in Deferral Account**. Subject to Section 5.3, Participant shall be 100% vested in his Deferral Account at all times.

5.2. **Vesting in Company Contribution Account**. Subject to Section 5.3, each Participant shall become vested in his Company Contribution Account in accordance with the following schedule:

When the Participant Has Completed the Following Years of Employment	The Vested Portion of His Company Contribution Account Will Be:
Less than 10 years	0%
10 years but less than 11 years	50%
11 years but less than 12 years	55%
12 years but less than 13 years	60%
13 years but less than 14 years	65%
14 years but less than 15 years	70%
15 years but less than 16 years	75%
16 years but less than 17 years	80%
17 years but less than 18 years	85%
18 years but less than 19 years	90%
19 years but less than 20 years	95%
20 years or more	100%

Notwithstanding any of the foregoing provisions for progressive vesting of Company Contribution Accounts, the entire Company Contribution Account of each Participant shall become fully vested upon the earliest occurrence of any of the following events while in the employment of the Company:

(a) Participant attains 60 years of age;

(b) Participant's death or Disability as defined in the Plan.

(c) The Plan Administrator may, in its discretion, accelerate vesting of a Participant in his Company Contribution Account.

5.3. **Forfeiture**. Notwithstanding Sections 5.1 and 5.2 above, Participant shall forfeit all amounts in the Company Contribution Account (and none

of such amounts shall be distributed pursuant to Section 6 below) if the Administrator elects to terminate Participant's rights to those amounts upon the occurrence of the following events:

(a) the Participant's employment or service is terminated for Cause; or

(b) the Participant, directly or indirectly, enters into the employment of, owns any interest in, or engages or participates in (individually or as an officer, director, shareholder, consultant, partner, member, joint venturer, agent, equity owner, distributor or in any other capacity whatsoever) any company, corporation or business in the direct selling or multi-level marketing industry (including any subsidiary or affiliate thereof) that operates in any territory where the Company or any of its affiliates or subsidiaries engages in business;

ARTICLE 6

DISTRIBUTION OF BENEFITS

6.1. **Separation From Service**. A Participant who incurs a Separation from Service with the Company and all Affiliates for any reason other than death or Disability is entitled to distribution of amounts vested and credited to his Account at the time and in the manner provided in Section 6.5.

6.2. **Disability Retirement**. A Participant who separates from service with the Company or an Affiliate due to Disability and who has satisfied all of the covenants, conditions and promises contained in this Plan (to the extent applicable) is entitled to a distribution of amounts vested and credited to his Account as provided in Section 6.5. Subject to Section 6.5, the payments may commence as of his date of Separation from Service due to Disability.

6.3. **Death**.

(a) **Benefit**. If a Participant (which term for purposes of this Section includes a former Participant) dies before the day on which his benefit payments commence, the Participant's Beneficiary is entitled, at the time and in the manner provided in Section 6.5, the following:

(1) the amount of Participant's Deferral Account, including any earnings thereon; and

(2) for Participants that have been credited with Company Contributions pursuant to Section 3.2, the greater of (i) the vested portion of Participant's Company Contribution Account, including any earnings thereon, as of the date of Participant's death; or (ii) an amount equal to five times the average of Participant's Base Salary for the three most recent years.

(b) **Death After Commencement of Benefits**. If a former Participant dies after the day on which his benefit payments commence, but prior to the complete distribution of all amounts to which such Participant is entitled, the Participant's Beneficiary is entitled to receive any remaining amounts to which Participant would have been entitled had the Participant survived at the time and in the manner provided in Section 6.5. The Plan Administrator may require and rely upon such proofs of death and the right of any Beneficiary to receive benefits under this Section 6.3 as the Plan Administrator may reasonably determine, and its determination of death and the right of such Beneficiary to receive payment is binding and conclusive upon all persons.

6.4. **Change of Control**. In the event of a Change of Control, the Plan Administrator may, in its discretion, accelerate vesting of a Participant in his Company Contribution Account.

6.5. **Time and Method of Distribution of Benefits**. Payment shall commence within a Reasonable Time following the earliest to occur of the following events in (a), (b) or (c) below:

(a) **Termination**.

(1) Distribution of Deferral Account. Payment of amounts vested and credited in a Deferral Account to a Participant who is entitled to benefits under Section 6.1 will commence within a Reasonable Time following the Participant's Separation from Service (except that, in the event that the Participant is a "Specified Employee," as defined under Treasury Regulation § 1.409A-1(i), payment to the Participant will begin no earlier than six months following Participant's Separation from Service (or upon the Participant's death, if earlier)).

(2) Distribution of Company Contribution Account. Payment of amounts vested and credited in a Company Contribution Account to a Participant who is entitled to benefits under Section 6.1 (subject to any forfeiture under Section 5.3) will commence within a Reasonable Time following the one-year anniversary of the Participant's Separation from Service. Notwithstanding the foregoing, if the Participant's Separation from Service occurs at or after the Participant's attainment of age 60 or after the Participant has completed twenty years of employment, then payment will commence within a Reasonable Time following the Participant's Separation from Service (except that, in the event that the Participant is a "Specified Employee," as defined under Treasury Regulation § 1.409A-1(i), payment to the Participant will begin no earlier than six months following Participant's Separation from Service (or upon the Participant's death, if earlier)).

(b) **Disability**. Payment to a Participant who is entitled to benefits under Section 6.2 will commence within a Reasonable Time after the Participant's Separation from Service due to a Disability. In the event that Participant is a "Specified Employee," as defined under Treasury Regulation § 1.409A-1(i), payment to Participant will begin no earlier than six months following Participant's Separation from Service (or upon the Participant's death, if earlier).

(c) **Death**. Payment to the Beneficiary of a Participant who is entitled to benefits under Section 6.2 will commence within a Reasonable Time after the Participant's death.

(d) **Death After Commencement of Payments**. If a Participant dies after the day on which his benefit payments commence but before the complete distribution to such Participant of the benefits payable to him under the Plan, any remaining benefits will continue to be distributed

to the Participant's Beneficiary in the same manner as elected by the Participant under Section 6.5(e). Payments to the Beneficiaries entitled to payments pursuant to Section 6.3 will be made within a Reasonable Time following the death of Participant.

(e) **Form of Payment**. Any distribution paid from the Plan to a Participant or Beneficiary from a Participant's Account will be paid in cash. Except as otherwise provided in Section 6.4, such distribution will be paid in either a lump sum payment or in monthly, quarterly, or annual installments over a period not to exceed 15 years; provided that if the value of the Participant's Account at the time of distribution is less than $50,000, such distribution shall be paid in the form of a lump sum distribution. With respect to each annual deferral amount (including both Participant deferrals and Company contribution amounts for such Plan Year), a Participant must elect which form of payment to receive in his initial or annual deferral election form, which election may be changed by the Participant at any time so long as (i) the election does not take effect until at least 12 months after the date in which the election is made, (ii) the first payment for which the election is made will be deferred for a period of 5 years from the date such payment would otherwise have been made, and (iii) the change is received by the Plan Administrator at least 12 months prior to the Participant's first scheduled payment date. In the absence of a Participant making a distribution election, the default form of payment shall be lump sum. Participant's Account shall continue to be credited with earnings pursuant to Sections 4.1 and 4.2 of the Plan until all amounts credited to his Account under the Plan have been distributed.

6.6. **Designation of Beneficiary**. Each Participant has the right to designate, on forms supplied by and delivered to the Plan Administrator, a Beneficiary or Beneficiaries to receive his benefits in the event of his death. For each Participant who is married, his Beneficiary will be deemed to be his spouse, unless the Participant's spouse consents to the Participant's Beneficiary designation to the contrary. Such consent must be in writing, must acknowledge the effect of the Beneficiary designation and the spouse's consent thereto. Subject to the foregoing, each Participant may change his Beneficiary designation from time to time in the manner described above and the change will be effective upon receipt by the Plan Administrator, whether or not the Participant is living at the time the notice is received. There is no liability on the part of the Plan Administrator with respect to any payment authorized by the Plan Administrator in accordance with the most recent valid Beneficiary designation of the Participant in the Plan Administrator's possession before receipt of a more recent and valid Beneficiary designation. If no designated Beneficiary is living when benefits become payable, or if there is no designated Beneficiary, the Beneficiary will be Participant's spouse; or if no spouse is then living, such Participant's issue, including any legally adopted child or children, in equal shares by right of representation; or if no such designated Beneficiary and no such spouse or issue, including any legally adopted child or children, is living upon the death of a Participant, or if all such persons die prior to the full distribution of such Participant's benefits, then the Beneficiary shall be the estate of the Participant.

6.7. **Payments to Disabled**. If a person entitled to any payment is under a legal disability, or in the sole judgment of the Plan Administrator is otherwise unable to apply such payment to his own interest and advantage, the Plan Administrator in the exercise of its discretion may make any such payment in any one or more of the following ways: (a) directly to such person, (b) to his legal guardian or conservator, or (c) to his spouse or to any person charged with the legal duty of his support, to be expended for his benefit. The decision of the Plan Administrator will in each case be final and binding upon all persons in interest.

6.8. **Underpayment or Overpayment of Benefits**. In the event that, through misstatement or computation error, benefits are underpaid or overpaid, there is no liability for any more than the correct benefit sums under the Plan. Overpayments may be deducted from future payments under the Plan, and underpayments may be added to future payments under the Plan, subject to applicable limitations under Section 409A of the Code.

6.9. **Inability to Locate Participant**. In the event that the Plan Administrator is unable to locate a Participant or Beneficiary within two years following the required payment date, the amount allocated to the Participant's Account shall be forfeited. If, after such forfeiture, the Participant or Beneficiary later claims such benefit, such benefit shall be reinstated without interest or earnings.

ARTICLE 7

WITHDRAWALS

7.1. **Scheduled Withdrawals**.

(a) In the case of a Participant who has elected a Scheduled Withdrawal for a distribution while still in the employ of the Company, such Participant shall receive his Distributable Amount, but only with respect to those vested deferrals and earnings thereon that have been elected by Participant to be subject to the Scheduled Withdrawal in accordance with this Section 7.1(a) of the Plan. A Participant's Scheduled Withdrawal can be no earlier than two years from the last day of the Plan Year for which Participant's deferrals are made. Any distribution made pursuant to a Scheduled Withdrawal shall be made in either a lump-sum payment or annual installment payments up to 5 years. These payments will be made in February of the year(s) selected.

(b) A Participant may extend the Scheduled Withdrawal for any Plan Year, provided such extension occurs at least one year before the Scheduled Withdrawal and is for a period of not less than five years from the Scheduled Withdrawal. In the event a Participant separates from service with the Company prior to a Scheduled Withdrawal for any reason, then the portion of Participant's Account associated with a Scheduled Withdrawal that has not occurred prior to such separation, shall be distributed, along with any remaining portion of the annual deferral amount not subject to the Scheduled Withdrawal, in the form selected by the Participant in accordance with Section 6.5. If no such election was made under Section 6.5 for such annual deferral amount, such Scheduled Withdrawal shall be paid in a lump sum.

7.2. **Hardship**. In the event of an unforeseeable financial emergency, a Participant may make a written request to the Plan Administrator for a hardship withdrawal from his Account. For purposes of this Plan, an "unforeseeable financial emergency" is defined as a severe financial hardship to the Participant resulting from a sudden and unexpected illness or accident of the Participant or a dependent (as such term is defined in Section 152(a) of the Code) of the Participant, loss of the Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The granting of a Participant's request for a hardship withdrawal shall be left to the absolute discretion of the Plan Administrator and the Plan Administrator may deny such request even if an unforeseeable financial emergency clearly exists. A request for a hardship withdrawal must be made in writing at least 30 days in advance, on a form provided by the Plan Administrator, and must be expressed as a specific dollar amount. The amount of a hardship withdrawal may not exceed the lesser of the amount required to meet Participant's unforeseeable financial emergency or Participant's vested

Account balance. A hardship withdrawal will not be permitted to the extent that the hardship is or may be relieved through reimbursement or compensation by insurance or otherwise, liquidation of the Participant's assets to the extent that such liquidation would not itself cause a severe financial hardship, or by the cessation of Deferral Contributions.

7.3. **Acceleration of Benefits**. The Plan Administrator may accelerate the distribution of a Participant's vested Account balance in order to (a) satisfy a domestic relations order; (b) pay employment taxes on amounts deferred under the Plan; (c) permit an automatic lump sum payment of not more than $10,000 upon the termination of a Participant's entire interest in the Plan; or (d) any other permitted acceleration under Section 409A of the Code and the regulations thereof, including a Change of Control. In the event an accelerated distribution is requested by a Participant to satisfy a domestic relations order, the Plan Administrator shall make payments to someone other than Participant, as directed by the qualified domestic relations order.

7.4. **Crediting of Withdrawals**. Withdrawals and other distributions shall be charged pro rata to the Funds in which the Account of the Participant is invested, pursuant to his designation under Sections 4.1 and 4.2 hereof.

ARTICLE 8

ADMINISTRATION OF THE PLAN

8.1. **Adoption of Trust**. The Company may enter into a Trust Agreement with the Trustee, to which the Company or any adopting Affiliate may, in its sole discretion, contribute cash or other property to provide for the payment of benefits under the Plan. The provisions of the Plan shall govern the rights of a Participant to receive distributions pursuant to the Plan. The provisions of the Trust Agreement shall govern the rights of the Company, adopting Affiliates, Participants and the creditors of the Company and adopting Affiliates to the assets transferred to the Trust Fund. All obligations under the Plan may be satisfied with Trust assets distributed pursuant to the terms of the Trust Agreement, and any such distribution shall reduce the obligations under the Plan.

8.2. **Powers of the Plan Administrator**.

(a) The Plan Administrator shall have the power and discretion to perform the administrative duties described in this Plan or required for proper administration of the Plan and shall have all powers necessary to enable it to properly carry out such duties. Without limiting the generality of the foregoing, the Plan Administrator shall have the power and discretion to construe and interpret this Plan, to hear and resolve claims relating to this Plan, and to decide all questions and disputes arising under this Plan. The Plan Administrator shall determine, in its discretion, the status and rights of a Participant, and the identity of the Beneficiary or Beneficiaries entitled to receive any benefits payable hereunder on account of the death of a Participant.

(b) Except as is otherwise provided hereunder, the Plan Administrator shall determine the manner and time of payment of benefits under this Plan. All benefit disbursements by the Trustee shall be made upon the instructions of the Plan Administrator.

(c) The decision of the Plan Administrator upon all matters within the scope of its authority shall be binding and conclusive upon all persons.

(d) The Plan Administrator shall file all reports and forms lawfully required to be filed by the Plan Administrator and shall distribute any forms, reports or statements to be distributed to Participants and others.

(e) The Plan Administrator shall keep itself advised with respect to the investment of the Trust Fund and shall report to the Company regarding the investment and reinvestment of the Trust Fund not less frequently than annually.

8.3. **Creation of Committee**. The Compensation Committee may appoint a separate committee to perform its duties as Plan Administrator by the adoption of appropriate Compensation Committee Board of Directors resolutions. The committee must consist of at least two (2) members, and they shall hold office during the pleasure of the Compensation Committee. The committee members shall serve without compensation but shall be reimbursed for all expenses by the Company. The committee shall conduct itself in accordance with the provisions of this Article VIII. The members of the committee may resign with 30 days notice in writing to the Company and may be removed immediately at any time by written notice from the Company.

8.4. **Chairman and Secretary**. The committee shall elect a chairman from among its members and shall select a secretary who is not required to be a member of the committee and who may be authorized to execute any document or documents on behalf of the committee. The secretary of the committee or his designee shall record all acts and determinations of the committee and shall preserve and retain custody of all such records, together with such other documents as may be necessary for the administration of this Plan or as may be required by law.

8.5. **Appointment of Agents**. The committee may appoint such other agents, who need not be members of the committee, as it may deem necessary for the effective performance of its duties, whether ministerial or discretionary, as the committee may deem expedient or appropriate. The compensation of any agents who are not employees of the Company shall be fixed by the committee within any limitations set by the Board of Directors.

8.6. **Majority Vote and Execution of Instruments**. In all matters, questions and decisions, the action of the committee shall be determined by a majority vote of its members. They may meet informally or take any ordinary action without the necessity of meeting as a group. All instruments executed by the committee shall be executed by a majority of its members or by any member of the committee designated to act on its behalf.

8.7. **Allocation of Responsibilities**. The committee may allocate responsibilities among its members or designate other persons to act on its behalf. Any allocation or designation, however, must be set forth in writing and must be retained in the permanent records of the committee.

8.8. **Conflict of Interest**. No member of the committee who is a Participant shall take any part in any action in connection with his participation as an individual. Such action shall be voted or decided by the remaining members of the committee.

8.9. **Indemnity**. To the extent permitted by applicable state law, the Company shall indemnify and hold harmless the Plan Administrator, the committee and each member thereof, the Board of Directors, and any delegate of the committee or Plan Administrator who is an employee of the Company against any and all expenses, liabilities and claims, including legal fees to defend against such liabilities and claims arising out of their discharge in good faith of responsibilities under or incident to the Plan, other than expenses and liabilities arising out of willful misconduct. This indemnity shall not preclude such further indemnities as may be available under insurance purchased by the Company or provided by the Company under any bylaw, agreement or otherwise, as such indemnities are permitted under state law.

ARTICLE 9

ADOPTION OF PLAN BY AFFILIATES

The adoption of this Plan by any Affiliate shall not be effective without the written consent of the Company. Any adoption shall be evidenced by certified copies of the resolution of the foregoing board of directors indicating the adoption. The resolution shall define the effective date for the purpose of the Plan as adopted by the corporation or Affiliate. Upon the adoption by any Affiliate, the term "Company" shall include such Affiliate.

ARTICLE 10

CLAIM REVIEW PROCEDURE

10.1. **General**. In the event that a Participant or Beneficiary is denied a claim for benefits under this Plan (the "claimant"), the Plan Administrator shall provide to the claimant written notice of the denial which shall set forth:

(a) the specific reason or reasons for the denial;

(b) specific references to pertinent Plan provisions on which the Plan Administrator based its denial;

(c) a description of any additional material or information needed for the claimant to perfect the claim and an explanation of why the material or information is needed;

(d) a statement that the claimant may:

(1) request a review upon written application to the Plan Administrator;

(2) review pertinent Plan documents; and

(3) submit issues and comments in writing; and

(e) That any appeal the claimant wishes to make of the adverse determination must be in writing to the Plan Administrator within sixty (60) days after receipt of the Plan Administrator's notice of denial of benefits. The Plan Administrator's notice must further advise the claimant that his failure to appeal the action to the Plan Administrator in writing within the sixty (60) day period will render the Plan Administrator's determination final, binding, and conclusive.

10.2. **Appeals**.

(a) If the claimant should appeal to the Plan Administrator, he, or his duly authorized representative, may submit, in writing, whatever issues and comments he, or his duly authorized representative, feels are pertinent. The Plan Administrator shall re-examine all facts related to the appeal and make a final determination as to whether the denial of benefits is justified under the circumstances. The Plan Administrator shall advise the claimant in writing of its decision on his appeal, the specific reasons for the decision, and the specific Plan provisions on which the decision is based. The notice of the decision shall be given within 60 days of the claimant's written request for review, unless special circumstances (such as a hearing) would make the rendering of a decision within the 60 day period infeasible, but in no event shall the Plan Administrator render a decision regarding the denial of a claim for benefits later than 120 days after its receipt of a request for review. If an extension of time for review is required because of special circumstances, written notice of the extension shall be furnished to the claimant prior to the date the extension period commences.

(b) If, upon appeal, the Plan Administrator shall grant the relief requested by the claimant, then, in addition, the Plan Administrator shall award to the claimant reasonable fees and expenses of counsel, or any other duly authorized representative of claimant, which shall be paid by the Company. The determination as to whether such fees and expenses are reasonable shall be made by the Company in its sole and absolute discretion and such determination shall be binding and conclusive on all parties.

10.3. **Notice of Denials**. The Plan Administrator's notice of denial of benefits shall identify the address to which the claimant may forward his appeal.

ARTICLE 11

LIMITATION OF RIGHTS, CONSTRUCTION

11.1. **Limitation of Rights**. Neither this Plan, any Trust Agreement, nor membership in the Plan shall give any employee or other person any right except to the extent that the right is specifically fixed under the terms of the Plan. The establishment of the Plan shall not be construed to give any individual a right to be

continued in the service of the Company or as interfering with the right of the Company to terminate the service of any individual at any time.

11.2. **Construction**. The masculine gender, where appearing in the Plan, shall include the feminine gender (and vice versa), and the singular shall include the plural, unless the context clearly indicates to the contrary. Headings and subheadings are for the purpose of reference only and are not to be considered in the construction of this Plan. If any provision of this Plan is determined to be for any reason invalid or unenforceable, the remaining provisions shall continue in full force and effect. All of the provisions of this Plan shall be construed and enforced in accordance with the laws of the State of Utah.

ARTICLE 12

LIMITATION ON ASSIGNMENT; PAYMENTS TO LEGALLY

INCOMPETENT DISTRIBUTEE

12.1. **Anti-Alienation Clause**. No benefit which shall be payable under the Plan to any person shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, charge or otherwise dispose of the same shall be void. No benefit shall in any manner be subject to the debts, contracts, liabilities, engagements or torts of any person, nor shall it be subject to attachment or legal process for or against any person, except to the extent as may be required by law.

12.2. **Permitted Arrangements**. Section 12.1 shall not preclude arrangements for the withholding of taxes from benefit payments, arrangements for the recovery of benefit overpayments, arrangements for the transfer of benefit rights to another plan, or arrangements for direct deposit of benefit payments to an account in a bank, savings and loan association or credit union (provided that such arrangement is not part of an arrangement constituting an assignment or alienation). Additionally, Section 12.1 shall not preclude arrangements for the distribution of the benefits of a Participant or Beneficiary pursuant to the terms and provisions of a “domestic relations order” in accordance with such procedures as may be established from time to time by the Plan Administrator.

12.3. **Payment to Minor or Incompetent**. Whenever any benefit which shall be payable under the Plan is to be paid to or for the benefit of any person who is then a minor or determined by the Plan Administrator to be incompetent by qualified medical advice, the Plan Administrator need not require the appointment of a guardian or custodian, but shall be authorized to cause the same to be paid over to the person having custody of the minor or incompetent, or to cause the same to be paid to the minor or incompetent without the intervention of a guardian or custodian, or to cause the same to be paid to a legal guardian or custodian of the minor or incompetent if one has been appointed or to cause the same to be used for the benefit of the minor or incompetent.

ARTICLE 13

AMENDMENT, MERGER, AND TERMINATION

13.1. **Amendment**. The Company shall have the right at any time, by an instrument in writing duly executed, acknowledged and delivered to the Plan Administrator, to modify, alter or amend this Plan, in whole or in part, prospectively or retroactively; provided, however, that the duties and liabilities of the Plan Administrator and any Trustee hereunder shall not be substantially increased without its written consent; and provided further that the amendment shall not reduce any Participant’s interest in the Plan, calculated as of the date on which the amendment is adopted. If the Plan is amended by the Company after it is adopted by an Affiliate, unless otherwise expressly provided, it shall be treated as so amended by such Affiliate without the necessity of any action on the part of the Affiliate. Any Affiliate or other corporation adopting this Plan hereby delegates the authority to amend the Plan to the Company. An Affiliate or other corporation that has adopted this Plan may terminate its future participation in the Plan at any time.

13.2. **Merger or Consolidation of Company**. The Plan shall not be automatically terminated by the Company’s acquisition by or merger into any other employer, but the Plan shall be continued after such acquisition or merger if the successor employer elects and agrees to continue the Plan. All rights to amend, modify, suspend, or terminate the Plan shall be transferred to the successor employer, effective as of the date of the merger.

13.3. **Termination of Plan or Discontinuance of Contributions**. It is the expectation of the Company that this Plan and the payment of contributions hereunder will be continued indefinitely. However, continuance of the Plan is not assumed as a contractual obligation of the Company, and the right is reserved at any time to terminate this Plan or to reduce, temporarily suspend or discontinue contributions hereunder. The termination of the Plan shall not adversely affect any Participant or Beneficiary who has become entitled to the payment of any benefits under the Plan as of the date of termination; provided, however, that to the extent permissible under Code Section 409A and related regulations and guidance, including but not limited to such guidance and regulations as may be issued after the effective date of this Plan, if there is a termination of the Plan with respect to all Participants, the Company shall have the right, in its sole discretion, and notwithstanding any elections made by the Participant, to immediately pay all benefits in a lump sum following such termination.

13.4. **Limitation of Company’s Liability**. The adoption of this Plan is strictly a voluntary undertaking on the part of the Company and shall not be deemed to constitute a contract between the Company and any employee or Participant or to be consideration for, an inducement to, or a condition of the employment of any employee. A Participant, employee, or Beneficiary shall not have any right to retirement or other benefits except to the extent provided herein.

ARTICLE 14

GENERAL PROVISIONS

14.1. **Status of Participants as Unsecured Creditors**. All benefits under the Plan shall be the unsecured obligations of the Company as applicable, and, except for those assets which may be placed in any Trust Fund established in connection with this Plan, no assets will be placed in trust or otherwise segregated from the general assets of the Company or each Company, as applicable, for the payment of obligations hereunder. To the extent that any person acquires a right to receive payments hereunder, such right shall be no greater than the right of any unsecured general creditor of the Company.

14.2. **Uniform Administration**. Whenever in the administration of the Plan any action is required by the Plan Administrator, such action shall be uniform in nature as applied to all persons similarly situated.

14.3. **Heirs and Successors**. All of the provisions of this Plan shall be binding upon all persons who shall be entitled to any benefits hereunder, and their heirs and legal representatives.

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 31st day of December, 2008.

NU SKIN ENTERPRISES, INC.

By: D. Matthew Dorny
Its: Vice President

SCHEDULE A

Nu Skin International, Inc. Deferred Compensation Plan (Adams, Mark)

Nu Skin International, Inc. Deferred Compensation Plan (Allen, Charles)

Deferred Compensation Plan (New Participant Form) (Averett, Claire)

Deferred Compensation Plan 2004b (Averett, Claire)

Nu Skin International, Inc. Deferred Compensation Plan (Bush, Lori)

Deferred Compensation Plan 2004b (Bush, Lori)

Nu Skin International, Inc. Deferred Compensation Plan (Cerqueira, Luiz)

Nu Skin International, Inc. Deferred Compensation Plan (Chang, Joseph)

Deferred Compensation Plan 2004b (Chang, Joseph)

Deferred Compensation Plan (New Participant Form) (Chard, Dan)

Nu Skin International, Inc. Deferred Compensation Plan (Conlee, Robert)

Nu Skin International, Inc. Deferred Compensation Plan (Dorny, Matt)

Deferred Compensation Plan (New Participant Form) (Durrant, Jodi)

Nu Skin International, Inc. Deferred Compensation Plan (Ford, Joe)

Nu Skin International, Inc. Deferred Compensation Plan (Fralick, John)

Nu Skin International, Inc. Deferred Compensation Plan (Frary, Jim)

Deferred Compensation Plan (New Participant Form) (Garrett, Gary)

Deferred Compensation Plan (New Participant Form) (Hartvigsen, Rich)

Deferred Compensation Plan 2004b (Hartvigsen, Rich)

Deferred Compensation Plan (New Participant Form) (Henderson, Sid)

Deferred Compensation Plan 2004b (Henderson, Sid)

Deferred Compensation Plan (New Participant Form) (Howe, Keith)

Nu Skin International, Inc. Deferred Compensation Plan (Hunt, Truman)

Deferred Compensation Plan (New Participant Form) (King, Richard)

Deferred Compensation Plan 2004b (King, Richard)

Deferred Compensation Plan (New Participant Form) (Lindley, Corey)

Nu Skin International, Inc. Deferred Compensation Plan (Lords, Brian)

Deferred Compensation Plan (New Participant Form) (MacFarlene, Larry V.)

Nu Skin International, Inc. Deferred Compensation Plan (Mangum, Bart)

Deferred Compensation Plan (New Participant Form) (Messick, Owen)

Deferred Compensation Plan (New Participant Form) (Morris, Brad)

Nu Skin International, Inc. Deferred Compensation Plan (Nielson, Chris)

Nu Skin International, Inc. Deferred Compensation Plan (Nelson, Brett)

Nu Skin International, Inc. Deferred Compensation Plan (Peterson, Jack)

Deferred Compensation Plan (New Participant Form) (Schultz, Tom)

Deferred Compensation Plan (New Participant Form) (Schwerdt, Scott)

Nu Skin International, Inc. Deferred Compensation Plan (Smidt, Carsten)

Deferred Compensation Plan (New Participant Form) (Smith, Michael)

Nu Skin International, Inc. Deferred Compensation Plan (Thibaudeau, Elizabeth)

Nu Skin International, Inc. Deferred Compensation Plan (Treharne, Alex)

Deferred Compensation Plan (New Participant Form) (Van Pelt, Dane)

Deferred Compensation Plan 2004b (Van Pelt, Dane)

Nu Skin International, Inc. Deferred Compensation Plan (Wayment, Brad)

Deferred Compensation Plan (New Participant Form) (Wolfert, Mark)

Nu Skin International, Inc. Deferred Compensation Plan (Wood, Ritch)

Nu Skin International, Inc. Deferred Compensation Plan (Young, Rob)

NU SKIN ENTERPRISES, INC.
MASTER
STOCK OPTION AGREEMENT

(Director Option Agreement)

This Master Option Agreement (the "Agreement") is made effective as of _____ (the "Effective Date"), to _____ (the "Optionee") under the Nu Skin Enterprises, Inc. 2006 Stock Incentive Plan (the "Plan") by Nu Skin Enterprises, Inc., a Delaware corporation ("Nu Skin Enterprises"), under authority of the Plan Committee (the "Committee"). Capitalized terms used herein without definition and defined in the Plan have the same meanings as provided in the Plan.

1. **MASTER AGREEMENT**. This Agreement is a Master Agreement and the terms of each stock option grant set forth in any Stock Option Schedule hereto shall be subject to any and all conditions and provisions set forth herein as this Agreement may be amended from time to time. Each Stock Option Schedule shall incorporate all of the terms and conditions of this Agreement and shall contain such other terms and conditions that the Committee shall establish for the grant of options covered by such Stock Option Schedule. In the event of a conflict between the language of this Master Agreement and any Stock Option Schedule, the language of the Stock Option Schedule shall prevail with respect to that Stock Option Schedule. In order to be effective, the Stock Option Schedule must be executed by a duly authorized executive officer of the Company. No signature of the Optionee shall be required and the Optionee's acceptance of the Stock Option Schedule shall be deemed to be his or her acceptance of all the terms and conditions set forth therein. Optionee shall be deemed to have accepted the Stock Option Schedule (and all of the terms and conditions set forth therein) unless Optionee provides written notice of his or her rejection of the Stock Option Schedule and all of the Options granted thereunder within 20 days after receipt of the Stock Option Schedule.

2. **OPTION GRANTs**. Each Stock Option Schedule shall set forth the number of options (the "Options") that the Committee has granted to Optionee and the effective date of such grant. Such Options are granted as an incentive to work to increase the value of the Company for its stockholders. Each Option shall entitle the Optionee to purchase, on the terms and conditions of this Agreement, the respective Stock Option Schedule and the Plan, one fully paid and non-assessable share of Class A Common Stock, par value $ .001 per share (the "Class A Common Stock"), of Nu Skin Enterprises at the option price set forth in the Stock Option Schedule. The Options are subject to all the terms and conditions of the Plan, the Stock Option Schedule and this Agreement.

3. **NATURE OF OPTION**. The Stock Option Schedule shall designate whether the options are Nonqualifed Stock Options or Incentive Stock Options.

4. **TERMS AND EXERCISE PERIOD**.

(a) Options awarded under this Agreement may not be exercised at any time until such Options are vested as provided in the Stock Option Schedule governing such Options.

(b) Except as otherwise provided in a Stock Option Schedule or this Agreement, the Options granted hereunder shall terminate on the earlier of (i) the tenth anniversary of the date of this Agreement, or (ii) the date such Options are fully exercised.

5. **VESTING**. Unless expressly provided otherwise in a Stock Option Schedule, Options granted hereunder shall vest on the date preceding the next annual meeting of stockholders.

6. **TERMINATION OF SERVICE**.

(a) In the event the Optionee's service as a director is terminated for any reason, all Options that are not vested at the time of termination of service as a Director shall terminate and be forfeited immediately upon termination of service as a director.

(b) In the event the Optionee's service as a director is terminated for any reason, all Options granted hereunder that are vested but unexercised at the time of termination of service as director shall terminate upon the earliest to occur of the following: (i) the full exercise of the Options, (ii) the expiration of the Options by their terms, or (iii) [one (for options granted before January 1, 2007)] [three (for options granted on or after January 1, 2007)] year following the date of termination of the Optionee's service as a director. Until such Options have been terminated pursuant to the preceding sentence, the vested Options at the time of termination of service shall be exercisable by the Optionee, the estate of the Optionee, or the person or persons to whom the Options may have been transferred by will or by the laws of descent and distribution for the period set forth in this Section 5(b), as the case may be.

(c) In the event that the Optionee (a) commits an act of fraud or intentional misrepresentation related to his or her services as a director, (b) discloses or uses confidential information in a manner detrimental to the Company, (c) competes with the Company, or (d) takes any other actions that are harmful to the interests of the Company, then the Committee shall have the right to terminate this Agreement at their discretion, in which case all Options granted hereunder shall terminate and be forfeited.

7. **STOCK CERTIFICATES**. Within a reasonable time after the exercise of an Option, and the satisfaction of the Optionee's obligations hereunder, the Company shall cause to be delivered to the person entitled thereto a certificate for the shares purchased pursuant to the exercise of such Option.

8. **TRANSFERABILITY OF OPTIONS**. This Agreement and the Options granted hereunder shall not be transferable otherwise than by will or by the laws of descent and distribution, and shall be exercised, during the lifetime of the Optionee, only by the Optionee.

9. **EXERCISE OF OPTIONS.** Options shall become exercisable at such time, as may be provided herein and shall be exercisable by written notice of such exercise, in the form prescribed by the Committee, to the person designated by the Committee at the corporate offices of Nu Skin Enterprises. The notice shall specify the number of Options that are being exercised. The Option Price shall be payable on the exercise of the Options and shall be paid in cash, in shares of Class A Common Stock, including shares of Class A Common Stock acquired pursuant to the Plan, part in cash and part in shares, or such other manner as may be approved by the Committee consistent with the terms of the Plan as it may be amended from time to time. Shares of Class A Common Stock transferred in payment of the Option Price shall be valued as of the date of transfer based on the Fair Market Value of the Company's Class A Common Stock which for purposes hereof, shall be considered to be the average closing price of the Company's Class A Common Stock as reported on the New York Stock Exchange for the ten (10) trading days just prior to the date of exercise. Only shares of the Company's Class A Common Stock which have been held for at least six (6) months may be used to exercise the Option.

10. **NO RIGHTS AS SHAREHOLDER**. This Agreement shall not entitle the Optionee to any rights as a stockholder of the Company until the date of the

issuance of a stock certificate to the Optionee for shares pursuant to the exercise of Options covered hereby.

11. **GOVERNING PLAN DOCUMENT**. This Agreement incorporates by reference all of the terms and conditions of the Plan as presently existing and as hereafter amended. The Optionee expressly acknowledges and agrees that the terms and provisions of this Agreement are subject in all respects to the provisions of the Plan. The Optionee also hereby expressly acknowledges, agrees and represents as follows:

(a) Acknowledges receipt of a copy of the Plan and represents that the Optionee is familiar with the provisions of the Plan, and that the Optionee enters into this Agreement subject to all of the provisions of the Plan.

(b) Recognizes that the Committee has been granted complete authority to administer the Plan in its sole discretion, and agrees to accept all decisions related to the Plan and all interpretations of the Plan made by the Committee as final and conclusive upon the Optionee and upon all persons at any time claiming any interest through the Optionee in any Option granted hereunder.

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

(d) Acknowledges and understands that the Optionee's use of Class A Common Stock owned by the Optionee to pay the Option Price of an Option could have substantial adverse tax consequences to the Optionee, and that the Company recommends that the Optionee consult with a knowledgeable tax advisor before paying the Option Price of any Option with Class A Common Stock.

12. **REPRESENTATIONS AND WARRANTIES**. As a condition to the exercise of any Option granted pursuant to the Plan, the Company may require the person exercising such Option to make any representations and warranties to the Company that legal counsel to the Company may determine to be required or advisable under any applicable law or regulation, including without limitation, representations and warranties that the shares of Class A Common Stock being acquired through the exercise of such Option are being acquired only for investment and without any present intention or view to sell or distribute any such shares.

13. **NO SERVICE CONTRACT**. Nothing in this Agreement or in the Plan shall confer upon Optionee any right to be retained in the service of the Company, or to interfere in any way with the right of the Company at any time to discontinue using the services of the Optionee as an independent consultant or other capacity or to remove Optionee as a director.

14. **WITHHOLDING OF TAXES**. The Optionee authorizes the Company to withhold, in accordance with applicable laws and regulations, from any compensation or other payment payable to the Optionee, all federal, state and other taxes attributable to taxable income realized by the Optionee as a result of the grant or exercise of any Options. As a condition to the exercise of any Option, Optionee shall remit to the Company the amount of cash necessary to pay any withholding taxes associated therewith or make other arrangements acceptable to the Company, in the Company's sole discretion, for the payment of any withholding taxes.

15. **EFFECTIVE DATE OF GRANT**. Each Option granted pursuant to this Agreement shall be effective as of the date first written above.

16. **COMPLIANCE WITH LAW AND REGULATIONS**. The obligations of the Company hereunder are subject to all applicable federal and state laws and to the rules, regulations and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Class A Common Stock is then listed and any other government or regulatory agency.

17. **SECTION REFERENCES**. The references to Plan sections shall be to the sections as in existence on the date hereof unless an amendment to the Plan specifically provides otherwise.

18. **QUESTIONS**. All questions regarding this Agreement shall be addressed to D. Matthew Dorny.

IN WITNESS WHEREOF, these parties hereby execute this Agreement to be effective as of the Effective Date.

NU SKIN ENTERPRISES, INC., a Delaware corporation

By: _____
Its:

_____
Optionee

_____

_____
Optionee's Address

The following summarizes the relevant incentive periods, performance targets, and formulas established by the Compensation Committee under the 2006 Senior Executive Plan for 2009.

Incentive Periods.

(1) Annual Incentive Period. There shall be one annual incentive period (the "Annual Incentive Period") commencing on January 1st.

(2) Quarterly Incentive Periods. In addition, there shall be four quarterly incentive periods (the "Quarterly Incentive Periods") commencing on the first day of each of the Company's fiscal quarters.

(3) Base Salary. Target bonuses shall be established by the Compensation Committee for each Participant. The target bonuses shall be expressed in terms of a percentage of base salary. Fifty percent of the target bonus shall be based on performance in the Annual Incentive Period and 12.5% of the target bonus shall be based on performance in each of the Quarterly Incentive Periods. Based on this allocation of target bonus, the calculation of bonuses for the Annual Incentive Period shall be based on 50% of annual base salary as defined below, and the calculation of bonuses for the Quarterly Incentive Periods shall be based on 12.5% of base salary as defined below. Base salary shall be the base salary that is in effect on the date the final Incentive Award is calculated and shall include foreign service premiums, but shall not include cost of living allowances or any other premiums.

(4) Incentive Period. The Annual Incentive Period and the Quarterly Incentive Periods are collectively referred to as the "Incentive Periods," and individually as an "Incentive Period."

Incentive Targets

(1) Critical Success Factors. "Operating Income" and "Revenue" shall be the primary performance targets used to determine whether an Incentive Award shall be paid for an Incentive Period and the amount of any such Incentive Awards to be paid to a Participant under the Plan. The Compensation Committee has established individual performance targets to determine the portion of an Incentive Award that shall be paid.

(2) Establishment of Incentive Targets. The Compensation Committee shall approve minimum level, budget level and stretch level operating income targets ("Oper Inc Targets"), and minimum level, budget level and stretch level revenue targets (the "Rev Targets") for each Incentive Period for each Executive. The targets are referred to as the "Targets." The Compensation Committee shall also approve targets for the additional performance targets (the "Additional Targets").

Incentive Award Thresholds

(1) Threshold. In the event that the Company's operating income is less than the minimum Oper Inc Target for the applicable Incentive Period, no Incentive Award shall be paid to any Participant for such Incentive Period for global results. In the event operating income for a region is less than the minimum Oper Inc Target for the region, no Incentive Award shall be paid to the applicable regional executive Participant for such Incentive Period for regional results.

(2) Other Thresholds. If actual performance is less than the minimum Target of another specified Target for an Executive in any given Incentive Period, the portion of the Incentive Award tied to such Target shall not be paid for such Incentive Period, but this shall not affect the payment of the portion of the Incentive Award tied to other Targets in which performance is equal to or greater than the minimum Target of the applicable Target except as provided in Paragraph (1) above.

(3) Compensation Committee Discretion. Notwithstanding anything to the contrary, the Compensation Committee may elect not to pay or reduce an Incentive Award otherwise payable to a Participant even if the applicable Targets have been met. Such determination may be made based on such factors that the Compensation Committee considers relevant including, without limitation, failure of such Participant to perform individual employment responsibilities at acceptable performance level or other performance related issues.

Incentive Awards

(1) Incentive Awards. In the event the relevant Oper Inc targets have been satisfied, the total Incentive Award for an Executive for any Incentive Period shall be determined by multiplying the applicable portion of Participant's base salary (as set forth in "Incentive Periods" above) by the sum of all of the Adjusted Bonus Percentages applicable for such Incentive Period with respect to the Targets and Additional Targets where the required performance thresholds have been met.

(2) Bonus Percentages. The Committee has established a target bonus percentage (the "Bonus Percentage") for each Participant representing a percentage of base salary. Such Bonus Percentage shall be allocated to the respective Targets as follows:

Regional Executives	
Global Revenue	15%
Global Oper Inc	15%
Regional Revenue	49%
Regional Oper Inc	21%
Corporate	
Global Revenue	50%
Global Oper Inc	50%

(3) Adjusted Bonus Percentages. The formulas described in parts (a) and (b) below are used to adjust the Bonus Percentage for the applicable Target. The formulas shall not apply to the Additional Targets.

a. In the event that actual performance equals or exceeds the minimum level Target, but is less than the budget level Target, the Bonus Percentage for such Incentive Period and such Target shall be adjusted in accordance with the following formula:

Adjusted Bonus Percentage = Bonus Percentage * [.50+ (.50* ((Actual Performance — Minimum Level Target)/(Budget Level Target — Minimum Level Target))]

The formula results in a 50% negative adjustment to the applicable Bonus Percentage at the minimum level Target, with the adjusted bonus percentage increasing linearly to equal the applicable Bonus Percentage at the budget level Target.

b. In the event that actual performance equals or is greater than the budget level Target, the Bonus Percentage for such Incentive Period and such Target shall be adjusted in accordance with the following formula:

Adjusted Bonus Percentage = Bonus Percentage * [1+ ((Actual Performance - Budget Level Target)/(Stretch Level Target - Budget Level Target))]

The formula results in a linear adjustment to the applicable Bonus Percentage with the Adjusted Bonus Percentage being equal to 200% of the applicable Bonus Percentage at the stretch level Target.

c. In the event that actual performance exceeds the stretch level Target, the Bonus Percentage for such Incentive Period and such Target shall be adjusted in accordance with the following formula:

Adjusted Bonus Percentage = Bonus Percentage * [1+ ((Actual Performance)/(Stretch Level Target))]

(4) Additional Targets. In the event the Additional Targets are not achieved, the Compensation Committee shall have the discretion to reduce the bonuses otherwise payable under this Plan by an amount equal to the Additional Target Percentage multiplied by the bonus otherwise earned. For regional executives, the reduction will only apply against bonuses attributable to regional results. The Compensation Committee may determine the method, if any, of adjusting the Bonus Percentage for Additional Targets. The Additional Target Percentages are as follows:

Regional Executives	20%
Corporate Executives	10%

In the event an Additional Target is an annual performance measure rather than a quarterly performance measure, the Compensation Committee shall have the discretion to make the reduction against quarterly Incentive Awards based on projections, and make a true up with respect to future awards.

(5) Cap. Incentive Awards will be capped according to the following schedule:

a. For markets which budget a loss and achieve a loss – 100%

b. For markets which budget a loss and achieve positive results – 150%

c. For markets which budget operating income less than 5% of revenue – 150%

d. There is no cap for markets which budget operating income exceeding 5% of total revenue.

(6) Determination of Incentive Award Payments. The Compensation Committee shall make the determination of whether a Target has been achieved and the level of Incentive Award that is payable with respect to each executive. In determining whether a performance target has been satisfied, the targets and actual revenue and operating income results shall be calculated on constant currency basis to eliminate the impact of foreign currency fluctuations. This shall be accomplished by using the same foreign currency exchange rates that were used in the equivalent prior-year period for purposes of establishing both the targets and actual results in order to provide clear comparison of the targets and actual results compared to prior-year results. Actual results shall also be calculated by eliminating any restructuring charges that were incurred during the Incentive Period in a restructuring that has been approved by the Board of Directors. In the event that the accrual of an Incentive Award would result in an Oper Inc Target not being achieved, but the Target would be achieved without the accrual, then the amount of bonus that will be payable shall be reduced in amount until the Oper Inc Target will be achieved.

Summary of Modifications to Truman Hunt's Employment Letter

On May 12, 2008, our Compensation Committee approved the following changes to the compensation of Truman Hunt, the Chief Executive Officer of the Company, as reflected in Mr. Hunt's Employment Letter. Mr. Hunt's base salary was increased to $750,000 per year. The dividend equivalent being paid to Mr. Hunt on a hypothetical 250,000 shares (approximately $105,000 in 2007) was terminated in connection with the increase in salary. Mr. Hunt's semi-annual option grant was increased to 50,000 options for 2008, and to 92,500 for future years (exclusive of any special or one-time equity awards). Mr. Hunt's target bonus percentage was previously increased to 100 percent in September 2005.

May 8, 2008

Dear Ashok:

It is with great pleasure that we offer you a position with Nu Skin Enterprises as Chief Marketing Officer. The CMO reports directly to Truman Hunt, Chief Executive Officer.

Associated with this opportunity, we offer you a starting base salary of $250,000 for the first year, with an opportunity for annual adjustments subject to company profitability, market data and personal performance. You will also receive a $75,000 gross signing bonus, $25,000 of which will be held back as a potential offset for any adverse market adjustment on the sale of your home (outlined below). Beginning the second year, upon the anniversary of your start date, your base salary will be increased to $275,000. You will also participate in the benefits listed below and other standard benefits not specifically identified below, reserved for NSE management.

- You are eligible to earn a cash incentive award each quarter calculated as a percentage of your annual base salary. Governed by the Senior Executive Incentive Plan, the cash incentive target level for your position is 60%. You will be guaranteed 50% of the first year's potential bonus. The payout formula is based upon the achievement of NSE and your objectives.

- On an ongoing basis, at the discretion of the company, you will be issued 35,000 non-qualified stock options per year or 17,500 semi-annually as part of the NSE stock option program. The next date of semi-annual stock option grants is currently anticipated for September 2008. These options have a four-year vesting period with 25% being vested each year on the anniversary date of the issue. Upon your start date you will receive 17,500 stock options. You will then fall into the regularly scheduled stock option program.

- You may participate in NSE's 401k plan in which the Company matches up to 3% of your salary when you contribute at least 4% of your salary. The 401k booklet previously given you outlines more details on the Company 401k plan. The employee contribution can begin once employed. The company contribution begins one year after the employee's hire date.

- You will be eligible to participate in the Company's Deferred Compensation Plan. You may contribute 100% of your bonuses, and up to 80% of your base salary. You will receive a company contribution of 10% of your annual base salary. This contribution is made quarterly.

- You will receive an unlimited allotment of NSE product from the NSE Employee Store for personal and immediate family use, subject to availability.

- You will be eligible for our executive relocation package (see attached).

- You will also have vacation days to use as needed.

- You will also receive one year of severance should your employment be terminated by the Company without cause. This also includes any non-compete obligations you would owe to the Company. As used herein, "cause" refers to (i) any act or omission that constitutes a material breach by you or your obligations as CMO and which breach is materially injurious to the Company, (ii) your willful and continued failure or refusal to substantially perform the duties required of you in your position with the Company, which failure is not cured within twenty (20) days following written notice of such failure, (iii) any willful violation by you of any material law or regulation applicable to the business of the Company or any of its subsidiaries or affiliates, or your conviction of, or a plea of nolo contendre to, a felony, or any willful perpetration by you of a common law fraud, or (iv) any other willful misconduct by you that is materially injurious to the financial condition or business reputation of, or is otherwise materially injurious to, the Company or any of its subsidiaries or affiliates. Notwithstanding the foregoing, you understand that the Company is in the process of drafting a formal severance policy for executives and it is anticipated that the definition of cause in that policy will apply to all executives once the policy is finalized.

- In the event your home should sell for less than the appraised value, the Company shall bonus you for up to $200,000 for any shortfall. Which shortfall should be offset dollar for dollar by the $25,000 signing bonus withheld, pending the sale of your home. If the sale of your home is not more than $175,000 below the appraised value you will receive the $25,000 offset as described above. Between $175,000 and $200,000 the $25,000 offset described above would prorated for a total shortfall assistance of $200,000.

- While you are not, at present, a formal member of the Executive Committee, it is our intent to transition you to full membership and our target is to complete such a transition within 6 months of your start date.

- Your employment will be "at will" and the terms of any and all compensation benefits are subject to change at the discretion of the Compensation Committee of the Board of Directors; provided, however, the signing bonus, the relocation benefits described herein, and the severance benefits (for a period of four years) shall not be subject to change and the scheduled increase to salary next year shall occur as indicated.

Nu Skin is poised on a very competitive and opportunity –rich marketplace. We believe you have the talent and skills necessary to make a valuable contribution in our global organization, and we look forward to a rich, rewarding and long term professional relationship with you. We recognize that this position involves a significant relocation for you and your spouse from New York to Utah and if there is anything we can do to assist you in making a smooth transition to the Nu Skin organization and to Utah, please let us know at your earliest convenience. If you elect to join the Nu Skin organization, we are prepared to have you begin work as early as possible.

Sincerely,

/s/ David Daines
David Daines
Vice President, Human Resources

cc: File

I accept the offer as stipulated above:_____

EXHIBIT 21.1

SUBSIDIARIES OF REGISTRANT

Big Planet, Inc., a Delaware corporation

First Harvest International, LLC, a Utah limited liability company

Jixi Nu Skin Vitameal Co., Ltd., a Chinese corporation

Niksun Acquisition Corporation, a Delaware corporation

NSE Korea, Ltd., a Korean corporation

NSE Products, Inc., a Delaware corporation

Nu Family Benefits Insurance Brokerage, Inc., a Utah corporation

Nu Skin (China) Daily-Use and Health Products Co., Ltd., Chinese company

Nu Skin (Malaysia) Sdn. Bhd., a Malaysian corporation

Nu Skin (Shanghai) Management Co., Ltd., a Chinese corporation

Nu Skin Argentina, Inc., a Utah corporation with an Argentine branch

Nu Skin Asia Investment, Inc., a Delaware corporation

Nu Skin Belgium, NV, a Belgium corporation

Nu Skin Brazil, Ltda., a Brazilian corporation

Nu Skin Canada, Inc., a Utah corporation

Nu Skin Chile, Inc., a Utah corporation

Nu Skin Chile, S.A., a Chilean corporation

Nu Skin Columbia, Inc., a Delaware corporation

Nu Skin Costa Rica, a Costa Rican corporation

Nu Skin Eastern Europe Ltd. A Delaware corporation

Nu Skin El Salvadore S.A. de C.V., an El Salvadore corporation

Nu Skin Enterprises (Thailand), Ltd., a Delaware corporation

Nu Skin Enterprises (Thailand), Ltd., a Thailand corporation

Nu Skin Enterprises Australia, Inc., a Utah corporation

Nu Skin Enterprises Hong Kong, Inc., a Delaware corporation

Nu Skin Enterprises India Private Ltd., an Indian corporation

Nu Skin Enterprises New Zealand, Inc., a Utah corporation

Nu Skin Enterprises Philippines, Inc., a Delaware corporation with a Philippines branch

Nu Skin Enterprises Poland Sp. z.o.o., a Polish corporation

Nu Skin Enterprises RS, Ltd., a Russian limited liability company

Nu Skin Enterprises Singapore Pte. Ltd., a Singapore corporation

Nu Skin Enterprises South Africa (Proprietary) Limited

Nu Skin Enterprises United States, Inc., a Delaware corporation

Nu Skin Enterprises, SRL, a Romanian corporation

Nu Skin France, SARL, a French limited liability company

Nu Skin Germany, GmbH, a German limited liability company

Nu Skin Guatemala, S.A., a Guatemalan corporation

Nu Skin Honduras, S.A., a Honduras corporation

Nu Skin International Management Group, Inc., a Utah corporation

Nu Skin International, Inc., a Utah Corporation

Nu Skin Israel, Inc, a Delaware corporation

Nu Skin Italy, Srl, an Italian corporation

Nu Skin Japan Company Limited, a Japanese corporation

Nu Skin Japan, Ltd., a Japanese corporation

Nu Skin Malaysia Holdings Sdn. Bhd., a Malaysian corporation

Nu Skin Mexico, S.A. de C.V., a Mexican corporation

Nu Skin Netherlands, B.V., a Netherlands corporation

Nu Skin New Caledonia EURL, a French corporation

Nu Skin Norway AS, a Norwegian corporation

Nu Skin Poland Sp. z.o.o., a Polish corporation

Nu Skin Scandinavia A.S., a Denmark corporation

Nu Skin Taiwan, Inc., a Taipei Branch

Nu Skin Taiwan, Inc., a Utah corporation

Nu Skin U.K., Ltd., a United Kingdom corporation

Nu Skin Venezuela, a Venezuela corporation

NuSkin Pharmanex (B) Sdn Bhd, a Brunei corporation

Nutriscan, Inc., a Utah corporation

Pharmanex (Huzhou) Health Products Co., Ltd., a Chinese corporation

Pharmanex Electronic-Optical Technology (Shanghai) Co., Ltd., a Chinese corporation

Pharmanex License Acquisition Corporation, a Utah Corporation

Pharmanex, LLC, a Delaware limited liability company

PT. Nu Skin Distribution Indonesia, an Indonesian corporation

PT. Nusa Selaras Indonesia, an Indonesian corporation

The Nu Skin Force for Good Foundation, Business Trust

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-48611, 333-68407, 333-95033, 333-102327, 333-124764, 333-130304, and 333-136464) of Nu Skin Enterprises, Inc. of our report dated February 27, 2009 relating to the financial statements and the effectiveness of internal control over financial reporting, which appear in the Nu Skin Enterprise, Inc. Annual Report on Form 10-K for the year ended December 31, 2008. ..

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP

Salt Lake City, UT
February 27, 2009

EXHIBIT 31.1
SECTION 302 – CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, M. Truman Hunt, certify that:

1. I have reviewed this annual report on Form 10-K of Nu Skin Enterprises, Inc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2009

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

EXHIBIT 31.2
SECTION 302 – CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Ritch N. Wood, certify that:

1. I have reviewed this annual report on Form 10-K of Nu Skin Enterprises, Inc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2009

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

EXHIBIT 32.1
SECTION 1350 CERTIFICATION OF CHIEF EXECUTIVE OFFICER

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

In connection with the annual report of Nu Skin Enterprises, Inc. (the "Company") on Form 10-K for the period ended December 31, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, M. Truman Hunt, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 27, 2009

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

EXHIBIT 32.2
SECTION 1350 CERTIFICATION OF CHIEF FINANCIAL OFFICER

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

In connection with the annual report of Nu Skin Enterprises, Inc. (the "Company") on Form 10-K for the period ended December 31, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ritch N. Wood, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 27, 2009

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