

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2014

OR

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

Commission File Number: 001-12421



NU SKIN ENTERPRISES, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

**75 WEST CENTER STREET
PROVO, UT 84601**

(Address of principal executive offices, including zip code)

87-0565309

(IRS Employer Identification No.)

(801) 345-1000

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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 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

Smaller reporting company

(Do not check if a smaller reporting company)

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

As of July 31, 2014, 59,229,867 shares of the registrant's Class A common stock, \$.001 par value per share, were outstanding.

NU SKIN ENTERPRISES, INC.

2014 FORM 10-Q QUARTERLY REPORT – SECOND QUARTER

TABLE OF CONTENTS

		<u>Page</u>
Part I.	Financial Information	
Item 1.	Financial Statements (Unaudited):	
	Consolidated Balance Sheets	1
	Consolidated Statements of Income	2
	Consolidated Statements of Comprehensive Income	3
	Consolidated Statements of Cash Flows	4
	Notes to Consolidated Financial Statements	5
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	15
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	25
Item 4.	Controls and Procedures	25
Part II.	Other Information	
Item 1.	Legal Proceedings	26
Item 1A.	Risk Factors	27
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	27
Item 3.	Defaults Upon Senior Securities	27
Item 4.	Mine Safety Disclosures	27
Item 5.	Other Information	28
Item 6.	Exhibits	29
	Signature	30

In this Quarterly Report on Form 10-Q, references to "dollars" and "\$" are to United States ("U.S.") dollars.

Nu Skin, Pharmanex and ageLOC are our trademarks. The italicized product names used in this Quarterly Report on Form 10-Q are product names and also, in certain cases, our trademarks.

ITEM 1. FINANCIAL STATEMENTS**NU SKIN ENTERPRISES, INC.**
Consolidated Balance Sheets (Unaudited)
(U.S. dollars in thousands)

	<u>June 30, 2014</u>	<u>December 31, 2013</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 219,501	\$ 525,153
Current investments	14,227	21,974
Accounts receivable	41,712	68,652
Inventories, net	389,650	339,669
Prepaid expenses and other	180,957	162,886
	<u>846,047</u>	<u>1,118,334</u>
Property and equipment, net	429,332	396,042
Goodwill	112,446	112,446
Other intangible assets, net	79,258	83,168
Other assets	136,531	111,072
Total assets	<u>\$ 1,603,614</u>	<u>\$ 1,821,062</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 35,836	\$ 82,684
Accrued expenses	383,012	626,284
Current portion of debt	99,828	67,824
	<u>518,676</u>	<u>776,792</u>
Long-term debt	111,621	113,852
Other liabilities	81,559	71,799
Total liabilities	<u>711,856</u>	<u>962,443</u>
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Class A common stock – 500 million shares authorized, \$.001 par value, 90.6 million shares issued	91	91
Additional paid-in capital	410,440	397,383
Treasury stock, at cost – 31.3 million and 31.6 million shares, respectively	(844,615)	(826,904)
Accumulated other comprehensive loss	(42,284)	(46,228)
Retained earnings	1,368,126	1,334,277
	<u>891,758</u>	<u>858,619</u>
Total liabilities and stockholders' equity	<u>\$ 1,603,614</u>	<u>\$ 1,821,062</u>

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

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

	Three Months Ended		Six Months Ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Revenue	\$ 650,027	\$ 671,328	\$ 1,321,088	\$ 1,212,633
Cost of sales	156,010	111,273	262,654	201,318
Gross profit	494,017	560,055	1,058,434	1,011,315
Operating expenses:				
Selling expenses	283,575	297,170	596,676	530,264
General and administrative expenses	155,705	148,302	305,824	283,809
Total operating expenses	439,280	445,472	902,500	814,073
Operating income	54,737	114,583	155,934	197,242
Other income (expense), net	(21,119)	(1,187)	(38,627)	(1,075)
Income before provision for income taxes	33,618	113,396	117,307	196,167
Provision for income taxes	14,111	38,961	42,946	67,450
Net income	\$ 19,507	\$ 74,435	\$ 74,361	\$ 128,717
Net income per share (Note 2):				
Basic	\$ 0.33	\$ 1.27	\$ 1.26	\$ 2.20
Diluted	\$ 0.32	\$ 1.22	\$ 1.22	\$ 2.11
Weighted-average common shares outstanding (000s):				
Basic	59,052	58,620	58,961	58,487
Diluted	61,118	61,121	61,177	60,882

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

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

	Three Months Ended		Six Months Ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Net income	\$ 19,507	\$ 74,435	\$ 74,361	\$ 128,717
Other comprehensive income, net of tax:				
Foreign currency translation adjustment	3,112	426	4,970	(2,947)
Net unrealized gains/(losses) on foreign currency cash flow hedges	(326)	575	(583)	1,561
Less: Reclassification adjustment for realized losses/(gains) in current earnings	(207)	(901)	(443)	(2,064)
	<u>2,579</u>	<u>100</u>	<u>3,944</u>	<u>(3,450)</u>
Comprehensive income	\$ 22,086	\$ 74,535	\$ 78,305	\$ 125,267

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

Consolidated Statements of Cash Flows (Unaudited)
(U.S. dollars in thousands)

	Six Months Ended June 30,	
	2014	2013
Cash flows from operating activities:		
Net income	\$ 74,361	\$ 128,717
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	24,965	15,527
Foreign currency (gains)/losses	48,264	863
Stock-based compensation	13,726	11,411
Deferred taxes	3,871	(2,901)
Changes in operating assets and liabilities:		
Accounts receivable	27,121	(24,647)
Inventories, net	(54,218)	(45,228)
Prepaid expenses and other	(31,157)	(25,515)
Other assets	(14,797)	(10,987)
Accounts payable	(46,503)	3,593
Accrued expenses	(233,532)	132,787
Other liabilities	3,034	5,237
Net cash provided by (used in) operating activities	<u>(184,865)</u>	<u>188,857</u>
Cash flows from investing activities:		
Purchases of property and equipment	(57,136)	(82,515)
Proceeds of investment sales	22,011	9,701
Purchases of investments	<u>(13,655)</u>	<u>(5,077)</u>
Net cash used in investing activities	<u>(48,780)</u>	<u>(77,891)</u>
Cash flows from financing activities:		
Exercise of employee stock options	(2,656)	7,359
Payment of debt	(39,915)	(13,890)
Payment of cash dividends	(40,511)	(35,140)
Income tax benefit of options exercised	9,267	7,309
Proceeds from debt	65,680	35,000
Repurchases of shares of common stock	<u>(25,002)</u>	<u>(14,615)</u>
Net cash used in financing activities	<u>(33,137)</u>	<u>(13,977)</u>
Effect of exchange rate changes on cash	<u>(38,870)</u>	<u>(14,336)</u>
Net increase/(decrease) in cash and cash equivalents	(305,652)	82,653
Cash and cash equivalents, beginning of period	<u>525,153</u>	<u>320,025</u>
Cash and cash equivalents, end of period	<u>\$ 219,501</u>	<u>\$ 402,678</u>

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. Over the last five years, the Company has introduced new Pharmanex nutritional supplements and Nu Skin personal care products under its ageLOC anti-aging brand. The Company reports revenue from five geographic regions: Greater China, which consists of Mainland China, Hong Kong, Macau and Taiwan; North Asia, which consists of Japan and South Korea; South Asia/Pacific, which consists of Australia, Brunei, French Polynesia, Indonesia, Malaysia, New Caledonia, New Zealand, the Philippines, Singapore, Thailand and Vietnam; Americas, which consists of the United States, Canada and Latin America; and Europe, Middle East and Africa ("EMEA"), which consists of several markets in Europe as well as Israel, Russia and South Africa (the Company's subsidiaries operating in these countries are collectively referred to as the "Subsidiaries").

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. The unaudited consolidated financial statements include the accounts of the Company and its Subsidiaries. All significant intercompany accounts and transactions are eliminated in consolidation. In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments, consisting of normal recurring adjustments, considered necessary for a fair statement of the Company's financial information as of June 30, 2014, and for the three- and six-month periods ended June 30, 2014 and 2013. The results of operations of any interim period are not necessarily indicative of the results of operations to be expected for the fiscal year. For further information, refer to the consolidated financial statements and accompanying footnotes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

2. NET INCOME PER SHARE

Net income per share is computed based on the weighted-average number of common shares outstanding during the periods presented. Additionally, diluted earnings per share data gives effect to all potentially dilutive common shares that were outstanding during the periods presented. For the three-month periods ended June 30, 2014 and 2013, other stock options of 2.1 million and 0.1 million, respectively, and for the six-month periods ended June 30, 2014 and 2013, other stock options of 2.1 million and 0.2 million, respectively, were excluded from the calculation of diluted earnings per share because they were anti-dilutive.

3. DIVIDENDS PER SHARE

In March and May 2014, the Company's board of directors declared a quarterly cash dividend of \$0.345 per share. These quarterly cash dividends of \$20.1 million and \$20.4 million were paid on March 26, 2014 and June 11, 2014, to stockholders of record on March 14, 2014 and May 23, 2014.

4. DERIVATIVE FINANCIAL INSTRUMENTS

The Company held mark-to-market forward contracts designated as foreign currency cash flow hedges with notional amounts of 1.9 billion Japanese yen and 10.0 million euros (\$18.7 million and \$13.7 million, respectively) as of June 30, 2014 and 2.9 billion Japanese yen (\$29.2 million) and no euros as of June 30, 2013 to hedge forecasted foreign-currency-denominated intercompany transactions.

The contracts held at June 30, 2014 have maturities through April 2015 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 gains on foreign currency cash flow hedges reclassified from accumulated other comprehensive loss to revenue were \$0.3 million and \$1.4 million, respectively for the three-month periods ended June 30, 2014 and 2013 and \$0.7 million and \$3.2 million, respectively, for the six-month periods ended June 30, 2014 and 2013. The corresponding tax effects of these transactions were recorded in provision for income tax expense. As of June 30, 2014 and December 31, 2013, there were \$0.2 million and \$1.3 million, respectively, of unrealized gains included in accumulated other comprehensive loss related to foreign currency cash flow hedges. The remaining \$42.5 million and \$47.5 million as of June 30, 2014 and December 31, 2013, respectively, in accumulated other comprehensive loss are related to cumulative translation adjustments.

5. REPURCHASES OF COMMON STOCK

During the three-month periods ended June 30, 2014 and 2013, the Company did not repurchase shares of its Class A common stock under its open market stock repurchase plan. During the six-month periods ended June 30, 2014 and 2013, the Company repurchased approximately 0.3 million and 0.4 million shares of its Class A common stock under its open market repurchase plan for \$25.0 million and \$14.6 million, respectively. As of June 30, 2014, \$369.5 million was available for repurchases under the open market stock repurchase program.

6. SEGMENT INFORMATION

The Company operates in a single operating segment by selling products through 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 sales employees, contractual sales promoters, and independent direct sellers to distribute its products. Contractual sales promoters sell products in similar fashion to the Company's sales employees, but act as independent agents to sell products through its retail stores and website. Independent direct sellers can sell away from the Company's stores in jurisdictions where the Company has obtained a direct sales license to do so. Selling expenses are the Company's largest expense comprised of the commissions paid to its worldwide independent distributors as well as remuneration to its sales force in Mainland China. The Company manages its business primarily by managing its sales force. The Company does not use profitability reports on a regional or divisional basis for making business decisions. However, the Company does report revenue in five geographic regions: Greater China, North Asia, Americas, South Asia/Pacific and EMEA.

NU SKIN ENTERPRISES, INC.
Notes to Consolidated Financial Statements

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

Revenue:	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Greater China	\$ 229,869	\$ 261,241	\$ 508,798	\$ 432,063
North Asia	195,995	194,812	391,456	380,722
Americas	89,911	83,433	169,820	159,125
South Asia/Pacific	81,653	85,582	152,847	152,539
EMEA	52,599	46,260	98,167	88,184
Totals	<u>\$ 650,027</u>	<u>\$ 671,328</u>	<u>\$ 1,321,088</u>	<u>\$ 1,212,633</u>

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

Revenue:	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Nu Skin	\$ 391,968	\$ 411,220	\$ 794,079	\$ 732,660
Pharmanex	256,216	258,862	523,488	477,213
Other	1,843	1,246	3,521	2,760
Totals	<u>\$ 650,027</u>	<u>\$ 671,328</u>	<u>\$ 1,321,088</u>	<u>\$ 1,212,633</u>

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

Revenue:	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Mainland China	\$ 153,795	\$ 190,383	\$ 366,012	\$ 310,048
South Korea	118,797	97,420	232,797	178,515
Japan	77,198	97,392	158,659	202,207
United States	61,056	61,627	115,878	118,674
Taiwan	41,664	37,824	77,428	69,950
Hong Kong	34,410	33,034	65,358	52,065
Malaysia	23,256	27,797	42,305	45,840

Long-lived assets:	June 30, 2014	December 31, 2013
Mainland China	\$ 95,552	\$ 82,726
South Korea	24,834	14,345
Japan	12,629	9,970
United States	281,426	273,388
Taiwan	1,939	1,928
Hong Kong	2,282	2,497
Malaysia	1,267	1,463

7. DEFERRED TAX ASSETS AND LIABILITIES

The Company accounts for income taxes in accordance with the Income Taxes Topic of the Financial Accounting Standards Codification. These standards establish financial accounting and reporting standards for the effects of income taxes that result from an enterprise's activities during the current and preceding years. The Company takes an asset and liability approach for financial accounting and reporting of income taxes. The Company pays income taxes in many foreign jurisdictions based on the profits realized in those jurisdictions, which can be significantly impacted by terms of intercompany transactions between the Company and its foreign affiliates. Deferred tax assets and liabilities are created in this process. As of June 30, 2014, the Company had net deferred tax assets of \$61.7 million.

The Company has netted these deferred tax assets and deferred tax liabilities by jurisdiction. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be ultimately realized.

The Company evaluates its indefinite reinvestment assertions with respect to foreign earnings for each quarter. Other than earnings the Company intends to reinvest indefinitely, the Company accrues for the U.S. federal, state and foreign income tax applicable to the earnings. Undistributed earnings that the Company has indefinitely reinvested, and for which no federal income taxes in the U.S. have been provided, aggregate to \$50.0 million as of June 30, 2014 and December 31, 2013. In the event that all non-U.S. subsidiaries' undistributed earnings, which the Company has designated as indefinitely reinvested, were remitted to the United States to fund operating and capital plans, regulatory capital requirements, parent company financing or cash flow needs, the amount of incremental taxes would be approximately \$5.5 million.

8. UNCERTAIN TAX POSITIONS

The Company files income tax returns in the U.S. federal jurisdiction, and in various state and foreign jurisdictions. The Company is no longer subject to tax examinations from the United States Internal Revenue Service (the "IRS") for any years for which tax returns have been filed except for 2011. With a few exceptions, the Company is no longer subject to state and local income tax examination by tax authorities for the years before 2008. In 2009, the Company entered into a voluntary program with the IRS called Compliance Assurance Process ("CAP"). The objective of CAP is to contemporaneously work with the IRS to achieve federal tax compliance and resolve all or most of the issues prior to filing of the tax return. The Company has elected to participate in the CAP program for 2014 and may elect to continue participating in CAP for future tax years; the Company may withdraw from the program at any time. In major foreign jurisdictions, the Company is no longer subject to income tax examinations for years before 2007. Along with the IRS examination of 2011, the Company is currently under examination in certain foreign jurisdictions; however, the outcomes of those reviews are not yet determinable.

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 the Company's gross unrecognized tax benefits, net of foreign currency adjustments, may decrease within the next 12 months by a range of approximately \$3 to \$4 million.

9. 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 sales force is not in compliance with existing statutes, laws, rules or regulations could 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. Except as noted below, 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.

The Company is currently involved in a dispute related to customs assessments by Yokohama Customs on several of the Company's products for the period of October 2006 through September 2009 in connection with post-importation audits, as well as the disputed portion of the Company's import duties from October 2009 to the present, which the Company has or will hold in bond or pay under protest. Additional assessments related to any prior period are barred by applicable statutes of limitations. The aggregate amount of these assessments and disputed duties was approximately 4.3 billion Japanese yen as of June 30, 2014 (approximately \$42.1 million), net of any recovery of consumption taxes. The issue in this case is whether a United States entity utilizing a commissionaire agent in Japan to import its products can use the manufacturer's invoice or must use another valuation method, and, if an alternative method must be used, what the allowable deductions would be in determining the proper valuation. Following the Company's review of the assessments and after consulting with the Company's legal and customs advisors, the Company believes that the additional assessments are improper and are not supported by applicable customs laws. The Company filed letters of protest with the applicable Customs authorities, which were rejected. The Company then appealed the matter to the Ministry of Finance in Japan. In the second quarter of 2011, the Ministry of Finance in Japan denied the Company's administrative appeal. The Company disagrees with the Ministry of Finance's administrative decision. The Company is now pursuing the matter in Tokyo District Court, which the Company believes will provide a more independent determination of the matter. In addition, the Company is currently being required to post a bond or make a deposit to secure any additional duties that may be due and payable on these current imports. Because the Company believes that the assessment of higher duties by the customs authorities is an improper application of the regulations, the Company is currently expensing the portion of the duties the Company believes is supported under applicable customs law, and recording the additional deposit or payment as a receivable within long-term assets on its consolidated financial statements. If the Company is unsuccessful in recovering the amounts assessed and paid, the Company will record a non-cash expense for the full amount of the disputed assessments. The Company anticipates that additional disputed duties will be limited going forward as the Company has entered into an arrangement to purchase a majority of the affected products in Japan from a Japanese company that purchases and imports the products from the manufacturers.

In addition, the Company is currently being sued in a purported class action lawsuit and derivative claim relating to negative media and regulatory scrutiny regarding the Company's business in Mainland China and the associated decline in the Company's stock price. These lawsuits, or others filed alleging similar facts, could result in monetary or other penalties that may affect the Company's operating results and financial condition.

10. DEBT

The Company currently has debt pursuant to various credit facilities and other borrowings. The Company's book value for both the individual and consolidated debt included in the table below approximates fair value. The estimated fair value of the Company's debt is based on interest rates available for debt with similar terms and remaining maturities. The Company has classified these instruments as Level 2 in the fair value hierarchy. The following table summarizes the Company's debt facilities:

Debt Facility	Original Principal Amount	Balance as of June 30, 2014⁽¹⁾	Balance as of December 31, 2013	Interest Rate	Repayment terms
Multi-currency uncommitted shelf facility⁽²⁾:					
U.S. dollar denominated:	\$40.0 million	\$17.1 million	\$17.1 million	6.2%	Notes due July 2016 with annual principal payments that began in July 2010.
	\$20.0 million	\$8.6 million	\$11.4 million	6.2%	Notes due January 2017 with annual principal payments that began in January 2011.
Japanese yen denominated:	3.1 billion yen	—	0.4 billion yen or \$4.1 million	1.7%	Notes paid in full on April 30, 2014.
	2.3 billion yen	1.3 billion yen or \$12.8 million	1.3 billion yen or \$12.3 million	2.6%	Notes due September 2017 with annual principal payments that began in September 2011.
	2.2 billion yen	0.9 billion yen or \$9.2 million	1.2 billion yen or \$11.8 million	3.3%	Notes due January 2017 with annual principal payments that began in January 2011.
	8.0 billion yen	8.0 billion yen or \$78.7 million	8.0 billion yen or \$75.8 million	1.7%	Notes due May 2022 with annual principal payments that begin in May 2016.
Revolving credit facilities:					
2010 ⁽³⁾		\$35.0 million ⁽³⁾	\$35.0 million	Variable 30 day: 0.66%	Revolving line of credit expired August 8, 2014.
2013		\$50.0 million	\$14.0 million	Variable 30 day: 0.5783%	Revolving line of credit expires September 2014.
2014 ⁽⁴⁾		—	—	N/A	Revolving line of credit expires April 2015

- (1) As of June 30, 2014, the current portion of the Company's debt (i.e. becoming due in the next 12 months) includes \$6.2 million of the balance of its Japanese yen-denominated debt under the multi-currency uncommitted shelf facility, \$8.6 million of the balance on its U.S. dollar denominated debt under the multi-currency uncommitted shelf facility and \$85.0 million of the Company's revolving loans.
- (2) On August 8, 2014, the Company entered into an amendment of the amended and restated note purchase and private shelf agreement (multi-currency), dated as of May 25, 2012, among the Company, Prudential Investment Management, Inc. and certain other purchasers. The amendment modified the restricted payments covenant to allow the aggregate amount of restricted payments to exceed the allowed threshold by no more than \$110 million for the quarter ending June 30, 2014, to avoid default or acceleration provisions of the agreement.
- (3) The Company paid the outstanding balance in full prior to the August 8, 2014 expiration of the amended and restated credit agreement, dated as of May 25, 2012, among the Company, various financial institutions, and JPMorgan Chase Bank, N.A. as administrative agent.
- (4) On April 9, 2014, the Company entered into an additional 364 day revolving line of credit with Bank of America, N.A. with a commitment amount of \$50 million and an interest rate equal to 1 month LIBOR plus 95.0 basis points. The Company has not drawn on this revolving line of credit as of the date hereof.

11. ACCOUNTING PRONOUNCEMENTS

In July 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2013-11, *Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (a consensus of the Emerging Issues Task Force)*. This ASU addresses when unrecognized tax benefits should be presented as reductions to deferred tax assets for net operating loss carryforwards in the financial statements. This ASU is effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2013. The adoption of ASU 2013-11 did not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In April 2014, the FASB issued ASU No. 2014-08, *Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*. This ASU changes the threshold for a disposal to qualify as a discontinued operation. To be considered a discontinued operation a disposal now must represent a strategic shift that has or will have a major effect on an entity's operations and financial results. This ASU also requires new disclosures for individually material disposal transactions that do not meet the definition of a discontinued operation. This update will be applied prospectively and is effective for annual periods, and interim periods within those years, beginning after December 15, 2014. Early adoption is permitted provided the disposal was not previously disclosed. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The new revenue recognition standard provides a five-step analysis of transactions to determine when and how revenue is recognized. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU is effective for annual periods beginning after December 15, 2016 and shall be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. The Company is evaluating the potential impact of this adoption on its consolidated financial statements.

In June 2014, the FASB issued ASU No. 2014-12, *Compensation—Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period (a consensus of the FASB Emerging Issues Task Force)*. This ASU clarifies that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. A reporting entity should apply existing guidance in Topic 718 as it relates to awards with performance conditions that affect vesting to account for such awards. As such, the performance target should not be reflected in estimating the grant-date fair value of the award. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. This ASU is effective for annual periods, and interim periods within those years, beginning after December 15, 2015. Early adoption is permitted. This ASU may be applied either (a) prospectively to all awards granted or modified after the effective date or (b) retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. The Company is evaluating the potential impact of this adoption on its consolidated financial statements.

12. REVISIONS

The presentation of the Company's consolidated statements of income for the three- and six-month periods ended June 30, 2013, was revised to reduce the selling expense and revenue by \$11.6 million and \$20.4 million related to an error in the classification of selling rebates. The revision had no effect on the operating income, net income or comprehensive income, the consolidated balance sheet or cash flows. The revision was not considered to be material to the previously issued financial statements.

13. VENEZUELA HIGHLY INFLATIONARY ACCOUNTING

The Company commenced operations in Venezuela in 2007, where it markets a variety of personal care and nutritional products. Total assets in Venezuela as of June 30, 2014 are \$7.4 million, \$5.8 of which are monetary assets. The Venezuela subsidiary also has a \$27.1 million intercompany balance to its parent company as of June 30, 2014, with respect to charges for inventory, commissions, license fees and service fees. The Company imports all of its products into Venezuela from the United States. Venezuela represents a very small portion of the Company's overall business with sales for the six months ended June 30, 2014 representing less than 2% of the Company's overall revenue.

Since November of 2009, Venezuela has been considered a highly inflationary economy. A country is considered to have a highly inflationary economy if it has a cumulative inflation rate of approximately 100% or more over a three-year period as well as other qualitative factors including historic inflation rate trends (increasing and decreasing), the capital intensiveness of the operation and other pertinent economic factors. The functional currency in highly inflationary economies is required to be the functional currency of the entity's parent company (which for our Venezuela subsidiary is the U.S. dollar), and transactions denominated in the local currency are re-measured to the functional currency. The remeasurement of bolivars into U.S. dollars creates foreign currency transaction gains or losses, which should be included in the Company's consolidated statement of income.

The Venezuela subsidiary did not transition to highly inflationary status until the first quarter of 2014. As a result, the Company continued to account for the Venezuela subsidiary as a bolivar functional currency entity, rather than a U.S. dollar functional currency entity. In the first quarter of 2014, the Company began to account for this subsidiary as highly inflationary, and therefore changed the functional currency of the entity to the U.S. dollar. As a result, for periods prior to 2014, the Company improperly recorded \$6 million related to foreign currency remeasurement adjustments caused by changes in the Venezuela exchange rate in accumulated other comprehensive income (equity). The consolidated statement of income for the six-month period ended June 30, 2014, includes an out-of-period adjustment of \$6 million to correct this error. The Company has determined not to restate prior period financial statements because the amount of the adjustment is not material to the prior periods or this reporting period.

The current operating environment in Venezuela continues to be challenging, with high inflation in the country, government restrictions on foreign exchange and pricing controls, and the possibility of the government announcing further devaluations to its currency. Currency restrictions enacted by the Venezuelan government have impacted the ability of the Company to exchange foreign currency at the official rate to pay for imported products, license fees, commissions and other service fees. The Company has been unsuccessful in obtaining U.S. dollars at the official exchange rates and under alternative exchange mechanisms described below. As a result, these foreign exchange controls in Venezuela have limited the Company's ability to repatriate earnings and settle the Company's intercompany obligations, which has resulted in the accumulation of bolivar-denominated cash and cash equivalents in Venezuela.

During the first quarter of 2014, two new foreign exchange mechanisms ("SICAD I" and "SICAD II") became available in Venezuela. Accordingly, there are three legal mechanisms in Venezuela to exchange currency. As of March 31, 2014, the Company determined it would be most appropriate for it to utilize the SICAD I rate, which was approximately 10.7 bolivars per U.S. dollar. As a result of the adoption of this rate during the period ended March 31, 2014, the consolidated statements of income for the six-months ended June 30, 2014 include a \$15 million charge in Other Income (Expense) to reflect foreign currency transaction losses on its net monetary assets denominated in bolivar.

As of June 30, 2014, the Company determined that it would be most appropriate for it to utilize the SICAD II rate, which was approximately 50 bolivars per U.S. dollar, as the Company had not been successful in getting approval under SICAD I and believed the SICAD II rate better reflects the rate at which the Company will be able to convert bolivars to U.S. dollars. As a result of the adoption of this rate during the three months ended June 30, 2014, the Company recorded an additional \$25 million charge in Other Income (Expense) to reflect additional foreign currency translation losses on its net monetary assets denominated in bolivar, which is reflected in the three- and six-month periods ended June 30, 2014.

14. ADJUSTMENT TO INVENTORY

During the second quarter of 2014, the Company made a determination to adjust its inventory carrying value. Heightened media and regulatory scrutiny in Mainland China in the first part of 2014, and the voluntary actions the Company took in response to such scrutiny, had a negative impact on the size of the Company's limited-time offer in June, which significantly reduced its expectations for plans to sell *TR90* in a limited-time offer later in 2014 or the beginning of 2015. This resulted in a \$50 million write-down of estimated surplus inventory in Mainland China. Total adjustments to the Company's inventory carrying value as of June 30, 2014 and December 31, 2013 were \$58.0 million and \$5.9 million, respectively.

15. SUBSEQUENT EVENTS

As of June 30, 2014, the Company was in violation of its restricted payments covenant under its amended and restated note purchase and private shelf agreement (multi-currency), dated as of May 25, 2012, among the Company, Prudential Investment Management, Inc. and certain other purchasers, as amended (the "Prudential Agreement") and the amended and restated credit agreement, dated as of May 25, 2012, among the Company, various financial institutions, and JPMorgan Chase Bank, N.A. as administrative agent (the "JPMC Agreement"), which restricts the Company from making dividend payments or stock repurchases to the extent the aggregate amount of such payments exceed \$100 million plus the cumulative cash flow from operations less capital investments since June 30, 2012. Effective August 8, 2014, the Company entered into an amendment of the Prudential Agreement that allows the aggregate amount of restricted payments to exceed the allowed threshold by no more than \$110 million for the quarter ending June 30, 2014 and \$50 million for the quarter ending September 30, 2014, to avoid default or acceleration provisions of the Prudential Agreement. The JPMC Agreement expired pursuant to its terms on August 8, 2014, prior to which all amounts outstanding thereunder were repaid in full.

In July 2014, the Company's subsidiary in Japan borrowed 3 billion Japanese yen (approximately \$30.0 million), which is due on September 30, 2014. In July 2014, the Company's subsidiary in South Korea borrowed \$20.0 million, which is due in December 2014, with a right to extend the term for an additional six months.

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

This quarterly report on Form 10-Q (this "Quarterly Report") contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended that represent our current expectations and beliefs. All statements other than statements of historical fact are "forward-looking statements" for purposes of federal and state securities laws and include, but are not limited to, statements of management's expectations regarding our performance, initiatives, strategies, new products, opportunities and risks; statements of projections regarding future operating results and other financial items; statements of belief; and statements of assumptions underlying any of the foregoing. In some cases, you can identify these statements by forward-looking words such as "believe," "expect," "project," "anticipate," "estimate," "intend," "plan," "targets," "likely," "will," "would," "could," "may," "might," the negative of these words and other similar words. 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 caution and advise readers that these statements are based on certain assumptions that may not be realized and involve risks and uncertainties that could cause actual results to differ materially from the expectations and beliefs contained herein. For a summary of these risks, see "Item 1A – Risk Factors" of this Quarterly Report, as well as the risk factors included in our Annual Report on Form 10-K for the year ended December 31, 2013 and subsequent Quarterly reports on Form 10-Q (our "Periodic Reports") and any amendments thereto.

The following Management's Discussion and Analysis should be read in conjunction with our consolidated financial statements and related notes and Management's Discussion and Analysis included in our Periodic Reports, and our other filings, including Current Reports on Form 8-K, filed with the Securities and Exchange Commission through the date of this report.

Overview

Our revenue for the six-month period ended June 30, 2014 increased 9% to \$1.3 billion, when compared to the same period in 2013, with foreign currency fluctuations negatively impacting revenue 3%. Revenue for the three-month period ended June 30, 2014 decreased 3% to \$650.0 million, when compared to the same prior-year period, with foreign currency fluctuations negatively impacting revenue 2%. Our results continued to be impacted by a couple of factors. First, our business in Mainland China was disrupted following our voluntary suspension of business promotional meetings and the acceptance of applications for new sales representatives in response to media and regulatory scrutiny of our business in January 2014. We believe this disruption adversely impacted our sales force during the second quarter, with Sales Leaders and Actives down 5% and 9%, respectively, and reduced the size of our second quarter limited-time offers of *ageLOC Tru Face Essence Ultra* in this market.

Second, sales of *ageLOC TR90* in the second half of 2013 were substantial. Our limited-time offer generated \$560 million of sales during this period. This product was sold in a kit containing a three-month supply. We believe the significant 2013 sales and the three-month supply kit configuration decreased demand in subsequent regional limited-time offers of this product during the first half of 2014. In addition, *TR90* was developed to decrease fat without sacrificing lean muscle. The result is a healthier body composition but not necessarily maximum weight loss. Our research shows that some consumers of *TR90* were dissatisfied with the extent of their weight loss. We plan to address any consumer dissatisfaction with *TR90* weight-loss results going forward by simplifying the eating plan and educating our sales force and consumers on the importance of maintaining lean muscle mass while focusing on weight loss from fat. In some markets, we have elected to make *TR90* generally available shortly following a regional limited-time offer, rather than waiting a longer period as in previous limited-time offers for other products. We believe these issues combined to result in regional limited-time offer sales during the first half of 2014, which were significantly lower than global limited-time offer sales in the second half of 2013. We currently anticipate that substantial limited-time offer sales in the second half of 2013 will also present difficult year-over-year comparisons for the second half of 2014.

Earnings per share for the second quarter of 2014 were \$0.32, compared to \$1.22 for the second quarter of 2013. Earnings per share for the first half of 2014 were \$1.22 compared to \$2.11 for the same prior-year period. The decrease in earnings per share in the six-month period ended June 30, 2014 was largely due to a \$46 million foreign currency charge resulting from the impact of the devaluation of the Venezuela currency on monetary assets and liabilities of our Venezuela entity, \$25 million of which relates to the second quarter of 2014. The decrease in earnings per share in the six-month period ended June 30, 2014 also included a charge in the second quarter of 2014 of \$50 million related to the write-down of inventory in Mainland China. Earnings per share for the quarter were also negatively impacted by an increased tax rate related to the foreign currency charge. For more information regarding these items, please see "-Gross profit", "-Other income (expense), net" and "-Provision for income taxes".

Revenue

Greater China. The following table sets forth revenue for the three- and six-month periods ended June 30, 2014 and 2013 for the Greater China region and its principal markets (U.S. dollars in millions):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2014	2013	Change	2014	2013	Change
Mainland China	\$ 153.8	\$ 190.4	(19%)	\$ 366.0	\$ 310.0	18%
Taiwan	41.7	37.8	10%	77.4	70.0	11%
Hong Kong	34.4	33.0	4%	65.4	52.1	26%
Greater China total	<u>\$ 229.9</u>	<u>\$ 261.2</u>	(12%)	<u>\$ 508.8</u>	<u>\$ 432.1</u>	18%

Foreign currency exchange rate fluctuations negatively impacted revenue in this region by 1% during the three-month period ended June 30, 2014 and had no effect during the six-month period ended June 30, 2014. Sales Leaders and Actives in Mainland China decreased 18% and 44%, respectively, compared to the prior-year period. Sales Leaders and Actives in Taiwan were down 7% and 8%, respectively, compared to the prior year. Sales Leaders and Actives in Hong Kong were up 15% and 20%, respectively, compared to the prior year. Revenue was positively impacted by a limited time offering of *ageLOC Tru Face Essence Ultra* and *TR90* that generated approximately \$55 million in revenue.

Adverse media reports and government investigations in the first part of the year, and our voluntary suspension of business promotional meetings and applications for new sales representatives in Mainland China had a significant negative impact on our revenue and number of Sales Leaders and Actives in this region during the first half of 2014. In particular, our limited time offering of *ageLOC Tru Face Essence Ultra* in June was significantly below our expectations. In May, we resumed corporate-hosted business meetings and acceptance of applications for new sales representatives. In the second quarter of 2014, we also received an additional direct selling license in Mainland China. We currently plan to expand our business activities in Mainland China during the second half of 2014, including resuming Sales Leader-hosted business meetings. Any unanticipated delays, complications or other difficulties in resuming normal business operations could further impact our business negatively. As we have not previously undertaken such a lengthy suspension of business promotional meetings and applications for new sales representatives, there is uncertainty regarding how our sales force will respond to the resumption of these activities and what impact adverse publicity and these voluntary actions will have on our business going forward.

Year-over-year revenue growth in Taiwan and Hong Kong was due primarily to limited-time offers of *ageLOC Tru Face Essence Ultra* and *TR90*. These products were also made available in regional follow-on offerings in July 2014.

North Asia. The following table sets forth revenue for the three- and six-month periods ended June 30, 2014 and 2013 for the North Asia region and its principal markets (U.S. dollars in millions):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2014	2013	Change	2014	2013	Change
South Korea	\$ 118.8	\$ 97.4	22%	\$ 232.8	\$ 178.5	30%
Japan	77.2	97.4	(21%)	158.7	202.2	(22%)
North Asia total	<u>\$ 196.0</u>	<u>\$ 194.8</u>	1%	<u>\$ 391.5</u>	<u>\$ 380.7</u>	3%

Revenue in the region for the three-month period ended June 30, 2014 was positively impacted approximately 4% by currency exchange rate fluctuations and was not impacted for the six-month period ended June 30, 2014.

Local currency revenue growth of 12% in South Korea for the three-month period ended June 30, 2014, compared to the same prior-year period, reflects strong interest in our innovative anti-aging portfolio and opportunity and continued growth in our sales force, with Sales Leaders and Actives up 12% and 9%, compared to the prior year.

Local currency revenue in Japan during the second quarter of 2014 decreased 18%, compared to the same period in 2013. The revenue decline in Japan was augmented by the Japanese yen weakening against the U.S. dollar, negatively impacting our revenue in this market by an additional 4% compared to the same period in 2013. In the second quarter of 2014, Sales Leaders and Actives in Japan decreased 13% and 10%, respectively, compared to the prior-year period, reflecting challenges related to the difficult direct selling environment in Japan. Over the course of the last year we changed our distributor sign-up process and continue to be cautious in our promotional activities in Japan. We continue to meet with regulatory agencies regarding our ongoing distributor education, training and compliance efforts.

Americas. The following table sets forth revenue for the three- and six-month periods ended June 30, 2014 and 2013 for the Americas region (U.S. dollars in millions):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2014	2013	Change	2014	2013	Change
Americas	\$ 89.9	\$ 83.4	8%	\$ 169.8	\$ 159.1	7%

Revenue in the region for the three- and six-month periods ended June 30, 2014 was negatively impacted approximately 11% and 12%, respectively, by foreign currency exchange rate fluctuations. Revenue in the region was positively impacted by strong growth in Canada and Latin America. Our limited-time offer of *TR90* in the Americas during the second quarter generated approximately \$11 million in sales. Revenue for the United States was down 1%, compared to the same prior-year period. We believe our inability to market our facial spa in the United States limited revenue growth in this market. We currently expect that the facial spa will become available for sale in the United States in the fourth quarter of 2014. Sales Leaders and Actives in the Americas region increased by 10% and 7%, respectively, when compared to the prior year.

South Asia/Pacific. The following table sets forth revenue for the three- and six-month periods ended June 30, 2014 and 2013 for the South Asia/Pacific region (U.S. dollars in millions):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2014	2013	Change	2014	2013	Change
South Asia/Pacific	\$ 81.7	\$ 85.6	(5%)	\$ 152.8	\$ 152.5	—

Foreign currency exchange rate fluctuations in South Asia/Pacific negatively impacted revenue by 7% and 8% in the three- and six-month periods ended June 30, 2014, when compared to the same prior-year periods. Local-currency revenue growth in this region reflects continued interest in our opportunity and strong product portfolio. In July 2014, we made *TR90* available through regional limited-time offers in South Asia/Pacific. Sales Leaders and Actives in the region each increased 5% compared to the prior year.

EMEA. The following table sets forth revenue for the three- and six-month periods ended June 30, 2014 and 2013 for the Europe, Middle East and Africa ("EMEA") region (U.S. dollars in millions):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2014	2013	Change	2014	2013	Change
EMEA	\$ 52.6	\$ 46.3	14%	\$ 98.2	\$ 88.2	11%

Foreign currency exchange rate fluctuations in the EMEA region negatively impacted revenue by 1% for the three- and six-month periods ended June 30, 2014. Local currency revenue in EMEA grew 15% in EMEA during the second quarter of 2014, compared to the same prior-year period. This growth reflects continued interest in our product portfolio, including our ageLOC products. Our limited-time offer of *TR90* in EMEA during the second quarter generated approximately \$8 million in sales. Sales Leaders in our EMEA region decreased by less than 1% and Actives decreased 2%, when compared to the prior year. We currently plan to introduce our *ageLOC Tru Face Essence Ultra* anti-aging skin care serum through a limited-time offer in the EMEA region in the fourth quarter of 2014.

Gross profit

Gross profit as a percentage of revenue was 76.0% for the second quarter of 2014 compared to 83.4% for the second quarter of 2013. Gross profit as a percentage of revenue was 80.1% for the first half of 2014, compared to 83.4% for the same prior-year period. Heightened media and regulatory scrutiny in Mainland China in the first part of 2014 and the voluntary measures we took in that market in response to such scrutiny had a negative impact on the size of our limited-time offer in June, which significantly reduced our expectations for our plans to sell *TR90* in a limited-time offer later in 2014 or the beginning of 2015. This resulted in a \$50 million write-down of estimated surplus inventory in Mainland China. Any additional surplus inventory in Mainland China or any of our other markets would negatively impact our gross margins. Gross profit as a percentage of revenue was also negatively impacted by decreased utilization of our manufacturing operations in Mainland China and a decline in the percentage of global revenue represented by Mainland China, where our gross margin on a consolidated basis benefits from our self-manufactured products.

Selling expenses

Selling expenses as a percentage of revenue decreased to 43.6% for the three-month period ended June 30, 2014 from 44.3% for the same period in 2013, largely due to a decrease in the number of Sales Leaders qualifying for sales compensation and promotional incentives. Selling expenses as a percentage of revenue increased to 45.2% for the six-month period ended June 30, 2014 from 43.7% for the same prior year period, largely due to an increase in the number of Sales Leaders qualifying for increased sales compensation and promotional incentives in the first quarter, which more than offset the decrease in the second quarter. In addition, the salaries of our sales employees in Mainland China are fixed for a three-month period of time, until they are adjusted during a quarterly evaluation process. Consequently, the negative revenue impact of the voluntary measures we took in Mainland China caused our selling expenses as a percentage of revenue to be higher in the first quarter of 2014, compared to the prior-year period.

General and administrative expenses

As a percentage of revenue, general and administrative expenses increased to 24.0% for the three-month period ended June 30, 2014 from 22.1% for the same period in 2013 and decreased to 23.2% for the six-month period ended June 30, 2014 from 23.4% for the same period in 2013, due primarily to lower than expected revenue.

Other income (expense), net

Other income (expense), net for the three- and six-month periods ended June 30, 2014 was \$21.1 million and \$38.6 million of expense compared to \$1.2 million and \$1.1 million of expense for the same periods in 2013. The increase in expense in the six-month period ended June 30, 2014, was largely due to a \$46 million foreign currency charge resulting from the impact of the devaluation of the Venezuelan currency on the monetary assets and liabilities of our Venezuela entity, \$25 million of which relates to the second quarter of 2014.

Provision for income taxes

Provision for income taxes for the three- and six-month periods ended June 30, 2014 was \$14.1 million and \$42.9 million, compared to \$39.0 million and \$67.5 million for the same periods in 2013. The effective tax rate was 42.0% and 36.6%, respectively, of pre-tax income during the three- and six-month periods ended June 30, 2014, compared to 34.4% in both of the same prior-year periods. The increase in the effective tax rate for the second quarter of 2014 was due largely to the impact of the foreign currency charge relating to Venezuela, for which a deductible tax expense is not allowed until profit is realized in this market.

Net income

As a result of the foregoing factors, net income for the second quarter and first half of 2014 was \$19.5 million and \$74.4 million, respectively, compared to \$74.4 million and \$128.7 million, respectively, for the same periods in 2013.

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 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 margins and have generally relied on cash flow from operations to fund operating activities. However, during the first half of 2014 we used \$184.9 million in cash for operations, compared to generating \$188.9 million in cash from operations during the same period in 2013, due to three primary factors. First, we had a significant amount of accrued expenses at the end of December 2013, following record sales and a record number of sales representatives who qualified for incentive trips. The selling expenses and incentive trip expenses, although accrued in 2013, were paid in 2014. Second, we built a large amount of inventory during the first half for planned product launches in 2014. Finally, the decrease in revenue due to disruption of our Mainland China business lowered our net income for the first half of 2014.

As of June 30, 2014, working capital was \$327.4 million, compared to \$341.5 million as of December 31, 2013. Cash and cash equivalents as of June 30, 2014 and December 31, 2013 were \$219.5 million and \$525.2 million, respectively. The decrease in cash and cash equivalents reflects lower than anticipated revenue growth in Mainland China, and cash payments for inventory and accrued selling and other expenses.

Capital expenditures in the first half of 2014 were \$57.1 million, and we anticipate additional capital expenditures of approximately \$40 million for the remainder of 2014. Our 2014 capital expenditures are primarily related to:

- expansion of our corporate facilities in the United States, Greater China and South Korea;
- purchases of computer systems and software, including equipment and development costs;
- development of new products and purchase of tooling and manufacturing equipment; and
- build-out and upgrade of leasehold improvements in our various markets, including retail stores and service centers in Mainland China.

We currently have debt pursuant to various credit facilities and other borrowings. Our book value for both the individual and consolidated debt included in the table below approximates fair value. The estimated fair value of our debt is based on interest rates available for debt with similar terms and remaining maturities. We have classified these instruments as Level 2 in the fair value hierarchy. The following table summarizes our debt facilities:

Debt Facility	Original Principal Amount	Balance as of June 30, 2014 ⁽¹⁾	Balance as of December 31, 2013	Interest Rate	Repayment terms
Multi-currency uncommitted shelf facility⁽²⁾:					
U.S. dollar denominated:	\$40.0 million	\$17.1 million	\$17.1 million	6.2%	Notes due July 2016 with annual principal payments that began in July 2010.
	\$20.0 million	\$8.6 million	\$11.4 million	6.2%	Notes due January 2017 with annual principal payments that began in January 2011.
Japanese yen denominated:	3.1 billion yen	—	0.4 billion yen or \$4.1 million	1.7%	Notes paid in full on April 30, 2014.
	2.3 billion yen	1.3 billion yen or \$12.8 million	1.3 billion yen or \$12.3 million	2.6%	Notes due September 2017 with annual principal payments that began in September 2011.
	2.2 billion yen	0.9 billion yen or \$9.2 million	1.2 billion yen or \$11.8 million	3.3%	Notes due January 2017 with annual principal payments that began in January 2011.
	8.0 billion yen	8.0 billion yen or \$78.7 million	8.0 billion yen or \$75.8 million	1.7%	Notes due May 2022 with annual principal payments that begin in May 2016.
Revolving credit facilities:					
2010 ⁽³⁾		\$35.0 million ⁽³⁾	\$35.0 million	Variable 30 day: 0.66%	Revolving line of credit expired August 8, 2014.
2013		\$50.0 million	\$14.0 million	Variable 30 day: 0.5783%	Revolving line of credit expires September 2014.
2014 ⁽⁴⁾		—	—	N/A	Revolving line of credit expires April 2015

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- (1) The current portion of our long-term debt (i.e. becoming due in the next 12 months) includes \$6.2 million of the balance of our Japanese yen-denominated debt under the multi-currency uncommitted shelf facility, \$8.6 million of the balance on our U.S. dollar denominated debt under the multi-currency uncommitted shelf facility and \$85.0 million of our revolving loans.
 - (2) On August 8, 2014, we entered into an amendment of the amended and restated note purchase and private shelf agreement (multi-currency), dated as of May 25, 2012, among us, Prudential Investment Management, Inc. and certain other purchasers. The amendment modified the restricted payments covenant to allow the aggregate amount of restricted payments to exceed the allowed threshold by no more than \$110 million for the quarter ending June 30, 2014 to avoid default or acceleration provisions of the agreement.
 - (3) We paid the outstanding balance in full prior to the August 8, 2014 expiration of the amended and restated credit agreement, dated as of May 25, 2012, among us, various financial institutions, and JPMorgan Chase Bank, N.A. as administrative agent.
 - (4) On April 9, 2014, we entered into an additional 364 day revolving line of credit with Bank of America, N.A. with a commitment amount of \$50 million and an interest rate equal to 1 month LIBOR plus 95.0 basis points. We have not drawn on this revolving line of credit as of the date hereof.

In July 2014, our subsidiary in Japan borrowed 3 billion Japanese yen (approximately \$30.0 million), which is due on September 30, 2014. In July 2014, our subsidiary in South Korea borrowed \$20.0 million, which is due in December 2014, with a right to extend the term for an additional six months.

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 to offset dilution from our equity incentive plans and for strategic initiatives. During the first half of 2014, we repurchased 0.3 million shares of Class A common stock under this program for \$25.0 million. As of June 30, 2014, \$369.5 million was available for repurchases under the stock repurchase program.

In March and May 2014, our board of directors declared a quarterly cash dividend of \$0.345 per share. These quarterly cash dividends were \$20.1 million and \$20.4 million, respectively, were paid on March 26, 2014 and June 11, 2014, to stockholders of record on March 14, 2014 and May 23, 2014.

As of June 30, 2014 and December 31, 2013, we held \$219.5 million and \$525.2 million, respectively, in cash and cash equivalents, including \$206.3 million and \$493.9 million, respectively, held in our operations outside of the U.S. Substantially all of our non-U.S. cash and cash equivalents are readily convertible into U.S. dollars or other currencies, with the exception of cash in Venezuela which is subject to currency exchange restrictions by the government of Venezuela. Currency exchange restrictions in Venezuela require approval from the government's currency control organization for our subsidiary in Venezuela to obtain U.S. dollars at an official exchange rate to pay for imported products or to repatriate dividends to the United States. We have been unsuccessful in obtaining U.S. dollars at the official exchange rates and under alternative exchange mechanisms described below. As a result, these foreign exchange controls in Venezuela have limited our ability to repatriate earnings and settle our intercompany obligations, which has resulted in the accumulation of bolivar denominated cash and cash equivalents in Venezuela.

During the first half of 2014, two new foreign exchange mechanisms ("SICAD I" and "SICAD II") became available in Venezuela. Accordingly, there are three legal mechanisms in Venezuela to exchange currency. As of March 31, 2014, we determined it would be most appropriate to utilize the SICAD I rate, which was approximately 10.7 bolivars per U.S. dollar. As a result of this determination, we incurred a \$15 million charge related to the translation of our monetary assets in Venezuela. During the second quarter, we determined that it would be most appropriate to use the SICAD II rate, which is approximately 50 bolivars per U.S. dollar, as we had still not received any approvals under SICAD I. The remeasurement of our net monetary assets and liabilities denominated in bolivars as a result of this change resulted in a foreign exchange loss of \$25 million during the three months ended June 30, 2014. As of June 30, 2014, cash and cash equivalents in Venezuela were \$5.8 million as a result of this remeasurement.

We typically fund the cash requirements of our operations in the U.S. through intercompany charges for products, license fees and corporate services. However, in some markets such as Mainland China, where we have lower intercompany charges, we may be unable to repatriate cash from current operations in the form of dividends until we file the necessary statutory financial statements for the relevant period. We currently have in place an intercompany loan arrangement, which allows us to access a portion of available cash in Mainland China pending our repatriation of dividends. As of June 30, 2014, we had approximately \$88.6 million in cash denominated in Chinese yuan. We currently plan to repatriate undistributed earnings from our non-U.S. operations as necessary, considering the cash needs of our non-U.S. operations and the cash needs of our U.S. operations for dividends, stock repurchases, capital investments, debt repayment and strategic transactions. In all but two jurisdictions, we have not designated our investments as indefinitely reinvested, but rather have these funds available for our operations in the U.S. as needed. Any repatriation of non-U.S. earnings requires payment of U.S. taxes in accordance with the applicable U.S. tax rules and regulations. Accordingly, we have accrued the necessary U.S. taxes related to the funds that are not permanently reinvested.

As of June 30, 2014, we were in violation of our restricted payments covenant under our amended and restated note purchase and private shelf agreement (multi-currency), dated as of May 25, 2012, among us, Prudential Investment Management, Inc. and certain other purchasers, as amended (the "Prudential Agreement") and the amended and restated credit agreement, dated as of May 25, 2012, among us, various financial institutions, and JPMorgan Chase Bank, N.A. as administrative agent (the "JPMC Agreement"), which restricts us from making dividend payments or stock repurchases to the extent the aggregate amount of such payments exceed \$100 million plus the cumulative cash flow from operations less capital investments since June 30, 2012. The JPMC Agreement expired pursuant to its terms on August 8, 2014. Effective August 8, 2014, we entered into an amendment of the Prudential Agreement that allows the aggregate amount of restricted payments to exceed the allowed threshold by no more than \$110 million for the quarter ending June 30, 2014 and \$50 million for the quarter ending September 30, 2014, to avoid default or acceleration provisions of the Prudential Agreement. If we are not able to refinance the Prudential debt with new debt that does not include this restrictive covenant, we could be limited in our ability to make restricted payments unless we obtain additional waivers or generate sufficient cash flow from operations to meet the revised threshold for the third quarter. In addition, we have approximately \$80 million in debt that will become due in September. If we are not able to refinance or extend our current lines of credit in a timely manner, we may need to defer certain capital and operating expenditures, dividend payments and stock repurchases. 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, although these reductions may not allow us sufficient free cash flow to pursue all attractive strategic initiatives. 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 are unsuccessful in obtaining additional financing, or we otherwise deem it appropriate to strengthen our balance sheet, we may raise additional funds in the debt or equity markets or restructure our current debt obligations.

Contingent Liabilities

We are currently involved in a dispute with customs authorities in Japan related to additional customs assessments by Yokohama Customs on several of our products for the period of October 2006 through September 2009 in connection with post-importation audits, as well as the disputed portion of our import duties from October 2009 to the present, which we have or will hold in bond or pay under protest. Additional assessments related to any prior period are barred by applicable statutes of limitations. The aggregate amount of these assessments and disputed duties was 4.3 billion Japanese yen as of June 30, 2014 (approximately \$42.1 million), net of any recovery of consumption taxes. In addition, we are currently being required to post a bond or make a deposit equal to the difference between our declared duties and the amount the customs authorities have determined we should be paying on all current imports. We anticipate that additional disputed duties will be limited going forward as we have entered into an arrangement to purchase a majority of the affected products in Japan from a Japanese company that purchases and imports the products from the manufacturer. We are now pursuing this matter in Tokyo District Court. This dispute is separate and distinct from the dispute related to customs assessments on certain of our products imported into Japan during the period of October 2002 through July 2005.

We are currently being sued in a purported class action lawsuit and derivative claim relating to negative media and regulatory scrutiny regarding our business in Mainland China and the associated decline in our stock price. These lawsuits, or others filed alleging similar facts, could result in monetary or other penalties that may affect our operating results and financial condition.

Please refer to Item 1A. "Risk Factors" and Item 1. "Legal Proceedings" for more information regarding these matters.

Critical Accounting Policies

There were no significant changes in our critical accounting policies during the quarter ended June 30, 2014.

Seasonality and Cyclicity

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 is also generally negatively impacted during the third quarter, when many individuals, including our sales force, traditionally take vacations.

Although our product launch process may vary by market, we generally introduce new products to our sales force and consumers in all markets where the products are registered, through limited-time offers. The limited-time offers typically generate significant activity and a high level of purchasing, which may result in a higher than normal increase in revenue during the quarter of the limited-time offer and skew year-over-year and sequential comparisons.

Actives and Sales Leaders

The following table provides information concerning the number of Actives and Sales Leaders as of the dates indicated. "Actives" are persons who have purchased products directly from the Company during the three months ended as of the date indicated. "Sales Leaders" include our independent distributors who have completed and who maintain specified sales requirements, and our sales employees and contractual sales promoters in Mainland China, who have completed certain qualification requirements.

Region:	As of June 30, 2014		As of June 30, 2013	
	Actives	Sales Leaders	Actives	Sales Leaders
Greater China	256,000	26,192	376,000	30,455
North Asia	393,000	17,186	389,000	17,372
Americas	189,000	7,627	176,000	6,954
South Asia/Pacific	120,000	7,450	114,000	7,120
EMEA	121,000	4,468	124,000	4,484
Total	<u>1,079,000</u>	<u>62,923</u>	<u>1,179,000</u>	<u>66,385</u>

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 with the exception of Venezuela. 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 Mainland China, South Korea and Japan, any weakening of these currencies negatively impacts reported revenue and profits, whereas a strengthening of these currencies 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 operations or financial condition.

Foreign exchange risk is managed in certain jurisdictions through the use of foreign currency debt. Portions of our Japanese yen borrowings have been designated, and are effective as, economic hedges of the net investment in a foreign operation. Accordingly, foreign currency transaction gains or losses due to spot rate fluctuations on these debt instruments are included in foreign currency translation adjustment within other comprehensive income. Included in the cumulative translation adjustment are \$29.4 million and \$30.4 million of pretax net gains for the periods ended June 30, 2014 and 2013, respectively from Japanese yen borrowings.

Additionally, we may seek to reduce our exposure to fluctuations in foreign currency exchange rates through the use of foreign currency exchange contracts and through intercompany loans of foreign currency. 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. As of June 30, 2014 and 2013, we held forward contracts designated as foreign currency cash flow hedges with notional amounts of approximately 1.9 billion Japanese yen (\$18.7 million as of June 30, 2014) and 10.0 million euros (\$13.7 million as of June 30, 2014) to hedge forecasted foreign-currency-denominated intercompany transactions; and as of June 30, 2013, we held 2.9 billion Japanese yen (\$29.2 million as of June 30, 2013) and no euros. Because of our foreign exchange contracts as of June 30, 2014, the impact of a 10% appreciation or 10% depreciation of the U.S. dollar against the Japanese yen would not represent a material potential loss in fair value, earnings or cash flows against these contracts. This potential loss does not consider the underlying foreign currency transaction or translation exposures to which we are subject.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by Item 3 of Part I of Form 10-Q is incorporated herein by reference from the section entitled "Currency Risk and Exchange Rate Information" in "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation" of Part I and also in Note 4 to the Financial Statements contained in Item 1 of Part I of this Quarterly Report on Form 10-Q.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), 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, as amended, (the "Exchange Act")). Based on that evaluation, our CEO and our CFO concluded that because of the material weakness in our internal control over financial reporting described below regarding the Company's accounting related to the hyper-inflationary currency translation adjustments with respect to our operations in Venezuela, our disclosure controls and procedures were not effective as of June 30, 2014.

In connection with the preparation of financial statements for the period ending June 30, 2014, management identified a material weakness in our internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. Management did not maintain effective controls over the presentation and disclosure of hyper-inflationary accounting for its Venezuela subsidiary. Specifically, the Company's controls to evaluate and implement hyper-inflationary accounting for its Venezuela subsidiary when it became material did not operate at the appropriate level of precision. Formal documentation of management's conclusions regarding hyper-inflationary accounting for its Venezuela subsidiary also needed improvement. This material weakness resulted in hyper-inflationary currency translation adjustments for Venezuela being incorrectly recorded as adjustments to Accumulated Other Comprehensive Loss rather than as charges to Other Income (Expense). As a result, management restated its Consolidated Financial Statements for the period ended March 31, 2014. Additionally, this material weakness could result in a further misstatement of account balances or disclosures with respect to the consolidated financial statements that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the fiscal quarter ended June 30, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Remediation Initiatives

Management is taking steps to enhance the precision of existing controls over the presentation and disclosure of hyper-inflationary accounting as the Company implemented this accounting in the second quarter of 2014. The Company will continue to monitor and evaluate the effectiveness of our internal controls on an ongoing basis and may in the future modify these measures or implement additional measures.

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.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Please refer to our recent SEC filings, including our Annual Report on Form 10-K for the 2013 fiscal year and subsequent Quarterly Reports on Form 10-Q, for information regarding the status of certain legal proceedings that have been previously disclosed.

Securities Class Action

As previously disclosed, beginning in January 2014, six purported class action complaints were filed in the United States District Court for the District of Utah. On April 10, 2014, the plaintiffs filed a stipulated motion requesting that the court consolidate the various purported class actions, appoint State-Boston Retirement System as lead plaintiff in the consolidated action, and appoint the law firm Labaton Sucharow as lead counsel for the purported class in the consolidated action. On May 1, 2014, that stipulated motion was granted. On June 30, 2014, a consolidated class action complaint was filed. We have not yet filed a response. The consolidated class action complaint purports to assert claims on behalf of certain of our stockholders under Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder against Nu Skin Enterprises, Ritch N. Wood, and M. Truman Hunt and to assert claims under Section 20(a) of the Securities Exchange Act of 1934 against Messrs. Wood and Hunt. The consolidated class action complaint alleges that, *inter alia*, we made materially false and misleading statements regarding our sales operations in and financial results derived from Mainland China, including purportedly operating a pyramid scheme based on illegal multi-level marketing activities. We believe that the claims asserted in the consolidated class action complaint are without merit and intend to vigorously defend ourselves.

Shareholder Derivative Claim

As previously disclosed, beginning in February 2014, five purported shareholder derivative complaints were filed in the United States District Court for the District of Utah. On April 17, 2014, the plaintiffs filed a joint motion to consolidate the derivative actions, to appoint plaintiffs Amos C. Acoff and Analisa Suderov as co-lead plaintiffs in the consolidated action, and to appoint the law firms Bernstein Litowitz Berger & Grossmann LLP and The Weiser Law Firm, P.C. as co-lead counsel for the plaintiffs in the consolidated action. On May 1, 2014, that joint motion was granted. On July 25, a consolidated derivative complaint was filed. We have not yet filed a response. The consolidated derivative complaint purports to assert claims on behalf of Nu Skin Enterprises for, *inter alia*, breach of fiduciary duties for disseminating false and misleading information, failing to maintain adequate internal controls, unjust enrichment, abuse of control, and gross mismanagement against M. Truman Hunt, Ritch N. Wood, Steven J. Lund, Nevin N. Andersen, Neil Offen, Daniel W. Campbell, Andrew W. Lipman, Patricia A. Negrón, Thomas R. Pisano, and nominally against Nu Skin Enterprises. The consolidated derivative complaint also purports to assert claims on behalf of Nu Skin Enterprises for breach of fiduciary duty for insider selling and misappropriation of information against Messrs. Wood, Lund, and Campbell. The consolidated derivative complaint alleges that, *inter alia*, the defendants allowed materially false and misleading statements to be made regarding our sales operations in and financial results derived from Mainland China, including purportedly operating a pyramid scheme based on illegal multi-level marketing activities, and that certain defendants sold common stock on the basis of material, adverse non-public information.

ITEM 1A. RISK FACTORS

The information presented below supplements and should be read in conjunction with the detailed discussion of risks associated with our business in our recent SEC filings, including our Annual Report on Form 10-K for the 2013 fiscal year and subsequent Quarterly Reports on Form 10-Q and any amendments thereto.

We may face difficulties in re-engaging and growing our sales force in Mainland China after our recent suspension of recruiting activities.

In January of 2014 we announced that in light of various government investigations in Mainland China we were temporarily suspending all business promotional meetings as well as applications for new sales representatives in that market. This suspension was not lifted until May 1, 2014. Largely as a result of this suspension, our Sales Leaders in Mainland China decreased significantly during the first half of 2014, from approximately 49,000 as of December 31, 2013 to approximately 19,000 as of June 30, 2014. It is unclear what long term impact this suspension and negative publicity associated with these matters will have on our operations in Mainland China and other markets. Our business is highly dependent on the continual recruitment of new individuals attracted to our earnings opportunity in Mainland China and elsewhere and on momentum in our sales and expansion created by recruiting. Although we have seen some stabilization of trends since May, we are still early in the resumption of full business operations. We have not previously undertaken such a lengthy suspension of applications for new sales representatives and it is uncertain how difficult it will be for us to regain this momentum and there is a risk that we could experience further declines. Any significant or prolonged difficulties in re-engaging our sales force could adversely affect our sales and results of operations.

We are currently being sued in a purported class action lawsuit and a derivative claim relating to negative media and regulatory scrutiny of our business in Mainland China and the associated decline in our stock price.

We have been named as a defendant in a purported class action complaint relating to negative media and regulatory scrutiny of our business in Mainland China. We have also been named as a nominal defendant in a shareholder derivative suit relating to the same issues. These complaints purport to assert claims on behalf of certain of our stockholders or the Company and allege that we made materially false and misleading statements regarding our sales operations in, and financial results derived from, our Mainland China business. These complaints also allege that we engaged in illegal multi-level marketing activities in Mainland China in violation of local law. These complaints seek substantial monetary damages or make claims for indeterminate amounts of damages. These complaints, or others filed alleging similar facts, could result in monetary or other penalties that may affect our operating results and financial condition. Moreover, the negative publicity stemming from these complaints and the allegations they make could harm our business and operations. Accordingly, any adverse determination against us in these suits, or even the allegations contained in the suits regardless of whether they are ultimately found to be without merit, could harm our business, operations and financial condition.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5.
OTHER INFORMATION

The following is intended to satisfy our disclosure obligations pursuant to Items 1.01 and 2.03 of Form 8-K:

As of June 30, 2014, the Company was in violation of its restricted payments covenant under its amended and restated note purchase and private shelf agreement (multi-currency), dated as of May 25, 2012, among the Company, Prudential Investment Management, Inc. and certain other purchasers, as amended (the "Prudential Agreement") and the amended and restated credit agreement, dated as of May 25, 2012, among the Company, various financial institutions, and JPMorgan Chase Bank, N.A. as administrative agent (the "JPMC Agreement"), which restricts the Company from making dividend payments or stock repurchases to the extent the aggregate amount of such payments exceed \$100 million plus the cumulative cash flow from operations less capital investments since June 30, 2012. Effective August 8, 2014, the Company entered into an amendment of the Prudential Agreement that allows the aggregate amount of restricted payments to exceed the allowed threshold by no more than \$110 million for the quarter ending June 30, 2014 and \$50 million for the quarter ending September 30, 2014, to avoid default or acceleration provisions of the Prudential Agreement. The JPMC Agreement expired pursuant to its terms on August 8, 2014, prior to which all amounts outstanding thereunder were repaid.

ITEM 6. EXHIBITS**Exhibits
Regulation S-K
Number****Description**

10.1	Loan Agreement, dated as of September 5, 2013, among the Company and Bank of America, N.A.
10.2	Loan Agreement, dated as of April 9, 2014, among the Company and Bank of America, N.A.
10.3	Fifth Amendment to the Amended and Restated Credit Agreement, dated as of May 25, 2012, among the Company, various financial institutions, and JPMorgan Chase Bank, N.A. as administrative agent, dated as of May 6, 2014.
10.4	Third Amendment to the Amended and Restated Note Purchase and Private Shelf Agreement (Multi-Currency), dated as of May 25, 2012, among the Company, Prudential Investment Management, Inc. and certain other purchasers, dated as of May 6, 2014.
10.5	Fourth Amendment to the Amended and Restated Note Purchase and Private Shelf Agreement (Multi-Currency), dated as of May 25, 2012, among the Company, Prudential Investment Management, Inc. and certain other purchasers, dated as of August 8, 2014.
31.1	Certification by M. Truman Hunt, President and Chief Executive Officer, pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by Ritch N. Wood, Chief Financial Officer, pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification by M. Truman Hunt, President and Chief Executive Officer, pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification by Ritch N. Wood, Chief Financial Officer, pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

August 12, 2014

NU SKIN ENTERPRISES, INC.

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

LOAN AGREEMENT

This Agreement dated as of September 5, 2013, is between Bank of America, N.A. (the "Bank") and Nu Skin Enterprises, Inc. (the "Borrower").

1. FACILITY NO. 1: LINE OF CREDIT AMOUNT AND TERMS

1.1 Line of Credit Amount.

- (a) During the availability period described below the Bank will provide a line of credit to the Borrower. The amount of the line of credit (the "Facility No. 1 Commitment") is Fifty Million Dollars (\$50,000,000).
- (b) This is a revolving line of credit. During the availability period, the Borrower may repay principal amounts and reborrow them.
- (c) The Borrower agrees not to permit the principal balance outstanding to exceed the Facility No. 1 Commitment. If the Borrower exceeds this limit, the Borrower will immediately pay the excess to the Bank upon the Bank's demand.

1.2 Availability Period.

The line of credit is available between the date of this Agreement and September 4, 2014, or such earlier date as the availability may terminate as provided in this Agreement (the "Facility No. 1 Expiration Date").

The availability period for this line of credit will be considered renewed if and only if the Bank has sent to the Borrower a written notice of renewal for the line of credit no less than fifteen (15) days prior to the then-current Facility No. 1 Expiration Date (the "Renewal Notice") and the Borrower has not provided written notice of termination of this Agreement. If this line of credit is renewed, it will continue to be subject to all the terms and conditions set forth in this Agreement except as modified by the Renewal Notice. If this line of credit is renewed, the term "Facility No. 1 Expiration Date" shall mean the date set forth in the Renewal Notice as the Facility No. 1 Expiration Date and the same process for renewal will apply to any subsequent renewal of this line of credit. A renewal fee may be charged at the Bank's option; provided that the amount of the renewal fee must be specified in the Renewal Notice.

1.3 Repayment Terms.

- (a) The Borrower will pay interest on September 30, 2013, and then on the last day of each quarter thereafter until payment in full of any principal outstanding under this facility; provided that with respect to amounts bearing interest at an optional interest rate (as described below), the Borrower will pay interest at the end of each applicable interest period.
- (b) The Borrower will repay in full any principal, interest or other charges outstanding under this facility no later than the Facility No. 1 Expiration Date. Any interest period for an optional interest rate shall expire no later than the Facility No. 1 Expiration Date.
- (c) The Borrower may prepay the loan in full or in part at any time. The prepayment will be applied to the outstanding amounts under the loan as directed by the Borrower.

1.4 Interest Rate.

- (a) The interest rate is a rate per year equal to the Bank's Prime Rate plus zero percentage points.
 - (b) The Prime Rate is the rate of interest publicly announced from time to time by the Bank as its Prime Rate. The Prime Rate is set by the Bank based on various factors, including the Bank's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans. The Bank may price loans to its customers at, above, or below the Prime Rate. Any change in the Prime Rate shall take effect at the opening of business on the day specified in the public announcement of a change in the Bank's Prime Rate.
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1.5 Optional Interest Rates.

Instead of the interest rate based on the rate stated in the paragraph entitled "Interest Rate" above, the Borrower may elect the optional interest rates listed below for this Facility No. 1 during interest periods agreed to by the Bank and the Borrower. The optional interest rates shall be subject to the terms and conditions described later in this Agreement. Any principal amount bearing interest at an optional rate under this Agreement is referred to as a "Portion." The following optional interest rates are available:

- (a) The LIBOR Rate plus 0.425 percentage points.

2. OPTIONAL INTEREST RATES

2.1 Optional Rates.

Each optional interest rate is a rate per year. Interest will be paid on the last day of each applicable interest period until payment in full of any principal outstanding under this Agreement. No Portion will be converted to a different interest rate during the applicable interest period. Upon the occurrence of an event of default under this Agreement, the Bank may terminate the availability of optional interest rates for interest periods commencing after the default occurs. At the end of any interest period, the interest rate will revert to the rate stated in the paragraph(s) entitled "Interest Rate" above, unless the Borrower has designated another optional interest rate for the Portion.

2.2 LIBOR Rate.

The election of LIBOR Rates shall be subject to the following terms and requirements:

- (a) The interest period during which the LIBOR Rate will be in effect will be one, two, or three months. The first day of the interest period must be a day other than a Saturday or a Sunday on which banks are open for business in New York and London and dealing in offshore dollars (a "LIBOR Banking Day"). The last day of the interest period and the actual number of days during the interest period will be determined by the Bank using the practices of the London inter-bank market.
- (b) Each LIBOR Rate Portion will be for an amount not less than One Hundred Thousand Dollars (\$100,000).
- (c) A LIBOR Rate may be elected only for the entire principal amount outstanding under the applicable facility.
- (d) The "LIBOR Rate" means the interest rate determined by the following formula. (All amounts in the calculation will be determined by the Bank as of the first day of the interest period.)

$$\text{LIBOR Rate} = \frac{\text{London Inter-Bank Offered Rate}}{(1.00 - \text{Reserve Percentage})}$$

Where,

- (i) "London Inter-Bank Offered Rate" means, for any applicable interest period, the rate per annum equal to the British Bankers Association LIBOR Rate (or any successor thereto approved by the Bank if the British Bankers Association is no longer making a LIBOR rate available), as published by Reuters (or other commercially available source providing quotations of such rate as selected by the Bank from time to time) at approximately 11:00 a.m. London time two (2) London Banking Days before the commencement of the interest period, for U.S. Dollar deposits (for delivery on the first day of such interest period) with a term equivalent to such interest period. If such rate is not available at such time for any reason, then the rate for that interest period will be determined by such alternate method as reasonably selected by the Bank. A "London Banking Day" is a day on which banks in London are open for business and dealing in offshore dollars.
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- (ii) "Reserve Percentage" means the total of the maximum reserve percentages for determining the reserves to be maintained by member banks of the Federal Reserve System for Eurocurrency Liabilities, as defined in Federal Reserve Board Regulation D, rounded upward to the nearest 1/100 of one percent. The percentage will be expressed as a decimal, and will include, but not be limited to, marginal, emergency, supplemental, special, and other reserve percentages.
 - (e) The Borrower shall irrevocably request a LIBOR Rate Portion no later than 12:00 noon Nevada time on the LIBOR Banking Day preceding the day on which the London Inter-Bank Offered Rate will be set, as specified above. For example, if there are no intervening holidays or weekend days in any of the relevant locations, the request must be made at least three days before the LIBOR Rate takes effect.
 - (f) The Bank will have no obligation to accept an election for a LIBOR Rate Portion if any of the following described events has occurred and is continuing:
 - (i) Dollar deposits in the principal amount, and for periods equal to the interest period, of a LIBOR Rate Portion are not available in the London inter-bank market;
 - (ii) the LIBOR Rate does not accurately reflect the cost of a LIBOR Rate Portion; or
 - (iii) adequate and reasonable means do not exist for determining the LIBOR Rate for any requested Interest Period.
 - (g) Each prepayment of a LIBOR Rate Portion, whether voluntary, by reason of acceleration or otherwise, will be accompanied by the amount of accrued interest on the amount prepaid and a prepayment fee as described below. A "prepayment" is a payment of an amount on a date earlier than the scheduled payment date for such amount as required by this Agreement.
 - (h) The prepayment fee is intended to compensate the Bank for the funding costs of the prepaid credit, if any. The prepayment fee will be determined by calculating the funding costs incurred by the Bank, based on the cost of funds at the time the interest rate was fixed, and subtracting the interest income which can be earned by the Bank by reinvesting the prepaid funds at the Reinvestment Rate. The calculation is defined more fully below.
 - (i) The "Fixed Interest Rate Period" is the period during which the interest rate in effect at the time of the prepayment does not change. If the Fixed Interest Rate Period does not extend for the entire remaining life of the credit, then the following rules will apply:
 - (i) For any portion of the prepaid principal for which the scheduled payment date is after the end of the Fixed Interest Rate Period, the prepayment fee for that portion shall be calculated based only on the period through the end of the Fixed Interest Rate Period, as described below.
 - (ii) If a prepayment is made on a date on which the interest rate resets, then there will be no prepayment fee.
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- (j) The prepayment fee calculation is made separately for each Prepaid Installment. A "Prepaid Installment" is the amount of the prepaid principal that would have been due on a particular scheduled payment date (the "Scheduled Payment Date"). However, as explained in the preceding paragraph, all amounts of the credit which would have been paid after the end of the Fixed Interest Rate Period shall be considered a single Prepaid Installment with a Scheduled Payment Date (for the purposes of this calculation) equal to the last day of the Fixed Interest Rate Period.
- (k) The prepayment fee for a particular Prepaid Installment will be calculated as follows:
- (i) Calculate the monthly interest payments that would have accrued on the Prepaid Installment through the applicable Scheduled Payment Date, if the prepayment had not been made. The interest payments will be calculated using the Original Cost of Funds Rate.
 - (ii) Next, calculate the monthly interest income which could be earned on the Prepaid Installment if it were reinvested by the Bank at the Reinvestment Rate through the Scheduled Payment Date.
 - (iii) Calculate the monthly differences of the amounts calculated in (i) minus the amounts calculated in (ii).
 - (iv) If the remaining term of the Fixed Interest Rate Period is greater than one year, calculate the present value of the amounts calculated in (iii), using the Reinvestment Rate. The result of the present value calculation is the prepayment fee for the Prepaid Installment.
- (l) Finally, the prepayment fees for all of the Prepaid Installments are added together. The sum, if greater than zero, is the total prepayment fee due to the Bank.
- (m) The following definitions will apply to the calculation of the prepayment fee:
- (i) "Original Cost of Funds Rate" means the fixed interest rate per annum, determined solely by the Bank, at which the Bank would be able to borrow funds in the Bank Funding Markets for the duration of the Fixed Interest Rate Period in the amount of the prepaid principal and with a term, interest payment frequency, and principal repayment schedule matching the prepaid principal.
 - (ii) "Bank Funding Markets" means one or more wholesale funding markets available to the Bank, including the LIBOR, Eurodollar, and SWAP markets as applicable and available, or such other appropriate money market as determined by the Bank in its sole discretion.
 - (iii) "Reinvestment Rate" means the fixed rate per annum, determined solely by the Bank, as the rate at which the Bank would be able to reinvest funds in the amount of the Prepaid Installment in the Bank Funding Markets on the date of prepayment for a period of time approximating the period starting on the date of prepayment and ending on the Scheduled Payment Date.
- (n) The Original Cost of Funds Rate and the Reinvestment Rate are the Bank's estimates only and the Bank is under no obligation to actually purchase or match funds for any transaction or reinvest any prepayment. The Bank may adjust the Original Cost of Funds Rate and the Reinvestment Rate to reflect the compounding, accrual basis, or other costs of the prepaid amount. The rates shall include adjustments for reserve requirements, federal deposit insurance and any other similar adjustment which the Bank deems appropriate. These rates are not fixed by or related in any way to any rate the Bank quotes or pays for deposits accepted through its branch system.
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3. FEES AND EXPENSES

3.1 Fees.

- (a) Unused Commitment Fee. The Borrower agrees to pay a fee on any difference between the Facility No. 1 Commitment and the amount of credit it actually uses, determined by the daily amount of credit outstanding during the specified period. The fee will be calculated at 0.175% per year.

This fee is due on September 30, 2013, and on the last day of each following quarter until the expiration of the availability period.

- (b) Waiver Fee. If the Bank, at its discretion, agrees to waive or amend any terms of this Agreement, the Borrower will, at the Bank's option, pay the Bank a fee for each waiver or amendment in an amount advised by the Bank at the time the Borrower requests the waiver or amendment. Nothing in this paragraph shall imply that the Bank is obligated to agree to any waiver or amendment requested by the Borrower. The Bank may impose additional requirements as a condition to any waiver or amendment.

3.2 Expenses.

The Borrower agrees to immediately repay the Bank for expenses that include, but are not limited to, filing, recording and search fees, appraisal fees, title report fees, and documentation fees.

3.3 Reimbursement Costs.

- (a) The Borrower agrees to reimburse the Bank for any reasonable out-of-pocket expenses it incurs in the preparation of this Agreement and any agreement or instrument required by this Agreement. Expenses include, but are not limited to, reasonable out-of-pocket attorneys' fees.
- (b) Unless specifically stated otherwise in this Agreement, including without limitation Sections 7.16 and 8.4, the Borrower agrees to reimburse the Bank for the cost of periodic field examinations of the Borrower's properties, books and records, at such intervals as the Bank may reasonably require. The actions described in this paragraph may be performed by employees of the Bank or by independent examiners.

4. DISBURSEMENTS, PAYMENTS AND COSTS

4.1 Disbursements and Payments.

- (a) Each payment by the Borrower will be made in U.S. Dollars and immediately available funds, without setoff or counterclaim. Payments will be made by debit to a deposit account, if direct debit is provided for in this Agreement or is otherwise authorized by the Borrower. For payments not made by direct debit, payments will be made by mail to the address shown on the Borrower's statement, or by such other method as may be permitted by the Bank.
- (b) For any payment under this Agreement made by debit to a deposit account, the Borrower will maintain sufficient immediately available funds in the deposit account to cover each debit. If there are insufficient immediately available funds in the deposit account on the date the Bank enters any such debit authorized by this Agreement, the Bank may reverse the debit.
- (c) Each disbursement by the Bank and each payment by the Borrower will be evidenced by records kept by the Bank. In addition, the Bank may, at its discretion, require the Borrower to sign one or more promissory notes.
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- (d) Prior to the date each payment of principal and interest and any fees from the Borrower becomes due (the "Due Date"), the Bank will send to the Borrower a statement of the amounts that will be due on that Due Date (the "Billed Amount"). The calculations in the bill will be made on the assumption that no new extensions of credit or payments will be made between the date of the billing statement and the Due Date, and that there will be no changes in the applicable interest rate. If the Billed Amount differs from the actual amount due on the Due Date (the "Accrued Amount"), the discrepancy will be treated as follows:
- (i) If the Billed Amount is less than the Accrued Amount, the Billed Amount for the following Due Date will be increased by the amount of the discrepancy. The Borrower will not be in default by reason of any such discrepancy.
 - (ii) If the Billed Amount is more than the Accrued Amount, the Billed Amount for the following Due Date will be decreased by the amount of the discrepancy.

Regardless of any such discrepancy, interest will continue to accrue based on the actual amount of principal outstanding without compounding. The Bank will not pay the Borrower interest on any overpayment.

4.2 Borrower's Instructions.

- (a) The Bank may honor instructions for advances or repayments given by the Borrower (if an individual), or by any one of the individuals authorized to sign loan agreements on behalf of the Borrower, or any other individual designated by any one of such authorized signers (each an "Authorized Individual"). Any Authorized Individual may also provide instructions to the Bank for the designation of optional interest rates and/or the issuance of letters of credit, if such features are provided under this Agreement. The Bank may honor any such instructions made by any one of the Authorized Individuals, whether such instructions are given in writing or by telephone, telefax or Internet and intranet websites designated by the Bank with respect to separate products or services offered by the Bank. The Bank's obligation to act on such instructions is subject to the terms, conditions and procedures stated elsewhere in this Agreement.
- (b) Except as specified elsewhere in this Agreement, in following instructions from an Authorized Individual for advances or repayments, the Bank shall have the right, but not the obligation, to require that any advances be deposited in and repayments be withdrawn from a deposit account owned by the Borrower and held at the Bank. The Bank may require additional written authorization from the Borrower before processing advances or repayments except as provided in this subparagraph.
- (c) The Borrower will indemnify and hold the Bank harmless from all liability, loss, and costs in connection with any act resulting from instructions the Bank reasonably believes are made by any Authorized Individual, whether such instructions are given in writing or by telephone, telefax or electronic communications (including e-mail, Internet and intranet websites). This paragraph will survive this Agreement's termination, and will benefit the Bank and its officers, employees, and agents.

4.3 Direct Debit.

The Borrower agrees that on the Due Date the Bank will debit the Billed Amount from the Borrower's deposit account(s) with the Bank as designated in writing by the Borrower (the "Designated Account").

4.4 Banking Days.

Unless otherwise provided in this Agreement, a banking day is a day other than a Saturday, Sunday or other day on which commercial banks are authorized to close, or are in fact closed, in the state where the Bank's lending office is located, and, if such day relates to amounts bearing interest at an offshore rate (if any), means any such day on which dealings in dollar deposits are conducted among banks in the offshore dollar interbank market. All payments and disbursements which would be due on a day which is not a banking day will be due on the next banking day. All payments received on a day which is not a banking day will be applied to the credit on the next banking day.

4.5 Interest Calculation.

Except as otherwise stated in this Agreement, all interest and fees, if any, will be computed on the basis of a 360-day year and the actual number of days elapsed. This results in more interest or a higher fee than if a 365-day year is used. Installments of principal which are not paid when due under this Agreement shall continue to bear interest until paid.

4.6 Default Rate.

Upon the occurrence of any default or after maturity or after judgment has been rendered on any obligation under this Agreement, all amounts outstanding under this Agreement, including any unpaid interest, fees, or costs, will at the option of the Bank bear interest at a rate which is 2.0 percentage point(s) higher than the rate of interest otherwise provided under this Agreement. This may result in compounding of interest. This will not constitute a waiver of any default.

4.7 Taxes.

If any payments to the Bank under this Agreement are made from outside the United States, the Borrower will not deduct any foreign taxes from any payments it makes to the Bank. If any such taxes are imposed on any payments made by the Borrower (including payments under this paragraph), the Borrower will pay the taxes and will also pay to the Bank, at the time interest is paid, any additional amount which the Bank specifies as necessary to preserve the after-tax yield the Bank would have received if such taxes had not been imposed. The Borrower will confirm that it has paid the taxes by giving the Bank official tax receipts (or notarized copies) within thirty (30) days after the due date.

4.8 Additional Costs.

The Borrower will pay the Bank, on demand, for the Bank's costs or losses arising from any Change in Law which are allocated to this Agreement or any credit outstanding under this Agreement. The allocation will be made as determined by the Bank, using any reasonable method. The costs include, without limitation, the following:

- (a) any reserve or deposit requirements (excluding any reserve requirement already reflected in the calculation of the interest rate in this Agreement); and
- (b) any capital requirements relating to the Bank's assets and commitments for credit.

"Change in Law" means the occurrence, after the date of this Agreement, of the adoption or taking effect of any new or changed law, rule, regulation or treaty, or the issuance of any request, rule, guideline or directive (whether or not having the force of law) by any governmental authority; provided that (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives issued in connection with that Act, and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor authority) or the United States regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "Change in Law," regardless of the date enacted, adopted or issued.

5. CONDITIONS

Before the Bank is required to extend the initial credit to the Borrower under this Agreement, it must receive any documents and other items it may reasonably require, in form and content acceptable to the Bank, including any items specifically listed below and before the Bank is required to extend any other credit to the Borrower under this Agreement, the representations and warranties of Borrower set forth in this Agreement shall be true and correct as of the date of such extension of credit.

5.1 Authorizations.

Evidence that the execution, delivery and performance by the Borrower of this Agreement and any instrument or agreement required under this Agreement have been duly authorized.

5.2 Governing Documents.

If required by the Bank, a copy of the Borrower's organizational documents.

5.3 Payment of Fees.

Payment of all fees and other amounts due and owing to the Bank, including without limitation payment of all accrued and unpaid expenses incurred by the Bank as required by the paragraph entitled "Reimbursement Costs."

5.4 Good Standing.

Certificates of good standing for the Borrower from its state of formation and from any other state in which the Borrower is required to qualify to conduct its business.

5.5 Legal Opinion.

A written opinion from the Borrower's legal counsel, covering such matters as the Bank may require. The legal counsel and the terms of the opinion must be acceptable to the Bank.

5.6 Insurance.

Evidence of insurance coverage, as required in the "Covenants" section of this Agreement.

6. REPRESENTATIONS AND WARRANTIES

When the Borrower signs this Agreement, and until the Bank is repaid in full, the Borrower makes the following representations and warranties. Each request for an extension of credit constitutes a renewal of these representations and warranties as of the date of the request:

6.1 Formation.

Borrower is duly formed and validly existing under the laws of the state or other jurisdiction where organized.

6.2 Authorization.

This Agreement, and any instrument or agreement required hereunder, are within the Borrower's powers, have been duly authorized, and do not conflict with any of its organizational papers.

6.3 Enforceable Agreement.

This Agreement is a legal, valid and binding agreement of the Borrower, enforceable against the Borrower in accordance with its terms, and any instrument or agreement required hereunder, when executed and delivered, will be similarly legal, valid, binding and enforceable.

6.4 Good Standing.

In each state in which the Borrower does business, it is properly licensed, in good standing, and, where required, in compliance with fictitious name statutes, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

"Material Adverse Effect" means a material adverse effect on (a) the business, operations, affairs, financial condition, assets or properties of the Borrower and its subsidiaries taken as a whole, or (b) the ability of the Borrower to perform its obligations under this Agreement or any and all other documents executed in connection herewith, or (c) the validity or enforceability of this Agreement or any and all other documents executed in connection herewith, or (d) the material rights or remedies of the Bank under this Agreement or any and all other documents executed in connection herewith.

6.5 No Conflicts.

This Agreement does not conflict with any law, agreement, or obligation by which the Borrower or any of its direct or indirect subsidiaries is bound, except where such conflict, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

6.6 Financial Information.

The financial statements (including any related notes) contained in the documents filed with the U.S. Securities and Exchange Commission (the "SEC"), as of the date filed: (x) complied as to form in all material respects with the published rules and regulations of the SEC applicable thereto; (y) where applicable, were prepared in accordance with generally accepted accounting principles in the United States applied on a consistent basis throughout the periods covered (except that the unaudited financial statements may not contain footnotes); and (z) fairly present the consolidated financial position of the Borrower and its consolidated subsidiaries as of the respective dates thereof and the consolidated results of operations and cash flows of the Borrower and its consolidated subsidiaries for the periods covered thereby. Since the date of the most recent financial statement provided (or deemed to be provided) to the Bank, there has been no material adverse change in the consolidated business condition (financial or otherwise), operations or properties of the Borrower.

6.7 Lawsuits.

There is no lawsuit, tax claim or other dispute pending or threatened against the Borrower or any of its direct or indirect subsidiaries which, if lost, would likely result in a Material Adverse Effect, except as have been disclosed in writing to the Bank.

6.8 Permits, Franchises.

The Borrower and each of its direct and indirect subsidiaries possesses all permits, memberships, franchises, contracts and licenses required and all trademark rights, trade name rights, patent rights, copyrights, and fictitious name rights necessary to enable it to conduct the business in which it is now engaged, except where such failure to possess, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

6.9 Funded Obligations.

Neither the Borrower nor any of its direct or indirect subsidiaries is in default on any outstanding indebtedness for borrowed money of \$2,000,000 or more, except as have been disclosed in writing to the Bank.

6.10 Tax Matters.

The Borrower has no knowledge of any assertion of any claim for taxes reasonably likely to require a payment in excess of \$1,000,000 over the amount of reserves maintained on the books of the Borrower in accordance with generally accepted accounting principles, consistently applied, except as have been disclosed in writing to the Bank.

6.11 No Event of Default.

There is no event which is, or with notice or lapse of time or both would be, a default under this Agreement.

6.12 Insurance.

The Borrower has obtained, and maintained in effect, the insurance coverage required in the "Covenants" section of this Agreement.

6.13 ERISA Plans.

- (a) Each Plan (other than a multiemployer plan) is in compliance in all material respects with ERISA, the Code and other federal or state law, including all applicable minimum funding standards and there have been no prohibited transactions with respect to any Plan (other than a multiemployer plan), which has resulted or could reasonably be expected to result in a material adverse effect.
 - (b) With respect to any Plan subject to Title IV of ERISA:
 - (i) No reportable event has occurred under Section 4043(c) of ERISA which requires notice.
 - (ii) No action by the Borrower or any ERISA Affiliate to terminate or withdraw from any Plan has been taken and no notice of intent to terminate a Plan has been filed under Section 4041 or 4042 of ERISA.
 - (c) The following terms have the meanings indicated for purposes of this Agreement:
 - (i) "Code" means the Internal Revenue Code of 1986, as amended.
 - (ii) "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.
 - (iii) "ERISA Affiliate" means any trade or business (whether or not incorporated) under common control with the Borrower within the meaning of Section 414(b) or (c) of the Code.
 - (iv) "Plan" means a plan within the meaning of Section 3(2) of ERISA maintained or contributed to by the Borrower or any ERISA Affiliate, including any multiemployer plan within the meaning of Section 4001(a)(3) of ERISA.
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7. COVENANTS

The Borrower agrees, on a consolidated basis with its direct and indirect subsidiaries, as applicable, so long as credit is available under this Agreement and until the Bank is repaid in full:

7.1 Use of Proceeds.

- (a) To use the proceeds of Facility No. 1 only for working capital and other general corporate purposes and, in compliance with applicable law and this Agreement, for the purchase, redemption or other acquisition of its then-outstanding stock or membership interests.
- (b) The proceeds of the credit extended under this Agreement may not be used directly or indirectly to purchase or carry any "margin stock" as that term is defined in Regulation U of the Board of Governors of the Federal Reserve System, or extend credit to or invest in other parties for the purpose of purchasing or carrying any such "margin stock," or to reduce or retire any indebtedness incurred for such purpose.

7.2 Financial Information.

To provide the following financial information and statements in form and content acceptable to the Bank, and such additional information as requested by the Bank from time to time. The Bank reserves the right, upon written notice to the Borrower, to require the Borrower to deliver financial information and statements to the Bank more frequently than otherwise provided below, and to use such additional information and statements to measure any applicable financial covenants in this Agreement.

- (a) Within 90 days of the fiscal year end, the annual financial statements of the Borrower. These financial statements must be audited (with an opinion satisfactory to the Bank) by a Certified Public Accountant acceptable to the Bank. The statements shall be prepared on a consolidated basis.
 - (b) Within 60 days after each period's end (excluding the last period in each fiscal year), quarterly financial statements of the Borrower, certified and dated by an authorized financial officer. These financial statements may be company-prepared. The statements shall be prepared on a consolidated basis.
 - (c) Promptly, upon sending or receipt, copies of any management letters and correspondence relating to management letters, sent or received by the Borrower to or from the Borrower's auditor. If no management letter is prepared, the Bank may, in its discretion, request a letter from such auditor stating that no deficiencies were noted that would otherwise be addressed in a management letter.
 - (d) Together with each of the annual and quarterly financial statements delivered hereunder, a compliance certificate of the Borrower, signed by an authorized financial officer and setting forth (i) the information and computations (in sufficient detail) to establish compliance with all financial covenants at the end of the period covered by the financial statements then being furnished and (ii) whether there existed as of the date of such financial statements and whether there exists as of the date of the certificate, any default under this Agreement applicable to the party submitting the information and, if any such default exists, specifying the nature thereof and the action the party is taking and proposes to take with respect thereto.
 - (e) Promptly upon the Bank's request, such other books, records, statements, lists of property and accounts, budgets, forecasts or reports as to the Borrower and as to each guarantor of the Borrower's obligations to the Bank as the Bank may request. Documents required to be delivered pursuant to paragraphs (a) and (b) of this Section 7.2 shall be deemed to have been delivered on the date on which such documents are filed for public availability on the SEC's Electronic Data Gathering and Retrieval System.
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7.3 Funded Debt to EBITDA Ratio.

As of the last day of each quarterly reporting period for which the Bank requires financial statements, using the results of the twelve-month period ending with that reporting period, the consolidated basis a ratio of Funded Debt to EBITDA ("Funded Debt to EBITDA Ratio") shall not exceed 2.0:1.0.

"Funded Debt" means all outstanding liabilities for borrowed money and other interest-bearing liabilities, including current and long term debt.

"EBITDA" means net income, less income or plus loss from discontinued operations and extraordinary items, plus income taxes, plus interest expense, plus depreciation, depletion, and amortization, plus non-cash stock-based compensation expense.

7.4 Dividends and Distributions.

Not to declare or pay any dividends, or purchase, redeem, or otherwise acquire any of its then-outstanding stock or membership interests, or declare or pay distributions and withdrawals (as applicable) to its owners (except (i) dividends payable in capital stock or (ii) payments and distributions made by a subsidiary of the Borrower to the Borrower or to another wholly-owned subsidiary of the Borrower) if, both before and immediately after giving effect thereto:

- (a) Any event of default, or any event which, with notice or lapse of time or both, would constitute an event of default, exists under this Agreement; or
- (b) Borrower's consolidated Funded Debt to EBITDA Ratio would exceed 2.00:1.0.

7.5 Other Debts.

Not to have outstanding or incur any direct or contingent liabilities or lease obligations (other than those to the Bank or to any affiliate of the Bank), or become liable for the liabilities of others, without the Bank's written consent. This does not prohibit:

- (a) Acquiring goods, supplies, or merchandise on normal trade credit.
 - (b) Endorsing negotiable instruments received in the usual course of business.
 - (c) Workers' compensation claims, self-insurance obligations, performance bonds, surety, appeal or similar bonds and completion or other financial guarantees provided by the Borrower in the usual course of business.
 - (d) Liabilities in existence on the date of this Agreement disclosed in the Borrower's most recent financial statement.
 - (e) Additional debts and capital lease obligations for the acquisition of fixed assets, to the extent permitted elsewhere in this Agreement.
 - (f) Indebtedness of any entity that becomes a subsidiary or Borrower or is merged into or consolidated with the Borrower or any subsidiary or any indebtedness assumed in connection with the acquisition of any such assets or secured by a lien on any such assets prior to the acquisition thereof; provided that such indebtedness exists at the time such entity becomes a subsidiary and is not created in contemplation of or in connection with such entity becoming a subsidiary.
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- (g) Intercompany indebtedness and guarantees by the Borrower of indebtedness of its subsidiaries.
- (h) Extensions, renewals, refinancings and replacements of any of the foregoing indebtedness that do not increase the outstanding principal amount thereof (other than by the amount of any fees or expenses incurred in the extensions, renewals, refinancings and replacements thereof) or result in an earlier maturity date.
- (i) Indebtedness under interest rate, commodities and foreign currency exchange protection agreements entered into in the ordinary course of business to manage existing or anticipated risks and not for speculative purposes.
- (j) Securitization Debt in connection with any Permitted Securitization Program.
- (k) Additional debts and capital lease obligations which, together with the Facility No. 1 Commitment and the debts permitted under subparagraphs (d), (e), (f), (h) and (j), above, both before and immediately after giving effect thereto, do not result in Borrower's consolidated Funded Debt to EBITDA Ratio to exceed 2.0:1.0.

7.6 Other Liens.

Not to create, assume, or allow any security interest or lien (including judicial liens) on property the Borrower now or later owns, except:

- (a) Liens and security interests in favor of the Bank or any affiliate of the Bank.
- (b) Liens for taxes not yet due or contested in good faith by the Borrower.
- (c) Liens outstanding on the date of this Agreement and disclosed in the Borrower's most recent financial statement, provided that the total principal amount of debts secured by such liens does not exceed Fifty Million Dollars (\$50,000,000), and all extensions, renewals, refinancings and replacements of such indebtedness permitted pursuant to Section 7.5(h).
- (d) Liens and security interests with respect to indebtedness permitted pursuant to Section 7.5(e) and all extensions, renewals, refinancings and replacements of such indebtedness permitted pursuant to Section 7.5(h).
- (e) Liens on receivables of the Borrower or any direct or indirect subsidiary and the related assets of the type specified in clauses (i) through (iv) in the definition of "Permitted Securitization Program" in connection with any Permitted Securitization Program.

"Permitted Securitization Program" means any transaction or series of transactions that may be entered into by the Borrower or any direct or indirect subsidiary pursuant to which the Borrower or any direct or indirect subsidiary may sell, convey or otherwise transfer to (a) a Securitization Entity (in the case of a transfer by the Borrower or any direct or indirect subsidiary) and (b) 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 Borrower or any direct or indirect subsidiary, and any assets related thereto including (i) all collateral securing such receivables, (ii) all contracts and contract rights and all guarantees or other obligations in respect of such receivables, (iii) proceeds of such receivables, and (iv) 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 \$200,000,000.

"Person" means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization or government (or an agency or political subdivision thereof).

"Priority Indebtedness" means (without duplication) the sum of (a) unsecured indebtedness of the Borrower's direct and indirect subsidiaries other than indebtedness owed to the Borrower or any other subsidiary of the Borrower, (b) indebtedness of the Borrower and its direct and indirect subsidiaries secured by a lien not permitted by subparagraphs (a) through (e) of this Section 7.6 and (c) Securitization Debt.

"Securitization Debt" for the Borrower and its direct and indirect subsidiaries means, in connection with any Permitted Securitization Program, (a) any amount as to which any Securitization Entity or other Person has recourse to the Borrower or any direct or indirect subsidiary with respect to such Permitted Securitization Program by way of any guaranty thereof and (b) the amount of any reserve account or similar account or asset shown as an asset of the Borrower or a direct or indirect subsidiary under generally accepted accounting principles, consistently applied, 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 of the Borrower (or another Person in which the Borrower or any of its direct or indirect subsidiaries makes an investment and to which the Borrower or any of its direct or indirect 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 Borrower (as provided below) as a Securitization Entity (a) no portion of the indebtedness or any other obligations (contingent or otherwise) of which (i) is guaranteed by the Borrower or any of its direct or indirect subsidiaries (excluding guarantees of obligations (other than the principal of, and interest on, indebtedness) pursuant to Standard Securitization Undertakings), (ii) is recourse to or obligates the Borrower or any of its direct or indirect subsidiaries in any way other than pursuant to Standard Securitization Undertakings, or (iii) subjects any property or asset of the Borrower or any other direct or indirect subsidiaries of the Borrower, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings, (b) with which neither the Borrower nor any of its direct or indirect subsidiaries has any material contract, agreement, arrangement or understanding other than on terms no less favorable to the Borrower or such direct or indirect subsidiary than those that might be obtained at the time from Persons that are not affiliates of the Borrower, other than fees payable in the ordinary course of business in connection with servicing receivables of such entity, and (c) to which neither the Borrower nor any of its direct or indirect subsidiaries has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

"Standard Securitization Undertakings" means representations, warranties, covenants, indemnities, repurchase obligations, performance guarantees and similar agreements entered into by the Borrower or any of its direct or indirect subsidiaries that are reasonably customary in a receivables securitization transaction.

7.7 Maintenance of Assets.

- (a) Not to sell, assign, lease, transfer or otherwise dispose of any part of the Borrower's business or the Borrower's assets except (i) in the ordinary course of the Borrower's business, (ii) not in the ordinary course of the Borrower's business in an aggregate amount not exceeding Fifty Million Dollars (\$50,000,000) in any fiscal year or (iii) in connection with any transaction or series of transactions pursuant to which direct and indirect subsidiaries of Borrower are converted, restructured or reorganized for tax or corporate planning, whether by (1) transfer, (2) acquisition, (3) contribution, (4) merger, (5) consolidation, (6) voluntary dissolution, (7) liquidation, (8) recapitalization, (9) change in identity, form, or place of organization, or (10) otherwise, in each case the result of which may cause a direct or indirect sale, assignment or transfer of equity interests and/or other assets between and among Borrower and/or various subsidiaries of Borrower, provided, both before and immediately after giving effect thereto:
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- (i) No event of default, or any event which, with notice or lapse of time or both, would constitute an event of default, shall exist under this Agreement; or
- (ii) Borrower's consolidated Funded Debt to EBITDA Ratio shall not exceed 2.00:1.0.
- (b) Not to sell, assign, lease, transfer or otherwise dispose of any assets for less than fair market value, as reasonably determined in good faith by the Borrower, or enter into any agreement to do so.
- (c) To maintain and preserve all rights, privileges, and franchises the Borrower now has, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.
- (d) To make any repairs, renewals, or replacements to keep the Borrower's properties in good working condition, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

7.8 Investments.

Not to have any existing, or make any new, investments in any individual or entity, or make any capital contributions or other transfers of assets to any individual or entity, except for:

- (a) Existing investments disclosed to the Bank in writing.
 - (b) Investments in the Borrower's direct and indirect subsidiaries.
 - (c) Investments in any of the following:
 - (i) certificates of deposit;
 - (ii) U.S. treasury bills and other obligations of the federal government;
 - (iii) readily marketable securities (including commercial paper, but excluding restricted stock and stock subject to the provisions of Rule 144 of the Securities and Exchange Commission).
 - (d) The purchase, redemption or other acquisition of its then-outstanding stock or membership interests to the extent permitted under Section 7.4 hereof.
 - (e) Investments consisting of any acquisition permitted pursuant to Section 7.11(b) hereof.
 - (f) Investments consisting of any loan permitted pursuant to Section 7.9 hereof.
 - (g) Other investments that do not exceed an aggregate amount of Twenty-Five Million Dollars (\$25,000,000) outstanding at any one time.
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7.9 Loans.

Not to make any loans, advances or other extensions of credit to any individual or entity, except for:

- (a) Existing extensions of credit disclosed to the Bank in writing.
- (b) Extensions of credit to the Borrower's current subsidiaries.
- (c) Extensions of credit in the nature of accounts receivable or notes receivable arising from the sale or lease of goods or services in the ordinary course of business to non-affiliated entities.
- (d) Loans that do not exceed an aggregate amount of Ten Million Dollars (\$10,000,000) outstanding at any one time.

7.10 Change of Ownership.

Not to cause, permit, or suffer any change in capital ownership such that there is a change of more than thirty percent (30%) in the direct or indirect capital ownership of the Borrower.

7.11 Additional Negative Covenants.

Not to, without the Bank's written consent:

- (a) Enter into any consolidation, merger, or other combination, or become a partner in a partnership, a member of a joint venture, or a member of a limited liability company.
- (b) Acquire or purchase a business or its assets if, both before and immediately after giving effect thereto, (i) any event of default, or any event which, with notice or lapse of time or both, would constitute an event of default, exists under this Agreement; or (ii) the Borrower's consolidated Funded Debt to EBITDA Ratio exceeds 2.00:1.0. Before making any such acquisition, the Borrower must obtain the prior, effective written consent or approval of the board of directors or equivalent governing body of the business being acquired.
- (c) Engage in any business activities substantially different from the Borrower's present business and businesses reasonably related to or complementary extensions of such business.
- (d) Liquidate or dissolve the Borrower's business.

7.12 Notices to Bank.

To promptly notify the Bank in writing of:

- (a) Any substantial dispute between any governmental authority and the Borrower, which individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect.
 - (b) Any event of default under this Agreement, or any event which, with notice or lapse of time or both, would constitute an event of default.
 - (c) Any material adverse change in the Borrower's business condition (financial or otherwise), operations, properties or prospects, or ability to repay the credit.
 - (d) Any change in the Borrower's name, legal structure, state of registration (for a registered entity), place of business, or chief executive office if the Borrower has more than one place of business.
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- (e) Any event or condition relating to health, safety, the environment, or any hazardous substances with regard to the Borrower's property, activities, or operations which could reasonably be expected to result in liability of the Borrower in excess of Ten Million Dollars (\$10,000,000) in the aggregate.

7.13 Insurance.

- (a) General Business Insurance. To maintain insurance as is usual for the business it is in, which may include self-insurance (whether by a captive insurance company or otherwise), as determined by the Borrower exercising reasonable discretion.
- (b) Evidence of Insurance. Upon the request of the Bank, to deliver to the Bank a copy of each insurance policy, or, if permitted by the Bank, a certificate of insurance listing all insurance in force.

7.14 Compliance with Laws.

To comply with the laws (including any fictitious or trade name statute), regulations, and orders of any government body with authority over the Borrower's business. The Bank shall have no obligation to make any advance to the Borrower except in compliance with all applicable laws and regulations and the Borrower shall fully cooperate with the Bank in complying with all such applicable laws and regulations.

7.15 Books and Records.

To maintain adequate books and records.

7.16 Audits.

To allow the Bank and its agents to inspect the Borrower's properties and examine, audit, and make copies of books and records at any time upon reasonable prior notice to the Borrower. If any of the Borrower's properties, books or records are in the possession of a third party, the Borrower authorizes that third party to permit the Bank or its agents to have access to perform inspections or audits and to respond to the Bank's requests for information concerning such properties, books and records. As long as no event of default, or any event which, with notice or lapse of time or both, would constitute an event of default, under this Agreement has occurred and is continuing, the Bank shall pay all costs and expenses of such audits and inspections and, if an event of default, or any event which, with notice or lapse of time or both, would constitute an event of default, under this Agreement has occurred and is continuing, then the Borrower shall pay all costs and expenses of such audits and inspections.

7.17 Cooperation.

To take any action reasonably requested by the Bank to carry out the intent of this Agreement.

8. HAZARDOUS SUBSTANCES

8.1 Indemnity Regarding Hazardous Substances.

The Borrower will indemnify and hold harmless the Bank from any loss or liability the Bank incurs in connection with or as a result of this Agreement, which directly or indirectly arises out of the use, generation, manufacture, production, storage, release, threatened release, discharge, disposal or presence of a hazardous substance. This indemnity will apply whether the hazardous substance is on, under or about the Borrower's property or operations or property leased to the Borrower. The indemnity includes but is not limited to out-of-pocket attorneys' fees. The indemnity extends to the Bank, its parent, subsidiaries and all of their directors, officers, employees, agents, successors, attorneys and assigns.

8.2 Compliance Regarding Hazardous Substances.

The Borrower represents and warrants that the Borrower has complied with all current and future laws, regulations and ordinances or other requirements of any governmental authority relating to or imposing liability or standards of conduct concerning protection of health or the environment or hazardous substances.

8.3 Notices Regarding Hazardous Substances.

Until full repayment of the loan, the Borrower will promptly notify the Bank in writing of any threatened or pending investigation of the Borrower or its operations by any governmental agency under any current or future law, regulation or ordinance pertaining to any hazardous substance.

8.4 Site Visits, Observations and Testing.

The Bank and its agents and representatives will have the right at any reasonable time, after giving reasonable notice to the Borrower, to enter and visit any locations of the Borrower or its subsidiaries for the purposes of taking and removing environmental samples and conducting tests. Notwithstanding anything to the contrary in this Agreement, as long as no event of default, or any event which, with notice or lapse of time or both, would constitute an event of default, under this Agreement has occurred and is continuing, the Bank shall pay all costs and expenses of such environmental investigation and testing and, if an event of default, or any event which, with notice or lapse of time or both, would constitute an event of default, under this Agreement has occurred and is continuing, then the Borrower shall pay all costs and expenses of such environmental investigation and testing. The Bank will make reasonable efforts during any site visit, observation or testing conducted pursuant to this paragraph to avoid interfering with the Borrower's operations. The Bank is under no duty to conduct tests, and any such acts by the Bank will be solely for the purposes of preserving the Bank's rights under this Agreement. No site visit, observation or testing or any report or findings made as a result thereof ("Environmental Report") (i) will result in a waiver of any default of the Borrower; (ii) impose any liability on the Bank; or (iii) be a representation or warranty of any kind regarding the Environmental Report (including its accuracy or completeness). In the event the Bank has a duty or obligation under applicable laws, regulations or other requirements to disclose an Environmental Report to the Borrower or any other party, the Borrower authorizes the Bank to make such a disclosure. The Bank may also disclose an Environmental Report to any regulatory authority, and to any other parties as necessary or appropriate in the Bank's judgment. The Borrower further understands and agrees that any Environmental Report or other information regarding a site visit, observation or testing that is disclosed to the Borrower by the Bank or its agents and representatives is to be evaluated (including any reporting or other disclosure obligations of the Borrower) by the Borrower without advice or assistance from the Bank.

8.5 Definition of Hazardous Substances.

"Hazardous substances" means any substance, material or waste that is or becomes designated or regulated as "toxic," "hazardous," "pollutant," or "contaminant" or a similar designation or regulation under any current or future federal, state or local law (whether under common law, statute, regulation or otherwise) or judicial or administrative interpretation of such, including without limitation petroleum or natural gas.

8.6 Continuing Obligation.

The Borrower's obligations to the Bank under this Article, except the obligation to give notices to the Bank, shall survive termination of this Agreement and repayment of the Borrower's obligations to the Bank under this Agreement.

9. DEFAULT AND REMEDIES

If any of the following events of default occurs, the Bank may do one or more of the following: declare the Borrower in default, stop making any additional credit available to the Borrower, and require the Borrower to repay its entire debt immediately and without prior notice. If an event which, with notice or the passage of time, will constitute an event of default has occurred and is continuing, the Bank has no obligation to make advances or extend additional credit under this Agreement. In addition, if any event of default occurs, the Bank shall have all rights, powers and remedies available under any instruments and agreements required by or executed in connection with this Agreement, as well as all rights and remedies available at law or in equity. If an event of default occurs under the paragraph entitled "Bankruptcy," below, with respect to the Borrower, then the entire debt outstanding under this Agreement will automatically be due immediately.

9.1 Failure to Pay.

The Borrower fails to make a payment of principal under this Agreement when due, or fails to make a payment of interest, any fee or other sum under this Agreement within five (5) days after the date when due.

9.2 Other Bank Agreements.

Any default occurs under any other agreement the Borrower or any of the Borrower's related entities or affiliates has with the Bank or any affiliate of the Bank.

9.3 Cross-default.

Any default occurs under any agreement in connection with any credit the Borrower or any of the Borrower's related entities or affiliates has obtained from anyone else or which the Borrower or any of the Borrower's related entities or affiliates has guaranteed in the amount of Seven Million Five Hundred Thousand Dollars (\$7,500,000) or more in the aggregate.

9.4 False Information.

The Borrower has given the Bank materially false or misleading information or representations.

9.5 Bankruptcy.

The Borrower or any direct or indirect subsidiary of the Borrower files a bankruptcy petition, a bankruptcy petition is filed against any of the foregoing parties, or the Borrower or any direct or indirect subsidiary of the Borrower makes a general assignment for the benefit of creditors.

9.6 Receivers.

A receiver or similar official is appointed for a substantial portion of the Borrower's (on a consolidated basis) business, or the business is terminated or the Borrower is liquidated or dissolved.

9.7 Judgments.

Any judgments or arbitration awards are entered against the Borrower or any direct or indirect subsidiary of the Borrower, or the Borrower or any direct or indirect subsidiary of the Borrower enters into any settlement agreements with respect to any litigation or arbitration, in an aggregate amount not covered by insurance of Ten Million Dollars (\$10,000,000) or more.

9.8 Material Adverse Change.

A material adverse change occurs in the Borrower's consolidated business condition (financial or otherwise), operations, properties or prospects, or ability to repay the loan.

9.9 Government Action.

Any government authority takes action that materially adversely affects the Borrower's consolidated financial condition or ability to repay the loan.

9.10 Default under Related Documents.

Any default occurs under any document required by or delivered in connection with this Agreement or any such document is no longer in effect.

9.11 ERISA Plans.

Any one or more of the following events occurs with respect to a Plan subject to Title IV of ERISA, provided such event or events could reasonably be expected, in the judgment of the Bank, to have a material adverse effect:

- (a) A reportable event shall occur under Section 4043(c) of ERISA.
- (b) Any Plan termination (or commencement of proceedings to terminate a Plan) or the full or partial withdrawal from a Plan under Section 4041 or 4042 of ERISA.

9.12 Other Breach Under Agreement.

A default occurs under any other term or condition of this Agreement not specifically referred to in this Article. This includes any failure or anticipated failure by the Borrower (or any other party named in the Covenants section) to comply with any financial covenants set forth in this Agreement, whether such failure is evidenced by financial statements delivered to the Bank or is otherwise known to the Borrower or the Bank.

10. ENFORCING THIS AGREEMENT; MISCELLANEOUS

10.1 GAAP.

Except as otherwise stated in this Agreement, all financial information provided to the Bank and all financial covenants will be made under generally accepted accounting principles, consistently applied.

10.2 Governing Law.

This Agreement is governed by and shall be interpreted according to federal law and the laws of the State of Utah. If state or local law and federal law are inconsistent, or if state or local law is preempted by federal law, federal law governs. If the Bank has greater rights or remedies under federal law, whether as a national bank or otherwise, this paragraph shall not be deemed to deprive the Bank of such rights and remedies as may be available under federal law.

10.3 Successors and Assigns.

This Agreement is binding on the Borrower's and the Bank's successors and assignees. The Borrower agrees that it may not assign this Agreement without the Bank's prior consent. The Bank may sell participations in or assign this loan, and may exchange information about the Borrower (including, without limitation, any information regarding any hazardous substances) with actual or potential participants or assignees. If a participation is sold or the loan is assigned, the purchaser will have the right of set-off against the Borrower.

10.4 Dispute Resolution Provision.

This paragraph, including the subparagraphs below, is referred to as the "Dispute Resolution Provision." This Dispute Resolution Provision is a material inducement for the parties entering into this agreement.

- (a) This Dispute Resolution Provision concerns the resolution of any controversies or claims between the parties, whether arising in contract, tort or by statute, including but not limited to controversies or claims that arise out of or relate to: (i) this agreement (including any renewals, extensions or modifications); or (ii) any document related to this agreement (collectively a "Claim"). For the purposes of this Dispute Resolution Provision only, the term "parties" shall include any parent corporation, subsidiary or affiliate of the Bank involved in the servicing, management or administration of any obligation described or evidenced by this agreement.
 - (b) At the request of any party to this agreement, any Claim shall be resolved by binding arbitration in accordance with the Federal Arbitration Act (Title 9, U.S. Code) (the "Act"). The Act will apply even though this agreement provides that it is governed by the law of a specified state.
 - (c) Arbitration proceedings will be determined in accordance with the Act, the then-current rules and procedures for the arbitration of financial services disputes of the American Arbitration Association or any successor thereof ("AAA"), and the terms of this Dispute Resolution Provision. In the event of any inconsistency, the terms of this Dispute Resolution Provision shall control. If AAA is unwilling or unable to (i) serve as the provider of arbitration or (ii) enforce any provision of this arbitration clause, the Bank may designate another arbitration organization with similar procedures to serve as the provider of arbitration.
 - (d) The arbitration shall be administered by AAA and conducted, unless otherwise required by law, in any U.S. state where real or tangible personal property collateral for this credit is located or if there is no such collateral, in the state specified in the governing law section of this agreement. All Claims shall be determined by one arbitrator; however, if Claims exceed Five Million Dollars (\$5,000,000), upon the request of any party, the Claims shall be decided by three arbitrators. All arbitration hearings shall commence within ninety (90) days of the demand for arbitration and close within ninety (90) days of commencement and the award of the arbitrator(s) shall be issued within thirty (30) days of the close of the hearing. However, the arbitrator(s), upon a showing of good cause, may extend the commencement of the hearing for up to an additional sixty (60) days. The arbitrator(s) shall provide a concise written statement of reasons for the award. The arbitration award may be submitted to any court having jurisdiction to be confirmed and have judgment entered and enforced.
 - (e) The arbitrator(s) will give effect to statutes of limitation in determining any Claim and shall dismiss the arbitration if the Claim is barred under the applicable statutes of limitation. For purposes of the application of any statutes of limitation, the service on AAA under applicable AAA rules of a notice of Claim is the equivalent of the filing of a lawsuit. Any dispute concerning this arbitration provision or whether a Claim is arbitrable shall be determined by the arbitrator(s), except as set forth at subparagraph (h) of this Dispute Resolution Provision. The arbitrator(s) shall have the power to award legal fees pursuant to the terms of this agreement.
 - (f) This paragraph does not limit the right of any party to: (i) exercise self-help remedies, such as but not limited to, setoff; (ii) initiate judicial or non-judicial foreclosure against any real or personal property collateral; (iii) exercise any judicial or power of sale rights, or (iv) act in a court of law to obtain an interim remedy, such as but not limited to, injunctive relief, writ of possession or appointment of a receiver, or additional or supplementary remedies.
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- (g) The filing of a court action is not intended to constitute a waiver of the right of any party, including the suing party, thereafter to require submittal of the Claim to arbitration.
- (h) Any arbitration or court trial (whether before a judge or jury) of any Claim will take place on an individual basis without resort to any form of class or representative action (the "Class Action Waiver"). The Class Action Waiver precludes any party from participating in or being represented in any class or representative action regarding a Claim. Regardless of anything else in this Dispute Resolution Provision, the validity and effect of the Class Action Waiver may be determined only by a court and not by an arbitrator. The parties to this agreement acknowledge that the Class Action Waiver is material and essential to the arbitration of any disputes between the parties and is nonseverable from the agreement to arbitrate Claims. If the Class Action Waiver is limited, voided or found unenforceable, then the parties' agreement to arbitrate shall be null and void with respect to such proceeding, subject to the right to appeal the limitation or invalidation of the Class Action Waiver.
The Parties acknowledge and agree that under no circumstances will a class action be arbitrated.
- (i) By agreeing to binding arbitration, the parties irrevocably and voluntarily waive any right they may have to a trial by jury in respect of any Claim. Furthermore, without intending in any way to limit this agreement to arbitrate, to the extent any Claim is not arbitrated, the parties irrevocably and voluntarily waive any right they may have to a trial by jury in respect of such Claim. This waiver of jury trial shall remain in effect even if the Class Action Waiver is limited, voided or found unenforceable. **WHETHER THE CLAIM IS DECIDED BY ARBITRATION OR BY TRIAL BY A JUDGE, THE PARTIES AGREE AND UNDERSTAND THAT THE EFFECT OF THIS AGREEMENT IS THAT THEY ARE GIVING UP THE RIGHT TO TRIAL BY JURY TO THE EXTENT PERMITTED BY LAW.**

10.5 Severability; Waivers.

If any part of this Agreement is not enforceable, the rest of the Agreement may be enforced. The Bank retains all rights, even if it makes a loan after default. If the Bank waives a default, it may enforce a later default. Any consent or waiver under this Agreement must be in writing.

10.6 Attorneys' Fees.

The Borrower shall reimburse the Bank for any reasonable out-of-pocket costs and attorneys' fees incurred by the Bank in connection with the enforcement or preservation of any rights or remedies under this Agreement and any other documents executed in connection with this Agreement, and in connection with any amendment, waiver, "workout" or restructuring under this Agreement. In the event of a lawsuit or arbitration proceeding, the prevailing party is entitled to recover costs and reasonable out-of-pocket attorneys' fees incurred in connection with the lawsuit or arbitration proceeding, as determined by the court or arbitrator. In the event that any case is commenced by or against the Borrower under the Bankruptcy Code (Title 11, United States Code) or any similar or successor statute, the Bank is entitled to recover out-of-pocket costs and reasonable attorneys' fees incurred by the Bank related to the preservation, protection, or enforcement of any rights of the Bank in such a case.

10.7 Set-Off.

- (a) In addition to any rights and remedies of the Bank provided by law, upon the occurrence and during the continuance of any event of default under this Agreement, the Bank is authorized, at any time, to set off and apply any and all Deposits of the Borrower held by the Bank or its affiliates against any and all Obligations owing to the Bank. The set-off may be made irrespective of whether or not the Bank shall have made demand under this Agreement, and although such Obligations may be contingent or unmatured or denominated in a currency different from that of the applicable Deposits and without regard for the availability or adequacy of other collateral. Any Deposits may be converted, sold or otherwise liquidated at prevailing market prices in order to effect such set-off.
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- (b) The set-off may be made without prior notice to the Borrower or any other party, any such notice being waived by the Borrower to the fullest extent permitted by law. The Bank agrees promptly to notify the Borrower after any such set-off and application; provided, however, that the failure to give such notice shall not affect the validity of such set-off and application.
- (c) For the purposes of this paragraph, "Deposits" means any deposits (general or special, time or demand, provisional or final, individual or joint) as well as any money, instruments, securities, credits, claims, demands, income or other property, rights or interests owned by the Borrower which come into the possession or custody or under the control of the Bank or its affiliates. "Obligations" means all obligations, now or hereafter existing, of the Borrower to the Bank under this Agreement and under any other agreement or instrument executed in connection with this Agreement.

10.8 One Agreement.

This Agreement and any related security or other agreements required by this Agreement, collectively:

- (a) represent the sum of the understandings and agreements between the Bank and the Borrower concerning this credit;
- (b) replace any prior oral or written agreements between the Bank and the Borrower concerning this credit; and
- (c) are intended by the Bank and the Borrower as the final, complete and exclusive statement of the terms agreed to by them.

In the event of any conflict between this Agreement and any other agreements required by this Agreement, this Agreement will prevail. Any reference in any related document to a "promissory note" or a "note" executed by the Borrower and dated as of the date of this Agreement shall be deemed to refer to this Agreement, as now in effect or as hereafter amended, renewed, or restated.

10.9 Indemnification.

The Borrower will indemnify and hold the Bank harmless from any loss, liability, damages, judgments, and costs of any kind relating to or arising directly or indirectly out of (a) this Agreement or any document required hereunder, (b) any credit extended or committed by the Bank to the Borrower hereunder, and (c) any litigation or proceeding related to or arising out of this Agreement, any such document, or any such credit. This indemnity includes but is not limited to out-of-pocket attorneys' fees. This indemnity extends to the Bank, its parent, subsidiaries, affiliates and all of their directors, officers, employees, agents, successors, attorneys, and assigns. This indemnity will survive repayment of the Borrower's obligations to the Bank. All sums due to the Bank hereunder shall be obligations of the Borrower, due and payable promptly upon demand.

10.10 Notices.

Unless otherwise provided in this Agreement or in another agreement between the Bank and the Borrower, all notices required under this Agreement shall be personally delivered or sent by first class mail, postage prepaid, or by overnight courier, to the addresses on the signature page of this Agreement, or sent by facsimile to the fax numbers listed on the signature page, or to such other addresses as the Bank and the Borrower may specify from time to time in writing. Notices and other communications shall be effective (i) if mailed, upon the earlier of receipt or five (5) days after deposit in the U.S. mail, first class, postage prepaid, (ii) if telecopied, when transmitted, or (iii) if hand-delivered, by courier or otherwise (including telegram, lettergram or mailgram), when delivered.

10.11 Headings.

Article and paragraph headings are for reference only and shall not affect the interpretation or meaning of any provisions of this Agreement.

10.12 Counterparts.

This Agreement may be executed in as many counterparts as necessary or convenient, and by the different parties on separate counterparts each of which, when so executed, shall be deemed an original but all such counterparts shall constitute but one and the same agreement. Delivery of an executed counterpart of this Agreement (or of any agreement or document required by this Agreement and any amendment to this Agreement) by telecopy or other electronic imaging means shall be as effective as delivery of a manually executed counterpart of this Agreement; provided, however, that the telecopy or other electronic image shall be promptly followed by an original if required by the Bank.

10.13 Borrower Information; Reporting to Credit Bureaus.

The Borrower authorizes the Bank at any time to verify or check any information given by the Borrower to the Bank, check the Borrower's credit references, verify employment, and obtain credit reports. The Borrower agrees that the Bank shall have the right at all times to disclose and report to credit reporting agencies and credit rating agencies such information pertaining to the Borrower and/or all guarantors as is consistent with the Bank's policies and practices from time to time in effect.

This Agreement is executed as of the date stated at the top of the first page.

Nu Skin Enterprises, Inc.

By: /s/ Ritch N. Wood
Name: Ritch N. Wood
Title: Chief Financial Officer

Address where notices to the Borrower are to be sent:

Nu Skin Enterprises, Inc.
75 West Center Street
Provo, UT 84601
Attention: Treasurer
Telephone: 801-345-5000
Facsimile: 801-345-3899

Bank of America, NA

By: /s/David R. Barney
Name: David R. Barney
Title: Senior Vice President

Address where notices to the Bank are to be sent:

Bank of America, NA
300 South Fourth Street, 2nd Floor
Las Vegas, NV 89101
Attention: Brian D. Call, Senior Vice President
Facsimile: 702-824-9065

Federal law requires Bank of America, N.A. (the "Bank") to provide the following notice. The notice is not part of the foregoing agreement or instrument and may not be altered. Please read the notice carefully.

USA PATRIOT ACT NOTICE

Federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account or obtains a loan. The Bank will ask for the Borrower's legal name, address, tax ID number or social security number and other identifying information. The Bank may also ask for additional information or documentation or take other actions reasonably necessary to verify the identity of the Borrower, guarantors or other related persons.

LOAN AGREEMENT

This Agreement dated as of April 9, 2014, is between Bank of America, N.A. (the "Bank") and Nu Skin Enterprises, Inc. (the "Borrower").

1. FACILITY NO. 1: LINE OF CREDIT AMOUNT AND TERMS

1.1 Line of Credit Amount.

- (a) During the availability period described below, the Bank will provide a line of credit to the Borrower (the "Line of Credit"). The amount of the Line of Credit (the "Facility No. 1 Commitment") is Fifty Million Dollars (\$50,000,000).
- (b) This is a revolving line of credit. During the availability period, the Borrower may repay principal amounts and reborrow them.
- (c) The Borrower agrees not to permit the principal balance outstanding to exceed the Facility No. 1 Commitment. If the Borrower exceeds this limit, the Borrower will immediately pay the excess to the Bank upon the Bank's demand.

1.2 Availability Period.

The Line of Credit is available between the date of this Agreement and April 8, 2015, or such earlier date as the availability may terminate as provided in this Agreement (the "Facility No. 1 Expiration Date").

The availability period for this Line of Credit will be considered renewed if and only if the Bank has sent to the Borrower a written notice of renewal for the Line of Credit no less than fifteen (15) days prior to the then-current Facility No. 1 Expiration Date (the "Renewal Notice") and the Borrower has not provided written notice of termination of this Agreement. If this Line of Credit is renewed, it will continue to be subject to all the terms and conditions set forth in this Agreement except as modified by the Renewal Notice. If this Line of Credit is renewed, the term "Facility No. 1 Expiration Date" shall mean the date set forth in the Renewal Notice as the Facility No. 1 Expiration Date and the same process for renewal will apply to any subsequent renewal of this Line of Credit. A renewal fee may be charged at the Bank's option; provided that the amount of the renewal fee must be specified in the Renewal Notice.

1.3

Repayment Terms.

- (a) The Borrower will pay interest on June 30, 2014, and then on the last day of each quarter thereafter until payment in full of any principal outstanding under this facility; provided that with respect to amounts bearing interest at an optional interest rate (as described below), the Borrower will pay interest at the end of each applicable interest period.
- (b) The Borrower will repay in full any principal, interest or other charges outstanding under this facility no later than the Facility No. 1 Expiration Date. Any interest period for an optional interest rate shall expire no later than the Facility No. 1 Expiration Date.
- (c) The Borrower may prepay the loan in full or in part at any time. The prepayment will be applied to the outstanding amounts under the loan as directed by the Borrower.

1.4 Interest Rate.

- (a) The interest rate is a rate per year equal to the Bank's Prime Rate plus zero percentage points.
 - (b) The Prime Rate is the rate of interest publicly announced from time to time by the Bank as its Prime Rate. The Prime Rate is set by the Bank based on various factors, including the Bank's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans. The Bank may price loans to its customers at, above, or below the Prime Rate. Any change in the Prime Rate shall take effect at the opening of business on the day specified in the public announcement of a change in the Bank's Prime Rate.
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1.5 Optional Interest Rates.

Instead of the interest rate based on the rate stated in the paragraph entitled "Interest Rate" above, the Borrower may elect the optional interest rates listed below for this Facility No. 1 during interest periods agreed to by the Bank and the Borrower. The optional interest rates shall be subject to the terms and conditions described later in this Agreement. Any principal amount bearing interest at an optional rate under this Agreement is referred to as a "Portion." The following optional interest rates are available:

- (a) The LIBOR Rate plus 0.95 percentage points.

2. OPTIONAL INTEREST RATES

2.1 Optional Rates.

Each optional interest rate is a rate per year. Interest will be paid on the last day of each applicable interest period until payment in full of any principal outstanding under this Agreement. No Portion will be converted to a different interest rate during the applicable interest period. Upon the occurrence of an event of default under this Agreement, the Bank may terminate the availability of optional interest rates for interest periods commencing after the default occurs. At the end of any interest period, the interest rate will revert to the rate stated in the paragraph(s) entitled "Interest Rate" above, unless the Borrower has designated another optional interest rate for the Portion.

2.2 LIBOR Rate.

The election of LIBOR Rates shall be subject to the following terms and requirements:

- (a) The interest period during which the LIBOR Rate will be in effect will be one, two, or three months. The first day of the interest period must be a day other than a Saturday or a Sunday on which banks are open for business in New York and London and dealing in offshore dollars (a "LIBOR Banking Day"). The last day of the interest period and the actual number of days during the interest period will be determined by the Bank using the practices of the London inter-bank market.
- (b) Each LIBOR Rate Portion will be for an amount not less than One Hundred Thousand Dollars (\$100,000).
- (c) A LIBOR Rate may be elected only for the entire principal amount outstanding under the applicable facility.
- (d) The "LIBOR Rate" means the interest rate determined by the following formula. (All amounts in the calculation will be determined by the Bank as of the first day of the interest period.)

$$\text{LIBOR Rate} = \frac{\text{LIBOR}}{(1.00 - \text{Reserve Percentage})}$$

Where,

- (i) "LIBOR" means, for any applicable interest period, the rate per annum equal to the London Interbank Offered Rate (or a comparable or successor rate which is approved by the Bank), as published by Bloomberg (or other commercially available source providing quotations of such rate as selected by the Bank from time to time) at approximately 11:00 a.m. London time two (2) London Banking Days before the commencement of the interest period, for U.S. Dollar deposits (for delivery on the first day of such interest period) with a term equivalent to such interest period. If such rate is not available at such time for any reason, then the rate for that interest period will be determined by such alternate method as reasonably selected by the Bank. A "London Banking Day" is a day on which banks in London are open for business and dealing in offshore dollars.
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- (ii) "Reserve Percentage" means the total of the maximum reserve percentages for determining the reserves to be maintained by member banks of the Federal Reserve System for Eurocurrency Liabilities, as defined in Federal Reserve Board Regulation D, rounded upward to the nearest 1/100 of one percent. The percentage will be expressed as a decimal, and will include, but not be limited to, marginal, emergency, supplemental, special, and other reserve percentages.
 - (e) The Borrower shall irrevocably request a LIBOR Rate Portion no later than 12:00 noon Nevada time on the LIBOR Banking Day preceding the day on which LIBOR will be set, as specified above. For example, if there are no intervening holidays or weekend days in any of the relevant locations, the request must be made at least three days before the LIBOR Rate takes effect.
 - (f) The Bank will have no obligation to accept an election for a LIBOR Rate Portion if any of the following described events has occurred and is continuing:
 - (i) Dollar deposits in the principal amount, and for periods equal to the interest period, of a LIBOR Rate Portion are not available in the London inter-bank market;
 - (ii) the LIBOR Rate does not accurately reflect the cost of a LIBOR Rate Portion; or
 - (iii) adequate and reasonable means do not exist for determining the LIBOR Rate for any requested Interest Period.
 - (g) Each prepayment of a LIBOR Rate Portion, whether voluntary, by reason of acceleration or otherwise, will be accompanied by the amount of accrued interest on the amount prepaid and a prepayment fee as described below. A "prepayment" is a payment of an amount on a date earlier than the scheduled payment date for such amount as required by this Agreement.
 - (h) The prepayment fee is intended to compensate the Bank for the funding costs of the prepaid credit, if any. The prepayment fee will be determined by calculating the funding costs incurred by the Bank, based on the cost of funds at the time the interest rate was fixed, and subtracting the interest income which can be earned by the Bank by reinvesting the prepaid funds at the Reinvestment Rate. The calculation is defined more fully below.
 - (i) The "Fixed Interest Rate Period" is the period during which the interest rate in effect at the time of the prepayment does not change. If the Fixed Interest Rate Period does not extend for the entire remaining life of the credit, then the following rules will apply:
 - (i) For any portion of the prepaid principal for which the scheduled payment date is after the end of the Fixed Interest Rate Period, the prepayment fee for that portion shall be calculated based only on the period through the end of the Fixed Interest Rate Period, as described below.
 - (ii) If a prepayment is made on a date on which the interest rate resets, then there will be no prepayment fee.
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- (j) The prepayment fee calculation is made separately for each Prepaid Installment. A "Prepaid Installment" is the amount of the prepaid principal that would have been due on a particular scheduled payment date (the "Scheduled Payment Date"). However, as explained in the preceding paragraph, all amounts of the credit which would have been paid after the end of the Fixed Interest Rate Period shall be considered a single Prepaid Installment with a Scheduled Payment Date (for the purposes of this calculation) equal to the last day of the Fixed Interest Rate Period.
- (k) The prepayment fee for a particular Prepaid Installment will be calculated as follows:
- (i) Calculate the monthly interest payments that would have accrued on the Prepaid Installment through the applicable Scheduled Payment Date, if the prepayment had not been made. The interest payments will be calculated using the Original Cost of Funds Rate.
 - (ii) Next, calculate the monthly interest income which could be earned on the Prepaid Installment if it were reinvested by the Bank at the Reinvestment Rate through the Scheduled Payment Date.
 - (iii) Calculate the monthly differences of the amounts calculated in (i) minus the amounts calculated in (ii).
 - (iv) If the remaining term of the Fixed Interest Rate Period is greater than one year, calculate the present value of the amounts calculated in (iii), using the Reinvestment Rate. The result of the present value calculation is the prepayment fee for the Prepaid Installment.
- (l) Finally, the prepayment fees for all of the Prepaid Installments are added together. The sum, if greater than zero, is the total prepayment fee due to the Bank.
- (m) The following definitions will apply to the calculation of the prepayment fee:
- (i) "Original Cost of Funds Rate" means the fixed interest rate per annum, determined solely by the Bank, at which the Bank would be able to borrow funds in the Bank Funding Markets for the duration of the Fixed Interest Rate Period in the amount of the prepaid principal and with a term, interest payment frequency, and principal repayment schedule matching the prepaid principal.
 - (ii) "Bank Funding Markets" means one or more wholesale funding markets available to the Bank, including the LIBOR, Eurodollar, and SWAP markets as applicable and available, or such other appropriate money market as determined by the Bank in its sole discretion.
 - (iii) "Reinvestment Rate" means the fixed rate per annum, determined solely by the Bank, as the rate at which the Bank would be able to reinvest funds in the amount of the Prepaid Installment in the Bank Funding Markets on the date of prepayment for a period of time approximating the period starting on the date of prepayment and ending on the Scheduled Payment Date.
- (n) The Original Cost of Funds Rate and the Reinvestment Rate are the Bank's estimates only and the Bank is under no obligation to actually purchase or match funds for any transaction or reinvest any prepayment. The Bank may adjust the Original Cost of Funds Rate and the Reinvestment Rate to reflect the compounding, accrual basis, or other costs of the prepaid amount. The rates shall include adjustments for reserve requirements, federal deposit insurance and any other similar adjustment which the Bank deems appropriate. These rates are not fixed by or related in any way to any rate the Bank quotes or pays for deposits accepted through its branch system.
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3. FEES AND EXPENSES

3.1 Fees.

- (a) Unused Commitment Fee. The Borrower agrees to pay a fee on any difference between the Facility No. 1 Commitment and the amount of credit it actually uses, determined by the daily amount of credit outstanding during the specified period. The fee will be calculated at 0.25% per year.

This fee is due on June 30, 2014, and on the last day of each following quarter until the expiration of the availability period.

- (b) Waiver Fee. If the Bank, at its discretion, agrees to waive or amend any terms of this Agreement, the Borrower will, at the Bank's option, pay the Bank a fee for each waiver or amendment in an amount advised by the Bank at the time the Borrower requests the waiver or amendment. Nothing in this paragraph shall imply that the Bank is obligated to agree to any waiver or amendment requested by the Borrower. The Bank may impose additional requirements as a condition to any waiver or amendment.

3.2 Expenses.

The Borrower agrees to immediately repay the Bank for expenses that include, but are not limited to, filing, recording and search fees, appraisal fees, title report fees, and documentation fees.

3.3 Reimbursement Costs.

- (a) The Borrower agrees to reimburse the Bank for any reasonable out-of-pocket expenses it incurs in the preparation of this Agreement and any agreement or instrument required by this Agreement. Expenses include, but are not limited to, reasonable out-of-pocket attorneys' fees.
- (b) Unless specifically stated otherwise in this Agreement, including without limitation Sections 7.16 and 8.4, the Borrower agrees to reimburse the Bank for the cost of periodic field examinations of the Borrower's properties, books and records, at such intervals as the Bank may reasonably require. The actions described in this paragraph may be performed by employees of the Bank or by independent examiners.

4. DISBURSEMENTS, PAYMENTS AND COSTS

4.1 Disbursements and Payments.

- (a) Each payment by the Borrower will be made in U.S. Dollars and immediately available funds, without setoff or counterclaim. Payments will be made by debit to a deposit account, if direct debit is provided for in this Agreement or is otherwise authorized by the Borrower. For payments not made by direct debit, payments will be made by mail to the address shown on the Borrower's statement, or by such other method as may be permitted by the Bank.
- (b) For any payment under this Agreement made by debit to a deposit account, the Borrower will maintain sufficient immediately available funds in the deposit account to cover each debit. If there are insufficient immediately available funds in the deposit account on the date the Bank enters any such debit authorized by this Agreement, the Bank may reverse the debit.
- (c) Each disbursement by the Bank and each payment by the Borrower will be evidenced by records kept by the Bank which will, absent manifest error, be conclusively presumed to be correct and accurate and constitute an account stated between the Borrower and the Bank. In addition, the Bank may, at its discretion, require the Borrower to sign one or more promissory notes.
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4.2 Borrower's Instructions.

- (a) The Bank may honor instructions for advances or repayments given by the Borrower (if an individual), or by any one of the individuals authorized to sign loan agreements on behalf of the Borrower, or any other individual designated by any one of such authorized signers (each an "Authorized Individual"). Any Authorized Individual may also provide instructions to the Bank for the designation of optional interest rates and/or the issuance of letters of credit, if such features are provided under this Agreement. The Bank may honor any such instructions made by any one of the Authorized Individuals, whether such instructions are given in writing or by telephone, telefax or Internet and intranet websites designated by the Bank with respect to separate products or services offered by the Bank. The Bank's obligation to act on such instructions is subject to the terms, conditions and procedures stated elsewhere in this Agreement.
- (b) Except as specified elsewhere in this Agreement, in following instructions from an Authorized Individual for advances or repayments, the Bank shall have the right, but not the obligation, to require that any advances be deposited in and repayments be withdrawn from a deposit account owned by the Borrower and held at the Bank. The Bank may require additional written authorization from the Borrower before processing advances or repayments except as provided in this subparagraph.
- (c) The Borrower will indemnify and hold the Bank harmless from all liability, loss, and costs in connection with any act resulting from instructions the Bank reasonably believes are made by any Authorized Individual, whether such instructions are given in writing or by telephone, telefax or electronic communications (including e-mail, Internet and intranet websites). This paragraph will survive this Agreement's termination, and will benefit the Bank and its officers, employees, and agents.

4.3 Direct Debit.

The Borrower agrees that on the due date of any amount due under this Agreement, the Bank will debit the amount due from the Borrower's deposit account(s) with the Bank as designated in writing by the Borrower (the "Designated Account").

4.4 Banking Days.

Unless otherwise provided in this Agreement, a banking day is a day other than a Saturday, Sunday or other day on which commercial banks are authorized to close, or are in fact closed, in the state where the Bank's lending office is located, and, if such day relates to amounts bearing interest at an offshore rate (if any), means any such day on which dealings in dollar deposits are conducted among banks in the offshore dollar interbank market. All payments and disbursements which would be due on a day which is not a banking day will be due on the next banking day. All payments received on a day which is not a banking day will be applied to the credit on the next banking day.

4.5 Interest Calculation.

Except as otherwise stated in this Agreement, all interest and fees, if any, will be computed on the basis of a 360-day year and the actual number of days elapsed. This results in more interest or a higher fee than if a 365-day year is used. Installments of principal which are not paid when due under this Agreement shall continue to bear interest until paid.

4.6 Default Rate.

Upon the occurrence of any default or after maturity or after judgment has been rendered on any obligation under this Agreement, all amounts outstanding under this Agreement, including any unpaid interest, fees, or costs, will at the option of the Bank bear interest at a rate which is 2.0 percentage point(s) higher than the rate of interest otherwise provided under this Agreement. This may result in compounding of interest. This will not constitute a waiver of any default.

4.7 Taxes.

If any payments to the Bank under this Agreement are made from outside the United States, the Borrower will not deduct any foreign taxes from any payments it makes to the Bank. If any such taxes are imposed on any payments made by the Borrower (including payments under this paragraph), the Borrower will pay the taxes and will also pay to the Bank, at the time interest is paid, any additional amount which the Bank specifies as necessary to preserve the after-tax yield the Bank would have received if such taxes had not been imposed. The Borrower will confirm that it has paid the taxes by giving the Bank official tax receipts (or notarized copies) within thirty (30) days after the due date.

4.8 Additional Costs.

The Borrower will pay the Bank, on demand, for the Bank's costs or losses arising from any Change in Law which are allocated to this Agreement or any credit outstanding under this Agreement. The allocation will be made as determined by the Bank, using any reasonable method. The costs include, without limitation, the following:

- (a) any reserve or deposit requirements (excluding any reserve requirement already reflected in the calculation of the interest rate in this Agreement); and
- (b) any capital requirements relating to the Bank's assets and commitments for credit.

"Change in Law" means the occurrence, after the date of this Agreement, of the adoption or taking effect of any new or changed law, rule, regulation or treaty, or the issuance of any request, rule, guideline or directive (whether or not having the force of law) by any governmental authority; provided that (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives issued in connection with that Act, and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor authority) or the United States regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "Change in Law," regardless of the date enacted, adopted or issued.

5. CONDITIONS

Before the Bank is required to extend the initial credit to the Borrower under this Agreement, it must receive any documents and other items it may reasonably require, in form and content acceptable to the Bank, including any items specifically listed below and before the Bank is required to extend any other credit to the Borrower under this Agreement, the representations and warranties of Borrower set forth in this Agreement shall be true and correct as of the date of such extension of credit.

5.1 Authorizations.

Evidence that the execution, delivery and performance by the Borrower of this Agreement and any instrument or agreement required under this Agreement have been duly authorized.

5.2 Governing Documents.

If required by the Bank, a copy of the Borrower's organizational documents.

5.3 Payment of Fees.

Payment of all fees and other amounts due and owing to the Bank, including without limitation payment of all accrued and unpaid expenses incurred by the Bank as required by the paragraph entitled "Reimbursement Costs."

5.4 Good Standing.

Certificates of good standing for the Borrower from its state of formation and from any other state in which the Borrower is required to qualify to conduct its business.

5.5 Legal Opinion.

A written opinion from the Borrower's legal counsel, covering such matters as the Bank may require. The legal counsel and the terms of the opinion must be acceptable to the Bank.

5.6 Insurance.

Evidence of insurance coverage, as required in the "Covenants" section of this Agreement.

6. REPRESENTATIONS AND WARRANTIES

When the Borrower signs this Agreement, and until the Bank is repaid in full, the Borrower makes the following representations and warranties. Each request for an extension of credit constitutes a renewal of these representations and warranties as of the date of the request:

6.1 Formation.

Borrower is duly formed and validly existing under the laws of the state or other jurisdiction where organized.

6.2 Authorization.

This Agreement, and any instrument or agreement required hereunder, are within the Borrower's powers, have been duly authorized, and do not conflict with any of its organizational papers.

6.3 Enforceable Agreement.

This Agreement is a legal, valid and binding agreement of the Borrower, enforceable against the Borrower in accordance with its terms, and any instrument or agreement required hereunder, when executed and delivered, will be similarly legal, valid, binding and enforceable.

6.4 Good Standing.

In each state in which the Borrower does business, it is properly licensed, in good standing, and, where required, in compliance with fictitious name statutes, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

"Material Adverse Effect" means a material adverse effect on (a) the business, operations, affairs, financial condition, assets or properties of the Borrower and its subsidiaries taken as a whole, or (b) the ability of the Borrower to perform its obligations under this Agreement or any and all other documents executed in connection herewith, or (c) the validity or enforceability of this Agreement or any and all other documents executed in connection herewith, or (d) the material rights or remedies of the Bank under this Agreement or any and all other documents executed in connection herewith.

6.5 No Conflicts.

This Agreement does not conflict with any law, agreement, or obligation by which the Borrower or any of its direct or indirect subsidiaries is bound, except where such conflict, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

6.6 Financial Information.

The financial statements (including any related notes) contained in the documents filed with the U.S. Securities and Exchange Commission (the "SEC"), as of the date filed: (x) complied as to form in all material respects with the published rules and regulations of the SEC applicable thereto; (y) where applicable, were prepared in accordance with generally accepted accounting principles in the United States applied on a consistent basis throughout the periods covered (except that the unaudited financial statements may not contain footnotes); and (z) fairly present the consolidated financial position of the Borrower and its consolidated subsidiaries as of the respective dates thereof and the consolidated results of operations and cash flows of the Borrower and its consolidated subsidiaries for the periods covered thereby. Since the date of the most recent financial statement provided (or deemed to be provided) to the Bank, there has been no material adverse change in the consolidated business condition (financial or otherwise), operations or properties of the Borrower.

6.7 Lawsuits.

There is no lawsuit, tax claim or other dispute pending or threatened against the Borrower or any of its direct or indirect subsidiaries which, if lost, would likely result in a Material Adverse Effect, except as have been disclosed in writing to the Bank.

6.8 Permits, Franchises.

The Borrower and each of its direct and indirect subsidiaries possesses all permits, memberships, franchises, contracts and licenses required and all trademark rights, trade name rights, patent rights, copyrights, and fictitious name rights necessary to enable it to conduct the business in which it is now engaged, except where such failure to possess, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

6.9 Funded Obligations.

Neither the Borrower nor any of its direct or indirect subsidiaries is in default on any outstanding indebtedness for borrowed money of \$2,000,000 or more, except as have been disclosed in writing to the Bank.

6.10 Tax Matters.

The Borrower has no knowledge of any assertion of any claim for taxes reasonably likely to require a payment in excess of \$1,000,000 over the amount of reserves maintained on the books of the Borrower in accordance with generally accepted accounting principles, consistently applied, except as have been disclosed in writing to the Bank.

6.11 No Event of Default.

There is no event which is, or with notice or lapse of time or both would be, a default under this Agreement.

6.12 Insurance.

The Borrower has obtained, and maintained in effect, the insurance coverage required in the "Covenants" section of this Agreement.

6.13 ERISA Plans.

- (a) Each Plan (other than a multiemployer plan) is in compliance in all material respects with ERISA, the Code and other federal or state law, including all applicable minimum funding standards and there have been no prohibited transactions with respect to any Plan (other than a multiemployer plan), which has resulted or could reasonably be expected to result in a material adverse effect.
- (b) With respect to any Plan subject to Title IV of ERISA:
 - (i) No reportable event has occurred under Section 4043(c) of ERISA which requires notice.
 - (ii) No action by the Borrower or any ERISA Affiliate to terminate or withdraw from any Plan has been taken and no notice of intent to terminate a Plan has been filed under Section 4041 or 4042 of ERISA.
- (c) The following terms have the meanings indicated for purposes of this Agreement:
 - (i) "Code" means the Internal Revenue Code of 1986, as amended.
 - (ii) "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.
 - (iii) "ERISA Affiliate" means any trade or business (whether or not incorporated) under common control with the Borrower within the meaning of Section 414(b) or (c) of the Code.
 - (iv) "Plan" means a plan within the meaning of Section 3(2) of ERISA maintained or contributed to by the Borrower or any ERISA Affiliate, including any multiemployer plan within the meaning of Section 4001(a)(3) of ERISA.

6.14 Government Sanctions.

- (a) The Borrower represents that neither the Borrower nor any of its affiliated entities, including any of its direct or indirect subsidiaries, nor, to the knowledge of the Borrower, any owner, trustee, director, officer, employee, agent, affiliate or representative of the Borrower or any of its direct or indirect subsidiaries is an individual or entity ("Person") currently the subject of any sanctions administered or enforced by the United States Government, including, without limitation, the U.S. Department of Treasury's Office of Foreign Assets Control, the United Nations Security Council, the European Union, Her Majesty's Treasury, or other relevant sanctions authority (collectively, "Sanctions"), nor is the Borrower or any of its direct or indirect subsidiaries located, organized or resident in a country or territory that is the subject of Sanctions.
 - (b) The Borrower represents and covenants that it will not, directly or indirectly, use the proceeds of the credit provided under this Agreement, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other Person, to fund any activities of or business with any Person, or in any country or territory, that, at the time of such funding, is the subject of Sanctions, or in any other manner that will result in a violation by any Person (including any Person participating in the transaction, whether as underwriter, advisor, investor or otherwise) of Sanctions.
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7. COVENANTS

The Borrower agrees, on a consolidated basis with its direct and indirect subsidiaries, as applicable, so long as credit is available under this Agreement and until the Bank is repaid in full:

7.1 Use of Proceeds.

- (a) To use the proceeds of Facility No. 1 only for working capital and other general corporate purposes and, in compliance with applicable law and this Agreement, for the purchase, redemption or other acquisition of its then-outstanding stock or membership interests.
- (b) The proceeds of the credit extended under this Agreement may not be used directly or indirectly to purchase or carry any "margin stock" as that term is defined in Regulation U of the Board of Governors of the Federal Reserve System, or extend credit to or invest in other parties for the purpose of purchasing or carrying any such "margin stock," or to reduce or retire any indebtedness incurred for such purpose.

7.2 Financial Information.

To provide the following financial information and statements in form and content acceptable to the Bank, and such additional information as requested by the Bank from time to time. The Bank reserves the right, upon written notice to the Borrower, to require the Borrower to deliver financial information and statements to the Bank more frequently than otherwise provided below, and to use such additional information and statements to measure any applicable financial covenants in this Agreement.

- (a) Within 90 days of the fiscal year end, the annual financial statements of the Borrower. These financial statements must be audited (with an opinion satisfactory to the Bank) by a Certified Public Accountant acceptable to the Bank. The statements shall be prepared on a consolidated basis.
 - (b) Within 60 days after each period's end (excluding the last period in each fiscal year), quarterly financial statements of the Borrower, certified and dated by an authorized financial officer. These financial statements may be company-prepared. The statements shall be prepared on a consolidated basis.
 - (c) Promptly, upon sending or receipt, copies of any management letters and correspondence relating to management letters, sent or received by the Borrower to or from the Borrower's auditor. If no management letter is prepared, the Bank may, in its discretion, request a letter from such auditor stating that no deficiencies were noted that would otherwise be addressed in a management letter.
 - (d) Together with each of the annual and quarterly financial statements delivered hereunder, a compliance certificate of the Borrower, signed by an authorized financial officer and setting forth (i) the information and computations (in sufficient detail) to establish compliance with all financial covenants at the end of the period covered by the financial statements then being furnished and (ii) whether there existed as of the date of such financial statements and whether there exists as of the date of the certificate, any default under this Agreement applicable to the party submitting the information and, if any such default exists, specifying the nature thereof and the action the party is taking and proposes to take with respect thereto.
 - (e) Promptly upon the Bank's request, such other books, records, statements, lists of property and accounts, budgets, forecasts or reports as to the Borrower and as to each guarantor of the Borrower's obligations to the Bank as the Bank may request.
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Documents required to be delivered pursuant to paragraphs (a) and (b) of this Section 7.2 shall be deemed to have been delivered on the date on which such documents are filed for public availability on the SEC's Electronic Data Gathering and Retrieval System.

7.3 Funded Debt to EBITDA Ratio.

As of the last day of each quarterly reporting period for which the Bank requires financial statements, using the results of the twelve-month period ending with that reporting period, the consolidated basis a ratio of Funded Debt to EBITDA ("Funded Debt to EBITDA Ratio") shall not exceed 2.00:1.0.

"Funded Debt" means all outstanding liabilities for borrowed money and other interest-bearing liabilities, including current and long term debt.

"EBITDA" means net income, less income or plus loss from discontinued operations and extraordinary items, plus income taxes, plus interest expense, plus depreciation, depletion, and amortization, plus non-cash stock-based compensation expense.

7.4 Dividends and Distributions.

Not to declare or pay any dividends, or purchase, redeem, or otherwise acquire any of its then-outstanding stock or membership interests, or declare or pay distributions and withdrawals (as applicable) to its owners (except (i) dividends payable in capital stock or (ii) payments and distributions made by a subsidiary of the Borrower to the Borrower or to another wholly-owned subsidiary of the Borrower) if, both before and immediately after giving effect thereto:

- (a) Any event of default, or any event which, with notice or lapse of time or both, would constitute an event of default, exists under this Agreement; or
- (b) Borrower's consolidated Funded Debt to EBITDA Ratio would exceed 2.00:1.0.

7.5 Other Debts.

Not to have outstanding or incur any direct or contingent liabilities or lease obligations (other than those to the Bank or to any affiliate of the Bank), or become liable for the liabilities of others, without the Bank's written consent. This does not prohibit:

- (a) Acquiring goods, supplies, or merchandise on normal trade credit.
 - (b) Endorsing negotiable instruments received in the usual course of business.
 - (c) Workers' compensation claims, self-insurance obligations, performance bonds, surety, appeal or similar bonds and completion or other financial guarantees provided by the Borrower in the usual course of business.
 - (d) Liabilities in existence on the date of this Agreement disclosed in the Borrower's most recent financial statement.
 - (e) Additional debts and capital lease obligations for the acquisition of fixed assets, to the extent permitted elsewhere in this Agreement.
 - (f) Indebtedness of any entity that becomes a subsidiary or Borrower or is merged into or consolidated with the Borrower or any subsidiary or any indebtedness assumed in connection with the acquisition of any such assets or secured by a lien on any such assets prior to the acquisition thereof; provided that such indebtedness exists at the time such entity becomes a subsidiary and is not created in contemplation of or in connection with such entity becoming a subsidiary.
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- (g) Intercompany indebtedness and guarantees by the Borrower of indebtedness of its subsidiaries.
- (h) Extensions, renewals, refinancings and replacements of any of the foregoing indebtedness that do not increase the outstanding principal amount thereof (other than by the amount of any fees or expenses incurred in the extensions, renewals, refinancings and replacements thereof) or result in an earlier maturity date.
- (i) Indebtedness under interest rate, commodities and foreign currency exchange protection agreements entered into in the ordinary course of business to manage existing or anticipated risks and not for speculative purposes.
- (j) Securitization Debt in connection with any Permitted Securitization Program.
- (k) Additional debts and capital lease obligations which, together with the Facility No. 1 Commitment and the debts permitted under subparagraphs (d), (e), (f), (h) and (j), above, both before and immediately after giving effect thereto, do not result in Borrower's consolidated Funded Debt to EBITDA Ratio to exceed 2.00:1.0.

7.6 Other Liens.

Not to create, assume, or allow any security interest or lien (including judicial liens) on property the Borrower now or later owns, except:

- (a) Liens and security interests in favor of the Bank or any affiliate of the Bank.
- (b) Liens for taxes not yet due or contested in good faith by the Borrower.
- (c) Liens outstanding on the date of this Agreement and disclosed in the Borrower's most recent financial statement, provided that the total principal amount of debts secured by such liens does not exceed Fifty Million Dollars (\$50,000,000), and all extensions, renewals, refinancings and replacements of such indebtedness permitted pursuant to Section 7.5(h).
- (d) Liens and security interests with respect to indebtedness permitted pursuant to Section 7.5(e) and all extensions, renewals, refinancings and replacements of such indebtedness permitted pursuant to Section 7.5(h).
- (e) Liens on receivables of the Borrower or any direct or indirect subsidiary and the related assets of the type specified in clauses (i) through (iv) in the definition of "Permitted Securitization Program" in connection with any Permitted Securitization Program.

"Permitted Securitization Program" means any transaction or series of transactions that may be entered into by the Borrower or any direct or indirect subsidiary pursuant to which the Borrower or any direct or indirect subsidiary may sell, convey or otherwise transfer to (a) a Securitization Entity (in the case of a transfer by the Borrower or any direct or indirect subsidiary) and (b) 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 Borrower or any direct or indirect subsidiary, and any assets related thereto including (i) all collateral securing such receivables, (ii) all contracts and contract rights and all guarantees or other obligations in respect of such receivables, (iii) proceeds of such receivables, and (iv) 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 \$200,000,000.

"Person" means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization or government (or an agency or political subdivision thereof).

"Priority Indebtedness" means (without duplication) the sum of (a) unsecured indebtedness of the Borrower's direct and indirect subsidiaries other than indebtedness owed to the Borrower or any other subsidiary of the Borrower, (b) indebtedness of the Borrower and its direct and indirect subsidiaries secured by a lien not permitted by subparagraphs (a) through (e) of this Section 7.6 and (c) Securitization Debt.

"Securitization Debt" for the Borrower and its direct and indirect subsidiaries means, in connection with any Permitted Securitization Program, (a) any amount as to which any Securitization Entity or other Person has recourse to the Borrower or any direct or indirect subsidiary with respect to such Permitted Securitization Program by way of any guaranty thereof and (b) the amount of any reserve account or similar account or asset shown as an asset of the Borrower or a direct or indirect subsidiary under generally accepted accounting principles, consistently applied, 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 of the Borrower (or another Person in which the Borrower or any of its direct or indirect subsidiaries makes an investment and to which the Borrower or any of its direct or indirect 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 Borrower (as provided below) as a Securitization Entity (a) no portion of the indebtedness or any other obligations (contingent or otherwise) of which (i) is guaranteed by the Borrower or any of its direct or indirect subsidiaries (excluding guarantees of obligations (other than the principal of, and interest on, indebtedness) pursuant to Standard Securitization Undertakings), (ii) is recourse to or obligates the Borrower or any of its direct or indirect subsidiaries in any way other than pursuant to Standard Securitization Undertakings, or (iii) subjects any property or asset of the Borrower or any other direct or indirect subsidiaries of the Borrower, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings, (b) with which neither the Borrower nor any of its direct or indirect subsidiaries has any material contract, agreement, arrangement or understanding other than on terms no less favorable to the Borrower or such direct or indirect subsidiary than those that might be obtained at the time from Persons that are not affiliates of the Borrower, other than fees payable in the ordinary course of business in connection with servicing receivables of such entity, and (c) to which neither the Borrower nor any of its direct or indirect subsidiaries has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

"Standard Securitization Undertakings" means representations, warranties, covenants, indemnities, repurchase obligations, performance guarantees and similar agreements entered into by the Borrower or any of its direct or indirect subsidiaries that are reasonably customary in a receivables securitization transaction.

7.7 Maintenance of Assets.

- (a) Not to sell, assign, lease, transfer or otherwise dispose of any part of the Borrower's business or the Borrower's assets except (i) in the ordinary course of the Borrower's business, (ii) not in the ordinary course of the Borrower's business in an aggregate amount not exceeding Fifty Million Dollars (\$50,000,000) in any fiscal year or (iii) in connection with any transaction or series of transactions pursuant to which direct and indirect subsidiaries of Borrower are converted, restructured or reorganized for tax or corporate planning, whether by (1) transfer, (2) acquisition, (3) contribution, (4) merger, (5) consolidation, (6) voluntary dissolution, (7) liquidation, (8) recapitalization, (9) change in identity, form, or place of organization, or (10) otherwise, in each case the result of which may cause a direct or indirect sale, assignment or transfer of equity interests and/or other assets between and among Borrower and/or various subsidiaries of Borrower, provided, both before and immediately after giving effect thereto:
-

- (i) No event of default, or any event which, with notice or lapse of time or both, would constitute an event of default, shall exist under this Agreement; or
 - (ii) Borrower's consolidated Funded Debt to EBITDA Ratio shall not exceed 2.00:1.0.
- (b) Not to sell, assign, lease, transfer or otherwise dispose of any assets for less than fair market value, as reasonably determined in good faith by the Borrower, or enter into any agreement to do so.
 - (c) To maintain and preserve all rights, privileges, and franchises the Borrower now has, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.
 - (d) To make any repairs, renewals, or replacements to keep the Borrower's properties in good working condition, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

7.8 Investments.

Not to have any existing, or make any new, investments in any individual or entity, or make any capital contributions or other transfers of assets to any individual or entity, except for:

- (a) Existing investments disclosed to the Bank in writing.
 - (b) Investments in the Borrower's direct and indirect subsidiaries.
 - (c) Investments in any of the following:
 - (i) certificates of deposit;
 - (ii) U.S. treasury bills and other obligations of the federal government;
 - (iii) readily marketable securities (including commercial paper, but excluding restricted stock and stock subject to the provisions of Rule 144 of the Securities and Exchange Commission).
 - (d) The purchase, redemption or other acquisition of its then-outstanding stock or membership interests to the extent permitted under Section 7.4 hereof.
 - (e) Investments consisting of any acquisition permitted pursuant to Section 7.11(b) hereof.
 - (f) Investments consisting of any loan permitted pursuant to Section 7.9 hereof.
 - (g) Other investments that do not exceed an aggregate amount of Twenty-Five Million Dollars (\$25,000,000) outstanding at any one time.
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7.9 Loans.

Not to make any loans, advances or other extensions of credit to any individual or entity, except for:

- (a) Existing extensions of credit disclosed to the Bank in writing.
- (b) Extensions of credit to the Borrower's current subsidiaries.
- (c) Extensions of credit in the nature of accounts receivable or notes receivable arising from the sale or lease of goods or services in the ordinary course of business to non-affiliated entities.
- (d) Loans that do not exceed an aggregate amount of Ten Million Dollars (\$10,000,000) outstanding at any one time.

7.10 Change of Ownership.

Not to cause, permit, or suffer any change in capital ownership such that there is a change of more than thirty percent (30%) in the direct or indirect capital ownership of the Borrower.

7.11 Additional Negative Covenants.

Not to, without the Bank's written consent:

- (a) Enter into any consolidation, merger, or other combination, or become a partner in a partnership, a member of a joint venture, or a member of a limited liability company.
- (b) Acquire or purchase a business or its assets if, both before and immediately after giving effect thereto, (i) any event of default, or any event which, with notice or lapse of time or both, would constitute an event of default, exists under this Agreement; or (ii) the Borrower's consolidated Funded Debt to EBITDA Ratio exceeds 2.00:1.0. Before making any such acquisition, the Borrower must obtain the prior, effective written consent or approval of the board of directors or equivalent governing body of the business being acquired.
- (c) Engage in any business activities substantially different from the Borrower's present business and businesses reasonably related to or complementary extensions of such business.
- (d) Liquidate or dissolve the Borrower's business.

7.12 Notices to Bank.

To promptly notify the Bank in writing of:

- (a) Any substantial dispute between any governmental authority and the Borrower, which individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect.
 - (b) Any event of default under this Agreement, or any event which, with notice or lapse of time or both, would constitute an event of default.
 - (c) Any material adverse change in the Borrower's business condition (financial or otherwise), operations, properties or prospects, or ability to repay the credit.
 - (d) Any change in the Borrower's name, legal structure, state of registration (for a registered entity), place of business, or chief executive office if the Borrower has more than one place of business.
 - (e) Any event or condition relating to health, safety, the environment, or any hazardous substances with regard to the Borrower's property, activities, or operations which could reasonably be expected to result in liability of the Borrower in excess of Ten Million Dollars (\$10,000,000) in the aggregate.
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7.13 Insurance.

- (a) General Business Insurance. To maintain insurance as is usual for the business it is in, which may include self-insurance (whether by a captive insurance company or otherwise), as determined by the Borrower exercising reasonable discretion.
- (b) Evidence of Insurance. Upon the request of the Bank, to deliver to the Bank a copy of each insurance policy, or, if permitted by the Bank, a certificate of insurance listing all insurance in force.

7.14 Compliance with Laws.

To comply with the laws (including any fictitious or trade name statute), regulations, and orders of any government body with authority over the Borrower's business. The Bank shall have no obligation to make any advance to the Borrower except in compliance with all applicable laws and regulations and the Borrower shall fully cooperate with the Bank in complying with all such applicable laws and regulations.

7.15 Books and Records.

To maintain adequate books and records.

7.16 Audits.

To allow the Bank and its agents to inspect the Borrower's properties and examine, audit, and make copies of books and records at any time upon reasonable prior notice to the Borrower. If any of the Borrower's properties, books or records are in the possession of a third party, the Borrower authorizes that third party to permit the Bank or its agents to have access to perform inspections or audits and to respond to the Bank's requests for information concerning such properties, books and records. As long as no event of default, or any event which, with notice or lapse of time or both, would constitute an event of default, under this Agreement has occurred and is continuing, the Bank shall pay all costs and expenses of such audits and inspections and, if an event of default, or any event which, with notice or lapse of time or both, would constitute an event of default, under this Agreement has occurred and is continuing, then the Borrower shall pay all costs and expenses of such audits and inspections.

7.17 Cooperation.

To take any action reasonably requested by the Bank to carry out the intent of this Agreement.

8. HAZARDOUS SUBSTANCES

8.1 Indemnity Regarding Hazardous Substances.

The Borrower will indemnify and hold harmless the Bank from any loss or liability the Bank incurs in connection with or as a result of this Agreement, which directly or indirectly arises out of the use, generation, manufacture, production, storage, release, threatened release, discharge, disposal or presence of a hazardous substance. This indemnity will apply whether the hazardous substance is on, under or about the Borrower's property or operations or property leased to the Borrower. The indemnity includes but is not limited to out-of-pocket attorneys' fees. The indemnity extends to the Bank, its parent, subsidiaries and all of their directors, officers, employees, agents, successors, attorneys and assigns.

8.2 Compliance Regarding Hazardous Substances.

The Borrower represents and warrants that the Borrower has complied with all current and future laws, regulations and ordinances or other requirements of any governmental authority relating to or imposing liability or standards of conduct concerning protection of health or the environment or hazardous substances.

8.3 Notices Regarding Hazardous Substances.

Until full repayment of the loan, the Borrower will promptly notify the Bank in writing of any threatened or pending investigation of the Borrower or its operations by any governmental agency under any current or future law, regulation or ordinance pertaining to any hazardous substance.

8.4 Site Visits, Observations and Testing.

The Bank and its agents and representatives will have the right at any reasonable time, after giving reasonable notice to the Borrower, to enter and visit any locations of the Borrower or its subsidiaries for the purposes of taking and removing environmental samples and conducting tests. Notwithstanding anything to the contrary in this Agreement, as long as no event of default, or any event which, with notice or lapse of time or both, would constitute an event of default, under this Agreement has occurred and is continuing, the Bank shall pay all costs and expenses of such environmental investigation and testing and, if an event of default, or any event which, with notice or lapse of time or both, would constitute an event of default, under this Agreement has occurred and is continuing, then the Borrower shall pay all costs and expenses of such environmental investigation and testing. The Bank will make reasonable efforts during any site visit, observation or testing conducted pursuant to this paragraph to avoid interfering with the Borrower's operations. The Bank is under no duty to conduct tests, and any such acts by the Bank will be solely for the purposes of preserving the Bank's rights under this Agreement. No site visit, observation or testing or any report or findings made as a result thereof ("Environmental Report") (i) will result in a waiver of any default of the Borrower; (ii) impose any liability on the Bank; or (iii) be a representation or warranty of any kind regarding the Environmental Report (including its accuracy or completeness). In the event the Bank has a duty or obligation under applicable laws, regulations or other requirements to disclose an Environmental Report to the Borrower or any other party, the Borrower authorizes the Bank to make such a disclosure. The Bank may also disclose an Environmental Report to any regulatory authority, and to any other parties as necessary or appropriate in the Bank's judgment. The Borrower further understands and agrees that any Environmental Report or other information regarding a site visit, observation or testing that is disclosed to the Borrower by the Bank or its agents and representatives is to be evaluated (including any reporting or other disclosure obligations of the Borrower) by the Borrower without advice or assistance from the Bank.

8.5 Definition of Hazardous Substances.

"Hazardous substances" means any substance, material or waste that is or becomes designated or regulated as "toxic," "hazardous," "pollutant," or "contaminant" or a similar designation or regulation under any current or future federal, state or local law (whether under common law, statute, regulation or otherwise) or judicial or administrative interpretation of such, including without limitation petroleum or natural gas.

8.6 Continuing Obligation.

The Borrower's obligations to the Bank under this Article, except the obligation to give notices to the Bank, shall survive termination of this Agreement and repayment of the Borrower's obligations to the Bank under this Agreement.

9. DEFAULT AND REMEDIES

If any of the following events of default occurs, the Bank may do one or more of the following: declare the Borrower in default, stop making any additional credit available to the Borrower, and require the Borrower to repay its entire debt immediately and without prior notice. If an event which, with notice or the passage of time, will constitute an event of default has occurred and is continuing, the Bank has no obligation to make advances or extend additional credit under this Agreement. In addition, if any event of default occurs, the Bank shall have all rights, powers and remedies available under any instruments and agreements required by or executed in connection with this Agreement, as well as all rights and remedies available at law or in equity. If an event of default occurs under the paragraphs entitled "Bankruptcy" and "Receivers," below, with respect to the Borrower, then the entire debt outstanding under this Agreement will automatically be due immediately.

9.1 Failure to Pay.

The Borrower fails to make a payment of principal under this Agreement when due, or fails to make a payment of interest, any fee or other sum under this Agreement within five (5) days after the date when due.

9.2 Other Bank Agreements.

Any default occurs under any other agreement the Borrower or any of the Borrower's related entities or affiliates has with the Bank or any affiliate of the Bank.

9.3 Cross-default.

Any default occurs under any agreement in connection with any credit the Borrower or any of the Borrower's related entities or affiliates has obtained from anyone else or which the Borrower or any of the Borrower's related entities or affiliates has guaranteed in the amount of Seven Million Five Hundred Thousand Dollars (\$7,500,000) or more in the aggregate.

9.4 False Information.

The Borrower has given the Bank materially false or misleading information or representations.

9.5 Bankruptcy.

The Borrower or any direct or indirect subsidiary of the Borrower files a bankruptcy petition, a bankruptcy petition is filed against any of the foregoing parties, or the Borrower or any direct or indirect subsidiary of the Borrower makes a general assignment for the benefit of creditors.

9.6 Receivers.

A receiver or similar official is appointed for a substantial portion of the Borrower's (on a consolidated basis) business, or the business is terminated or the Borrower is liquidated or dissolved.

9.7 Judgments.

Any judgments or arbitration awards are entered against the Borrower or any direct or indirect subsidiary of the Borrower, or the Borrower or any direct or indirect subsidiary of the Borrower enters into any settlement agreements with respect to any litigation or arbitration, in an aggregate amount not covered by insurance of Ten Million Dollars (\$10,000,000) or more.

9.8 Material Adverse Change.

A material adverse change occurs in the Borrower's consolidated business condition (financial or otherwise), operations, properties or prospects, or ability to repay the loan.

9.9 Government Action.

Any government authority takes action that materially adversely affects the Borrower's consolidated financial condition or ability to repay the loan.

9.10 Default under Related Documents.

Any default occurs under any document required by or delivered in connection with this Agreement or any such document is no longer in effect.

9.11 ERISA Plans.

Any one or more of the following events occurs with respect to a Plan subject to Title IV of ERISA, provided such event or events could reasonably be expected, in the judgment of the Bank, to have a material adverse effect:

- (a) A reportable event shall occur under Section 4043(c) of ERISA.
- (b) Any Plan termination (or commencement of proceedings to terminate a Plan) or the full or partial withdrawal from a Plan under Section 4041 or 4042 of ERISA.

9.12 Other Breach Under Agreement.

A default occurs under any other term or condition of this Agreement not specifically referred to in this Article. This includes any failure or anticipated failure by the Borrower (or any other party named in the Covenants section) to comply with any financial covenants set forth in this Agreement, whether such failure is evidenced by financial statements delivered to the Bank or is otherwise known to the Borrower or the Bank.

10. ENFORCING THIS AGREEMENT; MISCELLANEOUS

10.1 GAAP.

Except as otherwise stated in this Agreement, all financial information provided to the Bank and all financial covenants will be made under generally accepted accounting principles, consistently applied.

10.2 Governing Law.

This Agreement is governed by and shall be interpreted according to federal law and the laws of the State of Utah (the "Governing Law State"), without regard to any choice of law, rules or principles to the contrary. If state or local law and federal law are inconsistent, or if state or local law is preempted by federal law, federal law governs. If the Bank has greater rights or remedies under federal law, whether as a national bank or otherwise, this paragraph shall not be deemed to deprive the Bank of such rights and remedies as may be available under federal law.

10.3 Venue and Jurisdiction.

The Borrower agrees that any action or suit against the Bank arising out of or relating to this Agreement shall be filed in federal court or state court located in the Governing Law State. The Borrower agrees that the Bank shall not be deemed to have waived its rights to enforce this section by filing an action or suit against the Borrower in a venue outside of the Governing Law State. If the Bank does commence an action or suit arising out of or relating to this Agreement, the Borrower agrees that the case may be filed in federal court or state court in the Governing Law State. The Bank reserves the right to commence an action or suit in any other jurisdiction where the Borrower has any presence or is located. The Borrower consents to personal jurisdiction and venue in such forum selected by the Bank and waives any right to contest jurisdiction and venue and the convenience of any such forum. The provisions of this section are material inducements to the Bank's acceptance of this Agreement.

10.4 Successors and Assigns.

This Agreement is binding on the Borrower's and the Bank's successors and assignees. The Borrower agrees that it may not assign this Agreement without the Bank's prior consent. The Bank may sell participations in or assign this loan, and may exchange information about the Borrower (including, without limitation, any information regarding any hazardous substances) with actual or potential participants or assignees. If a participation is sold or the loan is assigned, the purchaser will have the right of set-off against the Borrower.

10.5 Waiver of Jury Trial.

EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER DOCUMENT EXECUTED IN CONNECTION HERewith OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (a) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (b) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER DOCUMENTS CONTEMPLATED HEREBY BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION AND (c) CERTIFIES THAT THIS WAIVER IS KNOWINGLY, WILLINGLY AND VOLUNTARILY MADE.

10.6 Severability: Waivers.

If any part of this Agreement is not enforceable, the rest of the Agreement may be enforced. The Bank retains all rights, even if it makes a loan after default. If the Bank waives a default, it may enforce a later default. Any consent or waiver under this Agreement must be in writing.

10.7 Attorneys' Fees.

The Borrower shall reimburse the Bank for any reasonable out-of-pocket costs and attorneys' fees incurred by the Bank in connection with the enforcement or preservation of any rights or remedies under this Agreement and any other documents executed in connection with this Agreement, and in connection with any amendment, waiver, "workout" or restructuring under this Agreement. In the event of a lawsuit or arbitration proceeding, the prevailing party is entitled to recover costs and reasonable out-of-pocket attorneys' fees incurred in connection with the lawsuit or arbitration proceeding, as determined by the court or arbitrator. In the event that any case is commenced by or against the Borrower under the Bankruptcy Code (Title 11, United States Code) or any similar or successor statute, the Bank is entitled to recover out-of-pocket costs and reasonable attorneys' fees incurred by the Bank related to the preservation, protection, or enforcement of any rights of the Bank in such a case.

10.8 Set-Off.

- (a) In addition to any rights and remedies of the Bank provided by law, upon the occurrence and during the continuance of any event of default under this Agreement, the Bank is authorized, at any time, to set off and apply any and all Deposits of the Borrower held by the Bank or its affiliates against any and all Obligations owing to the Bank. The set-off may be made irrespective of whether or not the Bank shall have made demand under this Agreement, and although such Obligations may be contingent or unmatured or denominated in a currency different from that of the applicable Deposits and without regard for the availability or adequacy of other collateral. Any Deposits may be converted, sold or otherwise liquidated at prevailing market prices in order to effect such set-off.
- (b) The set-off may be made without prior notice to the Borrower or any other party, any such notice being waived by the Borrower to the fullest extent permitted by law. The Bank agrees promptly to notify the Borrower after any such set-off and application; provided, however, that the failure to give such notice shall not affect the validity of such set-off and application.
- (c) For the purposes of this paragraph, "Deposits" means any deposits (general or special, time or demand, provisional or final, individual or joint) as well as any money, instruments, securities, credits, claims, demands, income or other property, rights or interests owned by the Borrower which come into the possession or custody or under the control of the Bank or its affiliates. "Obligations" means all obligations, now or hereafter existing, of the Borrower to the Bank under this Agreement and under any other agreement or instrument executed in connection with this Agreement.

10.9 One Agreement.

This Agreement and any related security or other agreements required by this Agreement, collectively:

- (a) represent the sum of the understandings and agreements between the Bank and the Borrower concerning this credit;
- (b) replace any prior oral or written agreements between the Bank and the Borrower concerning this credit; and
- (c) are intended by the Bank and the Borrower as the final, complete and exclusive statement of the terms agreed to by them.

In the event of any conflict between this Agreement and any other agreements required by this Agreement, this Agreement will prevail. Any reference in any related document to a "promissory note" or a "note" executed by the Borrower and dated as of the date of this Agreement shall be deemed to refer to this Agreement, as now in effect or as hereafter amended, renewed, or restated.

10.10 Indemnification.

The Borrower will indemnify and hold the Bank harmless from any loss, liability, damages, judgments, and costs of any kind relating to or arising directly or indirectly out of (a) this Agreement or any document required hereunder, (b) any credit extended or committed by the Bank to the Borrower hereunder, and (c) any litigation or proceeding related to or arising out of this Agreement, any such document, or any such credit. This indemnity includes but is not limited to out-of-pocket attorneys' fees. This indemnity extends to the Bank, its parent, subsidiaries, affiliates and all of their directors, officers, employees, agents, successors, attorneys, and assigns. This indemnity will survive repayment of the Borrower's obligations to the Bank. All sums due to the Bank hereunder shall be obligations of the Borrower, due and payable promptly upon demand.

10.11 Notices.

Unless otherwise provided in this Agreement or in another agreement between the Bank and the Borrower, all notices required under this Agreement shall be personally delivered or sent by first class mail, postage prepaid, or by overnight courier, to the addresses on the signature page of this Agreement, or sent by facsimile to the fax numbers listed on the signature page, or to such other addresses as the Bank and the Borrower may specify from time to time in writing. Notices and other communications shall be effective (i) if mailed, upon the earlier of receipt or five (5) days after deposit in the U.S. mail, first class, postage prepaid, (ii) if telecopied, when transmitted, or (iii) if hand-delivered, by courier or otherwise (including telegram, lettergram or mailgram), when delivered.

10.12 Headings.

Article and paragraph headings are for reference only and shall not affect the interpretation or meaning of any provisions of this Agreement.

10.13 Counterparts.

This Agreement may be executed in as many counterparts as necessary or convenient, and by the different parties on separate counterparts each of which, when so executed, shall be deemed to be an original, and all of which when taken together shall constitute one and the same Agreement. Delivery of an executed counterpart of this Agreement (or of any agreement or document required by this Agreement and any amendment to this Agreement) by telecopy or other electronic imaging means shall be as effective as delivery of a manually executed counterpart of this Agreement; provided, however, that the telecopy or other electronic image shall be promptly followed by an original if required by the Bank.

10.14 Borrower Information; Reporting to Credit Bureaus.

The Borrower authorizes the Bank at any time to verify or check any information given by the Borrower to the Bank, check the Borrower's credit references, verify employment, and obtain credit reports. The Borrower agrees that the Bank shall have the right at all times to disclose and report to credit reporting agencies and credit rating agencies such information pertaining to the Borrower and/or all guarantors as is consistent with the Bank's policies and practices from time to time in effect.

10.15 Customary Advertising Material.

The Borrower consents to the publication by the Bank of customary advertising material relating to the transactions contemplated hereby using the name, product photographs, logo or trademark of the Borrower.

10.16 Amendments.

This Agreement may be amended or modified only in writing signed by each party hereto.

This Agreement is executed as of the date stated at the top of the first page.

Bank of America, N.A.

Nu Skin Enterprises, Inc.

By /s/ David R Barney
Name: David R. Barney
Title: Senior Vice President

By /s/ Ritch N. Wood
Name: Ritch N. Wood
Title: Chief Financial Officer

Address where notices to
the Bank are to be sent:

Address where notices to
the Borrower are to be sent:

Bank of America, N.A.
300 South Fourth Street, 2nd Floor
Las Vegas, NV 89101
Attention: Brian D. Call, Senior Vice President
Facsimile: 702-824-9065

Nu Skin Enterprises, Inc.
75 West Center Street
Provo, UT 84601
Attention: Treasurer
Facsimile: 801-345-3899

Federal law requires Bank of America, N.A. (the "Bank") to provide the following notice. The notice is not part of the foregoing agreement or instrument and may not be altered. Please read the notice carefully.

USA PATRIOT ACT NOTICE

Federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account or obtains a loan. The Bank will ask for the Borrower's legal name, address, tax ID number or social security number and other identifying information. The Bank may also ask for additional information or documentation or take other actions reasonably necessary to verify the identity of the Borrower, guarantors or other related persons.

FIFTH AMENDMENT

THIS FIFTH AMENDMENT dated as of May 6, 2014 (this "Amendment") amends the Amended and Restated Credit Agreement dated as of May 25, 2012 (as previously amended, the "Credit Agreement") among Nu Skin Enterprises, Inc. (the "Company"), various financial institutions (the "Lenders") and JPMorgan Chase Bank, N.A., as administrative agent (in such capacity, the "Administrative Agent"). Capitalized terms defined in the Credit Agreement are, unless otherwise defined herein or the context otherwise requires, used herein as defined therein.

WHEREAS, the Company, the Lenders and the Administrative Agent have entered into the Credit Agreement; and

WHEREAS, the parties hereto desire to amend the Credit Agreement as set forth herein; NOW, THEREFORE, the parties hereto agree as follows:

SECTION 1 Amendments. Subject to the satisfaction of the conditions precedent set forth in Section 3, the Credit Agreement is amended as follows:

1.1 The definition of "Commitment Amount" contained in Section 1.1 of the Credit Agreement is amended in its entirety to read as follows:

Commitment Amount means (a) from May 6, 2014 through June 29, 2014, \$51,116,264.44, (b) from June 30, 2014 through July 30, 2014, \$36,116,264.44, and (c) thereafter, \$21,116,264.44, in each case (i) giving effect to any reduction pursuant to Section 6.1 (it being understood and agreed that, if the Commitment Amount is reduced pursuant to such Section 6.1, it will not automatically increase at any time thereafter) and (ii) so long as the Commitment Amount does not at any time exceed the amount set forth above for any relevant period, giving effect to any increase pursuant to Section 6.2.

1.2 The definition of, "Termination Date" contained in Section 1.1 of the Credit Agreement is amended by replacing the reference therein to "May 9, 2014" with "August 8, 2014".

1.3 Section 10.15 of the Credit Agreement is amended and restated in its entirety to read as follows:

10.15 Restricted Payments. Not, and not permit any Restricted Subsidiary to, at any time declare or make, or become required to declare or make, any Restricted Payment, unless after giving effect thereto, (i) the aggregate amount of all Restricted Payments declared or made after June 30, 2012 does not exceed the sum of (a) \$100,000,000 plus (b) 100% of (x) the aggregate amount of Cash Flow from Operations for the period commencing on July 1, 2012 and terminating at the end of the last fiscal quarter immediately preceding the date of any proposed Restricted Payment minus (y) the aggregate amount of all Capital Expenditures during such period (the sum of the immediately preceding clauses (a) and (b) at any time being referred to as the "Cash Flow Allowance"); provided that (1) during the fiscal quarter ending March 31, 2014 the aggregate amount of all Restricted Payments declared or made after June 30, 2012 may exceed the applicable Cash Flow Allowance by up to \$50,000,000, (2) during the fiscal quarter ending June 30, 2014 the aggregate amount of all Restricted Payments declared or made after June 30, 2012 may exceed the applicable Cash Flow Allowance by up to \$100,000,000 and (3) during the fiscal quarter ending September 30, 2014 the aggregate amount of all Restricted Payments declared or made after June 30, 2012 may exceed the applicable Cash Flow Allowance by up to \$50,000,000; and (ii) no Event of Default or Unmatured Event of Default exists or would exist after giving effect to such Restricted Payment.

1.4 Schedule 1.1 to the Credit Agreement is amended in its entirety to read as set forth as Schedule 1.1 hereto.

SECTION 2 Warranties. The Company represents and warrants to the Administrative Agent and the Lenders that (a) each warranty set forth in Section 9 of the Credit Agreement (other than Section 9.9(a)) is true and correct in all material respects as of the date of the execution and delivery of this Amendment by the Company, with the same effect as if made on such date (except to the extent any such warranty expressly relates to a specific earlier date, in which case such warranty was true and correct in all material respects as of such earlier date), (b) 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 at any time prior to the Termination Date (or, if later, the date on which all Commitments and Letters of Credit have terminated and all obligations of the Company under the Loan Documents have been paid in full), (c) after giving effect to this amendment, no Event of Default or Unmatured Event of Default exists and (d) the Credit Agreement as amended hereby constitutes the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as such enforceability may be limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally, and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

SECTION 3 Effectiveness. The amendments set forth in Section 1 above shall become effective as of the date hereof (or, in the case of the amendment set forth in Section 1.3 above, as of January 1, 2014) when the Administrative Agent has received (a) counterparts of this Amendment executed by the Company and each Lender and (b) a fully executed and effective amendment to the Senior Note Purchase Agreement and any other Material Credit Facility (if any) which provides for an amendment thereto which is substantially identical to the amendment provided in Section 1.3 above; provided that no such amendment need be provided, for any Material Credit Facility if similar language is already included in such other Material Credit Facility.

SECTION 4 Miscellaneous.

4.1 Continuing Effectiveness, etc. As herein amended, the Credit Agreement shall remain in full force and effect and is hereby ratified and confirmed in all respects. After the effectiveness of this Amendment, all references in the Credit Agreement and the other Loan Documents to "Credit Agreement" or similar terms shall refer to the Credit Agreement as amended hereby.

4.2 Counterparts. This Amendment may be executed in any number of counterparts and by the different parties on separate counterparts, and each such counterpart shall be deemed to be an original but all such counterparts shall together constitute one and the same Amendment Delivery to the Administrative Agent of a counterpart hereof, or a signature page hereto, by facsimile or by email in .pdf or similar format shall be effective as an original, manually-signed counterpart.

4.3 Governing Law. This Amendment shall be a contract made under and governed by the internal laws of the State of New York, without regard to conflict of laws principles.

4.4 Successors and Assigns. This Amendment shall be binding upon the Company, the Lenders and the Administrative Agent and their respective successors and assigns, and shall inure to the benefit of the Company, the Lenders and the Administrative Agent and the respective successors and assigns of the Lenders and the Administrative Agent.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Delivered as of the day and year first above written.

NU SKIN ENTERPRISES, INC.

By: /s/Ritch N. Wood
Title: Chief Financial Officer

JPMORGAN CHASE BANK, N.A., as
Administrative Agents and as a Lender

By: Richard M. Nixon
Title: Senior Underwriter

Nu Skin Fifth Amendment

SCHEDULE 1.1

PRICING SCHEDULE

The Applicable Margin for Floating Rate Loans, Eurodollar Loans and Yen LIBOR Loans, the rate per annum applicable to Letter of Credit fees and the Commitment Fee Rate, respectively, shall be determined in accordance with the table below.

Applicable Margin for Eurodollar Loans and Yen LIBOR Loans	0.7500%
Applicable Margin for Floating Rate Loans	0.000%
Fee for Standby Letters of Credit	1.000%
Commitment Fee Rate	0.250%

Schedule 1.1

THIRD AMENDMENT TO NOTE AGREEMENT

THIS THIRD AMENDMENT, dated as of May 6, 2014 (this "**Amendment**"), to the Amended and Restated Note Purchase and Private Shelf Agreement, dated as of May 25, 2012 (as amended or otherwise modified to date, the "**Note Agreement**"), is between Nu Skin Enterprises, Inc., a Delaware corporation (the "**Company**"), on the one hand, and Prudential Investment Management, Inc. and each of the holders of Notes appearing on the signature pages hereto (collectively "**Prudential**"), on the other hand.

RECITALS

A. Pursuant to the request of the Company, the Company and Prudential now desire to amend the Note Agreement in the respects, but only in the respects, hereinafter set forth.

B. Capitalized terms used herein shall have the respective meanings ascribed thereto in the Note Agreement unless herein defined or the context shall otherwise require.

C. All requirements of law have been fully complied with and all other acts and things necessary to make this Amendment a valid, legal and binding instrument according to its terms for the purposes herein expressed have been done or performed.

NOW, THEREFORE, upon the full and complete satisfaction of the conditions precedent to the effectiveness of this Amendment set forth in Section 3 hereof, and in consideration of good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the Company and Prudential do hereby agree as follows:

Section 1 Amendment to Note Agreement.

1.1 Section 10.10 of the Note Agreement is hereby amended and restated, effective as of January 1, 2014, to read as follows:

10.10 Limitation on Restricted Payments.

The Company will not, and will not permit any Restricted Subsidiary to, at any time declare or make, or become required to declare or make, any Restricted Payment unless after giving effect thereto: (i) the aggregate amount of all Restricted Payments declared or made after June 30, 2012 does not exceed the sum of (a) \$100,000,000, plus (b) 100% of (x) the aggregate amount of Cash Flow from Operations for the period commencing on July 1, 2012 and terminating at the end of the last fiscal quarter immediately preceding the date of any proposed Restricted Payment minus (y) the aggregate amount of all Capital Expenditures during such period (the sum of the immediately preceding clauses (a) and (b) at any time being referred to as the "**Cash Flow Allowance**"), provided that (1) during the quarter ended March 31, 2014 the aggregate amount of all Restricted Payments declared or made after June 30, 2012 may exceed the applicable Cash Flow Allowance by up to \$50,000,000, (2) during the quarter ended June 30, 2014 the aggregate amount of all Restricted Payments declared or made after June 30, 2012 may exceed the applicable Cash Flow Allowance by up to \$100,000,000, and (3) during the quarter ended September 30, 2014 the aggregate amount of all Restricted Payments declared or made after June 30, 2012 provided herein; provided, however that no such amendment need be provided for any Material Credit Facility if similar language is already included in such other Material Credit Facility.

Section 4 Miscellaneous.

4.1 This Amendment may be executed in any number of counterparts, each counterpart constituting an original, but all together only one agreement. Delivery of executed counterparts of this Amendment by telefacsimile or other secure electronic format (pdf) shall be effective as an original.

4.2 The amendments, limited waiver and other modifications set forth in this Amendment shall be limited precisely as written and shall not be deemed to be (a) an amendment, consent or waiver of any other terms or conditions of the Note Agreement or any other document related to the Note Agreement, or (b) a consent to any future amendment, consent or waiver. Except as expressly set forth in this letter, the Note Agreement and the other Transaction Documents shall continue in full force and effect.

4.3 This Amendment shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the internal laws of the State of New York, excluding choice-of-law principles of the law of such state that would require the application of the laws of a jurisdiction other than such state.

[Signature pages follow.]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

NU SKIN ENTERPRISES, INC.

By: /s/ Ritch N. Wood
Name: Ritch N. Wood
Its: Chief Financial Officer

PRUDENTIAL INVESTMENT MANAGEMENT, INC.

By: /s/ David Levine
Its: Vice President

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

By: /s/ David Levine
Its: Vice President

PRUDENTIAL RETIREMENT INSURANCE AND ANNUITY COMPANY

By: Prudential Investment Management, Inc., as investment manager

By: /s/ David Levine
Its: Vice President

PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY

By: /s/ David Levine
Its: Vice President

PRUCO LIFE INSURANCE COMPANY

By: /s/ David Levine
Its: Vice President

MTL INSURANCE COMPANY

By: Prudential Private Placement
Investors, L.P., as investment advisor

By: Prudential Private Placement
Investors, Inc., as its general partner

By: /s/ David Levine
Its: Vice President

GIBRALTAR LIFE INSURANCE CO., LTD.

By: Prudential Investment Management
(Japan), as investment manager

By: Prudential Investment Management, Inc., as sub-adviser

By: /s/ David Levine
Its: Vice President

FOURTH AMENDMENT TO NOTE AGREEMENT

THIS FOURTH AMENDMENT, dated as of August 8, 2014 (this "**Amendment**"), to the Amended and Restated Note Purchase and Private Shelf Agreement, dated as of May 25, 2012 (as amended or otherwise modified to date, the "**Note Agreement**"), is between Nu Skin Enterprises, Inc., a Delaware corporation (the "**Company**"), on the one hand, and Prudential Investment Management, Inc. and each of the holders of Notes appearing on the signature pages hereto (collectively "**Prudential**"), on the other hand.

RECITALS

A. Pursuant to the request of the Company, the Company and Prudential now desire to amend the Note Agreement in respects, but only in the respects, hereafter set forth.

B. Capitalized terms used herein shall have the respective meanings ascribed thereto in the Note Agreement unless herein defined or the context shall otherwise require.

C. All requirements of law have been fully complied with and all other acts and things necessary to make this Amendment a valid, legal and binding instrument according to its terms for the purposes herein expressed have been done or performed.

NOW THEREFORE, upon the full and complete satisfaction of the conditions precedent to the effectiveness of this Agreement set forth in Section 3 hereof, and in consideration of good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the Company and Prudential do hereby agree as follows:

Section 1 Amendment to Note Agreement.

1.1 Section 10.10 of the Note Agreement is hereby amended and restated, effective as of January 1, 2014, to read as follows:

10.10 Limitation on Restricted Payments.

The Company will not, and will not permit any Restricted Subsidiary to, at any time declare or make, or become required to declare or make, any Restricted Payment unless after giving effect thereto: (i) the aggregate amount of all Restricted Payments declared or made after June 30, 2012 does not exceed the sum of (a) \$1000,000,000, plus (b) 100% of (x) the aggregate amount of Cash Flow from Operations for the period commencing the date of any proposed Restricted Payment minus (y) the aggregate amount of all Capital Expenditures during such period (the sum of the immediately preceding clauses (a) and (b) at any time being referred to as the "**Cash Flow Allowance**"), provided that (1) during the quarter ended March 31, 2014 the aggregate amount of all Restricted Payments declared or made after June 30, 2012 may exceed the applicable Cash Flow Allowance by up to \$50,000,000, (2) during the quarter ended June 30, 2014 the aggregate amount of all Restricted Payments declared or made after June 30, 2012 may exceed the applicable Cash Flow Allowance by up to \$110,000,000, and (3) during the quarter ended September 30, 2014 the aggregate amount of all Restricted Payments declared or made after June 30, 2012 may exceed the applicable Cash Flow Allowance by up to \$50,000,000; and (ii) no Default or event of Default exists or would exist after giving effect to such Restricted Payment.

Section 2 Representations and Warranties and Covenants of the Company.

2.1 To induce Prudential to execute and deliver this Amendment (which representations shall survive the execution and delivery of this Amendment), the Company represents and warrants to Prudential that:

(a) this Amendment has been duly authorized, executed and delivered by it and this Amendment constitutes the legal, valid and binding obligation, contract and agreement of the Company, enforceable against it in accordance with its terms, except as enforcement may be limited by (i) bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally, and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law);

(b) The Note Agreement, as amended by this Amendment, constitutes the legal, valid and binding obligation, contract and agreement of the Company, enforceable against it in accordance with its terms, except as enforcement may be limited by (i) bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally, and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law);

(c) the execution, delivery and performance by the Company of this Amendment (i) has been duly authorized by all requisite corporate action and, if required, shareholder action, (ii) does not require the consent or approval of any governmental or regulatory body or agency, and (iii) will not (A) violate (1) any provision of law, statute, rule or regulation or its certificate of incorporation or bylaws, (2) any order of any court of any rule, regulation or order of any other agency or government binding upon it, or (3) any provision of any material indenture, agreement or other instrument to which it is a party or by which its properties or assets are or may be bound, or (B) result in a breach or constitute (alone or with due notice or lapse or both) a default under any indenture, agreement or other instrument referred to in clause (iii)(A)(3) of this Section 2.1(c); and

(d) as of hereof and after giving effect to this Amendment, no Default or Event of Default has occurred which is continuing.

2.2 The Company agrees that it shall promptly pay the reasonable fees and expenses of Vedder Price P.C., in connection with the negotiation, preparation, approval, execution and delivery of this Amendment.

Section 3 Conditions to Effectiveness of This Amendment.

This Amendment shall become effective as of the opening of business on the date hereof upon (a) the delivery to Prudential of executed counterparts of this Amendment, duly executed by the Company and the Required Holders, and (b) the delivery to Prudential of a fully executed and effective amendment to each Material Credit Facility (if any) which provides for amendments thereto which are substantially identical to those provided herein; provided, however, that no such amendment need be provided for any Material Credit Facility if similar language is already included in such other Material Credit Facility.

Section 4 **Miscellaneous.**

4.1 This Amendment may be executed in any number of counterparts, each counterpart constituting an original, but all together only one agreement. Delivery of executed counterparts of this Amendment by telefacsimile or other secure electronic format (pdf) shall be effective as an original.

4.2 The amendments, limited waiver and other modifications set forth in the Amendment shall be limited precisely as written and shall not be deemed to be (a) an amendment, consent or waiver of any other terms or conditions of the Note Agreement or any other document related to the Note Agreement, or (b) a consent to any future amendment, consent or waiver. Except as expressly set forth in this letter, the Note Agreement and other Transaction Documents shall continue in full force and effect.

4.3 This Amendment shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the internal laws of the State of New York, excluding choice-of-law principles of the law of such state that would require the application of the laws of a jurisdiction other than such state.

[Signature pages follow.]

IN WITNES WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

NU SKIN ENTERPRISES, INC.

By: /s/Ritch N. Wood
Name Rich N. Wood
Its: Chief Financial Officer

PRUDENTIAL INVESTMENT MANAGEMENT, INC.

By: /s/David Levine
Its: Vice President

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

By: /s/David Levine
Its: Vice President

PRUDENTIAL RETIREMENT INSURANCE AND ANNUITY COMPANY

By: Prudential Investment Management, Inc., as investment manager

By: /s/David Levine
Its: Vice President

PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY

By: /s/David Levine
Its: Vice President

PRUCO LIFE INSURANCE COMPANY

By: /s/David Levine
Its: Vice President

MTL INSURANCE COMPANY

By: Prudential Private Placement Investors, L.P., as investment advisor

By: Prudential Private Placement Investors, Inc., as its general partner

By: /s/David Levine

Its: Vice President

GIBRALTAR LIFE INSURANCE CO., LTD.

By: Prudential Investment Management (Japan), as investment manager

By: Prudential Investment Management, Inc., as sub-adviser

By: /s/David Levine

Its: Vice President

EXHIBIT 31.1
SECTION 302 – CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, M. Truman Hunt, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Nu Skin Enterprises, Inc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 12, 2014

/s/ M. Truman Hunt
M. Truman Hunt
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2
SECTION 302 – CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Ritch N. Wood, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Nu Skin Enterprises, Inc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 12, 2014

/s/ Ritch N. Wood
Ritch N. Wood
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32.1
SECTION 1350 CERTIFICATION OF CHIEF EXECUTIVE OFFICER

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

In connection with the quarterly report of Nu Skin Enterprises, Inc. (the "Company") on Form 10-Q for the quarterly period ended June 30, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, M. Truman Hunt, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 12, 2014

/s/ M. Truman Hunt
M. Truman Hunt
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 32.2
SECTION 1350 CERTIFICATION OF CHIEF FINANCIAL OFFICER

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

In connection with the quarterly report of Nu Skin Enterprises, Inc. (the "Company") on Form 10-Q for the quarterly period ended June 30, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ritch N. Wood, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 12, 2014

/s/ Ritch N. Wood
Ritch N. Wood
Chief Financial Officer
(Principal Financial Officer)

