

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2007

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)

87-0565309

(IRS Employer
Identification Number)

**75 West Center Street
Provo, UT 84601**

(Address of principal executive offices and zip code)

(801) 345-1000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer

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

Yes No

As of October 31, 2007, 64,748,127 shares of the registrant's Class A common stock, \$.001 par value per share were outstanding.

NU SKIN ENTERPRISES, INC.

2007 FORM 10-Q QUARTERLY REPORT – THIRD QUARTER

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Nu Skin, Pharmanex and Big Planet are trademarks of Nu Skin Enterprises, Inc. or its subsidiaries. The italicized product names used in this Quarterly Report on Form 10-Q are product names, and also, in certain cases, our trademarks.

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PART I. FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS****NU SKIN ENTERPRISES, INC.****Consolidated Balance Sheets (Unaudited)**

(U.S. dollars in thousands)

	<u>September 30, 2007</u>	<u>December 31, 2006</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 118,024	\$ 121,353
Accounts receivable	26,822	19,421
Short term investments	7,700	—
Inventories, net	97,550	92,092
Prepaid expenses and other	43,752	44,093
	<u>293,848</u>	<u>276,959</u>
Property and equipment, net	88,789	85,883
Goodwill	112,446	112,446
Other intangible assets, net	87,912	91,349
Other assets	136,476	98,212
Total assets	<u>\$ 719,471</u>	<u>\$ 664,849</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 28,293	\$ 20,815
Accrued expenses	110,359	120,074
Current portion of long-term debt	31,988	26,652
	<u>170,640</u>	<u>167,541</u>
Long-term debt	183,112	136,173
Other liabilities	67,994	42,155
Total liabilities	<u>421,746</u>	<u>345,869</u>
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Class A common stock - 500 million shares authorized, \$.001 par value, 90.6 million shares issued	91	91
Additional paid-in capital	205,982	199,322

Treasury stock, at cost - 25.8 million and 23.6 million shares	(390,195)	(346,889)
Retained earnings	547,471	531,563
Accumulated other comprehensive loss	(65,624)	(65,107)
	<u>297,725</u>	<u>318,980</u>
Total liabilities and stockholders' equity	<u>\$ 719,471</u>	<u>\$ 664,849</u>

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

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NU SKIN ENTERPRISES, INC.

Consolidated Statements of Income (Unaudited)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Revenue	\$ 290,711	\$ 276,345	\$ 851,592	\$ 826,236
Cost of sales	<u>52,239</u>	<u>48,372</u>	<u>154,008</u>	<u>143,811</u>
Gross profit	<u>238,472</u>	<u>227,973</u>	<u>697,584</u>	<u>682,425</u>
Operating expenses:				
Selling expenses	125,289	120,625	365,044	355,894
General and administrative expenses	93,963	86,337	274,745	265,127
Impairment of assets and other	—	—	—	20,840
Restructuring and other charges	—	—	—	11,115
Total operating expenses	<u>219,252</u>	<u>206,962</u>	<u>639,789</u>	<u>652,976</u>
Operating income	19,220	21,011	57,795	29,449
Other income (expense), net	<u>6</u>	<u>220</u>	<u>109</u>	<u>(2,241)</u>
Income before provision for income taxes	19,226	21,231	57,904	27,208
Provision for income taxes	<u>5,681</u>	<u>8,013</u>	<u>20,067</u>	<u>10,255</u>
Net income	<u>\$ 13,545</u>	<u>\$ 13,218</u>	<u>\$ 37,837</u>	<u>\$ 16,953</u>
Net income per share (Note 2):				
Basic	\$.21	\$.19	\$.58	\$.24
Diluted	\$.21	\$.19	\$.57	\$.24
Weighted-average common shares outstanding:				
Basic	64,616	69,630	65,022	69,986
Diluted	65,334	70,580	65,845	70,934

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

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NU SKIN ENTERPRISES, INC.

Consolidated Statements of Cash Flows (Unaudited)

(U.S. dollars in thousands)

	Nine Months Ended September 30,	
	2007	2006
Cash flows from operating activities:		
Net income	\$ 37,837	\$ 16,953
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	23,992	21,053
Stock-based compensation	6,209	6,819
Impairment of Scanner asset	—	18,984
Changes in operating assets and liabilities:		
Accounts receivable	(6,859)	(2,252)

Inventories, net	(8,564)	(2,347)
Prepaid expenses and other	1,272	1,407
Other assets	(35,591)	(3,882)
Accounts payable	7,502	2,690
Accrued expenses	(16,846)	(11,744)
Other liabilities	22,452	675

Net cash provided by operating activities	31,404	48,356
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Cash flows from investing activities:

Purchases of property and equipment	(16,883)	(28,174)
Proceeds from investment sales	112,775	132,130
Purchases of investments	(120,475)	(132,130)
Purchase of long-term asset	—	(1,981)

Net cash used in investing activities	(24,583)	(30,155)
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Cash flows from financing activities:

Exercises of employee stock options	4,145	3,593
Proceeds from long-term debt	64,845	5,000
Payments of cash dividends	(20,470)	(21,019)
Payments on debt financing	(15,000)	(15,000)
Income tax benefit of options exercised	228	947
Repurchases of shares of common stock	(46,082)	(29,505)

Net cash used in financing activities	(12,334)	(55,984)
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Effect of exchange rate changes on cash	2,184	661
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Net decrease in cash and cash equivalents	(3,329)	(37,122)
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Cash and cash equivalents, beginning of period	121,353	155,409
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Cash and cash equivalents, end of period	\$ 118,024	\$ 118,287
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The accompanying notes are an integral part of these consolidated financial statements.

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NU SKIN ENTERPRISES, INC.

Notes to Consolidated Financial Statements

1. THE COMPANY

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

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 September 30, 2007 and December 31, 2006, and for the three- and nine-month periods ended September 30, 2007 and 2006. 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, 2006.

2. NET INCOME PER SHARE

Net income per share is computed based on the weighted-average common shares outstanding during the periods presented. 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 September 30, 2007 and 2006, stock options totaling 3.4 million and 3.2 million, respectively, and for the nine-month periods ended September 30, 2007 and 2006, stock options totaling 3.3 million and 3.0 million, respectively, were excluded from the calculation of diluted earnings per share because they were anti-dilutive.

3. DIVIDENDS PER SHARE

In February, May and August 2007, the Company's board of directors declared a quarterly cash dividend of \$0.105 per share for all shares of Class A common stock. These quarterly cash dividends of \$6.9 million, \$6.8 million and \$6.8 million were paid on March 21, 2007, June 20, 2007 and September 19, 2007, respectively, to stockholders of record on March 2, 2007, June 1, 2007 and August 31, 2007, respectively.

4. DERIVATIVE FINANCIAL INSTRUMENTS

At September 30, 2007 and December 31, 2006, the Company held forward contracts designated as foreign currency cash flow hedges with notional amounts totaling approximately \$0.9 million and \$10.1 million, respectively, to hedge foreign-currency-denominated intercompany transactions. All such contracts were denominated in Japanese yen. As of September 30, 2007 and December 31, 2006, \$(0.1) million and \$0.2 million of net unrealized gains/(losses), net of related taxes, respectively, were recorded in accumulated other comprehensive loss. The contracts held at September 30, 2007 have maturities through September 2008 and accordingly, all unrealized gains and losses on foreign currency cash flow hedges included in accumulated other comprehensive loss will be recognized in current earnings over the next 12 months. The Company recognized pre-tax gains on foreign currency cash flow hedges of approximately zero and \$0.4 million for the three- and nine-month periods ended September 30, 2007, respectively, and recognized pre-tax gains of \$0.3 million and \$3.1 million on foreign currency cash flow hedges for the three- and nine-month periods ended September 30, 2006, respectively. These gains were recorded as increases to revenue in Japan in the respective periods.

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NU SKIN ENTERPRISES, INC. Notes to Consolidated Financial Statements

5. REPURCHASES OF COMMON STOCK

During the three-month period ended September 30, 2007, the Company did not repurchase any shares of its Class A common stock under its open market repurchase plan. During the nine-month period ended September 30, 2007, the Company repurchased approximately 2,659,000 shares of its Class A common stock under its open market repurchase plan for approximately \$46.1 million. During the three- and nine-month periods ended September 30, 2006, the Company repurchased approximately 1,425,000 and 1,766,000 shares of its Class A common stock under its open market repurchase plan for approximately \$24.1 million and \$29.5 million, respectively.

6. COMPREHENSIVE INCOME

The components of comprehensive income, net of related tax, for the three- and nine-month periods ended September 30, 2007 and 2006, were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Net income	\$ 13,545	\$ 13,218	\$ 37,837	\$ 16,953
Other comprehensive income, net of tax:				
Foreign currency translation adjustment	(1,349)	964	(95)	1,875
Net unrealized gains (losses) on foreign currency cash flow hedges	(115)	295	(160)	336
Less: Reclassification adjustment for realized losses (gains) in current earnings	(8)	(216)	(263)	(1,662)
Comprehensive income	\$ 12,073	\$ 14,261	\$ 37,319	\$ 17,502

7. SEGMENT INFORMATION

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

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NU SKIN ENTERPRISES, INC. Notes to Consolidated Financial Statements

Three Months Ended
September 30,

Nine Months Ended
September 30,

Revenue:	2007	2006	2007	2006
North Asia	\$ 142,590	\$ 147,807	\$ 428,542	\$ 441,100
Greater China	51,993	51,039	153,045	156,883
Americas	52,482	40,506	140,270	121,955
South Asia/Pacific	25,514	22,653	74,137	64,502
Europe	18,132	14,340	55,598	41,796
Totals	\$ 290,711	\$ 276,345	\$ 851,592	\$ 826,236

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

Revenue:	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Nu Skin	\$ 123,020	\$ 107,793	\$ 359,494	\$ 334,626
Pharmanex	162,092	161,315	473,082	471,054
Big Planet	5,599	7,237	19,016	20,556
Totals	\$ 290,711	\$ 276,345	\$ 851,592	\$ 826,236

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

Revenue:	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Japan	\$ 108,689	\$ 118,572	\$ 325,010	\$ 356,010
United States	47,217	35,696	125,250	107,793
South Korea	33,901	29,235	103,532	85,090
Taiwan	24,456	23,938	69,115	69,374
Mainland China	15,859	16,167	50,469	53,675

Long-lived assets:	September 30,		December 31,	
	2007	2006	2007	2006
Japan	\$ 11,679	\$ 11,902		
United States	46,863	43,520		
South Korea	3,756	1,274		
Taiwan	3,422	2,686		
Mainland China	11,338	13,724		

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NU SKIN ENTERPRISES, INC.

Notes to Consolidated Financial Statements

8. DEFERRED TAX ASSETS AND LIABILITIES

The Company accounts for income taxes in accordance with SFAS 109. This statement establishes financial accounting and reporting standards for the effects of income taxes that result from an enterprise's activities during the current and preceding years. It requires an asset and liability approach for financial accounting and reporting of income taxes. The Company pays income taxes in many foreign jurisdictions based on the profits realized in those jurisdictions, which can be significantly impacted by terms of intercompany transactions between the Company and its foreign affiliates. Deferred tax assets and liabilities are created in this process. As of September 30, 2007, the Company has net deferred tax assets of \$53.7 million. The Company has netted these deferred tax assets and deferred tax liabilities by jurisdiction.

9. UNCERTAIN TAX POSITIONS

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

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction, and various states and foreign jurisdictions. With a few exceptions, the Company is no longer subject to U.S. federal, state and local income tax examination by tax authorities for years before 2002. In major foreign jurisdictions, the Company is no longer subject to income tax examinations for years before 2000. The Company is currently under examination in a few foreign jurisdictions; however, the final outcomes of these reviews are not yet determinable.

At January 1, 2007, the Company had \$13.8 million in unrecognized tax benefits of which \$12.7 million, if recognized, would affect the effective tax rate. At the date of adoption, the Company had approximately \$2.2 million of accrued interest and penalties related to uncertain tax positions. Interest and penalties related to uncertain tax positions are recognized as a component of income tax expense. The amount of unrecognized tax benefits decreased by \$1.5 million during the three months ended September 30, 2007 due to the closure of tax years by expiration of the statute of limitations.

10. COMMITMENTS AND CONTINGENCIES

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

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NU SKIN ENTERPRISES, INC.

Notes to Consolidated Financial Statements

The Company is subject to regular audits by federal, state and foreign tax authorities. These audits may result in additional tax liabilities. The Company accounts for such contingent liabilities in accordance with FIN 48 and believes it has appropriately provided for income taxes for all years. Several factors drive the calculation of the Company's 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.

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

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

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NU SKIN ENTERPRISES, INC.

Notes to Consolidated Financial Statements

In Taiwan, the Company is currently subject to an audit by tax authorities with respect to the deductibility of distributor commission expenses in that market. In order to avoid the running of the statute of limitations with respect to the 1999, 2000 and 2001 tax years, the Taiwan tax authorities have disallowed the Company's commission expense deductions for those years and assessed the Company a total of approximately \$26.0 million. At this stage of the discussions, the Company is not required to pay the amount of tax under dispute. The Company is contesting this assessment and is in discussions with the tax authorities in an effort to resolve this matter. Based on its understanding of this matter, management does not believe that it is probable that the Company will incur a loss relating to this matter and accordingly has not provided any related reserves.

11. LONG-TERM DEBT

The Company maintains a \$25.0 million revolving credit facility that originally expired in May 2007, and has been extended for 3 years and now expires in May 2010. Drawings on this revolving credit facility can be used for working capital, capital expenditures and other purposes including repurchases of the Company's outstanding shares of Class A common stock. As of September 30, 2007, there were no outstanding balances under this revolving credit facility.

The Company maintains a \$205.0 million multi-currency private shelf facility with Prudential Investment Management, Inc. of which the full amount has been drawn. As of September 30, 2007, the Company had \$161.9 million outstanding under its shelf facility, \$15.0 million of which is included in the current portion of long-term debt. Of this long-term debt, \$115.0 million is U.S. dollar denominated, bears interest of approximately 5.2% per annum and the related discount is amortized in four tranches between five and ten years. The remaining \$46.9 million as of September 30, 2007, is Japanese yen-denominated senior promissory notes in the aggregate principal amount of 5.8 billion Japanese yen. The notes bear interest of approximately 2.2% per annum, and the related discounts are amortized in two tranches between five and ten years with interest payable semi-annually.

The Company's long-term debt also includes the long-term portion of Japanese yen denominated ten-year senior notes issued to the Prudential Insurance Company of America in 2000. The notes bear interest at an effective rate of 3.0% per annum and are due October 2010, with annual principal payments that began in October 2004. As of September 30, 2007, the outstanding balance on the notes was 5.5 billion Japanese yen, or \$48.3 million, \$12.1 million of which is included in the current portion of long-term debt. The Japanese notes and the revolving and shelf credit facilities are secured by guarantees issued by the Company's material subsidiaries or by pledges of 65% of the outstanding stock of the Company's material foreign subsidiaries.

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NU SKIN ENTERPRISES, INC. Notes to Consolidated Financial Statements

The following table summarizes the Company's debt arrangements as of September 30, 2007:

Facility or Arrangement ⁽¹⁾	Original Principal Amount	Balance as of September 30, 2007 ⁽²⁾	Interest Rate	Repayment terms
2000 Japanese yen denominated notes	9.7 billion yen	5.5 billion yen (\$48.3 million as of September 30, 2007)	3.0%	Notes due October 2010, with annual principal payments that began in October 2004.
2003 \$205.0 million multi-currency uncommitted shelf facility:				
U.S. dollar denominated:	\$50.0 million	\$30.0 million	4.5%	Notes due April 2010 with annual principal payments that began in April 2006.
	\$25.0 million	\$5.0 million	4.0%	Notes due April 2008 with annual principal payments that began in October 2004.
	\$40.0 million	\$40.0 million	6.2%	Notes due July 2016 with annual principal payments beginning July 2010.
	\$40.0 million	\$40.0 million	6.2%	Notes due January 2017 with annual principal payments beginning January 2011.
Japanese yen denominated:	3.1 billion yen	3.1 billion yen (\$27.2 million as of September 30, 2007)	1.7%	Notes due April 2014, with annual principal payments that begin in April 2008.
	2.7 billion yen	2.7 billion yen (\$19.7 million as of September 30, 2007)	2.6%	Notes due September 2017, with annual principal payments that begin September 2011.
2004 \$25.0 million revolving credit facility	N/A	\$0	N/A	Credit facility expires May 2010.

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NU SKIN ENTERPRISES, INC.
Notes to Consolidated Financial Statements

<u>Facility or Arrangement⁽¹⁾</u>	<u>Original Principal Amount</u>	<u>Balance as of September 30, 2007⁽²⁾</u>	<u>Interest Rate</u>	<u>Repayment terms</u>
2007 Korea line of credit	4.5 billion won	\$4.5 billion won (\$4.9 million as of September 30, 2007)	6.0%	Line of credit due May 28, 2008.

- (1) Each of the credit facilities and arrangements listed in the table are secured by guarantees issued by the Company's material domestic subsidiaries and by pledges of 65% of the outstanding stock of the Company's material foreign subsidiaries.
- (2) The current portion of the Company's long-term debt (i.e. becoming due in the next 12 months) includes \$12.1 million of the balance on the Company's 2000 Japanese yen denominated notes, \$15.0 million of the balance on the Company's U.S. dollar denominated debt under the 2003 multi-currency uncommitted shelf facility and all of the Korea line of credit.

12. IMPAIRMENT OF ASSETS AND OTHER

During the first quarter of 2006, the Company recorded impairment and other charges of \$20.8 million, primarily relating to its first generation BioPhotonic Scanners. In February 2006, as a result of the Company's launch of and transition to its second generation BioPhotonic Scanner, the Company determined it was necessary to write down the book value of the existing inventory of the prior model of the Scanner. The impairment charges relating to the Scanner recorded during the quarter ended March 31, 2006 totaled \$19.0 million. In addition, during the quarter ended March 31, 2006, the Company completed a settlement agreement with Razorstream, a service provider of video content for the Company's digital product category, to terminate its purchase commitments for video technology for approximately \$1.8 million.

13. RESTRUCTURING AND OTHER CHARGES

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

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During the second quarter of 2007, the Company recorded restructuring and other charges of \$2.3 million in general and administrative expenses, primarily relating to the restructuring of its Brazil operations. Operating losses in Brazil during the second quarter of 2007 were \$466,000. These charges consisted primarily of office closure charges, such as the write-off of assets and termination of office leases, as well as severance charges related to the termination of employees. These charges are summarized as follows (U.S. dollars in thousands):

	<u>Total Incurred During the 2nd Quarter of 2007</u>	<u>Amounts Paid During the 3rd Quarter of 2007</u>	<u>Accrued as of September 30, 2007</u>
Office closure charges	\$ 1,766	\$ 1,766	\$ —
Severance	527	377	150
Total	<u>\$ 2,293</u>	<u>\$ 2,143</u>	<u>\$ 150</u>

14. SUBSEQUENT EVENTS

The Company's board of directors recently approved payment of a dividend of \$0.105 to stockholders of record on November 30, 2007, to be paid on December 12, 2007. On November 2, 2007, the Company's board of directors authorized an increase of \$100 million to its ongoing repurchase authorization. On November 8, 2007, the Company entered into a \$25 million accelerated repurchase transaction under this program.

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

The following Management's Discussion and Analysis should be read in conjunction with Management's Discussion and Analysis included in our Annual Report on Form 10-K for the year ended December 31, 2006 filed with the Securities and Exchange Commission ("SEC") on March 1, 2007, and our other filings, including Current Reports on Form 8-K, filed with the SEC through the date of this report.

Overview

Our revenue for the three- and nine-month periods ended September 30, 2007 increased 5% and 3%, respectively, to \$290.7 million and \$851.6 million compared to the same periods in 2006. Foreign currency exchange rate fluctuations positively impacted revenue approximately 1% for the three-month period ended September 30, 2007. Foreign currency exchange rate fluctuations did not have a material impact on revenue for the nine-month period ended September 30, 2007. The increase in revenue was primarily a result of year-over-year growth in South Korea, Europe, the United States, and our South Asia/Pacific region. The continued promotion of our sales tools, including the Nu Skin® Galvanic Spa™ System II (the “Galvanic Spa System”), the Pharmanex® BioPhotonic Scanner (the “S2 Scanner”), and the Nu Skin® ProDerm™ Skin Analyzer (the “Proderm Skin Analyzer”), as well as the strength of key product and distributor initiatives contributed to our revenue growth in these markets. The revenue increases in these markets were offset by revenue declines in Japan and China.

Net income for the third quarter of 2007 was \$13.5 million, compared to \$13.2 million for the same prior-year period, and for the nine-month period ended September 30, 2007 was \$37.8 million compared to \$17.0 million for the same prior-year period. Net income was impacted by restructuring and other impairment charges of approximately \$32.0 million in 2006 and approximately \$3.0 million in 2007.

Revenue

North Asia. The following table sets forth revenue for the three- and nine-month periods ended September 30, 2007 and 2006 for the North Asia region and its principal markets (in millions):

	Three Months Ended September 30,			Change	Nine Months Ended September 30,		
	2007	2006			2007	2006	Change
Japan	\$ 108.7	\$ 118.6	(8%)	\$ 325.0	\$ 356.0	(9%)	
South Korea	33.9	29.2	16%	103.5	85.1	22%	
North Asia total	<u>\$ 142.6</u>	<u>\$ 147.8</u>	(4%)	<u>\$ 428.5</u>	<u>\$ 441.1</u>	(3%)	

Foreign currency exchange rate fluctuations did not impact revenue in our North Asia region for the three-month period ended September 30, 2007 and negatively impacted revenue 1% for the nine-month period ended September 30, 2007. In local currency, revenue in Japan was down 7% and 5% for the three- and nine-month periods ended September 30, 2007, respectively. South Korea revenue in local currency for the three- and nine-month periods ended September 30, 2007, improved 13% and 18%, respectively, when compared to prior-year periods.

The revenue decline in Japan was largely a result of continued softness in our distributor numbers and sponsoring activity in this market, with the number of executive distributors and active distributors each decreasing 7% compared to the third quarter of 2006. In April 2006, we hired a new president for our Japan operations, who has been engaged with management in reviewing operations and developing and implementing a plan to renew growth in this market. Based on this review, management believes that past initiatives and promotions have not been focused sufficiently on distributor sponsorship and other core growth strategies. As a result, at the end of the third quarter of 2007 we began implementing aggressive initiatives focused on distributor recruitment and leadership development. The initial results of these initiatives have been positive and our management team continues to work on developing and implementing strategic plans for this market. For example, we also recently launched the same distributor incentive related to the Galvanic Spa that has been positively received by our distributors in the United States and Europe. Revenue for the quarter in Japan also was negatively impacted by convention product purchases by our Japanese distributors attending the International Convention in the United States, which were recorded as revenue in our US market rather than our Japan market.

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South Korea posted year-over-year local currency revenue growth of 13% in the third quarter. This growth was fueled by product and distributor initiatives that have maintained a strong sponsoring environment for our distributors. Compelling product opportunities for the market include the Galvanic Spa System II, our top-selling Nu Skin 180° Anti-Aging Skin Therapy System, as well as a continued focus on nutrition products including *LifePak* and *g3*. We are also planning to launch *TriPhasic White*, a global top-seller, in this market. The number of active and executive distributors increased 24% and 23%, respectively, during the third quarter of 2007 compared to the same prior-year period.

Greater China. The following table sets forth revenue for the three- and nine-month periods ended September 30, 2007 and 2006 for the Greater China region and its principal markets (in millions):

	Three Months Ended September 30,			Change	Nine Months Ended September 30,		
	2007	2006			2007	2006	Change
Taiwan	24.4	23.9	2%	69.1	69.4	—*	
Mainland China	\$ 15.9	\$ 16.2	(2%)	\$ 50.5	\$ 53.7	(6%)	
Hong Kong	11.7	10.9	7%	33.4	33.8	(1%)	
Greater China total	<u>\$ 52.0</u>	<u>\$ 51.0</u>	2%	<u>\$ 153.0</u>	<u>\$ 156.9</u>	(2%)	

* Less than 1%

Foreign currency exchange rate fluctuations positively impacted revenue in our Greater China region by approximately 1% for the three-month period ended September 30, 2007 and less than 1% for the nine-month period ended September 30, 2007.

In local currency, revenue in Taiwan was up 3% and 1%, respectively, for the three- and nine-month periods ended September 30, 2007. The revenue growth in Taiwan is largely attributed to strong sales in our weight management products. Executive distributors in Taiwan increased 3%, and active distributors declined 3% during the quarter compared to the same prior-year period.

In China, our business remained soft as we continue to transition our business model in this market. Revenue, on a local currency basis, was down 7% on a year-over-year basis, and 9% on a sequential basis. In the second quarter, we replaced our management team in this market. As the direct selling and regulatory environment continues to evolve and develop in this market, our new management team is in the process of making changes to our business model in this market to take advantage of these developments, to better align our direct selling business model and employee sales model, and to help reduce our overhead and

improve profitability. These business model changes will allow us to engage independent direct sales representatives as well as offer part-time employment for sales representatives, which will provide a smoother integration between our direct selling model and our employee model. This will allow us to provide a supplemental income opportunity to individuals who may not be interested in working full-time in this business as well as reduce our selling expenses, as the amount of social benefits and taxes would be lower under this model. We anticipate the changes will be fully implemented by April 2008.

We also plan to streamline our operations in this market by altering our current store strategy. We will open new flagship stores in key cities within China, while closing small retail outlets and branch offices in secondary cities. We believe we can operate more effectively and efficiently by focusing our business around our larger flagship stores, complemented with stores which have an improved image. As a result, we plan to open 5 flagship stores in Shanghai, Beijing, Guangzhou, Shenzhen and Xian and close approximately 67 of our current 115 retail stores in China. With fewer stores in operation and more efficiently running stores in place, we will be able to reduce our overhead expenses in China, through a reduction in labor and occupancy costs. Our strategic focus in the near-term will be on implementing our growth initiatives in our key provinces and municipalities, Shanghai, Beijing and Guangdong, which account for more than 50% of our revenue.

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In Hong Kong, revenue in local currency for the three-month period ended September 30, 2007, improved 7% compared to the prior-year period, while revenue for the nine-month period ended September 30, 2007 was relatively level with the prior-year period. Revenue for the nine-month period in 2006 included sales to non-Hong Kong distributors attending the regional convention held in this market. In Hong Kong, executive distributors were up 6% and active distributors were down 1% for the quarter compared to the third quarter of 2006.

Americas. The following table sets forth revenue for the three- and nine-month periods ended September 30, 2007 and 2006 for the Americas region and its principal markets (in millions):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2007	2006	Change	2007	2006	Change
United States	\$ 47.2	\$ 35.7	32%	\$ 125.3	\$ 107.8	16%
Canada	3.1	2.5	24%	8.3	7.5	11%
Latin America	2.2	2.3	(4%)	6.7	6.6	2%
Americas total	<u>\$ 52.5</u>	<u>\$ 40.5</u>	30%	<u>\$ 140.3</u>	<u>\$ 121.9</u>	15%

Revenue in the United States continued to be positively impacted by several key initiatives implemented in each of our product categories during the past year. In particular, the Galvanic Spa System II has been a primary focus of many of our distributor leaders and has helped drive significant growth in our personal care revenue. We have implemented distributor incentives around the Galvanic Spa System II to increase the initial earnings opportunity for new distributors, which we believe has contributed to the revenue growth. Additionally, during the quarter, the United States hosted our global convention, which positively impacted revenue in the market by approximately \$5.0 million as a result of product and convention fee revenue from foreign distributors attending the convention.

At our global convention held in September, we introduced an array of new products and distributor tools which we believe helped contribute to the growth in revenue. These products and tools include, *myVictory* weight control plan, a new version of the Galvanic Spa System II, an S2 Scanner upgrade, which eliminates the need for calibration, and TruFace Essence Ultra. These new products will initially be launched only in the United States market with plans to introduce globally in the future.

We announced that we would be restructuring our Brazil operations after many years of disappointing results. We have closed our offices in Sao Paulo, narrowed our product offering and moved our call center operations to our U.S. headquarters. We continue to provide products for personal use consumption and distributor support for this market from other regional markets.

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South Asia/Pacific. The following table sets forth revenue for the three- and nine-month periods ended September 30, 2007 and 2006 for the South Asia/Pacific region and its principal markets (in millions):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2007	2006	Change	2007	2006	Change
Singapore/Malaysia/Brunei	\$ 9.9	\$ 9.0	10%	\$ 28.6	\$ 24.6	16%
Thailand	8.1	7.0	16%	23.0	19.1	20%
Australia/New Zealand	4.1	3.3	24%	12.3	10.1	22%
Indonesia	2.2	2.7	(19%)	6.6	7.8	(15%)
Philippines	1.2	.7	71%	3.6	2.9	24%
South Asia/Pacific total	<u>\$ 25.5</u>	<u>\$ 22.7</u>	12%	<u>\$ 74.1</u>	<u>\$ 64.5</u>	15%

Foreign currency exchange rate fluctuations positively impacted revenue in South Asia/Pacific by 10% in the third quarter of 2007 and for the nine-month period ended September 30, 2007 compared to the same prior-year period. The majority of the markets within this region experienced revenue growth during the quarter. The growth was fueled in part by continued success of our TRA family of weight loss products. Active distributors in the region decreased 11% while executive distributors increased 4% in the third quarter compared to the same prior-year period.

Europe. The following table sets forth revenue for the three- and nine-month periods ended September 30, 2007 and 2006 for Europe (in millions):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2007	2006	Change	2007	2006	Change
Europe	\$ 18.1	\$ 14.3	27%	\$ 55.6	\$ 41.8	33%

We experienced growth throughout our European markets in the third quarter driven by continued growth in our personal care division. We believe that our success in Europe is attributable to enthusiasm and strong alignment of our distributor leaders behind key initiatives, including the Galvanic Spa System, the Scanner, and the ProDerm Skin Analyzer. Active distributors in the region improved 15%, while the number of executive distributors improved 20% when compared to the prior-year period.

Gross profit

Gross profit as a percentage of revenue decreased to 82.0% and 81.9% for the three- and nine-month periods ended September 30, 2007 from 82.5% and 82.6% for the same periods in 2006. The decrease is due in part to a shift in our product mix as our Japan business, which historically has our strongest gross margins, now represents a smaller percentage of our overall business. Gross margins have also been impacted by the increase in sales of tools that have lower margins such as the Galvanic Spa.

Selling expenses

Selling expenses as a percentage of revenue decreased to 43.1% and 42.9% for the three and nine-month periods ended September 30, 2007 from 43.7% and 43.1% for the same periods in 2006. The improvement for the third quarter of 2007 compared to the prior-year is largely related to the phase-in of some compensation plan changes in Japan in the second quarter of last year, which resulted in us paying additional compensation during the transition period. We have introduced a temporary distributor incentive in Japan at the end of the third quarter of 2007, which we expect will result in a slight increase in selling incentives, as a percent of revenue, in the fourth quarter of 2007.

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General and administrative expenses

General and administrative expenses as a percentage of revenue increased to 32.3% for the three- and nine-month periods ended September 30, 2007 from 31.2% and 32.1% for the same prior-year periods, respectively. In U.S. dollars, general and administrative expenses increased for the three- and nine-month periods to \$94.0 million and \$274.7 million from \$86.3 million and \$265.1 million for the same periods in 2006. The increase is primarily attributable to the company's global distributor convention, which was not held in the prior-year.

During the fourth quarter, we plan to take steps to reduce our overall general and administrative expenses by reducing labor and occupancy costs. We anticipate that we will incur approximately \$10 million to \$14 million in restructuring charges in the fourth quarter in connection with implementing these changes, primarily consisting of severance and other compensation charges and the costs related to termination of leasehold interests. We anticipate that our 2008 general and administrative expenses will be approximately \$15 million lower than 2007.

Other income (expense), net

Other income (expense), net for the three- and nine-month periods ended September 30, 2007 was approximately zero and \$0.1 million of income compared to \$0.2 million of income and \$2.2 million of expense for the same periods in 2006. Fluctuations in other income (expense) net are due to foreign exchange fluctuations to the U.S. dollar on the translation of yen-based bank debt and other foreign denominated intercompany balances into U.S. dollars for financial reporting purposes.

Provision for income taxes

Provision for income taxes for the three- and nine-month periods ended September 30, 2007 was \$5.7 million and \$20.1 million of expense compared to \$8.0 million and \$10.3 million of expense for the same periods in 2006. The effective tax rate was 29.6% and 34.7% of pre-tax income during the three- and nine-month periods ended September 30, 2007, respectively, compared to a rate of 37.7% in the same prior-year periods. This lower tax rate in the third quarter of 2007 resulted from the impact of the closure of tax years by expiration of the statute of limitations under the provisions of FIN 48. We expect our tax rate for the year to be between 35% and 36%, excluding any impact from fourth quarter restructuring charges. Under the provisions of FAS 109, we continue to evaluate our ability to utilize net operating losses and corresponding deferred tax assets on an on-going basis with particular attention to deferred tax assets associated with losses sustained in China. If we determine we won't be able to utilize a loss, it may result in a valuation allowance, resulting in a charge to earnings.

Net income

Net income for the three-month period ended September 30, 2007 increased to \$13.5 million compared to \$13.2 million for the prior year period, and increased to \$37.8 million for the first-nine months of the year compared to \$17.0 million for the same period in 2006. The nine-month comparisons were impacted by pre-tax impairment and restructuring charges of \$20.8 million and \$11.1 million, respectively, in 2006.

Liquidity and Capital Resources

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

We typically generate positive cash flow from operations due to favorable gross margins and the variable nature of selling expenses, which constitute a significant percentage of operating expenses. We generated \$31.4 million in cash from operations during the nine-month period ended September 30, 2007, compared to \$48.4 million during the same period in 2006. The decrease in cash generated from operations is primarily due to fluctuations in receivables and inventory as well as the increase in taxes as a result of higher taxable income in 2007.

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As of September 30, 2007, working capital was \$123.2 million, compared to \$109.4 million as of December 31, 2006. Cash and cash equivalents, plus short-term investments, at September 30, 2007 and December 31, 2006 were \$125.7 million and \$121.4 million, respectively.

Capital expenditures in the first nine months of 2007 were \$16.9 million. We anticipate additional capital expenditures of approximately \$5 to \$10 million through the remainder of 2007. These capital expenditures are primarily related to:

- the purchase of computer systems and software;
- upgrades and renovations to walk-in-centers in corporate facilities and in key markets; and
- purchases of Scanners.

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We currently have debt pursuant to various credit facilities and other borrowings. The following table summarizes these debt arrangements as of September 30, 2007:

Facility or Arrangement ⁽¹⁾	Original Principal Amount	Balance as of September 30, 2007 ⁽²⁾	Interest Rate	Repayment terms
2000 Japanese yen denominated notes	9.7 billion yen	5.5 billion yen (\$48.3 million as of September 30, 2007)	3.0%	Notes due October 2010, with annual principal payments that began in October 2004.
2003 \$205.0 million multi-currency uncommitted shelf facility:				
U.S. dollar denominated:	\$50.0 million	\$30.0 million	4.5%	Notes due April 2010 with annual principal payments that began in April 2006.
	\$25.0 million	\$5.0 million	4.0%	Notes due April 2008 with annual principal payments that began in October 2004.
	\$40.0 million	\$40.0 million	6.2%	Notes due July 2016 with annual principal payments beginning July 2010.
	\$40.0 million	\$40.0 million	6.2%	Notes due January 2017 with annual principal payments beginning January 2011.
Japanese yen denominated:	3.1 billion yen	3.1 billion yen (\$27.2 million as of September 30, 2007)	1.7%	Notes due April 2014, with annual principal payments that begin in April 2008.
	2.7 billion yen	2.7 billion yen (\$19.7 million as of September 30, 2007)	2.6%	Notes due September 2017, with annual principal payments that begin September 2011.
2004 \$25.0 million revolving credit facility	N/A	\$0	N/A	Credit facility expires May 2010.
2007 Korea line of credit	4.5 billion won	\$4.5 billion won (\$4.9 million as of September 30, 2007)	6.0%	Line of credit due May 28, 2008.

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

(2) The current portion of our long-term debt (i.e. becoming due in the next 12 months) includes \$12.1 million of the balance on our 2000 Japanese yen denominated notes, \$15.0 million of the balance on our U.S. dollar denominated debt under the 2003 multi-currency uncommitted shelf facility and all of the Korea line of credit.

Our board of directors has approved a stock repurchase program authorizing us to repurchase our outstanding shares of Class A common stock on the open market or in private transactions. The repurchases are used primarily for our equity incentive plans and strategic initiatives. During the first nine months of 2007, we repurchased approximately 2,659,000 shares of Class A common stock under this program for an aggregate amount of approximately \$46.1 million. At September 30, 2007, approximately \$14.6 million was available for repurchases under the stock repurchase program. On November 2, 2007, our board of

directors authorized an increase of \$100 million to our ongoing share repurchase authorization. We also entered into a \$25 million accelerated repurchase transaction under this program on November 7, 2007.

In February, May and August 2007, our board of directors declared a quarterly cash dividend of \$0.105 per share for all shares of Class A common stock. These quarterly cash dividends of \$6.9 million, \$6.8 million and \$6.8 million were paid on March 21, 2007, June 20, 2007 and September 19, 2007 to stockholders of record on March 2, 2007, June 1, 2007 and August 31, 2007. Our board of directors recently approved payment of a dividend of \$0.105 on December 12, 2007, to stockholders of record on November 30, 2007. Currently, we anticipate that our board of directors will continue to declare quarterly cash dividends and that the cash flows from operations will be sufficient to fund our future dividend payments. However, the continued declaration of dividends is subject to the discretion of our board of directors and will depend upon various factors, including our net earnings, financial condition, cash requirements, future prospects and other factors deemed relevant by our board of directors.

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

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

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

In Taiwan, we are currently subject to an audit by tax authorities with respect to the deductibility of distributor commission expenses in that market. In order to avoid the running of the statute of limitations with respect to the 1999, 2000 and 2001 tax years, the Taiwan tax authorities have disallowed our commission expense deductions for those years and assessed us a total of approximately \$26.0 million. At this stage of the discussions, we are not required to pay the amount of tax under dispute. We are contesting this assessment and are in discussions with the tax authorities in an effort to resolve this matter. Based on our understanding of this matter, we do not believe that it is probable that we will incur a loss relating to this matter and accordingly have not provided any related reserves.

Critical Accounting Policies

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

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

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Income Taxes. We account for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes." This statement establishes financial accounting and reporting standards for the effects of income taxes that result from an enterprise's activities during the current and preceding years. It requires an asset and liability approach for financial accounting and reporting of income taxes. We pay income taxes in many foreign jurisdictions based on the profits realized in those jurisdictions, which can be significantly impacted by terms of intercompany transactions among our affiliates around the world. Deferred tax assets and liabilities are created in this process. As of September 30, 2007, we had net deferred tax assets of \$53.7 million. These net deferred tax assets assume sufficient future earnings will exist for their realization, as well as the continued application of current tax rates. We have considered projected future taxable income and ongoing tax planning strategies in determining that no valuation allowance is required. In the event we were to determine that we would not be able to

realize all or part of our net deferred tax assets in the future, an adjustment to the deferred tax assets would be charged to earnings in the period such determination was made.

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

We and our subsidiaries file income tax returns in the U.S. federal jurisdiction, and various states and foreign jurisdictions. With a few exceptions, we are no longer subject to U.S. federal, state and local income tax examination by tax authorities for years before 2002. In major foreign jurisdictions, we are no longer subject to income tax examinations for years before 2000. We are currently under examination in a few foreign jurisdictions; however, the final outcomes of these reviews are not yet determinable.

At January 1, 2007, we had \$13.8 million in unrecognized tax benefits of which \$12.7 million, if recognized, would affect the effective tax rate. At the date of adoption, we had approximately \$2.2 million of accrued interest and penalties related to uncertain tax positions. Interest and penalties related to uncertain tax positions are recognized as a component of income tax expense. The amount of unrecognized tax benefits decreased by a net amount of \$1.2 million, during the three months ended September 30, 2007.

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

Intangible Assets. Under the provisions of SFAS No. 142, “Goodwill and Other Intangible Assets” (“SFAS 142”), our goodwill and intangible assets with indefinite useful lives are not amortized. Our intangible assets with finite lives are recorded at cost and amortized over their respective estimated useful lives and are reviewed for impairment in accordance with SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets.” We are required to make judgments regarding the useful lives of our intangible assets. With the implementation of SFAS 142, we determined certain intangible assets to have indefinite lives based upon our analysis of the requirements of SFAS No. 141, “Business Combinations” (“SFAS 141”) and SFAS 142. Under the provisions of SFAS 142, we are required to test these assets for impairment at least annually. No impairment charges related to intangible assets were recognized during the three- and nine-month periods ended September 30, 2007 or 2006. To the extent an impairment is identified in the future, we will record the amount of the impairment as an operating expense in the period in which it is identified.

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

Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (“SFAS 157”), which defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosures about fair value measurements. SFAS 157 is effective January 1, 2008. We are currently evaluating the impact of SFAS 157 on our consolidated financial statements.

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

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 in Japan, the United States and Europe is also generally negatively impacted during the third quarter, when many individuals, including our distributors, traditionally take vacations.

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

Distributor Information

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

Region:	As of September 30, 2007		As of September 30, 2006	
	Active	Executive	Active	Executive
North Asia	324,000	14,621	329,000	14,863
Greater China	144,000	6,249	155,000	6,246
Americas	155,000	4,469	152,000	3,970
South Asia/Pacific	67,000	2,177	74,000	2,093
Europe	54,000	1,830	47,000	1,408
Total	744,000	29,346	757,000	28,580

Currency Risk and Exchange Rate Information

A majority of our revenue and many of our expenses are recognized outside of the United States, except for inventory purchases, which are primarily transacted in U.S. dollars from vendors in the United States. The local currency of each of our Subsidiaries' primary markets is considered the functional currency. All revenue and expenses are translated at weighted-average exchange rates for the periods reported. Therefore, our reported revenue and earnings will be positively impacted by a weakening of the U.S. dollar and will be negatively impacted by a strengthening of the U.S. dollar. The Chinese government is beginning to allow the yuan to float more freely against the U.S. dollar and other major currencies. A strengthening of the yuan benefits our reported revenue and profits and a weakening of the yuan negatively impacts reported revenue and profits. Similarly, given the large portion of our business derived from Japan, any weakening of the yen negatively impacts reported revenue and profits, whereas a strengthening of the yen positively impacts our reported revenue and profits. Given the uncertainty of exchange rate fluctuations, we cannot estimate the effect of these fluctuations on our future business, product pricing and results of operations or financial condition.

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

Our foreign currency derivatives are comprised of over-the-counter forward contracts with major international financial institutions. As of September 30, 2007, we had \$0.9 million of these contracts with expiration dates through September 2008. All of these contracts were denominated in Japanese yen. For the three- and nine-month periods ended September 30, 2007, we recorded pre-tax gains of approximately zero and \$0.4 million, which were included in our revenue in Japan, and gains/(losses) of \$(0.1) million and \$0.2 million as of September 30, 2007 and December 31, 2006, net of tax, in other comprehensive income related to the fair market valuation of our outstanding forward contracts. Based on our foreign exchange contracts at September 30, 2007, the impact of a 10% appreciation or 10% depreciation of the U.S. dollar against the Japanese yen would not represent a material potential loss in fair value, earnings or cash flows against these contracts. This potential loss does not consider the underlying foreign currency transaction or translation exposures to which we are subject.

Note Regarding Forward-Looking Statements

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

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- our plans to launch or to continue to roll out certain products, tools and other initiatives in our various markets, and our belief that these initiatives and other recent product launches and initiatives will positively impact our business going forward;
- our plans regarding changes to our business model in China and its anticipated impact on our business;
- our expectations that selling expenses, as a percentage of revenue, will increase slightly in the fourth quarter as a result of temporary distributor incentives in Japan;
- our plans to reduce general and administrative expenses by \$15 million in 2008, and our anticipated restructuring charges of \$10 million to \$14 million;
- our expectation regarding our tax rate for the balance of the year;
- our expectation that we will spend approximately \$5 million to \$10 million for capital expenditures during the remainder of 2007;
- our anticipation that our board of directors will continue to declare quarterly cash dividends and that the cash flows from operations will be sufficient to fund our future dividend payments;
- our belief that we have sufficient liquidity to be able to meet our obligations on both a short- and long-term basis and that existing cash balances together with future cash flows from operations and existing lines of credit will be adequate to fund our cash needs;
- our expectations that we will be successful in our appeal of the duty assessments by the Yokohama customs through the judicial court system in Japan and recover the \$25 million additional assessment paid by us;
- our belief that recent modifications to our business structure in Japan and in the United States should eliminate any further customs valuation disputes with respect to product imports in Japan; and
- our belief that it is not probable that we will incur a loss relating to the Taiwan audit.

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

We wish to caution readers that our operating results are subject to various risks and uncertainties that could cause our actual results and outcomes to differ materially from those discussed or anticipated. Reference is made to the risks and uncertainties described below and in our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and amendments thereto (which contains a more detailed discussion of the risks and uncertainties related to our business). We also wish to advise readers not to place any undue reliance on the forward-looking statements contained in this report, which reflect our beliefs and expectations only as of the date of this report. We assume no obligation to update or revise these forward-looking statements to reflect new events or circumstances or any changes in our beliefs or expectations, except as required by law. Some of the risks and uncertainties that might cause actual results to differ from those anticipated include, but are not limited to, the following:

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(a) Because a substantial majority of our sales are generated in Asia, particularly Japan, significant variations in operating results including revenue, gross margin and net income from those expected could be caused by:

- continued weakening of the Japanese yen;
- regulatory constraints with respect to the claims we can make regarding the efficacy of our products and tools;
- increasing competitive pressures;
- weakness of Asian economies or consumer confidence;
- political unrest or uncertainty;
- continued contraction of the direct selling industry in Japan; or
- natural disasters or epidemics.

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

(c) China’s anti-pyramiding and direct selling regulations allow direct selling but contain significant restrictions and limitations, including a restriction on multi-level compensation. Government regulators, both on a national and local level, have significant discretion in interpreting and applying these regulations. As a result, the development of direct selling in this market continues to evolve and there continues to be a high level of uncertainty and ambiguity regarding the interpretation and enforcement of these regulations. Our business and our growth prospects may be harmed if Chinese regulators interpret the anti-pyramiding regulations or direct selling regulations in such a manner that our current method of conducting business through the use of employed sales representatives violates these regulations. In particular, our business would be harmed by any determination that our current method of compensating our sales employees, including our use of the sales productivity of a sales employee and the group of sales employees whom he or she trains and supervises as one of the factors in establishing such sales employee’s salary and compensation, violates the restriction on multi-level compensation under the new rules. Our business could also be harmed if regulators inhibit our ability to concurrently operate our retail store/employed sales representative business model and our direct selling business. Although we have obtained a direct selling license in China, our current license only allows us to conduct direct selling in a limited area in Shanghai. If we are unable to establish required service centers or obtain additional necessary national and local licensing as quickly as we would like, or if we are not able to offer a direct selling opportunity that is attractive to distributors as a result of the limitations under the direct selling regulations, our ability to grow our business there could be negatively impacted.

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(d) Our ability to retain key and executive level distributors or to sponsor new executive distributors is critical to our success. Like most direct selling companies, we experience high turnover among distributors from year to year. Because our products are distributed exclusively through our distributors and we compete with other direct selling companies in attracting distributors, our operating results could be adversely affected if our existing and new business opportunities and incentives, products, business tools and other initiatives do not generate sufficient enthusiasm and economic incentive to retain our existing distributors and increase sponsorship of new distributors and preferred customers on a sustained basis. In addition, in our more mature markets, one of the challenges we face is keeping distributor leaders, who have large, established sales networks generating high commission levels, motivated and actively engaged in business building activities and in developing new distributor leaders. There can be no assurance that our initiatives such as the Scanner, Galvanic II, and others will continue to generate excitement among our distributors in the long-term or that planned initiatives will be successful in maintaining distributor activity and productivity or in motivating distributor leaders to remain engaged in business building and developing new distributor leaders. In addition, some initiatives may have unanticipated negative impacts on our markets. For example, modifications made to compensation incentives, at times, have not been well received and contributed to declines in distributor numbers and revenue results.

(e) Our use of the Scanner, ProDerm and the Galvanic Spa II are subject to regulatory risks and uncertainties in our various markets. For example, in March 2003 the United States Food and Drug Administration (the “FDA”) questioned the status of the Scanner as a non-medical device and we subsequently filed an application with the FDA to have the Scanner classified as a non-medical device. The FDA has not yet acted on our application. There are various factors that could determine whether a tool is a medical device, including the claims that we or our distributors make about it. We face similar regulatory issues in other

markets. For example, we faced regulatory inquiries in Singapore, Korea and Japan regarding distributor claims with respect to the Scanner. Although these matters have not resulted in any adverse action against us, our revenue in any market going forward could be negatively impacted if we face similar issues in the future or if such inquiries weaken distributor enthusiasm surrounding a tool. A determination in any market that a tool is a medical device or that distributors are using it to make medical claims could negatively impact our ability to use a tool in such market. In addition, if distributors make claims regarding a tool outside of claims approved by us, or use it in a manner not authorized by us, this could result in regulatory actions against our business.

(f) Our current and planned initiatives surrounding the S2 Scanner and the Nu Skin® ProDerm™ skin analysis tool in our various markets are subject to technical and regulatory risks and uncertainties. The S2 Scanner and ProDerm are newly developed tools and we cannot be certain that they will consistently meet performance expectations. If we continue to experience difficulties or delays in completing this process that prevent us from meeting our launch schedules or developing a tool that performs the desired functions, our business may be harmed. Our plans are also subject to regulatory risks, particularly in Japan, where regulatory requirements impose limitations on the use of this tool and on claims that may be made in connection with its use. Such limitations in Japan or any other markets could weaken the ability of our distributors to utilize our tools in building their businesses, and could dampen distributor enthusiasm surrounding it.

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

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(h) As we take steps to improve gross margins and reduce overhead, there could be unintended negative consequences, including business disruptions, revenue declines and/or a loss of employees. Further, we may not realize the cost improvements and greater efficiencies as we hope for as a result of unanticipated expenses or business developments or the inability to effectively implement our strategic plans. In addition, as we continually evaluate strategic reinvestment of any savings generated as a result of our restructuring efforts, we may not ultimately achieve the amount of savings that we currently anticipate.

(i) The network marketing industry is subject to various laws and regulations throughout our markets, many of which involve a high level of subjectivity and are inherently fact-based and subject to interpretation. Our business could be harmed if our distributors engage in activities that are found to be in violation of these laws. In Japan, we have experienced an increase in complaints to consumer protection agencies related to distributor activities over the last year. As a result, we have performed additional training for distributors in this market to try to resolve these issues. If the level of complaints further increases or does not improve, regulators could take action against us or we may need to take more aggressive measures, either of which could harm our business. The FTC in the United States is also proposing new regulations that would impose new requirements that could be burdensome and harm our business in this market, including the requirement that new distributors would have to wait for a period of time before they could sign a distributor agreement. Our business could be harmed if we are found to be in violation of these laws related to network marketing or if any of our distributors engage in activities that violate applicable laws.

(j) The nutritional supplement industry is subject to various laws and regulations throughout our markets. If our existing products, or any new products, are challenged or found to contravene any of these laws by any governmental agency, our revenue and profitability may be harmed. There has been increased regulatory scrutiny of supplements, particularly in Europe where we have been asked to stop selling a few products. In Denmark, the local authorities ruled that our G3 product contained a “novel” food (an ingredient they felt had not been previously marketed in such market), which would require a lengthier registration process before we could begin selling it again in this market. In addition, we recently have been prevented from selling our IGG Boost product in Denmark and our Cholestin product in the Netherlands for various regulatory reasons. New laws and regulations governing the sale and distribution of nutritional supplements have been proposed or enacted in various markets, including Europe, South Korea and Hong Kong and may require us to reformulate some products, seek new registration of such products, or limit the claims we can make with respect to products. In addition the FDA recently enacted new GMPs for supplement companies that will go into effect in the next year. These new regulations and any increased governmental scrutiny could harm our sales of these products if regulators take positions that impact our ability to sell current products, if new regulations require us to reformulate products or effect new product registrations, or if we are not able to effect necessary changes in a timely and efficient manner to respond to new regulations including the GMPs.

(k) Due to the international nature of our business, we are subject from time to time to reviews and audits by the foreign taxing authorities of the various jurisdictions in which we conduct business throughout the world. These audits sometimes result in challenges by such taxing authorities as to our methodologies used in determining our income tax, duties, customs, and other amounts owed in connection with the importation and distribution of our products. For example, we have been assessed by the Japan customs authorities for additional duties on products imported into Japan, and we are currently contesting this assessment. Audits are also often focused on whether or not certain expenses are deductible for tax purposes in a given country. Currently, audits are underway with respect to this issue in a number of our markets, including Taiwan. To the extent we are unable to successfully defend ourselves against such audits and reviews, we may be required to pay assessments and penalties and increased duties, which may, individually or in the aggregate, negatively impact our gross margins and operating results.

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures.

As of the end of the period covered by this report, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, our disclosure controls and procedures were effective as of September 30, 2007.

Changes in internal controls over financial reporting.

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15 (f) under the Exchange Act) during the most recent fiscal quarter covered by this report, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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 2006 fiscal year and our Quarterly Reports on Form 10-Q, for information regarding the status of certain legal proceedings that have been previously reported.

ITEM 1A. RISK FACTORS

Please refer to our recent SEC filings, including our Annual Report on Form 10-K for the 2006 fiscal year and our Quarterly Reports on Form 10-Q, for information on risks associated with our business.

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

Issuer Purchases of Equity Securities

<u>Period</u>	<u>(a)</u> Total Number of Shares Purchased	<u>(b)</u> Average Price Paid per Share	<u>(c)</u> Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	<u>(d)</u> Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in millions) ⁽¹⁾
July 1 - 31, 2007	—	N/A	—	\$ 14.6
August 1 - 31, 2007	214	\$ 16.97	—	\$ 14.6
September 1 - 30, 2007	—	N/A	—	\$ 14.6
Total	214 ⁽²⁾		—	

(1) In August 1998, our board of directors approved a plan to repurchase \$10.0 million of our Class A common stock on the open market or in private transactions. Our board has from time to time increased the amount authorized under the plan and a total amount of \$235.0 million was authorized as of September 30, 2007. As of September 30, 2007, we had repurchased approximately \$220.4 million of shares under the plan. There has been no termination or expiration of the plan since the initial date of approval. Our board has recently authorized an increase of \$100 million to our share repurchase program. In addition, we entered into a \$25 million accelerated repurchase transaction under this program.

(2) We have authorized the repurchase of shares acquired by our distributors and employees in foreign markets because of regulatory and other issues that make it difficult and costly for these persons to sell such shares in the open market. These shares were awarded or acquired in connection with our initial public offering in 1996. Of the shares listed in this column, 214 shares for August relate to repurchases from such distributors/employees at an average per share price of \$16.97.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibits Description
Regulation S- _____

- 10.1 Nu Skin Enterprises, Inc. Series F Senior Notes Nos. F-1 and F-2 issued September 28, 2007 by the Company to Prudential Investment Management, Inc. and/or its affiliates pursuant to the Private Shelf.

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- 10.2 Sixth Amendment to Credit Agreement, dated as of August 8, 2006, among the Company, various financial institutions, and JPMorgan Chase Bank, N.A. (as successor to Bank One, N.A.) as administrative agent (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed August 14, 2007).
- 10.3 Severance and Release Agreement by and between the Company and Robert Conlee (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed August 17, 2007).
- 10.4 Letter Agreement between the Company and Robert Conlee (incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K filed August 17, 2007).
- 10.5 Nu Skin Enterprises, Inc. Deferred Compensation Plan, first effective as of December 14, 2005, amended and restated effective January 1, 2008.
- 10.6 Severance Letter by and between the Company and Larry Macfarlane dated August 2, 2007.
- 10.7 Employment Letter Agreement between the Company and Andrew Fan dated August 10, 2007.
- 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.

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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.

November 9, 2007

NU SKIN ENTERPRISES, INC.

By: /s/ Ritch N. Wood

Ritch N. Wood

Its: Chief Financial Officer

(Duly Authorized Officer and Principal Financial and Accounting Officer)

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NU SKIN ENTERPRISES, INC.

SERIES F SENIOR NOTE

No. F-1

CURRENCY AND ORIGINAL PRINCIPAL AMOUNT: 1,300,698,000 Japanese Yen

ORIGINAL ISSUE DATE: September 28, 2007

INTEREST RATE: 2.59%

INTEREST PAYMENT DATES: March 28 and September 28

FINAL MATURITY DATE: September 28, 2017

PRINCIPAL PREPAYMENT DATES AND AMOUNTS: 185,814,000 Japanese Yen on September 28 of 2011, 2012, 2013, 2014, 2015 and 2016

FOR VALUE RECEIVED, the undersigned, **NU SKIN ENTERPRISES, INC.** (herein called the “**Company**”), a corporation organized and existing under the laws of Delaware, hereby promises to pay to **THE PRUDENTIAL INSURANCE COMPANY OF AMERICA**, or registered assigns, the principal sum of **ONE BILLION THREE HUNDRED MILLION SIX HUNDRED NINETY-EIGHT THOUSAND JAPANESE YEN**, payable on the Principal Prepayment Dates and in the amounts specified above, and on the Final Maturity Date as specified above in an amount equal to the unpaid balance of the principal hereof, with interest (computed on the basis of a 365-day year and actual days elapsed) (a) on the unpaid balance thereof at the Interest Rate per annum specified above, payable on each Interest Payment Date specified above and on the Final Maturity Date specified above, commencing with the Interest Payment Date next succeeding the date hereof, until the principal hereof shall have become due and payable, and (b) on any overdue payment (including any overdue prepayment) of principal, any overdue payment of any Make-Whole Amount and any overdue payment of interest, payable on each Interest Payment Date as aforesaid (or, at the option of the registered holder hereof, on demand), at a rate per annum from time to time equal to the Default Rate.

Payments of principal, Make-Whole Amount, if any, and interest are to be made at JPMorgan Chase Bank in Tokyo, Japan or at such other place as the holder hereof shall designate to the Company in writing, in lawful money of Japan.

This Note is one of a series of Senior Notes (herein called the “**Notes**”) issued pursuant to a Private Shelf Agreement, dated as of August 26, 2003 (as from time to time amended, herein called the “**Agreement**”), between Nu Skin Enterprises, Inc. (the “**Company**”) and each Issuer Subsidiary which becomes party thereto, on the one hand, and Prudential Investment Management, Inc. and each Prudential Affiliate which becomes party thereto, on the other hand, and is entitled to the benefits thereof. Capitalized terms used and not otherwise defined herein shall have the meanings provided in the Agreement. Each holder of this Note will be deemed, by its acceptance hereof, (i) to have agreed to the confidentiality provisions set forth in Section 20 of the Agreement, and (ii) to have made the representations set forth in Section 6 of the Agreement. This Note is secured by the Collateral Documents and is guaranteed by the Subsidiary Guarantors pursuant to the Subsidiary Guaranty.

This Note is subject to optional prepayment, in whole or from time to time in part, on the terms specified in the Agreement.

This Note is a registered Note and, as provided in the Agreement, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder’s attorney duly authorized in writing, a new Note for the then outstanding principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company shall not be affected by any notice to the contrary.

In case an Event of Default shall occur and be continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount), and with the effect provided in the Agreement.

This Note shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of New York excluding choice-of-law principles of the law of such state (other than Section 5-1401 of the New York General Obligations Law) that would require the application of the laws of a jurisdiction other than such state.

NU SKIN ENTERPRISES, INC.

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

NU SKIN ENTERPRISES, INC.

SERIES F SENIOR NOTE

No. F-2

CURRENCY AND ORIGINAL PRINCIPAL AMOUNT: 967,302,000 Japanese Yen

ORIGINAL ISSUE DATE: September 28, 2007

INTEREST RATE: 2.59%

INTEREST PAYMENT DATES: March 28 and September 28

FINAL MATURITY DATE: September 28, 2017

PRINCIPAL PREPAYMENT DATES AND AMOUNTS: 138,186,000 Japanese Yen on September 28 of 2011, 2012, 2013, 2014, 2015 and 2016

FOR VALUE RECEIVED, the undersigned, **NU SKIN ENTERPRISES, INC.** (herein called the “**Company**”), a corporation organized and existing under the laws of Delaware, hereby promises to pay to **PRUDENTIAL RETIREMENT INSURANCE AND ANNUITY COMPANY**, or registered assigns, the principal sum of **NINE HUNDRED SIXTY-SEVEN MILLION THREE HUNDRED TWO THOUSAND JAPANESE YEN**, payable on the Principal Prepayment Dates and in the amounts specified above, and on the Final Maturity Date as specified above in an amount equal to the unpaid balance of the principal hereof, with interest (computed on the basis of a 365-day year and actual days elapsed) (a) on the unpaid balance thereof at the Interest Rate per annum specified above, payable on each Interest Payment Date specified above and on the Final Maturity Date specified above, commencing with the Interest Payment Date next succeeding the date hereof, until the principal hereof shall have become due and payable, and (b) on any overdue payment (including any overdue

prepayment) of principal, any overdue payment of any Make-Whole Amount and any overdue payment of interest, payable on each Interest Payment Date as aforesaid (or, at the option of the registered holder hereof, on demand), at a rate per annum from time to time equal to the Default Rate.

Payments of principal, Make-Whole Amount, if any, and interest are to be made at JPMorgan Chase Bank in Tokyo, Japan or at such other place as the holder hereof shall designate to the Company in writing, in lawful money of Japan.

This Note is one of a series of Senior Notes (herein called the “**Notes**”) issued pursuant to a Private Shelf Agreement, dated as of August 26, 2003 (as from time to time amended, herein called the “**Agreement**”), between Nu Skin Enterprises, Inc. (the “**Company**”) and each Issuer Subsidiary which becomes party thereto, on the one hand, and Prudential Investment Management, Inc. and each Prudential Affiliate which becomes party thereto, on the other hand, and is entitled to the benefits thereof. Capitalized terms used and not otherwise defined herein shall have the meanings provided in the Agreement. Each holder of this Note will be deemed, by its acceptance hereof, (i) to have agreed to the confidentiality provisions set forth in Section 20 of the Agreement, and (ii) to have made the representations set forth in Section 6 of the Agreement. This Note is secured by the Collateral Documents and is guaranteed by the Subsidiary Guarantors pursuant to the Subsidiary Guaranty.

This Note is subject to optional prepayment, in whole or from time to time in part, on the terms specified in the Agreement.

This Note is a registered Note and, as provided in the Agreement, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder’s attorney duly authorized in writing, a new Note for the then outstanding principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company shall not be affected by any notice to the contrary.

In case an Event of Default shall occur and be continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount), and with the effect provided in the Agreement.

This Note shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of New York excluding choice-of-law principles of the law of such state (other than Section 5-1401 of the New York General Obligations Law) that would require the application of the laws of a jurisdiction other than such state.

NU SKIN ENTERPRISES, INC.

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

**NU SKIN ENTERPRISES, INC.
DEFERRED COMPENSATION PLAN**

First Effective as of December 14, 2005
Amended and Restated Effective January 1, 2008

**NU SKIN ENTERPRISES, INC.
DEFERRED COMPENSATION PLAN**

PREAMBLE

Nu Skin Enterprises, Inc., (the "Company") has previously established the Nu Skin Enterprises, Inc. Deferred Compensation Plan (the "Plan"). The purpose of the Plan is to provide a select group of management, highly compensated employees, or Directors of the Company (and certain affiliates) with the opportunity to defer a portion of their compensation. The Plan is intended to constitute an unfunded "top hat" plan described in Section 201(2), 301(a)(3), and 401(a)(1) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). As a "top hat" plan, the Plan is not subject to ERISA's eligibility, vesting, funding, or fiduciary responsibility requirements. The Plan has made a notice filing with the United States Department of Labor (the "DOL") and is required to provide information to the DOL on request.

This Plan is hereby restated effective as of January 1, 2008. The Plan has been, and shall continue to be, administered in good faith compliance with Section 409A and interim guidance issued thereunder from December 15, 2005 until January 1, 2008. The terms of this restated Plan document are intended to comply with final regulations issued under Section 409A of the Code, which become effective January 1, 2008.

ARTICLE 1

DEFINITIONS

The following words and phrases used in the Plan with the initial letter capitalized shall have the meanings set forth in this Article, unless a clearly different meaning is required by the context in which the word or phrase is used:

- 1.1. **"Account"** means all of such accounts as are established under this Plan from time to time.
- 1.2. **"Affiliate"** means (a) a corporation that is a member of the same control group of corporations (within the meaning of Section 414(b) of the Code) as is the Company, (b) any other trade or business (whether or not incorporated) controlling, controlled by, or under common control (within the meaning of Section 414(c) of the Code) with the Company, and (c) any other corporation, partnership, or other organization that is a member of an affiliated service group (within the meaning of Section 414(m) of the Code) with the Company or which is otherwise required to be aggregated with the Company under Section 414(o) of the Code.
- 1.3. **"Base Salary"** means a Participant's annual base salary, excluding bonuses, commissions, incentive and all other remuneration for services rendered to the Company and prior to reduction for any salary deferrals, including but not limited to, deferrals under plans established pursuant to Section 125 of the Code or qualified pursuant to Section 401(k) of the Code.
- 1.4. **"Beneficiary"** means the person or entity that a Participant, in his most recent written designation filed with the Plan Administrator has designated to receive his benefit under the Plan in the event of his death. Changes in designations of Beneficiaries may be made upon written notice to the Plan Administrator in any form as the Plan Administrator may prescribe.
- 1.5. **"Board of Directors"** or **"Board"** means the Board of Directors of the Company.
- 1.6. **"Bonus"** means the additional cash compensation paid to a Participant by the Company or an Affiliate pursuant to any incentive or bonus plan, program, or practice of the Company or an Affiliate.
- 1.7. **"Change of Control"** means a "change in the ownership of the Employer," a "change in effective control of the Employer," and/or a "change in the ownership of a substantial portion of the Employer's assets" as defined under Treasury Regulation § 1.409A-3(i)(5).
- 1.8. **"Code"** means the Internal Revenue Code of 1986, as amended.
- 1.9. **"Company"** means NU SKIN ENTERPRISES, INC. and any successor corporations.
- 1.10. **"Company Contribution"** means contributions by the Company pursuant to Section 3.2 of this Plan.
- 1.11. **"Company Contribution Account"** means the bookkeeping account maintained by or for the Company for each Participant that is credited with an amount equal to the Company Contributions Amount, if any, and earnings and losses credited on such amounts pursuant to Section 4.2.
- 1.12. **"Compensation"** means Base Salary or Director Fees payable in such Plan Year, and Bonuses earned in such Plan Year (whether payable during such Year or the following Year), that the Participant is entitled to receive for services rendered to the Company.
- 1.13. **"Compensation Committee"** means the compensation committee appointed by the Board of Directors, which includes select members of the Board of Directors.
- 1.14. **"Deferral Account"** means the bookkeeping account maintained by or for the Plan Administrator for each Participant, which account is credited with amounts equal to the portion of the Participant's Compensation that he or she elects to defer, and the earnings and losses pursuant to Section 4.1.

- 1.15. **“Deferral Contributions”** means contributions by a Participant pursuant to Section 3.1 of this Plan.
- 1.16. **“Director”** means a non-employee director of the Company.
- 1.17. **“Director Fees”** means all Board and committee meeting fees payable to a Director, and any annual retainer payable for a Plan Year beginning after the Effective Date, determined in each case before reduction for amounts deferred under the Plan. Director Fees do not include expense reimbursements, incentive stock awards or any form of noncash compensation or benefits.
- 1.18. **“Disability”** means any illness or other physical or mental condition of a Participant that renders the Participant unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months and in which Participant is receiving income replacement benefits for a period of not less than 3 months under and accident and health plan covering employees. The Plan Administrator may require such medical or other evidence as it deems necessary to judge the nature and permanency of the Participant’s condition.
- 1.19. **“Distributable Amount”** means the vested balance in Participant’s Deferral Account and Company Contribution Account.
- 1.20. **“Effective Date”** means the effective date of this restatement, which shall be January 1, 2008. The original effective date of the Plan was December 14, 2005.
- 1.21. **“Employee”** means (1) each person receiving remuneration, or who is entitled to remuneration, for services rendered to the Company or an Affiliate as a common-law employee, or (2) a Director of the Company or an Affiliate.
- 1.22. **“ERISA”** means the Employee Retirement Income Security Act of 1974, as amended.
- 1.23. **“Fund”** means one or more of the investment funds selected by the Plan Administrator pursuant to Section 3.3.
- 1.24. **“Interest Rate”** means, for each Fund, an amount equal to the net gain or loss on the assets of such Fund during each month, as determined by the Plan Administrator.
- 1.25. **“Participant”** means an Employee who has been selected to participate under Section 2.1, who has elected to participate under Section 2.2, and whose participation has not been terminated. If indicated by the context, the term Participant also includes former Participants whose active participation in the Plan has terminated but who have not received all amounts to which they are entitled under the Plan.
- 1.26. **“Participation Agreement”** means the agreement entered into by the Company and a Participant as set forth in Section 2.2.
- 1.27. **“Plan”** means the Nu Skin Enterprises, Inc. Deferred Compensation Plan, as amended from time to time.
- 1.28. **“Plan Administrator”** means the Compensation Committee or its designated agents (to the extent such authority has been designated by the Compensation Committee).
- 1.29. **“Plan Year”** shall mean the calendar year.
- 1.30. **“Reasonable Time”** shall mean any date within the same calendar year as the applicable distribution event (*e.g.*, Termination of Employment) or, if later, by the 15th day of the third calendar month following the occurrence of such distribution event.
- 1.31. **“Scheduled Withdrawal”** means the distribution date elected by the Participant for an in-service withdrawal from such Accounts deferred in a given Plan Year, and earnings and losses attributable thereto, as set forth on the election form for such Plan Year.
- 1.32. **“Separation from Service”** means a severance of a participant’s employment relationship with the Company and all Affiliates for any reason other than the participant’s death. Whether a Separation from Service has occurred is determined under Section 409A of the Code and Treasury Regulation 1.409A-1(h) (*i.e.*, whether the facts and circumstances indicate that the Employer and the employee reasonably anticipated that no further services would be performed after a certain date or that the level of bona fide services the employee would perform after such date (whether as an employee or independent contractor) would permanently decrease to no more than 20% of the average level of bona fide services performed (whether as an employee or an independent contractor) over the immediately preceding 36 month period (or the full period of services to the employer if the employee has been providing services to the employer less than 36 months)). Separation from Service shall not be deemed to occur while the employee is on military leave, sick leave or other bona fide leave of absence if the period does not exceed six (6) months or, if longer, so long as the employee retains a right to reemployment with the Company or an affiliate under an applicable statute or by contract. For this purpose, a leave is bona fide only if, and so long as, there is a reasonable expectation that the employee will return to perform services for the Company or an affiliate. Notwithstanding the foregoing, a 29 month period of absence will be substituted for such 6 month period if the leave is due to any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of no less than 6 months and that causes the employee to be unable to perform the duties of his or her position of employment.
- 1.33. **“Trust Agreement”** means any trust agreement established pursuant to Section 8.1 between the Company and the Trustee or any trust agreement hereafter established.
- 1.34. **“Trustee”** means the Trustee under the Trust Agreement.
- 1.35. **“Trust Fund”** means all assets of whatsoever kind or nature held from time to time by the Trustee pursuant to the Trust Agreement and forming a part of this Plan, without distinction as to income and principal and without regard to source, *i.e.*, Participant contributions, earnings, or forfeitures.

ARTICLE 2

ELIGIBILITY

- 2.1. **General.** For purposes of Title I of ERISA, the Plan is intended to be an unfunded plan of deferred compensation covering a select group of management, highly compensated employees, and Directors. As a result, participation in the Plan shall be limited to Employees who are properly included in one or all of these categories. The Plan Administrator shall designate the individuals who are eligible to participate in the Plan. The Plan Administrator, in the exercise of its

discretion, may exclude an Employee who otherwise meets the requirements of this Section 2.1 from participation in the Plan if it concludes that excluding the Employee is necessary to satisfy these requirements. The Plan Administrator also may exclude an Employee who otherwise meets the requirements of this Section 2.1 for any other reason, or for no reason, as the Plan Administrator deems appropriate.

2.2. **Participation.** Each Employee who is designated as eligible to participate in the Plan by the Plan Administrator may become a Participant by completing and signing an enrollment form provided by the Plan Administrator and delivering the form to the Plan Administrator. The Employee must designate on the form the amount of his Deferral Contributions and must authorize the Company or an Affiliate to reduce his Compensation in an amount equal to his Deferral Contributions.

2.3. **Timing of Participation.** After an Employee has been selected by the Plan Administrator to participate in the Plan for the first time (and does not participate in or has not previously participated in another voluntary deferral plan of the Company or an Affiliate), the Employee has 30 days to notify the Plan Administrator whether he will participate in the Plan. If the Employee timely notifies the Plan Administrator of his intent to participate in the Plan, the Employee's participation will commence on the first payroll period following or coinciding with the first day of the calendar month after the Plan Administrator is so notified. If the Employee does not timely notify the Plan Administrator of his intent to participate in the Plan, the Employee's participation may commence on the first payroll period following or coinciding with the first day of any later Plan Year by notifying the Plan Administrator prior to the first day of such Plan Year and provided further that the Plan Administrator determines that the Employee remains eligible to participate in the Plan under Section 2.1.

2.4. **Discontinuance of Participation.** Once an Employee is designated as a Participant, he will continue as such for all future Plan Years unless the Plan Administrator specifically discontinues his participation. The Plan Administrator may discontinue an individual's participation in the Plan at any time for any or no reason. If an individual's participation is discontinued, the individual will no longer be eligible to make future deferral elections or receive Company Contributions. The Employee will not be entitled to receive a distribution, however, until the occurrence of one of the events listed in Article VI, or as permitted in Article VII.

ARTICLE 3

DEFERRAL ELECTIONS

3.1. Elections to Defer Compensation.

3.1.1. **Deferral of Base Salary.** For any Plan Year, a Participant may elect to defer a portion of the Base Salary otherwise payable to him. Any such deferrals shall be in whole percentages or a specific dollar amount of the Participant's Base Salary, as specified in the Participant's Participation Agreement.

3.1.2. **Deferral of Bonuses.** A Participant may also elect to defer a portion of any Bonus which might be payable to him by the Company. Any such deferrals shall be in whole percentages or a specific dollar amount of the Participant's Bonus, as specified in the Participant's Participation Agreement.

3.1.3. **Limitations on Deferrals.** A Participant may elect to defer up to 80% of Participant's Base Salary and 100% of Participant's Bonus for each Plan Year, provided that the total amount deferred by a Participant shall be limited in any calendar year, if necessary, to satisfy any employment tax, income tax and employee benefit plan withholding requirements as determined in the sole and absolute discretion of the Plan Administrator. There is no minimum deferral amount. The Plan Administrator reserves the right to change such limits from time to time.

3.1.4. **Duration of Compensation Deferral Election.** An Employee's initial election to defer Compensation must be made within the time frame established by the Plan Administrator, which shall be prior to the taxable year in which the election relates and is to be effective with respect to Compensation earned for services performed after such deferral election is processed. Such election shall specify the time and method of distribution of the annual deferral amount in accordance with Articles VI and VII. A Participant may increase, decrease or terminate a deferral election with respect to Compensation for any subsequent Plan Year by filing a new election within the time frame established by the Plan Administrator but in no event later than December 31 in the year prior to the beginning of the next Plan Year, which election shall be effective on the first day of the next following Plan Year. In the absence of a Participant making a new election, the last election on file will apply to deferrals for the new Plan year. In the case of an employee who first becomes eligible to participate in the Plan after January 1, 2006 (and does not participate in or has not previously participated in another voluntary deferral plan of the Company or an Affiliate), such Employee shall have 30 days from the date he becomes eligible to make an election with respect to Compensation earned for services performed subsequent to the election. Such election shall be for the remainder of the Plan Year (and future Plan Years, unless subsequently changed prior to the commencement of a given Plan year) in the event the Plan Year has commenced. Such election shall specify the time and method of distribution of the annual deferral amount in accordance with Articles VI and VII.

3.1.5. **Elections Other Than Initial Election.** Any Employee or Director who has terminated a prior Compensation deferral election may elect to again defer Compensation by completing and signing an enrollment form provided by the Plan Administrator and delivering the form to the Plan Administrator within the time frame established by the Plan Administrator but in no event later than December 31 of the year prior to the beginning of the Plan Year to which such deferral election relates. An election to defer Compensation must be filed in a timely manner in accordance with Section 3.1(d). Such election shall apply to Compensation for services performed in the Plan Year to which such deferral election relates. Such election shall specify the time and method of distribution of the annual deferral amount in accordance with Articles VI and VII.

3.2. **Company Contribution.** The Plan Administrator shall determine, in its sole discretion, an amount, if any, to be credited to each Participant's Account and the timing of such contributions. The Plan Administrator may, in its sole discretion and at any time, modify the amount or timing of any such Company Contribution with respect to any Participant, or terminate such Company Contributions with respect to any Participant.

3.3. Investment Elections.

(a) At the time of making the deferral elections described in Section 3.1, Participant shall designate, on a form provided by the Plan Administrator, the types of investment funds in which Participant's Account will be deemed to be invested for purposes of determining the amount of earnings and losses to be credited to that Account. In making the designation pursuant to this Section 3.3, Participant may specify that all or any percentage of his Account is to be deemed invested, in whole percentage increments, in one or more of the types of investment funds deemed to be provided under the Plan, as communicated from time to time by the Plan Administrator. A Participant may change the designation made under this Section 3.3 by filing an election, on a form provided by the Plan Administrator, on a daily basis (limited to 4 per month). If a Participant fails to elect a type of fund under this Section 3.3, he or she shall be deemed to have elected the money market type of investment fund.

- (b) Although a Participant may designate the type of investments, the Plan Administrator shall not be bound by such designation. The Plan Administrator may select from time to time, in its sole and absolute discretion, commercially available investments of each of the types communicated by the Plan Administrator to the Participant pursuant to Section 3.3(a) above to be the Funds. The Interest Rate of each such commercially available investment fund shall be used to determine the amount of earnings or losses to be credited to Participant's Account under Article IV.

ARTICLE 4

DEFERRAL ACCOUNTS

- 4.1. **Deferral Accounts.** The Plan Administrator shall establish and maintain a Deferral Account for each Participant under the Plan. Each Participant's Deferral Account shall be further divided into separate subaccounts ("investment fund subaccounts"), each of which corresponds to an investment fund elected by the Participant pursuant to Section 3.3(a). A Participant's Deferral Account shall be credited as follows:
- (a) Within a reasonable time after amounts are withheld and deferred from a Participant's Compensation, the Plan Administrator shall credit the investment fund subaccounts of the Participant's Deferral Account with an amount equal to Compensation deferred by the Participant in accordance with the Participant's election under Section 3.3(a); that is, the portion of the Participant's deferred Compensation that the Participant has elected to be deemed to be invested in a certain type of investment fund shall be credited to the investment fund subaccount corresponding to that investment fund;
 - (b) Each business day, each investment fund subaccount of a Participant's Deferral Account shall be credited with earnings or losses in an amount equal to that determined by multiplying the balance credited to such investment fund subaccount as of the prior day plus contributions credited that day to the investment fund subaccount by the Interest Rate for the corresponding fund selected by the Company pursuant to Section 3.3(b).
 - (c) In the event that a Participant elects for a given Plan Year's deferral of Compensation to have a Scheduled Withdrawal, all amounts attributed to the deferral of Compensation for such Plan Year shall be accounted for in a manner which allows separate accounting for the deferral of Compensation and investment gains and losses associated with such Plan Year's deferral of Compensation.
- 4.2. **Company Contribution Account.** The Plan Administrator shall establish and maintain a Company Contribution Account for each Participant under the Plan. Each Participant's Company Contribution Account shall be further divided into separate investment fund subaccounts corresponding to the investment fund elected by the Participant pursuant to Section 3.3(a). A Participant's Company Contribution Account shall be credited as follows:
- (a) On the third business day after a Company Contribution, the Plan Administrator shall credit the investment fund subaccounts of the Participant's Company Contribution Account with an amount equal to the Company Contribution, if any, applicable to that Participant, that is, the proportion of the Company Contribution, if any, which the Participant elected to be deemed to be invested in a certain type of investment fund shall be credited to the corresponding investment fund subaccount; and
 - (b) Each business day, each investment fund subaccount of a Participant's Company Contribution Account shall be credited with earnings or losses in an amount equal to that determined by multiplying the balance credited to such investment fund subaccount as of the prior day plus contributions credited that day to the investment fund subaccount by the Interest Rate for the corresponding Fund selected by the Company pursuant to Section 3.3(b).
- 4.3. **Schedule a Accounts for Pre-Existing Deferred Compensation Obligations.** Prior to the Effective Date of the Plan, the Company and/or certain of its Affiliates had entered into non-qualified deferred compensation arrangements with certain Participants employed by the Company and/or its Affiliates. The terms of such arrangements are set forth in individual "plans" or agreements signed by the Company and/or an Affiliate and the employee. The deferred compensation arrangements identified on Schedule A attached hereto ("Schedule A Arrangements") are incorporated herein by reference. It is intended that the Schedule A Arrangements will comply with Code Section 409A. Effective January 1, 2005, the rights and obligations of the parties to those arrangements will be governed by the terms of this Plan, and will not be governed by the terms of the Schedule A Arrangements, except as otherwise provided hereafter. The Plan Administrator will establish and maintain under this Plan a "Schedule A Account" for each Participant who is party to a Schedule A Arrangement ("Schedule A Participant") and will credit to such Schedule A Account for each Schedule A Participant the value as of January 1, 2006 of the respective Schedule A Participant's Compensation Account(s) as established under the applicable Schedule A Arrangement. For greater clarity, generally the Compensation Accounts under the Schedule A Arrangements are divided into two sub-accounts (Employee Compensation Sub-Account and Company Compensation Sub-Account), and this distinction will be maintained under the Schedule A Accounts. The Company Compensation Sub-Account will continue to vest in accordance with the terms of the applicable Schedule A Arrangement. In addition, the Plan Administrator may further divide the sub-accounts under the Schedule A Accounts into separate investment fund sub-accounts corresponding to the investment fund elected by the Participant pursuant to Section 3.3(a). Schedule A Participants will elect, prior to December 31, 2006, the form of distribution for their Schedule A Accounts and such elections will comply with IRC Section 409A and applicable guidance thereunder. If a Schedule A Participant has not designated a form or payment for his or her Schedule A Account on or before December 31, 2006, the form of payment designated in the applicable Schedule A Arrangement will be the default form of payment for such Schedule A Account(s). After December 31, 2006, any change in the form of payment as to a Schedule A Account must be in accordance with the requirements of Section 6.5(f) of this Plan respecting election changes for forms of payment. The timing of distributions of Schedule A Accounts will be governed by the terms of this Plan.
- 4.4. **Accounting.** At the end of each quarter, the Company shall notify each Participant as to the amount, if any, of Participant's Deferral Account and Company Contribution Account. The accounting shall specify the vested portion of amounts held pursuant to the Plan.
- 4.5. **Preservation of Accounts.** A Participant shall not be deemed to have had a Separation from Service for purposes of preservation of all Deferral Accounts and Company Contribution Accounts in the event of a bona fide approved leave of absence from the Company for a prolonged period of time for:
- (a) Service as a full-time missionary for any legally recognized ecclesiastical organization, or
 - (b) United States Military duty.

Notwithstanding the foregoing, a Separation from Service shall be deemed to occur six months after commencement of the leave in the absence of a contractual or statutory right to re-employment.

ARTICLE 5

VESTING

- 5.1. **Vesting in Deferral Account.** Subject to Section 6.1, Participant shall be 100% vested in his Deferral Account at all times.
- 5.2. **Vesting in Company Contribution Account.** Subject to Section 6.1, each Participant shall be 100% vested in his Company Contribution Account upon the earlier of the following events:
- (a) Participant attains 60 years of age;
 - (b) Participant has been employed by the Company for a period or twenty (20) years; or
 - (c) Participant's death or Disability as defined in the Plan.
 - (d) The Plan Administrator may, in its discretion, accelerate vesting of a Participant in his Company Contribution Account.
- 5.3. **Competing Business.** Notwithstanding Sections 5.1 and 5.2 above, Participant shall forfeit all benefits accruing under this Plan if (i) at any time during employment with the Company, Participant directly or indirectly enters into the employment of or owns any interest in any other company, business or corporation which competes directly or indirectly with the business of the Company, or Participant allows the association of his name with or renders any service or assistance or advice, whether or not for consideration, to any other corporation, company or business which company, business or corporation is in competition with the Company, and (ii) the Plan Administrator elects to terminate such benefits as a result of such actions.

ARTICLE 6

DISTRIBUTION OF BENEFITS

- 6.1. **Separation From Service.** A Participant who incurs a Separation from Service with the Company and all Affiliates for any reason other than death or Disability is entitled to distribution of amounts vested and credited to his Account at the time and in the manner provided in Section 6.5.
- 6.2. **Disability Retirement.** A Participant who separates from service with the Company or an Affiliate due to Disability and who has satisfied all of the covenants, conditions and promises contained in this Plan (to the extent applicable) is entitled to a distribution of amounts vested and credited to his Account as provided in Section 6.5. Subject to Section 6.5, the payments may commence as of his date of Separation from Service due to Disability.
- 6.3. **Death.**
- (a) **Benefit.** If a Participant (which term for purposes of this Section includes a former Participant) dies before the day on which his benefit payments commence, the Participant's Beneficiary is entitled, at the time and in the manner provided in Section 6.5, the following:
 - (1) the amount of Participant's Deferral Account, including any earnings thereon; and
 - (2) for Participants that have been credited with Company Contributions pursuant to Section 3.2, the greater of (i) the vested portion of Participant's Account, including any earnings thereon, as of the date of Participant's death; or (ii) an amount equal to five times the average of Participant's Base Salary for the three most recent years.
 - (b) **Death After Commencement of Benefits.** If a former Participant dies after the day on which his benefit payments commence, but prior to the complete distribution of all amounts to which such Participant is entitled, the Participant's Beneficiary is entitled to receive any remaining amounts to which Participant would have been entitled had the Participant survived at the time and in the manner provided in Section 6.5. The Plan Administrator may require and rely upon such proofs of death and the right of any Beneficiary to receive benefits under this Section 6.3 as the Plan Administrator may reasonably determine, and its determination of death and the right of such Beneficiary to receive payment is binding and conclusive upon all persons.
- 6.4. **Change of Control.** In the event of a Change of Control, the Plan Administrator may, in its discretion, accelerate vesting of a Participant in his Company Contribution Account.
- 6.5. **Time and Method of Distribution of Benefits.** Payment shall commence within a Reasonable Time following the earliest to occur of the following events in (a), (b) or (c) below:
- (a) **Termination.** Payment to a Participant who is entitled to benefits under Section 6.1 will commence within a Reasonable Time following the Participant's Separation from Service. In the event that Participant is a "Specified Employee," as defined under Treasury Regulation § 1.409A-1(i), payment to Participant will begin no earlier than six months following Participant's Separation from Service (or upon the Participant's death, if earlier).
 - (b) **Disability.** Payment to a Participant who is entitled to benefits under Section 6.2 will commence within a Reasonable Time after the Participant's Separation from Service due to a Disability. In the event that Participant is a "Specified Employee," as defined under Treasury Regulation § 1.409A-1(i), payment to Participant will begin no earlier than six months following Participant's Separation from Service (or upon the Participant's death, if earlier).⁽¹⁾
 - (c) **Death.** Payment to the Beneficiary of a Participant who is entitled to benefits under Section 6.2 will commence within a Reasonable Time after the Participant's death.
 - (d) **Death After Commencement of Payments.** If a Participant dies after the day on which his benefit payments commence but before the complete distribution to such Participant of the benefits payable to him under the Plan, any remaining benefits will continue to be distributed to the Participant's Beneficiary in the same manner as elected by the Participant under Section 6.5(e).(2) Payments to the Beneficiaries entitled to payments pursuant to Section 6.3 will be made within a Reasonable Time following the death of Participant.

- (e) **Form of Payment.** Any distribution paid from the Plan to a Participant or Beneficiary from a Participant's Account will be paid in cash. Except as otherwise provided in Section 6.4, such distribution will be paid in either a lump sum payment or in monthly, quarterly, or annual installments over a period not to exceed 15 years; provided that if the value of the Participant's Account at the time of distribution is less than \$50,000, such distribution shall be paid in the form of a lump sum distribution. With respect to each annual deferral amount (including both Participant deferrals and Company contribution amounts for such Plan Year), a Participant must elect which form of payment to receive in his initial or annual deferral election form, which election may be changed by the Participant at any time so long as (i) the election does not take effect until at least 12 months after the date in which the election is made, (ii) the first payment for which the election is made will be deferred for a period of 5 years from the date such payment would otherwise have been made, and (iii) the change is received by the Plan Administrator at least 12 months prior to the Participant's first scheduled payment date. In the absence of a Participant making a distribution election, the default form of payment shall be lump sum. Participant's Account shall continue to be credited with earnings pursuant to Sections 4.1 and 4.2 of the Plan until all amounts credited to his Account under the Plan have been distributed. Notwithstanding the foregoing, in the case of each individual who is a Participant in the Plan as of the date of adoption of this restatement, such Participant may modify his or her prior payment election if such modification is made on or before December 31, 2007 and complies in all respects with the election timing requirements of Section 409A of the Code (and regulations and other guidance issued thereunder).
- 6.6. **Designation of Beneficiary.** Each Participant has the right to designate, on forms supplied by and delivered to the Plan Administrator, a Beneficiary or Beneficiaries to receive his benefits in the event of his death. For each Participant who is married, his Beneficiary will be deemed to be his spouse, unless the Participant's spouse consents to the Participant's Beneficiary designation to the contrary. Such consent must be in writing, must acknowledge the effect of the Beneficiary designation and the spouse's consent thereto. Subject to the foregoing, each Participant may change his Beneficiary designation from time to time in the manner described above and the change will be effective upon receipt by the Plan Administrator, whether or not the Participant is living at the time the notice is received. There is no liability on the part of the Plan Administrator with respect to any payment authorized by the Plan Administrator in accordance with the most recent valid Beneficiary designation of the Participant in the Plan Administrator's possession before receipt of a more recent and valid Beneficiary designation. If no designated Beneficiary is living when benefits become payable, or if there is no designated Beneficiary, the Beneficiary will be Participant's spouse; or if no spouse is then living, such Participant's issue, including any legally adopted child or children, in equal shares by right of representation; or if no such designated Beneficiary and no such spouse or issue, including any legally adopted child or children, is living upon the death of a Participant, or if all such persons die prior to the full distribution of such Participant's benefits, then the Beneficiary shall be the estate of the Participant.
- 6.7. **Payments to Disabled.** If a person entitled to any payment is under a legal disability, or in the sole judgment of the Plan Administrator is otherwise unable to apply such payment to his own interest and advantage, the Plan Administrator in the exercise of its discretion may make any such payment in any one or more of the following ways: (a) directly to such person, (b) to his legal guardian or conservator, or (c) to his spouse or to any person charged with the legal duty of his support, to be expended for his benefit. The decision of the Plan Administrator will in each case be final and binding upon all persons in interest.
- 6.8. **Underpayment or Overpayment of Benefits.** In the event that, through misstatement or computation error, benefits are underpaid or overpaid, there is no liability for any more than the correct benefit sums under the Plan. Overpayments may be deducted from future payments under the Plan, and underpayments may be added to future payments under the Plan, subject to applicable limitations under Section 409A of the Code.
- 6.9. **Inability to Locate Participant.** In the event that the Plan Administrator is unable to locate a Participant or Beneficiary within two years following the required payment date, the amount allocated to the Participant's Account shall be forfeited. If, after such forfeiture, the Participant or Beneficiary later claims such benefit, such benefit shall be reinstated without interest or earnings.

ARTICLE 7

WITHDRAWALS

- 7.1. **Scheduled Withdrawals.**
- (a) In the case of a Participant who has elected a Scheduled Withdrawal for a distribution while still in the employ of the Company, such Participant shall receive his Distributable Amount, but only with respect to those vested deferrals and earnings thereon that have been elected by Participant to be subject to the Scheduled Withdrawal in accordance with this Section 7.1(a) of the Plan. A Participant's Scheduled Withdrawal can be no earlier than two years from the last day of the Plan Year for which Participant's deferrals are made. Any distribution made pursuant to a Scheduled Withdrawal shall be made in either a lump-sum payment or annual installment payments up to 5 years. These payments will be made in February of the year(s) selected.
- (b) A Participant may extend the Scheduled Withdrawal for any Plan Year, provided such extension occurs at least one year before the Scheduled Withdrawal and is for a period of not less than five years from the Scheduled Withdrawal. In the event a Participant separates from service with the Company prior to a Scheduled Withdrawal, other than by reason of death,⁽³⁾ then the portion of Participant's Account associated with a Scheduled Withdrawal that has not occurred prior to such termination, shall be distributed, along with any remaining portion of the annual deferral amount not subject to the Scheduled Withdrawal, in the form selected by the Participant in accordance with Section 6.5. If no such election was made under Section 6.5 for such annual deferral amount, such Scheduled Withdrawal shall be paid in a lump sum.
- 7.2. **Hardship.** In the event of an unforeseeable financial emergency, a Participant may make a written request to the Plan Administrator for a hardship withdrawal from his Account. For purposes of this Plan, an "unforeseeable financial emergency" is defined as a severe financial hardship to the Participant resulting from a sudden and unexpected illness or accident of the Participant or a dependent (as such term is defined in Section 152(a) of the Code) of the Participant, loss of the Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The granting of a Participant's request for a hardship withdrawal shall be left to the absolute discretion of the Plan Administrator and the Plan Administrator may deny such request even if an unforeseeable financial emergency clearly exists. A request for a hardship withdrawal must be made in writing at least 30 days in advance, on a form provided by the Plan Administrator, and must be expressed as a specific dollar amount. The amount of a hardship withdrawal may not exceed the lesser of the amount required to meet Participant's unforeseeable financial emergency or Participant's vested Account balance. A hardship withdrawal will not be permitted to the extent that the hardship is or may be relieved through reimbursement or compensation by insurance or otherwise, liquidation of the Participant's assets to the extent that such liquidation would not itself cause a severe financial hardship, or by the cessation of Deferral Contributions.
- 7.3. **Acceleration of Benefits.** The Plan Administrator may accelerate the distribution of a Participant's vested Account balance in order to (a) satisfy a domestic relations order; (b) pay employment taxes on amounts deferred under the Plan; (c) permit an automatic lump sum payment of not more than \$10,000 upon

the termination of a Participant's entire interest in the Plan; or (d) any other permitted acceleration under Section 409A of the Code and the regulations thereof, including a Change of Control. In the event an accelerated distribution is requested by a Participant to satisfy a domestic relations order, the Plan Administrator shall make payments to someone other than Participant, as directed by the qualified domestic relations order.

- 7.4. **Crediting of Withdrawals.** Withdrawals and other distributions shall be charged pro rata to the Funds in which the Account of the Participant is invested, pursuant to his designation under Sections 4.1 and 4.2 hereof.

ARTICLE 8

ADMINISTRATION OF THE PLAN

- 8.1. **Adoption of Trust.** The Company may enter into a Trust Agreement with the Trustee, to which the Company or any adopting Affiliate may, in its sole discretion, contribute cash or other property to provide for the payment of benefits under the Plan. The provisions of the Plan shall govern the rights of a Participant to receive distributions pursuant to the Plan. The provisions of the Trust Agreement shall govern the rights of the Company, adopting Affiliates, Participants and the creditors of the Company and adopting Affiliates to the assets transferred to the Trust Fund. All obligations under the Plan may be satisfied with Trust assets distributed pursuant to the terms of the Trust Agreement, and any such distribution shall reduce the obligations under the Plan.
- 8.2. **Powers of the Plan Administrator.**
- (a) The Plan Administrator shall have the power and discretion to perform the administrative duties described in this Plan or required for proper administration of the Plan and shall have all powers necessary to enable it to properly carry out such duties. Without limiting the generality of the foregoing, the Plan Administrator shall have the power and discretion to construe and interpret this Plan, to hear and resolve claims relating to this Plan, and to decide all questions and disputes arising under this Plan. The Plan Administrator shall determine, in its discretion, the status and rights of a Participant, and the identity of the Beneficiary or Beneficiaries entitled to receive any benefits payable hereunder on account of the death of a Participant.
 - (b) Except as is otherwise provided hereunder, the Plan Administrator shall determine the manner and time of payment of benefits under this Plan. All benefit disbursements by the Trustee shall be made upon the instructions of the Plan Administrator.
 - (c) The decision of the Plan Administrator upon all matters within the scope of its authority shall be binding and conclusive upon all persons.
 - (d) The Plan Administrator shall file all reports and forms lawfully required to be filed by the Plan Administrator and shall distribute any forms, reports or statements to be distributed to Participants and others.
 - (e) The Plan Administrator shall keep itself advised with respect to the investment of the Trust Fund and shall report to the Company regarding the investment and reinvestment of the Trust Fund not less frequently than annually.
- 8.3. **Creation of Committee.** The Compensation Committee may appoint a separate committee to perform its duties as Plan Administrator by the adoption of appropriate Compensation Committee Board of Directors resolutions. The committee must consist of at least two (2) members, and they shall hold office during the pleasure of the Compensation Committee. The committee members shall serve without compensation but shall be reimbursed for all expenses by the Company. The committee shall conduct itself in accordance with the provisions of this Article VIII. The members of the committee may resign with 30 days notice in writing to the Company and may be removed immediately at any time by written notice from the Company.
- 8.4. **Chairman and Secretary.** The committee shall elect a chairman from among its members and shall select a secretary who is not required to be a member of the committee and who may be authorized to execute any document or documents on behalf of the committee. The secretary of the committee or his designee shall record all acts and determinations of the committee and shall preserve and retain custody of all such records, together with such other documents as may be necessary for the administration of this Plan or as may be required by law.
- 8.5. **Appointment of Agents.** The committee may appoint such other agents, who need not be members of the committee, as it may deem necessary for the effective performance of its duties, whether ministerial or discretionary, as the committee may deem expedient or appropriate. The compensation of any agents who are not employees of the Company shall be fixed by the committee within any limitations set by the Board of Directors.
- 8.6. **Majority Vote and Execution of Instruments.** In all matters, questions and decisions, the action of the committee shall be determined by a majority vote of its members. They may meet informally or take any ordinary action without the necessity of meeting as a group. All instruments executed by the committee shall be executed by a majority of its members or by any member of the committee designated to act on its behalf.
- 8.7. **Allocation of Responsibilities.** The committee may allocate responsibilities among its members or designate other persons to act on its behalf. Any allocation or designation, however, must be set forth in writing and must be retained in the permanent records of the committee.
- 8.8. **Conflict of Interest.** No member of the committee who is a Participant shall take any part in any action in connection with his participation as an individual. Such action shall be voted or decided by the remaining members of the committee.
- 8.9. **Indemnity.** To the extent permitted by applicable state law, the Company shall indemnify and hold harmless the Plan Administrator, the committee and each member thereof, the Board of Directors, and any delegate of the committee or Plan Administrator who is an employee of the Company against any and all expenses, liabilities and claims, including legal fees to defend against such liabilities and claims arising out of their discharge in good faith of responsibilities under or incident to the Plan, other than expenses and liabilities arising out of willful misconduct. This indemnity shall not preclude such further indemnities as may be available under insurance purchased by the Company or provided by the Company under any bylaw, agreement or otherwise, as such indemnities are permitted under state law.

ARTICLE 9

ADOPTION OF PLAN BY AFFILIATES

The adoption of this Plan by any Affiliate shall not be effective without the written consent of the Company. Any adoption shall be evidenced by certified copies of the resolution of the foregoing board of directors indicating the adoption. The resolution shall define the effective date for the purpose of the Plan as adopted by the corporation or Affiliate. Upon the adoption by any Affiliate, the term "Company" shall include such Affiliate.

ARTICLE 10

CLAIM REVIEW PROCEDURE

10.1. **General.** In the event that a Participant or Beneficiary is denied a claim for benefits under this Plan (the "claimant"), the Plan Administrator shall provide to the claimant written notice of the denial which shall set forth:

- (a) the specific reason or reasons for the denial;
- (b) specific references to pertinent Plan provisions on which the Plan Administrator based its denial;
- (c) a description of any additional material or information needed for the claimant to perfect the claim and an explanation of why the material or information is needed;
- (d) a statement that the claimant may:
 - (1) request a review upon written application to the Plan Administrator;
 - (2) review pertinent Plan documents; and
 - (3) submit issues and comments in writing; and
- (e) That any appeal the claimant wishes to make of the adverse determination must be in writing to the Plan Administrator within sixty (60) days after receipt of the Plan Administrator's notice of denial of benefits. The Plan Administrator's notice must further advise the claimant that his failure to appeal the action to the Plan Administrator in writing within the sixty (60) day period will render the Plan Administrator's determination final, binding, and conclusive.

10.2. Appeals.

- (a) If the claimant should appeal to the Plan Administrator, he, or his duly authorized representative, may submit, in writing, whatever issues and comments he, or his duly authorized representative, feels are pertinent. The Plan Administrator shall re-examine all facts related to the appeal and make a final determination as to whether the denial of benefits is justified under the circumstances. The Plan Administrator shall advise the claimant in writing of its decision on his appeal, the specific reasons for the decision, and the specific Plan provisions on which the decision is based. The notice of the decision shall be given within 60 days of the claimant's written request for review, unless special circumstances (such as a hearing) would make the rendering of a decision within the 60 day period infeasible, but in no event shall the Plan Administrator render a decision regarding the denial of a claim for benefits later than 120 days after its receipt of a request for review. If an extension of time for review is required because of special circumstances, written notice of the extension shall be furnished to the claimant prior to the date the extension period commences.
- (b) If, upon appeal, the Plan Administrator shall grant the relief requested by the claimant, then, in addition, the Plan Administrator shall award to the claimant reasonable fees and expenses of counsel, or any other duly authorized representative of claimant, which shall be paid by the Company. The determination as to whether such fees and expenses are reasonable shall be made by the Company in its sole and absolute discretion and such determination shall be binding and conclusive on all parties.

10.3. **Notice of Denials.** The Plan Administrator's notice of denial of benefits shall identify the address to which the claimant may forward his appeal.

ARTICLE 11

LIMITATION OF RIGHTS, CONSTRUCTION

11.1. **Limitation of Rights.** Neither this Plan, any Trust Agreement, nor membership in the Plan shall give any employee or other person any right except to the extent that the right is specifically fixed under the terms of the Plan. The establishment of the Plan shall not be construed to give any individual a right to be continued in the service of the Company or as interfering with the right of the Company to terminate the service of any individual at any time.

11.2. **Construction.** The masculine gender, where appearing in the Plan, shall include the feminine gender (and vice versa), and the singular shall include the plural, unless the context clearly indicates to the contrary. Headings and subheadings are for the purpose of reference only and are not to be considered in the construction of this Plan. If any provision of this Plan is determined to be for any reason invalid or unenforceable, the remaining provisions shall continue in full force and effect. All of the provisions of this Plan shall be construed and enforced in accordance with the laws of the State of Utah.

ARTICLE 12

LIMITATION ON ASSIGNMENT; PAYMENTS TO LEGALLY

INCOMPETENT DISTRIBUTE

12.1. **Anti-Alienation Clause.** No benefit which shall be payable under the Plan to any person shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, charge or otherwise dispose of the same shall be void. No benefit shall in any manner be subject to the debts, contracts, liabilities, engagements or torts of any person, nor shall it be subject to attachment or legal process for or against any person, except to the extent as may be required by law.

12.2. **Permitted Arrangements.** Section 12.1 shall not preclude arrangements for the withholding of taxes from benefit payments, arrangements for the recovery of benefit overpayments, arrangements for the transfer of benefit rights to another plan, or arrangements for direct deposit of benefit payments to an account in a bank, savings and loan association or credit union (provided that such arrangement is not part of an arrangement constituting an assignment or alienation). Additionally, Section 12.1 shall not preclude arrangements for the distribution of the benefits of a Participant or Beneficiary pursuant to the terms and provisions of a "domestic relations order" in accordance with such procedures as may be established from time to time by the Plan Administrator.

12.3. **Payment to Minor or Incompetent.** Whenever any benefit which shall be payable under the Plan is to be paid to or for the benefit of any person who is then a minor or determined by the Plan Administrator to be incompetent by qualified medical advice, the Plan Administrator need not require the appointment of a guardian or custodian, but shall be authorized to cause the same to be paid over to the person having custody of the minor or incompetent, or to cause the same to be paid to the minor or incompetent without the intervention of a guardian or custodian, or to cause the same to be paid to a legal guardian or custodian of the minor or incompetent if one has been appointed or to cause the same to be used for the benefit of the minor or incompetent.

ARTICLE 13

AMENDMENT, MERGER, AND TERMINATION

13.1. **Amendment.** The Company shall have the right at any time, by an instrument in writing duly executed, acknowledged and delivered to the Plan Administrator, to modify, alter or amend this Plan, in whole or in part, prospectively or retroactively; provided, however, that the duties and liabilities of the Plan Administrator and any Trustee hereunder shall not be substantially increased without its written consent; and provided further that the amendment shall not reduce any Participant's interest in the Plan, calculated as of the date on which the amendment is adopted. If the Plan is amended by the Company after it is adopted by an Affiliate, unless otherwise expressly provided, it shall be treated as so amended by such Affiliate without the necessity of any action on the part of the Affiliate. Any Affiliate or other corporation adopting this Plan hereby delegates the authority to amend the Plan to the Company. An Affiliate or other corporation that has adopted this Plan may terminate its future participation in the Plan at any time.

13.2. **Merger or Consolidation of Company.** The Plan shall not be automatically terminated by the Company's acquisition by or merger into any other employer, but the Plan shall be continued after such acquisition or merger if the successor employer elects and agrees to continue the Plan. All rights to amend, modify, suspend, or terminate the Plan shall be transferred to the successor employer, effective as of the date of the merger.

13.3. **Termination of Plan or Discontinuance of Contributions.** It is the expectation of the Company that this Plan and the payment of contributions hereunder will be continued indefinitely. However, continuance of the Plan is not assumed as a contractual obligation of the Company, and the right is reserved at any time to terminate this Plan or to reduce, temporarily suspend or discontinue contributions hereunder. The termination of the Plan shall not adversely affect any Participant or Beneficiary who has become entitled to the payment of any benefits under the Plan as of the date of termination; provided, however, that to the extent permissible under Code Section 409A and related regulations and guidance, including but not limited to such guidance and regulations as may be issued after the effective date of this Plan, if there is a termination of the Plan with respect to all Participants, the Company shall have the right, in its sole discretion, and notwithstanding any elections made by the Participant, to immediately pay all benefits in a lump sum following such termination.

13.4. **Limitation of Company's Liability.** The adoption of this Plan is strictly a voluntary undertaking on the part of the Company and shall not be deemed to constitute a contract between the Company and any employee or Participant or to be consideration for, an inducement to, or a condition of the employment of any employee. A Participant, employee, or Beneficiary shall not have any right to retirement or other benefits except to the extent provided herein.

ARTICLE 14

GENERAL PROVISIONS

14.1. **Status of Participants as Unsecured Creditors.** All benefits under the Plan shall be the unsecured obligations of the Company as applicable, and, except for those assets which may be placed in any Trust Fund established in connection with this Plan, no assets will be placed in trust or otherwise segregated from the general assets of the Company or each Company, as applicable, for the payment of obligations hereunder. To the extent that any person acquires a right to receive payments hereunder, such right shall be no greater than the right of any unsecured general creditor of the Company.

14.2. **Uniform Administration.** Whenever in the administration of the Plan any action is required by the Plan Administrator, such action shall be uniform in nature as applied to all persons similarly situated.

14.3. **Heirs and Successors.** All of the provisions of this Plan shall be binding upon all persons who shall be entitled to any benefits hereunder, and their heirs and legal representatives.

To signify its adoption of this Plan document, the Company has caused this Plan document to be executed by a duly authorized officer of the Company on this ___th day of _____, 2007.

NU SKIN ENTERPRISES, INC.

By: /s/ D. Matthew Dorny
Its: Vice President

SCHEDULE A

Nu Skin International, Inc. Deferred Compensation Plan (Adams, Mark)

Nu Skin International, Inc. Deferred Compensation Plan (Allen, Charles)

Deferred Compensation Plan (New Participant Form) (Averett, Claire)

Deferred Compensation Plan 2004b (Averett, Claire)

Nu Skin International, Inc. Deferred Compensation Plan (Bush, Lori)

Deferred Compensation Plan 2004b (Bush, Lori)

Nu Skin International, Inc. Deferred Compensation Plan (Cerqueira, Luiz)

Nu Skin International, Inc. Deferred Compensation Plan (Chang, Joseph)

Deferred Compensation Plan 2004b (Chang, Joseph)

Deferred Compensation Plan (New Participant Form) (Chard, Dan)

Nu Skin International, Inc. Deferred Compensation Plan (Conlee, Robert)

Nu Skin International, Inc. Deferred Compensation Plan (Dorny, Matt)

Deferred Compensation Plan (New Participant Form) (Durrant, Jodi)

Nu Skin International, Inc. Deferred Compensation Plan (Ford, Joe)

Nu Skin International, Inc. Deferred Compensation Plan (Fralick, John)

Nu Skin International, Inc. Deferred Compensation Plan (Frary, Jim)

Deferred Compensation Plan (New Participant Form) (Garrett, Gary)

Deferred Compensation Plan (New Participant Form) (Hartvigsen, Rich)

Deferred Compensation Plan 2004b (Hartvigsen, Rich)

Deferred Compensation Plan (New Participant Form) (Henderson, Sid)

Deferred Compensation Plan 2004b (Henderson, Sid)

Deferred Compensation Plan (New Participant Form) (Howe, Keith)

Nu Skin International, Inc. Deferred Compensation Plan (Hunt, Truman)

Deferred Compensation Plan (New Participant Form) (King, Richard)

Deferred Compensation Plan 2004b (King, Richard)

Deferred Compensation Plan (New Participant Form) (Lindley, Corey)

> Nu Skin International, Inc. Deferred Compensation Plan (Lords, Brian)

Deferred Compensation Plan (New Participant Form) (MacFarlene, Larry V.)

Nu Skin International, Inc. Deferred Compensation Plan (Mangum, Bart)

Deferred Compensation Plan (New Participant Form) (Messick, Owen)

Deferred Compensation Plan (New Participant Form) (Morris, Brad)

Nu Skin International, Inc. Deferred Compensation Plan (Nielson, Chris)

Nu Skin International, Inc. Deferred Compensation Plan (Nelson, Brett)

Nu Skin International, Inc. Deferred Compensation Plan (Peterson, Jack)

Deferred Compensation Plan (New Participant Form) (Schultz, Tom)

Deferred Compensation Plan (New Participant Form) (Schwerdt, Scott)

Nu Skin International, Inc. Deferred Compensation Plan (Smidt, Carsten)

Deferred Compensation Plan (New Participant Form) (Smith, Michael)

Nu Skin International, Inc. Deferred Compensation Plan (Thibaudeau, Elizabeth)

Nu Skin International, Inc. Deferred Compensation Plan (Treharne, Alex)

Deferred Compensation Plan (New Participant Form) (Van Pelt, Dane)

Deferred Compensation Plan 2004b (Van Pelt, Dane)

Nu Skin International, Inc. Deferred Compensation Plan (Wayment, Brad)

Deferred Compensation Plan (New Participant Form) (Wolfert, Mark)

Nu Skin International, Inc. Deferred Compensation Plan (Wood, Ritch)

Nu Skin International, Inc. Deferred Compensation Plan (Young, Rob)

Re: Larry MacFarlane

Dear Larry:

This letter sets forward a draft of our current thinking regarding your leaving Nu Skin. This letter sets forth the proposed conditions and agreements that apply to your termination of employment.

From July 23, 2007 until October 31, 2007 you will report to Dan Chard, as an internal consultant regarding Distributor Success (DS) technology strategy and organization.

- **Stock** -- Your stock options will continue to vest through October 31.

On October 31, 2007 your employment with Nu Skin Enterprises, Inc. will end.

- **Severance**

On the effective date of your Settlement and Release Agreement, you will receive a lump sum severance benefit of \$250,000 less federal and state withholding taxes and other applicable deductions made up of the following components:

- a. As of September 30, 2007 your Deferred Compensation balance, including the Company portion, will be 100% vested. Payout of your Deferred Compensation account will be as previously elected by you in the amount of \$84,150.
- b. A lump sum cash payment of \$165,850.

Restricted stock and stock option vesting will stop at your termination date, and you will have 90-days to exercise any vested options under the terms of your stock options.

- **Non-Compete Agreement**

Paragraph 10 (Non-Competition) of the Key-Employment Covenants signed by you on September 10, 2003 is hereby amended as follows:

In exchange for the severance benefit outlines above, Employee (Larry MacFarlane) shall not accept employment with, engage in or participate, directly or indirectly, individually or as an officer, director, employee, shareholder, consultant, partner, joint venture, agent, equity owner, distributor or in any other capacity whatsoever, with any direct sales or multi-level marketing company that competes with the business of the Company whether for market share of products or for independent distributors in a territory in which the Company is doing business. The restrictions set forth in this paragraph shall remain in effect during a period of one year following the Employee's termination of Employment.

All other terms of your Key-Employee Covenants Agreement remain unchanged as outlined therein.

Sincerely,

/s/ Claire H. Averett
Claire H. Averett
Nu Skin International, Inc.

Acknowledged:

/s/ Larry MacFarlane
Larry MacFarlane

Dated: _____

August 10, 2007

Dear Andrew:

I am pleased to confirm your assignment as the new President of the Greater China Region effective May 21, 2007. This opportunity represents our confidence in your ability to succeed in your new assignment. Please refer to the following points outlining your new assignment:

- **Title** — President, Greater China Region, reporting directly to Dan Chard, Executive Vice President, Distributor Success.
- **Responsibility** — Your primary responsibility will be to lead the distributor success organization for the Greater China Region including China, Taiwan and Hong Kong.
- **Compensation (RMB)** — Your base salary will be 2,160,000 RMB annually, 180,000 monthly, which will be subject to annual adjustment according to performance. You will also receive 300,000 RMB as a hardship differential, which will not be recalculated year to year. The base salary plus hardship differential together will form the incentive base. You will receive a home leave/vacation allowance of 100,000 RMB per year. The company will provide a car and housing allowance in the amount of 80,000 RMB per month. The total of your housing and car allowance will be paid upfront for three years for a total of 2,880,000 RMB. Should you leave within the first three years, the upfront housing and car allowance would need to be paid back at a prorated amount. In addition, you will receive income tax equalization provided under the company's expatriate plan for income earned as an employee, if needed.
- **Bonus** — You will be paid at 50% bonus as a member of the Management Committee. Throughout the rest of 2007, this bonus will be tied to the results of South East Asia. You will also be eligible for an override performance bonus subject to specified performance guidelines and targets tied to the Greater China Region. (see attached)
- **Stock** — Your stock options 10,000 per year and 3,000 restricted will remain the same as a member of the management committee that will vest 25% per year over a four year period. In addition you will receive an additional one time signing grant of 5,000 shares of restricted stock that will vest 25% per year over a four year period.
- **Non-Competition:** In exchange for the benefits of continued employment by Company, Employee shall not accept employment with, engage in or participate, directly or indirectly, individually or as an officer, director, employee, shareholder, consultant, partner, joint venturer, agent, equity owner, distributor or in any other capacity whatsoever, with any direct sales or multi-level marketing company including any direct or indirect affiliate or subsidiary of such company that competes with the business of Company whether for market share of products or for independent distributors in a territory in which Company is doing business. The restrictions set forth in this paragraph shall remain in effect during the Employee's employment with Company and during a period of twelve (12) months following the Employee's termination of employment.

Please review the contents of this letter of agreement carefully as it represents essential terms of your new assignment. If the terms are agreeable to you, please sign the original copy and return it to me. I look forward to your leadership and impact on the future growth of the Greater China Region.

Sincerely,

/s/ Dan Chard
Dan Chard
Executive Vice President DSP
date: August 10, 2007

/s/ Andrew Fan
Andrew Fan
Regional Vice President, Greater China
Date: August 10, 2007

BONUS ATTACHMENT

May 30, 2007

Andrew Fan, President, Greater China Region
Mainland China and Greater China Bonus Plan

The terms of the bonus plan are as follows:

1. The bonuses described below will be in addition to the standard incentive bonus calculated quarterly.
2. During any rolling four quarter period prior to December 31, 2010, if Mainland China achieves positive operating income (i.e. at least break even at the operating income level), then you will be paid a bonus of one times your annual base salary ("Break Even Bonus"), subject to the following limitation.
 - a. Hong Kong and Taiwan combined must achieve the full target (i.e. achievement of 100% payout) for both revenue and operating income during the rolling four quarter period in which break even in Mainland China is achieved, or the Break Even Bonus will be subject to a 20% discount (80% x your annual base salary). Hong Kong and Taiwan will be combined in USD converted at constant currency exchange rates for both the target and results. See number 4 for exceptions.
3. For the subsequent five calendar years following achievement of break even in Mainland China (the "Break Even Year"), you will be paid a bonus of 1.5% of the annual incremental increase in revenue ("Incremental Revenue Bonus") at the end of each calendar year subject to the limitations set forth below. For example, if revenue in the Break Even Year was 815,000,000 RMB and increased in "year one" to 850,000,000 RMB, you would be paid a bonus of 1.5% of 35,000,000 RMB (850,000,000 – 815,000,000 = 35,000,000 x 1.5% = 525,000 RMB) or \$67,742 (USD at 7.75 FX = \$67,742). If revenue then increased to 900,000,000 RMB in "year two", your bonus would be calculated as (900,000,000 – 850,000,000 = 50,000,000; 50,000,000 x 1.5% = 750,000 RMB or

US\$96,774). Annual incremental revenue growth will be calculated from the calendar year with the highest revenue since the Break Even Year. For example, if revenue in “year two” was 900,000,000 RMB, but declined in “year three” and “year four” to 875,000,000 RMB and 890,000,000 RMB respectively, no Incremental Revenue Bonus would be paid in “year three” or “year four” as the year with highest revenue during the five year period subsequent to the Break Even Year was “year two” at 900,000,000 RMB. The incremental revenue bonus for “year five” would be based on 900,000,000 RMB from “year two”.

- a. For the Incremental Revenue Bonus to be paid, operating margin (operating income as a percentage of revenue) must increase as revenue increases. For example, if operating margin in “year one” was 2.5% of revenue and operating margin in “year two” was below 2.5%, no bonus would be paid on the incremental revenue for “year two”, even if revenue increased from “year one” to “year two”. Although the bonus from year two was not paid, once the operating margin has increased over the highest operating margin since the Break Even Year (2.5% operating margin from “year one” in this example) the incremental revenue bonus for “year two” can be recouped.
 - b. Hong Kong and Taiwan combined must achieve the full target (i.e. achievement of 100% payout) for both revenue and operating income for each year of the bonus payment or the bonus will be subject to a 20% discount (80% x 1.5% of incremental revenue).
 - c. The total bonus paid for the Incremental Revenue Bonus will be capped at USD \$1.0 million (using an exchange rate of 7.75 RMB to the USD) for the five year period following the Break Even Year.
4. Bonus targets will be adjusted for transfer prices made in between budgeting periods. For example, if a transfer price is made that has not been budgeted for in Hong Kong, which reduces profitability such that they do not achieve the budget targets, then an adjustment would be made to the calculation of operating income to determine if Hong Kong has achieved the target.

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: November 9, 2007

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

EXHIBIT 31.2
SECTION 302 – CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Ritch N. Wood, certify that:

1. I have reviewed this 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: November 9, 2007

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

EXHIBIT 32.1
SECTION 1350 CERTIFICATION OF CHIEF EXECUTIVE OFFICER

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT 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 period ended September 30, 2007, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, M. Truman Hunt, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

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

Date: November 9, 2007

/s/ M. Truman Hunt

M. Truman Hunt

Chief Executive Officer

EXHIBIT 32.2
SECTION 1350 CERTIFICATION OF CHIEF FINANCIAL OFFICER

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT 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 period ended September 30, 2007, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ritch N. Wood, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

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

Date: November 9, 2007

/s/ Ritch N. Wood

Ritch N. Wood

Chief Financial Officer