

NU SKIN ENTERPRISES INC (NUS)

10-Q

Quarterly report pursuant to sections 13 or 15(d)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2009

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

Yes No

As of April 30, 2009, 63,204,670 shares of the registrant's Class A common stock, \$.001 par value per share, were outstanding.

NU SKIN ENTERPRISES, INC.

2009 FORM 10-Q QUARTERLY REPORT – FIRST QUARTER

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Nu Skin and Pharmanex 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>March 31,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 117,034	\$ 114,586
Accounts receivable	19,829	16,496
Inventories, net	112,917	114,378
Prepaid expenses and other	<u>43,345</u>	<u>44,944</u>
	293,125	290,404
Property and equipment, net	77,165	82,336
Goodwill	112,446	112,446
Other intangible assets, net	85,111	87,888
Other assets	<u>131,190</u>	<u>136,698</u>
Total assets	<u>\$ 699,037</u>	<u>\$ 709,772</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 19,099	\$ 20,378
Accrued expenses	113,471	115,794
Current portion of long-term debt	<u>28,518</u>	<u>30,196</u>
	161,088	166,368
Long-term debt	151,387	158,760
Other liabilities	<u>65,607</u>	<u>68,464</u>
Total liabilities	<u>378,082</u>	<u>393,592</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	220,496	218,928
Treasury stock, at cost - 27.4 million and 27.2 million shares	(418,475)	(417,017)
Retained earnings	588,794	584,239
Accumulated other comprehensive loss	<u>(69,951)</u>	<u>(70,061)</u>

	320,955	316,180
Total liabilities and stockholders' equity	<u>\$ 699,037</u>	<u>\$ 709,772</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	
	March 31,	
	2009	2008
Revenue	\$ 296,198	\$ 298,089
Cost of sales	<u>53,806</u>	<u>54,197</u>
Gross profit	<u>242,392</u>	<u>243,892</u>
Operating expenses:		
Selling expenses	123,164	127,913
General and administrative expenses	89,691	88,555
Restructuring charges	<u>9,386</u>	<u>—</u>
Total operating expenses	<u>222,241</u>	<u>216,468</u>
Operating income	20,151	27,424
Other income (expense), net	<u>(1,236)</u>	<u>(5,829)</u>
Income before provision for income taxes	18,915	21,595
Provision for income taxes	<u>7,074</u>	<u>8,106</u>
Net income	<u>\$ 11,841</u>	<u>\$ 13,489</u>
Net income per share (Note 2):		
Basic	\$ 0.19	\$ 0.21
Diluted	\$ 0.19	\$ 0.21
Weighted-average common shares outstanding (000s):		
Basic	63,334	63,457
Diluted	63,522	64,166

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)

	Three Months Ended	
	March 31,	
	2009	2008
Cash flows from operating activities:		
Net income	\$ 11,841	\$ 13,489
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,409	7,967
Foreign currency (gains)/losses	(640)	4,545
Stock-based compensation	2,107	1,948
Deferred taxes	900	(1,061)
Changes in operating assets and liabilities:		
Accounts receivable	(4,215)	234

Inventories, net	(553)	1,145
Prepaid expenses and other	1,338	2,486
Other assets	(594)	1,782
Accounts payable	(1,001)	(3,576)
Accrued expenses	2,957	(14,313)
Other liabilities	(875)	(548)
Net cash provided by operating activities	<u>18,674</u>	<u>14,098</u>
Cash flows from investing activities:		
Purchases of property and equipment	(3,185)	(2,711)
Proceeds on investment sales	—	17,225
Purchases of investments	—	(13,910)
Net cash provided by (used) in investing activities	<u>(3,185)</u>	<u>604</u>
Cash flows from financing activities:		
Exercise of employee stock options	3	1,386
Payment of cash dividends	(7,286)	(6,976)
Income tax benefit of options exercised	—	111
Repurchases of shares of common stock	(2,001)	(8)
Net cash used in financing activities	<u>(9,284)</u>	<u>(5,487)</u>
Effect of exchange rate changes on cash	<u>(3,757)</u>	<u>995</u>
Net increase in cash and cash equivalents	2,448	10,210
Cash and cash equivalents, beginning of period	<u>114,586</u>	<u>87,327</u>
Cash and cash equivalents, end of period	<u>\$ 117,034</u>	<u>\$ 97,537</u>

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

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 March 31, 2009, and for the three-month periods ended March 31, 2009 and 2008. 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, 2008.

2. NET INCOME PER SHARE

Net income per share is computed based on the weighted-average number of common shares outstanding during the periods presented. Additionally, diluted earnings per share data gives effect to all potentially dilutive common shares that were outstanding during the periods presented. For the three-month periods ended March 31, 2009 and 2008, other stock options totaling 6.9 million and 4.7 million, respectively, were excluded from the calculation of diluted earnings per share because they were anti-dilutive.

3. DIVIDENDS PER SHARE

In February 2009, our board of directors declared a quarterly cash dividend of \$0.115 per share for all shares of Class A common stock. This quarterly cash dividend of \$7.3 million was paid on March 18, 2009, to stockholders of record on February 27, 2009.

4. DERIVATIVE FINANCIAL INSTRUMENTS

At March 31, 2009, the Company held mark to market forward contracts totaling yen 250 million (approximately \$2.5 million as of March 31, 2009) to hedge its yen denominated debt payments due in April 2009. Unrealized mark-to-market gains and losses, calculated from quoted market exchange rates, were immaterial and recorded as part of other income (expense), net. At December 31, 2008 the Company did not hold any forward contracts designated as foreign currency cash flow hedges. As of March 31, 2009 and December 31, 2008, the Company did not have any net unrealized gains/(losses) recorded in accumulated other comprehensive loss.

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NU SKIN ENTERPRISES, INC. Notes to Consolidated Financial Statements

5. REPURCHASES OF COMMON STOCK

During the three-month period ended March 31, 2009, the Company repurchased approximately 0.2 million shares of its Class A common stock under its open market repurchase plan for approximately \$2.0 million. During the three-month period ended March 31, 2008, the Company did not repurchase any shares of its Class A common stock under its open market repurchase plan.

6. COMPREHENSIVE INCOME

The components of comprehensive income, net of related tax, for the three-month periods ended March 31, 2009 and 2008, were as follows (U.S. dollars in thousands):

	Three Months Ended March 31,	
	2009	2008
Net income	\$ 11,841	\$ 13,489
Other comprehensive income, net of tax:		
Foreign currency translation adjustment	110	(92)
Net unrealized losses on foreign currency cash flow hedges	—	—
Less: Reclassification adjustment for realized losses (gains) in current earnings	—	—
Comprehensive income	<u>\$ 11,951</u>	<u>\$ 13,397</u>

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, contractual sales promoters and direct sellers to sell its products through fixed retail locations. Selling expenses are the Company's largest expense comprised of the commissions paid to its worldwide independent distributors as well as remuneration to its Mainland China sales employees, promoters and direct sellers paid on product sales. The Company manages its business primarily by managing its global sales force. The Company does not use profitability reports on a regional or divisional basis for making business decisions. However, the Company does recognize revenue in five geographic regions: North Asia, Americas, Greater China, Europe and South Asia/Pacific.

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NU SKIN ENTERPRISES, INC. Notes to Consolidated Financial Statements

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

Revenue:	Three Months Ended March 31,	
	2009	2008
North Asia	\$ 139,818	\$ 149,434
Americas	58,416	50,416
Greater China	47,470	49,904
Europe	26,674	22,833
South Asia/Pacific	23,820	25,502
Total	<u>\$ 296,198</u>	<u>\$ 298,089</u>

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

	Three Months Ended	
	March 31,	
Revenue:	2009	2008
Nu Skin	\$ 163,203	\$ 137,517
Pharmanex	129,936	155,952
Other	3,059	4,620
Total	\$ 296,198	\$ 298,089

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

	Three Months Ended	
	March 31,	
Revenue:	2009	2008
Japan	\$ 109,884	\$ 108,993
United States	49,236	44,378
South Korea	29,934	40,441
Europe	22,819	19,918
Taiwan	19,287	21,567
Mainland China	16,452	16,708

Long-lived assets:	March 31, 2009	December 31, 2008
Japan	\$ 8,206	\$ 9,891
United States	43,767	45,940
South Korea	1,765	2,007
Europe	3,212	2,220
Taiwan	1,545	3,050
Mainland China	10,781	10,747

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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 March 31, 2009, the Company had net deferred tax assets of \$74.3 million. The Company has netted these deferred tax assets and deferred tax liabilities by jurisdiction. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be ultimately realized.

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

At December 31, 2008, the Company had \$30.9 million in unrecognized tax benefits of which \$5.8 million, if recognized, would affect the effective tax rate. The Company's unrecognized tax benefits relate to multiple foreign and domestic jurisdictions.

The Company anticipates that it is reasonably possible that the total amount of gross unrecognized tax benefits, net of foreign currency adjustments, could decrease in the range of \$15 million to \$20 million within the next 12 months due to the closure of tax years by expiration of the statute of limitations and audit settlements. If these tax benefits are ultimately recognized, the impact to the Company's annual effective tax rate for 2009 and 2010, and the effective tax rate in the quarters in which the benefits are recognized would be impacted by approximately \$3 million to \$6 million. The amount of unrecognized tax benefits did not change significantly during the three months ended March 31, 2009.

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 local or foreign authorities or that such challenges will not have a material adverse effect on the Company's financial position or results of operations or cash flows. The Company and its Subsidiaries are defendants in litigation and proceedings involving various matters. In the opinion of the Company's management, based upon advice of its counsel handling such litigation and proceedings, adverse outcomes, if any, will not likely result in a material effect on the Company's consolidated financial condition, results of operations or cash flows.

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

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. It 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 was approximately yen 2.7 billion (or approximately \$27.3 million as of March 31, 2009), 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 it believes will eliminate any further customs valuation disputes with respect to product imports in Japan after that time.

Because the Company believes the documentation and legal analysis supports its position and the valuation methodology it used with respect to the products in dispute had been reviewed and approved by the customs authorities in Japan, the Company believes the assessments are improper and it filed letters of protest with Yokohama customs with respect to this entire amount. Yokohama customs rejected the Company's letters of protest, and to follow proper administrative procedures the Company filed appeals with the Japan Ministry of Finance. In order to appeal, the Company was required to pay the approximately yen 2.7 billion in customs duties and assessments related to all of the amounts at issue, which it recorded in "Other Assets" in its Consolidated Balance Sheet. On June 26, 2006, the Company was advised that the Ministry of Finance had rejected the appeals filed with their office relating to the imports from October 2002 to October 2004. The Company decided to appeal this issue through the judicial court system in Japan, and on December 22, 2006 it filed a complaint with the Tokyo District Court Civil Action Section with respect to this period. In January 2007, the Company was advised that the Ministry of Finance also rejected its appeal with them for the imports from November 2004 to June 2005. The Company appealed this decision with the court system in July 2007. Currently, all appeals are pending with the Tokyo District Court Civil Action Section. One of the findings cited by the Ministry of Finance in its decisions was that the Company had treated the transactions as sales between its U.S. affiliate and its Japan subsidiary on its corporate income tax return under applicable income tax and transfer pricing laws. To the extent that the Company is unsuccessful in recovering the amounts assessed and paid, 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 November 2008, the U.S. Internal Revenue Service began an audit of the Company's 2006 and 2007 tax years. The Company anticipates this audit will be completed by approximately the end of 2009.

11. LONG-TERM DEBT

The Company currently has debt pursuant to various credit facilities and other borrowings. The following table summarizes the Company's long-term debt arrangements as of March 31, 2009:

Facility or Arrangement⁽¹⁾	Original Principal Amount	Balance as of March 31, 2009⁽²⁾	Interest Rate	Repayment terms
2000 Japanese yen denominated notes	yen 9.7 billion	yen 2.8 billion (\$28.0 million as of March 31, 2009)	3.0%	Notes due October 2010, with annual principal payments that began in October 2004.
2003 \$205.0 million multi-currency uncommitted shelf facility:				
U.S. dollar denominated:	\$50.0 million	\$20.0 million	4.5%	Notes due April 2010, with annual principal payments that began in April 2006.
	\$40.0 million	\$40.0 million	6.2%	Notes due July 2016, with annual principal payments that begin in July 2010.
	\$20.0 million	\$20.0 million	6.2%	Notes due January 2017, with annual principal payments beginning January 2011.
Japanese yen denominated:	yen 3.1 billion	yen 2.7 billion (\$27.0 million as of March 31, 2009)	1.7%	Notes due April 2014, with annual principal payments that began in April 2008.

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Facility or Arrangement⁽¹⁾	Original Principal Amount	Balance as of March 31, 2009⁽²⁾	Interest Rate	Repayment terms
	yen 2.3 billion	yen 2.3 billion (\$22.9 million as of March 31, 2009)	2.6%	Notes due September 2017, with annual principal payments beginning September 2011.
	yen 2.2 billion	yen 2.2 billion (\$22.0 million as of March 31, 2009)	3.3%	Notes due January 2017, with annual principal payments beginning January 2011.
2004 \$25.0 million revolving credit facility	N/A	None	N/A	Credit facility expires May 2010.

- (1) Each of the credit facilities and arrangements listed in the table are secured by guarantees issued by 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) is \$28.5 million and includes \$14.0 million of the balance on the Company's 2000 Japanese yen denominated notes, \$4.5 million of the balance of the Company's Japanese yen-denominated debt under the 2003 multi-currency uncommitted shelf facility and \$10.0 million of the balance on the Company's U.S. dollar denominated debt under the 2003 multi-currency uncommitted shelf facility.

12. RESTRUCTURING CHARGES

During the first quarter of 2009, the Company recorded restructuring charges of \$9.4 million, related to restructuring of its Japan operations, including an approximately 35% headcount reduction as well as facility relocations and closures. Approximately \$6.8 million of these charges related to severance payments to terminated employees and approximately \$2.6 million related to facility relocation or closing costs. The Company anticipates that it will incur approximately \$5 million in additional restructuring charges during the remainder of 2009 primarily related to facility relocations and closures in Japan.

As of March 31, 2009, approximately \$4.1 million remains accrued for anticipated payments of the severance charges during the second quarter of 2009. The majority of these severance charges are related to a voluntary employment reduction program, which the Company accounted for under the provision of SFAS 112, "Employer's Accounting for Postemployment Benefits". The restructuring charges for facility relocation or closing costs related to costs incurred during the first quarter of 2009 for leases terminated in that period. The Company accounted for these facility closing charges under the provisions of SFAS 146, "Accounting for Costs Associated with Exit of Disposal Activities."

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, 2008 filed with the Securities and Exchange Commission ("SEC") on February 27, 2009, 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-month period ended March 31, 2009 decreased 1% to \$296.2 million compared to the same period in 2008 as a result of foreign currency exchange rate fluctuations, which negatively impacted revenue by 5%. Solid year-over-year local-currency growth in our South Korea, United States, Europe and South Asia/Pacific markets were offset by the impact of foreign currency fluctuations as well as local currency declines in China and Japan. During the quarter we continued to see strong results in our personal care brand, including continued demand for the *Galvanic Spa System II* and *ageLoc Galvanic Gels*, our first products to incorporate *ageLoc* technology, which are currently being sold in our Americas and Europe regions.

Earnings per share for the first quarter of 2009 were \$0.19 compared to \$0.21 for the same period in 2008. Earnings per share were negatively impacted by \$9.4 million in planned restructuring charges (or \$0.09 per share), primarily related to transformation efforts to streamline our operations in Japan. First quarter 2008 earnings were negatively impacted by a foreign currency translation loss of \$4.5 million primarily related to the translation of our Japanese yen denominated debt into U.S. dollars.

Revenue

North Asia. The following table sets forth revenue for the three-month periods ended March 31, 2009 and 2008 for the North Asia region and its principal markets (U.S. dollars in millions):

	<u>2009</u>	<u>2008</u>	<u>Change</u>
Japan	\$ 109.9	\$ 109.0	1%
South Korea	29.9	40.4	(26%)
North Asia total	<u>\$ 139.8</u>	<u>\$ 149.4</u>	(6%)

Revenue in the region for the three-month period ended March 31, 2009 was negatively impacted approximately 2 percent by foreign currency exchange rate fluctuations.

Local-currency revenue in Japan declined 10% for the three-month period ended March 31, 2009, compared to the same period in 2008, which was offset by the impact of a stronger yen during the quarter compared to the prior-year period. Although the decline in local currency revenue was less than previous quarters, we continued to experience a year-over-year decline in our distributor numbers, with active and executive distributor counts decreasing 7% and 11%, respectively. Regulatory and media scrutiny of the industry and our focus on distributor compliance in response to this scrutiny continued to negatively affect our business. During the quarter, however, we continued to focus on initiatives that have successfully contributed to growth in our other markets. We have experienced a positive response to these initiatives by our distributors. We believe these initiatives will contribute to improving revenue trends in the future.

South Korea continued to experience local-currency revenue growth with local-currency revenue increasing 10% compared to the same period in 2008. However, a 48% weighted average weakening of the Korean won resulted in a large decline in reported revenue in this market compared to the prior-year period. As the Korean won continues to fluctuate, it may positively or negatively impact our results. Local-currency growth in South Korea tempered compared to prior quarters, due to the success of the *Estera* product launch during the prior-year period, making for a difficult year-over-year comparison. We believe revenue growth was also negatively impacted by the prolonged and difficult economic conditions in this market. The number of active and executive distributors in Korea increased 16% and 6%, respectively, compared to the prior-year period.

Americas. The following table sets forth revenue for the three-month periods ended March 31, 2009 and 2008 for the Americas region and its principal markets (U.S. dollars in millions):

	<u>2009</u>	<u>2008</u>	<u>Change</u>
United States	\$ 49.2	\$ 44.4	11%
Canada	4.6	3.3	39%
Latin America	4.6	2.7	70%
Americas total	<u>\$ 58.4</u>	<u>\$ 50.4</u>	16%

Revenue in the United States for the three-month period ended March 31, 2009 increased by 11% compared to the prior-year period, reflecting slightly slower growth than in recent quarters. The increase in revenue continued to be driven by strong interest in our highly demonstrable *Galvanic Spa System II*. Our launch of *ageLoc Galvanic Gels* during the last quarter of 2008 also contributed to growth during the first quarter of 2009. Active distributors in the United States increased 1% and executive distributors increased 5% in the first quarter of 2009 compared to the same prior-year period.

On a local-currency basis, revenue in Canada increased 74% and in Latin America by 93% over the prior-year period, driven primarily by the success of our *Galvanic Spa System II* and *ageLoc* gels in these markets. We plan to begin initial marketing efforts in Colombia during the second quarter of 2009.

Greater China. The following table sets forth revenue for the three-month periods ended March 31, 2009 and 2008 for the Greater China region and its principal markets (U.S. dollars in millions):

	<u>2009</u>	<u>2008</u>	<u>Change</u>
Taiwan	\$ 19.3	\$ 21.6	(11%)
Mainland China	16.5	16.7	(1%)
Hong Kong	11.7	11.6	1%
Greater China total	<u>\$ 47.5</u>	<u>\$ 49.9</u>	(5%)

Foreign currency exchange rate fluctuations negatively impacted revenue by approximately 2% in this region during the first quarter of 2009.

On a local-currency basis, revenue in Mainland China decreased 6% in the three-month period ended March 31, 2009, compared to the same period in 2008. This decrease is primarily due to our continued transition to a new sales model and continued efforts to manage our sales force to ensure compliance with our policies and local regulations. The number of preferred customers in Mainland China decreased 49% and sales representatives decreased 12%, compared to the prior-year period.

Local-currency revenue in Taiwan was down 3%, and local-currency revenue in Hong Kong was even on a year-over-year basis in the three-month period ended March 31, 2009, compared to the same prior-year period. We continue to be unable to market the *Galvanic Spa System II* in Taiwan due to regulatory restrictions, which has been a primary growth initiative in our other markets. The first quarter executive distributor count in Taiwan was up 6% and the number of active distributors was down 11% when compared to the prior year period, while executive distributors in Hong Kong were up 2% and the active distributors in Hong Kong were down 3%.

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Europe. The following table sets forth revenue for the three-month periods ended March 31, 2009 and 2008 for the Europe region (U.S. dollars in millions):

	<u>2009</u>	<u>2008</u>	<u>Change</u>
Europe \$	26.7	22.8	17%

Regional results were negatively impacted 19% by foreign currency fluctuations.

We continue to experience strong growth throughout our European markets. Growth in this region was driven by strong sales force leadership and sustained interest in our *Galvanic Spa System II* and *Pharmanex BioPhotonic Scanner* products, as well as momentum generated from the expansion of our business in Eastern Europe, which includes the markets of Hungary, Romania, Russia, Slovakia, Poland and the recently opened Czech Republic. We currently plan on beginning initial marketing activities in Turkey during the second quarter of 2009.

South Asia/Pacific. The following table sets forth revenue for the three-month periods ended March 31, 2009 and 2008 for the South Asia/Pacific region and its principal markets (U.S. dollars in millions):

	<u>2009</u>	<u>2008</u>	<u>Change</u>
Singapore/Malaysia/Brunei \$	9.4	9.9	(5%)
Thailand	8.0	8.7	(8%)
Australia/New Zealand	2.7	3.3	(18%)
Indonesia	2.0	2.0	—
Philippines	1.7	1.6	6%
South Asia/Pacific total	<u>\$ 23.8</u>	<u>\$ 25.5</u>	(7%)

Foreign currency exchange rate fluctuations negatively impacted revenue in South Asia/Pacific by 15% in the first quarter of 2009 compared to the same prior-year period. Constant currency growth of 8% in this region was driven primarily by steady sales of our *Galvanic Spa System II* and *The Right Approach* weight loss products. The growth in this region was driven by double-digit constant-currency growth in Malaysia, Australia/New Zealand, Philippines, and Indonesia. In addition, revenue in Thailand was negatively impacted by ongoing political unrest in this market.

Gross profit

Gross profit as a percentage of revenue remained at 81.8% for the first quarter of 2009 level with the same period in 2008.

Selling expenses

Selling expenses as a percentage of revenue decreased to 41.6% for the first quarter of 2009 from 42.9% for the same period in 2008. This improvement is largely related to the phase-in of a distributor compensation plan modification, which we refer to as the Wealth Maximizer, implemented in North America and Europe during 2008. Other compensation plan modifications in several markets including China and Japan also contributed to this improvement.

General and administrative expenses

General and administrative expenses increased to \$89.7 million for the first quarter of 2009 from \$88.6 million for the same period in 2008. As a percentage of revenue, general and administrative expenses increased to 30.3% for the first quarter of 2009 from 29.7% for the same period in 2008. The slight increase in general and administrative expenses was associated primarily with additional promotion and event spending during the first quarter, particularly in Japan where we are beginning to hold additional distributor events similar to what we do in other markets, as part of our efforts to improve results in Japan.

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Restructuring charges

During the first quarter of 2009, we recorded restructuring charges of \$9.4 million primarily related to restructuring in our Japan operations, including an approximately 35% headcount reduction as well as facility relocations and closures. Approximately \$6.8 million of these charges related to severance payments to terminated employees and approximately \$2.6 million related to facility relocation or closing costs. We currently anticipate that we will incur approximately \$5 million in additional restructuring charges during the remainder of 2009 primarily related to facility relocations and closures in Japan.

Other income (expense), net

Other income (expense), net for the first quarter of 2009 was approximately \$1.2 million of expense compared to \$5.8 million of expense for the same period in 2008. This expense consisted primarily of approximately \$1.8 million in interest expense, offset by approximately \$0.6 million in foreign currency gains. Other income (expense), net for the first quarter of 2008 was negatively impacted by a foreign currency translation loss of \$4.5 million primarily related to the translation of our Japanese yen denominated debt into U.S. dollars.

Provision for income taxes

Provision for income taxes for the first quarter of 2009 was \$7.1 million compared to \$8.1 million for the same period in 2008. The effective tax rate was 37.4% of pre-tax income during the first quarter of 2009, compared to a rate of 37.5% in the same prior-year period.

Net income

As a result of the foregoing factors, net income for the first quarter of 2009 decreased to \$11.8 million from \$13.5 million for the same period in 2008.

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 \$18.7 million in cash from operations during the three-month period ended March 31, 2009, compared to \$14.1 million during the same period in 2008.

As of March 31, 2009, working capital was \$132.0 million, compared to \$124.0 million as of December 31, 2008. Cash and cash equivalents at March 31, 2009 and December 31, 2008 were \$117.0 million and \$114.6 million, respectively. The increase in cash balances was primarily due to the increase in cash generated from operating activities. This increase in cash positively impacted our working capital.

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Capital expenditures in the first three months of 2009 totaled \$3.2 million, and we anticipate capital expenditures of approximately \$25 million for 2009. These capital expenditures are primarily related to:

- purchases of computer systems and software, including equipment and development costs; and
- the build-out and upgrade of leasehold improvements in our various markets, including retail stores in China and walk-in centers in Japan.

We currently have long-term debt pursuant to various credit facilities and other borrowings. The following table summarizes these long-term debt arrangements as of March 31, 2009:

Facility or Arrangement⁽¹⁾	Original Principal Amount	Balance as of March 31, 2009⁽²⁾	Interest Rate	Repayment terms
2000 Japanese yen denominated notes	yen 9.7 billion	yen 2.8 billion (\$28.0 million as of March 31, 2009)	3.0%	Notes due October 2010, with annual principal payments that began in October 2004.
2003 \$205.0 million multi-currency uncommitted shelf facility:				
U.S. dollar denominated:	\$50.0 million	\$20.0 million	4.5%	Notes due April 2010, with annual principal payments that began in April 2006.
	\$40.0 million	\$40.0 million	6.2%	Notes due July 2016, with annual principal payments that begin in July 2010.
	\$20.0 million	\$20.0 million	6.2%	Notes due January 2017, with annual principal payments beginning January 2011.
Japanese yen denominated:	yen 3.1 billion	yen 2.7 billion (\$27.0 million as of March 31, 2009)	1.7%	Notes due April 2014, with annual principal payments that began in April 2008.

yen 2.3 billion	yen 2.3 billion (\$22.9 million as of March 31, 2009)	2.6%	Notes due September 2017, with annual principal payments beginning September 2011.
yen 2.2 billion	yen 2.2 billion (\$22.0 million as of March 31, 2009)	3.3%	Notes due January 2017, with annual principal payments beginning January 2011.

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Facility or Arrangement ⁽¹⁾	Original Principal Amount	Balance as of March 31, 2009 ⁽²⁾	Interest Rate	Repayment terms
2004 \$25.0 million revolving credit facility	N/A	None	N/A	Credit facility expires May 2010.

- (1) Each of the credit facilities and arrangements listed in the table are secured by guarantees issued by 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) is \$28.5 million and includes \$14.0 million of the balance on the Company's 2000 Japanese yen denominated notes, \$4.5 million of the balance of the Company's Japanese yen-denominated debt under the 2003 multi-currency uncommitted shelf facility and \$10.0 million of the balance on the Company's U.S. dollar denominated debt under the 2003 multi-currency uncommitted shelf facility.

Our board of directors has approved a stock repurchase program authorizing us to repurchase our outstanding shares of Class A common stock on the open market or in private transactions. The repurchases are used primarily to offset dilution from our equity incentive plans and for strategic initiatives. During the first quarter of 2009, we repurchased approximately 0.2 million shares of Class A common stock under this program for approximately \$2.0 million. At March 31, 2009, approximately \$81.6 million was available for repurchases under the stock repurchase program.

In February 2009, our board of directors declared a quarterly cash dividend of \$0.115 per share for Class A common stock. This quarterly cash dividend of \$7.3 million was paid on March 18, 2009 to stockholders of record on February 27, 2009. 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.

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Due to the international nature of our business, we are subject from time to time to reviews and audits by the foreign taxing authorities of the various jurisdictions in which we conduct business throughout the world. In 1999, we implemented a duty valuation methodology with respect to the importation of certain products into Japan. For purposes of the import transactions at issue, we had taken the position that, under applicable customs law, there was a sale between the manufacturer and our Japan subsidiary, and that customs duties should be assessed on the manufacturer's invoice. The Valuation Department of the Yokohama customs authorities reviewed and approved this methodology at that time, and it had been reviewed on several occasions by the audit division of the Japan customs authorities since then. In connection with subsequent audits in 2004, the Yokohama customs authorities assessed us additional duties and penalties on these products imported into Japan from October 2002 to October 2004, based on a different valuation methodology than what was previously approved. With respect to the periods under audit, the customs authorities took the position that the relevant import transaction involved a sale between our U.S. affiliate and our Japan subsidiary and that duties should be assessed on the value of that transaction. We disputed this assessment. We also disputed the amount of duties we were required to pay on products imported from November of 2004 to June of 2005 for similar reasons. The total amount assessed or in dispute was approximately yen 2.7 billion (or approximately \$27.3 million as of March 31, 2009), net of any recovery of consumption taxes. Effective July 1, 2005, we implemented some modifications to our business structure in Japan and in the United States that we believe will eliminate any further customs valuation disputes with respect to product imports in Japan after that time.

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

affiliate and our Japan subsidiary on our corporate income tax return under applicable income tax and transfer pricing laws. To the extent that we are unsuccessful in recovering the amounts assessed and paid, we will be required to take a corresponding charge to our earnings.

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 March 31, 2009, we had net deferred tax assets of \$74.3 million. These net deferred tax assets assume sufficient future earnings will exist for their realization, as well as the continued application of current tax rates. In certain foreign jurisdictions valuation allowances have been recorded against the deferred tax assets specifically related to use of net operating losses. When we determine that there is sufficient taxable income to utilize the net operating losses, the valuation allowances will be released. In the event we were to determine that we would not be able to realize all or part of our net deferred tax assets in the future, an adjustment to the deferred tax assets would be charged to earnings in the period such determination was made.

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

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

At December 31, 2008, we had \$30.9 million in unrecognized tax benefits of which \$5.8 million, if recognized, would affect the effective tax rate. In comparison, at December 31, 2007, we had \$31.9 million in unrecognized tax benefits of which \$9.1 million, if recognized, would affect the effective tax rate. Our unrecognized tax benefits relate to multiple foreign and domestic jurisdictions. We anticipate that it is reasonably possible that the total amount of gross unrecognized tax benefits, net of foreign currency adjustments, could decrease in the range of \$15 million to \$20 million within the next 12 months due to the closure of tax years by expiration of the statute of limitations and audit settlements. If these tax benefits are ultimately recognized, the impact to our annual effective tax rate for 2009 and 2010, and the effective tax rate in the quarters in which the benefits are recognized would be impacted by approximately \$3 million to \$6 million. The amount of unrecognized tax benefits did not change significantly during the three months ended March 31, 2009.

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

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

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

Stock-Based Compensation. Effective January 1, 2006, we adopted the fair value recognition provisions of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment* ("SFAS 123R"), using the modified prospective transition method. Under this method we recognize compensation

expense for all share-based payments granted after January 1, 2006, and prior to, but not yet vested as of January 1, 2006, in accordance with SFAS 123R. Under the fair value recognition provisions of SFAS 123R, we recognize stock-based compensation net of any estimated forfeitures on a straight-line basis over the requisite service period of the award. The fair value of our stock-based compensation expense is based on estimates using the Black-Scholes option-pricing model. This option-pricing model requires the input of highly subjective assumptions including the option's expected life, risk-free interest rate, expected dividends and price volatility of the underlying stock. The stock price volatility assumption was determined using the historical volatility of our common stock.

Recent Accounting Pronouncements

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

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations*, ("SFAS 141R"), which changes how business combinations are accounted for. SFAS 141R became effective January 1, 2009. The impact of SFAS 141R depends on the nature and terms of future acquisitions.

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

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements* ("SFAS 160"), which changes the accounting and reporting standards for the noncontrolling interests in a subsidiary in consolidated financial statements. SFAS 160 recharacterizes minority interests as noncontrolling interests and requires noncontrolling interests to be classified as a component of shareholders' equity. SFAS 160 became effective January 1, 2009. The adoption of SFAS 160 had no effect on our consolidated results of operations or financial condition.

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

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 sales representatives in China who have completed a qualification process.

Region:	<u>As of March 31, 2009</u>		<u>As of March 31, 2008</u>	
	<u>Active</u>	<u>Executive</u>	<u>Active</u>	<u>Executive</u>
North Asia	319,000	13,971	324,000	14,938
Americas	171,000	4,993	162,000	4,627
Greater China	99,000	5,972	137,000	6,140
Europe	85,000	2,850	62,000	2,244
South Asia/Pacific	63,000	2,368	62,000	2,138
Total	<u>737,000</u>	<u>30,154</u>	<u>747,000</u>	<u>30,087</u>

Currency Risk and Exchange Rate Information

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

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We may seek to reduce our exposure to fluctuations in foreign currency exchange rates through the use of foreign currency exchange contracts, through intercompany loans of foreign currency and through our Japanese yen-denominated debt. We do not use derivative financial instruments for trading or speculative purposes. We regularly monitor our foreign currency risks and periodically take measures to reduce the impact of foreign exchange fluctuations on our operating results. As of March 31, 2009 we had yen 250 million (approximately \$2.5 million as of March 31, 2009) in forward contracts relating to a payment on our Japanese yen debt payable in April 2009.

Note Regarding Forward-Looking Statements

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

- our expectations regarding our initiatives, strategies, restructuring efforts and other innovations;
- our expectations regarding the impact of foreign currency fluctuations and our efforts to reduce our exposure to such fluctuations;
- our plans to commence initial marketing efforts in Colombia and Turkey in the second quarter of 2009;
- our expectations regarding the timing and impact of our restructuring efforts;
- our anticipation regarding the amount and uses of capital expenditures for 2009;
- our expectations regarding the use of repurchased stock;
- 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 beliefs and plans regarding our liquidity and cash balances;
- our beliefs regarding the merits of our position in our Japan customs dispute;
- our belief that modifications to our business structure in Japan and in the United States will eliminate any further customs valuation disputes with respect to product imports in Japan; and
- our expectations regarding critical accounting policies and recent accounting pronouncements.

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.

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

(a) Global economic conditions have deteriorated significantly over the past year. Consumer confidence and spending have declined drastically and the global credit crisis has limited access to capital for many companies. Although we have continued to see growth in many of our markets during this period, the economic downturn could adversely impact our business in the future by causing a decline in demand for our products, particularly if the economic conditions are prolonged or continue to worsen. In South Korea, for example, we believe that our growth has started to slow due in part to prolonged difficult economic conditions in this market. In addition, such economic conditions may adversely impact access to capital for us and our suppliers, may decrease our

distributors' ability to obtain or maintain credit cards, and may otherwise adversely impact our operations and overall financial condition. Although we have historically met our funding needs utilizing cash flow from operations, no assurances can be given that we will not need to obtain additional equity or debt financing and that such financing will be available to us on terms that are favorable.

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

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

- continued or increased levels of regulatory and media scrutiny and any regulatory actions taken by regulators, or any adoption of more restrictive regulations, in response to such scrutiny;
- any weakening of the Japanese yen;
- regulatory constraints with respect to the claims we can make regarding the efficacy of products and tools, which could limit our ability to effectively market them;
- risks that the new initiatives we are implementing in Japan, which are patterned after successful initiatives implemented in other markets, will not have the same level of success in Japan, may not generate renewed growth or increased productivity among our distributors, and may cost more or require more time to implement than we have anticipated;
- inappropriate activities by our distributors and any resulting regulatory actions;
- any weakness in the economy or consumer confidence; and
- increased competitive pressures from other direct selling companies and their distributors who actively seek to solicit our distributors to join their businesses.

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

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(e) Our operations in China are subject to significant regulatory scrutiny, and we have experienced challenges in the past, including interruption of sales activities at certain stores and fines being paid in some cases. Even though we have now obtained a direct selling license, government regulators continue to scrutinize our activities and the activities of our employed sales representatives, contractual sales promoters and direct sellers to monitor our compliance with applicable regulations as we integrate direct selling into our business model. Any determination that our operations or activities, or the activities of our employed sales representatives, contractual sales promoters or direct sellers, are not in compliance with applicable regulations, could result in the imposition of substantial fines, extended interruptions of business, termination of necessary licenses and permits, including our direct selling licenses, or restrictions on our ability to open new stores or obtain approvals for service centers or expand into new locations, all of which could harm our business.

(f) The direct selling regulations in China are restrictive and there continues to be some confusion and uncertainty as to the meaning of the regulations and the specific types of restrictions and requirements imposed under them. It is also difficult to predict how regulators will interpret and enforce these regulations. Our business and our growth prospects may be harmed if Chinese regulators interpret the anti-pyramiding regulations or direct selling regulations in such a manner that our current method of conducting business through the use of employed sales representatives, contractual sales promoters and direct sellers violates these regulations. In particular, our business would be harmed by any determination that our current method of compensating our employed sales representatives and contractual sales promoters, including our use of the sales productivity of an individual and the group of individuals whom he or she trains and supervises as one of the factors in establishing salary and compensation, violates the restriction on multi-level compensation under the rules. Our business could also be harmed if regulators inhibit our ability to concurrently operate our business model, which includes retail stores, employed sales representatives, contractual sales promoters and direct sellers.

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

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

(i) We plan to implement some compensation plan modifications in most of our Asian markets in 2009, similar to those we implemented in the Americas and Europe regions in 2008. Because of the size of our distributor force and the complexity of our compensation plans, it is difficult to predict whether such changes will achieve their desired results. Because of unique features of existing plans in these markets, particularly in our Southeast Asia and Japan markets,

implementation of these features will involve a more significant transition. There are risks that the compensation plan modifications we make will not be well received or achieve desired results in each of these markets and that the transition could have a negative impact on revenue. If our distributors fail to adapt to these changes or find them unattractive, our business could be harmed.

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(j) As we continue to implement our business transformation initiative, there could be unintended negative consequences, including business disruptions and/or a loss of employees. Further, we may not realize the cost improvements and greater efficiencies we hope for as a result of this realignment. In addition, as we continually evaluate strategic reinvestment of any savings generated as a result of our transformation initiative, we may not ultimately achieve the amount of savings that we currently anticipate.

(k) The network marketing and nutritional supplement industries are subject to various laws and regulations throughout our markets, many of which involve a high level of subjectivity and are inherently fact-based and subject to interpretation. Negative publicity concerning supplements with controversial ingredients has spurred efforts to change existing regulations or adopt new regulations in order to impose further restrictions and regulatory control over the nutritional supplement industry. If our existing business practices or products, or any new initiatives or products, are challenged or found to contravene any of these laws by any governmental agency or other third party, or if there are any new regulations applicable to our business that limit our ability to market such products or impose additional requirements on us, our revenue and profitability may be harmed.

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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 March 31, 2009.

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.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

No updates to report. Please refer to our recent SEC filings, including our Annual Report on Form 10-K for the 2008 fiscal year, for information regarding the status of certain legal proceedings.

ITEM 1A. RISK FACTORS

Our 2008 Annual Report on Form 10-K includes a detailed discussion of our risk factors. The following is an additional risk factor reflecting recent developments and should be read in conjunction with the risk factors and information disclosed in that Form 10-K.

We face risks related to health epidemics, which could negatively impact our business.

Our revenue was negatively impacted in 2003 by the SARS epidemic that hit Asia during that year. More recently, human cases of swine flu, originating in Latin America, have been identified as potential global health risks. It is difficult to predict the impact on our business, if any, of a recurrence of SARS, or the emergence of new epidemics, such as avian flu or swine flu. Although such events could generate increased sales of health and immune supplements and certain personal care products, our direct selling and retail activities and results of operations could be harmed if the fear of any communicable and rapidly spreading disease results in travel restrictions or causes people to avoid group meetings or gatherings or interaction with other people.

In addition, most of our Pharmanex nutritional supplement revenue is generated from products that are encapsulated in bovine- and/or porcine-sourced gel capsules. If we experience production difficulties, quality control problems, or shortages in supply in connection with bovine or porcine related health concerns, this could result in additional risk of product shortages or write-offs of inventory that no longer can be used. In addition, our business could be

harmful if consumers become unduly concerned about consumption of bovine- and/or porcine-sourced products, or, alternatively, if consumers react negatively to our switching from capsules to tablets on some products. The sources and ingredients of our products are also subject to governmental regulations by numerous domestic and foreign governmental agencies and authorities regarding product ingredients. We may be unable to introduce our products in some markets if we are unable to obtain the necessary regulatory approvals or if any product ingredients are prohibited, which could harm our business.

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

Issuer Purchases of Equity Securities

Period	(a)	(b)	(c)	(d)	
	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in millions) ⁽¹⁾	
January 1 - 31, 2009	3,072	\$ 9.48	3,000	\$	83.5
February 1 - 28, 2009	10,900	\$ 9.45	10,900	\$	83.4
March 1 - 31, 2009	203,600	\$ 9.15	203,600	\$	81.6
Total	<u>217,572</u> ⁽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 approximately \$335.0 million is currently authorized. As of March 31, 2009, we had repurchased approximately \$253.4 million of shares under the plan. There has been no termination or expiration of the plan since the initial date of approval.

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(2) We have authorized the repurchase of shares acquired by our employees and distributors in certain foreign markets because of regulatory and other issues that make it difficult or 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, 72 relate to repurchases from such employees and distributors at an average price per share of \$9.31.

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
Regulation S-
K**

Number Description

- 10.1 Gary Sumihiro Settlement and Release Agreement dated March 1, 2009, between Mr. Sumihiro and the Company.
- 10.2 Gary Sumihiro Consulting Agreement dated March 1, 2009, between Mr. Sumihiro and the Company.
- 10.3 Summary of Modifications to Dan Chard's Employment Letter.
- 10.4 Amendment to the Deferred Compensation Plan, effective as of January 1, 2009 (incorporated by reference to Exhibit 10.50 to the Company's Annual Report on Form 10-K for the year ended December 31, 2008).
- 10.5 Performance Targets and Formulas for 2009 (Approved under the 2006 Senior Executive Incentive Plan) (incorporated by reference to Exhibit 10.64 to the Company's Annual Report on Form 10-K for the year ended December 31, 2008).
- 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.

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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.

May 8, 2009

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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SETTLEMENT AND RELEASE AGREEMENT

THIS SETTLEMENT AND RELEASE AGREEMENT is entered into in Provo, Utah, by and between Nu Skin Enterprises, Inc., 75 West Center Street, Provo, Utah 84601, and Gary Sumihiro effective as of the 1st day of March- 2009.

Parties

1. **Nu Skin or Company.** As used herein, Nu Skin or Company shall mean and refer to Nu Skin Enterprises, Inc., or any affiliate of Nu Skin Enterprises, Inc. Affiliate means any person or entity that controls, is controlled by or is under common control with Nu Skin Enterprises, Inc., including, without limitations, any direct or indirect parent or subsidiary of Nu Skin Enterprises, Inc., or any officer, director, shareholder, employee, or agent of Nu Skin Enterprises, Inc., or of any direct or indirect parent or subsidiary of Nu Skin Enterprises, Inc.
2. **Employee.** As used herein, Employee shall mean and refer to Gary Sumihiro.

Background

Employee was hired on April 9, 2007 and has been an at-will employee of Nu Skin since that date. Employee has elected to terminate his employment with the Company. As Employee and Nu Skin sever their employment relationship, they mutually agree it is in the best interests of both to enter into a mutual understanding, settle and compromise of all claims and disputes, if any, between them.

Agreement

Now, therefore, in consideration of the foregoing, the mutual promises and covenants set forth herein, and for other good and valuable consideration, the receipt, adequacy, and legal sufficiency of which are hereby acknowledged, the parties mutually agree as follows:

1. Employee's employment with the Company shall terminate as of March 1, 2009 (the "Termination Date"). As of the Termination Date, Employee shall have no further rights as an employee and all rights to additional compensation and benefits arising from Employee's employment shall end. Simultaneously with the execution of this Agreement Nu Skin and Employee are entering into a Consulting Agreement (the "Consulting Agreement") pursuant to which Nu Skin has agreed to retain Employee as a consultant for a period of time. Except as specifically set forth below in this Agreement or in the Consulting Agreement, Nu Skin shall have no further obligation to provide any benefits or make any payments to or on behalf of Employee. Nu Skin agrees to provide the following payments or benefits to Employee as part of Employee's separation:

- (a) Nu Skin shall make a one-time severance payment to Employee in the amount of \$224,722 plus JPY 935,000 for transportation.
- (b) Nu Skin agrees that it will not claw back or seek to recover any portion of Employee's signing bonus.
- (c) Nu Skin also agrees that nothing in this Agreement shall affect Employee's post-employment rights set forth in the agreements related to Nu Skin's deferred compensation plan, Nu Skin's 401(k) plan, and Employee's stock option agreements. Any vested deferred compensation will be paid out in accordance with the terms of such plan and Employee shall have the right to exercise any vested options as of the Termination Date for a period of 90 days to the extent set forth in the applicable stock option agreements.
- (d) Nu Skin shall pay the lease and utility payments for Employee's accommodations in Japan through July 31, 2009, it being understood that Employee and his family shall continue to live in the same accommodations in Japan that they are currently living in. Nu Skin also shall pay any termination and/or restoration costs associated with terminating the lease for these accommodations if and when Employee vacates the premises provided that Employee vacates the premises on or before September 30, 2009. Nu Skin will also continue to pay the storage costs on Consultant's stored items in the US, the insurance coverage on items in consultant's home in Japan, and the property management fees for Consultant's home in Keystone Colorado through July 2009.
- (e) Nu Skin shall pay the tuition costs for Consultant's children attending school in Japan consistent with what was being paid while Consultant was a Nu Skin employee, through the end of the school year ending in 2009.
- (f) Nu Skin shall reimburse Consultant for the cost of the family membership fee to the Tokyo American Club through July 2009. In addition, Employee can continue to use his Roppongi Hills Club membership, which previously has been paid by Nu Skin through September 2009 (it being understood that Nu Skin shall not make any further payments with respect to the Roppongi Hills Club membership).
- (g) Nu Skin shall also pay the costs to transport Consultant's furnishings and goods back to Keystone, Colorado or such other location in the United States as designated by Consultant if Consultant elects to relocate to the United States prior to September 30, 2009. Nu Skin shall also pay the costs to transport Consultant's furnishings and goods currently stored in Grand Rapids to Keystone, Colorado or such other location in the United States as designated by Consultant if such request is made on or before September 30, 2009. Nu Skin shall reimburse the reasonable travel costs (for flights in business class and rental car or other public transportation expenses) for Employee and his family to return to Keystone, Colorado or such other location in the United States as designated by Employee if he relocates back to the United States prior to September 30, 2009. All of the foregoing relocation benefits shall be subject in all respects to Nu Skin's policy for such relocation costs and Employee must work with Nu Skin in making any arrangement for the shipment of furnishings or goods or in making any travel arrangements. If Employee does not relocate to the United States prior to September 30, 2009, then Nu Skin shall have no further obligation under this Agreement to pay the for the benefits described in this subparagraph (g).
- (g) Nu Skin shall provide tax equalization with respect to the income and benefits provided hereunder (and any compensation payable under the Consulting Agreement entered concurrently herewith) consistent with Nu Skin's policies regarding tax equalization for expatriate employees. Nu Skin shall also pay for tax equalization for income outside of Nu Skin during the Consulting Term in an amount not to exceed \$50,000. Nu Skin shall also pay to have Consultant's tax returns prepared for 2008 and 2009 using Ernst & Young. Foreign tax credits accrued while Consultant resides in Japan shall be the property of Consultant.
- (h) In the event Employee competes with Nu Skin on or prior to December 31, 2009, Nu Skin shall have the right to stop making payments for any of the foregoing and seek reimbursement of any expenses related to the period that Employee was competing with Nu Skin.

2. In consideration of the payments and benefits to be provided by Nu Skin as set forth in Section 1, Employee, all persons and entities claiming by, through, or under Employee, hereby completely releases Nu Skin from all claims, charges, demands, grievances, and/or causes of action which Employee had,

has, or may claim to have based on, arising from, or relating to Employee's employment with Nu Skin or the termination thereof, including, without limitation, any claims, charges, demands, grievances, and/or causes of action under:

- (a) Title VII of the Civil Rights Acts of 1964 and 1991, as amended, which prohibit discrimination on the basis of race, color, sex, religion, or national origin;
- (b) Section 1981 of the Civil Rights Act of 1866, which prohibits discrimination on the basis of race;
- (c) The Employee Retirement Income Security Act as of the effective date of this Agreement;
- (d) any state laws against discrimination; or
- (e) any other foreign (including any national, local or other law or regulation applicable in Japan), federal, state, or local statute or common law relating to employment.

The foregoing release also includes, without limitation, release of any claims for wrongful discharge, breach of express or implied contract of employment, employment-related torts, personal injury (whether physical or mental), or any other claims in any way related to Employee's employment with or separation from Nu Skin. Employee acknowledges and agrees that Employee has not been discriminated against in any manner prohibited by law during Employee's employment with Nu Skin or with regard to Employee's separation from employment with Nu Skin.

Notwithstanding the foregoing, Employee does not waive any rights to unemployment insurance benefits or worker's compensation benefits. Employee further understands that nothing in this Paragraph 2 prohibits Employee from paying COBRA premiums to maintain Employee's participation in Nu Skin's group health plan to the extent allowed by law and subject to the terms, conditions, and limitations set forth in Nu Skin's group health plan.

Employee will continue to be covered by Nu Skin's medical and dental benefits through the last day of the month in which the employment terminates. Except as expressly set forth herein, all employee benefits available to Employee under current policies of Nu Skin will cease at 11:59 p.m. on the Termination Date.

3. Employee acknowledges that Employee is waiving and releasing any rights Employee may have under the Age Discrimination in Employment Act of 1967 ("ADEA") and that this waiver and release is knowing and voluntary. Employee and Nu Skin agree that this waiver and release does not apply to any rights or claims that may arise under ADEA after the effective date of this Agreement. Employee acknowledges that the consideration given for this waiver and release agreement is in addition to anything of value to which Employee was already entitled. Employee further acknowledges that Employee has been advised by this writing that:

- a. Employee should consult with an attorney prior to executing this Agreement;
- b. Employee has at least twenty-one (21) days within which to consider this Agreement, although Employee may accept the terms of this Agreement at any time within those 21 days;
- c. Employee has at least seven (7) days following the execution of this Agreement by the parties to revoke this Agreement; and
- d. This Agreement will not be effective until the revocation period has expired.

4. Employee acknowledges that Nu Skin does not have a formal severance policy and that Nu Skin has no obligation to pay severance to Employee except as required by this Agreement.

5. Employee is reminded that the Key-Employee Covenants Agreement signed by Employee will remain in force following termination of employment (exclusive of the non-compete provision in paragraph 10 which shall be superseded by the terms of the Consulting Agreement, and the return of assets and equipment provision in paragraph 12 thereof, which shall be superseded by the provisions of paragraph 6 below) including but not limited to the following clauses:

- a. **Confidentiality Information:** Employee acknowledges that during the term of employment with Company he or she may develop, learn and be exposed to information about Company and its business, including but not limited to formulas, business plans, financial data, vendor lists, product and marketing plans, distributor lists and training in Company's manner of doing business in both product categories and direct selling and multi-level marketing strategies, and other trade secrets which information is secret, confidential and vital to the continued success of Company ("Confidential Information"). Employee agrees that he or she will not at any time (whether during employment or after termination of employment with Company), without the express written consent of Company, disclose, copy, retain, remove from Company's premises or make any use of such Confidential Information except as may be required in the course of his or her employment with Company.
- b. **Non-Solicitation:** Employee shall not in any way, directly or indirectly, at any time during employment or within two (2) years after either a voluntary or involuntary employment termination take any of the following actions designed to encourage or entice Company distributors, employees or vendors to leave, change, or otherwise reduce their interactions with the Company: (a) solicit, divert, or take away Company's distributors; (b) solicit in any manner Company's employees, or vendors; or (c) assist any other person in any manner of persons in an attempt to do any of the foregoing. (Dave- I want to make sure we are in agreement. I am not going to compete with NS but if I start an entirely new business that is not competitive with NS and the people I know may be interested in seeing what I am doing I want to make sure this is ok.)
- c. **Non-Disparagement:** Employee shall not in any way, directly or indirectly, at any time during employment or after either voluntary or involuntary employment termination, commercially disparage Company, Company products, or Company Distributors including any contact with Distributors with purpose of diminishing the reputation of the Company or any of its employees.
- d. **Non-Endorsement:** Employee shall not in any way, directly or indirectly, at any time during employment or within one (1) year after either voluntary or involuntary employment termination endorse any product that competes with products of Company, promote or speak on behalf of any company whose products compete with those of Company, allow Employee's name or likeness to be used in any way to promote any company or product that competes with products of Company.

6. At the time of termination of employment, Employee shall return to Nu Skin all confidential information, computers, cell phones, or other equipment or materials owned by Nu Skin that are in the possession of Employee or his family except as set forth in this paragraph 6. Employee may retain in his possession, during the pendency of the Consulting Term under the Consulting Agreement entered into contemporaneously herewith, one laptop computer

and one cell phone/PDA. Both the cell phone/PDA and the laptop shall be returned to Nu Skin at the conclusion of the Consulting Term. Consultant shall have the option of purchasing the computers and other related equipment from Nu Skin at a price to be established by Nu Skin provided that all Nu Skin information data and information is cleaned off such equipment and as well as any software that is covered by a Nu Skin license.

7. Employee promises not to file or allow to be filed on Employee's behalf any lawsuit, charge, or complaint against Nu Skin regarding the claims released in Paragraph 2 and 3 above.

8. This Agreement is a negotiated settlement of all claims, charges, demands, grievances, and/or causes of action, if any, between the parties. This Agreement does not constitute an admission by Nu Skin, and Nu Skin specifically denies that Nu skin has violated any contract, law, or regulation or that it has discriminated against Employee or otherwise infringed upon Employee's rights and privileges or done any other wrongful act.

9. This Agreement is confidential information owned by Nu Skin. No party may disclose the contents of this Agreement except to the extent required by law. Notwithstanding the foregoing, Employee may disclose the terms of the Agreement to Employee's attorney or to Employee's immediate family (spouse and children). If Employee discloses the terms of this Agreement to Employee's attorney or to Employee's immediate family, Employee will advise them that they must not disclose the terms of this Agreement except to the extent required by law.

10. If Employee violates or breaches this Agreement, then this Agreement shall remain in full force and effect except that Nu Skin will be entitled to recover from Employee the monies paid pursuant to Paragraph 1 above, attorney's fees and any other remedy available to Nu Skin pursuant to this Agreement or otherwise.

11. Should Employee return to work for the Company as an employee prior to the elapse of time being compensated for under this Agreement, there will be a pro-rata return of such severance payment in a lump sum by the Employee to the Company before any re-employment will be permitted to take place.

12. The provisions of this Agreement are severable. Should any provision hereof be voidable or unenforceable under applicable law, such voidable, or unenforceable provision shall not affect the validity of any other clause or provision, which shall remain in full force and effect. In addition, it is the intention and agreement of the parties that all of the terms and conditions hereof be enforced to the fullest extent permitted by law.

13. The validity of this Agreement and the interpretation and performance of all of its terms shall be governed by the substantive and procedural laws of the State of Utah. Each party expressly submits and consents to exclusive personal jurisdiction and venue in the courts of Utah County, State of Utah or in any Federal District Court in Utah.

14. This Settlement and Release Agreement, together with the Consulting Agreement entered into simultaneously herewith, the Key-Employee Covenants Agreement as amended by this Agreement, and the agreements related to Nu Skin's deferred compensation plan, Nu Skin's 401(k) plan, and Consultant's stock option agreements (hereinafter the "Sole Agreements"), constitute the entire and sole agreements between the parties. No other promises or agreements have been made to Employee or Nu Skin other than those contained in the Sole Agreements. Employee and Nu Skin acknowledge that they have read this Settlement and Release Agreement carefully, fully understand the meaning of the terms of this Settlement and Release Agreement, and are signing this Settlement and Release Agreement knowingly and voluntarily. This Settlement and Release Agreement may not be modified except by an instrument in writing signed by all of the parties hereto.

DATED: 2/27/09

/s/Gary Sumihiro
Employee

DATED: 3/17/09

NU SKIN ENTERPRISES, INC
/s/Ritch N. Wood
Chief Financial Officer

CONSULTING AGREEMENT

This Consulting Agreement (the "Agreement") is made and entered into effective as of March 1, 2009 by and among Nu Skin International Management Group, Inc., a Utah corporation ("Nu Skin"), and Gary Sumihiro, an individual ("Consultant"). Nu Skin and Consultant are sometimes referred to herein collectively as the "*parties*" and individually as a "*party*."

RECITALS

- A. Consultant has been serving as the President and Representative Director of Nu Skin Japan Co. Ltd. Consultant has elected to resign as an employee of Nu Skin Japan Co. Ltd. and as Representative Director, which resignation will take effect on March 1, 2009.
- B. Nu Skin would like to retain Consultant as an independent contractor to provide consulting services to Nu Skin Japan Co. Ltd. with respect to government relations and media relations in Japan and to provide input and guidance on distributor compliance and education issues.
- C. Consultant is willing to provide such services as an independent contractor consultant on the terms and conditions set forth in this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises set forth in this Agreement, the parties hereby agree as follows.

1. **Engagement.** Nu Skin hereby engages Consultant as an independent contractor to provide the Consulting Services (as defined in Section 2 below) to Nu Skin and its affiliated entities during the Consulting Term (as defined in Section 6), and Consultant hereby accepts such engagement on the terms and conditions set forth herein. Consultant may provide such services as an individual in his own name, or through a business entity established for that purpose. In the event that Consultant provides services through a business entity, then both Consultant and the business entity shall be subject to all of the obligations hereunder.
2. **Consulting Services.** During the Consulting Term, Consultant shall be located in Japan and shall consult with Nu Skin Japan concerning government and media relations, distributor compliance and training issues as more fully described on Schedule A to this Agreement (the "Consulting Services"), which Schedule A must be signed and dated by both parties to be effective and to provide such other consulting services, if any, as mutually agreed to by the parties through future amendment to Schedule A. Consultant agrees to devote such time and attention as reasonably necessary to fulfill Consultant's good faith and other contractual obligations to provide the Consulting Services contemplated hereby. Except as otherwise provided by provisions of Section 7.1 below, nothing herein shall preclude Consultant from simultaneously pursuing such other independent investments and activities with third parties as he desires during the Consulting Term as long as such investments and activities do not interfere with, or impair his ability to perform, his obligations under this Agreement. Consultant also agrees that during the Consulting Term he will not contact any distributors of Nu Skin without the prior consent of Brett Nelson, and should such distributors contact Consultant, Consultant will not engage in any substantive discussion with them related to the direct selling business, Nu Skin, or any matter related thereto without the prior consent of Brett Nelson. As part of his Consulting Services, Consultant shall provide weekly updates to Brett Nelson as to his consulting activities and shall also disclose to Nu Skin his government and media contacts except to the extent Consultant is prohibited from disclosing such information pursuant to a valid and enforceable confidentiality agreement, provided, however, in such case that Consultant takes reasonable steps to get permission to disclose such contacts subject to Nu Skin agreeing to maintain such confidentiality.
3. **Professional Standards.** Recognizing and acknowledging that it is essential for the protection and enhancement of the name and business of Nu Skin and its affiliates and the immense good will pertaining thereto, Consultant shall perform his duties under this Agreement professionally and diligently, and shall not act, and shall refrain from acting, in any manner that could harm or tarnish the name, business or income of Nu Skin or its affiliates or the immense good will pertaining thereto. Consultant agrees to perform all services hereunder in strict compliance with all applicable legal requirements.
4. **Consulting Fees.**
 - 4.1. **Consulting Fee.** During the Consulting Term, Nu Skin agrees to pay Consultant a monthly consulting fee equal to \$2,500 per month.
 - 4.2. **Additional Fees.** In the event that Consultant diligently performs the consulting services during the full Consulting Term (i.e., through July 31, 2008) and there are no material government investigations, negative media coverage, or business sanctions issued in 2009, Nu Skin shall pay Consultant a completion bonus of \$125,748 on December 31, 2009. This payment shall be payable by Nu Skin only if Consultant signs a release of claims following the Consulting Term releasing Nu Skin from any and all claims. Such release shall be in addition to the release of claims being executed simultaneously with this Consulting Agreement. Notwithstanding the foregoing, nothing in the releases being signed or to be signed shall be construed to limit Consultant's rights or claims set forth in the agreements Consultant entered into as a Nu Skin employee and related to Nu Skin's deferred compensation plan, Nu Skin's 401(k) plan, and Consultant's stock option agreements.
5. **Reimbursement of Expenses.** Nu Skin agrees to reimburse Consultant for, or pay directly, the following expenses related to the Consulting Services to be provided by Consultant hereunder and his assignment in Japan:
 - 5.1. **Support Services.** Throughout the Consulting Term, Nu Skin shall make available to Consultant, at Nu Skin's expense, reasonable administrative and interpretation support services for use solely in the performance of the Consulting Services. These services must be coordinated with and approved in advance by Brett Nelson.
 - 5.2. **Business Expenses.** Nu Skin shall reimburse Consultant for reasonable expenses Consultant incurs in connection with the services provided hereunder, provided such expenses have been approved in advance by Brett Nelson and Consultant submits adequate documentation for such expenses including the purpose of the expense and the names of all persons who participated in any meetings or lunches covered by such expenses.
6. **Term and Termination.**
 - 6.1. **Term of Agreement.** Subject to early termination pursuant to Section 6.3 or 6.4 below, this Agreement shall become effective as of the date first set forth above and shall terminate on July 31, 2009 (the "Consulting Term").
 - 6.2. **Consequences of Termination.** Upon the termination of this Agreement, all of the parties' obligations under this Agreement shall terminate and each party shall be released from all obligations hereunder except (i) the provisions of Sections 7, 8, 9, 15, and 16 shall survive the termination of this Agreement and remain in full force and effect, (ii) Nu Skin shall remain obligated to pay any unpaid portion of the base consulting fee that accrued through the termination of this Agreement and the Additional Fees to the extent it has been earned as set forth above, and (iii) Nu Skin shall remain liable for

reimbursing any expenses incurred by Consultant prior to the termination of this Agreement that are required to be reimbursed under Section 5 above. Notwithstanding the termination of this Agreement, no party shall be released from any liability arising from its breach of any provision of this Agreement prior to its termination or for any breach of any provisions which survive the termination of this Agreement following such termination.

6.3. **Right of Nu Skin to Terminate.** Nu Skin shall have the right to terminate this Agreement immediately if Consultant commits a material breach of this Agreement.

6.4. **Right of Consultant to Terminate.** Consultant shall have the right to terminate this Agreement immediately if Nu Skin commits a material breach of this Agreement. In addition, Consultant shall have the right to terminate this Agreement by providing 30 days advance notice at any time of his election to terminate this Agreement at his discretion.

7. **Restrictive Covenants.**

7.1. **Non-Competition.** During the Restrictive Period, Consultant shall not, directly or indirectly, participate in any capacity whatsoever, with (A) any company or business that competes in the network marketing industry or (B) any company or business that competes with Nu Skin or its affiliates in the same or a substantially similar business as that engaged in by or its affiliates, in the markets where Nu Skin and its affiliates are engaged in business. For purposes of this Section 7.1, "Restrictive Period" shall mean the period from the Effective Date of this Agreement through December 31, 2009.

7.2. **Confidential Information.** Consultant acknowledges that during the Consulting Term he may develop, learn and be exposed to information about Nu Skin and its business, including but not limited to formulas, business plans, financial data, vendor lists, product and marketing plans, distributor lists and training in Nu Skin's manner of doing business in both product categories and direct selling and multi-level marketing strategies, and other trade secrets which information is secret and confidential ("Confidential Information"). Consultant agrees that he will not at any time (whether during the Consulting Term or after termination of the Consulting Services), without the express written consent of Nu Skin, disclose, copy, retain, remove from Nu Skin's premises or make any use of such Confidential Information except as may be required in the course of his Consulting Services. Notwithstanding the foregoing, the term "Confidential Information" does not include any formulas, business plans, financial data, vendor lists, product and marketing plans, distributor lists and training in Nu Skin's manner of doing business or other trade secrets which are currently in the public domain or which hereafter become public knowledge in a way that does not involve a breach of an obligation of confidentiality.

7.3. **Acknowledgement.** Consultant acknowledges that the confidentiality and non-compete covenants hereunder are fair and reasonable and should be construed to apply to the fullest extent possible by applicable laws. Consultant has carefully read, or caused to be read, this Agreement, has consulted with independent legal counsel to the extent deemed appropriate, and has given careful consideration to the restraints imposed by the Agreement. Consultant acknowledges that the terms of this Agreement are enforceable regardless of the manner in which his consulting relationship is terminated.

7.4. **Remedies.** Consultant acknowledges: (a) that compliance with the restrictive covenants contained in paragraph 7 of this Agreement are necessary to protect the business and goodwill of Nu Skin or its affiliates and (b) that a breach of the restrictive covenants contained in paragraph 7 may result in irreparable and continuing damage to Nu Skin or its affiliates, for which money damages may not provide adequate relief. Consequently, Consultant agrees that, in the event that Consultant breaches or threatens to breach these restrictive covenants, Nu Skin or its affiliates shall be entitled to (1) a preliminary or permanent injunction, without bond, to prevent the continuation of harm and (2) money damages insofar as they can be determined with respect to a material breach. Nothing in this Agreement shall be construed to prohibit Nu Skin or its affiliates from also pursuing any other remedy, the parties having agreed that all remedies are cumulative.

7.5. **Reformation.** Nu Skin intends to restrict the activities of Consultant under the provision of this Agreement only to the extent necessary for the protection of the legitimate business interests of Nu Skin and its affiliates. It is the intention and agreement of the parties that all of the terms and conditions hereof be enforced to the fullest extent permitted by law. In the event that the provisions of this Agreement should ever be deemed or adjudged by a court of competent jurisdiction to exceed the time or geographical limitations permitted by applicable law, then such provisions shall nevertheless be valid and enforceable to the extent necessary for such protection as determined by such court, and such provisions will be reformed to the maximum time or geographic limitations as determined by such court.

8. **Work Product.** Nu Skin shall have the sole proprietary interest in the work product produced by Consultant pursuant to the Consulting Services provided under this Agreement (the "**Work Product**"), and Consultant expressly assigns to Nu Skin or its designee all rights, title and interest in and to all copyrights, patents, trade secrets, improvements, inventions, sketches, models and all documents related thereto, innovations, business plans, designs and any other Work Product developed by Consultant in connection with the services provided under this Agreement.

9. **Indemnification.**

9.1. **Consultant Indemnity.** Consultant shall indemnify and hold Nu Skin and its affiliates, and each of their respective officers, directors, employees and agents, harmless from any and all liabilities, damages, judgments, or expenses, including reasonable attorney's fees, resulting or arising from, directly or indirectly, any acts or omissions by Consultant

9.2. **Nu Skin Indemnity.** Nu Skin shall indemnify and hold Consultant harmless from any liabilities, damages, judgments or expenses, including reasonable attorney's fees, which arise from any acts or omissions by employees of Nu Skin that occurred while Consultant was employed by Nu Skin or that occur during the Consulting Term.

9.3. **Tax Indemnity.** Consultant further agrees to indemnify and hold each of Nu Skin and its affiliates, and each of their officers, directors, employees and agents, harmless from any withholding tax, unemployment payments, fees, penalties, expenses, assessments or other liabilities that Nu Skin or its affiliates may incur as a result of any determination or claim that Consultant is an employee of Nu Skin.

10. **Assignment.** This Agreement is for the unique personal services of Consultant and is not assignable or delegable in whole or in part by Consultant or Nu Skin without the prior written consent of the other party; provided Nu Skin may assign its rights and obligations hereunder to an Affiliate of Nu Skin or in connection with the sale of its business, and provided Consultant may perform his personal services through a business entity established for those purposes.

11. **Termination of Previous Agreements.** Except as set forth below in this Section 11, Consultant hereby confirms and agrees that all previous agreements of any nature involving Consultant and the Nu Skin have been terminated and that neither Nu Skin nor any of its affiliates has any further obligations under such terminated agreements; it being expressly understood that Consultant's post-employment rights set forth in the agreements related to Nu Skin's deferred compensation plan, Nu Skin's 401(k) plan, and Consultant's stock option agreements are not affected by this Agreement and are not terminated or modified by this Agreement, and it being further expressly understood that the Settlement and Release Agreement entered into simultaneously

herewith and the Key Employee Covenants Agreement (as modified by the Settlement and Release Agreement) are not considered to be "previous agreements" and are not terminated or modified by this Agreement.

12. **Waiver and Modification.** Any waiver, change, modification, extension, discharge, or amendment of any provision of this Agreement shall be effective only if in writing in a document that specifically refers to this Agreement and the party against whom enforcement of such waiver, change, modification, extension, discharge, or amendment is sought signs such document. The waiver by either party of a breach of any provision of this Agreement by the other party shall not operate or be construed as a waiver of any other provision hereof or any subsequent breach of the same provision.

13. **Severability; Interpretation.** If any provision of this Agreement is found to be unenforceable by a court of competent jurisdiction, the remaining provisions hereof shall nevertheless remain in full force and effect. Notwithstanding any rule or maxim of construction to the contrary, any ambiguity or uncertainty in this Agreement shall not be construed against either of the parties based upon authorship of any of the provisions hereof.

14. **Notices.** Any notice required or permitted hereunder to be given by either party shall be in writing and shall be delivered personally or sent by certified or registered mail, postage prepaid, or by private overnight courier, or by facsimile (with a conforming copy sent by overnight mail) to the address or fax number set forth below or to such other address as either party may designate from time to time according to the terms of this Section 15:

If to Consultant: Gary Sumihiro

If to Nu Skin: Nu Skin International
Management Group, Inc.
75 West Center Street
Provo, Utah 84601
Attention: D. Matthew Dorny
Fax No.: (801) 345-3099

A notice delivered personally shall be effective upon receipt. A notice sent by facsimile shall be effective the date delivered provided confirmation of delivery is obtained and a copy is delivered by overnight mail, 24 hours after the dispatch thereof. A notice delivered by private overnight courier shall be effective on the day delivered or if delivered by mail, the third day after the day of mailing. Either party may change its address for purposes of this Section 14 by providing the other notice as required herein.

15. **Attorneys Fees.** In the event of any action at law or in equity to enforce or interpret the terms of this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees and court costs in addition to any other relief to which such party may be entitled.

16. **Governing Law; Jurisdiction and Venue.** This Agreement shall be governed by and construed in accordance with the laws of the State of Utah applicable to contracts entered into and to be performed entirely within such State, and no action involving this Agreement may be brought except in the state and federal courts in the State of Utah. Each party expressly consents to the exclusive jurisdiction and venue in the courts of Utah County, State of Utah or any Federal District Court in Utah County or Salt Lake County.

17. **Entire Agreement.** This Consulting Agreement, together with the Settlement and Release Agreement entered into simultaneously herewith, the Key-Employee Covenants Agreement as amended by the Settlement and Release Agreement, and the agreements related to Nu Skin's deferred compensation plan, Nu Skin's 401(k) plan, and Consultant's stock option agreements (hereinafter the "Sole Agreements"), constitute the entire and sole agreements between the parties. No other promises or agreements have been made to Consultant or Nu Skin other than those contained in the Sole Agreements. Consultant and Nu Skin acknowledge that they have read this Consulting Agreement carefully, fully understand the meaning of the terms of this Consulting Agreement, and are signing this Consulting Agreement knowingly and voluntarily. This Consulting Agreement may not be modified except by an instrument in writing signed by all of the parties hereto.

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IN WITNESS WHEREOF, the parties have executed this Consulting Agreement effective as of the date first set forth above.

NU SKIN INTERNATIONAL MANAGEMENT GROUP, INC.,
a Utah corporation

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

GARY SUMIHIRO

/s/ Gary Sumihiro
Gary Sumihiro

Schedule A

CONSULTING SERVICES

Consultant shall provide government and media relations services for the Company by meeting regularly with his contacts in the government and media and promoting the goodwill of Nu Skin among such contacts.

Consultant shall provide weekly written reports to Brett Nelson detailing the contact Consultant has had with media and government contacts, including any information obtained during those meetings.

Upon the request of Mr. Nelson, Consultant shall meet with Brett Nelson and/or such other individuals as may be designated by Mr. Nelson to discuss distributor compliance and industry issues and to provide input on such matters as may be requested by Brett Nelson.

Consultant shall make himself available to Nu Skin Japan upon the request of Mr. Nelson to answer any questions concerning the business of Nu Skin and his tenure as President of Nu Skin Japan, to assist in any response to governmental investigations and inquiries, pending or threatened litigation, complaints, or other matters and/or provide input and guidance on any of the foregoing.

Summary of Modifications to Dan Chard's Employment Letter

On May 26, 2006, the Company entered into an employment letter agreement with Dan Chard, the Company's Executive Vice President, Distributor Success. Pursuant to the letter agreement, Mr. Chard's base salary was set at \$300,000, effective February 13, 2006. The letter agreement also provided for \$25,000 increases in February 2007 and 2008. On February 13, 2009, our Compensation Committee approved an additional \$25,000 increase in Mr. Chard's base salary to \$375,000, effective February 16, 2009.

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: May 8, 2009

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

EXHIBIT 31.2
SECTION 302 – CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Ritch N. Wood, certify that:

1. I have reviewed this 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: May 8, 2009

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

EXHIBIT 32.1
SECTION 1350 CERTIFICATION OF CHIEF EXECUTIVE OFFICER

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT 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 March 31, 2009, 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: May 8, 2009

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

EXHIBIT 32.2
SECTION 1350 CERTIFICATION OF CHIEF FINANCIAL OFFICER

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT 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 March 31, 2009, 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: May 8, 2009

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