UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

[X] Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2002 or

[ ] Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

NU SKIN ENTERPRISES, INC.
(Exact name of registrant as specified in its charter)

Delaware	**001-12421**	**87-0565309**
(State or other jurisdiction of incorporation)	(Commission File No.)	(IRS Employer Identification No.)

75 West Center Street
Provo, UT 84601
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code:
(801) 345-6100

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

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

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

Indicate by check mark 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 X No __

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

Indicate by check mark whether the Registrant is an accelerated file (as defined in Rule 12b-2 of the Act). Yes |X| No |_|

Based on the closing sales price of the Class A common stock on the New York Stock Exchange on June 28, 2002, the aggregate market value of the voting stock (Class A and Class B common stock) held by non-affiliates of the Registrant was approximately $727 million. For purposes of this calculation, voting stock held by executive officers, directors, and stockholders holding more than 10% of the voting stock has been excluded.

As of February 28, 2003, 36,389,350 shares of the Registrant's Class A common stock, $.001 par value per share, and 44,467,854 shares of the Registrant's Class B common stock, $.001 par value per share, were outstanding.

Documents incorporated by reference. Portions of the Registrant's definitive Proxy Statement for the Registrant's 2003 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days after the Registrant's fiscal year end are incorporated by reference in Part III of this report.

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FORWARD LOOKING STATEMENTS

THIS ANNUAL REPORT ON FORM 10-K, IN PARTICULAR "ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS," AND "ITEM 1. BUSINESS," INCLUDE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. THESE STATEMENTS REPRESENT OUR EXPECTATIONS OR BELIEFS CONCERNING, AMONG OTHER THINGS, FUTURE REVENUE, EARNINGS, GROWTH STRATEGIES AND OTHER FINANCIAL RESULTS, NEW PRODUCTS, FUTURE OPERATIONS AND OPERATING RESULTS, AND FUTURE BUSINESS AND MARKET OPPORTUNITIES. WE WISH TO CAUTION AND ADVISE READERS THAT THESE STATEMENTS INVOLVE RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THE EXPECTATIONS AND BELIEFS CONTAINED HEREIN. FOR A SUMMARY OF CERTAIN RISKS RELATED TO OUR BUSINESS, SEE "ITEM 1. BUSINESS – RISK FACTORS" BEGINNING ON PAGE 20.

In this Annual Report on Form 10-K, references to "dollars" and "$" are to United States dollars. Nu Skin, Pharmanex, "6S Quality Process" and Big Planet are our trademarks. The italicized product names used in this Annual Report on Form 10-K are product names and also, in certain cases, our trademarks.

PART I

ITEM 1. BUSINESS

General

Nu Skin Enterprises is a leading, global direct selling company. We develop and distribute premium-quality, innovative personal care products and nutritional supplements, which are sold worldwide under the Nu Skin and Pharmanex brands. Technology and distributor business services and a line of home care products are marketed under the Big Planet brand. We are one of the largest direct selling companies in the world with 2002 revenue of $964 million and a global network of approximately 566,000 active independent distributors. Approximately 28,000 of our active distributors have achieved executive distributor status under our Global Compensation Plan. Our executive distributors play an important leadership role in our distribution network and are critical to the growth and profitability of our business. We currently operate in more than 30 countries throughout Asia, the Americas and Europe.

We develop and market branded consumer products that we believe are well suited for direct selling. Our distributors market and sell our products by educating consumers about the benefits and distinguishing characteristics of our products and by providing personalized customer service. Through dedicated research and development, we continually develop and introduce new products and enhance our existing line of products to provide our distributors with a differentiated portfolio of premium products. We are able to attract and motivate high-caliber independent distributors because of our focus on developing innovative products, our attractive global compensation system and our advanced technological distributor support.

Our Product Divisions

We have three product divisions: Nu Skin, which offers personal care products; Pharmanex, which offers nutritional products; and Big Planet, which offers distributor related business services and

home care products, which currently include an environmentally-friendly line of cleaning products and a water filtration system.

Presented below are the U.S. dollar amounts and percentages of revenue from the sale of Nu Skin, Pharmanex and Big Planet products and services for each of the years ended December 31, 2000, 2001, and 2002. This table should be read together with the information presented in "Management's Discussion and Analysis of Financial Condition and Results of Operations," which discusses the costs associated with generating the aggregate revenue presented:

Revenue by Product Category
(in millions)[1]

Product Category	Year Ended December 31, 2000		Year Ended December 31, 2001		Year Ended December 31, 2002	
	$	%	$	%	$	%
Nu Skin	441.7	50.2	423.7	47.8	470.6	48.8
Pharmanex	383.8	43.6	396.3	44.8	439.0	45.5
Big Planet	54.3	6.2	65.6	7.4	54.5	5.7
Total	879.8	100.0	885.6	100.0	964.1	100.0

(1) In 2002, over 85% of our sales were transacted in foreign currencies that are converted to U.S. dollars for financial reporting purposes at weighted average exchange rates. Foreign currency fluctuations negatively impacted reported revenue by 1% in 2002 compared to 2001, and 9% in 2001 compared to 2000.

Nu Skin. Nu Skin is our original product line and offers over 100 premium-quality personal care products in the areas of daily skin care, advanced skin treatments, ethnobotanical personal care and other advanced products.

Our strategy is to leverage our network marketing distribution model to establish Nu Skin as an innovative leader in the personal care market. We are committed to continuously improving and evolving our product formulations to incorporate innovative and proven ingredients while excluding those that we believe are detrimental to consumers. For example, we recently introduced *Clear Action Acne Treatment System* to treat the full spectrum of cosmetic effects that breakouts can have on the skin. Other examples include our *Perennial Intense Body Moisturizer*, a rich lotion that helps skin retain moisture as it faces the adverse effects of harsh cold or dry climates, and *Epoch Baby*, an "ethnobotanical" line of baby products based on the traditional use of plants by indigenous cultures. Our educated distributor force provides consumers with detailed information and instruction about our Nu Skin products and guidelines for using the products most effectively, thereby enabling us to bring more sophisticated ideas and technologies to market.

Nu Skin offers products individually and in comprehensive product sets that include a variety of products in each product line. The following table summarizes the current Nu Skin product line by category. Revenue percentages in the table are for the year ended December 31, 2002:

Category	Description	Selected Products
Daily Skin Care 44% of Nu Skin division revenue	Our premier line of daily skin care products consists of cleansers, toners and moisturizers, *Nutricentals* products fortified with topically applied nutrients uniquely position this line.	*Night Supply Nourishing Cream* *NaPCA Moisturizer Enhancer* *Celltrex Ultra* *Perennial Intense Body Moisturizer*
Advanced Skin Treatments 21% of Nu Skin division revenue	Our advanced skin treatments are formulated to help prevent and reverse the signs of aging and environmental stress as well as treat breakouts on the skin.	*Nu Skin 180º Anti-Aging Skin Therapy* *Tru-Face Line Corrector* *Galvanic Spa System* *Clear Action Acne Treatment System*
Ethnobotanicals 7% of Nu Skin division revenue	Our *Epoch* line is distinguished by the inclusion of ingredients used by indigenous cultures. In addition, we contribute a percentage of our proceeds from *Epoch* sales to charitable causes.	*Epoch Baby* *Glacial Marine Mud* *Ava Puhi Moni Shampoo* *Ice Dancer Leg Gel* *Fire Walker Foot Cream*
Other — Advanced Products 28% of Nu Skin division revenue	Our personal care portfolio also includes daily use products such as hair care and color cosmetics.	*DailyKind Mild Shampoo* *FreeFall Detangling Spray* *Nutriol Hair Fitness Prep* *Sunright Lip Balm* *Nu Colour Skin Beneficial Tinted Moisturizer*

Pharmanex. We currently offer approximately 50 Pharmanex nutritional products. We are committed to providing our customers with high-quality, standardized and scientifically substantiated nutritional supplements. Pharmanex nutritional supplements include our flagship *LifePak* line of micronutrient and phytonutrient supplements, which we currently sell in all of our major markets. *LifePak* sales accounted for 19.7% of our total revenue and 43.2% of Pharmanex revenue in 2002. We also offer a line of targeted Pharmanex nutritional supplements, weight management products and other specialty products. We design Pharmanex nutritional products to promote healthy, active lifestyles and general well-being when used in conjunction with proper diet and exercise.

We believe that direct selling is a more effective method of marketing high-quality nutritional supplements than traditional retailing channels because our distributors are able to educate consumers about the benefits of our nutritional supplements and to differentiate the quality and benefits of our products from those offered by competitors. Our strategy is to further expand our nutritional supplement business by continuing to introduce new, innovative products based on extensive research and development. To further extend our research capability, we have recently completed the build-out of a

research center in Shanghai, China. This approximately 12,000 square foot facility will house Pharmanex research scientists and is one of three research and development centers (Shanghai, Beijing, and Provo) in the Pharmanex division. Our product development efforts are focused in the area of anti-aging and other health issues related to nutrition. We avoid the use of stimulants, such as ephedra related products, and anabolic steroids (and precursors) in our products. Any ingredients that are proven conclusively to have any long-term addictive or harmful effects are not considered for product development, even if the short-term effects may be desirable.

We are continuously looking for ways to help our distributors market our products more effectively. In 2002, we completed the acquisition of a company with exclusive rights to a patented laser-based scanning tool that can measure the level of carotenoids (a powerful antioxidant). We believe we are the first nutritional company to make available a non-invasive tool that will measure the level of tissue antioxidant carotenoids after regular nutritional supplementation. We made a limited number of these scanners available to our top distributors in the United States in February 2003, and anticipate making more of them available to other distributors during 2003 as we complete our development of a final production model. We currently plan to lease the scanners to our distributors at a monthly lease rate of $199 per month. We are currently evaluating the scanner for potential introduction in international markets in 2004, subject to favorable results in the U.S. and compliance with applicable regulations in foreign markets.

We use our “6S Quality Process” to standardize our nutritional supplements and provide a consistent level of the desired active compounds in our products. We believe that this 6S Quality Process enhances our ability to provide consumers with safe, effective and consistent products. The 6S Quality Process generally involves the following steps:

- *Selection*. Conducting a scientific review of research and databases in connection with the selection of potential products and ingredients, and determining the authenticity, usefulness and safety standards for potential products and ingredients.
- *Sourcing*. Investigating potential sources, evaluating the quality of sources and performing botanical and chemical evaluations where appropriate.
- *Structure*. Determining the structural profile of natural compounds and active ingredients.
- *Standardization*. Standardizing the product dosage of its biologically relevant active ingredients.
- *Safety.* Assessing safety from available research and, where necessary, performing additional tests such as microbial tests and chemical analyses for toxins and heavy metals.
- *Substantiation*. Reviewing documented pre-clinical and clinical trials and, where necessary and appropriate, initiating studies and clinical trials sponsored by Pharmanex.

Following our acquisition of First Harvest International, LLC, Pharmanex began selling a *Vitameal* dehydrated food product. *Vitameals* are a highly nutritious food product used for emergency food supply. We also provide a convenient way for distributors to donate *Vitameal* products they purchase from us to relief organizations for use in humanitarian relief. This initiative is maintained under the Nourish the Children trademark.

The following table summarizes the current Pharmanex product lines by category. Revenue percentages in the table are for the year ended December 31, 2002:

Category	Description	Selected Products
Micronutrient Supplements 43% of Pharmanex division revenue	Our *LifePak* family of daily supplements is designed to provide a beneficial mix of nutrients including vitamins, minerals and antioxidants.	*LifePak* *LifePakWomen* *LifePakPrime* *LifePakTrim* *LifePakTeen*
Targeted Nutritional Solutions 35% of Pharmanex division revenue	Our self-care dietary supplements contain consistent levels of botanical ingredients that are designed to provide consumers with targeted wellness benefits.	*ReishiMax* *Cortitrol* *Cholestin* *CordyMaxCs-4* *TeGreen97* *BioGingko27/7* *ImmuneFormula*
Weight Management 13% of Pharmanex division revenue	Our *Body Design* line of weight-management products was created to capitalize on the sports fitness market as well as to create a presence in the growing weight management category.	*Overdrive* *FibreNet* *CraveEase* *Body Design* meal replacement products
Other — Specialty Products 9% of Pharmanex division revenue	Our portfolio of other nutritional products includes healthy drinks and other specialty wellness products.	*SplashC* *Appeal* *AloeDrink*

Big Planet. Big Planet technology products are designed to allow our distributors and their customers to "power their businesses" with products that generate commissionable distributor sales volume. These products include individual, personalized distributor websites that grant customers easy and convenient access to information about our products and services. We host these websites for our distributors and provide content with relevant product and business information. Distributors also have the ability to configure their individual websites to customize their marketing efforts and to conduct e-commerce activities across our product lines, by seamlessly integrating their sites and online ordering capabilities with our websites and back-end fulfillment systems. Online orders placed by a customer are credited to the appropriate distributor and are automatically routed through our electronic ordering system, and products are shipped by us directly to the customer. We believe this web-based approach greatly simplifies and enhances the ordering experience for our distributors and their customers while at the same time helping to reduce our overall operating costs. Other Big Planet products designed to enhance distributor activity include online business tools, which help our distributors to monitor their sales activity, as well as set up meetings, communicate with their sales organizations and conduct electronic-based marketing efforts.

Other Big Planet technology products and services designed to generate commissionable sales for distributors include our Internet access and website hosting, domestic and international long distance telecommunications services, and personal 800 numbers. Our Internet services include web hosting and Internet access offered to our customers in the United States through more than 3,000 local dial-up access sites. In Japan and Taiwan, we offer Internet access through third-party Internet service providers who co-brand their services with Big Planet. We also offer an affiliate online shopping website called the Big Planet Mall (www.bpmall.com).

We believe our Big Planet "power your business" products help to attract a new, more technologically sophisticated demographic of distributors to our business. We believe that a significant number of these individuals are people who would not ordinarily be attracted to a more conventional direct sales business. Our experience indicates that upon joining our business, many distributors attracted by our Big Planet products and services will also begin to purchase and distribute our Nu Skin and Pharmanex products, which offer comparatively high levels of commissionable sales volume. In this way, we believe Big Planet helps to drive revenue for our other product lines.

Our strategy for Big Planet has been to expand the Big Planet product mix to include higher margin products and improve margins on its key technology products. For example, Big Planet recently entered the home-care market and will continue to develop and offer products in this segment going forward. Products in this segment will include environmentally-friendly cleaning products and air and water filtration systems. As of January 1, 2003, Big Planet, under the *Ecosphere* brand, will take responsibility for the Pharmanex water filtration product. Water and air filtration are future development categories for Big Planet under the *Ecosphere* brand.

Since 2000, we have incubated a small professional employer organization that provides small to mid-sized businesses with outsourced payroll administration, benefits administration, risk management and human resources services. We do not plan to market the professional employer organization service through our distributors or actively expand this business in the foreseeable future.

The following table summarizes the current Big Planet product lines by category. Revenue percentages in the table are for the year ended December 31, 2002:

Category	Description	Selected Products
Internet Services 42% of Big Planet division revenue	Our Internet service products include dial-up Internet access, web hosting and other Internet tools and services.	*Business Center (U.S.)* *Personal Website (Japan)* *Global Web Page (other)* *ISP for US - by Qwest* *ISP for Japan - by Nifty*
Telecommunications 16% of Big Planet division revenue	We offer competitively-priced telecommunications services and enhanced telecommunication services.	*Simplify Home* *Simplify One* *Qwest*
Home Care 2% of Big Planet division revenue	Our current home care offering includes such products as laundry detergent, all purpose and glass and mirror cleaners.	*Ecosphere Laundry* *Ecosphere Dish* *Ecosphere Surface* *Ecosphere Glass & Mirror*
Professional Employer Organization (PEO) 40% of Big Planet division revenue	Our professional employer organization provides small to mid-sized businesses with outsourced payroll administration, benefits administration, risk management and human resources services.	*PEO*

Sourcing and Production

Nu Skin. In order to maintain high product quality, we acquire our ingredients and products from suppliers that we believe are reliable, reputable and provide us with ingredients and products we believe to be of high quality. For approximately ten years, we have acquired ingredients and products from one unaffiliated supplier that currently manufactures approximately 45% of our Nu Skin personal care products. Our contract with our major supplier is for a one-year term that automatically renews for an additional one-year term unless either party terminates the contract. We maintain a good relationship with our supplier and do not anticipate that either party will terminate the contract in the near term. We also have ongoing relationships with secondary and tertiary suppliers who supply almost all of our remaining products and ingredients. We believe that, in the event we are unable to source any products or ingredients from our major supplier, we could produce or replace those products or substitute ingredients from our secondary and tertiary suppliers without great difficulty or significant increases in our cost of goods sold.

Due to Chinese government restrictions on the importation of products, we established our own manufacturing facility in Shanghai, China in 2001. At this facility, we currently manufacture our personal care products sold through our retail stores in China. A small portion of the output from this facility is exported to our other markets.

Pharmanex. Substantially all of our Pharmanex nutritional supplements and ingredients, including *LifePak*, are produced or provided by third-party suppliers that we consider to be among the best suppliers of these products and ingredients. We currently rely on two unaffiliated suppliers, one of which supplies 41% and the other of which supplies 26% of our Pharmanex nutritional supplements. We believe that, in the event we were unable to source any products or ingredients from these suppliers or our other current suppliers, we could produce or replace these products or substitute ingredients without great difficulty or significant increases in our cost of goods sold. We also maintain an extraction and processing facility located in Zhejiang Province, China, where we currently produce the extracts for our *TeGreen 97* and *ReishiMax* products.

To help ensure the quality of Pharmanex products, we have implemented an extensive quality control process designed to maintain tight quality controls through all stages of development, including the sourcing of raw materials and the manufacturing and packaging of our products. During investigations of potential sources of botanical raw materials, we conduct analyses of samples from each potential source. Suppliers are chosen based on the quality and concentration level of the active ingredients present in the source. We also maintain close working relationships with the manufacturers of our products and their quality control departments to implement quality assurance programs that meet our requirements. We regularly check and monitor their compliance with these programs. Our selection and retention of manufacturers is driven by their ability to meet our strict quality control criteria.

Big Planet. Other than web hosting, email, online distributor tools and Big Planet Mall, nearly all of the Big Planet services and products we offer are currently contracted or sourced from unaffiliated third-parties pursuant to contractual arrangements. For example, we have contracted with Qwest Communications to provide long distance telephone and Internet access services. By acting as a reseller of these services, we are able to avoid the large capital deployment and investment that would be required to build the infrastructure necessary to provide these services. However, our profit margins and ability to deliver quality services at competitive prices depend upon our ability to negotiate and maintain favorable terms with our third-party providers. Distributors receive commissions based on our gross margin on each sale of Big Planet products or services, including monthly recurring service charges, or based on the commission received by us with respect to products sold directly by third-party vendors to our distributors and customers. In addition to the online business tools we have developed internally, we source complementary tools from third-party vendors to enhance our suite of distributor tools. We also source and manufacture our home-care products through various third-party vendors.

Research and Development

We continually invest in our research and development capabilities. Our research and development expenditures were approximately $9 million in 2000 and were approximately $7 million in each of 2001 and 2002. The majority of our recent research and development activity has been directed towards our Pharmanex products. Much of our Pharmanex research to date has been conducted in China, where we benefit from a very low cost labor pool that enables us to conduct research and clinical trials at a much lower cost than we would incur in the United States. We recently opened a laboratory adjacent to our office complex in Provo, Utah, which houses both Pharmanex and Nu Skin research facilities and technical personnel. Because of our commitment to product innovation, we will continue to commit significant resources to research and development in the future. Research and development costs are expensed as incurred.

We believe that we are one of the few nutritional supplement companies in the United States that has a research and development program modeled after the pharmaceutical industry. We believe that this research and development capability provides us with an important competitive advantage in the industry. We employ approximately 75 scientists at our dedicated research and development centers in Shanghai, China and Beijing, China and at our Provo, Utah offices. We also have working relationships with other independent scientists including an advisory board comprised of recognized authorities in various related disciplines. In addition, we evaluate a significant number of product ideas presented to us by outside sources.

We have established collaborative arrangements with two prominent universities and research institutions in China: Shanghai Medical University and Beijing Medical University. The staffs of these institutions include scientists with expertise in natural product chemistry, biochemistry, pharmacology and clinical studies. Our research and development center in Shanghai coordinates and validates our collaborative efforts with these institutions. We also occasionally collaborate with other major universities in the United States and other countries. Some of the university research centers that we have worked with include UCLA, the Rippe Center for Clinical Lifestyle Research, Columbia University, the University of Kansas, the University of Hong Kong School of Medicine and Taiwan Academia Sinica.

For product development support in our Nu Skin personal care line, we have established an aggressive licensing strategy and rely on an advisory board comprised of recognized authorities in various disciplines as well as an in-house staff of research and marketing professionals. We also have entered into an agreement with the Stanford University Medical Center for directed research and clinical trials of Nu Skin products and materials. These activities are conducted at the Nu Skin Center for Dermatological Research at Stanford University's School of Medicine. This center focuses on scientific investigation, dermatology research, product development and clinical trials. We believe our strategic alliances provide important access to innovative product concepts. We recently entered into a development agreement with Cosmix Molecular Biologicals GmbH, a pharmaceutical research group in Germany, to strengthen our ingredient portfolio in key cosmetic categories.

Geographic Sales Regions

For information on revenue for each of the geographic regions in which we operated for the years ended December 31, 2000, 2001, and 2002, please refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 17 to our consolidated financial statements.

North Asia. The North Asia region currently consists of our markets in Japan and South Korea. Japan is our largest market with revenue of approximately $530 million in 2002. According to the World Federation of Direct Selling Associations, the direct selling channel in Japan generated sales of approximately $22.8 billion of goods and services in 2000, making Japan the second largest direct selling market in the world. Despite our revenue growth in Japan, the overall size of the direct selling channel in Japan has been negatively impacted over the last several years by economic conditions. Substantially all of our Nu Skin personal care products and a majority of our Pharmanex nutritional supplements, including *LifePak*, our leading multi-vitamin and mineral supplement, are available in the Japanese market. We have introduced a number of our Big Planet technology products and services into Japan including Internet service offered through a third-party provider,

personalized websites, computers and online business tools. According to the World Federation of Direct Selling Associations, the direct selling channel in South Korea generated sales of approximately $2.9 billion of goods and services in 2001. Our revenue in this market was approximately $64 million in 2002. We currently offer the majority of our Nu Skin personal care products and approximately one-half of our Pharmanex nutritional supplements in South Korea.

Southeast Asia. Our Southeast Asia region currently consists of the markets in Taiwan, Hong Kong, Singapore, Thailand, the Philippines, New Zealand, Australia, Malaysia and our retail operation in China. Taiwan is the largest market in this region with revenue of approximately $79 million in 2002. Nu Skin Taiwan is one of the largest direct selling companies in Taiwan. According to the World Federation of Direct Selling Associations, the direct selling channel in Taiwan generated approximately $1.2 billion in sales of goods and services in 2000, and approximately three million people (over 10% of Taiwan's population), are estimated to participate in direct selling. We offer most of our Nu Skin personal care products and approximately one-half of our Pharmanex nutritional products, including *LifePak*, in Taiwan. We currently offer Big Planet branded Internet service in Taiwan through a third-party provider and a limited number of our other Big Planet products.

In December 2000, we commenced operations in Singapore. We offer Nu Skin products and a limited number of Pharmanex products, including *LifePak*, in this market. In addition, we expanded operations into Malaysia in November 2001. Because Malaysian law requires our Malaysian affiliate to be 70% locally-owned, we have entered into a shareholders' agreement with local partners that allows us to manage the day-to-day operations of the local affiliate, with veto control over all major decisions. In addition, we have entered licensing and distribution agreements with the local affiliate pursuant to which we sell products and receive license fees based on total sales to distributors in this market. The opening of Singapore and Malaysia has contributed significantly to our growth in Southeast Asia. In 2002, revenue from Singapore and Malaysia was approximately $64 million.

A significant component of our growth strategy is to continue to enter into and expand new markets, particularly China. China has restrictions that prevent us from operating our direct sales business model in China. Therefore, we have adopted a retail sales model to expand our operations in China in which an employed sales force sells products through fixed retail locations. We rely on this employed sales force to market and sell products at the various fixed retail locations supported by modest advertising and promotional efforts.

In January 2003, we significantly increased the number of retail locations we operate to 100 stores. In addition, we introduced our Nu Skin-branded products to the market. Our retail model in China is largely based upon our ability to attract customers to our retail stores, to educate them about our products, and to obtain repeat purchases from these customers. All product sales are transacted within our retail stores. Our employed sales force earns base pay and related benefits, as well as a commission based upon their personal sales efforts. While our distributor leaders from other markets are able to introduce customers and sales people to our stores, their promotional efforts are significantly limited due to the restrictions on direct selling in this market.

As a result of its admission to the World Trade Organization, China has agreed to establish regulations regarding sales away from fixed retail locations by December 2004. If we view these new regulations to be an enhancement to our retail business model, we may revise our business model in China to alter our remuneration plan for our employed sales force, incorporate the use of a non-employee sales force and/or limit our reliance on retail stores. Subject to appropriate changes in direct selling laws, we believe that China could become one of the largest direct selling markets in the world over the next five to seven years. Our operations in China are subject to a complex political and regulatory environment and we have been subject to significant regulatory scrutiny since expanding our operations in January 2003. See "Government Regulation" for more information on these regulatory issues.

North America. The North America region consists of our markets in the United States and Canada. According to the World Federation of Direct Selling Associations, the direct selling channel in the United States generated sales of approximately $26.7 billion of goods and services in 2001, making the United States the largest direct selling market in the world. In 2002, we generated approximately $137 million in revenue in the United States. Substantially all of our Nu Skin personal care products, our Pharmanex nutritional supplements and our Big Planet products and services are available in the United States. As of December 31, 2002, we had 2,176 executive distributors in the United States, which accounted for 81% of the total executive distributors within North America. Our strategy for the United States market is to focus on initiatives centered around Pharmanex and Nu Skin products, such as the scanner, to help drive sales of Pharmanex and Nu Skin products and increase the number of distributors promoting and distributing our products.

Other Markets. Our Other Markets currently consist of the markets in Europe, Central America and Brazil. We currently distribute products in 17 countries in Europe, including the United Kingdom, Ireland, France, Germany, Belgium, the Netherlands, Luxembourg, Spain, Portugal, Italy, Austria, Poland, Sweden, Iceland, Norway, Finland and Denmark. In 2002, our revenue from our European markets was approximately $26 million. The majority of our Nu Skin personal care products and several of our Pharmanex products, including *LifePak*, are sold in Europe. We also distribute a limited number of Big Planet products in the European market. We have additional small operations in Brazil, Mexico and Guatemala. According to the World Federation of Direct Selling Associations, the direct selling channel in Brazil generated sales of approximately $2.5 billion of goods and services in 2001. Approximately 25% of our Nu Skin personal care products have been introduced in Brazil, along with 15 locally produced products.

In the first quarter of 2002, we acquired a controlling interest in a small direct selling company in Poland. We believe that the direct selling model utilized by this company can be developed into a model that will help us compete in less developed economies throughout the world, including our current markets in Latin America and potential new markets in Eastern Europe, which we believe will be among the fastest growing direct selling regions in the world over the next several years.

Distribution

Overview. The foundation of our sales philosophy and distribution system is network marketing. Except in China, we currently sell substantially all of our products through independent distributors who are not our employees. Our distributors purchase products from us for resale to consumers and for personal consumption. Because of the nature of our Big Planet products and services, distributors buy a limited number of our Big Planet products for resale but primarily act as independent sales representatives for our products and receive a commission on product sales from us.

We believe that network marketing is an effective vehicle to distribute our products because:

- distributors can educate consumers about our products in person, which we believe is more effective for premium-quality, differentiated products than using television and print advertisements;

- direct sales allow for actual product testing by potential customers;
- there is greater opportunity for distributor and customer testimonials; and

- as compared to other distribution methods, our distributors can provide customers higher levels of service and attention by, among other things, following up on sales to ensure proper product usage and customer satisfaction and to encourage repeat purchases.

Our revenue is highly dependent upon the number and productivity of our distributors. Growth in sales volume requires an increase in the productivity of distributors and/or growth in the total number of distributors. As of December 31, 2002, we had approximately 566,000 active distributors of our products and services. An active distributor is a distributor who has purchased products for resale or personal consumption during the previous three months. Approximately 28,000 of these active distributors had achieved "executive level" status. Executive level distributors are the distributors who are most seriously pursuing the direct selling opportunity and must achieve and maintain specified personal and group sales volumes for a required period of time. Once a distributor becomes an executive level distributor, the distributor can begin to take full advantage of the benefits of commission payments on personal and group sales volume. As of each of the dates indicated below, we had the following number of executive distributors in the referenced regions:

Total Number of Executive Distributors by Region

Region	1998	1999	2000	2001	2002
North Asia	17,311	14,601	14,968	16,891	17,668
Southeast Asia	5,091	3,419	3,044	4,540	6,536
North America[(1)]	--	2,547	2,632	2,419	2,693
Other Markets	379	438	737	989	1,018
Total	22,781	21,005	21,381	24,839	27,915

(1) North America was not part of our operations until March 1999 when we terminated our license agreement with one of our private affiliates, thereby acquiring its North American operations.

On a monthly basis, we evaluate a limited number of distributor requests for exceptions to the terms and conditions of the Global Compensation Plan, including volume requirements. While our general policy is to discourage exceptions, we believe that the flexibility to grant exceptions is critical in retaining distributor loyalty and dedication.

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

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

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

Global Compensation Plan. We believe that one of our key competitive advantages is our Global Compensation Plan. Under our Global Compensation Plan, distributors are paid consolidated monthly commissions in the distributor’s home country, in local currency, for their own product sales and for product sales in that distributor’s downline distributor network across all geographic markets. Because of restrictions on direct selling in China, our sales employees within China do not participate in the Global Compensation Plan, but are compensated according a retail sales model established for that market. Additionally, while distributor leaders are compensated for sales activity of preferred customers and sales employees in China, sales in China do not accrue to satisfy applicable sales volume requirements within the Global Compensation Plan.

Commissions on our Nu Skin and Pharmanex products can reach approximately 58% of an individual product’s wholesale price. However, on a global basis, commissions on these products have averaged approximately 40% to 43% of product revenue over the past ten years. We believe that our commission payout as a percentage of total sales is among the most generous paid by major direct selling companies. Commissions are paid on the sales of Big Planet products and services as a percentage of our gross margins on those products. For Big Planet products and services purchased directly from our third party vendors by our distributors or customers, the commission is based on the total commission Big Planet receives from third parties with respect to those sales. Accordingly, the commissions paid to distributors of Big Planet products and services are less as a percentage of revenue than for our Nu Skin and Pharmanex products.

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

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

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

Distributor Support. We are committed to providing high-level support services tailored to the needs of our distributors in each market. We attempt to meet the needs and build the loyalty of

distributors by providing personalized distributor services and by maintaining a generous product return policy. Because the majority of our distributors are part-time and have only a limited number of hours each week to concentrate on their business, we believe that maximizing a distributor's efforts by providing effective distributor support has been, and will continue to be, important to our success.

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

Technology and Internet Initiatives. We believe that the Internet has become increasingly important to our business as more consumers communicate online and purchase products over the Internet as opposed to traditional retail and direct sales channels. As a result, we have committed significant resources to enhancing our e-commerce capabilities and the abilities of our distributors to take advantage of the Internet. In Japan, approximately 23% of our sales during 2002 occurred over the Internet. In addition, we have introduced a global web page that allows a distributor to have a personalized website through which he or she can sell products in many of our more than 30 global markets.

Rules Affecting Distributors. We closely monitor regulations in each market as well as the activity of distributors to ensure that our distributor activities comply with local laws. Our published distributor policies and procedures establish the rules that distributors must follow in each market. In addition, we generally participate in local direct selling associations and agree to abide by the policies required of those associations. We also monitor distributor activity to ensure that our distributors enjoy a level playing field and that distributors are not disadvantaged by the activities of another. We require our distributors to present products and business opportunities ethically and professionally. Distributors further agree that their presentations to customers must be consistent with, and limited to, the product claims and representations made in our literature. Even though sponsoring activities can be conducted in many countries, our distributors may not conduct marketing activities outside of those countries in which we currently conduct business, and further they may not export for sale products from one country to another.

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

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

In order to qualify for commission bonuses, our distributors generally must satisfy specific requirements including achieving at least 100 points, which is approximately $100, in personal sales volume per month.

In addition, individual markets may have requirements specific to that country based on regulatory concerns. For example, in the United States, distributors must also:

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

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

Product Guarantees. We believe that we are among the most consumer-protective companies in the direct selling industry. While the regulations and our operations vary somewhat from country to country, we generally follow a similar procedure for product returns. For 30 days

from the date of purchase, our product return policy allows a retail customer to return any Nu Skin or Pharmanex product to us directly or to the distributor through whom the product was purchased for a full refund. After 30 days from the date of purchase, the end user return privilege is in the discretion of the distributor. Our distributors, however, can return unused products directly to us for a 90% refund for one year. Our experience with actual product returns has averaged less than 5% of annual revenue through 2002.

Payment. Distributors generally pay for products prior to shipment. Accordingly, we carry minimal accounts receivable. Distributors typically pay for products in cash, by wire transfer or by credit card. Cash, which represents a significant portion of all payments, is received by order takers in the distribution centers when orders are personally picked up by one of our distributors.

Competition

Nu Skin and Pharmanex Products. The markets for our Nu Skin and Pharmanex products are highly competitive. Our competitors include manufacturers and marketers of personal care and nutritional products, pharmaceutical companies and other direct selling organizations, many of which have longer operating histories and greater name recognition and financial resources than we do. We compete in these markets by emphasizing the innovation, value and premium quality of our products and the convenience of our distribution system. While we believe that consumers appreciate the convenience of ordering products from home through a sales person or through a catalog, the buying habits of many consumers accustomed to purchasing products through traditional retail channels are difficult to change.

Big Planet Products and Services. The markets for our Big Planet products and services are highly competitive. Many of our competitors for these products and services have much greater name recognition and financial resources than we do. We compete in this market by offering convenient access to a variety of technology, Internet and telecommunications services and products at competitive prices with a high level of customer service. The market for technology and telecommunication products is very price sensitive, and many products are offered by our competitors with little or no margin. We rely on our ability to acquire quality and reliable services from vendors at prices that allow our distributors to sell services at competitive prices and still generate attractive commissions.

Direct Selling Companies. We also compete with other direct selling organizations, some of which have a longer operating history and higher visibility, name recognition and financial resources than we do. The leading direct selling companies in our existing markets are Avon and Alticor (Amway). We

compete for new distributors on the strength of our multiple business opportunities, product offerings, Global Compensation Plan, management strength and appeal of our international operations. In order to successfully compete in this market and attract and retain distributors, we must maintain the attractiveness of our business opportunities to our distributors.

Intellectual Property

Our major trademarks are registered in the United States and in each country where we operate or have plans to operate, and we consider our trademark protection to be very important to our business. Our major trademarks include Nu Skin, Pharmanex, Big Planet and *LifePak*. In addition, a number of our products are based on proprietary technologies and formulations, some of which are patented or licensed from third parties. We also rely on trade secret protection to protect our proprietary formulas and know-how. Our business is not substantially dependent on any single licensed technology from any third party.

Government Regulation

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

- impose cancellation/product return, inventory buy backs and cooling off rights for consumers and distributors;
- require us or our distributors to register with governmental agencies;
- impose reporting requirements; and
- impose upon us requirements, such as requiring distributors to maintain levels of retail sales to qualify to receive commissions, to ensure that distributors are being compensated for sales of products and not for recruiting new distributors.

The laws and regulations governing direct selling are modified from time to time to address concern of regulators. For example, in South Korea new regulations were recently adopted that, among other things, restrict multi-level marketing companies from imposing certain personal sales quota to obtain or maintain distributorship or favorable compensation rates, modify product return requirements so that product must be returned within a shorter period of time, and require the companies to show sufficient insurance or guarantee to reimburse customers and/or distributors for cancelled or unfilled orders. We have had to make some modifications to our compensation plan and policies to address some of these new rules.

Based on our research conducted in opening existing markets, the nature and scope of inquiries from government regulatory authorities and our history of operations in those markets to date, we believe that our method of distribution is in compliance in all material respects with the laws and regulations relating to direct selling activities of the countries in which we currently operate.

Currently, a significant area of regulatory risk and uncertainty involves our operations in China. Because China has restrictions on direct selling activities that prevent us from direct selling products through independent contractors, we have implemented a retail store model utilizing an employed sales force. The regulatory environment in China is complex. Existing regulations are subject to discretionary interpretation by municipal and provincial level regulators. Because of the government’s significant

concerns about direct selling activities, it scrutinizes very closely activities of direct selling companies and any activities that appear to suggest that direct selling activities are occurring. Interpretations of what constitutes permissible activities by regulators can vary from province to province and can change from time to time because of the lack of clearly defined rules regarding direct selling activities. As government regulators have reviewed and continue to review our retail business model in China, we expect that they will provide ongoing recommendations and/or direction as to our method of operations. Regulatory provisions require us to obtain a license for each store that we operate in China, and regulators have broad discretion in approving these licenses.

On January 8, 2003, we significantly expanded our operations in China, modified the remuneration program for sales employees and began selling Nu Skin products. This activity stimulated heightened scrutiny by both the media as well as government regulators regarding our method of operation and the activities of some distributors residing outside of China. The government inquiries into our business have been largely focused on whether or not we are engaging in any direct selling activities in China. At times, these reviews have caused, and continue to cause, a temporary obstruction in our ability to conduct business, including an inability to conduct sales activity in a limited number of stores. Fewer than 10% of our stores in China have been affected by these obstructions. Nevertheless, if regulators continue to take actions that obstruct our ability to conduct sales activity at these or our other stores in China, our business could be harmed.

Regulators also periodically provide guidance and direction on certain aspects of our operations. This guidance has lead to minor modifications in the method of remuneration for some of our sales employees and the size of the training meetings for sales employees. Additionally, regulators have expressed some concerns about the number of sales employees per store in some locations and have recommended that we work to have a reasonable number of sales employees per store and focus in the near term on increasing the productivity of our sales employees rather than increasing the number of sales employees in each store. We have made and continue to make modifications to our operations to incorporate this guidance into our operations.

We anticipate that our business in China will continue to be scrutinized by the government, due principally to our direct selling model used in other markets. We also expect to receive continued guidance and direction as we work with regulators to address their concerns. We anticipate fully complying with the direction we receive as we work to establish a regulatory foundation from which we can build a long term successful business in China. Because of the similar experience of direct sellering companies in this market, we have expected such reviews and prepared for this level of scrutiny. We believe that such reviews at an early stage in our business will lead to a better understanding of our business in the long term. Additionally, we anticipate that in the next several years, new laws and regulations will be established that will have an impact on our business.

Regulation of Our Nu Skin and Pharmanex Products. Our Nu Skin and Pharmanex products and related promotional and marketing activities are subject to extensive governmental regulation by numerous domestic and foreign governmental agencies and authorities, including the FDA, the FTC, the Consumer Product Safety Commission, and the United States Department of Agriculture in the United States, State Attorneys General and other state regulatory agencies, and the Ministry of Health, Labor and Welfare in Japan and similar government agencies in each market in which we operate. For example, in Japan, the Ministry of Health, Labor and Welfare requires us to have an import business license and to register each personal care product imported into Japan. We must also reformulate many products to satisfy other Ministry of Health, Labor and Welfare regulations. In Taiwan, all “medicated” cosmetic and pharmaceutical products require registration. These regulations can limit our ability to import products into our markets and can delay introductions of new products into markets as we go through the registration and approval process for our products. The sale of cosmetic products is regulated in the European Union member states under the European Union Cosmetics Directive, which requires a uniform application for foreign companies making personal care product sales.

Our Pharmanex products are strictly regulated in the markets in which we operate. These markets have varied regulations that apply to and distinguish nutritional health supplements from “drugs” or “pharmaceutical products.” For example, our products are regulated by the FDA of the United States under the Federal Food, Drug and Cosmetic Act. The Federal Food, Drug and Cosmetic Act has been amended several times with respect to nutritional supplements, most recently by the Nutrition Labeling and Education Act and the Dietary Supplement Health and Education Act. The Dietary Supplement Health and Education Act establishes rules for determining whether a product is a dietary supplement. Under this statute, dietary supplements are regulated more like foods than drugs, are not subject to the food additive provisions of the law, and are generally not required to obtain regulatory approval prior to being introduced to the market. None of this infringes, however, upon the FDA’s power to remove an unsafe substance from the market. In the event a product, or an ingredient in a product, is classified as a drug or pharmaceutical product in any market, we will generally not be able to distribute that product in that market through our distribution channel because of strict restrictions applicable to drug and pharmaceutical products. The European Parliament recently voted in favor of adopting a Directive on Food Supplements, which may harmonize this area of legislation in Europe.

Most of our existing major markets also regulate product claims and advertising regarding the types of claims and representations that can be made regarding the efficacy of products, particularly dietary supplements. Accordingly, these regulations can limit our ability and that of our distributors to inform consumers of the full benefits of our products. For example, in the United States, we are unable to make any claim that any of our nutritional supplements will diagnose, cure, mitigate, treat or prevent disease. The Dietary Supplement Health and Education Act, however, permits substantiated, truthful and non-misleading statements of nutritional support to be made in labeling, such as statements describing general well-being resulting from consumption of a dietary ingredient or the role of a nutrient or dietary ingredient in affecting or maintaining a structure or a function of the body. In addition, all product claims must be substantiated. In Japan, our nutritional supplements are marketed as food products, which significantly limits our ability to make claims regarding the products.

To date, we have not experienced any difficulty maintaining our import licenses, but we have experienced complications regarding food and drug regulations for our nutritional products. Many of our products have required reformulation to comply with local requirements. In addition, in Europe there is no uniform legislation governing the manufacture and sale of nutritional products. Complex legislation governing the manufacturing and sale of nutritional products in Europe has inhibited our ability to gain quick access to this market for our nutritional supplements. Recently, we have started to expand our nutritional product offering into more European markets by either reformulating existing products or developing new products to comply with local regulations.

In the United States we are also subject to a consent decree with the FTC and various state regulatory agencies arising out of investigations that occurred in the 1990s of certain distributor practices and product claims.

Big Planet Regulation. Our Big Planet telecommunications products and services are subject to varying degrees of telecommunications regulation in each of the jurisdictions in the United States as well as in each foreign country in which we offer telecommunications services. In the United States, domestic telecommunications service and international communications services in the United States are subject to the provisions of the Communications Act, as amended by the Telecommunications Act of 1996, and Federal Communications Commission, or the FCC, regulations and rules adopted thereunder, as well as applicable laws and regulations of the various states. Big Planet is registered as a telecommunications provider in all 50 states.

Our professional employer organization is also subject to various regulations at both national and local levels. As a result, our professional employer organization interfaces with various governmental entities including the Occupational Safety and Health Administration, the Department of Labor, the Immigration and Naturalization Service and the Internal Revenue Service relating to the services it provides.

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

As is the case with most companies that operate in our product categories, we receive inquiries from government regulatory authorities, from time to time, regarding the nature of our business and other issues such as compliance with local direct selling, customs, taxation, foreign exchange control, securities and other laws. Although to date none of these inquiries has resulted in a finding materially adverse to us, negative publicity resulting from inquiries into our operations by United States and state government agencies in the early 1990s, stemming in part from alleged inappropriate product and earnings claims by distributors, and in the late 1990s resulting from adverse media attention in South Korea, harmed our business and results of operations.

Employees

As of December 31, 2002, we had approximately 3,950 full and part-time employees, approximately 350 of whom are employed sales representatives in our China operations. None of our employees are represented by a union or other collective bargaining group, with the exception of the limited number of employees involved in our operations in Brazil. We believe that our relationship with employees is good, and we do not currently foresee a shortage in qualified personnel necessary to operate our business.

Available Information

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

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

Forward-looking statements include plans and objectives of management for future operations, including plans and objectives relating to our products and future economic performance in countries where it operates. These forward-looking statements involve risks and uncertainties and are based on certain assumptions that may not be realized. Actual results and outcomes may differ materially from those discussed or anticipated. We assume no responsibility or obligation to update these statements to

reflect any changes. The forward-looking statements and associated risks set forth herein relate to, among other things:

- Our belief that we could produce or source our personal care products from other suppliers and replace our primary suppliers of Pharmanex products without great difficulty or increased cost;
- Our plans to continue developing new products and improving and evolving our existing product formulations;
- Our plans to continue to enter and expand new markets and to successfully operate a retail business in China;
- Our belief that China will become one of the largest direct selling markets in the world over the next several years and our anticipation that we will be able to successfully navigate the regulatory challenges in this market;
- Our plans to launch the scanner in the United States and elsewhere to promote Pharmanex products;
- The belief that Eastern Europe will be among the fastest growing direct selling regions in the world and our intended expansion of operations across Eastern Europe; and
- Our belief that we are in material compliance with applicable laws and regulations in the countries in which we operate.

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

Risk Factors

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

Risks Related to Our Business

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

In 2002, we recognized approximately 86% of our revenue in non-United States markets in each market's respective local currencies. We purchase inventory primarily in the United States in U.S. dollars. In preparing our financial statements, we translate revenue and expenses in foreign countries from their local currencies into U.S. dollars using weighted average exchange rates. If the U.S. dollar strengthens relative to local currencies, particularly the Japanese yen, our reported revenue, gross profit and net income will likely be reduced. Our 2003 operating results could be harmed if the Japanese yen weakens from current levels. Given our inability to predict the degree of exchange rate fluctuations, we cannot estimate the effect these fluctuations may have upon future reported results, product pricing or our overall financial condition. Although we attempt to reduce our exposure to short-term exchange rate fluctuations by using

foreign currency exchange contracts, we cannot be certain these contracts or any other hedging activity will effectively reduce exchange rate exposure.

Because our Japanese operations account for over 50% of our business, any adverse changes in our business operations in Japan would harm our business.

Approximately 55% of our 2002 revenue was generated in Japan. Various factors could harm our business in Japan, including worsening of economic conditions. Economic conditions in Japan have been poor in recent years and may worsen or not improve. In addition, the direct selling market has decreased from $26.2 billion in 1998 to approximately $22.8 billion in 2000 as a result of difficult economic conditions. We believe our growth rate during the latter half of 2002 was negatively impacted in part because of economic conditions. Continued or worsening economic and political conditions in Japan could further impact our revenue and net income. In addition, our operations in Japan face significant competition from existing and new competitors. Our operations would also be harmed if our planned growth initiatives fail to generate continued interest and enthusiasm among our distributors in this market and fail to attract new distributors.

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

We distribute almost all of our products through our independent distributors and we depend on them directly for substantially all of our revenue. Our distributors may terminate their services at any time, and, like most direct selling companies, we experience high turnover among distributors from year to year. As a result, we need to continue to retain existing and recruit additional independent distributors. To increase our revenue, we must increase the number of and/or the productivity of our distributors.

Although we experienced an increase in executive and active distributors in 2002, we have experienced declines from time to time in both active distributors and executive distributors in the past. In 2002, our active distributors grew by 1.4% while our executive distributors grew by 12.4%. In order to continue to grow the business in 2003 and beyond, we believe we will need to be more effective in growing the number of active distributors as well as executive distributors. However, the number of our active and executive distributors may not increase and could decline once again in the future. We cannot accurately predict how the number and productivity of distributors may fluctuate because we rely upon our existing distributors to recruit, train and motivate new distributors. Our operating results could be harmed if our existing and new business opportunities and products do not generate sufficient interest to retain existing distributors and attract new distributors. The number and productivity of our distributors also depends on several additional factors, including:

- adverse publicity regarding us, our products, our distribution channel or our competitors;
- failure to motivate our distributors with new products;
- the public's perception of our products and their ingredients;
- the public's perception of our distributors and direct selling businesses in general; and
- general economic and business conditions.

In addition, we may face saturation or maturity levels in a given country or market. This is of particular concern in Taiwan, where industry sources have estimated that over 10% of the population is already involved in some form of direct selling. The maturity of several of our markets could also affect our ability to attract and retain distributors in those markets.

If we fail to effectively implement our expansion of operations in China, our business in other markets could be harmed.

Distributor excitement about the prospects of participating in China has spurred growth in many of our markets outside of China, particularly in Asia. If our China initiatives fail to meet expectations, or if the risks and uncertainties described herein harm our business or result in any distributor uncertainty or changes in our business plans, our international distributors could become distracted with such issues, be disappointed with lower than expected results, and lose the enthusiasm that has driven recent growth, which would harm our business in markets outside of China. In addition, if we are not able to effectively keep distributors focused on their home markets while they work on participating in China, this could harm our business in these markets.

Our expansion of operations in China has resulted in governmental scrutiny, and our operations in China may be harmed by the results of such scrutiny.

The regulatory environment in China is rapidly evolving and can be subjectively applied and interpreted. Our recently expanded operations, our global direct selling business model, and the participation and activities of non-China distributors in this market has resulted in regulatory scrutiny of our activities, which is not unexpected. We have made some modifications to our business model and policies in response to concerns expressed by governmental authorities. At times, these reviews have caused and continue to cause a temporary obstruction in our ability to conduct business, including an inability to conduct sales activity in a limited number of stores. In addition, some non-China distributors have engaged in activities that violated our policies in this market and resulted in some adverse publicity. Although we have worked closely with both national and local agencies in implementing our plans, our efforts to comply with local laws may be harmed by a rapidly evolving regulatory climate, concerns about activities resembling direct selling, and any subjective interpretation of laws. In addition, we continue to be subject to the risk that our foreign distributors may conduct business in China in a prohibited manner and bring about negative media or regulatory actions. Any determination that our operations or activities, or the activities of our foreign distributors are not in compliance with

applicable regulations could negatively result in extended interruptions of business, changes to our business model or other actions, all of which would harm our business and our reputation with Chinese regulators.

If we are not able to hire sale employees and open new stores in China as quickly as we would like, our ability to grow our business there could be impacted.

Because of concerns about the number of sales employees per store, regulators in China have recommended that we maintain a reasonable level of sales employees per store. If the level of employees per store that regulators determine to be reasonable is less than we anticipate or believe reasonable, or if regulators otherwise impose restrictions on the number of sales employees we may have, our per store sales could be negatively impacted and we could be forced to open more stores than we anticipated, which could slow our growth rate in China. Regulatory provisions require us to obtain a license for each store that we operate in China, and regulators have broad discretion in approving these licenses. If regulators fail to approve licenses for new stores at a rate that meets our growth demands, this could harm our growth potential.

Restrictions on direct selling activities in China require us to employ a local sales force that markets and sells our products from retail store locations, and we have limited previous experience in managing retail stores or an employed sales force.

The current regulatory environment in China prohibits us from implementing our direct selling distribution model there. As a result, in order to expand in this market, we have established 100 retail stores and hired approximately 2,500 employees as of March 1, 2003. Operating these retail stores in China involves expenses associated with hiring additional sales personnel, entering into leases for commercial space and maintaining sufficient inventory to supply these stores. We have invested approximately $10 million in expanding the number of retail stores. If our retail model is not successful, we may not recover our investment. We have limited prior experience in managing retail stores or an employed sales force and accordingly, we cannot assure you that we will be able to do so successfully. In addition, we must train a large number of employees, most of whom have not previously been trained to provide a level of customer service that we are accustomed to providing to our customers. If we are unable to effectively manage our retail stores or employees, our government relations may be compromised and operations in China may be harmed.

Because of regulations that require us to locally manufacture products we sell in China, we have invested financial resources in our own manufacturing facility, and we cannot assure you that we will be successful in managing these operations.

Chinese regulations require that we sell locally manufactured products. As a result, we have built our own manufacturing plant to produce the products that we sell in stores. We have no previous experience in manufacturing products and we cannot assure you that we will be successful in managing these operations. In addition, we have implemented processes and procedures to ensure adequate quality control for our products, but we cannot assure you that these standards will be met consistently and any failure to maintain the quality associated with our brand could harm our reputation and revenue potential.

Intellectual property rights are difficult to enforce in China.

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

Manufacturing and regulatory issues associated with our planned laser-based scanner could negatively impact the success of our scanner program and our ability to make scanners available to interested distributors, which could harm our business.

Our announcement of our plans to introduce a laser-based scanner that measures the levels of caratenoid antioxidants in the skin has generated considerable enthusiasm among some of our distributors, particularly in the United States. We have not had experience in developing and marketing sophisticated technology products such as the scanner and are working on a very short development time table. As with any new technology, we have experienced delays and technical issues in developing a production model that meets required specifications and performs at a consistent level. If we are unable to timely resolve development issues, fail to deliver scanners that perform to a standard expected by our distributors, or incur any delays in making a sufficient number of scanners available to interested distributors, we could dampen distributor enthusiasm and harm our business, particularly in the United States where many distributors have been focusing their marketing activities around the introduction of the scanner. In

addition, we are subject to regulatory restrictions that limit the claims or representations that we and our distributors can make about the scanner because we are not using it as a medical device. One of our distributors recently received an inquiry from the FDA questioning the status of the scanner as a non-medical device. We have been advised by our legal counsel that the scanner is not a medical device. If the FDA were to make a determination or formally assert that the scanner is a medical device, or if it determines that our distributors are using the scanner to make medical claims or diagnosis, the FDA could delay significantly or otherwise inhibit the use of the scanner in the United States. Also, our ability to introduce and use the scanner in some markets outside of the United States may be negatively impacted by local governmental regulations that may apply to tools such as the scanner. Any delay or limitation of our anticipated use of this tool caused by regulatory issues could harm our business, particularly in the United States where we have experienced the strongest interest in the scanner.

Government regulation of our products and services, in particular our nutritional supplements, may restrict or inhibit our ability to market and sell these products and could harm our business.

Our products and our related marketing and advertising efforts are subject to extensive government regulation by numerous domestic and foreign governmental agencies and authorities. These include the FDA, the FTC, the Consumer Product Safety Commission, and the United States Department of Agriculture in the United States, State Attorneys General and other state regulatory agencies, and the Ministry of Health, Labor and Welfare in Japan along with similar government agencies in foreign markets where we operate. We may be unable to introduce our products in some markets if we fail to obtain the necessary regulatory approvals, or if any product ingredients are prohibited. For example, we stopped marketing our product *Cholestin* (the red yeast rice version) as a dietary supplement in the United States because the FDA believed *Cholestin* qualified as a drug and therefore required FDA approval before it could be sold in the United States. Our markets have varied

regulations concerning product formulation, labeling, packaging and importation. These laws and regulations often require us to, among other things:

- reformulate products for a specific market to meet the specific product formulation laws of that country;
- conform product labeling to the regulations in each country; and
- register or qualify products with the applicable government authority or obtain necessary approvals or file necessary notifications for the marketing of our products.

Failure to introduce products or delays in introducing products could reduce revenue and decrease profitability. Regulators also may prohibit us from making therapeutic claims about products despite research and independent studies supporting these claims. These product claim restrictions could prevent us from realizing the potential revenue from some of our products. Moreover, a number of injuries and deaths have occurred recently that have been attributed to the use of nutritional supplements that contain ingredients that are controversial. Although we are committed to not marketing nutritional supplements that contain any stimulants, steroids or other substances that are controversial and could pose health risks, our operations could be harmed if governmental laws or regulations are enacted that restrict the ability of companies to market or distribute nutritional supplements as a result of public reaction to the recent injuries and deaths caused by supplements that do contain these controversial ingredients.

If we are unable to expand operations in any of the new markets we have currently targeted, we may have difficulty achieving our long-term objectives.

A significant percentage of our revenue growth over the past decade has been attributable to our expansion into new markets. For example, the revenue growth we experienced in 2001 and 2002 was due in part to our successful expansion of operations into Singapore and Malaysia. Moreover, our growth over the next several years depends on our ability to successfully introduce our products and our distribution system into new markets, including China and Eastern Europe. In addition to the regulatory difficulties we may face in accessing these new markets, we could face difficulties in achieving acceptance of our premium-priced products in developing markets. In the past, we have struggled to operate successfully in developing country markets, such as Latin America. This may also be the case in China and Eastern Europe and the other new markets into which we currently intend to expand. If we are unable to successfully expand our operations into these new markets, our opportunities to grow our business may be limited and as a result, we may not be able to achieve our long-term objectives.

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

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

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

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

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

Distributor activities in our existing markets that violate governmental laws or regulations could result in governmental actions against us in markets where we operate. Except in China, our distributors are not employees and act independently of us. We implement strict policies and procedures to ensure our distributors will comply with legal requirements. However, given the size of our distributor force, we experience problems with distributors from time to time. For example, product claims made by some of our distributors in 1990 and 1991 led to an investigation by the FTC, which resulted in us entering into a consent decree with the FTC. Distributors often desire to enter a market before we have received approval to do business in order to gain an advantage in the market. Improper distributor activity in new geographic markets can be particularly harmful to our ability to ultimately enter these markets, which is of a particular concern in China, given the current restrictions on direct selling activities and the political climate in that market.

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

A critical component of our business is our ability to develop new products that create enthusiasm among our distributor force. If we fail to introduce new products planned for introduction in 2002, our distributor productivity could be harmed. In addition, if any new products fail to gain market acceptance, are restricted by regulatory requirements, or have quality problems, this would harm our results of operations. Factors that could affect our ability to continue to introduce new products include, among others, government regulations, the loss of key research and development staff from our divisions, the termination of third-party research and collaborative arrangements, proprietary protections of competitors that may limit our ability to offer comparable products and any failure to anticipate changes in consumer tastes and buying preferences.

Government inquiries, investigations and actions could harm our business.

From time to time we receive formal and informal inquiries from various government regulatory authorities about our business and our compliance with local laws and regulations. Any determination that we or any of our distributors are not in compliance with existing laws or regulations could potentially harm our business. Even if governmental actions do not result in rulings or orders, they potentially could create negative publicity. Negative publicity could detrimentally affect our efforts to recruit or motivate distributors and attract customers and consequently, could reduce revenue and net income.

In the early 1990s, we entered into consent decrees with the FTC and other state regulatory agencies relating to investigations of our distributors' product claims and practices. We believe that the negative publicity generated by this FTC action as well as a separate action in the mid 1990s harmed our business and results of operations in the United States. As a result of the previous investigations, the FTC makes inquiries from time to time regarding our compliance with applicable laws and regulations and our consent decree. Any further actions by the FTC or other comparable state or federal regulatory agencies, in the United States or abroad, could have a further negative impact on us in the future.

In addition, we are susceptible to government initiated campaigns that do not rise to the level of formal regulations. For example, the South Korean government, several South Korean trade groups and members of the South Korean media initiated campaigns in 1997 and 1998 urging South Korean consumers not to purchase luxury or foreign goods. We believe that these campaigns, and the related media attention they received, together with the economic recession that occurred in the late 1990s in the South Korean economy, significantly harmed our South Korean business. We cannot assure you that similar government, trade group or media actions will not occur again in South Korea or in other countries where we operate or that such events will not similarly harm our net operations.

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

We have approximately 566,000 active distributors and 28,000 executive distributors. Approximately 431 distributors currently occupy the highest distributor level under our Global Compensation Plan. These distributors, together with their extensive networks of downline distributors, account for substantially all of our revenue. As a result, the loss of a high-level distributor or a group of leading distributors in the distributor's network of downline distributors whether by their own choice or through disciplinary actions by us for violations of our policies and procedures could negatively impact our distributor growth and our revenue.

Laws and regulations may prohibit or severely restrict our direct sales efforts and cause our revenue and profitability to decline.

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

- impose order cancellations, product returns, inventory buy-backs and cooling-off rights for consumers and distributors;
- require us or our distributors to register with governmental agencies;
- impose reporting requirements to regulatory agencies; and/or
- required us to ensure that distributors are not being compensated based upon the recruitment of new distributors.

Complying with these widely varying and sometimes inconsistent rules and regulations can be difficult and require the devotion of significant resources on our part. If we are unable to continue business in existing markets or commence operations in new markets because of these laws, our revenue and profitability will decline. Countries where we currently do business could change their laws or regulations to negatively affect or prohibit completely direct sales efforts. In addition, government agencies and courts in the countries where we operate may use their powers and discretion in interpreting and applying laws in a manner that limits our ability to operate or otherwise harms our business. If any governmental authority were to bring a regulatory enforcement action against us that interrupts our business, revenue and earnings would likely suffer.

Challenges by private parties to the form of our network marketing system could harm our business.

We may be subject to challenges by private parties, including our distributors, to the form of our network marketing system or elements of our business. In the United States, the network marketing industry and regulatory authorities have generally relied on the implementation of distributor rules and policies designed to promote retail sales to protect consumers and to prevent inappropriate activities and to distinguish between legitimate network marketing distribution plans and unlawful pyramid schemes. We have adopted rules and policies based on case law, rulings of the FTC, discussions with regulatory authorities in several states and domestic and global industry standards. Legal and regulatory requirements concerning network marketing systems, however, involve a high level of subjectivity, are inherently fact based and are subject to judicial interpretation. Because of the foregoing, we can provide no assurance that we would not be harmed by the application or interpretation of statutes or regulations governing network marketing, particularly in any civil challenge by a current or former distributor.

Increases in duties on our imported products in our non-United States markets could reduce our revenue and harm our competitive position.

Historically, we have imported most of our products into the countries in which they are ultimately sold. These countries impose various legal restrictions on imports and typically impose duties on our products. In any given country, regulators may increase duties on imports and, as a result, reduce our profitability and harm our competitive position relative to locally produced goods. In some countries,

such as China, government regulations may prevent importation of our products altogether or require us to locally manufacture or source a significant portion of our products.

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

As a United States company doing business in international markets through our subsidiaries, we are subject to foreign tax and intercompany pricing laws, including those relating to the flow of funds between our company and our subsidiaries. Regulators in the United States and in foreign markets closely monitor our corporate structure and how we effect intercompany fund transfers. If regulators challenge our corporate structure, transfer pricing mechanisms, or intercompany transfers, our operations may be harmed, and our effective tax rate may increase. Tax rates vary from country to country, and if regulators determine that our profits in one jurisdiction may need to be increased, we may not be able to fully utilize all foreign tax credits that are generated, which will increase our effective tax rate. For example, our corporate income tax rate in the United States is 35%. If our profitability in a higher tax jurisdiction, such as Japan where the corporate tax rate is currently set at 42%, increases disproportionately to the rest of our business, our effective tax rate may increase. We cannot assure you that we will continue operating in compliance with all applicable customs, exchange control and transfer pricing laws, despite our efforts to be aware of and comply with such laws. If these laws change, we may need to adjust our operating procedures and our business may suffer.

Losing suppliers or rights to sell products could harm our business.

For approximately ten years, we have acquired ingredients and products from one unaffiliated supplier that currently manufactures approximately 45% of our Nu Skin personal care products. We currently rely on two unaffiliated suppliers, one of which supplies 41% and the other of which supplies 26% of our Pharmanex nutritional supplements. We obtain some of our nutritional supplements from sole suppliers in China. We also license the right to distribute some of our products from third parties. Because of the concentrated nature of our suppliers and manufacturers, the loss of any of these suppliers or manufacturers, or the failure of suppliers to meet our needs, could restrict our ability to produce or distribute some products and harm our revenue as a result.

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

Our success depends to a significant degree upon the continued contributions of our senior management, many of whom would be difficult to replace. These employees may voluntarily terminate their employment with us at any time. We may not be able to successfully retain existing personnel or identify, hire and integrate new personnel. If we lose the services of our executive officers or key employees for any reason, our business, financial condition and results of operations could be harmed.

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

The markets for our Nu Skin and Pharmanex products are intensely competitive. Our results of operations may be harmed by market conditions and competition in the future. Many competitors have much greater name recognition and financial resources than we have, which may give them a competitive advantage. For example, our Nu Skin products compete directly with branded, premium retail products. We currently do not have significant patent or other proprietary protection, and competitors may introduce products with the same ingredients that we use in our products. Because of regulatory restrictions concerning claims about the efficacy of dietary supplements, we may have difficulty

differentiating our products from competitors' products, and competing products entering the nutritional market could harm our nutritional supplement revenue.

We also compete with other network marketing companies for distributors. Some of these competitors have a longer operating history and greater visibility, name recognition and financial resources than we do. Some of our competitors have also adopted and could continue to adopt some of our successful business strategies, including our Global Compensation Plan for distributors. Consequently, to successfully compete in this market and attract and retain distributors, we must ensure that our business opportunities and compensation plans are financially rewarding. We cannot assure you that we will be able to successfully compete in this market.

Product liability claims could harm our business.

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

System failures could harm our business.

Because of our diverse geographic operations and our complex distributor compensation plan, our business is highly dependent on efficiently functioning information technology systems. These systems and operations are vulnerable to damage or interruption from fires, earthquakes, telecommunications failures and other events. They are also subject to break-ins, sabotage, intentional acts of vandalism and similar misconduct. Despite any precautions, the occurrence of a natural disaster or other unanticipated problems could result in interruptions in services and reduce our revenue and profits.

The market price of our Class A common stock is subject to significant fluctuations due to a number of factors which are beyond our control, including but not limited to variations in our quarterly operating results, market trends related to our products and economic and currency exchange issues in the foreign markets we operate.

Many factors could cause the market price of our stock to fall. Some of these factors are:

- fluctuations in our quarterly operating results;
- the sale of shares of Class A common stock by our original or significant stockholders;
- general trends in the market for our products;
- acquisitions by us or our competitors;
- economic and/or currency exchange issues in those foreign countries in which we operate;

- changes in estimates of our operating performance or changes in recommendations by securities analysts; and

- general business and political conditions.

Broad market fluctuations could also lower the market price of our Class A common stock regardless of our actual operating performance. In addition, we have publicly disclosed our five-year growth projections and these long-term projections are inherently risky and uncertain. If we fail to meet the metrics contained in those projections, our stock price may be harmed.

The holders of our Class B common stock control over 90% of the combined stockholder voting power, and third parties will be unable to gain control of our company through purchases of Class A common stock.

The original stockholders of our company, together with their family members and affiliates, have the ability to control the election and removal of the board of directors and, as a result, future direction and operations, without the supporting vote of any other stockholder. Consequently, these original stockholders, together with their family members and affiliates, are able to control decisions about business opportunities, declaring dividends, issuing additional shares of Class A common stock or other securities, and the approval of any merger, consolidation or sale of all or substantially all of our assets. These stockholders own all outstanding shares of Class B common stock, which have ten-to-one voting privileges over shares of Class A common stock. They may make decisions that are adverse to your interests. Currently, these stockholders and their affiliates collectively own shares that represent more than 90% of the combined voting power of the outstanding shares of both classes of common stock. As long as these stockholders are majority stockholders, third parties will not be able to obtain control of our company through open-market purchases of shares of our Class A common stock.

Approximately 33 million shares, or 41% of our total outstanding shares, are restricted from immediate resale but may be sold into the market in the near future, which could affect the market price of our Class A common stock.

If our stockholders sell a substantial number of shares of our Class A common stock in the public market, the market price of our Class A common stock could fall. Several of our principal stockholders hold a large number of shares of the outstanding Class A common stock and the Class B common stock that are convertible into Class A common stock. Some of the original stockholders have been actively selling shares on the open market. Additional sales by these stockholders or a decision by any of the other principal stockholders to aggressively sell shares could depress the market price of our Class A common stock.

As of December 31, 2002, we had 81,070,639 shares of common stock outstanding. All of these shares are freely tradeable, except for approximately 33 million shares held by the certain stockholders who participated in our recent public offering. These shares will become eligible to sell in the public market in July 2004. Under the lock-up arrangements, these stockholders agreed that they will not sell or otherwise dispose of any shares of Class A common stock, or securities convertible into or exchangeable for our Class A common stock, without the prior written consent of the underwriters and the majority of our independent directors prior to July 26, 2004. This agreement is subject to the following exceptions:

- charitable donations in the second year of up to 500,000 shares in the aggregate by these stockholders to a charitable organization;

- transfers of common stock to these stockholders from fixed charitable remainder trusts established by the selling stockholder;

- transfers of common stock to immediate family members or related persons or estate planning entities;

- sales of shares of which the selling stockholder is deemed to have beneficial ownership but whose interest presents no opportunity to profit from the shares being sold; and

- transfers of shares by lenders under an existing pledge of shares as security for a loan of approximately $20 million to Nedra D. Roney in the case of a default under the loan or in connection with a refinancing thereof.

We have also entered into a separate lock-up arrangement with the original shareholders pursuant to which these shareholders agree that after the expiration of the two-year lock-up agreement they will be subject to the volume restrictions set forth under Rule 144 on the sale of shares, which shares would otherwise be eligible for unlimited sale under the securities laws. In the event these lock-up restrictions were removed, the resulting sales could cause the price of our Class A common stock to decline.

ITEM 2. PROPERTIES

We generally lease our warehouse, office or distribution facilities in each geographic region in which we currently have operations. We believe that our existing and planned facilities are adequate for our current operations in each of its existing markets. The following table summarizes, as of December 31, 2002, our major leased office and distribution facilities:

Location	Function	Approximate Sq. Ft.
Provo, Utah*	Distribution center	198,000
Provo, Utah*	Corporate offices	125,000
Los Angeles, California	Warehouse	35,000
Yokohama, Japan	Warehouse	40,000

Tokyo, Japan	Call center/distribution center	56,000
Tokyo, Japan	Central office/distribution center	28,000
Taipei, Taiwan	Central office/distribution center	37,000
Taoyuan, Taiwan	Warehouse/distribution center	47,000
Ontario, Canada	Office/warehouse	31,000
Venlo, Netherlands	Warehouse/offices	20,000
Seoul, South Korea	Corporate offices	29,000
Shanghai, China	Manufacturing	69,000

* These facilities are leased from related parties.

We also operate an extraction and purification facility located in Zhejiang Province, in China, where we produce extracts for our *TeGreen 97* and *Reishi* products. We currently also lease approximately 140,000 square feet of office and retail space in China in more than 120 different locations in connection with our retail business in this market.

ITEM 3. LEGAL PROCEEDINGS

In January 2000, a derivative lawsuit captioned *Karen Kindt, on behalf of Nu Skin Enterprises, Inc. v. Blake Roney, et. al.* was filed in the Court of Chancery in the State of Delaware in and for New Castle County against certain members of our board of directors alleging a breach of fiduciary duty and self-dealing in connection with our acquisition of Nu Skin International in 1998 and the termination of the license agreements with Nu Skin USA, Inc. and acquisition of Big Planet in 1999. Our board of directors appointed a special litigation committee to investigate the validity of the complaint. After an exhaustive and thorough review of the allegations, the special committee made a report to our board of directors. Based on the findings by the special committee, we have moved to dismiss the complaint. The motion is pending. In January 2003, we filed a memorandum in support of our motion to dismiss.

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

There were no matters submitted to a vote of the security holders during the fourth quarter of the fiscal year ended December 31, 2002.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our Class A common stock is listed on the New York Stock Exchange (“NYSE”) and trades under the symbol “NUS.” Our Class B common stock has no established trading market. The following table is based upon the information available to us and sets forth the range of the high and low sales prices for our Class A common stock for the quarterly periods during 2001 and 2002 based upon quotations on the NYSE.

Quarter Ended	High	Low
March 31, 2001	$ 8.94	$ 5.25
June 30, 2001	8.50	6.90
September 30, 2001	8.69	6.30
December 31, 2001	8.83	6.55

Quarter Ended	High	Low
March 31, 2002	$ 11.19	$ 7.10
June 30, 2002	14.86	10.01
September 30, 2002	14.25	8.50
December 31, 2002	13.09	9.67

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

The closing price of our Class A common stock on February 28, 2003 was $10.52. The approximate number of holders of record of our Class A common stock and Class B common stock as of February 28, 2003 was 818 and 37, respectively. This number of holders of record does not represent the actual number of beneficial owners of shares of our Class A common stock because shares are frequently held in “street name” by securities dealers and others for the benefit of individual owners who have the right to vote their shares.

We declared and paid a $0.05 per share dividend for all classes of common stock in March, June, September and December of 2001, and a $0.06 per share quarterly dividend for all classes of common stock in March, June, September and December of 2002. In February 2003, the board of directors declared a quarterly cash dividend of $0.07 per share for all classes of common stock. The quarterly cash dividend will be

paid on March 26, 2003, to stockholders of record on March 7, 2003. Management believes that cash flows from operations will be sufficient to fund this and future dividend payments, if any.

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

Equity Compensation Plan Information

The following table provides information as of December 31, 2002 about our Class A common stock that may be issued upon the exercise of options, warrants and rights under all of our existing equity compensation plans (including individual arrangements):

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	6,785,000(1)(2)	$ 10.88	1,726,000(4)
Equity compensation plans not approved by security holders	251,000(3)	$ 1.87	--
Total	7,036,000	$ 10.56	1,726,000

(1) Includes 71,000 shares issuable under the Generation Health Holdings, Inc. 1996 Stock Incentive Plan and Scientific Advisory Board Option Plan which were assumed by us when we acquired Generation Health Holdings, Inc., the parent of Pharmanex. These plans were approved by the stockholders of Generation Health Holdings, Inc.

(2) Includes 707,000 shares issuable upon exercise of options granted by Nu Skin International, Inc. under the 1996 Distributor Stock Option Plan. We assumed this plan when we acquired Nu Skin International. We had previously granted an option to Nu Skin International prior to our public offering which was allocated to distributors of Nu Skin International pursuant to the plan. This plan was approved by the stockholders of Nu Skin International.

(3) Consists of an option grant to an officer of our company prior to our initial public offering, which is currently fully vested.

(4) Currently 152,000 shares are remaining for issuance under the 2000 Employee Stock Purchase Plan. The authorized shares may be increased by 75,000 shares each year beginning 2003 through 2009. In February 2003, our board of directors approved a 5 million share increase in our exisiting stock incentive plan subject to stockholder approval at our annual meeting of stockholders.

ITEM 6. SELECTED FINANCIAL DATA

The following selected consolidated financial data as of and for the years ended December 31, 1998, 1999, 2000, 2001 and 2002 have been derived from the audited consolidated financial statements.

	Year Ended December 31,				
	1998	1999	2000	2001	2002
	(U.S. dollars in thousands, except per share data)				
Income Statement Data:					
Revenue	$ 913,494	$ 894,249	$ 879,758	$ 885,621	$ 964,067
Cost of sales	188,457	151,681	149,342	178,083	190,868
Cost of sales - amortization of inventory step-up	21,600	--	--	--	--
Gross profit	703,437	742,568	730,416	707,538	773,199
Operating expenses:					
Distributor incentives	331,448	346,951	345,259	347,452	382,159
Selling, general and administrative	202,150	265,770	294,744	288,605	285,229
In-process research and development	13,600	--	--	--	--
Total operating expenses	547,198	612,721	640,003	636,057	667,388
Operating income	156,239	129,847	90,413	71,481	105,811
Other income (expense), net	13,599	(1,411)	5,993	8,380	(2,886)

Income before provision for income taxes and minority interest	169,838	128,436	96,406	79,861	102,925
Provision for income taxes	62,840	41,742	34,706	29,548	38,082
Minority interest[1]	3,081	--	--	--	--
Net income[2]	$ 103,917	$ 86,694	$ 61,700	$ 50,313	$ 64,843
Net income per share:					
Basic	$ 1.22	$ 1.00	$ 0.72	$ 0.60	$ 0.79
Diluted	$ 1.19	$ 0.99	$ 0.72	$ 0.60	$ 0.78
Weighted average common shares outstanding (000s):					
Basic	84,894	87,081	85,401	83,472	81,731
Diluted	87,018	87,893	85,642	83,915	83,128
Cash Flow Data:					
Cash provided by (used in):					
Operating activities	$ 118,560	$ 30,299	$ 43,388	$ 74,417	$ 111,116
Investing activities	(46,053)	(43,988)	(22,970)	(15,126)	(26,531)
Financing activities	(48,684)	(73,484)	(65,292)	(33,765)	(32,490)
Balance Sheet Data (at end of period):					
Cash and cash equivalents	$ 188,827	$ 110,162	$ 63,996	$ 75,923	$ 120,341
Working capital	164,597	74,561	122,835	152,513	180,639
Total assets	606,433	643,215	590,803	582,352	611,838
Short-term debt	14,545	55,889	--	--	--
Long-term debt	138,734	89,419	84,884	73,718	81,732
Stockholders' equity	254,642	309,379	366,733	379,890	386,486
Supplemental Operating Data (at end of period):					
Approximate number of active distributors[3]	470,000	510,000	497,000	558,000	566,000
Number of executive distributors[3]	22,781	21,005	21,381	24,839	27,915

(1) Minority interest represents the ownership interests in Nu Skin International held by individuals who are not immediate family members of the majority-interest holders. We purchased the minority interest as part of our acquisition of Nu Skin International.

(2) For 1998, net income includes a non-recurring charge of $14 million due to the write-off of in-process research and development as a result of our acquisition of Pharmanex. In January 2002, we adopted SFAS No. 142, "Goodwill and Other Intangible Assets." Assuming no amortization

of goodwill for all periods presented, net income would have been $107 million, $93 million, $68 million and $57 million for each of the years ended December 31, 1998, 1999, 2000 and 2001, respectively.

(3) Active distributors are those distributors who were resident in the countries in which we operated and who purchased products during the three months ended as of the date indicated. An executive distributor is an active distributor who has achieved required personal and group sales volumes.

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

The following discussion of our financial condition and results of operations should be read in conjunction with the consolidated financial statements and related notes thereto, which are included in this Annual Report.

Overview

We are a leading, global direct selling company that develops and distributes premium-quality, innovative personal care products and nutritional supplements, which are sold worldwide under the Nu Skin and Pharmanex brands. In addition, we offer distributor related business services and home care products, which are sold under the Big Planet brand. We sell our products through a global network of approximately 566,000 independent distributors. These distributors market and sell our products by educating consumers about the benefits and distinguishing characteristics of the products and by providing personalized customer service.

Our revenue depends upon the number and productivity of independent distributors who purchase products and sales materials from us in their local currency for resale to their customers or for personal use. The majority of our revenue is realized in markets outside of the United States and is translated into U.S. dollars from each market's local currency using quarterly weighted average exchange rates.

The following table sets forth revenue information by region for the time periods indicated. This table should be reviewed in connection with the tables presented under "Results of Operations," which disclose distributor incentives and other costs associated with generating the aggregate revenue presented.

Region	Year Ended December 31, 2000	2001	2002
	(U.S. dollars in millions)		
North Asia	$ 585.4	$ 553.9	$ 593.9
Southeast Asia	119.5	150.3	196.0
North America	155.8	155.9	145.9
Other Markets	19.1	25.5	28.3
	$ 879.8	$ 885.6	$ 964.1

Revenue generated in North Asia represented 62% of total revenue generated during the year ended December 31, 2002. Our operations in Japan generated 89% of the North Asia revenue during the same period. Revenue from Southeast Asia operations represented 20% of total revenue generated during the year ended December 31, 2002. Our revenue in Southeast Asia includes revenue from Singapore, where we commenced operations in December 2000, and Malaysia, where we commenced operations in November 2001. Revenue generated in North America represented 15% of total revenue generated during the year ended December 31, 2002. Our operations in the United States generated 94% of the North America revenue during that period.

Cost of sales primarily consists of the cost of products purchased from third-party vendors, generally in U.S. dollars, and the freight cost of shipping these products to distributors, as well as import duties for the products. Cost of sales also includes the cost of sales materials sold to distributors at or near cost. Sales materials sold to distributors at or near cost are generally purchased in local currencies. Additionally, our technology and telecommunications products and services carry a significantly lower gross margin than our personal care and nutritional products. As the sales mix changes between product categories and sales materials, cost of sales and gross profit may fluctuate to some degree due primarily to the margin on each product line. Also, as currency exchange rates fluctuate, our gross margin will fluctuate.

Distributor incentives, classified as operating expenses, are our most significant expense. Distributor incentives are paid to several levels of distributors on each product sale. The amount of the incentive paid varies depending on the purchaser's position within our Global Compensation Plan. Distributor incentives are paid monthly and are based upon a distributor's personal and group sales volumes, as well as the group sales volumes of up to six levels of executive distributors in their downline sales organizations. Small fluctuations occur in the amount of incentives paid as the network of distributors actively purchasing products changes from month to month. However, due to the size of our distributor force of approximately 566,000 active distributors, the fluctuation in the overall payout is relatively small. The overall payout averages from 41% to 43% of global product sales. Sales materials and starter kits are not subject to distributor incentives.

Selling, general and administrative expenses include wages and benefits, depreciation and amortization, rents and utilities, travel, promotion and advertising including costs of distributor conventions, which are expensed in the period in which they are incurred, research and development, professional fees and other operating expenses. See Note 2 of our "Consolidated Financial Statements" for a description of significant accounting policies including implementation of Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets."

Provision for income taxes depends on the statutory tax rates in each of the countries in which we operate. For example, statutory tax rates are 16% in Hong Kong, 25% in Taiwan, 31% in South Korea and 42% in Japan. We are subject to taxation in the United States at a statutory corporate federal tax rate of 35% making our overall tax rate effectively 37%. However, we receive foreign tax credits in the United States for the amount of foreign taxes actually paid in a given period, which are utilized to reduce taxes in the United States to the extent allowed.

We operate a professional employer organization that outsources personnel and benefit services to small businesses in the United States. Revenue for the professional employer organization consists of service fees paid by its clients. We currently have no intention to launch our professional employer organization service through our distributors in the foreseeable future. For our professional employer organization, cost of sales includes the direct costs, such as salaries, wages and other benefits, associated with the worksite employees.

Critical Accounting Policies

The following critical accounting policies and estimates should be read in conjunction with our audited consolidated financial statements and related notes thereto. Management considers the most critical accounting policies to be the recognition of revenue, accounting for income taxes, accounting for intangible assets and accounting for the impact of foreign currencies. 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 passes to our independent distributors. 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 5.0% of gross sales. A reserve for product returns is accrued based on historical experience. As of January 1, 2002, we adopted EITF 01-09, which relates to the classification in the Statement of Income of certain promotional items. The impact of the adoption of EITF 01-09 did not have a material impact on our financial statements. In the event that certain expenses, including our distributor incentives, were deemed to be reductions of revenue rather than operating expenses, our reported revenue would be reduced as would our operating expenses. However, since our global distributor compensation plan for our distributors does not provide rebates or selling discounts to

distributors who purchase our products and services, we believe that no adjustment to reported revenue and operating expenses is necessary.

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 between our foreign affiliates and us. Deferred tax assets and liabilities are created in this process. As of December 31, 2002, we have net deferred tax assets of $49.2 million. These net deferred tax assets assume sufficient future earnings will exist for their realization, as well as the continued application of current tax rates. We have considered projected future taxable income and ongoing tax planning strategies in determining that no valuation allowance is required. In the event we were to determine that we would not be able to realize all or part of our net deferred tax asset in the future, an adjustment to the deferred tax asset would be charged to earnings in the period such determination was made.

Intangible Assets. We adopted the provisions of SFAS No. 142, "Goodwill and Other Intangible Assets" effective January 1, 2002. SFAS No. 142 no longer requires the amortization of goodwill and other indefinite lived intangibles. As a result, operating results for the year ended December 31, 2002 were impacted by a $10.5 million elimination of such amortization. As of December 31, 2002, we had approximately $158 million of unamortized goodwill and other indefinite-life intangible assets. Under the provisions of SFAS No. 142, we are required to test these assets for impairment at least annually. The annual impairment tests have been 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.

Foreign Currency Fluctuations. We operate in more than 30 countries and generate the majority of our revenue and income in foreign currencies in international markets. Consequently, significant fluctuations in foreign currencies, particularly the Japanese yen, will have an impact on reported results. We seek to reduce our exposure to fluctuations in foreign currency exchange rates through intercompany loans of foreign currency, our Japanese yen denominated debt, and the use of derivative financial instruments to hedge certain forecasted transactions as well as receivables and payables denominated in foreign currencies. We currently account for derivative financial instruments in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." We do not utilize derivatives for trading or speculative purposes. Hedge effectiveness is documented, assessed and monitored.

Results of Operations

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

	Year Ended December 31,		
	2000	**2001**	**2002**
Revenue	100.0%	100.0%	100.0%
Cost of sales	17.0	20.1	19.8
Gross profit	83.0	79.9	80.2
Operating expenses:			
Distributor incentives	39.2	39.2	39.6
Selling, general and administrative	33.5	32.6	29.6
Total operating expenses	72.7	71.8	69.2
Operating income	10.3	8.1	11.0
Other income (expense), net	.7	.9	(.3)
Income before provision for income taxes	11.0	9.0	10.7
Provision for income taxes	4.0	3.3	4.0
Net income	7.0%	5.7%	6.7%

2002 Compared to 2001

Revenue in 2002 increased 9% to $964.1 million from $885.6 million in 2001 primarily due to the growth in the North and Southeast Asia regions as discussed below, which was somewhat offset by the decline in the North America region. Excluding the impact of changes in exchange rates, we experienced growth of 10% for 2002 compared to the prior year. Successful new product introductions, the addition of Singapore and Malaysia in the last two years and distributor interest surrounding our expansion of retail operations in China contributed to revenue growth in 2002.

Revenue in North Asia increased 7% to $593.9 million in 2002 from $553.9 million in 2001. In Japan, revenue increased 4% to $529.7 million in 2002 from $508.1 million in 2001. In local currency, revenue in Japan increased 7%. Revenue growth in Japan was driven by continued leveraging of technology tools for distributors as well as by successful product introductions and growth in automated orders. Reported U.S. dollar results reflect the negative impact of currency fluctuations. In South Korea, revenue increased 40% to $64.1 million in 2002 from $45.8 million in 2001. In local currency, revenue in South Korea increased 35%. Revenue growth in South Korea was driven by a 22% increase in executive distributors as well as successful product introductions. Our revenue growth in South Korea, which grew 67% in local currency in 2001, slowed in the second half of 2002 as a result of increased government regulations and political changes as well as weakening in the overall direct selling industry and the economy. In the fourth quarter, local currency revenue in Japan and South Korea was 4% and 5% higher, respectively, compared to the fourth quarter of 2001. Over our ten year history in Japan, the economy of Japan has been stagnant. While such economic times may benefit recruitment of new distributors, more severe economic challenges could negatively impact overall revenue.

Revenue in Southeast Asia increased 30% to $196.0 million in 2002 from $150.3 million in 2001. Excluding the impact of changes in exchange rates, our revenue in Southeast Asia increased 31% in 2002 compared to the prior year. Distributor interest surrounding our expansion of retail operations in China, which commenced in January 2003, and the opening of the Malaysian market in November 2001 spurred the growth in this region. The combined revenue of Singapore and Malaysia increased 62% to $64.3 million in 2002 from $39.6 million in 2001 primarily as a result of the inclusion of a full year of operations in Malaysia in our 2002 results. Revenue in Taiwan increased 12% to $78.9 million in 2002 from $70.2 million in 2001. In local currency, revenue in Taiwan increased 15%. Revenue growth in Taiwan was driven by a 27% increase in executive distributors primarily related to distributor enthusiasm throughout the Southeast Asia region resulting from the opening of Malaysia and planned retail expansion of operations in China. Additionally, revenue in Hong Kong increased 11% to $24.0 million in 2002 from $21.7 million in 2001 and revenue in Thailand increased 98% to $13.0 million in 2002 from $6.6 million in 2001.As distributors leader focus on our expansion in China, we believe that revenue in Singapore and Malaysia may decline in 2003, while revenue in Taiwan and Hong Kong remains relatively level, which we believe should be more than offset by the increase in revenue in China.

The significant interest and activity created in China by our expansion of operations has resulted in heightened scrutiny by both the media as well as government regulators in China regarding our method of operation. Actions by regulators in some locations have caused and will continue to cause some obstructions in our ability to do business, including an inability to conduct sales activity in a limited number of stores. Fewer than 10% of our stores in China have been affected by this disruption of sales activity. Regulators also have provided guidance and direction on certain aspects of our operations. For example, regulators have expressed some concerns about the number of sales employees per store in some locations and have recommended that we work to have a reasonable number of sales employees per store and focus in the near term on increasing the productivity of our sales employees rather than increasing the number of sales employees in each store. It is difficult to assess the short and long term impact of these actions and reviews. However, we continue to believe that we can generally achieve our targeted results for this market in 2003 as previously disclosed, subject to the length and severity of these reviews as well as other operating and market factors. We do believe, however, that these reviews are a necessary part of establishing a solid regulatory foundation upon which future growth can occur.

Revenue in North America, consisting of the United States and Canada, decreased 6% to $145.9 million in 2002 from $155.9 million in 2001. This decrease in the North America region is due to revenue in the United States declining 8% to $136.6 million in 2002 from $149.0 million in 2001. The decrease in the United States is due to declines in Big Planet, including a decline of $8.9 million in 2002 in our core Big Planet revenue and a $2.7 million decline from our professional employer organization as we implemented initiatives centered on the more profitable personal care and nutritional supplement product categories. Our strategy for Big Planet has been to augment our technology products with high margin products such as home cleaning products and to improve margins on key technology products such as our telecommunication products and ISP service. For the year, Nu Skin and Pharmanex revenue was flat, although revenue increased 19% in the fourth quarter of 2002 compared to the same period in 2001. These decreases were somewhat offset by an increase of 34% in Canada to $9.4 million in 2002 from $7.0 million in 2001.

Revenue in Other Markets, which include our European and Latin American operations, increased 11% to $28.3 million in 2002 from $25.5 million in 2001. This increase in revenue is primarily due to a 13% increase in revenue in Europe in U.S. dollars compared to the prior year. Excluding the impact of changes in exchange rates, our revenue in Europe increased approximately 4% compared to 2001 and in Latin America revenue increased 5% compared to 2001.

Gross profit as a percentage of revenue remained nearly constant at 80.2% in 2002 compared to 79.9% in 2001. The slight negative impact of fluctuations in foreign currency in 2002 was offset by a decrease of revenue related to low margin Big Planet products and services in 2002. We purchase a significant majority of our goods in U.S. dollars and recognize revenue in local currencies. Consequently, we are subject to exchange rate risks in our gross margins.

Distributor incentives as a percentage of revenue increased to 39.6% in 2002 from 39.2% in 2001. In U.S. dollars, distributor incentives increased to $382.2 million in 2002 from $347.5 million in 2001. The decline in revenue from Big Planet products and services, which pay lower commissions than our personal care and nutritional supplement product categories, contributed to the increase in distributor incentives during 2002.

Selling, general and administrative expenses as a percentage of revenue decreased to 29.6% in 2002 from 32.6% in 2001. Without the impact of $10.5 million of amortization of intangibles recorded in 2001, which was not recorded in 2002 due to the implementation of SFAS No. 142, selling, general and administrative expenses as a percentage of revenue would have been 31.4% in 2001. In 2002, we generated higher revenue while maintaining operating expenses primarily due to improved efficiencies from our cost-saving technology and automated reordering initiatives which allowed us to reduce labor expense as a percentage of revenue. These efficiencies in 2002, combined with the additional selling, general and administrative expenses of approximately $4.0 million we incurred in 2001 for a distributor convention held in Japan, which was not held in 2002, contributed to the remaining decrease in selling, general and administrative expenses as a percentage of revenue. In U.S. dollar terms, selling, general and administrative expenses decreased to $285.2 million in 2002 from $288.6 million in 2001.

Other income (expense), net was $2.9 million of expense in 2002 compared to $8.4 million of income in 2001. The decrease in other income (expense), net is primarily related to the foreign exchange fluctuations to the U.S. dollar on the translation of yen-based bank debt and other foreign denominated intercompany balances into U.S. dollars for financial reporting purposes. In 2001, the net $8.4 million of income primarily included foreign exchange gains due to a weakened Japanese yen relative to the U.S. dollar over 2000, while the net $2.9 million of expense in 2002 was due to a strengthened Japanese yen relative to the U.S. dollar over 2001.

Provision for income taxes increased to $38.1 million in 2002 from $29.5 million in 2001. This increase was largely due to the increases in operating income as compared to the prior year. The effective tax rate remained at 37.0% of pre-tax income for 2002 and 2001.

Net income increased to $64.8 million in 2002 from $50.3 million in 2001. Net income increased primarily because of the factors noted above in “revenue,” “gross profit” and “selling, general and administrative” and was somewhat offset by the factors noted in “distributor incentives,” “other income (expense), net” and “provision for income taxes” above.

2001 Compared to 2000

Revenue in 2001 increased 1% to $885.6 million from $879.8 million in 2000 primarily due to the growth in the Southeast Asia region and increased revenue from our professional employer organization business in the United States. Revenue in 2001 was negatively impacted by a weakening of foreign currencies against the U.S. dollar. Excluding the impact of changes in exchange rates, we experienced growth of 9% for 2001 compared to the prior year.

Revenue in North Asia decreased 5% to $553.9 million in 2001 from $585.4 million in 2000. The decrease in revenue was due to revenue in Japan decreasing 8% to $508.1 million in 2001 from $554.2 million in 2000. This decrease is directly attributable to a 13% weakening in the Japanese yen for 2001 compared to the prior year. In local currency, revenue in Japan increased 3% in 2001. In 2001, the success of key Nu Skin and Pharmanex products launched as well as the successful promotion of the automatic reordering programs and the initiation of personalized web sites drove growth in Japan. The decline in revenue in Japan in U.S. dollars was partially offset by an increase in revenue in South Korea of 47% to $45.8 million in 2001 from $31.2 million in 2000. In local currency, revenue in South Korea was 67% higher in 2001 compared to the prior year. The continued revenue growth in South Korea is attributed primarily to an improving economy as well as a rebound in the direct selling industry as a whole in South Korea. In addition, we successfully launched several new products and successfully promoted our automatic repurchasing program.

Revenue in Southeast Asia increased 26% to $150.3 million in 2001 from $119.5 million in 2000. Excluding the impact of changes in exchange rates, our revenue in Southeast Asia increased 33% in 2001 compared to the prior year. The increase in revenue resulted primarily from a full year of operations in Singapore, which generated $34.6 million in 2001 compared to $1.0 million in 2000 following the opening of operations in Singapore in December 2000, as well as the commencement of operations in Malaysia in November 2001, which generated an additional $5.0 million in revenue. Success in Singapore and Malaysia has also contributed to modest growth in other markets in the Southeast Asia region, such as Hong Kong, Thailand and Australia. These increases, however, were somewhat offset by the results in Taiwan, which decreased 16% to $70.2 million in 2001 from $83.4 million in 2000. In local currency, revenue in Taiwan decreased 9% in 2001 from the prior year. Management believes, however, that sequential quarterly revenue totals indicate an overall maturity of direct selling in that market. Local currency revenue in Taiwan increased 5% during the second quarter of 2001 compared to the first quarter of 2001, due in part to seasonal trends, decreased 1% from the second quarter of 2001 to the third quarter of 2001 and increased 2% from the third quarter of 2001 to the fourth quarter of 2001 due in part to seasonal trends.

Revenue in North America, consisting of the United States and Canada, remained nearly constant at $155.9 million in 2001 compared to $155.8 million in 2000. Revenue in the United States increased slightly to $149.0 million in 2001 from $148.6 million in the prior year. Revenue in the United States in 2001 includes an additional $16.6 million of revenue generated from our professional employer organization over the prior year. In addition, the international convention held in the United States in February 2001 generated approximately $5.0 million in revenue from sales to international distributors attending the convention. More than offsetting this additional revenue in the United States, revenue from our core business in the United States was negatively impacted by distributor uncertainty relating to the our divisional strategies and the decreased focus on unprofitable products such as the free iPhone promotion and some of our I-Link telecommunications products.

Revenue in Other Markets, which include our European and Latin American operations, increased 34% to $25.5 million in 2001 from $19.1 million in 2000. This increase in revenue is due to a 38% increase in revenue in Europe in U.S. dollars compared to the prior year. Excluding the impact of changes in exchange rates, our revenue in Europe increased approximately 42% during 2001 compared to the prior year.

Gross profit as a percentage of revenue decreased to 79.9% in 2001 compared to 83.0% in 2000. The decrease in gross profit percentage resulted primarily from the weakening of the Japanese yen and other currencies relative to the U.S. dollar, which negatively impacted margins by 1.4%. Also the increased revenue relating to our professional employer organization, which carries significantly lower gross

margins than our other products negatively impacted margins by 2.1%. These factors were partially offset by 0.4% gross margin improvement in Nu Skin and Pharmanex products.

Distributor incentives as a percentage of revenue remained constant at 39.2% in 2001 and 2000. Distributor incentives increased 1% to $347.5 million in 2001 from $345.3 million in 2000 as a result of the slight revenue increase in 2001. Prior to 2000, we restructured a portion of our compensation plan for distributors, adding short-term incentives designed to attract new distributor leaders. Management believes these changes in our compensation plan have helped to strengthen our active and executive distributors, which have increased to 558,000 and 24,800 in 2001 from 497,000 and 21,400 in 2000, respectively.

Selling, general and administrative expenses as a percentage of revenue decreased to 32.6% in 2001 from 33.5% in 2000. Selling, general and administrative expenses decreased to $288.6 million in 2001 from $294.7 million in 2000. The decreases resulted primarily from a weaker Japanese yen in 2001 as well as our cost-saving initiatives, which included reductions in headcount and occupancy costs. Offsetting these lower expenses were the costs incurred during the first quarter of 2001 for our international distributor convention in the United States which added approximately $5.0 million in selling, general and administrative expenses. The international convention is held every 18 months and accordingly, year 2000 results did not include convention expenses.

Other income (expense), net increased $2.4 million in 2001 compared to the prior year. This increase related primarily to a $2.3 million gain from the sale of an interest in our Malaysian subsidiary due to local ownership requirements.

Provision for income taxes decreased to $29.6 million in 2001 from $34.7 million in 2000. This decrease was largely due to a decrease in operating income as compared to the prior year, offset by an increase in the effective tax rate from 36% in 2000 to 37% in 2001.

Net income decreased to $50.3 million in 2001 from $61.7 million in 2000. Net income decreased primarily because of the factors noted above in “gross profit” and “distributor incentives” and was somewhat offset by the factors noted in “revenue,” “selling, general and administrative,” “other income (expense), net” and “provision for income taxes” above.

Liquidity and Capital Resources

Historically, our principal needs for funds have been for operating expenses including distributor incentives, working capital (principally inventory purchases), capital expenditures and the development of operations in new markets. We have generally relied on cash flow from operations to meet our cash needs and business objectives without incurring long-term debt to fund operating activities.

We typically generate positive cash flow from operations due to favorable gross margins, the variable nature of distributor incentives, which constitute a significant percentage of operating expenses, and minimal capital requirements. We generated $111.1 million in cash from operations in 2002 compared to $74.4 million in 2001. This increase in cash generated from operations in 2002 compared to the prior-year period is primarily related to increased operating profits in 2002 with taxes paid in 2002 remaining relatively constant with taxes paid in 2001, in part due to our utilization of foreign tax credits.

As of December 31, 2002, working capital was $180.6 million compared to $152.5 million as of December 31, 2001. Cash and cash equivalents at December 31, 2002 were $120.3 million and were $75.9 million at December 31, 2001. This increase in cash balances was primarily due to the increase in cash from operations.

On March 6, 2002, we paid $4.8 million, including transaction costs, to acquire rights to technology to be used in a portable laser-based tool for measuring the level of certain antioxidants. In addition to the cash payment, the purchase price also included the issuance of 106,667 shares of our Class A common stock valued at approximately $900,000, and contingent payments approximating $8.5 million and up to 1.2 million shares of our Class A common stock if specific development and revenue targets are met. On April 19, 2002, we acquired First Harvest International, LLC, a small dehydrated food manufacturer. We paid a total of $2.7 million including the assumption of certain liabilities for this transaction. We have also agreed to pay a 1% royalty on the sale of First Harvest International products.

Capital expenditures, primarily for equipment, computer systems and software, office furniture and leasehold improvements, were $19.0 million for the year ended December 31, 2002. In addition, we anticipate capital expenditures in 2003 of approximately $25 to $30 million to further enhance our infrastructure, including enhancements to computer systems and Internet related software in order to expand our Internet capabilities, purchase of the portable laser based tools mentioned above, as well as further expansion of our retail stores, manufacturing and related infrastructure in China.

Our long-term debt consists of 9.7 billion Japanese yen-denominated ten-year senior notes issued to the Prudential Insurance Company of America. The notes bear interest at an effective rate of 3.03% per annum and are due October 2010, with annual principal payments beginning October 2004. As of December 31, 2002, the outstanding balance on the notes was 9.7 billion Japanese yen, or $81.7 million.

On May 10, 2001, we entered into a $60.0 million revolving credit agreement, or the revolving credit facility, with Bank of America, N.A. and Bank One Utah, N.A. for which Bank of America, N.A. acted as agent. Drawings on this revolving credit facility may be used for working capital, capital expenditures and other purposes including repurchases of our outstanding shares of Class A common stock. Per the terms of the agreement, the revolving credit facility was reduced to $45.0 million on May 10, 2002, and will be further reduced to $30.0 million on May 10, 2003. The revolving credit facility is set to expire on May 10, 2004. There were no outstanding balances relating to the revolving credit facility as of December 31, 2002. The Japanese notes and the revolving credit facility are both secured by a guaranty of our material subsidiaries and by a pledge of 65% of the outstanding stock of Nu Skin Japan Company Limited, our operating subsidiary in Japan.

Since August 1998, our board of directors has authorized us to repurchase up to $90.0 million of our outstanding shares of Class A common stock. The repurchases are used primarily to fund our equity incentive plans. During the year ended December 31, 2002, we repurchased approximately 1.2 million shares of Class A common stock for an aggregate amount of approximately $14.2 million. As of December 31, 2002, we had repurchased a total of approximately 7.9 million shares of Class A common stock for an aggregate price of approximately $73.2 million.

During each quarter of 2002, our board of directors declared cash dividends of $0.06 per share for all classes of common stock. These quarterly cash dividends totaled approximately $19.6 million and were paid during 2002 to stockholders of record in 2002. On February 3, 2003, the board of directors declared a dividend to be paid during the first quarter of 2003 of $0.07 per share for all classes of common stock. In addition, 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 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 had related party payables of $.2 million and $7.1 million at December 31, 2002 and 2001, respectively. This decrease in related party payables was due to us paying the remaining balance of approximately $6.0 million on the note issued in our acquisition of Big Planet in 1999. We had related party receivables of $.6 million and $13.0 million at December 31, 2002 and 2001, respectively. This balance at December 31, 2001 is partly related to an outstanding obligation from a private affiliate related to our distributor stock option program. The private affiliate is controlled by Blake M. Roney, Brooke B. Roney, Steven J. Lund and Sandra N. Tillotson, officers and directors of Nu Skin Enterprises. This related party receivable at December 31, 2001 is also partly related to a $5.0 million loan to a significant shareholder, who is the sister of Blake M. Roney and Brooke B. Roney, directors and officers of Nu Skin Enterprises. The decrease in related party receivables was due to the repayment of this $5.0 million loan, together with accrued interest, and the prepayment of approximately $2.4 million to satisfy the outstanding obligations related to our distributor stock option program. The shareholder loan of $5.0 million, which was entered into in 1997, was repaid with shares of our Class A common stock on May 3, 2002 in accordance with the terms of the loan.

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 together with future cash flows from operations will be adequate to fund the cash needs relating to the implementation of our strategic plans. The majority of our expenses are variable in nature and as such, a potential reduction in the level of revenue would reduce our cash flow needs. However, 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 and a reduction in the level of stock repurchases or dividend payments.

The following table sets forth payments due by period for contractual obligations as of December 31, 2002 (U.S. dollars in thousands):

	Total	0-3 Years	4-5 Years	After 5 Years
Long-term debt	$ 81,732	$ 23,352	$ 23,352	$ 35,028
Capital lease obligations	Nil	Nil	Nil	Nil
Operating leases[1]	59,644	32,088	14,297	13,259
Unconditional purchase obligations[2]	*	*	*	*
Other long-term obligations[2]	*	*	*	*
Total contractual cash obligations	$ 141,376	$ 55,440	$ 37,649	$ 48,287

(1) Operating leases includes corporate office and warehouse space with two entities that are owned by certain officers and directors of our company. Total payments under these leases were $3.3 million for the year ended December 31, 2002 with remaining long-term obligations under these leases of $29.8 million.

(2) We enter into ordinary purchase, supply and consulting or other contracts as part of our ongoing operations. As of December 31, 2002, there were no material unconditional purchase obligations (commitments to purchase products or services regardless of our need for such products) or other long-term obligations (fixed obligations which extend beyond 12 months). We do have a material commitment to issue shares of stock and cash to the sellers of the laser based technology upon the attainment of certain development and performance targets as explained above.

Seasonality

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 month of August, which is in our third quarter, when many individuals, including our distributors, traditionally take vacations.

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 who were resident in the countries in which we operated and purchased products for resale or personal consumption during the three months ended as of the date indicated. An executive distributor is an active distributor who has achieved required monthly personal and group sales volumes.

	As of December 31, 2000		As of December 31, 2001		As of December 31, 2002	
	Active	Executive	Active	Executive	Active	Executive
North Asia	301,000	14,968	319,000	16,891	322,000	17,668
Southeast Asia	100,000	3,044	137,000	4,540	139,000	6,536
North America	74,000	2,632	76,000	2,419	73,000	2,693
Other Markets	22,000	737	26,000	989	32,000	1,018
Total	497,000	21,381	558,000	24,839	566,000	27,915

Quarterly Results

The following table sets forth selected unaudited quarterly data for the periods shown:

	2001				2002			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	(U.S. dollars in millions, except per share amounts)							
Revenue	$ 210.3	$ 218.6	$ 224.2	$ 232.6	$ 216.1	$ 244.9	$ 252.9	$ 250.2
Gross profit	167.7	175.3	178.3	186.2	172.0	196.3	203.2	201.7
Operating income	13.0	20.2	19.7	18.6	20.5	30.4	25.9	29.0
Net income	12.6	11.6	12.5	13.6	12.9	18.0	15.9	18.0
Net income per share:								
Basic	0.15	0.14	0.15	0.16	0.16	0.22	0.20	0.22
Diluted	0.15	0.14	0.15	0.16	0.16	0.22	0.19	0.22

Recent Accounting Pronouncements

In May 2002, the FASB issued SFAS No. 145, "Rescission of SFAS Nos. 4, 44, and 64, Amendment of SFAS 13, and Technical Corrections" as of April 2002. The adoption of SFAS No. 145 had no impact on our financial statements.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." We have adopted this standard and it had no impact on our financial statements.

In December 2002, the FASB issued SFAS No. 148, “Accounting for Stock-Based Compensation—Transition and Disclosure, an amendment of FASB Statement No. 123," which addresses the accounting for alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. SFAS No. 148 also amends the disclosure requirements of

SFAS No. 123 to require prominent disclosures about the method of accounting for stock-based employee compensation and the effect of the method used to report the results. We have adopted SFAS No. 148 and it did not have a significant effect on our financial statements.

In November 2002, the FASB issued Interpretation No. 45, “Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others.” We are currently evaluating this standard and do not believe it will have a significant impact on our financial statements.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51." We are currently evaluating this standard and do not believe it will have a significant impact on our financial statements.

Currency Risk and Exchange Rate Information

A majority of our revenue and many of our expenses are recognized primarily outside of the United States, except for inventory purchases which are primarily transacted in U.S. dollars from vendors in the United States. Each of our subsidiary’s local currency 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. For example, in 2001, the Japanese yen significantly weakened, which reduced our operating results on a U.S. dollar reported basis. Given the uncertainty of exchange rate fluctuations, we cannot estimate the effect of these fluctuations on our future business, product pricing, results of operations or financial condition.

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

Our foreign currency derivatives are comprised of over-the-counter forward contracts with major international financial institutions. As of December 31, 2002, we had $124.6 million of these contracts with expiration dates through December 2003. All of these contracts were denominated in Japanese yen. For the year ended December 31, 2002, we recorded $4.5 million of gains in operating income, and $6.6 million of losses in other comprehensive income related to the fair market valuation on our outstanding forward contracts. Based on our foreign exchange contracts at December 31, 2002, the impact of a 10% appreciation or 10% depreciation of the U.S. dollar against the Japanese yen would not represent a material potential loss in fair value, earnings or cash flows against these contracts. This potential loss does not consider the underlying foreign currency transaction or translation exposures to which we are subject.

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

	2001				2002			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Japan[1]	118.3	122.6	121.5	123.8	132.5	126.9	119.3	122.3
Taiwan	32.5	33.4	34.6	34.5	35.0	34.4	33.9	34.8
Hong Kong	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8
South Korea	1,272.5	1,305.5	1,291.6	1,287.1	1,314.9	1,261.4	1,192.2	1,217.8
Singapore	1.7	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Malaysia [2]	--	--	--	--	3.8	3.8	3.8	3.8

(1) As of February 28, 2003 the exchange rate of U.S. $1 into the Japanese yen was approximately 117.6.

(2) We commenced operations in Malaysia during the fourth quarter of 2001.

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 (the “Reform Act”) which reflect our current expectations and beliefs regarding our future results of operations, performance and achievements. These statements are subject to risks and uncertainties and are based upon assumptions and beliefs that may not materialize. These forward-looking statements include, but are not limited to, statements concerning:

- our belief that existing cash and cash flow from operations will be adequate to fund cash needs;
- our belief that we can meet our targeted results in China;
- the expectation that we will spend $25 to $30 million for capital expenditures during 2003; and
- the anticipation that cash will be sufficient to pay future dividends.

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

We wish to caution readers that our operating results are subject to various risks and uncertainties that could cause our actual results and outcomes to differ materially from those discussed or anticipated. Reference is made to the risks and uncertainties described below and factors described herein in “Item 1. - Business - Risk Factors” (which contain a more detailed discussion of the risks and uncertainties related to our business). We also wish to advise readers not to place any undue reliance on the forward-looking statements contained in this report, which reflect our beliefs

and expectations only as of the date of this report. We assume no obligation to update or revise these forward-looking statements to reflect new events or circumstances or any changes in our beliefs or expectations. 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) Because a substantial majority of our sales are generated from the Asian regions, particularly Japan, significant variations in operating results including revenue, gross margin and earnings from those expected could be caused by

- renewed or sustained weakness of Asian economies or consumer confidence,
- weakening of foreign currencies, particularly the Japanese yen,
- failure of planned initiatives to generate continued interest and enthusiasm among distributors in these markets or to attract new distributors, or
- any problems with our expansion of operations in China, which has spurred growth in other Asia markets, and any other distractions caused by the expansion of operations in China.

(b) Our expansion of operations in China is subject to risks and uncertainties. We have been subject to significant regulator scrutiny (See "Results of Operations -- 2002 Compared to 2001 - Revenue”) and our operations in China may be modified or otherwise harmed by regulatory changes, subjective interpretations of laws or an inability to work effectively with national and local government agencies. In addition, actions by distributors in violation of local laws could harm our efforts. Because of restrictions on direct selling activities, we have implemented a modified business model for this market using retail stores and an employed sales force. We have not previously operated a large number of retail outlets and we cannot assure that we will be able to do so effectively.

(c) Our announcement of the development of a tool that non-invasively measures caratenoid antioxidant levels in the skin has generated significant interest among distributors, particularly the United States. This tool is still in the final development stages. As with any new technology, we have experienced delays and technical issues in developing a production model. If the full launch or use of this tool is delayed or otherwise inhibited by production or development issues, this could harm our business. In addition, one of our distributors received a communication from the FDA questioning the status of the scanner as a non-medical device. If the FDA were to determine or formally challenge the status of the scanner, this could delay or inhibit our ability to use the scanner, which could harm our business in the United States.

(d) 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. 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 changes in regulations applicable to our business, our revenue and profitability may be harmed.

(e) 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, our operating results could be adversely affected if our existing and new business opportunities and products do not generate sufficient excitement and economic incentive to retain our existing distributors or to sponsor new distributors on a sustained basis.

(f) The network marketing and nutritional supplement industries receive negative publicity from time to time. There is a risk that we could continue to receive negative publicity in the future related to our marketing practices or new initiatives or products. Any such publicity could negatively impact our ability to successfully sponsor new distributors and grow revenue.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

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

Nu Skin Enterprises, Inc.
Consolidated Balance Sheets
(U.S. dollars in thousands, except share amounts)

	December 31, 2001	December 31, 2002
ASSETS		
Current assets		
Cash and cash equivalents	$ 75,923	$ 120,341
Accounts receivable	19,318	18,914
Related parties receivable	12,961	562
Inventories, net	84,255	88,306
Prepaid expenses and other	45,404	48,316
	237,861	276,439
Property and equipment, net	57,355	55,342
Goodwill	114,791	118,768
Other intangible assets, net	64,714	69,181
Other assets	107,631	92,108
Total assets	$ 582,352	$ 611,838
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 14,733	$ 17,992
Accrued expenses	63,493	77,653
Related parties payable	7,122	155
	85,348	95,800
Long-term debt	73,718	81,732
Other liabilities	43,396	47,820
Total liabilities	202,462	225,352
Stockholders' equity		
Class A common stock - 500,000,000 shares authorized, $.001 par value, 33,615,230 and 35,707,785 shares issued and outstanding	33	36
Class B common stock - 100,000,000 shares authorized, $.001 par value, 48,849,040 and 45,362,854 shares issued and outstanding	49	45
Additional paid-in capital	88,953	69,803
Accumulated other comprehensive loss	(49,485)	(68,988)
Retained earnings	340,340	385,590
	379,890	386,486
Total liabilities and stockholders' equity	$ 582,352	$ 611,838

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

Nu Skin Enterprises, Inc.
Consolidated Statements of Income
(U.S. dollars in thousands, except per share amounts)

	Year Ended December 31,		
	2000	**2001**	**2002**
Revenue	$ 879,758	$ 885,621	$ 964,067
Cost of sales	149,342	178,083	190,868
Gross profit	730,416	707,538	773,199
Operating expenses:			
Distributor incentives	345,259	347,452	382,159
Selling, general and administrative	294,744	288,605	285,229
Total operating expenses	640,003	636,057	667,388
Operating income	90,413	71,481	105,811
Other income (expense), net	5,993	8,380	(2,886)
Income before provision for income taxes	96,406	79,861	102,925
Provision for income taxes	34,706	29,548	38,082
Net income	$ 61,700	$ 50,313	$ 64,843
Net income per share:			
Basic	$ 0.72	$ 0.60	$ 0.79
Diluted	$ 0.72	$ 0.60	$ 0.78
Weighted average common shares outstanding (000s):			
Basic	85,401	83,472	81,731
Diluted	85,642	83,915	83,128

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

Nu Skin Enterprises, Inc.
Consolidated Statements of Stockholders' Equity
(U.S. dollars in thousands, except share amounts)

	Class A Common Stock	Class B Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Deferred Compensation	Total Stockholders' Equity
Balance at January 1, 2000	$ 32	$ 55	$ 119,652	$ (48,220)	$ 244,758	$ (6,898)	$ 309,379
Net income	--	--	--	--	61,700	--	61,700
Foreign currency translation adjustments	--	--	--	2,873	--	--	2,873
Total comprehensive income	--	--	--	--	--	--	64,573
Repurchase of 1,893,000 shares of Class A common stock	(2)	--	(12,763)	--	--	--	(12,765)
Conversion of shares	1	(1)	--	--	--	--	--
Amortization of deferred compensation	--	--	--	--	--	5,252	5,252
Exercise of distributor and employee stock options	--	--	294	--	--	--	294
Forfeiture of employee stock awards and stock options	--	--	(899)	--	--	899	--
Balance at December 31, 2000	31	54	106,284	(45,347)	306,458	(747)	366,733
Net income	--	--	--	--	50,313	--	50,313
Foreign currency translation adjustments	--	--	--	(8,298)	--	--	(8,298)
Net unrealized gains on foreign currency cash flow hedges	--	--	--	8,776	--	--	8,776
Net gain reclassified into current earnings	--	--	--	(4,616)	--	--	(4,616)
Total comprehensive income							46,175
Repurchase of 2,491,000 shares of Class A common stock	(3)	--	(18,136)	--	--	--	(18,139)
Conversion of shares	5	(5)	--	--	--	--	--
Amortization of deferred compensation	--	--	--	--	--	747	747
Exercise of distributor and employee stock options	--	--	805	--	--	--	805
Cash dividends	--	--	--	--	(16,431)	--	(16,431)
Balance at December 31, 2001	33	49	88,953	(49,485)	340,340	--	379,890

Net income	--	--	--	--	64,843	--	64,843
Foreign currency translation adjustments	--	--	--	(10,031)	--	--	(10,031)
Net unrealized losses on foreign currency cash flow hedges	--	--	--	(6,567)	--	--	(6,567)
Net gain reclassified into current earnings	--	--	--	(2,905)	--	--	(2,905)
Total comprehensive income							45,340
Repurchase of 1,682,000 shares of Class A common stock (Notes 3 and 10)	(1)	--	(20,585)	--	--	--	(20,586)
Conversion of shares	4	(4)	--	--	--	--	--
Purchase of long-term assets	--	--	936	--	--	--	936
Exercise of distributor and employee stock options	--	--	1,261	--	--	--	1,261
Forfeiture of stock options	--	--	(762)	--	--	--	(762)
Cash dividends	--	--	--	--	(19,593)	--	(19,593)
Balance at December 31, 2002	$ 36	$ 45	$ 69,803	$ (68,988)	$ 385,590	$ --	$ 386,486

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

Nu Skin Enterprises, Inc.
Consolidated Statements of Cash Flows
(U.S. dollars in thousands)

	Year Ended December 31,		
	2000	**2001**	**2002**
Cash flows from operating activities:			
Net income	$ 61,700	$ 50,313	$ 64,843
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	32,350	31,679	21,602
Amortization of deferred compensation	5,252	747	--
Gain on sale of assets	--	(2,328)	(1,328)
Changes in operating assets and liabilities:			
Accounts receivable	(31)	(1,127)	404
Related parties receivable	3,248	215	5,971
Inventories, net	3,736	(2,240)	(4,051)
Prepaid expenses and other	7,875	(891)	(3,674)
Other assets	(21,400)	8,491	12,473
Accounts payable	(6,848)	(1,104)	3,259
Accrued expenses	(40,492)	(10,706)	14,160
Related parties payable	(6,039)	(1,898)	(6,967)
Other liabilities	4,037	3,266	4,424
Net cash provided by operating activities	43,388	74,417	111,116
Cash flows from investing activities:			
Purchase of property and equipment	(23,030)	(15,126)	(19,026)
Purchase of long-term assets	--	--	(7,505)
Payments for lease deposits	(195)	--	--
Receipt of refundable lease deposits	255	--	--
Net cash used in investing activities	(22,970)	(15,126)	(26,531)
Cash flows from financing activities:			
Payments of cash dividends	--	(16,431)	(19,593)
Repurchase of shares of common stock	(12,765)	(18,139)	(14,158)
Exercise of distributor and employee stock options	294	805	1,261
Proceeds from long-term debt	90,000	--	--
Payments on long-term debt	(142,821)	--	--
Net cash used in financing activities	(65,292)	(33,765)	(32,490)
Effect of exchange rate changes on cash	(1,292)	(13,599)	(7,677)

Net increase (decrease) in cash and cash equivalents	(46,166)	11,927	44,418
Cash and cash equivalents, beginning of period	110,162	63,996	75,923
Cash and cash equivalents, end of period	$ 63,996	$ 75,923	$ 120,341

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

1. The Company

Nu Skin Enterprises, Inc. (the "Company") is a leading, global, direct selling company that develops and distributes premium-quality, innovative personal care products and nutritional supplements through a large network of independent distributors. The Company also distributes technology and telecommunications products and services through its distributors. The Company reports revenue from four geographic regions: North Asia, which consists of Japan and South Korea; Southeast Asia, which consists of Australia, China, Hong Kong (including Macau), Malaysia, New Zealand, the Philippines, Singapore, Taiwan and Thailand; North America, which consists of the United States and Canada; and Other Markets, which consists of the Company's markets in Brazil, Europe, Guatemala and Mexico (the Company's subsidiaries operating in these countries are collectively referred to as the "Subsidiaries").

2. Summary of Significant Accounting Policies

Consolidation

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

Use of estimates

The preparation of these financial statements in conformity with accounting principles generally accepted in the United States of America required management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates include reserves for product returns, obsolete inventory and taxes. Actual results could differ from these estimates.

Cash and cash equivalents

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

Inventories

Inventories consist primarily of merchandise purchased for resale and are stated at the lower of cost or market, using the first-in, first-out method. The Company had reserves for obsolete inventory totaling $2.8 million, $6.7 million and $5.7 million as of December 31, 2000, 2001 and 2002, respectively.

Property and equipment

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

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

Expenditures for maintenance and repairs are charged to expense as incurred.

Goodwill and other intangible assets

In July 2001, the Financial Accounting Standards Board ("FASB") issued Statements of Financial Accounting Standards No. 141 ("SFAS 141"), *Business Combinations*, and No. 142 ("SFAS 142"), *Goodwill and Other Intangible Assets*. SFAS 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001 as well as all purchase method business combinations completed after June 30, 2001. SFAS 141 also specifies criteria that must be met in order for intangible assets acquired in a purchase method

business combination to be recognized and reported apart from goodwill. SFAS 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead be tested for impairment at least annually in accordance with the provisions of SFAS 142. SFAS 142 also requires that intangible assets with definite lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. The Company adopted the provisions of SFAS 141 immediately and SFAS 142 effective January 1, 2002 (Note 5).

Revenue recognition

Revenue is recognized when products are shipped, which is when title passes to independent distributors who are the Company's customers. A reserve for product returns is accrued based on historical experience. The Company generally requires cash or credit card payment at the point of sale. The Company has determined that no allowance for doubtful accounts is necessary. Amounts received prior to shipment and title passage to distributors are recorded as deferred revenue. In addition, the Company operates a professional employer organization ("PEO") that outsources personnel and benefits to small businesses in the United States. Revenue for the PEO consists of service fees paid by its clients. Cost of sales for the PEO includes the direct costs (such as salaries, wages and other benefits) associated with the worksite employees.

In September 2001, the Emerging Issues Task Force ("EITF") issued EITF 01-09, *Accounting for Consideration Given by a Vendor to a Customer or Reseller of the Vendor's Products*, which addresses the accounting for consideration given by a vendor to a customer or a reseller of the vendor's products. The Company adopted EITF 01-09 effective January 1, 2002 and such adoption did not have a significant impact on its financial statements.

Research and development

The Company's research and development activities are conducted primarily through its Pharmanex division. Research and development costs are expensed as incurred.

Income taxes

The Company follows the liability method in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on the differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be ultimately realized.

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.

Foreign currency translation

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

Fair value of financial instruments

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

Stock-based compensation

The Company measures compensation expense for its stock-based employee compensation plans, which are described in Note 11. SFAS No. 123, *Accounting for Stock-Based Compensation*, encourages, but does not require, companies to record compensation cost for stock-based employee compensation plans based on the fair market value of options granted. The Company has chosen to account for stock based compensation using the intrinsic value method prescribed in Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations. Accordingly, because the grant price equals the market price on the date of grant for options issued by the Company, no compensation expense is recognized for stock options issued to employees. On December 31, 2002, the Financial Accounting Standards Board ("FASB") issued SFAS No. 148, *Accounting for Stock Based Compensation – Transition and Disclosure*, which amended SFAS No. 123. SFAS No. 148 requires more prominent and frequent disclosures about the effects of stock-based compensation. The Company will continue to account for its stock based compensation according to the provisions of APB Opinion No. 25. Had compensation cost for the Company's stock options been recognized based upon the estimated fair value on the grant date under the fair value methodology prescribed by SFAS No. 123, as amended by SFAS No. 148, the Company's net earnings and earnings per share would have been as follows (U.S. dollars in thousands, except per share amounts):

	December 31,		
	2000	2001	2002
Net income, as reported	$ 61,700	$ 50,313	$ 64,843
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(5,484)	(1,886)	(5,450)
Pro forma net income	$ 56,216	$ 48,427	$ 59,393
Earnings per share:			
Basic - as reported	$ 0.72	$ 0.60	$ 0.79
Basic - pro forma	$ 0.66	$ 0.58	$ 0.73
Diluted - as reported	$ 0.72	$ 0.60	$ 0.78
Diluted - pro forma	$ 0.66	$ 0.58	$ 0.71

Reporting comprehensive income

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

Accounting for derivative instruments and hedging activities

As of January 1, 2001, the Company has adopted Statement of Financial Accounting Standards No. 133 (“SFAS 133”), *Accounting for Derivative Instruments and Hedging Activities*. The statement requires companies to recognize all derivatives as either assets or liabilities, with the instruments measured at fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on the intended use of the derivative and its resulting designation. The adoption of SFAS 133 did not have a significant impact on the Company’s consolidated financial statements. (Note 15)

New pronouncements

In May 2002, the FASB issued SFAS No. 145,*Rescission of SFAS Nos. 4, 44, and 64, Amendment of SFAS 13, and Technical Corrections as of April 2002*. The adoption of SFAS No. 145 had no impact on its financial statements.

In June 2002, the FASB issued SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*. The Company has adopted this standard and its adoption did not have a significant effect on its financial statements.

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In January 2003, the FASB issued Interpretation No. 46, *Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51*. The Company is currently evaluating this standard, however, it does not believe it will have a significant effect on its financial statements.

3. Related Party Transactions

Certain relationships with stockholder distributors

Two major stockholders of the Company have been independent distributors for the Company since 1984. These stockholders are partners in an entity which receives substantial commissions from the Company, including commissions relating to sales within the countries in which the Company operates. By agreement, the Company pays commissions to this partnership at the highest level of distributor compensation. The commissions paid to this partnership relating to sales within the countries in which the Company operates were $3.4 million, $3.5 million and $3.3 million for the years ended December 31, 2000, 2001 and 2002, respectively.

Loan to stockholder

On May 3, 2002, a $5.0 million loan to a non-management stockholder was repaid, together with accrued interest, with approximately 440,000 shares of the Company’s Class A common stock.

Lease agreements

The Company leases corporate office and warehouse space from two entities that are owned by certain officers and directors of the Company. Total lease payments to these two affiliated entities were $2.7 million, $3.3 million and $3.3 million for the years ended December 31, 2000, 2001 and 2002, respectively, with remaining long-term obligations under these leases of $19.8 million and $29.8 million at December 31,

2001 and 2002, respectively. The increase was primarily related to entering into mid to long-term lease agreements for properties that were previously month-to-month contracts as the previous leases for these properties had expired and the Company was negotiating new leases.

Promissory Note

On August 14, 2002, the Company paid the remaining balance (approximately $6.0 million) of the promissory note issued by the Company to a related party in connection with the Company's acquisition of Big Planet, Inc. in 1999. In addition, the Company negotiated a settlement of a receivable from a related party by accepting a cash payment of $2.4 million to satisfy an obligation related to outstanding distributor stock options, which obligation was previously payable upon exercise of each outstanding stock option.

4. Property and Equipment

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

	December 31,	
	2001	**2002**
Furniture and fixtures	$ 36,089	$ 37,747
Computers and equipment	70,869	81,351
Leasehold improvements	25,479	28,032
Vehicles	1,656	1,939
	134,093	149,069
Less: accumulated depreciation	(76,738)	(93,727)
	$ 57,355	$ 55,342

Depreciation of property and equipment totaled $17.0 million, $16.6 million and $17.2 million for the years ended December 31, 2000, 2001 and 2002, respectively.

5. Goodwill and Other Intangible Assets

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

	Carrying Amount at December 31,	
	2001	**2002**
Goodwill and other indefinite life intangible assets:		
Goodwill	$ 114,791	$ 118,768
Trademarks and tradenames	22,228	22,493
Marketing rights	12,266	12,266
Other	4,081	4,081
	$ 153,366	$ 157,608

	December 31, 2001		December 31, 2002	
	Gross Carrying Amount	**Accumulated Amortization**	**Gross Carrying Amount**	**Accumulated Amortization**
Other finite life intangible assets:				
Developed technology	$ 22,500	$ 6,017	$ 22,500	$ 6,841
Other	16,465	6,809	25,105	10,423
	$ 38,965	$ 12,826	$ 47,605	$ 17,264

Amortization of goodwill and intangible assets totaled $15.3 million, $15.1 million and $4.4 million for the years ended December 31, 2000, 2001 and 2002, respectively. Annual estimated amortization expense is expected to approximate $3.6 million for each of the five succeeding fiscal years.

The Company adopted SFAS No. 142 effective January 1, 2002. Under the new standard, goodwill and indefinite life intangible assets are no longer amortized but are subject to annual impairment tests. Other intangible assets with finite lives, such as developed technology, will continue to be amortized over their useful lives. The transitional and annual impairment tests were completed and did not result in an impairment charge.

In accordance with SFAS No. 142, prior period amounts were not restated. A reconciliation of the previously reported net income and earnings per share for the years ended December 31, 2000 and 2001 to the amounts adjusted for the reduction of amortization expense, net of the related income tax effect, is as follows (U.S. dollars in thousands, except per share amounts):

	2000	2001
Reported net income	$ 61,700	$ 50,313
Add: amortization adjustment	6,453	6,352
Adjusted	$ 68,153	$ 56,665
Reported basic EPS	$ .72	$ .60
Add: amortization adjustment	.08	.08
Adjusted	$ .80	$ .68
Reported diluted EPS	$ .72	$ .60
Add: amortization adjustment	.08	.08
Adjusted	$ .80	$ .68

6. Other Assets

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

	December 31,	
	2001	2002
Deferred taxes	$ 83,412	$ 65,708
Deposits for noncancelable operating leases	12,353	14,084
Other	11,866	12,316
	$ 107,631	$ 92,108

7. Accrued Expenses

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

	December 31,	
	2001	2002
Income taxes payable	$ 7,030	$ 10,761
Accrued commission payments to distributors	25,947	34,627
Other taxes payable	10,012	12,467
Other accruals	20,504	19,798
	$ 63,493	$ 77,653

8. Long-Term Debt

On October 12, 2000, the Company refinanced the remaining balance of its then existing credit facility with the proceeds of a private placement of 9.7 billion Japanese yen-denominated ten-year senior notes (the "Notes") to The Prudential Insurance Company of America. The Notes bear interest at an effective rate of 3.03% per annum and are due October 2010, with principal payments beginning October 2004. The outstanding balance on the Notes was 9.7 billion Japanese yen, or $73.7 million and $81.7 million as of December 31, 2001 and 2002, respectively.

Interest expense relating to the long-term debt totaled $4.8 million, $2.5 million and $2.4 million for the years ended December 31, 2000, 2001 and 2002, respectively.

The Notes contain other terms and conditions and affirmative and negative financial covenants customary for credit facilities of this type. As of December 31, 2002, the Company is in compliance with all financial covenants under the Notes.

On May 10, 2001, the Company entered into a $60.0 million revolving credit agreement (the "Revolving Credit Facility") with Bank of America, N.A. and Bank One Utah, N.A. for which Bank of America, N.A. acted as agent. The proceeds may be used for working capital, capital expenditures and other purposes including repurchases of the Company's outstanding shares of Class A common stock. The Revolving Credit Facility was reduced to $45.0 million on May 10, 2002 and is further reduced to $30.0 million on May 10, 2003. The Revolving Credit Facility is set to expire on May 10, 2004. There were no outstanding balances relating to the Revolving Credit Facility as of December 31, 2001 and 2002.

The Japanese notes and the revolving credit facility are both secured by a guaranty of our material subsidiaries and by a pledge of 65% of the outstanding stock of Nu Skin Japan Company Limited, the Company's operating subsidiary in Japan.

Maturities of long-term debt at December 31, 2002 based on the year end exchange rate are as follows (U.S. dollars in thousands):

Year Ending December 31,	
2003	$ --
2004	11,676
2005	11,676
2006	11,676
2007	11,676
Thereafter	35,028
Total	$ 81,732

9. Lease Obligations

The Company leases office space and computer hardware under noncancelable long-term operating leases. Most leases include renewal options of up to three years. Minimum future operating lease obligations at December 31, 2002 are as follows (U.S. dollars in thousands):

Year Ending December 31,	
2003	$ 10,940
2004	10,567
2005	10,581
2006	9,865
2007	4,432
Thereafter	13,259
Total minimum lease payments	$ 59,644

Rental expense for operating leases totaled $20.7 million, $19.2 million and $21.0 million for the years ended December 31, 2000, 2001 and 2002, respectively.

10. Capital Stock

The Company's authorized capital stock consists of 25 million shares of preferred stock, par value $.001 per share, 500 million shares of Class A common stock, par value $.001 per share and 100 million shares of Class B common stock, par value $.001 per share. The shares of Class A common stock and Class B common stock are identical in all respects, except for voting rights and certain conversion rights and transfer restrictions, as follows: (1) each share of Class A common stock entitles the holder to one vote on matters submitted to a vote of the Company's stockholders and each share of Class B common stock entitles the holder to ten votes on each such matter; (2) stock dividends of Class A common stock may be paid only to holders of Class A common stock and stock dividends of Class B common stock may be paid only to holders of Class B common stock; (3) if a holder of Class B common stock transfers such shares to a person other than a permitted transferee, as defined in the Company's Certificate of Incorporation, such shares will be converted automatically into shares of Class A

common stock; and (4) Class A common stock has no conversion rights; however, each share of Class B common stock is convertible into one share of Class A common stock, in whole or in part, at any time at the option of the holder.

Weighted average common shares outstanding

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

	Year Ended December 31,		
	2000	**2001**	**2002**
Basic weighted average common shares outstanding	85,401	83,472	81,731
Effect of dilutive securities:			
Stock awards and options	241	443	1,397
Diluted weighted average common shares outstanding	85,642	83,915	83,128

Repurchase of common stock

Since August 1998, the board of directors has authorized the Company to repurchase up to $90.0 million of the Company's outstanding shares of Class A common stock. The repurchases are used primarily to fund the Company's equity incentive plans. During the years ended December 31, 2000, 2001 and 2002, the Company repurchased approximately 1.9 million, 2.5 million and 1.2 million shares of Class A common stock for an aggregate price of approximately $12.8 million, $18.1 million and $14.2 million, respectively. As of December 31, 2002, the Company had repurchased a total of approximately 7.9 million shares of Class A common stock for an aggregate price of approximately $73.2 million.

Conversion of common stock

During 2001 and 2002, the holders of the Class B common stock converted approximately 4.6 million and 3.5 million shares of Class B common stock to Class A common stock, respectively.

11. Equity Incentive Plans

During the year ended December 31, 1996, the Company's board of directors adopted the Nu Skin Enterprises, Inc., 1996 Stock Incentive Plan (the "1996 Stock Incentive Plan"). The 1996 Stock Incentive Plan provides for granting of stock awards and options to purchase common stock to executives, other employees, independent consultants and directors of the Company and its Subsidiaries. The Company has a total of 8.0 million shares available for grant under this plan. As of December 31, 2002, approximately 6.4 million shares have been granted.

On September 17, 2001, the Company offered to exchange certain outstanding options to purchase shares of Nu Skin's Class A common stock held by eligible optionholders granted under the 1996 Stock Incentive Plan having an exercise price equal to or greater than $10.00 per share for new options to purchase shares of Nu Skin's Class A common stock. A total of 90 employees tendered 950,125 options to purchase the Company's Class A common stock, which options were cancelled on October 17, 2001, in return for commitments of new grants on the grant date of April 19, 2002. These new option grants were issued on April 19, 2002 at an exercise price of $12.45 per share.

Effective November 21, 1996, the Company implemented a one-time distributor equity incentive program which provided for grants of options to selected distributors for the purchase of 1,605,000 shares of the Company's Class A common stock. The options are exercisable at a price of $5.75 per share and vested one year from the effective date. The Company recorded distributor stock expense of $19.9 million over the vesting period. As of December 31, 2002, approximately 898,000 of these options had been exercised.

Pursuant to the acquisition of Pharmanex in 1998, the Company assumed outstanding options under two stock option plans. The options were converted into the right to purchase approximately 261,000 shares of Class A common stock.

A summary of the Company's stock option plans as of December 31, 2000, 2001 and 2002 and changes during the years then ended, is presented below:

	2000		**2001**		**2002**	
	Shares (in 000s)	**Weighted Average Exercise Price**	**Shares (in 000s)**	**Weighted Average Exercise Price**	**Shares (in 000s)**	**Weighted Average Exercise Price**

Outstanding - beginning of year	5,039.9	$ 13.44	5,838.9	$ 10.89	5,177.1	$ 9.84
Granted at fair value	1,983.5	7.40	902.5	7.49	2,103.4	11.90
Exercised	(22.3)	5.47	(138.0)	5.76	(204.5)	6.34
Forfeited/cancelled	(1,162.2)	16.09	(1,426.3)	13.03	(251.4)	13.25
Outstanding - end of year	5,838.9	10.89	5,177.1	9.84	6,824.6	10.46
Options exercisable at year-end	2,146.6	$ 9.44	2,501.7	$ 9.76	3,349.1	$ 9.60

The following table summarizes information concerning outstanding and exercisable options at December 31, 2002:

	Options Outstanding			Options Exercisable	
Exercise Price Range	Shares (in 000s)	Weighted Average Exercise Price	Weighted Average Years Remaining	Shares (in 000s)	Weighted Average Exercise Price
$0.92 to $5.75	1,051.6	$ 4.79	4.06	1,051.6	$ 4.79
$6.56 to $11.00	2,758.7	7.72	7.82	1,128.6	7.57
$12.00 to $16.00	2,144.8	12.55	8.71	734.5	12.94
$17.00 to $28.50	869.5	20.82	6.32	434.4	20.83
	6,824.6	10.46	7.33	3,349.1	9.60

The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions:

	2000	2001	2002
Risk-free interest rate	6.3%	4.5%	3.6%
Expected life	3.8 years	2.9 years	3.3 years
Expected volatility	52.0%	60.0%	52.7%
Expected dividend yield	--	2.8%	2.2%

The weighted-average grant date fair values of options granted during 2000, 2001 and 2002 were $3.41, $3.12 and $4.18, respectively.

Following the Company's initial public offering in 1996, the Company has granted stock awards of its Class A common stock to employees. In total, approximately 686,000 shares were issued in this program, and the awards vested ratably over a one to four year period. The Company recorded compensation expense of $2.8 million for the year ended December 31, 2000, relating to these stock awards.

Effective February 1, 2000, the Company's board of directors adopted the Employee Stock Purchase Plan (the "Purchase Plan"), which provides for the issuance of a maximum of 200,000 shares of Class A common stock. Eligible employees can have up to 15% of their earnings withheld, up to certain maximums, to be used to purchase shares of the Company's Class A common stock on every April 30, July 31, October 31 or January 31 (the "Purchase Date"). The price of the Class A common stock purchased under the Purchase Plan will be equal to 85% of the lower of the fair market value of the Class A common stock on the commencement date of each three-month offering period or Purchase Date. During 2002, approximately 12,000 shares were purchased at prices ranging from $6.08 to $8.29 per share. At December 31, 2002, approximately 152,000 shares were available under the Purchase Plan for future issuance.

12. Income Taxes

Consolidated income before provision for income taxes consists of income earned primarily from international operations. The provision for current and deferred taxes for the years ended December 31, 2000, 2001 and 2002 consists of the following (U.S. dollars in thousands):

	2000	2001	2002
Current			
Federal	$ 1,677	$ 1,812	$ 2,800
State	1,589	2,078	4,548
Foreign	36,503	25,529	26,957
	39,769	29,419	34,305
Deferred			
Federal	4,337	3,330	6,819
State	836	(242)	(1,268)

Foreign	(10,236)	(2,959)	(1,774)
	(5,063)	129	3,777
Provision for income taxes	$ 34,706	$ 29,548	$ 38,082

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

	December 31, 2001	December 31, 2002
Deferred tax assets:		
Inventory differences	$ 5,275	$ 5,878
Foreign tax credit	47,689	26,286
Distributor stock options and employee stock awards	5,836	4,484
Capitalized legal and professional	1,089	793
Accrued expenses not deductible until paid	22,409	21,931
Withholding tax	2,072	3,587
Minimum tax credit	12,776	16,143
Net operating losses	5,125	3,122
Controlled foreign corporation net losses	1,391	5,962
Capitalized research and development	3,640	6,856
Advanced payments	--	10,385
Total deferred tax assets	107,302	105,427
Deferred tax liabilities:		
Foreign deferred tax	17,557	20,846
Exchange gains and losses	11,799	9,881
Cost of goods sold adjustment	1,845	--
Pharmanex intangibles step-up	17,130	16,542
Amortization of intangibles	775	2,975
Other	5,791	6,005
Total deferred tax liabilities	54,897	56,249
Valuation allowance	--	--
Deferred taxes, net	$ 52,405	$ 49,178

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

	Year Ended December 31,	
	2001	2002
Current deferred tax assets	$ 23,883	$ 39,719
Noncurrent deferred tax assets	83,419	65,708
Total deferred tax assets	107,302	105,427
Current deferred tax liabilities	14,737	10,665
Noncurrent deferred tax liabilities	40,160	45,584
Total deferred tax liabilities	54,897	56,249
Deferred taxes, net	$ 52,405	$ 49,178

The Company has considered projected future taxable income and ongoing tax planning strategies in determining that no valuation allowance is required.

The foreign tax credits expire during the years 2003 to 2005. Management believes that it is more likely than not that the Company will generate sufficient taxable income in the appropriate carry forward periods to realize the benefit of the net deferred tax assets.

The actual tax rate for the years ended December 31, 2000, 2001 and 2002 compared to the statutory U.S. Federal tax rate is as follows:

	Year Ended December 31,		
	2000	**2001**	**2002**
Income taxes at statutory rate	35.00%	35.00%	35.00%
Non-deductible expenses	1.92	2.14	.22
Branch remittance gains and losses	(.03)	(.85)	(.55)
Other	(.89)	.71	2.33
	36.00%	37.00%	37.00%

13. Employee Benefit Plan

The Company has a 401(k) defined contribution plan which permits participating employees to defer up to a maximum of 15% of their compensation, subject to limitations established by the Internal Revenue Code. Employees who work a minimum of 1,000 hours per year, who have completed at least one year of service and who are 21 years of age or older are qualified to participate in the plan. The Company matches 100% of the first 2% and 50% of the next 2% of each participant's contributions to the plan. Participant contributions are immediately vested. Company contributions vest based on the participant's years of service at 25% per year over four years. The Company's contribution totaled $979,000, $1,038,000 and $1,249,000 for the years ended December 31, 2000, 2001 and 2002, respectively.

14. Executive Deferred Compensation Plan

The Company has an executive deferred compensation plan for select management personnel. Under this plan, the Company currently makes a contribution of 10% of each participant's salary. In addition, each participant has the option to defer a portion of their compensation up to a maximum of 100% of their compensation. Participant contributions are immediately vested. Company contributions vest based on the earlier of (a) attaining 60 years of age, (b) continuous employment of 20 years or (c) death or disability. The Company's contribution totaled $332,000, $338,000 and $367,000 for the years ended December 31, 2000, 2001 and 2002, respectively.

15. Derivative Financial Instruments

The Company's Subsidiaries enter into significant transactions with each other and third parties which may not be denominated in the respective Subsidiaries' functional currencies. The Company seeks to reduce its exposure to fluctuations in foreign exchange rates through the use of foreign currency exchange contracts and through certain intercompany loans of foreign currency. The Company does not use such derivative financial instruments for trading or speculative purposes. The Company regularly monitors its foreign currency risks and periodically takes measures to reduce the impact of foreign exchange fluctuations on the Company's operating results. Gains and losses on certain intercompany loans of foreign currency are recorded as other income and expense in the consolidated statements of income.

At December 31, 2001 and 2002, the Company held forward contracts designated as foreign currency cash flow hedges with notional amounts totaling approximately $55.0 million and $124.6 million, respectively, to hedge foreign currency intercompany transactions. All such contracts were denominated in Japanese yen. As of January 1, 2001, the Company adopted SFAS 133. The adoption of SFAS 133

did not have a significant impact on the Company's Consolidated Financial Statements. The net gains on foreign currency cash flow hedges recorded in current earnings were $7.6 million and $4.5 for the years ended December 31, 2001 and 2002, respectively. Prior to the adoption of SFAS 133, the Company held foreign currency forward contracts which were marked to market and recorded net gains in other income of $4.5 million for the year ended December 31, 2000. Those contracts held at December 31, 2002 have maturities through December 2003 and accordingly, all unrealized gains on foreign currency cash flow hedges included in accumulated other comprehensive loss at December 31, 2002 will be recognized in current earnings over the next twelve-month period.

16. Supplemental Cash Flow Information

Cash paid for interest totaled $4.2 million, $2.4 million and $2.3 million for the years ended December 31, 2000, 2001 and 2002, respectively. Cash paid for income taxes totaled $30.9 million, $18.4 million and $18.8 million for the years ended December 31, 2000, 2001 and 2002, respectively.

17. Segment Information

The Company operates in a single reportable operating segment by selling products to a global network of independent distributors that operates in a seamless manner from market to market. The Company's largest expense is the commissions paid on product sales through this distributor network. The Company manages its business primarily by managing this global distributor network. However, the Company does

recognize revenue from sales to distributors in four geographic regions: North Asia, Southeast Asia, North America and Other Markets. Revenue generated in each of these regions is set forth below (U.S. dollars in thousands):

	Year Ended December 31,		
	2000	2001	2002
Revenue			
North Asia	$ 585,373	$ 553,910	$ 593,860
Southeast Asia	119,456	150,290	195,987
North America	155,841	155,935	145,952
Other Markets	19,088	25,486	28,268
Totals	$ 879,758	$ 885,621	$ 964,067

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

Revenue

Revenue from the Company's operations in Japan totaled $554,210, $508,141 and $529,740 for the years ended December 31, 2000, 2001 and 2002, respectively. Revenue from the Company's operations in the United States totaled $148,578, $148,975 and $136,580 for the years ended December 31, 2000, 2001 and 2002, respectively.

Long-lived assets

Long-lived assets in Japan were $18,863 and $20,210 as of December 31, 2001 and 2002, respectively. Long-lived assets in the United States were $293,854 and $276,030 as of December 31, 2001 and 2002, respectively.

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18. 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 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 of jurisdiction, the adoption of new statutes, laws, rules or regulations or changes in the interpretation of existing statutes, laws, rules or regulations could have a material adverse effect on the Company and its operations. Although management believes that the Company is in compliance, in all material respects, with the statutes, laws, rules and regulations of every jurisdiction in which it operates, no assurance can be given that the Company's compliance with applicable statutes, laws, rules and regulations will not be challenged by foreign authorities or that such challenges will not have a material adverse effect on the Company's financial position or results of operations or cash flows. The Company and its Subsidiaries are defendants in litigation and proceedings involving various matters. In the opinion of the Company's management, based upon advice of its counsel handling such litigation and proceedings, adverse outcomes, if any, will not likely result in a material effect on the Company's consolidated financial condition, results of operations or cash flows.

19. Purchase of Long-Term Asset

On March 6, 2002, the Company acquired the exclusive rights to a new laser technology related to measuring the level of certain antioxidants. The acquisition consisted of cash payments of $4.8 million (including acquisition costs) and the issuance of 106,667 shares of the Company's Class A common stock valued at approximately $900,000. In addition, the acquisition includes contingent cash payments up to $8.5 million and up to 1.2 million shares of the Company's Class A common stock if certain development and revenue targets are met.

On April 19, 2002, the Company acquired First Harvest International, LLC, a small dehydrated food manufacturer. The Company paid a total of $2.7 million including the assumption of certain liabilities for this transaction. The Company has agreed to pay a 1% royalty on the sale of these products.

20. Subsequent Event

On February 3, 2003, the board of directors declared a quarterly cash dividend of $0.07 per share for all classes of common stock to be paid in March 2003.

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REPORT OF INDEPENDENT ACCOUNTANTS

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

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, stockholders' equity and cash flows present fairly, in all material respects, the financial position of Nu Skin Enterprises, Inc. and its subsidiaries at December 31, 2001 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2002 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2 to the consolidated financial statements, effective January 1, 2002, the Company changed its method of accounting for goodwill in accordance with Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Salt Lake City, Utah

February 3, 2003

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

None.

PART III

The information required by Items 10, 11, 12 and 13 of Part III is hereby incorporated by reference to our Definitive Proxy Statement filed or to be filed with the Securities and Exchange Commission not later than April 30, 2003.

ITEM 14. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934) as of a date within 90 days prior to the filing date of this report. Disclosure controls and procedures are the controls and other procedures that we designed to ensure that we record, process, summarize and report in a timely manner the information we must disclose in reports that we file with or submit to the Securities and Exchange Commission. Based on this evaluation, our Chief Executive Officer and our Principal Accounting Officer concluded that, as of the date of their evaluation, our disclosure controls and procedures were effective.

Changes in Internal Controls. There were no significant changes made in our internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation.

PART IV

ITEM 15. EXHIBITS FINANCIAL STATEMENTS SCHEDULES AND REPORTS ON FORM 8-K

(a) Documents filed as part of this Form 10-K:

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

2. Exhibits: The following Exhibits are filed with this Form 10-K (reference to the "Company" shall mean Nu Skin Enterprises, Inc.):

Exhibit Number	Exhibit Description
2.1	Agreement and Plan of Merger as of March 6, 2002 by and among the Company, Niksun Acquisition Corporation, a subsidiary of the Company, Worldwide Nutritional Science, Inc. incorporated by reference to Exhibit 2.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2002.
3.1	Amended and Restated Certificate of Incorporation of the Company incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-1 (File No. 333-12073) (the "Form S-1").
3.2	Certificate of Amendment to the Amended and Restated Certificate of Incorporation, incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1998.
3.3	Certificate of Designation, Preferences and Relative Participating, Optional, and Other Special Rights of Preferred Stock and Qualification, Limitations and Restrictions Thereof, incorporated by reference to Exhibit 3.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998.
3.4	Amended and Restated Bylaws of the Company incorporated by reference to Exhibit 3.2 to the Company's Form S-1.
4.1	Specimen Form of Stock Certificate for Class A Common Stock incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-3 (File No. 333-90716).
4.2	Specimen Form of Stock Certificate for Class B Common Stock incorporated by reference to Exhibit 4.2 to the Company's Form S-1.
10.1	Note Purchase Agreement dated October 12, 2000, by and between the Company and The Prudential Insurance Company of America, incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000.

10.2	Pledge Agreement dated October 12, 2000, by and between the Company and State Street Bank and Trust Company of California, N.A., acting in its capacity as collateral agent, incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000.
10.3	Collateral Agency Agreement dated October 12, 2000, by and between the Company, State Street Bank and Trust Company of California, N.A., as Collateral Agent, and the lenders and noteholders party thereto, incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000.
10.4	Amendment to Collateral Agency and Intercreditor Agreement among State Street Bank and Trust Company of California, N.A., as Collateral Agent, The Prudential Insurance Company of America, as Senior Noteholder and ABN AMRO Bank N.V., as Senior Lender, incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001.
10.5	Credit Agreement dated as of May 10, 2001 among the Company, various financial institutions, and Bank of America, N.A., as Administrative Agent, incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001.
10.6	First Amendment dated December 14, 2001 to the Credit Agreement dated May 10, 2001 among the Company, various financial institutions, and Bank of America, N.A. as Administrative Agent, incorporated by reference to Exhibit 10.43 to the Company's Annual Report on Form 10-K for the year ended December 21, 2001.
10.7	First Amendment to Note Purchase Agreement between the Company and The Prudential Insurance Company of America dated May 1, 2002 incorporated by reference to Exhibit No. 10.3 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2002.
10.8	Reconstituted Stock Purchase Agreement dated as of March 6, 2002 by and between Nutriscan, Inc., Worldwide Nutritional Sciences, Inc. and each of the Stockholders of Nutriscan, Inc. incorporated by reference to Exhibit No. 2.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2002.
10.9	Membership Interest Purchase Agreement dated as of April 19, 2002, by and among the Company and the members of First Harvest International, LLC incorporated by reference to Exhibit No. 2.3 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2002.
10.10	Amendment and Release Agreement dated as of November 30, 2002, by and among the Company and the members of First Harvest International, LLC.
10.11	Sale and Purchase Agreement between the Company and Dato Mohd Nadzmi Bin Mohd Sulleh dated the 17th day of August, 2001, incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001.

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10.45 Summary Description of Nu Skin Japan Director Retirement Allowance Plan, incorporated by reference to Exhibit 10.49 to the Company's Annual Report on Form 10-K for the year ended December 31, 2001.

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10.48 Nu Skin Enterprises, Inc.'s Executive Bonus Plan.

10.49 Employment Letter with Truman Hunt.

10.50 Letter of Understanding with Corey Lindley.

21.1 Subsidiaries of the Company.

23.1 Consent of PricewaterhouseCoopers LLP.

99.1 Certification of Chief Executive Officer.

99.2 Certification of Chief Financial Officer.

(b) The Company did not file a current report on Form 8-K during the quarter ended December 31, 2002.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 4, 2003.

NU SKIN ENTERPRISES, INC.

By: /s/ Steven J. Lund
Steven J. Lund, Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on March 4, 2003.

Signature	Capacity in Which Signed
/s/ Blake M. Roney Blake M. Roney	Chairman of the Board
/s/ Steven J. Lund Steven J. Lund	Chief Executive Officer and Director (Principal Executive Officer)
/s/ Ritch N. Wood Ritch N. Wood	Chief Financial Officer (Principal Financial Officer and Accounting Officer)
/s/ Sandra N. Tillotson Sandra N. Tillotson	Senior Vice President, Director
/s/ Brooke B. Roney Brooke B. Roney	Senior Vice President, Director
/s/ Max L. Pinegar Max L. Pinegar	Senior Vice President, Director
/s/ Daniel W. Campbell Daniel W. Campbell	Director
/s/ E. J. "Jake" Garn E. J. "Jake" Garn	Director
/s/ Paula F. Hawkins Paula F. Hawkins	Director
/s/ Andrew D. Lipman Andrew D. Lipman	Director
/s/ Takashi Bamba Takashi Bamba	Director

CERTIFICATION

I, Steven J. Lund, Chief Executive Officer of the registrant, certify that:

1. I have reviewed this annual report on Form 10-K of Nu Skin Enterprises, Inc.;

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) designed such disclosure controls and procedures 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 annual report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

   c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 4, 2003

/s/ Steven J. Lund
Signature
Chief Executive Officer

CERTIFICATION

I, Ritch N. Wood, Chief Financial Officer of the registrant, certify that:

1. I have reviewed this annual report on Form 10-K of Nu Skin Enterprises, Inc.;

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) designed such disclosure controls and procedures 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 annual report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

   c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 4, 2003

/s/ Ritch N. Wood
Signature
Chief Financial Officer

EXHIBIT INDEX

Exhibit	Exhibit Description

Number	
2.1	Agreement and Plan of Merger as of March 6, 2002 by and among the Company, Niksun Acquisition Corporation, a subsidiary of the Company, Worldwide Nutritional Science, Inc. incorporated by reference to Exhibit 2.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2002.
3.1	Amended and Restated Certificate of Incorporation of the Company incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-1 (File No. 333-12073) (the "Form S-1").
3.2	Certificate of Amendment to the Amended and Restated Certificate of Incorporation, incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1998.
3.3	Certificate of Designation, Preferences and Relative Participating, Optional, and Other Special Rights of Preferred Stock and Qualification, Limitations and Restrictions Thereof, incorporated by reference to Exhibit 3.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998.
3.4	Amended and Restated Bylaws of the Company incorporated by reference to Exhibit 3.2 to the Company's Form S-1.
4.1	Specimen Form of Stock Certificate for Class A Common Stock incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-3 (File No. 333-90716).
4.2	Specimen Form of Stock Certificate for Class B Common Stock incorporated by reference to Exhibit 4.2 to the Company's Form S-1.
10.1	Note Purchase Agreement dated October 12, 2000, by and between the Company and The Prudential Insurance Company of America, incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000.
10.2	Pledge Agreement dated October 12, 2000, by and between the Company and State Street Bank and Trust Company of California, N.A., acting in its capacity as collateral agent, incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000.
10.3	Collateral Agency Agreement dated October 12, 2000, by and between the Company, State Street Bank and Trust Company of California, N.A., as Collateral Agent, and the lenders and noteholders party thereto, incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000.
10.4	Amendment to Collateral Agency and Intercreditor Agreement among State Street Bank and Trust Company of California, N.A., as Collateral Agent, The Prudential Insurance Company of America, as Senior Noteholder and ABN AMRO Bank N.V.,

	as Senior Lender, incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001.
10.5	Credit Agreement dated as of May 10, 2001 among the Company, various financial institutions, and Bank of America, N.A., as Administrative Agent, incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001.
10.6	First Amendment dated December 14, 2001 to the Credit Agreement dated May 10, 2001 among the Company, various financial institutions, and Bank of America, N.A. as Administrative Agent, incorporated by reference to Exhibit 10.43 of the Company's Annual Report on Form 10-K for the year ended December 31, 2001. ..
10.7	First Amendment to Note Purchase Agreement between Nu Skin Enterprises, Inc. and The Prudential Insurance Company of America dated May 1, 2002 incorporated by reference to Exhibit No. 10.3 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2002.
10.8	Reconstituted Stock Purchase Agreement dated as of March 6, 2002 by and between Nutriscan, Inc., Worldwide Nutritional Sciences, Inc. and each of the Stockholders of Nutricscan, Inc. incorporated by reference to Exhibit No. 2.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2002.
10.9	Membership Interest Purchase Agreement dated as of April 19, 2002, by and among the Company and the members of First Harvest International, LLC incorporated by reference to Exhibit No. 2.3 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2002.
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99.1 Certification of Chief Executive Officer.

99.2 Certification of Chief Financial Officer.

AMENDMENT NO. 1
TO
MEMBERSHIP INTEREST PURCHASE AGREEMENT
AND
MUTUAL RELEASE OF CLAIMS

This Amendment No. 1 to Membership Interest Purchase Agreement and Mutual Release of Claims (the "Amendment and Release ") is entered into effective as of November 30, 2002, between Nu Skin Enterprises, Inc. (the "Buyer"), and Frank L. Davis, Rogan Taylor, Tom Felt, David L. Mitton, Daniel P. Wheeler, Kevin J. Sutterfield and Ronald Bassett, each individually a "Seller" and together the "Sellers."

RECITALS

A. The Sellers and the Buyer previously entered into the Membership Interest Purchase Agreement dated as of April 19, 2002 (the "*Agreement*") pursuant to which the Sellers sold all of the outstanding limited liability company membership interests ("*Company Shares*") of First Harvest International, LLC, a Utah limited liability company (the "*Company*") to Buyer.

B. Following the execution of the Agreement, there has arisen certain, including the final closing balance sheet adjustments and the alleged lack of disclosure related to an investigation by the Division of Consumer Protection of the State of Utah concerning the Company (the "*Utah Investigation*").

C. The Buyer and Sellers desire to amend the Agreement to resolve such disputes and grant a release of claims.

AMENDMENT

Now, therefore, in consideration of the premises and the mutual promises herein made contained, the Parties agree as follows.

1. Amendment to Royalty. The Agreement parties hereby agree to amend the Agreement to reduce the maximum royalty payments that may be made from $25 million to $17.5 million. Consequently, Section 2.6.3 is hereby amended to read in its entirety as follows:

"2.6.3. Royalty Offset and Termination. The Royalty is subject to being offset as provided in Section 6.7 below. The Buyer will not be obligated to pay any Royalty after the earlier of (i) the end of a calendar year ending after 2002, in which the Company generates less than $5,000,000 in sales of NTW Products, or (ii) once cumulative Royalty payments paid by the Buyer to the Sellers exceed $17,500,000. Notwithstanding the foregoing, if the Royalty obligation terminates pursuant to clause (i) of this Section 2.6, Buyer's obligation to pay the Royalty will recommence if within either of the two calendar years following such termination the Company generates more than $10,000,000 in sales of NTW

Products. If, after recommencement of the Royalty obligation, the Company generates in any calendar year after such recommencement less than $5,000,000 in sales of NTW Products, the Buyer's obligation to pay the Royalty will terminate and the Royalty will not under any circumstances recommence thereafter. The Buyer's obligation to pay the Royalty will in any event terminate pursuant to Clause (ii) of this Section 2.6.3."

2. Closing Date Balance Sheet. The Closing Balance Sheet as attached hereto as Exhibit A is hereby accepted and approved by the Buyer and each of the Sellers as the final Closing Date Balance Sheet. Based on such Closing Date Balance Sheet the net purchase price to be paid to the Sellers in accordance with the provisions of Section 2 shall be as set forth below:

Initial Valuation	$ 3,500,000	
Less:	($ 1,861,721)	Total Liabilities as of the Closing Date
	($ 606,080)	Closing Balance Sheet Adjustment (the amount by which $825,000 exceeds the book value of the Company's current assets and those assets included on the Company's Audited Closing Date Balance Sheet under the classifications Property, Equipment, Furniture and Fixtures, Computer Equipment, and Building Improvements as reflected on the Audited Closing Date Balance Sheet net of depreciation)
Final Purchase Price	$ 1,032,199	

Buyer agrees to distributor and Sellers hereby instruct Buyers to distribute the purchase price as follows:

To Equity Labs:	$ 144,696
To Kevin Sutterfield, Trust Account For Attorneys fees:	$ 8,000
Balance to be paid as herein Provided:	$ 879,503

The Buyer and Sellers hereby confirm and agree to the Final Purchase Price as set forth above. The Balance of the Final Purchase Price shall be allocated among the Sellers in accordance with the provisions of the Agreement. The Sellers may elect to take the payment in cash or

shares of the Class A Common Stock of the Company as originally contemplated by the Agreement. If the Seller elects to take shares, the Seller must sign the investment representation letter attached hereto as Exhibit B. Buyer shall deliver

the purchase price to each seller within five business days after receipt of each Seller's election as to whether to take cash or stock.

3. Release of Claims.

(a) Definitions. For purposes of this Amendment and Release, the following terms shall have the meanings set forth:

"**Affiliate**" means any person (as such term is defined in Rule 144 under the Securities Act of 1933, as amended) that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with another person.

"**Claims**" means any and all claims, demands, causes of actions, controversies, offsets, obligations, losses, damages, expenses (including attorneys' fees) and liabilities of every kind and character whatsoever, whether at law or in equity, whether known or unknown.

"**NSE Parties**" means NSE, the NSE Related Persons and each of their respective predecessors, assigns, successors and heirs.

"**NSE Related Persons**" means the Company and the other Affiliates of NSE and the directors, officers, agents, employees, representatives and stockholders of NSE, the Company and the other Affiliates of NSE.

(b) Seller Release. In consideration of (i) the full payments to be made by NSE as set forth in Section 2 of this Amendment and Release, (ii) the release of Claims by NSE set forth in Section 3(c) below, and (iv) NSE's covenant not to sue set forth in Section 4(b) below, each of the Sellers does hereby fully and forever remise, release and discharge each of the NSE Parties (and their respective attorneys and accountants) from any and all Claims that each Seller may have against any of the NSE Parties up to and including the date of this Agreement, including, without limitation, any and all Claims in any way relating to or arising out of the preparation of the Closing Date Balance Sheet, the obligation to pay the Purchase Price (excluding the obligation set forth in Section 2 above), and any and all Claims related to or arising out of the Agreement or the transactions contemplated thereby; *provided, however*, that the foregoing release shall not apply to or affect (i) any obligations, duties or rights arising under this Amendment and Release, (ii) any obligation of Nu Skin to make royalty payments under the Agreement (as modified by this Agreement) that, by the respective terms of Agreement, are to be performed following the date of this Agreement.

(c) NSE Release. In consideration of the release of Claims set forth in Section 3(b) above, the covenant not to sue set forth in Section 4(a) below, and the reduction in the maximum Royalty set forth in Section 1 above, NSE, on behalf of itself and each of the NSE Parties, does hereby fully and forever remise,

release and discharge each of the Sellers from any Claims that NSE may have against such Accepting Holders relating to the Sellers' failure to disclose the Utah Investigation and any breach of the representations and warranites set forth in the Agreement related to such non-disclosure; *provided, however*, that the foregoing release shall not apply to or affect (i) any obligations, duties or rights arising under this Agreement, (ii) any breach of the representations and warranties unrelated to the non-disclosure of the Utah Investigation.

(d) The releases set forth in this Section 3 are entered into by the Sellers and NSE without any admission of liability to any other, but solely for the purpose of avoiding costly litigation, further uncertainty, controversy, and legal expense. Without limiting the foregoing, nothing contained herein shall be taken or construed to be an inference or admission by any party or as evidencing or indicating in any degree the truth or correctness of any claims or defense asserted by any party.

4. Covenant Not to Sue.

(a) Sellers. Each of the Sellers hereby expressly agrees and covenants not to file, commence, finance or prosecute, or cause or encourage to be filed, commenced, financed or prosecuted, either directly or indirectly, any lawsuit against any of the NSE Parties (and their respective attorneys and accountants) related to the Claims released by such Sellers pursuant to Section 3(b) above.

(b) NSE. NSE, on behalf of itself and each of the other NSE Parties, hereby expressly agrees not to file, commence, finance or prosecute, or cause or encourage to be filed, commenced, financed or prosecuted, either directly or indirectly, any lawsuit against any of the Sellers related to the Claims released by NSE pursuant to Section 3(c) above.

5. Joint Drafting. This Amendment and Release shall be deemed to have been jointly drafted by both NSE and each of the Sellers and shall not be construed against any party in favor of any other party hereto.

6. Governing Law. This Amendment and Release, and all matters relating hereto, shall be governed by, and construed in accordance with the internal laws of the State of Utah.

7. Entire Agreement. Except as modified by this Amendment and Release, the Agreement remains unaffected and shall remain in full force and effect. This Amendment and Release (including each of the Exhibits attached hereto, which are incorporated herein by this

reference) together with the Agreement constitute the entire agreement between the parties and supersedes all prior agreements and understandings, both written and oral, between the parties, or any of them, with respect to the subject matter hereof.

8. Cooperation. Each party agrees to cooperate with the other and to take all action reasonably necessary to give full effect to the provisions and intent of this Amendment and Release.

9. Confidentiality. Each of the Sellers hereby expressly agree to keep in strict confidence, and to not disclose to any other party, the terms of this Amendment and Release except (a) as may be required by applicable law or regulation and/or (b) for appropriate disclosures by the parties hereto to their accountants, attorneys, financial advisors and immediate family members.

10. Counterparts. This Amendment and Release may be executed in any number of counterparts, and by different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original but all of which when taken together shall constitute one and facsimile signatures shall be valid provided the original signature is later added to this Amendment and Release.

11. Severability. If any term or other provision of this Amendment and Release is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Amendment and Release shall nevertheless remain in full force and effect so long as the economic and legal substance of the transactions contemplated by this Amendment and Release are not affected in any manner materially adverse to any party. Upon such determination that any term or other provisions is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Amendment and Release so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated by this Amendment and Release be consummated as originally contemplated to the fullest extent possible.

12. Successors and Assigns. This Amendment and Release shall be binding upon, inure to the benefit of and be enforceable by the parties hereto and their respective successors and assigns.

IN WITNESS WHEREOF, this Amendment and Release has been duly executed and delivered by the parties hereto as of the date first written above.

NU SKIN ENTERPRISES, INC.

By: /s/ Truman Hunt
Name: Truman Hunt
Title: General Counsel

SELLERS

/s/ Frank L. Davis
Frank L. Davis

/s/ Rogan Taylor
Rogan Taylor

/s/ Tom Felt
Tom Felt

/s/ David L. Mitton
David L. Mitton

/s/ Daniel P. Wheeler
Daniel P. Wheeler

/s/ Kevin J. Sutterfield
Kevin J. Sutterfield

/s/ Ronald Bassett
Ronald Bassett

MASTER LEASE AGREEMENT
[Scrub Oak, LLC]

THIS MASTER LEASE AGREEMENT (hereinafter the "Lease") is made and entered into this 16th day of January 2003, to be effective as of the 1st day of July, 2001, by and between SCRUB OAK, LLC, a Utah limited liability company, whose address is 75 West Center Street, Provo, Utah 84601, ATTN: Brooke Roney (hereinafter "Landlord"), and NU SKIN INTERNATIONAL, INC., a Utah corporation, whose address is 75 West Center Street, Provo, Utah 84601 (hereinafter "Tenant").

R E C I T A L S:

A. Landlord presently owns and may hereafter from time to time acquire certain real property.

B. Tenant desires to lease certain real property from Landlord, which property is identified on the attached Schedule A, incorporated by this reference. In addition, Tenant may desire to lease additional real property from Landlord, which additional property shall be identified, from time to time, in the manner set forth in this Lease.

C. Subject to the terms and conditions of this Lease, Landlord is willing to lease the real property identified on Schedule A to Tenant, and Tenant is willing to lease such real property from Landlord.

NOW, THEREFORE, in consideration of the rents, covenants and agreements hereinafter set forth, Landlord and Tenant mutually agree as follows:

ARTICLE 1 : PREMISES AND LEASE TERMS

1.1 **Description of Premises**. Landlord hereby leases and demises to Tenant and Tenant hereby leases from Landlord those certain parcels of real property, together with all buildings and other improvements now or hereafter located thereon (hereinafter collectively "Improvements"), and all privileges, easements, and appurtenances belonging thereto or granted herein, set forth on Schedule A, together with any additional real property that may be described from time to time in an amendment to said Schedule A, executed by, and in form and substance satisfactory to, Landlord and Tenant (collectively, the "Premises").

1.2 **Additional Lease Terms**. In Schedule A, Landlord and Tenant adopted certain additional terms and conditions applicable to only one or more specific Premises specified in Schedule A and not to the other Premises. Furthermore, in any amendment to Schedule A executed by Landlord and Tenant, Landlord and Tenant may adopt additional terms and conditions applicable to a particular Premises and to other Premises, and/or applicable to that Premises but not applicable to any of the other Premises. If there is any conflict between the provisions of this Lease and Schedule A, as the same may be amended from time to time, the provisions of said Schedule A (as amended) shall control.

ARTICLE 2 : TERM COMMENCEMENT

2.1 **Term of Lease**. With respect to each of the Premises, this Lease shall be for the term, and shall commence on the date, specified in Schedule A with respect to such Premises (hereinafter individually the "Commencement Date" and collectively the "Commencement Dates") and shall end on the date specified in Schedule A with respect to such Premises, unless the term is extended or sooner terminated pursuant to the terms, covenants and conditions of this Lease or pursuant to law.

2.2 **Lease Year**. The term "Lease Year" as used in this Lease with respect to any of the Premises shall mean a period of twelve (12) consecutive calendar months during the term of this Lease with respect to such Premises. The first Lease Year with respect to any of the Premises shall begin on the Commencement Date for such Premises if that Commencement Date occurs on the first day of a calendar month; if not, the first Lease Year with respect to such Premises shall begin on the first day of the calendar month next following the Commencement Date for that Premises. Each succeeding Lease Year shall begin at the expiration of the immediately preceding Lease Year.

ARTICLE 3 : MONTHLY RENT

3.1 **Payment of Rent**. As monthly rent for each of the Premises, Tenant shall pay to Landlord, in advance on or before the first day of each calendar month during the term of this Lease, an amount equal to the "Monthly Rent" for such Premises as set forth in Schedule A. Rent shall be paid to Landlord at its address specified below for notices, or to such other person or at such other address as Landlord may from time to time designate in writing. Rent shall be paid without notice, demand, abatement (except as provided in this Lease), deduction or offset in legal tender of the United States of America. If the Commencement Date with respect to any Premises is not on the first day of the month, or if this Lease terminates with respect to any Premises on a day other than the last day of the month, the Monthly Rent for such Premises shall be prorated for such fractional month or months, if any, during which this Lease commences or terminates, at the then current rate.

3.2 **Delinquent Payments and Handling Charge**. All Monthly Rent and other payments required of Tenant hereunder shall bear interest from the date that is ten (10) days after the date due until the date paid at the lesser of (a) the rate announced from time to time by Wells Fargo Bank, or if Wells Fargo Bank ceases to exist or ceases to publish such rate, then the rate announced from time to time by the largest (as measured by deposits) chartered bank operating in Utah, as its "prime rate" or "reference rate," plus five percent (5%) per annum; or (b) the maximum rate permitted by law. In addition to interest, if any such Monthly Rent or other payment is not received within ten (10) days after the date it is due, Tenant shall pay to Landlord a late charge equal to four percent (4%) of the amount of such Monthly Rent or other payment to reimburse Landlord for its cost and inconvenience incurred as a consequence of Tenant's delinquency. In no event, however, shall the charges permitted under this Section 3.2 or elsewhere in this Lease, to the extent the same are considered to be interest under applicable law, exceed the maximum rate of interest allowable under applicable law.

3.3 **Security Deposit**. As of the date of this lease, no security deposit is being required from Tenant with respect to any of the Premises. In accordance with the provisions of this Section 3.3 and Section 7.1 below, however, Landlord may hereafter require a security deposit with respect to some or all of the Premises, which may, at Tenant's election, be made by depositing cash or by posting an irrevocable letter of credit in the form specified below in this Section 3.3. If Tenant deposits a letter of credit with Landlord pursuant to either this Section 3.3 or Section 7.1, the following provisions shall apply to such letter of credit: (a) payment of such letter of credit by the issuer shall be conditioned solely upon submission to the issuer of written demand for payment by Landlord, (b) Tenant shall, at least five (5) business days prior to the expiration of the term of such letter of credit provide Landlord with either a renewal letter of credit (in the form specified in this Section 3.3) or cash in the amount of such letter of credit to be held pursuant to the provisions of this Section 3.3, and (c) if at least five (5) business days prior to the expiration of a letter of credit deposited by Tenant with Landlord Tenant has not provided Landlord with either a replacement letter of credit or cash in accordance with (b) above, Landlord shall have the right to draw down the full amount of such letter of credit and hold the proceeds thereof as a cash deposit in accordance with the provisions of this Section 3.3. If, pursuant to the provisions of either this Section 3.3 or Section 7.1 below a security deposit is required with respect to any of the Premises (hereinafter a "Premises Security Deposit"), the following provisions of this Section 3.3 shall apply. For purposes of this Section 3.3, the term "Security Deposits" shall mean all Premises Security Deposits, taken in the aggregate. Provided that no uncured Tenant default of which Landlord has given Tenant written notice is then existing with respect to the Premises concerned, the Premises Security Deposit applicable to such Premises shall be returned to Tenant (or, at Landlord's option, to the last permitted assignee of Tenant's interest under this Lease) after the expiration of the term applicable to such Premises, or sooner termination of this Lease, and delivery of possession of such Premises to Landlord in accordance with ARTICLE 20. If Landlord's interest in this Lease is conveyed, transferred or assigned, Landlord shall transfer or credit the Security Deposits to Landlord's successor in interest, and Landlord shall be released from any liability for the return of the Security Deposits, provided that such successor in interest assumes all of Landlord's obligations under this Lease. Landlord may intermingle the Security Deposits with Landlord's own funds, and shall not be deemed to be a trustee of the Security Deposit. Tenant shall not be entitled to receive interest with respect to the Security Deposits. If Tenant fails to timely pay or perform any obligation under this Lease, Landlord may, prior to, concurrently with or subsequent to exercising any other right or remedy, use, apply or retain all or any part of the Premises Security Deposit then held by Landlord with respect to the Premises concerned for the payment of any monetary obligation due under this Lease for such Premises, or to compensate Landlord for any other expense, loss or damage which Landlord may incur by reason of Tenant's failure, including any damage or deficiency in the reletting of such Premises. If all or any portion of the Security Deposits is so used, applied or retained, Tenant shall immediately deposit with Landlord cash in an amount sufficient to restore the Security Deposits to the original amount. Landlord may withhold the Premises Security Deposit after the expiration of the term for the Premises concerned or sooner termination of this Lease until Tenant has paid the full Tenant's share of any Impositions or any other amounts payable by Tenant under this Lease, but only with respect to the Premises concerned. The Security Deposits are not a limitation on Landlord's damages or other rights under this Lease, a payment of liquidated damages or prepaid rent, and shall not be applied by Tenant to the rent for the last (or any) month of the term with respect to any Premises, or to any other amount due under this Lease. Tenant agrees that if Blake M. Roney, Brooke B. Roney, Sandra N. Tillotson, Craig S. Tillotson, Steven J. Lund, Craig R. Bryson, and Nedra D. Roney,

either individually or as a group, cease to own or hold (directly or indirectly) more than fifty percent of the voting power of Tenant, Tenant shall within thirty (30) days after written demand by Landlord deposit with Landlord a Premises Security Deposit with respect to each Premises in an amount equal to the then-current Monthly Rent payable with respect to such Premises. Such Security Deposits shall be held by Landlord subject to and in accordance with the provisions of this Section 3.3. Notwithstanding anything to the contrary set forth in this Lease, any Premises Security Deposit may only be used, and shall be returned, in connection with the Premises to which such Premises Security Deposit relates, and may not be used or applied in reference to any other Premises.

ARTICLE 4 : USE OF PREMISES

4.1 **Use**. Each Premises shall be used and occupied by Tenant solely for purposes specified for such Premises in Schedule A and for such other lawful purposes to which Landlord may, from time to time, consent.

4.2 **Prohibited Uses.**

(a) Tenant will not use, occupy or permit the use or occupancy of any of the Premises for any purpose or in any manner which is or may be, directly or indirectly, in violation of any (i) judicial decisions, order, injunctions, writs, statutes, rulings, rules, regulations, promulgations, directives, permits, certificates or ordinances of any governmental authority in any way applicable to Tenant or the Premises, including but not limited to zoning, environmental and utility conservation matters (hereinafter "Legal Requirements"), (ii) covenants, conditions, or restrictions applicable to such Premises and appearing of record in the office of the county recorder of the county in which such Premises are located on or before the date on which such Premises became subject to this Lease, or (iii) insurance requirements.

(b) Tenant shall not keep or permit to be kept any substance in, or conduct or permit to be conducted any operation from, any of the Premises which is not reasonably consistent with the Permitted Use for such Premises and which might emit offensive odors or conditions, or make undue noise or create undue vibrations.

(c) Tenant shall not commit or permit to remain any waste to any of the Premises.

(d) Tenant shall not install or permit to remain any improvements to any of the Premises which exceed the structural loads of floors or walls of any buildings located on such Premises, or adversely affect the mechanical, plumbing or electrical systems of any such buildings, or affect the structural integrity of any such buildings in any way.

(e) Tenant shall not commit or permit to be committed any action or circumstance in or about any of the Premises, nor bring or keep anything therein which, directly or indirectly, would or might cause a cancellation of any insurance policy covering such Premises, nor shall Tenant sell or permit to be kept, used or sold in or about any of the Premises any articles which may be prohibited by a standard

form policy of fire insurance unless Tenant provides additional insurance coverage extending protection to cover all risks associated with those articles.

(f) Tenant shall, at Tenant's sole cost and expense, promptly comply with all Legal Requirements now in force or which may hereafter be in force and with the requirements of any board of fire underwriters or other similar body now or hereafter constituted relating to or affecting the use or occupancy of all of the Premises, excluding such structural changes as do not relate to or affect the use or occupancy of the Premises, or as are not related to or afforded by Tenant's improvements or acts.

4.3 **Hazardous Substances**. Tenant acknowledges that Tenant occupied each of the Premises listed on the original Schedule A to this Lease prior to the Commencement Date for such Premises as set forth on Schedule A. Except with respect to matters arising prior to Tenant's occupancy of the Premises, or matters caused by Landlord or any of Landlord's employees, agents, or contractors, Tenant shall at all times comply with, or cause to be complied with, any "Environmental Law" (as defined below in Section 4.4) governing each of the Premises or the use thereof by Tenant or any of Tenant's employees, agents, contractors, invitees, licensees, customers, or clients, except as permitted in Section 4.5 below, shall not use, store, generate, treat, transport, or dispose of, or permit any of Tenant's employees, agents, contractors, invitees, licensees, customers, or clients to use, store, generate, treat, transport, or dispose of, any "Hazardous Substance" (as defined below in Section 4.4) on any of the Premises without first obtaining Landlord's written approval, shall promptly and completely respond to and clean up any release or presence of any Hazardous Substances upon each of the Premises, except to the extent such release or presence either occurred prior to the date on which Tenant occupied such Premises or was caused by Landlord or any of Landlord's employees, agents, or contractors, and shall pay all costs incurred as a result of the environmental state, condition and quality of each of the Premises, including, but not limited to, the costs of any "Environmental Cleanup Work" (as defined below in Section 4.4) and the preparation of any closure or other required plans, except to the extent such release or presence either occurred prior to the date on which Tenant occupied such Premises or was caused by Landlord or any of Landlord's employees, agents, or contractors, (all of the foregoing obligations of Tenant under this Section 4.3 are hereinafter collectively "Tenant's Environmental Obligations"). Tenant shall indemnify, defend and hold harmless Landlord from and against any and all claims, actions, damages, penalties, fines, liabilities and expenses, including reasonable attorneys' fees, which are directly or indirectly, in whole or in part, caused by or arise out of Tenant's failure to timely perform Tenant's Environmental Obligations. Landlord represents and warrants to Tenant that, as of the date on which Tenant occupied each Premises, no Hazardous Substances were located on such Premises and such Premises were in compliance with all Environmental Laws. Landlord shall indemnify, defend and hold harmless Tenant from and against any and all claims, actions, damages, penalties, fines, liabilities and expenses, including reasonable attorneys' fees, to the extent caused by or arising out of any failure of the foregoing representation and warranty of being true and accurate. Landlord and Tenant shall promptly deliver to the other true and complete copies of all notices, correspondence and requests received by the notifying party from any governmental authority or third parties relating to the presence, release, use, storage, treatment, transportation, or disposal of Hazardous Substances on any of the Premises. Tenant shall permit Landlord and Landlord's agents to enter into and upon each of the Premises, during normal business hours on prior reasonable notice, for the purpose of inspecting the Premises and verifying Tenant's compliance with these covenants. The provisions of this Section 4.3 shall survive the expiration or other termination of this Lease.

4.4 **Environmental Definitions**. As used in this Lease: "Environmental Cleanup Work" shall mean an obligation to perform work, cleanup, removal, repair, remediation, construction, alteration, demolition, renovation or installation in or in connection with the Premises in order to comply with any Environmental Law. "Environmental Law" shall mean any federal, state or local law, regulation, ordinance or order, whether currently existing or hereafter enacted, concerning the environmental state, condition or quality of the Premises or use, generation, transport, treatment, removal, or recovery of Hazardous Substances, including building materials, and including, but not limited to, the following: the Solid Waste Disposal Act as amended by the Resource Conservation and Recovery Act of 1976 (42 U.S.C. Article 6901, et seq.), as amended, and all regulations promulgated thereunder; the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (42 U.S.C. Article 9601, et seq.), as amended, and all regulations promulgated thereunder; the Hazardous Materials Transportation Act (49 U.S.C. Article 1801, et seq.), as amended, and all regulations promulgated thereunder; the Clean Air Act (42 U.S.C. Article 7401, et seq.), as amended, and all regulations promulgated thereunder; the Federal Water Pollution Control Act (33 U.S.C. Article 1251 et seq.), as amended, and all regulations promulgated thereunder; and the Occupational Safety and Health Act (29 U.S.C. Article 651, et seq.), as amended, and all regulations promulgated thereunder. "Hazardous Substance" shall mean (a) "hazardous waste," "hazardous substance," and any other hazardous, radioactive, reactive, flammable or infectious materials, solid wastes, toxic or dangerous substances or materials, or related materials, as defined in, regulated by, or which form the basis of liability now or hereafter under any Environmental Law; (b) asbestos, (c) polychlorinated biphenyls (PCBs); (d) petroleum products or materials; (e) flammable explosives, (f) any substance the presence of which on the Premises is or becomes prohibited by Environmental Law: (g) urea formaldehyde foam insulation; and (h) any substance which under Environmental Law requires special handling or notification in its use, collection, storage, treatment or disposal. Notwithstanding anything to the contrary in this Section 4.4, "Hazardous Substance" shall not include with respect to any Premises (i) supplies for cleaning and maintenance in commercially reasonable amounts required for use in the ordinary course of business, provided such items are incidental to the permitted use of such Premises (as set forth in Section 4.1) and are stored and used in compliance with all Environmental Laws, and (ii) standard office supplies in commercially reasonable amounts required for use in the ordinary course of business, provided such items are incidental to the permitted use of such Premises (as set forth in Section 4.1) and are stored and used in compliance with all Environmental Laws.

4.5 **Permitted Environmentally Sensitive Uses**. Landlord acknowledges that, as set forth on Schedule A, Tenant intends to use one or more of the Premises for fleet maintenance and parking and one or more of the Premises for the development and/or production of vitamins, dietary supplements, and cosmetic products (hereinafter "Permitted Environmental Activities") and that in connection with such Permitted Environmental Activities, Tenant will use, store, generate, treat, transport, and/or dispose of Hazardous Substances on and/or from such Premises. To the extent that either a Permitted Environmental Activity is a permitted use of such Premises (as set forth in Section 4.1) or the use, storage, generation, treatment, transportation and/or disposal of Hazardous Substances is in connection with an activity on such Premises

that is not materially different (in terms of the nature and quantity of Hazardous Substances to be used, stored, generated, treated or disposed on or from such Premises) from a Permitted Environmental

Activity which is a permitted use of such Premises (as set forth in Section 4.1), Landlord consents to the use, storage, generation, treatment, transportation, and/or disposal of Hazardous Substances on and/or from such Premises provided that such use, storage, generation, treatment, transportation or disposal is done in the ordinary course of Tenant's business on such Premises and in accordance with Section 4.3 above and applicable Environmental Laws.

ARTICLE 5 : QUIET ENJOYMENT

Provided Tenant has performed all of Tenant's obligations under this Lease, Landlord hereby covenants with Tenant that Tenant shall peaceably and quietly hold and enjoy the full possession and use of the Premises during the term of this Lease. Landlord shall warrant and forever defend Tenant's right to occupancy of the Premises against the claims of any and all persons whosoever lawfully claim the same or any part thereof, by, through or under Landlord, but not otherwise, subject to the provisions of this Lease.

ARTICLE 6 : IMPOSITIONS

6.1 Payment of Impositions. Tenant shall be solely responsible for and pay prior to delinquency all real estate, personal property, rental, water, sewer, transit, use, occupancy, owners' association and other taxes, assessments, charges, excises and levies (including any interest, cost or penalties with respect thereto, unless such interest, cost or penalties result from Landlord's acts or omissions, but excluding from Tenant's obligation any income, excise, franchise and similar taxes of Landlord), general and special, ordinary and extraordinary, foreseen and unforeseen, of any kind and nature whatsoever which are assessed, levied, charged or imposed upon or with respect to the Premises or any portion thereof, or the sidewalks, streets or alleyways adjacent thereto, or the ownership, use, occupancy or enjoyment thereof, and all charges for any easement, license, permit or agreement maintained for the benefit of the Premises and other governmental charges (collectively "Impositions") accruing or becoming due during the term of this Lease. If the term of this Lease covers only part of the period to which any Impositions relate, such Impositions shall be equitably prorated between Landlord and Tenant.

6.2 **Right to Contest Impositions**. Tenant, at its sole cost, shall have the right to contest, in accordance with the provisions of the laws relating to such contests, any Impositions, and the failure of Tenant to pay any Impositions shall not constitute a default by Tenant so long as Tenant complies with the provisions of this Section 6.2. Prior to initiating any contest or proceeding, Tenant shall give Landlord written notice of such contest or proceeding and shall either pay such Impositions to the applicable authority, deposit with Landlord cash in such amount as Landlord deems to be sufficient, considering the amount of such Impositions, any potential penalties and interest thereon, and any potential expenses that might be incurred by Landlord with respect thereto, or furnish good and sufficient undertakings and sureties designating Landlord as the beneficiary thereof in such amount as Landlord deems to be sufficient, considering the amount of such Impositions, any potential penalties and interest thereon, and any potential expenses that might be incurred by Landlord with respect thereto. Landlord shall not be required to join in any proceeding or contest brought by Tenant unless the provisions of any law require that the proceeding or contest be brought by or in the name of

Landlord or any owner of the Premises. In that case, Landlord shall join in the proceeding or contest or permit such proceeding or contest to be brought in its name as long as Landlord is not required to bear any cost. Tenant, on final determination of the proceeding or contest, shall promptly pay or discharge any decision or judgment rendered, together with all costs, charges, interest and penalties incidental to the decision or judgment and Landlord shall make available to Tenant any funds provided by Tenant pursuant to this Section 6.2 as security for Tenant's performance hereunder

ARTICLE 7 : TRANSFER BY TENANT

7.1 **Prohibition on Transfers**. Without the prior written consent of Landlord, Tenant shall not effect or suffer an assignment (direct or indirect, absolute or conditional, by operation of law or otherwise) by Tenant of all or any portion of Tenant's interest in this Lease or the leasehold estate created hereby. Notwithstanding the foregoing, Tenant may, without the consent of Landlord, (a) sublease all or any portion of the Premises, or (b) assign this Lease to any successor corporation, subsidiary, Affiliate (as defined below) or corporation that acquires all or substantially all of the assets of Tenant, provided that Tenant gives Landlord prior or concurrent written notice of such assignment. No assignment or subletting shall release Tenant from liability for the full and timely performance of all of Tenant's obligations under this Lease without the written consent of Landlord, which consent may be granted or withheld by Landlord in Landlord's sole and absolute discretion. As a condition to any such release, Landlord may require the assignee to deposit with Landlord a security deposit in an amount equal to the then-current Monthly Rent payable with respect to each Premises which is the subject of such assignment. As used in this Lease, "Affiliate" means a person that controls, is controlled by, or is under common control with, another person.

7.2 **Liens**. Without in any way limiting the generality of the foregoing, Tenant shall not grant, place or suffer, or permit to be granted, placed or suffered, against any of the Premises, or any Improvements, or any portion thereof, any lien, security interest, pledge, conditional sale, contract, claim, charge or encumbrance (whether constitutional, statutory, contractual or otherwise) and, if any of the aforesaid does arise or is asserted, Tenant will, promptly upon demand by Landlord and at Tenant's expense, cause the same to be released.

ARTICLE 8 : UTILITIES

Tenant shall be solely responsible for, and pay when due, all charges for water, gas, heat, light, power, telephone, garbage removal, snow removal and other utilities or services used by or supplied to Tenant or to each of the Premises, together with any taxes thereon, during the term of this Lease.

ARTICLE 9 : SUBORDINATION AND ATTORNMENT

9.1 **General**. This Lease, Tenant's leasehold estate created hereby, and all Tenant's rights, titles and interests hereunder and in and to the Premises are subject and subordinate to any Mortgage (as defined below) presently existing or hereafter placed upon all or any of the

Premises or any portion thereof; provided, however, that in the event of foreclosure or the exercise of any other right asserted under the Mortgage by Landlord's Mortgagee (as defined below), or if Landlord's Mortgagee otherwise succeeds to the interest of Landlord under this Lease, this Lease and the rights of Tenant under this Lease shall continue in full force and effect and shall not be terminated or disturbed, except in accordance with the provisions of this Lease, and Landlord's Mortgagee shall recognize Tenant as the tenant under this Lease. Concurrently with the execution and delivery of this Lease, any existing Landlord's Mortgagee shall execute and deliver a nondisturbance agreement in favor of Tenant, consistent with the immediately preceding sentence. However, Landlord and Landlord's Mortgagee may, at any time upon the giving of written notice to Tenant and without any compensation or consideration being payable to Tenant, make this Lease, and the aforesaid leasehold estate and rights, titles and interests, superior to any Mortgage. Upon the written request by Landlord or by Landlord's Mortgagee to Tenant, and within fifteen (15) days of the date of such request, and without any compensation or consideration being payable to Tenant, Tenant shall execute, have acknowledged and deliver a recordable instrument confirming, subject to the above nondisturbance provisions, that this Lease, Tenant's leasehold estate in the Premises and all of Tenant's rights, titles and interest hereunder are subject and subordinate (or, at the election of Landlord or Landlord's Mortgagee, superior) to the Mortgage benefiting Landlord's Mortgagee, which instrument shall be provided subject to the concurrent delivery by Landlord's Mortgagee of a nondisturbance agreement in favor of Tenant and reasonably consistent with the provisions of this ARTICLE 9. As used in this Lease, the term "Landlord's Mortgagee" shall mean the mortgagee of any mortgage, the beneficiary of any deed of trust, the pledgee of any pledge, the secured party of any security interest, the assignee of any assignment and the transferee of any other instrument of transfer (including the ground lessor of any ground lease on any real property in the Premises) now or hereafter in existence on all or any of the Premises or any portion of any of the Premises, and their successors, assigns and purchasers, and "Mortgage" shall mean any such mortgage, deed or trust, pledge, security agreement, assignment or transfer instrument, including all renewals, extensions and rearrangements thereof and of all debts secured thereby.

9.2 **Attornment**. Upon the written request of any person or party succeeding to the interest of Landlord under this Lease, Tenant shall automatically become the tenant of and attorn to such successor in interest without any change in any of the terms of this Lease. No successor in interest shall be (a) bound by any payment of Monthly Rent for more than one month in advance, except payments of security for the performance by Tenant of Tenant's obligations under this Lease (b) subject to any offset, defense or damages arising out of a default or any obligations of any preceding Landlord. Neither Landlord's Mortgagee nor its successor in interest shall be bound by any amendment of this Lease entered into after Tenant has been given written notice of the name and address of Landlord's Mortgagee and without the written consent of Landlord's Mortgagee or such successor in interest. The attornment and mortgagee protection clauses of this Section 9.2 shall be self-operative and no further instruments of attornment or mortgagee protection need be required by any Landlord's Mortgagee or successor in interest thereto. Nevertheless, upon the written request therefor and without any compensation or consideration being payable to Tenant, Tenant agrees to execute, have acknowledged and deliver such instruments as may be requested to confirm the same.

ARTICLE 10: INSURANCE

10.1 **Tenant's Insurance Coverage**. Tenant shall, at all times during the term of this Lease, and at Tenant's own cost and expense, procure and continue in force the following insurance coverage:

(a) Commercial general liability insurance with a combined single limit for bodily injury and property damage of not less than One Million Dollars ($1,000,000) per occurrence and Two Million Dollars ($2,000,000) in the aggregate, including, without limitation, contractual liability coverage for the performance by Tenant of the indemnity agreement set forth in ARTICLE 16.

(b) Insurance covering any buildings and all improvements on each of the Premises, including Tenant's leasehold improvements and personal property in or upon each such Premises in an amount not less than one hundred percent (100%) of full replacement cost, providing protection against any peril generally included within the classification "Fire and Extended Coverage," together with insurance against sprinkler damage, vandalism and malicious mischief and a standard inflation guard endorsement. Tenant hereby assigns to Landlord any and all proceeds payable with respect to such policies except to the extent such proceeds are payable with respect to any property that would remain the property of Tenant upon the termination of this Lease; provided, however, that to the extent required pursuant to the provisions of ARTICLE 15, such proceeds shall be made available to Tenant and applied to the repair and restoration of the Premises with respect to which such proceeds are payable.

(c) Worker's compensation insurance satisfying Tenant's obligations under the worker's compensation laws of the State of Utah.

(d) Such other policy or policies of insurance with respect to each Premises as Landlord may reasonably require in accordance with commercially reasonable practices for premises and in geographical areas similar to such Premises.

Such minimum limits shall in no event limit the liability of Tenant under this Lease. Such liability insurance shall name Landlord, and any other person specified from time to time by Landlord, as an additional insured; such property insurance shall name Landlord as a loss payee as Landlord's interest may appear; and both such liability and property insurance shall be with companies licensed to do business in Utah reasonably acceptable to Landlord. All liability policies maintained by Tenant shall contain a provision that Landlord and any other additional insured, although named as an insured, shall nevertheless be entitled to recover under such policies for any loss sustained by Landlord and Landlord's agents and employees as a result of the acts or omissions of Tenant. Tenant shall furnish Landlord with certificates of coverage. No such policy shall be cancelable or subject to reduction of coverage or other modification except after thirty (30) days' prior written notice to Landlord by the insurer. All such policies shall be written as primary policies, not contributing with and not in excess of the coverage which Landlord may carry, and shall only be subject to such deductibles as are reasonably acceptable to Landlord. Tenant shall, within ten (10) days after the expiration of such policies, furnish Landlord with renewals of, or binders for, such policies. Tenant shall cause all other occupants of the Premises claiming by, through or under Tenant to execute and deliver to Landlord a

waiver of claims similar to the waiver contained in Section 10.2 and to obtain such waiver of subrogation rights endorsements. At Landlord's request, any Landlord's Mortgagee shall be afforded coverage under any policy required to be secured by Tenant under this Lease by use of a mortgagee's endorsement to the policy concerned.

10.2 **Waiver of Subrogation**. Landlord hereby waives all claims, rights of recovery and causes of action that Landlord or any party claiming by, through or under Landlord may now or hereafter have by subrogation or otherwise against Tenant or against any of Tenant's officers, directors, shareholders or employees for any loss or damage that may occur to any of the Premises, Tenant's improvements or any of the contents of any of the foregoing by reason of fire or other casualty, or by reason of any other cause, to the extent that such loss or damage is actually covered by a policy of insurance maintained by Landlord; provided, however, that the waiver set forth in this Section 10.2 shall not apply to any deductibles on insurance policies carried by Landlord or to any coinsurance penalty which Landlord may sustain. Tenant hereby waives all claims, rights of recovery and causes of action that Tenant or any party claiming by, through or under Tenant may now or hereafter have by subrogation or otherwise against Landlord or against any of Landlord's officers, directors, members, shareholders, partners or employees for any loss or damage that may occur to any of the Premises, Tenant's improvements or any of the contents of any of the foregoing by reason of fire or other casualty, or by reason of any other cause, to the extent that such loss or damage either (a) is actually covered by a policy of insurance maintained by Tenant, or (b) would have been covered had Tenant obtained the insurance policies required to be obtained and maintained under Section 10.1. Landlord and Tenant shall cause an endorsement to be issued to their respective insurance policies recognizing this waiver of subrogation.

ARTICLE 11 : MAINTENANCE AND REPAIRS

During the term of this Lease, Tenant shall, at Tenant's sole cost, maintain each of the Premises, including the floor slab, foundation, load-bearing walls, other structural elements and roofs of any buildings, in good order, condition and repair, and in a clean, safe, operable, attractive and sanitary condition which is consistent with the nature and quality of such Premises as compared to other similar properties in the area where such Premises are located. Tenant will not commit or allow to remain any waste or damage to any portion of the Premises. Subject to ARTICLE 15, Tenant shall repair or replace, subject to Landlord's direction and supervision, any damage to any buildings and/or any of the Premises (including the structural components and the roof of any buildings) caused by Tenant or Tenant's agents, contractors or invitees. If Tenant fails to make such repairs or replacements, Landlord may make the same at Tenant's cost. Such cost shall be payable to Landlord by Tenant on demand.

ARTICLE 12 : FIXTURES AND ALTERATIONS

12.1 **Landlord Approval**. Tenant shall not make (or permit to be made) any change, addition or improvement to any of the Premises (including, without limitation, the attachment of any fixture or equipment) unless such change, addition or improvement (a) equals or exceeds the quality of materials used in construction of such Premises and utilizes only new materials, (b) is in conformity with all Legal Requirements as defined in Section 4.2(a), and is made after

obtaining any required permits and licenses, (c) if a "Major Improvement" (hereinafter defined), is made with prior written consent of Landlord pursuant to plans and specifications approved in writing in advance by Landlord and, if reasonably required by Landlord, such plans and specifications are prepared by an architect approved in writing in advance by Landlord, (d) if a Major Improvement, is made after Tenant has provided to Landlord such indemnification, insurance, and/or bonds requested by Landlord, including, without limitation, a performance and completion bond in such form and amount as may be satisfactory to Landlord to protect against claims and liens for labor performed and materials furnished, and to insure the completion of any change, addition or improvement, and (e) if a Major Improvement, is carried out by persons approved in writing by Landlord who, if required by Landlord, deliver to Landlord before commencement of their work proof of such insurance coverage as Landlord may require, with Landlord named as an additional insured. Any request for Landlord's consent to any change, addition or improvement or for Landlord's approval of plans or specifications to which Landlord does not respond within twenty (20) days shall be deemed granted by Landlord. All such alterations, improvements and additions shall become the property of Landlord and, if approved in advance by Landlord (unless approved subject to removal by Tenant) shall, at Tenant's option, either be removed by Tenant, at Tenant's expense, with all damage caused by such removal repaired by Tenant, or be surrendered with such Premises as part thereof at the termination or expiration of the term of this Lease with respect to such Premises, without any payment, reimbursement or compensation therefor. Any such

alterations, improvements and additions that are approved by Landlord subject to removal by Tenant shall be removed by Tenant, at Tenant's expense, with all damage caused by such removal repaired by Tenant, at the termination or expiration of the term of this Lease with respect to such Premises, without any payment, reimbursement or compensation therefor. All such alterations, improvements and additions that pursuant to the provisions of this Section 12.1 do not require the prior approval of Landlord shall, at Landlord's election given by written notice at least sixty (60) days prior to the expiration of this Lease with respect to the Premises concerned, be removed by Tenant, at Tenant's expense, with all damage caused by such removal repaired by Tenant. Within fifteen (15) days after the end of each calendar quarter during the term of the Lease, Tenant shall give Landlord written notice of the completion of any improvements to a Premises completed during the immediately preceding calendar quarter which, pursuant to the provisions of this Section 12.1, did not require the prior consent of Landlord. Such notice shall include a brief description of such improvements and identify the Premises in which such Improvements were made. Tenant may remove Tenant's trade fixtures, office supplies, movable office furniture and equipment, provided such removal is made prior to the expiration of the term of this Lease with respect to such Premises, no uncured Event of Default then exists and Tenant promptly repairs all damage caused by such removal. Tenant shall indemnify, defend and hold harmless Landlord from and against all liens, claims, damages, losses, liabilities and expenses, including attorneys' fees, which may arise out of, or be connected in any way with, any such change, addition or improvement. If Tenant leases or finances any personal property or equipment to be used by Tenant at a Premises, Landlord shall, within a reasonable time after receipt of written request from Tenant, execute and deliver to the lessor of, or lender providing financing for, such personal property or equipment, as applicable, a lien waiver or subordination with respect to such personal property or equipment in a form reasonably acceptable to Landlord. As used in this Section 12.1, the following terms shall have the meanings hereinafter specified: (1) "Building Structure" shall mean with respect to any building the structural portions of such building, including the foundation, floor/ceiling slabs, roof, exterior walls, exterior glass and mullions, columns, beams, shafts (including elevator shafts), and elevator cabs; (2) "Building Systems"

shall mean with respect to any building the mechanical, electrical, life safety, plumbing, and sprinkler systems and HVAC systems (including primary and secondary loops connected to the core) servicing such building; and (3) "Major Improvement" shall mean with respect to each Premises any change, addition or improvement to such Premises if (A) the cost of such change, addition or improvement exceeds $50,000.00, (B) such change, addition or improvement affects either the exterior of any building or any Building Structure located on such Premises, or (C) such change, addition or improvement has a material affect on any Building System of any building located on such Premises.

12.2 **Manner of Construction, Materialmen, Lien Claims**. All construction performed on or with respect to any of the Premises by Tenant shall be performed in a good, workmanlike and first-class manner, in accordance with all applicable permits, authorizations, laws, ordinances, orders, regulations and requirements of all governmental authorities having jurisdiction of such Premises and, to the extent required by Section 12.1, in accordance with plans approved by Landlord. Tenant shall promptly pay all contractors and materialmen, so as to eliminate the possibility of a lien attaching to such Premises or any Improvements, and should any such lien be made or filed by reason of any fault of Tenant, Tenant shall bond against or discharge the same within forty-five (45) days after written request by Landlord. If Tenant fails to bond against or discharge the same within such forty-five (45) day period, Landlord shall have the right, but not the obligation, to pay and discharge any such lien that attached to such Premises and Tenant shall reimburse Landlord for any such sums paid together with interest at the rate specified in Section 3.2 within thirty (30) days after written demand by Landlord.

ARTICLE 13 : ACCESS BY LANDLORD

Landlord, its employees, contractors, agents, and representatives shall have the right (and Landlord, for itself and such persons and firms, hereby reserves the right) to enter each of the Premises during normal business hours and at a time least likely to interrupt Tenant's operations upon advance reasonable notice (not less than 24 hours) (a) to inspect, maintain or repair the Premises, (b) to show the Premises to prospective purchasers of such Premises (and, during the last six (6) months of the term of this Lease with respect to such Premises, to prospective tenants of the Premises), (c) to determine whether Tenant is performing its obligations hereunder and, if it is not, to perform the same at Landlord's option and Tenant's expense in accordance with this Lease following any applicable notice and cure period, or (d) for any other reasonable purpose. In an emergency with respect to any of the Premises, Landlord (and such persons and firms) may use any means to open any door into or on such Premises without any liability therefore (except for repair of any damage caused thereby). Entry into any of the Premises by Landlord or any other person or firm named in the first sentence of this ARTICLE 13 for any purpose permitted herein shall not constitute a trespass or an eviction (constructive or otherwise), or entitle Tenant to any abatement or reduction of Monthly Rent, or constitute grounds for any claim (and Tenant hereby waives any claim) for damages for any injury to or interference with Tenant's business, for loss of occupancy or quiet enjoyment, or for consequential damages, excepting any damage or injury to property or person actually caused by Landlord or any such person or firm.

ARTICLE 14: CONDEMNATION

As used in this Paragraph, the term "Condemnation Proceedings" means any actions or proceedings in which any interest in any Premises (the "Affected Premises") is taken for any public or quasi-public purpose by any lawful authority through exercise of the power of eminent domain or by purchase or other means in lieu of such exercise. If the whole of the Affected Premises is taken through Condemnation Proceedings, this Lease shall automatically terminate as of the date of the taking with respect to the Affected Premises (only). The phrase "as of the date of the taking" means the date of taking actual physical possession by the condemning authority or such earlier date as the condemning authority gives notice that it is deemed to have taken possession. Tenant may terminate this Lease with respect to the Affected Premises if more than twenty-five percent (25%) of the Affected Premises is taken or any portion of the Affected Premises is taken which substantially interferes with Tenant's ability to operate or use the Affected Premises for either the permitted use for such Premises specified in Schedule A or such other use of such Affected Premises for which Landlord has previously given written approval. Any such termination must

be accomplished through written notice given no later than thirty (30) days after, and shall be effective as of, the date of such taking. In all other cases, or if Tenant fails to exercise its right to terminate, this Lease shall remain in effect, and Tenant shall, subject to the availability of adequate condemnation proceeds, promptly repair and restore the Affected Premises as nearly as possible to the nature and character that existed immediately prior to such taking and, to the extent required by Section 12.1, in accordance with plans approved by Landlord. If a portion of the Affected Premises is taken and this Lease is not terminated, the Monthly Rent shall be reduced in the proportion that the area of the Premises taken bears to the total area of the Premises immediately prior to the taking. Whether or not this Lease is terminated as a consequence of Condemnation Proceedings, all damages or compensation awarded for a partial or total taking, including any award for severance damage and any sums compensating for diminution in the value of or deprivation of the leasehold estate under this Lease, shall be the sole and exclusive property of Landlord, provided that Tenant shall be entitled to any award for the loss of, or damage to, Tenant's trade fixtures, loss of business and moving expenses; provided, however, that if (y) this Lease is not terminated as a consequence of Condemnation Proceedings, and (z) Landlord receives an award in such Condemnation Proceedings for the repair and restoration of the Premises, Landlord shall make available to Tenant all or a portion of the award so designated, as necessary, for Tenant to complete its obligations of repair and restoration under this Paragraph. If made, the disbursement of such portion of the award shall be made by Landlord to Tenant in accordance with disbursement procedures typically used by construction lenders in the Provo/Orem, Utah metropolitan area. Tenant shall have no claim against Landlord for the occurrence of any Condemnation Proceedings, or for the termination of this Lease or a reduction in the Premises as a result of any Condemnation Proceedings.

ARTICLE 15 : DAMAGE OR DESTRUCTION

Tenant shall give prompt written notice to Landlord of any casualty of which Tenant is aware to any Premises (the "Damaged Premises"). If the Damaged Premises are totally destroyed, or are partially destroyed but in Tenant's opinion cannot be restored to an economically viable building for either the use for such building specified in Schedule A or such other use of such building for which Landlord has previously given written approval, or if the insurance proceeds actually paid to Tenant as a result of any casualty are, in Tenant's reasonable

opinion inadequate to restore the portion remaining of the Damaged Premises to an economically viable building for such use, Tenant may, at its election exercisable by giving written notice to Landlord within sixty (60) days after the casualty, terminate this Lease with respect to the Damaged Premises as of the date of the casualty or the date Tenant is deprived of possession of such Premises (whichever is later). If this Lease is terminated with respect to the Damaged Premises as a result of a casualty, Tenant shall promptly deliver to Landlord all insurance proceeds received by Tenant under the insurance policy carried by Tenant on the Damaged Premises, net of any insurance proceeds attributable to Tenant's personal property or other property that would be Tenant's property upon termination of the Lease and any costs expended or fees or other charges incurred by Tenant in collecting such proceeds. If this Lease is not terminated as a result of a casualty, subject to the availability of adequate insurance proceeds, Tenant shall restore the Damaged Premises as nearly as possible to the nature and character that existed immediately prior to the occurrence of such casualty and, to the extent required by Section 12.1, in accordance with plans approved by Landlord. Except for Tenant's share of any insurance proceeds received by Landlord and attributed to Tenant's property as provided more fully above, if any, Tenant shall have no claim against Landlord for any loss suffered by reason of any such damage, destruction, repair or restoration. Other than providing Tenant any insurance proceeds attributable to Tenant's property as described above, Landlord shall not be required to repair any damage to or to make any restoration of any furnishings, trade fixtures, leasehold improvements, equipment, merchandise and other personal property installed in the Premises by Tenant or at the direct or indirect expense of Tenant.

ARTICLE 16 : INDEMNITY

16.1 **Tenant's Indemnity.** Except to the extent such obligations are otherwise limited by Section 4.3, Tenant shall defend, indemnify and hold harmless Landlord and Landlord's officers, directors, shareholders, members, partners and employees from and against all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including court costs and reasonable attorneys' fees) resulting from any injuries to or death of any person or damage to any property occurring during the term of this Lease in or about the Premises except to the extent such injury, death or damage is caused by Landlord or Landlord's employees, agents, or contractors.

16.2 **Landlord's Indemnity.** Landlord shall defend, indemnify and hold harmless Tenant and Tenant's officers, directors, shareholders and employees from and against all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including court costs and reasonable attorneys' fees) resulting from any injuries to or death of any person or damage to any property occurring during the term of this Lease in or about the Premises to the extent such injury, death or damage is caused by Landlord or Landlord's employees, agents, or contractors.

ARTICLE 17 : LANDLORD NOT LIABLE

Landlord shall have no liability to Tenant, or to Tenant's officers, directors, shareholders, employees, agents, contractors or invitees, for bodily injury, death, property damage, business interruption, loss of profits, loss of trade secrets or other direct or consequential damages

occasioned by (a) vandalism, theft, burglary and other criminal acts, (b) water leakage, or (c) the repair, replacement, maintenance, damage or destruction of the Premises, unless any of the foregoing are caused by Landlord or Landlord's employees, agents, or contractors.

ARTICLE 18 : DEFAULT AND REMEDIES

18.1 **Default**. The occurrence of any of the following shall constitute a material default and breach of this Lease by Tenant (hereinafter "Event of Default"):

(a) Any failure by Tenant to pay the Monthly Rent payable with respect to any of the Premises or any other monetary sums required to be paid under this Lease, where such failure continues for fifteen (15) days after written notice thereof by Landlord to Tenant;

(b) Any failure by Tenant to observe and perform any other term, covenant or condition of this Lease to be observed or performed, by Tenant, where such failure continues for thirty (30) days after written notice thereof by Landlord to Tenant; provided, however, that if the nature of the default is such that the default cannot reasonably be cured within the thirty (30) day period, Tenant shall not be deemed to be in default if Tenant shall within the thirty (30) day period commence action to cure the default and thereafter diligently prosecute the same to completion;

(c) The filing of a petition by or against Tenant (1) in any bankruptcy or other insolvency proceeding, (2) seeking any relief under the Bankruptcy Code or any similar debtor relief law, (3) for the appointment of a liquidator or receiver for all or substantially all of Tenant's property or for Tenant's interest in this Lease, or (4) to reorganize or modify Tenant's capital structure, unless such petition is dismissed within sixty (60) days after filing; or

(d) The admission by Tenant in writing that it cannot meet its obligations as they become due or the making by Tenant of an assignment for the benefit of its creditors.

18.2 **Nonexclusive Remedies**. Upon any Event of Default, Landlord shall have, in addition to any other remedies provided in this Lease, the following nonexclusive remedies to be applied only with respect to the particular Premises to which the Event of Default relates (the "Default Premises"):

(a) At Landlord's option and without waiving any default by Tenant, Landlord shall have the right to continue this Lease in full force and effect and to collect all Monthly Rent and any other fees to be paid by Tenant under this Lease as and when due. During any period that Tenant is in default, Landlord shall have the right, pursuant to legal proceedings or pursuant to any notice provided for by law, to enter and take possession of (only) the Default Premises, without terminating this Lease, for the purpose of reletting the Default Premises or any part thereof and making any alterations and repairs that may be necessary or desirable in connection with such reletting. Any such reletting or relettings may be for such term or terms (including periods that exceed the

balance of the term of this Lease), and upon such other terms, covenants and conditions as Landlord may in Landlord's reasonable discretion deem advisable. Upon each and any such reletting, the rent or rents received by Landlord from such reletting shall be applied as follows, as the same relate (only) to the Default Premises: (1) to the payment of any amounts (other than Monthly Rent) due hereunder from Tenant to Landlord; (2) to the payment of reasonable costs and expenses of such reletting, including reasonable brokerage fees, attorney's fees, court costs, and costs of any alterations or repairs; (3) to the payment of any Monthly Rent and any other amounts due and unpaid hereunder; and (4) the residue, if any, shall be held by Landlord and applied in payment of future Monthly Rent and any other amounts as they become due and payable hereunder. If the rent or rents received during any month and applied as provided above shall be insufficient to cover all such amounts including the Monthly Rent and any other amounts to be paid by Tenant pursuant to this Lease for such month with respect to the Default Premises, Tenant shall pay to Landlord any deficiency; such deficiencies shall be calculated and paid monthly. No entry or taking possession of all or any of the Default Premises by Landlord shall be construed as an election by Landlord to terminate this Lease with respect to any of the Default Premises, unless Landlord gives written notice of such election to Tenant or unless such termination shall be decreed by a court of competent jurisdiction. Notwithstanding any reletting by Landlord without termination, Landlord may at any time thereafter terminate this Lease with respect to the Default Premises for such previous default by giving written notice thereof to Tenant.

(b) Terminate Tenant's right to possession of the Default Premises by notice to Tenant, in which case this Lease shall terminate with respect to the Default Premises and Tenant shall immediately surrender possession of the Default Premises to Landlord. In such event Landlord shall be entitled to recover from Tenant all damages incurred by Landlord by reason of Tenant's default, including without limitation the following, as the same relate (only) to the Default Premises to the extent permitted by law: (1) all unpaid rent which has been earned at the time of such termination, plus (2) the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that is proved could have been reasonably avoided, plus (3) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform Tenant's obligations under this Lease, or in addition to or in lieu of the foregoing such damages as may be permitted from time to time under applicable law. Upon any such re-entry Landlord shall have the right to make any reasonable repairs, alterations or modifications to the Default Premises, which Landlord in Landlord's reasonable discretion determines are reasonable and necessary.

(c) If an Event of Default specified in Section 18.1 occurs, Landlord may remove and store any property that remains on the Default Premises and, if Tenant does not claim such property within thirty (30) days after Landlord has delivered to Tenant notice of such storage, Landlord may appropriate, sell, destroy or otherwise dispose of the property in question without notice to Tenant or any other person, and without an obligation to account for such property.

18.3 **Payment by Tenant**. Upon any Event of Default, Tenant shall also pay to Landlord all reasonable costs and expenses incurred by Landlord, including court costs and reasonable attorneys' fees, in (a) retaking or otherwise obtaining possession of the Default Premises, (b)

removing and storing Tenant's or another occupant's property, (c) repairing, restoring, altering, remodeling, or otherwise putting all or any of the Default Premises into a condition acceptable to a new tenant or tenants, (d) reletting all or any part of the Default Premises, (e) paying or performing the underlying obligation which Tenant failed to pay or perform, and (f) enforcing any of Landlord's rights, remedies or recourse arising as a consequence of the Event of Default.

18.4 **Reletting**. Upon termination of this Lease with respect to the Default Premises or upon termination of Tenant's right to possession of all or any of the Default Premises, Landlord shall use reasonable efforts to mitigate its damages in accordance with Utah law and relet the Default Premises on such terms and conditions as Landlord in its reasonable discretion may determine (including a term different than the term of this Lease, rental concession, and alterations to and improvements of the Default Premises). Subject to Landlord's obligation to mitigate damages, Landlord shall not be obligated to relet any of the Default Premises before leasing other property owned by Landlord. Landlord shall not be liable for, nor shall Tenant's obligations hereunder be diminished because of, Landlord's failure to relet any of the Default Premises or collect rent due with respect to such reletting provided the Landlord has complied with Landlord's duty to mitigate damages as set forth above. If Landlord relets any of the Default Premises, rent Landlord receives from such reletting shall be applied to the payment of the following, as the same relate (only) to the Default Premises: first, any indebtedness from Tenant to Landlord other than Monthly Rent (if any); second, all costs, including for maintenance and alterations, incurred by Landlord in reletting; and third, Monthly Rent due and unpaid. In no event shall Tenant be entitled to the excess of any rent obtained by reletting over the Monthly Rent herein reserved until all of Tenant's obligations to Landlord have been satisfied

18.5 **Landlord's Right to Pay or Perform**. Upon an Event of Default, Landlord may, but without obligation to do so and without thereby waiving or curing such Event of Default, pay or perform the underlying obligation for the account of Tenant, and enter any Premises and expend any security deposit or other sums paid by Tenant for the purpose of securing faithful performance of Tenant's obligations under this Lease.

18.6 **No Waiver; No Implied Surrender**. Provisions of this Lease may only be waived by the party entitled to the benefit of the provision, and any such waiver shall be in writing. Thus, neither the acceptance of Monthly Rent by Landlord following an Event of Default (whether known to Landlord or not), nor any other custom or practice followed in connection with this Lease, shall constitute a waiver by Landlord of such Event of Default or any other Event of Default. Further, the failure by Landlord to complain of any action or inaction by Tenant, or to assert that any action or inaction by Tenant constitutes (or would constitute, without the giving of notice and the passage of time) an Event of Default, regardless of how long such failure continues, shall not extinguish, waive or in any way diminish the rights, remedies and recourse of Landlord with respect to such action or inaction. No waiver by Landlord of any provision of this Lease or of any breach by Tenant of the same or any other provision hereof shall constitute a waiver of any other provision or any other breach. Landlord's consent to any act by Tenant requiring Landlord's consent shall not be deemed to render unnecessary the obtaining of Landlord's consent to any subsequent act of Tenant. No act or omission by Landlord (other than Landlord's execution of a document acknowledging such surrender) or Landlord's agents, including the delivery of the keys to any Premises, shall constitute an acceptance of a surrender of such Premises.

ARTICLE 19 : DEFAULT BY LANDLORD

Landlord shall not be in default under this Lease, and Tenant shall not be entitled to exercise any right, remedy or recourse against Landlord or otherwise as a consequence of any alleged default by Landlord under this Lease unless Landlord fails to perform any of its obligations hereunder and said failure continues for a period of thirty (30) days after Tenant gives Landlord and (provided that Tenant shall have been given the name and address of Landlord's Mortgagee) Landlord's Mortgagee written notice thereof specifying, with reasonable particularity, the nature of Landlord's failure. If, however, the failure cannot reasonably be cured within the thirty (30) day period, Landlord shall not be in default hereunder if Landlord or Landlord's Mortgagee commences to cure the failure within the thirty (30) days and thereafter pursues the curing of the same diligently to completion. If Tenant recovers a money judgment against Landlord for Landlord's default of its obligations hereunder or otherwise, the judgment shall be limited to Tenant's actual, direct, but no consequential, damages therefor and shall be satisfied only out of the interest of Landlord in the Premises as the same may then be encumbered, and Landlord shall not otherwise be liable for any deficiency. The foregoing shall not limit any right that Tenant might have to obtain specific performance of Landlord's obligations hereunder.

ARTICLE 20 : RIGHT OF RE-ENTRY

20.1 **Surrender of Premises**. Upon the expiration or termination of the term of this Lease for whatever cause for any Premises, or upon the exercise by Landlord of its right to re-enter any Premises without terminating this Lease, Tenant shall immediately, quietly and peaceably surrender to Landlord possession of such Premises "broom clean" and in good order, condition and repair, except only for ordinary wear and tear, damage by casualty (subject to ARTICLE 15) and repairs to be made by Landlord under this Lease. If Tenant is in default under this Lease, Landlord shall have a lien on Tenant's personal property, trade fixtures and other property as set forth in Section 38-3-1, et seq., of the Utah Code Ann. (or any replacement provision), subject to any lien waiver or subordination previously executed by Landlord. In addition to the provisions of ARTICLE 12, Tenant may, and Landlord may require Tenant to, remove any personal property, equipment, trade fixtures and other property owned by Tenant. All personal property, trade fixtures and other property of Tenant not removed from any Premises on the abandonment of such Premises or on the expiration of the term of this Lease or sooner termination of this Lease with respect to any Premises for any cause shall conclusively be deemed to have been abandoned and may be appropriated, sold, stored, destroyed or otherwise disposed of by Landlord without notice to, and without any obligation to account to, Tenant or any other person. Tenant shall pay to Landlord all expenses incurred in connection with the disposition of such property in excess of any amount received by Landlord from such disposition. While Tenant remains in possession of any Premises after such expiration with Landlord's prior written consent, Tenant shall be deemed to be occupying such Premises as a month-to-month tenant, subject to all of the obligations of Tenant under this Lease, except that the Monthly Rent shall be one hundred ten percent (110%) of the Monthly Rent in effect

immediately before such expiration, termination or exercise by Landlord. While Tenant remains in possession of any Premises after such expiration, termination or exercise by Landlord of its re-entry right without Landlord's prior written consent, Tenant shall be deemed to be occupying such Premises as a tenant-at-sufferance, subject to all of the obligations of Tenant under this Lease, except that the daily rent shall be twice the per-day rent in effect immediately before such expiration, termination or exercise by Landlord. No such holding over shall extend the Term. If Tenant fails to surrender possession of the Premises in the condition herein required, Landlord may, at Tenant's expense, restore the Premises to such condition.

20.2 **Hazardous Substances**. Except to the extent that Landlord has an obligation to indemnify Tenant pursuant to the provisions of Section 4.3 and except to the extent caused by Landlord or Landlord's employee's agents, or contractors, no spill, deposit, emission, leakage or other release of Hazardous Substance in the soils, groundwaters or waters shall be deemed to result in either wear and tear that would be normal for the term of this Lease or a casualty to the Premises and the provisions of Section 4.3 shall apply to such spill, deposit, emission, leakage, or other release.

ARTICLE 21 : MISCELLANEOUS

21.1 **Entire Agreement**. This instrument along with any exhibits, attachments and addenda hereto constitutes the entire agreement between Landlord and Tenant relative to the Premises and this Lease and the exhibits, attachments, and addenda may be altered, amended or revoked only by an instrument in writing signed by both Landlord and Tenant. All prior or contemporaneous oral agreements between and among Landlord and Tenant and their agents or representatives relative to the leasing of the Premises are merged in or revoked by this Lease.

21.2 **Severability**. If any term or provision of this Lease shall, to any extent, be determined by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Lease shall not be affected thereby, and each term and provision of this Lease shall be valid and enforceable to the fullest extent permitted by law.

21.3 **Costs of Suit**. If Tenant or Landlord shall bring any action for any relief against the other, declaratory or otherwise, arising out of this Lease, including any suit by Landlord for the recovery of rent or possession of any Premises or any part thereof, the losing party shall pay the successful party a reasonable sum for attorney's fees whether or not such action is prosecuted to judgment.

21.4 **Time and Remedies**. Time is of the essence of this Lease and every provision hereof. All rights and remedies of the parties shall be cumulative and nonexclusive of any other remedy at law or in equity.

21.5 **Binding Effect, Successors and Choice of Law**. All time provisions of this Lease are to be construed as both covenants and conditions as though the words importing such covenants and conditions were used in each separate Article of this Lease. Subject to any provisions restricting assignment by Tenant as set forth in Section 7.1, all of the terms hereof shall bind and inure to the benefit of the parties hereto and their respective successors and assigns. This Lease shall be governed by the laws of the State of Utah.

21.6 **Waiver**. No term, covenant or condition of this Lease shall be deemed waived, except by written consent of the party against whom the waiver is claimed, and any waiver of the breach of any term, covenant or condition shall not be deemed to be a waiver of any preceding or succeeding breach of the same or any other term, covenant or condition. Acceptance by Landlord of any performance by Tenant after the time the same shall have become due shall not constitute a waiver by Landlord of the breach or default of any term, covenant or condition unless otherwise expressly agreed to by Landlord in writing.

21.7 **Reasonable Consent**. Except as expressly limited elsewhere in this Lease, wherever in this Lease Landlord or Tenant is required to give consent or approval to any action on the part of the other, such consent or approval shall not be unreasonably withheld, conditioned or delayed. In the event of failure to give any such consent, the other party shall be entitled to specific performance at law and shall have such other remedies as are reserved to such party under this Lease.

21.8 **Notice**. Any notice required to be given under this Lease shall be given in writing and shall be delivered in person or by registered or certified mail, return receipt requested, postage prepaid, and addressed to the addresses for Landlord and Tenant set forth above. Either Landlord or Tenant may change the address at which such party desires to receive notice on written notice of such change to the other party. Any such notice shall be deemed to have been given, and shall be effective, on delivery to the notice address then applicable for the party to which the notice is directed; provided, however, that refusal to accept delivery of a notice or the inability to deliver a notice because of an address change which was not properly communicated shall not defeat or delay the giving of a notice.

21.9 **No Partnership**. Landlord does not, as a result of entering into this Lease, in any way or for any purpose become a partner of Tenant in the conduct of Tenant's business, or otherwise, or joint venturer or a member of a joint enterprise with Tenant.

21.10 **Estoppel Certificates; Financial Statements**. Tenant shall, from time to time and within twenty (20) days of written request from either Landlord or Landlord's Mortgagee, and without compensation or consideration execute and deliver a certificate setting forth the following: (a) a ratification of this Lease; (b) the Commencement Date and expiration date for each Premises; (c) that this Lease is in full force and effect and has not been assigned, modified, supplemented or amended (except by such writing as shall be stated): (d) that this Lease, as modified, supplemented or amended (if such is the case) constitutes the complete agreement between Landlord and Tenant with respect to all Premises and that Tenant does not hold an option to purchase any Premises or any interest therein, (e) that all conditions under this Lease to be performed by Landlord have been satisfied or, in the alternative, those claimed by Tenant to be unsatisfied; (f) that no defenses or offsets exist against the enforcement of this Lease by Landlord or, in the alternative, those claimed by Tenant to exist; (g) whether within the knowledge of Tenant there are any existing breaches or defaults by Landlord hereunder and, if so, stating the defaults with reasonable particularity; (h) the amount of advance Monthly Rent, if any (or none if such is the case), paid by Tenant for any or all of the Premises; (i) the date to which Monthly

Rent has been paid; and (j) such other information as Landlord or Landlord's Mortgagee may reasonably request. Landlord's Mortgagee and purchasers from either Landlord's Mortgagee or Landlord shall be entitled to rely on any estoppel certificate executed by Tenant.

21.11 **Number and Gender; Captions and References**. As the context of this Lease may require, pronouns shall include natural persons and legal entities of every kind and character, the singular number shall include the plural, and the neuter shall include the masculine and the feminine gender. Article headings in this Lease are for convenience of reference only and are not intended, to any extent and for any purpose, to limit or define any Article hereof. Whenever the terms "hereof," "hereby," "herein," "hereunder," or words of similar import are used in this Lease, they shall be construed as referring to this Lease in its entirety rather than to a particular Article or provision, unless the context specifically indicates to the contrary. Any reference to a particular "Article" shall be construed as referring to the indicated Article of this Lease.

21.12 **Brokers**. Tenant and Landlord each hereby warrants and represents to the other that it has not incurred or authorized any brokerage commission, finder's fees or similar payments in connection with this Lease. Each party shall defend, indemnify and hold the other harmless from and against any claim for brokerage commission, finder's fees or similar payment arising by virtue of the authorization of such indemnifying party, or any Affiliate of such party, in connection with this Lease.

21.13 **Authority**. Tenant warrants and represents to Landlord that (a) Tenant is a duly organized and existing legal entity, in good standing in the State of Utah, (b) Tenant has full right and authority to execute, deliver and perform this Lease, and (c) the person executing this Lease on behalf of Tenant was authorized to do so. Landlord warrants and represents to Tenant that (x) Landlord is a duly organized and existing legal entity, in good standing in the State of Utah, (y) Landlord has full right and authority to execute, deliver and perform this Lease, and (z) the person executing this Lease on behalf of Landlord was authorized to do so.

21.14 **Recording**. This Lease (including any addenda or exhibit hereto) shall not be recorded, but one or more notices or memoranda of this Lease, in form and substance reasonably satisfactory to Landlord and Tenant, shall be executed by Landlord and Tenant concurrently with the execution of this Lease, and may be recorded at Tenant's sole cost and expense.

21.15 **Multiple Counterparts; Exhibits.** This Lease may be executed in two or more counterparts, each of which shall be an original, but all of which shall constitute but one instrument. All, schedules, addenda and exhibits hereto are incorporated herein for any and all purposes.

21.16 **Miscellaneous**. No amendment to this Lease shall be binding on Landlord or Tenant unless reduced to writing and signed by both parties. Venue on any action arising out of this Lease shall be proper only in the District Court of Utah County, State of Utah. Landlord and Tenant waive trial by jury in any action, proceeding or counterclaim brought by either of them against the other on all matters arising out of this Lease or the use and occupancy of the Premises.

21.17 **Acknowledgment**. TENANT ACKNOWLEDGES THAT LANDLORD HAS MADE NO WARRANTIES TO TENANT AS TO THE CONDITION OF ANY PREMISES, EITHER EXPRESS OR IMPLIED, AND LANDLORD AND TENANT EXPRESSLY DISCLAIM ANY IMPLIED WARRANTY THAT ANY PREMISES ARE SUITABLE FOR TENANT'S INTENDED COMMERCIAL PURPOSE. THE TAKING OF POSSESSION OF EACH PREMISES BY TENANT SHALL CONCLUSIVELY ESTABLISH THAT SUCH PREMISES, THE TENANT IMPROVEMENTS THEREIN, ANY BUILDINGS AND THE COMMON AREAS WERE AT SUCH TIME COMPLETE AND IN GOOD, SANITARY AND SATISFACTORY CONDITION AND REPAIR WITH ALL WORK REQUIRED TO BE PERFORMED BY LANDLORD, IF ANY, COMPLETED AND WITHOUT ANY OBLIGATION ON LANDLORD'S PART TO MAKE ANY ALTERATIONS, UPGRADES OR IMPROVEMENTS THERETO.

21.18 **Force Majeure**. If either Landlord or Tenant is delayed or hindered in or prevented from the performance of any act required under this Lease by reason of acts of God, strikes, lockouts, other labor troubles, inability to procure labor or materials, fire, accident, failure of power, restrictive governmental laws, ordinances, regulations or requirements of general applicability, riots, civil commotion, insurrection, war or other reason not the fault of the party delayed, hindered or prevented and beyond the control of such party (financial inability excepted), performance of the action in question shall be excused for the period of delay and the period for the performance of such act shall be extended for a period equivalent to the period of such delay.

ARTICLE 22 : RENEWAL

Provided that no Event of Default has occurred and is then continuing beyond any applicable cure period, Tenant shall have the right and option (hereinafter individually a "Renewal Option" and collectively the "Renewal Options") to renew this Lease with respect to each (or any) of the Premises for the terms set forth on Schedule A (hereinafter individually a "Renewal Term" and collectively the "Renewal Terms") under the same terms, conditions and covenants contained in this Lease, except that (a) no abatements or other concessions, if any, applicable to the initial Lease term shall apply to any Renewal Term, (b) the Monthly Rent payable with respect to such Premises for each Lease Year of each Renewal Term (hereinafter the "Renewal Term Monthly Rent") shall be determined as set forth below, (c) Tenant shall have no option to renew this Lease beyond the expiration of the last Renewal Term specified herein, and (d) all leasehold improvements within the Premises shall be provided in their then-existing condition (on an "as is" basis) at the time each Renewal Term commences. Tenant shall be deemed to have exercised each Renewal Option unless Tenant gives Landlord written notice of Tenant's election not to exercise a Renewal Option at least 365 days prior to the date on which the term of the Lease would expire but for the exercise of such Renewal Option. Upon exercise of the Renewal Option with respect to any Premises for the applicable Renewal Term by Tenant and subject to the conditions set forth hereinabove, this Lease

shall be extended with respect to such Premises (only) for the period of such Renewal Term and Landlord and Tenant shall promptly enter into a written agreement modifying and supplementing this Lease in accordance with the provisions hereof. Any termination of this Lease during the initial Lease term or any Renewal Term with respect to any Premises shall terminate all remaining renewal rights hereunder with respect to such Premises. The renewal rights of Tenant hereunder shall not be severable from this Lease. The Renewal Term Monthly Rent shall be determined as follows:

(a) The Renewal Term Monthly Rent payable with respect to the first Lease year of a Renewal Term shall be one hundred two and five-tenths percent (102.5%) of the Monthly Rent payable each month during the Lease Year immediately preceding such Renewal Term; provided, however, that if the initial term with respect to the Premises concerned is five (5) years or more, Landlord or Tenant may each give the other written notice (hereinafter an "Election Notice"), within thirty (30) days of the date on which Tenant is deemed to have exercised the Renewal Option with respect to such Renewal Term, that the Renewal Term Monthly Rent will be determined in accordance with the following provisions of this ARTICLE 22, and if the initial term with respect to the Premises concerned is less than five (5) years, Landlord (but not Tenant) may, within thirty (30) days of the date on which Tenant is deemed to have exercised the Renewal Option with respect to such Renewal Term, give Tenant an Election Notice with respect to such Premises and the Renewal Term Monthly Rent will be determined in accordance with the following provisions of this ARTICLE 22; provided further, however, that neither Landlord nor Tenant shall have the right to give an Election Notice with respect to the first Renewal Term of this Lease with respect to the Premises identified on Schedule A as "NOC."

(b) The Renewal Term Monthly Rent payable with respect to each Lease Year of a Renewal Term other than the first Lease Year of such Renewal Term shall be one hundred two and five-tenths percent (102.5%) of the Renewal Term Monthly Rent payable each month during the immediately preceding Lease Year of such Renewal Term.

If an Election Notice is given with respect to a Renewal Term, the Renewal Term Monthly Rent for the first Lease Year of such Renewal Term shall be determined as set forth in the balance of this ARTICLE 22, and shall be (i) ninety-five percent (95%) of the Fair Market Rental Rate (as defined below) of the Premises concerned for any Premises with an initial Lease term of five (5) years or more, and (ii) seventy-five percent (75%) of the Fair Market Rental Rate of the Premises concerned for any Premises with an initial Lease term of less than five (5) years.

The term "Fair Market Rental Rate" shall mean, with respect to each Premises, the amount that a comparable landlord of comparable premises would accept in current transactions between non-Affiliated parties from renewal and non-equity tenants of comparable credit-worthiness and for a comparable use for a comparable period of time ("Comparable Transactions"). In any determination of Comparable Transactions, appropriate consideration shall be given to the annual rental rates, the extent of Tenant's liability under the Lease, abatement provisions reflecting free rent and/or no rent during the period of construction or subsequent to the commencement date as to the space in question, brokerage commissions, if any, which would be payable by Landlord in similar transactions, length of the lease term, size and location of premises being leased, building standard work letter and/or tenant improvement allowances, if any, and other generally applicable conditions of tenancy for such Comparable Transactions. The intent is that the Fair Market Rental Rate will reflect the same rent and other economic benefits that Landlord would otherwise give in Comparable Transactions and that Landlord will make, and receive the same economic payments and concessions that Landlord would otherwise make, and receive in Comparable Transactions.

The Fair Market Rental Rate shall be determined as follows:

1. Landlord and Tenant shall meet with each other no later than thirty (30) days after the date on which the Election Notice is given exchange sealed envelopes containing their respective proposals of the Fair Market Rental Rate and then open such envelopes in each other's presence. If such proposals are within ten percent (10%) of each other, the average of such proposals shall be the Fair Market Rental Rate. If such proposals are not within ten percent (10%) of each other, and if Landlord and Tenant do not mutually agree upon the Fair Market Rental Rate within ten (10) business days after the exchange and opening of envelopes, then, within twenty (20) business days of the exchange and opening of envelopes Landlord and Tenant shall agree upon and jointly appoint a single arbitrator who shall by profession be a real estate broker who shall have been active over at least the ten (10) year period ending on the date of such appointment in the leasing of comparable properties in the vicinity of the Premises. Neither Landlord nor Tenant shall consult with such broker as to his or her opinion as to Fair Market Rental Rate prior to the appointment. The determination of the arbitrator shall be limited solely to the issue of whether Landlord's or Tenant's submitted Fair Market Rental Rate for the Premises is the closer to the actual Fair Market Rental Rate for the Premises as determined by the arbitrator, taking into account the requirements of this ARTICLE 22. Such arbitrator may hold such hearings and require such briefs as the arbitrator, in his or her sole discretion, determines is necessary. In addition, Landlord or Tenant may submit to the arbitrator with a copy to the other party within five (5) business days after the appointment of the arbitrator any market data and additional information that such party deems relevant to the determination of Fair Market Rental Rate ("FMRR Data") and the other party may submit a reply in writing within five (5) business days after receipt of such FMRR Data.

2. The arbitrator shall, within thirty (30) days of his or her appointment, reach a decision as to whether the parties shall use Landlord's or Tenant's submitted Fair Market Rental Rate, and shall notify Landlord and Tenant of such determination.

3. The decision of the arbitrator shall be binding upon Landlord and Tenant.

4. If Landlord and Tenant fail to agree upon and appoint an arbitrator, then the appointment of the arbitrator shall be made by the Presiding Judge of a court of general jurisdiction having jurisdiction over the parties.

5. The cost of arbitration shall be paid by Landlord and Tenant equally.

LANDLORD AND TENANT have executed this Lease on the respective dates set forth below, to be effective as of the day and year first above written.

LANDLORD:

SCRUB OAK, LLC,
by its Manager:

MAPLE HILLS INVESTMENTS, INC.

By /s/ Brooke B. Roney
Brooke B. Roney
Vice President

Date 1/16/2003

TENANT:

NU SKIN INTERNATIONAL, INC.

By /s/ M. Truman Hunt
M. Truman Hunt
Vice President

Date 1/16/2003

SCHEDULE A
to
MASTER LEASE
[Scrub Oak, LLC]

PREMISES

The Premises, together with their respective Lease term and Monthly Rent are set forth below.

HIGH RISE

1. Commencement Date: July 1, 2001.

2. Expiration Date: June 30, 2011.

3. Term: Ten (10) years.

4. Renewal Terms: Two (2) ten (10) year terms.

5. Monthly Rent:

MONTHS	MONTHLY RENT
1-6	$ 149,210.08
7-18	$ 152,940.34
19-30	$ 156,763.87
31-42	$ 160,682.91

43-54	$ 164,699.97
55-66	$ 168,817.54
67-78	$ 173,038.00
79-90	$ 177,363.85
91-102	$ 181,797.95
103-114	$ 186,342.93
115-120	$ 191,001.53

6. Premises: Landlord has installed certain communications equipment on the Building that is used both by Landlord and by third parties pursuant to licenses from Landlord to such third parties. Tenant acknowledges that such communications equipment is not part of the Premises and Tenant's rights to the Premises shall be subject to the rights of Landlord and any third parties to whom Landlord has granted or hereafter grants a license to install, maintain, repair, and operate communications equipment on the roof of the Building and in conduits located in the interior of the Building so long as such equipment does not interfere with the structural integrity of the Building and the use of such equipment by Landlord and/or such licensees does not unreasonably interfere with Tenant's use of the Building.

7. Permitted Use. General office space, cafeteria, retail store, studio production and related uses.

KRESS BUILDING

1. Commencement Date: July 1, 2001.

2. Expiration Date: June 30, 2011.

3. Term: Ten (10) years.

4. Renewal Terms: Two (2) five (5) year terms.

5. Monthly Rent:

MONTHS	MONTHLY RENT
1-6	$ 22,893.75
7-18	$ 23,466.09
19-30	$ 24,052.76
31-42	$ 24,654.07
43-54	$ 25,270.43
55-60	$ 25,902.18
67-78	$ 26,549.73
79-90	$ 27,213.48
91-102	$ 27,893.80
103-114	$ 28,591.16
115-120	$ 29,305.94

6. Permitted Use. General office, cafeteria, retail store, studio production and related uses.

ANNEX "B"

1. Commencement Date: July 1, 2001.

2. Premises: All of Annex B, except for 4800 sq. ft. of the Bay located at 1070 South 350 East, which is not being leased by Tenant from and after December 31, 2002.

3. Expiration Date: June 30, 2003.

4. Term: Two (2) years.

5. Renewal Terms: Two (2) two (2) year terms.

6. Monthly Rent:

MONTHS	MONTHLY RENT
1-6	$ 2,559.42
7-18	$ 2,623.41
19-24	$ 2,258.75

7. Option to Terminate Lease: Landlord and Tenant shall each have the right to terminate the Lease with respect to Annex "B" upon sixty (60) days' prior written notice to the other.

8. Permitted Use. General warehouse storage, fleet maintenance and related uses.

9. Utilities. In the event utilities for the space not being leased by Tenant cannot be separately metered, Landlord shall reimburse Tenant a portion of such shared utility costs pro rata based on square footage (4800/30000).

10. Taxes/Repairs. Landlord shall reimburse Tenant pro rata for property taxes based on square footage retained by Landlord (4800/30000). Landlord shall be responsible for paying for any and all repairs to the portion of the Premises retained by Landlord.

ANDERSON PROPERTY

1. Commencement Date: July 1, 2001.

2. Expiration Date: June 30, 2003.

3. Term: Two (2) years.

4. Renewal Terms: Two (2) two (2) year terms.

5. Monthly Rent:

MONTHS	MONTHLY RENT
1-6	$ 1,254.24
7-18	$ 1,285.61
19-24	$ 1,317.75

6. Permitted Use. General warehouse and related uses.

PARKING LOT #2

1. Commencement Date: July 1, 2001.

2. Expiration Date: June 30, 2011.

3. Term: Ten (10) years.

4. Renewal Terms: Two (2) ten (10) year terms.

5. Monthly Rent:

MONTHS	MONTHLY RENT
1-6	$ 1,200.42
7-18	$ 1,230.43
19-30	$ 1,261.19
31-42	$ 1,292.72

43-54	$ 1,325.04
55-66	$ 1,358.16
67-78	$ 1,392.12
79-90	$ 1,426.92
91-102	$ 1,462.59
103-114	$ 1,499.16
115-120	$ 1,536.63

6. Permitted Use. Vehicle parking.

DEER VALLEY CONDOMINIUM

1. Commencement Date: July 1, 2001.

2. Expiration Date: June 30, 2006.

3. Term:Five (5) year terms.

4. Renewal Terms: Two (2) five (5) year terms.

5. Monthly Rent:

MONTHS	MONTHLY RENT
1-6	$ 2,500.00
7-18	$ 2,562.50
19-30	$ 2,626.56
31-42	$ 2,692.23
43-54	$ 2,759.53
55-60	$ 2,828.52

6. Permitted Use. Retreat and entertainment facility for employees, directors, guests and invitees of Tenant and their family members.

MASTER LEASE AGREEMENT

[Aspen Country, LLC]

THIS MASTER LEASE AGREEMENT (hereinafter the "Lease") is made and entered into this 16th day of January 2003, to be effective as of the 1st day of July, 2001, by and between ASPEN COUNTRY, LLC, a Utah limited liability company, whose address is 75 West Center Street, Provo, Utah 84601, ATTN: Brooke Roney (hereinafter "Landlord"), and NU SKIN INTERNATIONAL, INC., a Utah corporation, whose address is 75 West Center Street, Provo, Utah 84601 (hereinafter "Tenant").

R E C I T A L S:

A. Landlord presently owns and may hereafter from time to time acquire certain real property.

B. Tenant desires to lease certain real property from Landlord, which property is identified on the attached Schedule A, incorporated by this reference. In addition, Tenant may desire to lease additional real property from Landlord, which additional property shall be identified, from time to time, in the manner set forth in this Lease.

C. Subject to the terms and conditions of this Lease, Landlord is willing to lease the real property identified on Schedule A to Tenant, and Tenant is willing to lease such real property from Landlord.

NOW, THEREFORE, in consideration of the rents, covenants and agreements hereinafter set forth, Landlord and Tenant mutually agree as follows:

ARTICLE 1 : PREMISES AND LEASE TERMS

1.1 **Description of Premises**. Landlord hereby leases and demises to Tenant and Tenant hereby leases from Landlord those certain parcels of real property, together with all buildings and other improvements now or hereafter located thereon (hereinafter collectively "Improvements"), and all privileges, easements, and appurtenances belonging thereto or granted herein, set forth on Schedule A, together with any additional real property that may be described from time to time in an amendment to said Schedule A, executed by, and in form and substance satisfactory to, Landlord and Tenant (collectively, the "Premises").

1.2 **Additional Lease Terms**. In Schedule A, Landlord and Tenant adopted certain additional terms and conditions applicable to only one or more specific Premises specified in Schedule A and not to the other Premises. Furthermore, in any amendment to Schedule A executed by Landlord and Tenant, Landlord and Tenant may adopt additional terms and conditions applicable to a particular Premises and to other Premises, and/or applicable to that Premises but not applicable to any of the other Premises. If there is any conflict between the provisions of this Lease and Schedule A, as the same may be amended from time to time, the provisions of said Schedule A (as amended) shall control.

ARTICLE 2 : TERM COMMENCEMENT

2.1 **Term of Lease**. With respect to each of the Premises, this Lease shall be for the term, and shall commence on the date, specified in Schedule A with respect to such Premises (hereinafter individually the "Commencement Date" and collectively the "Commencement Dates") and shall end on the date specified in Schedule A with respect to such Premises, unless the term is extended or sooner terminated pursuant to the terms, covenants and conditions of this Lease or pursuant to law.

2.2 **Lease Year**. The term "Lease Year" as used in this Lease with respect to any of the Premises shall mean a period of twelve (12) consecutive calendar months during the term of this Lease with respect to such Premises. The first Lease Year with respect to any of the Premises shall begin on the Commencement Date for such Premises if that Commencement Date occurs on the first day of a calendar month; if not, the first Lease Year with respect to such Premises shall begin on the first day of the calendar month next following the Commencement Date for that Premises. Each succeeding Lease Year shall begin at the expiration of the immediately preceding Lease Year.

ARTICLE 3 : MONTHLY RENT

3.1 **Payment of Rent**. As monthly rent for each of the Premises, Tenant shall pay to Landlord, in advance on or before the first day of each calendar month during the term of this Lease, an amount equal to the "Monthly Rent" for such Premises as set forth in Schedule A. Rent shall be paid to Landlord at its address specified below for notices, or to such other person or at such other address as Landlord may from time to time designate in writing. Rent shall be paid without notice, demand, abatement (except as provided in this Lease), deduction or offset in legal tender of the United States of America. If the Commencement Date with respect to any Premises is not on the first day of the month, or if this Lease terminates with respect to any Premises on a day other than the last day of the month, the Monthly Rent for such Premises shall be prorated for such fractional month or months, if any, during which this Lease commences or terminates, at the then current rate.

3.2 **Delinquent Payments and Handling Charge**. All Monthly Rent and other payments required of Tenant hereunder shall bear interest from the date that is ten (10) days after the date due until the date paid at the lesser of (a) the rate announced from time to time by Wells Fargo Bank, or if Wells Fargo Bank ceases to exist or ceases to publish such rate, then the rate announced from time to time by the largest (as measured by deposits) chartered bank operating in Utah, as its "prime rate" or "reference rate," plus five percent (5%) per annum; or (b) the maximum rate permitted by law. In addition to interest, if any such Monthly Rent or other payment is not received within ten (10) days after the date it is due, Tenant shall pay to Landlord a late charge equal to four percent (4%) of the amount of such Monthly Rent or other payment to reimburse Landlord for its cost and inconvenience incurred as a consequence of Tenant's delinquency. In no event, however, shall the charges permitted under this Section 3.2 or elsewhere in this Lease, to the extent the same are considered to be interest under applicable law, exceed the maximum rate of interest allowable under applicable law.

3.3 **Security Deposit**. As of the date of this lease, no security deposit is being required from Tenant with respect to any of the Premises. In accordance with the provisions of this Section 3.3 and Section 7.1 below, however, Landlord may hereafter require a security deposit with respect to some or all of the Premises, which may, at Tenant's election, be made by depositing cash or by posting an irrevocable letter of credit in the form specified below in this Section 3.3. If Tenant deposits a letter of credit with Landlord pursuant to either this Section 3.3 or Section 7.1, the following provisions shall apply to such letter of credit: (a) payment of such letter of credit by the issuer shall be conditioned solely upon submission to the issuer of written demand for payment by Landlord, (b) Tenant shall, at least five (5) business days prior to the expiration of the term of such letter of credit provide Landlord with either a renewal letter of credit (in the form specified in this Section 3.3) or cash in the amount of such letter of credit to be held pursuant to the provisions of this Section 3.3, and (c) if at least five (5) business days prior to the expiration of a letter of credit deposited by Tenant with Landlord Tenant has not provided Landlord with either a replacement letter of credit or cash in accordance with (b) above, Landlord shall have the right to draw down the full amount of such letter of credit and hold the proceeds thereof as a cash deposit in accordance with the provisions of this Section 3.3. If, pursuant to the provisions of either this Section 3.3 or Section 7.1 below a security deposit is required with respect to any of the Premises (hereinafter a "Premises Security Deposit"), the following provisions of this Section 3.3 shall apply. For purposes of this Section 3.3, the term "Security Deposits" shall mean all Premises Security Deposits, taken in the aggregate. Provided that no uncured Tenant default of which Landlord has given Tenant written notice is then existing with respect to the Premises concerned, the Premises Security Deposit applicable to such Premises shall be returned to Tenant (or, at Landlord's option, to the last permitted assignee of Tenant's interest under this Lease) after the expiration of the term applicable to such Premises, or sooner termination of this Lease, and delivery of possession of such Premises to Landlord in accordance with ARTICLE 20. If Landlord's interest in this Lease is conveyed, transferred or assigned, Landlord shall transfer or credit the Security Deposits to Landlord's successor in interest, and Landlord shall be released from any liability for the return of the Security Deposits, provided that such successor in interest assumes all of Landlord's obligations under this Lease. Landlord may intermingle the Security Deposits with Landlord's own funds, and shall not be deemed to be a trustee of the Security Deposit. Tenant shall not be entitled to receive interest with respect to the Security Deposits. If Tenant fails to timely pay or perform any obligation under this Lease, Landlord may, prior to, concurrently with or subsequent to exercising any other right or remedy, use, apply or retain all or any part of the Premises Security Deposit then held by Landlord with respect to the Premises concerned for the payment of any monetary obligation due under this Lease for such Premises, or to compensate Landlord for any other expense, loss or damage which Landlord may incur by reason of Tenant's failure, including any damage or deficiency in the reletting of such Premises. If all or any portion of the Security Deposits is so used, applied or retained, Tenant shall immediately deposit with Landlord cash in an amount sufficient to restore the Security Deposits to the original amount. Landlord may withhold the Premises Security Deposit after the expiration of the term for the Premises concerned or sooner termination of this Lease until Tenant has paid the full Tenant's share of any Impositions or any other amounts payable by Tenant under this Lease, but only with respect to the Premises concerned. The Security Deposits are not a limitation on Landlord's damages or other rights under this Lease, a payment of liquidated damages or prepaid rent, and shall not be applied by Tenant to the rent for the last (or any) month of the term with respect to any Premises, or to any other amount due under this Lease. Tenant agrees that if Blake M. Roney, Brooke B. Roney, Sandra N. Tillotson, Craig S. Tillotson, Steven J. Lund, Craig R. Bryson, and Nedra D. Roney,

either individually or as a group, cease to own or hold (directly or indirectly) more than fifty percent of the voting power of Tenant, Tenant shall within thirty (30) days after written demand by Landlord deposit with Landlord a Premises Security Deposit with respect to each Premises in an amount equal to the then-current Monthly Rent payable with respect to such Premises. Such Security Deposits shall be held by Landlord subject to and in accordance with the provisions of this Section 3.3. Notwithstanding anything to the contrary set forth in this Lease, any Premises Security Deposit may only be used, and shall be returned, in connection with the Premises to which such Premises Security Deposit relates, and may not be used or applied in reference to any other Premises.

ARTICLE 4 : USE OF PREMISES

4.1 **Use**. Each Premises shall be used and occupied by Tenant solely for purposes specified for such Premises in Schedule A and for such other lawful purposes to which Landlord may, from time to time, consent.

4.2 **Prohibited Uses.**

(a) Tenant will not use, occupy or permit the use or occupancy of any of the Premises for any purpose or in any manner which is or may be, directly or indirectly, in violation of any (i) judicial decisions, order, injunctions, writs, statutes, rulings, rules, regulations, promulgations, directives, permits, certificates or ordinances of any governmental authority in any way applicable to Tenant or the Premises, including but not limited to zoning, environmental and utility conservation matters (hereinafter "Legal Requirements"), (ii) covenants, conditions, or restrictions applicable to such Premises and appearing of record in the office of the county recorder of the county in which such Premises are located on or before the date on which such Premises became subject to this Lease, or (iii) insurance requirements.

(b) Tenant shall not keep or permit to be kept any substance in, or conduct or permit to be conducted any operation from, any of the Premises which is not reasonably consistent with the Permitted Use for such Premises and which might emit offensive odors or conditions, or make undue noise or create undue vibrations.

(c) Tenant shall not commit or permit to remain any waste to any of the Premises.

(d) Tenant shall not install or permit to remain any improvements to any of the Premises which exceed the structural loads of floors or walls of any buildings located on such Premises, or adversely affect the mechanical, plumbing or electrical systems of any such buildings, or affect the structural integrity of any such buildings in any way.

(e) Tenant shall not commit or permit to be committed any action or circumstance in or about any of the Premises, nor bring or keep anything therein which, directly or indirectly, would or might cause a cancellation of any insurance policy covering such Premises, nor shall Tenant sell or permit to be kept, used or sold in or about any of the Premises any articles which may be prohibited by a standard

form policy of fire insurance unless Tenant provides additional insurance coverage extending protection to cover all risks associated with those articles.

(f) Tenant shall, at Tenant's sole cost and expense, promptly comply with all Legal Requirements now in force or which may hereafter be in force and with the requirements of any board of fire underwriters or other similar body now or hereafter constituted relating to or affecting the use or occupancy of all of the Premises, excluding such structural changes as do not relate to or affect the use or occupancy of the Premises, or as are not related to or afforded by Tenant's improvements or acts.

4.3 **Hazardous Substances**. Tenant acknowledges that Tenant occupied each of the Premises listed on the original Schedule A to this Lease prior to the Commencement Date for such Premises as set forth on Schedule A. Except with respect to matters arising prior to Tenant's occupancy of the Premises, or matters caused by Landlord or any of Landlord's employees, agents, or contractors, Tenant shall at all times comply with, or cause to be complied with, any "Environmental Law" (as defined below in Section 4.4) governing each of the Premises or the use thereof by Tenant or any of Tenant's employees, agents, contractors, invitees, licensees, customers, or clients, except as permitted in Section 4.5 below, shall not use, store, generate, treat, transport, or dispose of, or permit any of Tenant's employees, agents, contractors, invitees, licensees, customers, or clients to use, store, generate, treat, transport, or dispose of, any "Hazardous Substance" (as defined below in Section 4.4) on any of the Premises without first obtaining Landlord's written approval, shall promptly and completely respond to and clean up any release or presence of any Hazardous Substances upon each of the Premises, except to the extent such release or presence either occurred prior to the date on which Tenant occupied such Premises or was caused by Landlord or any of Landlord's employees, agents, or contractors, and shall pay all costs incurred as a result of the environmental state, condition and quality of each of the Premises, including, but not limited to, the costs of any "Environmental Cleanup Work" (as defined below in Section 4.4) and the preparation of any closure or other required plans, except to the extent such release or presence either occurred prior to the date on which Tenant occupied such Premises or was caused by Landlord or any of Landlord's employees, agents, or contractors, (all of the foregoing obligations of Tenant under this Section 4.3 are hereinafter collectively "Tenant's Environmental Obligations"). Tenant shall indemnify, defend and hold harmless Landlord from and against any and all claims, actions, damages, penalties, fines, liabilities and expenses, including reasonable attorneys' fees, which are directly or indirectly, in whole or in part, caused by or arise out of Tenant's failure to timely perform Tenant's Environmental Obligations. Landlord represents and warrants to Tenant that, as of the date on which Tenant occupied each Premises, no Hazardous Substances were located on such Premises and such Premises were in compliance with all Environmental Laws. Landlord shall indemnify, defend and hold harmless Tenant from and against any and all claims, actions, damages, penalties, fines, liabilities and expenses, including reasonable attorneys' fees, to the extent caused by or arising out of any failure of the foregoing representation and warranty of being true and accurate. Landlord and Tenant shall promptly deliver to the other true and complete copies of all notices, correspondence and requests received by the notifying party from any governmental authority or third parties relating to the presence, release, use, storage, treatment, transportation, or disposal of Hazardous Substances on any of the Premises. Tenant shall permit Landlord and Landlord's agents to enter into and upon each of the Premises, during normal business hours on prior reasonable notice, for the purpose of inspecting the Premises and verifying Tenant's compliance with these covenants. The provisions of this Section 4.3 shall survive the expiration or other termination of this Lease.

4.4 **Environmental Definitions**. As used in this Lease: "Environmental Cleanup Work" shall mean an obligation to perform work, cleanup, removal, repair, remediation, construction, alteration, demolition, renovation or installation in or in connection with the Premises in order to comply with any Environmental Law. "Environmental Law" shall mean any federal, state or local law, regulation, ordinance or order, whether currently existing or hereafter enacted, concerning the environmental state, condition or quality of the Premises or use, generation, transport, treatment, removal, or recovery of Hazardous Substances, including building materials, and including, but not limited to, the following: the Solid Waste Disposal Act as amended by the Resource Conservation and Recovery Act of 1976 (42 U.S.C. Article 6901, et seq.), as amended, and all regulations promulgated thereunder; the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (42 U.S.C. Article 9601, et seq.), as amended, and all regulations promulgated thereunder; the Hazardous Materials Transportation Act (49 U.S.C. Article 1801, et seq.), as amended, and all regulations promulgated thereunder; the Clean Air Act (42 U.S.C. Article 7401, et seq.), as amended, and all regulations promulgated thereunder; the Federal Water Pollution Control Act (33 U.S.C. Article 1251 et seq.), as amended, and all regulations promulgated thereunder; and the Occupational Safety and Health Act (29 U.S.C. Article 651, et seq.), as amended, and all regulations promulgated thereunder. "Hazardous Substance" shall mean (a) "hazardous waste," "hazardous substance," and any other hazardous, radioactive, reactive, flammable or infectious materials, solid wastes, toxic or dangerous substances or materials, or related materials, as defined in, regulated by, or which form the basis of liability now or hereafter under any Environmental Law; (b) asbestos, (c) polychlorinated biphenyls (PCBs); (d) petroleum products or materials; (e) flammable explosives, (f) any substance the presence of which on the Premises is or becomes prohibited by Environmental Law: (g) urea formaldehyde foam insulation; and (h) any substance which under Environmental Law requires special handling or notification in its use, collection, storage, treatment or disposal. Notwithstanding anything to the contrary in this Section 4.4, "Hazardous Substance" shall not include with respect to any Premises (i) supplies for cleaning and maintenance in commercially reasonable amounts required for use in the ordinary course of business, provided such items are incidental to the permitted use of such Premises (as set forth in Section 4.1) and are stored and used in compliance with all Environmental Laws, and (ii) standard office supplies in commercially reasonable amounts required for use in the ordinary course of business, provided such items are incidental to the permitted use of such Premises (as set forth in Section 4.1) and are stored and used in compliance with all Environmental Laws.

4.5 **Permitted Environmentally Sensitive Uses**. Landlord acknowledges that, as set forth on Schedule A, Tenant intends to use one or more of the Premises for fleet maintenance and parking and one or more of the Premises for the development and/or production of vitamins, dietary supplements, and cosmetic products (hereinafter "Permitted Environmental Activities") and that in connection with such Permitted Environmental Activities, Tenant will use, store, generate, treat, transport, and/or dispose of Hazardous Substances on and/or from such Premises. To the extent that either a Permitted Environmental Activity is a permitted use of such Premises (as set forth in Section 4.1) or the use, storage, generation, treatment, transportation and/or disposal of Hazardous Substances is in connection with an activity on such Premises

that is not materially different (in terms of the nature and quantity of Hazardous Substances to be used, stored, generated, treated or disposed on or from such Premises) from a Permitted Environmental

Activity which is a permitted use of such Premises (as set forth in Section 4.1), Landlord consents to the use, storage, generation, treatment, transportation, and/or disposal of Hazardous Substances on and/or from such Premises provided that such use, storage, generation, treatment, transportation or disposal is done in the ordinary course of Tenant's business on such Premises and in accordance with Section 4.3 above and applicable Environmental Laws.

ARTICLE 5 : QUIET ENJOYMENT

Provided Tenant has performed all of Tenant's obligations under this Lease, Landlord hereby covenants with Tenant that Tenant shall peaceably and quietly hold and enjoy the full possession and use of the Premises during the term of this Lease. Landlord shall warrant and forever defend Tenant's right to occupancy of the Premises against the claims of any and all persons whosoever lawfully claim the same or any part thereof, by, through or under Landlord, but not otherwise, subject to the provisions of this Lease.

ARTICLE 6 : IMPOSITIONS

6.1 Payment of Impositions. Tenant shall be solely responsible for and pay prior to delinquency all real estate, personal property, rental, water, sewer, transit, use, occupancy, owners' association and other taxes, assessments, charges, excises and levies (including any interest, cost or penalties with respect thereto, unless such interest, cost or penalties result from Landlord's acts or omissions, but excluding from Tenant's obligation any income, excise, franchise and similar taxes of Landlord), general and special, ordinary and extraordinary, foreseen and unforeseen, of any kind and nature whatsoever which are assessed, levied, charged or imposed upon or with respect to the Premises or any portion thereof, or the sidewalks, streets or alleyways adjacent thereto, or the ownership, use, occupancy or enjoyment thereof, and all charges for any easement, license, permit or agreement maintained for the benefit of the Premises and other governmental charges (collectively "Impositions") accruing or becoming due during the term of this Lease. If the term of this Lease covers only part of the period to which any Impositions relate, such Impositions shall be equitably prorated between Landlord and Tenant.

6.2 **Right to Contest Impositions**. Tenant, at its sole cost, shall have the right to contest, in accordance with the provisions of the laws relating to such contests, any Impositions, and the failure of Tenant to pay any Impositions shall not constitute a default by Tenant so long as Tenant complies with the provisions of this Section 6.2. Prior to initiating any contest or proceeding, Tenant shall give Landlord written notice of such contest or proceeding and shall either pay such Impositions to the applicable authority, deposit with Landlord cash in such amount as Landlord deems to be sufficient, considering the amount of such Impositions, any potential penalties and interest thereon, and any potential expenses that might be incurred by Landlord with respect thereto, or furnish good and sufficient undertakings and sureties designating Landlord as the beneficiary thereof in such amount as Landlord deems to be sufficient, considering the amount of such Impositions, any potential penalties and interest thereon, and any potential expenses that might be incurred by Landlord with respect thereto. Landlord shall not be required to join in any proceeding or contest brought by Tenant unless the provisions of any law require that the proceeding or contest be brought by or in the name of

Landlord or any owner of the Premises. In that case, Landlord shall join in the proceeding or contest or permit such proceeding or contest to be brought in its name as long as Landlord is not required to bear any cost. Tenant, on final determination of the proceeding or contest, shall promptly pay or discharge any decision or judgment rendered, together with all costs, charges, interest and penalties incidental to the decision or judgment and Landlord shall make available to Tenant any funds provided by Tenant pursuant to this Section 6.2 as security for Tenant's performance hereunder

ARTICLE 7 : TRANSFER BY TENANT

7.1 **Prohibition on Transfers**. Without the prior written consent of Landlord, Tenant shall not effect or suffer an assignment (direct or indirect, absolute or conditional, by operation of law or otherwise) by Tenant of all or any portion of Tenant's interest in this Lease or the leasehold estate created hereby. Notwithstanding the foregoing, Tenant may, without the consent of Landlord, (a) sublease all or any portion of the Premises, or (b) assign this Lease to any successor corporation, subsidiary, Affiliate (as defined below) or corporation that acquires all or substantially all of the assets of Tenant, provided that Tenant gives Landlord prior or concurrent written notice of such assignment. No assignment or subletting shall release Tenant from liability for the full and timely performance of all of Tenant's obligations under this Lease without the written consent of Landlord, which consent may be granted or withheld by Landlord in Landlord's sole and absolute discretion. As a condition to any such release, Landlord may require the assignee to deposit with Landlord a security deposit in an amount equal to the then-current Monthly Rent payable with respect to each Premises which is the subject of such assignment. As used in this Lease, "Affiliate" means a person that controls, is controlled by, or is under common control with, another person.

7.2 **Liens**. Without in any way limiting the generality of the foregoing, Tenant shall not grant, place or suffer, or permit to be granted, placed or suffered, against any of the Premises, or any Improvements, or any portion thereof, any lien, security interest, pledge, conditional sale, contract, claim, charge or encumbrance (whether constitutional, statutory, contractual or otherwise) and, if any of the aforesaid does arise or is asserted, Tenant will, promptly upon demand by Landlord and at Tenant's expense, cause the same to be released.

ARTICLE 8 : UTILITIES

Tenant shall be solely responsible for, and pay when due, all charges for water, gas, heat, light, power, telephone, garbage removal, snow removal and other utilities or services used by or supplied to Tenant or to each of the Premises, together with any taxes thereon, during the term of this Lease.

ARTICLE 9 : SUBORDINATION AND ATTORNMENT

9.1 **General**. This Lease, Tenant's leasehold estate created hereby, and all Tenant's rights, titles and interests hereunder and in and to the Premises are subject and subordinate to any Mortgage (as defined below) presently existing or hereafter placed upon all or any of the

Premises or any portion thereof; provided, however, that in the event of foreclosure or the exercise of any other right asserted under the Mortgage by Landlord's Mortgagee (as defined below), or if Landlord's Mortgagee otherwise succeeds to the interest of Landlord under this Lease, this Lease and the rights of Tenant under this Lease shall continue in full force and effect and shall not be terminated or disturbed, except in accordance with the provisions of this Lease, and Landlord's Mortgagee shall recognize Tenant as the tenant under this Lease. Concurrently with the execution and delivery of this Lease, any existing Landlord's Mortgagee shall execute and deliver a nondisturbance agreement in favor of Tenant, consistent with the immediately preceding sentence. However, Landlord and Landlord's Mortgagee may, at any time upon the giving of written notice to Tenant and without any compensation or consideration being payable to Tenant, make this Lease, and the aforesaid leasehold estate and rights, titles and interests, superior to any Mortgage. Upon the written request by Landlord or by Landlord's Mortgagee to Tenant, and within fifteen (15) days of the date of such request, and without any compensation or consideration being payable to Tenant, Tenant shall execute, have acknowledged and deliver a recordable instrument confirming, subject to the above nondisturbance provisions, that this Lease, Tenant's leasehold estate in the Premises and all of Tenant's rights, titles and interest hereunder are subject and subordinate (or, at the election of Landlord or Landlord's Mortgagee, superior) to the Mortgage benefiting Landlord's Mortgagee, which instrument shall be provided subject to the concurrent delivery by Landlord's Mortgagee of a nondisturbance agreement in favor of Tenant and reasonably consistent with the provisions of this ARTICLE 9. As used in this Lease, the term "Landlord's Mortgagee" shall mean the mortgagee of any mortgage, the beneficiary of any deed of trust, the pledgee of any pledge, the secured party of any security interest, the assignee of any assignment and the transferee of any other instrument of transfer (including the ground lessor of any ground lease on any real property in the Premises) now or hereafter in existence on all or any of the Premises or any portion of any of the Premises, and their successors, assigns and purchasers, and "Mortgage" shall mean any such mortgage, deed or trust, pledge, security agreement, assignment or transfer instrument, including all renewals, extensions and rearrangements thereof and of all debts secured thereby.

9.2 **Attornment**. Upon the written request of any person or party succeeding to the interest of Landlord under this Lease, Tenant shall automatically become the tenant of and attorn to such successor in interest without any change in any of the terms of this Lease. No successor in interest shall be (a) bound by any payment of Monthly Rent for more than one month in advance, except payments of security for the performance by Tenant of Tenant's obligations under this Lease (b) subject to any offset, defense or damages arising out of a default or any obligations of any preceding Landlord. Neither Landlord's Mortgagee nor its successor in interest shall be bound by any amendment of this Lease entered into after Tenant has been given written notice of the name and address of Landlord's Mortgagee and without the written consent of Landlord's Mortgagee or such successor in interest. The attornment and mortgagee protection clauses of this Section 9.2 shall be self-operative and no further instruments of attornment or mortgagee protection need be required by any Landlord's Mortgagee or successor in interest thereto. Nevertheless, upon the written request therefor and without any compensation or consideration being payable to Tenant, Tenant agrees to execute, have acknowledged and deliver such instruments as may be requested to confirm the same.

ARTICLE 10: INSURANCE

10.1 **Tenant's Insurance Coverage**. Tenant shall, at all times during the term of this Lease, and at Tenant's own cost and expense, procure and continue in force the following insurance coverage:

(a) Commercial general liability insurance with a combined single limit for bodily injury and property damage of not less than One Million Dollars ($1,000,000) per occurrence and Two Million Dollars ($2,000,000) in the aggregate, including, without limitation, contractual liability coverage for the performance by Tenant of the indemnity agreement set forth in ARTICLE 16.

(b) Insurance covering any buildings and all improvements on each of the Premises, including Tenant's leasehold improvements and personal property in or upon each such Premises in an amount not less than one hundred percent (100%) of full replacement cost, providing protection against any peril generally included within the classification "Fire and Extended Coverage," together with insurance against sprinkler damage, vandalism and malicious mischief and a standard inflation guard endorsement. Tenant hereby assigns to Landlord any and all proceeds payable with respect to such policies except to the extent such proceeds are payable with respect to any property that would remain the property of Tenant upon the termination of this Lease; provided, however, that to the extent required pursuant to the provisions of ARTICLE 15, such proceeds shall be made available to Tenant and applied to the repair and restoration of the Premises with respect to which such proceeds are payable.

(c) Worker's compensation insurance satisfying Tenant's obligations under the worker's compensation laws of the State of Utah.

(d) Such other policy or policies of insurance with respect to each Premises as Landlord may reasonably require in accordance with commercially reasonable practices for premises and in geographical areas similar to such Premises.

Such minimum limits shall in no event limit the liability of Tenant under this Lease. Such liability insurance shall name Landlord, and any other person specified from time to time by Landlord, as an additional insured; such property insurance shall name Landlord as a loss payee as Landlord's interest may appear; and both such liability and property insurance shall be with companies licensed to do business in Utah reasonably acceptable to Landlord. All liability policies maintained by Tenant shall contain a provision that Landlord and any other additional insured, although named as an insured, shall nevertheless be entitled to recover under such policies for any loss sustained by Landlord and Landlord's agents and employees as a result of the acts or omissions of Tenant. Tenant shall furnish Landlord with certificates of coverage. No such policy shall be cancelable or subject to reduction of coverage or other modification except after thirty (30) days' prior written notice to Landlord by the insurer. All such policies shall be written as primary policies, not contributing with and not in excess of the coverage which Landlord may carry, and shall only be subject to such deductibles as are reasonably acceptable to Landlord. Tenant shall, within ten (10) days after the expiration of such policies, furnish Landlord with renewals of, or binders for, such policies. Tenant shall cause all other occupants of the Premises claiming by, through or under Tenant to execute and deliver to Landlord a

waiver of claims similar to the waiver contained in Section 10.2 and to obtain such waiver of subrogation rights endorsements. At Landlord's request, any Landlord's Mortgagee shall be afforded coverage under any policy required to be secured by Tenant under this Lease by use of a mortgagee's endorsement to the policy concerned.

10.2 **Waiver of Subrogation**. Landlord hereby waives all claims, rights of recovery and causes of action that Landlord or any party claiming by, through or under Landlord may now or hereafter have by subrogation or otherwise against Tenant or against any of Tenant's officers, directors, shareholders or employees for any loss or damage that may occur to any of the Premises, Tenant's improvements or any of the contents of any of the foregoing by reason of fire or other casualty, or by reason of any other cause, to the extent that such loss or damage is actually covered by a policy of insurance maintained by Landlord; provided, however, that the waiver set forth in this Section 10.2 shall not apply to any deductibles on insurance policies carried by Landlord or to any coinsurance penalty which Landlord may sustain. Tenant hereby waives all claims, rights of recovery and causes of action that Tenant or any party claiming by, through or under Tenant may now or hereafter have by subrogation or otherwise against Landlord or against any of Landlord's officers, directors, members, shareholders, partners or employees for any loss or damage that may occur to any of the Premises, Tenant's improvements or any of the contents of any of the foregoing by reason of fire or other casualty, or by reason of any other cause, to the extent that such loss or damage either (a) is actually covered by a policy of insurance maintained by Tenant, or (b) would have been covered had Tenant obtained the insurance policies required to be obtained and maintained under Section 10.1. Landlord and Tenant shall cause an endorsement to be issued to their respective insurance policies recognizing this waiver of subrogation.

ARTICLE 11 : MAINTENANCE AND REPAIRS

During the term of this Lease, Tenant shall, at Tenant's sole cost, maintain each of the Premises, including the floor slab, foundation, load-bearing walls, other structural elements and roofs of any buildings, in good order, condition and repair, and in a clean, safe, operable, attractive and sanitary condition which is consistent with the nature and quality of such Premises as compared to other similar properties in the area where such Premises are located. Tenant will not commit or allow to remain any waste or damage to any portion of the Premises. Subject to ARTICLE 15, Tenant shall repair or replace, subject to Landlord's direction and supervision, any damage to any buildings and/or any of the Premises (including the structural components and the roof of any buildings) caused by Tenant or Tenant's agents, contractors or invitees. If Tenant fails to make such repairs or replacements, Landlord may make the same at Tenant's cost. Such cost shall be payable to Landlord by Tenant on demand.

ARTICLE 12 : FIXTURES AND ALTERATIONS

12.1 **Landlord Approval**. Tenant shall not make (or permit to be made) any change, addition or improvement to any of the Premises (including, without limitation, the attachment of any fixture or equipment) unless such change, addition or improvement (a) equals or exceeds the quality of materials used in construction of such Premises and utilizes only new materials, (b) is in conformity with all Legal Requirements as defined in Section 4.2(a), and is made after

obtaining any required permits and licenses, (c) if a "Major Improvement" (hereinafter defined), is made with prior written consent of Landlord pursuant to plans and specifications approved in writing in advance by Landlord and, if reasonably required by Landlord, such plans and specifications are prepared by an architect approved in writing in advance by Landlord, (d) if a Major Improvement, is made after Tenant has provided to Landlord such indemnification, insurance, and/or bonds requested by Landlord, including, without limitation, a performance and completion bond in such form and amount as may be satisfactory to Landlord to protect against claims and liens for labor performed and materials furnished, and to insure the completion of any change, addition or improvement, and (e) if a Major Improvement, is carried out by persons approved in writing by Landlord who, if required by Landlord, deliver to Landlord before commencement of their work proof of such insurance coverage as Landlord may require, with Landlord named as an additional insured. Any request for Landlord's consent to any change, addition or improvement or for Landlord's approval of plans or specifications to which Landlord does not respond within twenty (20) days shall be deemed granted by Landlord. All such alterations, improvements and additions shall become the property of Landlord and, if approved in advance by Landlord (unless approved subject to removal by Tenant) shall, at Tenant's option, either be removed by Tenant, at Tenant's expense, with all damage caused by such removal repaired by Tenant, or be surrendered with such Premises as part thereof at the termination or expiration of the term of this Lease with respect to such Premises, without any payment, reimbursement or compensation therefor. Any such

alterations, improvements and additions that are approved by Landlord subject to removal by Tenant shall be removed by Tenant, at Tenant's expense, with all damage caused by such removal repaired by Tenant, at the termination or expiration of the term of this Lease with respect to such Premises, without any payment, reimbursement or compensation therefor. All such alterations, improvements and additions that pursuant to the provisions of this Section 12.1 do not require the prior approval of Landlord shall, at Landlord's election given by written notice at least sixty (60) days prior to the expiration of this Lease with respect to the Premises concerned, be removed by Tenant, at Tenant's expense, with all damage caused by such removal repaired by Tenant. Within fifteen (15) days after the end of each calendar quarter during the term of the Lease, Tenant shall give Landlord written notice of the completion of any improvements to a Premises completed during the immediately preceding calendar quarter which, pursuant to the provisions of this Section 12.1, did not require the prior consent of Landlord. Such notice shall include a brief description of such improvements and identify the Premises in which such Improvements were made. Tenant may remove Tenant's trade fixtures, office supplies, movable office furniture and equipment, provided such removal is made prior to the expiration of the term of this Lease with respect to such Premises, no uncured Event of Default then exists and Tenant promptly repairs all damage caused by such removal. Tenant shall indemnify, defend and hold harmless Landlord from and against all liens, claims, damages, losses, liabilities and expenses, including attorneys' fees, which may arise out of, or be connected in any way with, any such change, addition or improvement. If Tenant leases or finances any personal property or equipment to be used by Tenant at a Premises, Landlord shall, within a reasonable time after receipt of written request from Tenant, execute and deliver to the lessor of, or lender providing financing for, such personal property or equipment, as applicable, a lien waiver or subordination with respect to such personal property or equipment in a form reasonably acceptable to Landlord. As used in this Section 12.1, the following terms shall have the meanings hereinafter specified: (1) "Building Structure" shall mean with respect to any building the structural portions of such building, including the foundation, floor/ceiling slabs, roof, exterior walls, exterior glass and mullions, columns, beams, shafts (including elevator shafts), and elevator cabs; (2) "Building Systems"

shall mean with respect to any building the mechanical, electrical, life safety, plumbing, and sprinkler systems and HVAC systems (including primary and secondary loops connected to the core) servicing such building; and (3) "Major Improvement" shall mean with respect to each Premises any change, addition or improvement to such Premises if (A) the cost of such change, addition or improvement exceeds $50,000.00, (B) such change, addition or improvement affects either the exterior of any building or any Building Structure located on such Premises, or (C) such change, addition or improvement has a material affect on any Building System of any building located on such Premises.

12.2 **Manner of Construction, Materialmen, Lien Claims**. All construction performed on or with respect to any of the Premises by Tenant shall be performed in a good, workmanlike and first-class manner, in accordance with all applicable permits, authorizations, laws, ordinances, orders, regulations and requirements of all governmental authorities having jurisdiction of such Premises and, to the extent required by Section 12.1, in accordance with plans approved by Landlord. Tenant shall promptly pay all contractors and materialmen, so as to eliminate the possibility of a lien attaching to such Premises or any Improvements, and should any such lien be made or filed by reason of any fault of Tenant, Tenant shall bond against or discharge the same within forty-five (45) days after written request by Landlord. If Tenant fails to bond against or discharge the same within such forty-five (45) day period, Landlord shall have the right, but not the obligation, to pay and discharge any such lien that attached to such Premises and Tenant shall reimburse Landlord for any such sums paid together with interest at the rate specified in Section 3.2 within thirty (30) days after written demand by Landlord.

ARTICLE 13 : ACCESS BY LANDLORD

Landlord, its employees, contractors, agents, and representatives shall have the right (and Landlord, for itself and such persons and firms, hereby reserves the right) to enter each of the Premises during normal business hours and at a time least likely to interrupt Tenant's operations upon advance reasonable notice (not less than 24 hours) (a) to inspect, maintain or repair the Premises, (b) to show the Premises to prospective purchasers of such Premises (and, during the last six (6) months of the term of this Lease with respect to such Premises, to prospective tenants of the Premises), (c) to determine whether Tenant is performing its obligations hereunder and, if it is not, to perform the same at Landlord's option and Tenant's expense in accordance with this Lease following any applicable notice and cure period, or (d) for any other reasonable purpose. In an emergency with respect to any of the Premises, Landlord (and such persons and firms) may use any means to open any door into or on such Premises without any liability therefore (except for repair of any damage caused thereby). Entry into any of the Premises by Landlord or any other person or firm named in the first sentence of this ARTICLE 13 for any purpose permitted herein shall not constitute a trespass or an eviction (constructive or otherwise), or entitle Tenant to any abatement or reduction of Monthly Rent, or constitute grounds for any claim (and Tenant hereby waives any claim) for damages for any injury to or interference with Tenant's business, for loss of occupancy or quiet enjoyment, or for consequential damages, excepting any damage or injury to property or person actually caused by Landlord or any such person or firm.

ARTICLE 14: CONDEMNATION

As used in this Paragraph, the term "Condemnation Proceedings" means any actions or proceedings in which any interest in any Premises (the "Affected Premises") is taken for any public or quasi-public purpose by any lawful authority through exercise of the power of eminent domain or by purchase or other means in lieu of such exercise. If the whole of the Affected Premises is taken through Condemnation Proceedings, this Lease shall automatically terminate as of the date of the taking with respect to the Affected Premises (only). The phrase "as of the date of the taking" means the date of taking actual physical possession by the condemning authority or such earlier date as the condemning authority gives notice that it is deemed to have taken possession. Tenant may terminate this Lease with respect to the Affected Premises if more than twenty-five percent (25%) of the Affected Premises is taken or any portion of the Affected Premises is taken which substantially interferes with Tenant's ability to operate or use the Affected Premises for either the permitted use for such Premises specified in Schedule A or such other use of such Affected Premises for which Landlord has previously given written approval. Any such termination must

be accomplished through written notice given no later than thirty (30) days after, and shall be effective as of, the date of such taking. In all other cases, or if Tenant fails to exercise its right to terminate, this Lease shall remain in effect, and Tenant shall, subject to the availability of adequate condemnation proceeds, promptly repair and restore the Affected Premises as nearly as possible to the nature and character that existed immediately prior to such taking and, to the extent required by Section 12.1, in accordance with plans approved by Landlord. If a portion of the Affected Premises is taken and this Lease is not terminated, the Monthly Rent shall be reduced in the proportion that the area of the Premises taken bears to the total area of the Premises immediately prior to the taking. Whether or not this Lease is terminated as a consequence of Condemnation Proceedings, all damages or compensation awarded for a partial or total taking, including any award for severance damage and any sums compensating for diminution in the value of or deprivation of the leasehold estate under this Lease, shall be the sole and exclusive property of Landlord, provided that Tenant shall be entitled to any award for the loss of, or damage to, Tenant's trade fixtures, loss of business and moving expenses; provided, however, that if (y) this Lease is not terminated as a consequence of Condemnation Proceedings, and (z) Landlord receives an award in such Condemnation Proceedings for the repair and restoration of the Premises, Landlord shall make available to Tenant all or a portion of the award so designated, as necessary, for Tenant to complete its obligations of repair and restoration under this Paragraph. If made, the disbursement of such portion of the award shall be made by Landlord to Tenant in accordance with disbursement procedures typically used by construction lenders in the Provo/Orem, Utah metropolitan area. Tenant shall have no claim against Landlord for the occurrence of any Condemnation Proceedings, or for the termination of this Lease or a reduction in the Premises as a result of any Condemnation Proceedings.

ARTICLE 15 : DAMAGE OR DESTRUCTION

Tenant shall give prompt written notice to Landlord of any casualty of which Tenant is aware to any Premises (the "Damaged Premises"). If the Damaged Premises are totally destroyed, or are partially destroyed but in Tenant's opinion cannot be restored to an economically viable building for either the use for such building specified in Schedule A or such other use of such building for which Landlord has previously given written approval, or if the insurance proceeds actually paid to Tenant as a result of any casualty are, in Tenant's reasonable

opinion inadequate to restore the portion remaining of the Damaged Premises to an economically viable building for such use, Tenant may, at its election exercisable by giving written notice to Landlord within sixty (60) days after the casualty, terminate this Lease with respect to the Damaged Premises as of the date of the casualty or the date Tenant is deprived of possession of such Premises (whichever is later). If this Lease is terminated with respect to the Damaged Premises as a result of a casualty, Tenant shall promptly deliver to Landlord all insurance proceeds received by Tenant under the insurance policy carried by Tenant on the Damaged Premises, net of any insurance proceeds attributable to Tenant's personal property or other property that would be Tenant's property upon termination of the Lease and any costs expended or fees or other charges incurred by Tenant in collecting such proceeds. If this Lease is not terminated as a result of a casualty, subject to the availability of adequate insurance proceeds, Tenant shall restore the Damaged Premises as nearly as possible to the nature and character that existed immediately prior to the occurrence of such casualty and, to the extent required by Section 12.1, in accordance with plans approved by Landlord. Except for Tenant's share of any insurance proceeds received by Landlord and attributed to Tenant's property as provided more fully above, if any, Tenant shall have no claim against Landlord for any loss suffered by reason of any such damage, destruction, repair or restoration. Other than providing Tenant any insurance proceeds attributable to Tenant's property as described above, Landlord shall not be required to repair any damage to or to make any restoration of any furnishings, trade fixtures, leasehold improvements, equipment, merchandise and other personal property installed in the Premises by Tenant or at the direct or indirect expense of Tenant.

ARTICLE 16 : INDEMNITY

16.1 **Tenant's Indemnity.** Except to the extent such obligations are otherwise limited by Section 4.3, Tenant shall defend, indemnify and hold harmless Landlord and Landlord's officers, directors, shareholders, members, partners and employees from and against all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including court costs and reasonable attorneys' fees) resulting from any injuries to or death of any person or damage to any property occurring during the term of this Lease in or about the Premises except to the extent such injury, death or damage is caused by Landlord or Landlord's employees, agents, or contractors.

16.2 **Landlord's Indemnity.** Landlord shall defend, indemnify and hold harmless Tenant and Tenant's officers, directors, shareholders and employees from and against all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including court costs and reasonable attorneys' fees) resulting from any injuries to or death of any person or damage to any property occurring during the term of this Lease in or about the Premises to the extent such injury, death or damage is caused by Landlord or Landlord's employees, agents, or contractors.

ARTICLE 17 : LANDLORD NOT LIABLE

Landlord shall have no liability to Tenant, or to Tenant's officers, directors, shareholders, employees, agents, contractors or invitees, for bodily injury, death, property damage, business interruption, loss of profits, loss of trade secrets or other direct or consequential damages

occasioned by (a) vandalism, theft, burglary and other criminal acts, (b) water leakage, or (c) the repair, replacement, maintenance, damage or destruction of the Premises, unless any of the foregoing are caused by Landlord or Landlord's employees, agents, or contractors.

ARTICLE 18 : DEFAULT AND REMEDIES

18.1 **Default**. The occurrence of any of the following shall constitute a material default and breach of this Lease by Tenant (hereinafter "Event of Default"):

(a) Any failure by Tenant to pay the Monthly Rent payable with respect to any of the Premises or any other monetary sums required to be paid under this Lease, where such failure continues for fifteen (15) days after written notice thereof by Landlord to Tenant;

(b) Any failure by Tenant to observe and perform any other term, covenant or condition of this Lease to be observed or performed, by Tenant, where such failure continues for thirty (30) days after written notice thereof by Landlord to Tenant; provided, however, that if the nature of the default is such that the default cannot reasonably be cured within the thirty (30) day period, Tenant shall not be deemed to be in default if Tenant shall within the thirty (30) day period commence action to cure the default and thereafter diligently prosecute the same to completion;

(c) The filing of a petition by or against Tenant (1) in any bankruptcy or other insolvency proceeding, (2) seeking any relief under the Bankruptcy Code or any similar debtor relief law, (3) for the appointment of a liquidator or receiver for all or substantially all of Tenant's property or for Tenant's interest in this Lease, or (4) to reorganize or modify Tenant's capital structure, unless such petition is dismissed within sixty (60) days after filing; or

(d) The admission by Tenant in writing that it cannot meet its obligations as they become due or the making by Tenant of an assignment for the benefit of its creditors.

18.2 **Nonexclusive Remedies**. Upon any Event of Default, Landlord shall have, in addition to any other remedies provided in this Lease, the following nonexclusive remedies to be applied only with respect to the particular Premises to which the Event of Default relates (the "Default Premises"):

(a) At Landlord's option and without waiving any default by Tenant, Landlord shall have the right to continue this Lease in full force and effect and to collect all Monthly Rent and any other fees to be paid by Tenant under this Lease as and when due. During any period that Tenant is in default, Landlord shall have the right, pursuant to legal proceedings or pursuant to any notice provided for by law, to enter and take possession of (only) the Default Premises, without terminating this Lease, for the purpose of reletting the Default Premises or any part thereof and making any alterations and repairs that may be necessary or desirable in connection with such reletting. Any such reletting or relettings may be for such term or terms (including periods that exceed the

balance of the term of this Lease), and upon such other terms, covenants and conditions as Landlord may in Landlord's reasonable discretion deem advisable. Upon each and any such reletting, the rent or rents received by Landlord from such reletting shall be applied as follows, as the same relate (only) to the Default Premises: (1) to the payment of any amounts (other than Monthly Rent) due hereunder from Tenant to Landlord; (2) to the payment of reasonable costs and expenses of such reletting, including reasonable brokerage fees, attorney's fees, court costs, and costs of any alterations or repairs; (3) to the payment of any Monthly Rent and any other amounts due and unpaid hereunder; and (4) the residue, if any, shall be held by Landlord and applied in payment of future Monthly Rent and any other amounts as they become due and payable hereunder. If the rent or rents received during any month and applied as provided above shall be insufficient to cover all such amounts including the Monthly Rent and any other amounts to be paid by Tenant pursuant to this Lease for such month with respect to the Default Premises, Tenant shall pay to Landlord any deficiency; such deficiencies shall be calculated and paid monthly. No entry or taking possession of all or any of the Default Premises by Landlord shall be construed as an election by Landlord to terminate this Lease with respect to any of the Default Premises, unless Landlord gives written notice of such election to Tenant or unless such termination shall be decreed by a court of competent jurisdiction. Notwithstanding any reletting by Landlord without termination, Landlord may at any time thereafter terminate this Lease with respect to the Default Premises for such previous default by giving written notice thereof to Tenant.

(b) Terminate Tenant's right to possession of the Default Premises by notice to Tenant, in which case this Lease shall terminate with respect to the Default Premises and Tenant shall immediately surrender possession of the Default Premises to Landlord. In such event Landlord shall be entitled to recover from Tenant all damages incurred by Landlord by reason of Tenant's default, including without limitation the following, as the same relate (only) to the Default Premises to the extent permitted by law: (1) all unpaid rent which has been earned at the time of such termination, plus (2) the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that is proved could have been reasonably avoided, plus (3) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform Tenant's obligations under this Lease, or in addition to or in lieu of the foregoing such damages as may be permitted from time to time under applicable law. Upon any such re-entry Landlord shall have the right to make any reasonable repairs, alterations or modifications to the Default Premises, which Landlord in Landlord's reasonable discretion determines are reasonable and necessary.

(c) If an Event of Default specified in Section 18.1 occurs, Landlord may remove and store any property that remains on the Default Premises and, if Tenant does not claim such property within thirty (30) days after Landlord has delivered to Tenant notice of such storage, Landlord may appropriate, sell, destroy or otherwise dispose of the property in question without notice to Tenant or any other person, and without an obligation to account for such property.

18.3 **Payment by Tenant**. Upon any Event of Default, Tenant shall also pay to Landlord all reasonable costs and expenses incurred by Landlord, including court costs and reasonable attorneys' fees, in (a) retaking or otherwise obtaining possession of the Default Premises, (b)

removing and storing Tenant's or another occupant's property, (c) repairing, restoring, altering, remodeling, or otherwise putting all or any of the Default Premises into a condition acceptable to a new tenant or tenants, (d) reletting all or any part of the Default Premises, (e) paying or performing the underlying obligation which Tenant failed to pay or perform, and (f) enforcing any of Landlord's rights, remedies or recourse arising as a consequence of the Event of Default.

18.4 **Reletting**. Upon termination of this Lease with respect to the Default Premises or upon termination of Tenant's right to possession of all or any of the Default Premises, Landlord shall use reasonable efforts to mitigate its damages in accordance with Utah law and relet the Default Premises on such terms and conditions as Landlord in its reasonable discretion may determine (including a term different than the term of this Lease, rental concession, and alterations to and improvements of the Default Premises). Subject to Landlord's obligation to mitigate damages, Landlord shall not be obligated to relet any of the Default Premises before leasing other property owned by Landlord. Landlord shall not be liable for, nor shall Tenant's obligations hereunder be diminished because of, Landlord's failure to relet any of the Default Premises or collect rent due with respect to such reletting provided the Landlord has complied with Landlord's duty to mitigate damages as set forth above. If Landlord relets any of the Default Premises, rent Landlord receives from such reletting shall be applied to the payment of the following, as the same relate (only) to the Default Premises: first, any indebtedness from Tenant to Landlord other than Monthly Rent (if any); second, all costs, including for maintenance and alterations, incurred by Landlord in reletting; and third, Monthly Rent due and unpaid. In no event shall Tenant be entitled to the excess of any rent obtained by reletting over the Monthly Rent herein reserved until all of Tenant's obligations to Landlord have been satisfied

18.5 **Landlord's Right to Pay or Perform**. Upon an Event of Default, Landlord may, but without obligation to do so and without thereby waiving or curing such Event of Default, pay or perform the underlying obligation for the account of Tenant, and enter any Premises and expend any security deposit or other sums paid by Tenant for the purpose of securing faithful performance of Tenant's obligations under this Lease.

18.6 **No Waiver; No Implied Surrender**. Provisions of this Lease may only be waived by the party entitled to the benefit of the provision, and any such waiver shall be in writing. Thus, neither the acceptance of Monthly Rent by Landlord following an Event of Default (whether known to Landlord or not), nor any other custom or practice followed in connection with this Lease, shall constitute a waiver by Landlord of such Event of Default or any other Event of Default. Further, the failure by Landlord to complain of any action or inaction by Tenant, or to assert that any action or inaction by Tenant constitutes (or would constitute, without the giving of notice and the passage of time) an Event of Default, regardless of how long such failure continues, shall not extinguish, waive or in any way diminish the rights, remedies and recourse of Landlord with respect to such action or inaction. No waiver by Landlord of any provision of this Lease or of any breach by Tenant of the same or any other provision hereof shall constitute a waiver of any other provision or any other breach. Landlord's consent to any act by Tenant requiring Landlord's consent shall not be deemed to render unnecessary the obtaining of Landlord's consent to any subsequent act of Tenant. No act or omission by Landlord (other than Landlord's execution of a document acknowledging such surrender) or Landlord's agents, including the delivery of the keys to any Premises, shall constitute an acceptance of a surrender of such Premises.

ARTICLE 19 : DEFAULT BY LANDLORD

Landlord shall not be in default under this Lease, and Tenant shall not be entitled to exercise any right, remedy or recourse against Landlord or otherwise as a consequence of any alleged default by Landlord under this Lease unless Landlord fails to perform any of its obligations hereunder and said failure continues for a period of thirty (30) days after Tenant gives Landlord and (provided that Tenant shall have been given the name and address of Landlord's Mortgagee) Landlord's Mortgagee written notice thereof specifying, with reasonable particularity, the nature of Landlord's failure. If, however, the failure cannot reasonably be cured within the thirty (30) day period, Landlord shall not be in default hereunder if Landlord or Landlord's Mortgagee commences to cure the failure within the thirty (30) days and thereafter pursues the curing of the same diligently to completion. If Tenant recovers a money judgment against Landlord for Landlord's default of its obligations hereunder or otherwise, the judgment shall be limited to Tenant's actual, direct, but no consequential, damages therefor and shall be satisfied only out of the interest of Landlord in the Premises as the same may then be encumbered, and Landlord shall not otherwise be liable for any deficiency. The foregoing shall not limit any right that Tenant might have to obtain specific performance of Landlord's obligations hereunder.

ARTICLE 20 : RIGHT OF RE-ENTRY

20.1 **Surrender of Premises**. Upon the expiration or termination of the term of this Lease for whatever cause for any Premises, or upon the exercise by Landlord of its right to re-enter any Premises without terminating this Lease, Tenant shall immediately, quietly and peaceably surrender to Landlord possession of such Premises "broom clean" and in good order, condition and repair, except only for ordinary wear and tear, damage by casualty (subject to ARTICLE 15) and repairs to be made by Landlord under this Lease. If Tenant is in default under this Lease, Landlord shall have a lien on Tenant's personal property, trade fixtures and other property as set forth in Section 38-3-1, et seq., of the Utah Code Ann. (or any replacement provision), subject to any lien waiver or subordination previously executed by Landlord. In addition to the provisions of ARTICLE 12, Tenant may, and Landlord may require Tenant to, remove any personal property, equipment, trade fixtures and other property owned by Tenant. All personal property, trade fixtures and other property of Tenant not removed from any Premises on the abandonment of such Premises or on the expiration of the term of this Lease or sooner termination of this Lease with respect to any Premises for any cause shall conclusively be deemed to have been abandoned and may be appropriated, sold, stored, destroyed or otherwise disposed of by Landlord without notice to, and without any obligation to account to, Tenant or any other person. Tenant shall pay to Landlord all expenses incurred in connection with the disposition of such property in excess of any amount received by Landlord from such disposition. While Tenant remains in possession of any Premises after such expiration with Landlord's prior written consent, Tenant shall be deemed to be occupying such Premises as a month-to-month tenant, subject to all of the obligations of Tenant under this Lease, except that the Monthly Rent shall be one hundred ten percent (110%) of the Monthly Rent in effect

immediately before such expiration, termination or exercise by Landlord. While Tenant remains in possession of any Premises after such expiration, termination or exercise by Landlord of its re-entry right without Landlord's prior written consent, Tenant shall be deemed to be occupying such Premises as a tenant-at-sufferance, subject to all of the obligations of Tenant under this Lease, except that the daily rent shall be twice the per-day rent in effect immediately before such expiration, termination or exercise by Landlord. No such holding over shall extend the Term. If Tenant fails to surrender possession of the Premises in the condition herein required, Landlord may, at Tenant's expense, restore the Premises to such condition.

20.2 **Hazardous Substances**. Except to the extent that Landlord has an obligation to indemnify Tenant pursuant to the provisions of Section 4.3 and except to the extent caused by Landlord or Landlord's employee's agents, or contractors, no spill, deposit, emission, leakage or other release of Hazardous Substance in the soils, groundwaters or waters shall be deemed to result in either wear and tear that would be normal for the term of this Lease or a casualty to the Premises and the provisions of Section 4.3 shall apply to such spill, deposit, emission, leakage, or other release.

ARTICLE 21 : MISCELLANEOUS

21.1 **Entire Agreement**. This instrument along with any exhibits, attachments and addenda hereto constitutes the entire agreement between Landlord and Tenant relative to the Premises and this Lease and the exhibits, attachments, and addenda may be altered, amended or revoked only by an instrument in writing signed by both Landlord and Tenant. All prior or contemporaneous oral agreements between and among Landlord and Tenant and their agents or representatives relative to the leasing of the Premises are merged in or revoked by this Lease.

21.2 **Severability**. If any term or provision of this Lease shall, to any extent, be determined by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Lease shall not be affected thereby, and each term and provision of this Lease shall be valid and enforceable to the fullest extent permitted by law.

21.3 **Costs of Suit**. If Tenant or Landlord shall bring any action for any relief against the other, declaratory or otherwise, arising out of this Lease, including any suit by Landlord for the recovery of rent or possession of any Premises or any part thereof, the losing party shall pay the successful party a reasonable sum for attorney's fees whether or not such action is prosecuted to judgment.

21.4 **Time and Remedies**. Time is of the essence of this Lease and every provision hereof. All rights and remedies of the parties shall be cumulative and nonexclusive of any other remedy at law or in equity.

21.5 **Binding Effect, Successors and Choice of Law**. All time provisions of this Lease are to be construed as both covenants and conditions as though the words importing such covenants and conditions were used in each separate Article of this Lease. Subject to any provisions restricting assignment by Tenant as set forth in Section 7.1, all of the terms hereof shall bind and inure to the benefit of the parties hereto and their respective successors and assigns. This Lease shall be governed by the laws of the State of Utah.

21.6 **Waiver**. No term, covenant or condition of this Lease shall be deemed waived, except by written consent of the party against whom the waiver is claimed, and any waiver of the breach of any term, covenant or condition shall not be deemed to be a waiver of any preceding or succeeding breach of the same or any other term, covenant or condition. Acceptance by Landlord of any performance by Tenant after the time the same shall have become due shall not constitute a waiver by Landlord of the breach or default of any term, covenant or condition unless otherwise expressly agreed to by Landlord in writing.

21.7 **Reasonable Consent**. Except as expressly limited elsewhere in this Lease, wherever in this Lease Landlord or Tenant is required to give consent or approval to any action on the part of the other, such consent or approval shall not be unreasonably withheld, conditioned or delayed. In the event of failure to give any such consent, the other party shall be entitled to specific performance at law and shall have such other remedies as are reserved to such party under this Lease.

21.8 **Notice**. Any notice required to be given under this Lease shall be given in writing and shall be delivered in person or by registered or certified mail, return receipt requested, postage prepaid, and addressed to the addresses for Landlord and Tenant set forth above. Either Landlord or Tenant may change the address at which such party desires to receive notice on written notice of such change to the other party. Any such notice shall be deemed to have been given, and shall be effective, on delivery to the notice address then applicable for the party to which the notice is directed; provided, however, that refusal to accept delivery of a notice or the inability to deliver a notice because of an address change which was not properly communicated shall not defeat or delay the giving of a notice.

21.9 **No Partnership**. Landlord does not, as a result of entering into this Lease, in any way or for any purpose become a partner of Tenant in the conduct of Tenant's business, or otherwise, or joint venturer or a member of a joint enterprise with Tenant.

21.10 **Estoppel Certificates; Financial Statements**. Tenant shall, from time to time and within twenty (20) days of written request from either Landlord or Landlord's Mortgagee, and without compensation or consideration execute and deliver a certificate setting forth the following: (a) a ratification of this Lease; (b) the Commencement Date and expiration date for each Premises; (c) that this Lease is in full force and effect and has not been assigned, modified, supplemented or amended (except by such writing as shall be stated): (d) that this Lease, as modified, supplemented or amended (if such is the case) constitutes the complete agreement between Landlord and Tenant with respect to all Premises and that Tenant does not hold an option to purchase any Premises or any interest therein, (e) that all conditions under this Lease to be performed by Landlord have been satisfied or, in the alternative, those claimed by Tenant to be unsatisfied; (f) that no defenses or offsets exist against the enforcement of this Lease by Landlord or, in the alternative, those claimed by Tenant to exist; (g) whether within the knowledge of Tenant there are any existing breaches or defaults by Landlord hereunder and, if so, stating the defaults with reasonable particularity; (h) the amount of advance Monthly Rent, if any (or none if such is the case), paid by Tenant for any or all of the Premises; (i) the date to which Monthly

Rent has been paid; and (j) such other information as Landlord or Landlord's Mortgagee may reasonably request. Landlord's Mortgagee and purchasers from either Landlord's Mortgagee or Landlord shall be entitled to rely on any estoppel certificate executed by Tenant.

21.11 **Number and Gender; Captions and References**. As the context of this Lease may require, pronouns shall include natural persons and legal entities of every kind and character, the singular number shall include the plural, and the neuter shall include the masculine and the feminine gender. Article headings in this Lease are for convenience of reference only and are not intended, to any extent and for any purpose, to limit or define any Article hereof. Whenever the terms "hereof," "hereby," "herein," "hereunder," or words of similar import are used in this Lease, they shall be construed as referring to this Lease in its entirety rather than to a particular Article or provision, unless the context specifically indicates to the contrary. Any reference to a particular "Article" shall be construed as referring to the indicated Article of this Lease.

21.12 **Brokers**. Tenant and Landlord each hereby warrants and represents to the other that it has not incurred or authorized any brokerage commission, finder's fees or similar payments in connection with this Lease. Each party shall defend, indemnify and hold the other harmless from and against any claim for brokerage commission, finder's fees or similar payment arising by virtue of the authorization of such indemnifying party, or any Affiliate of such party, in connection with this Lease.

21.13 **Authority**. Tenant warrants and represents to Landlord that (a) Tenant is a duly organized and existing legal entity, in good standing in the State of Utah, (b) Tenant has full right and authority to execute, deliver and perform this Lease, and (c) the person executing this Lease on behalf of Tenant was authorized to do so. Landlord warrants and represents to Tenant that (x) Landlord is a duly organized and existing legal entity, in good standing in the State of Utah, (y) Landlord has full right and authority to execute, deliver and perform this Lease, and (z) the person executing this Lease on behalf of Landlord was authorized to do so.

21.14 **Recording**. This Lease (including any addenda or exhibit hereto) shall not be recorded, but one or more notices or memoranda of this Lease, in form and substance reasonably satisfactory to Landlord and Tenant, shall be executed by Landlord and Tenant concurrently with the execution of this Lease, and may be recorded at Tenant's sole cost and expense.

21.15 **Multiple Counterparts; Exhibits.** This Lease may be executed in two or more counterparts, each of which shall be an original, but all of which shall constitute but one instrument. All, schedules, addenda and exhibits hereto are incorporated herein for any and all purposes.

21.16 **Miscellaneous**. No amendment to this Lease shall be binding on Landlord or Tenant unless reduced to writing and signed by both parties. Venue on any action arising out of this Lease shall be proper only in the District Court of Utah County, State of Utah. Landlord and Tenant waive trial by jury in any action, proceeding or counterclaim brought by either of them against the other on all matters arising out of this Lease or the use and occupancy of the Premises.

21.17 **Acknowledgment**. TENANT ACKNOWLEDGES THAT LANDLORD HAS MADE NO WARRANTIES TO TENANT AS TO THE CONDITION OF ANY PREMISES, EITHER EXPRESS OR IMPLIED, AND LANDLORD AND TENANT EXPRESSLY DISCLAIM ANY IMPLIED WARRANTY THAT ANY PREMISES ARE SUITABLE FOR TENANT'S INTENDED COMMERCIAL PURPOSE. THE TAKING OF POSSESSION OF EACH PREMISES BY TENANT SHALL CONCLUSIVELY ESTABLISH THAT SUCH PREMISES, THE TENANT IMPROVEMENTS THEREIN, ANY BUILDINGS AND THE COMMON AREAS WERE AT SUCH TIME COMPLETE AND IN GOOD, SANITARY AND SATISFACTORY CONDITION AND REPAIR WITH ALL WORK REQUIRED TO BE PERFORMED BY LANDLORD, IF ANY, COMPLETED AND WITHOUT ANY OBLIGATION ON LANDLORD'S PART TO MAKE ANY ALTERATIONS, UPGRADES OR IMPROVEMENTS THERETO.

21.18 **Force Majeure**. If either Landlord or Tenant is delayed or hindered in or prevented from the performance of any act required under this Lease by reason of acts of God, strikes, lockouts, other labor troubles, inability to procure labor or materials, fire, accident, failure of power, restrictive governmental laws, ordinances, regulations or requirements of general applicability, riots, civil commotion, insurrection, war or other reason not the fault of the party delayed, hindered or prevented and beyond the control of such party (financial inability excepted), performance of the action in question shall be excused for the period of delay and the period for the performance of such act shall be extended for a period equivalent to the period of such delay.

ARTICLE 22 : RENEWAL

Provided that no Event of Default has occurred and is then continuing beyond any applicable cure period, Tenant shall have the right and option (hereinafter individually a "Renewal Option" and collectively the "Renewal Options") to renew this Lease with respect to each (or any) of the Premises for the terms set forth on Schedule A (hereinafter individually a "Renewal Term" and collectively the "Renewal Terms") under the same terms, conditions and covenants contained in this Lease, except that (a) no abatements or other concessions, if any, applicable to the initial Lease term shall apply to any Renewal Term, (b) the Monthly Rent payable with respect to such Premises for each Lease Year of each Renewal Term (hereinafter the "Renewal Term Monthly Rent") shall be determined as set forth below, (c) Tenant shall have no option to renew this Lease beyond the expiration of the last Renewal Term specified herein, and (d) all leasehold improvements within the Premises shall be provided in their then-existing condition (on an "as is" basis) at the time each Renewal Term commences. Tenant shall be deemed to have exercised each Renewal Option unless Tenant gives Landlord written notice of Tenant's election not to exercise a Renewal Option at least 365 days prior to the date on which the term of the Lease would expire but for the exercise of such Renewal Option. Upon exercise of the Renewal Option with respect to any Premises for the applicable Renewal Term by Tenant and subject to the conditions set forth hereinabove, this Lease

shall be extended with respect to such Premises (only) for the period of such Renewal Term and Landlord and Tenant shall promptly enter into a written agreement modifying and supplementing this Lease in accordance with the provisions hereof. Any termination of this Lease during the initial Lease term or any Renewal Term with respect to any Premises shall terminate all remaining renewal rights hereunder with respect to such Premises. The renewal rights of Tenant hereunder shall not be severable from this Lease. The Renewal Term Monthly Rent shall be determined as follows:

(a) The Renewal Term Monthly Rent payable with respect to the first Lease year of a Renewal Term shall be one hundred two and five-tenths percent (102.5%) of the Monthly Rent payable each month during the Lease Year immediately preceding such Renewal Term; provided, however, that if the initial term with respect to the Premises concerned is five (5) years or more, Landlord or Tenant may each give the other written notice (hereinafter an "Election Notice"), within thirty (30) days of the date on which Tenant is deemed to have exercised the Renewal Option with respect to such Renewal Term, that the Renewal Term Monthly Rent will be determined in accordance with the following provisions of this ARTICLE 22, and if the initial term with respect to the Premises concerned is less than five (5) years, Landlord (but not Tenant) may, within thirty (30) days of the date on which Tenant is deemed to have exercised the Renewal Option with respect to such Renewal Term, give Tenant an Election Notice with respect to such Premises and the Renewal Term Monthly Rent will be determined in accordance with the following provisions of this ARTICLE 22; provided further, however, that neither Landlord nor Tenant shall have the right to give an Election Notice with respect to the first Renewal Term of this Lease with respect to the Premises identified on Schedule A as "NOC."

(b) The Renewal Term Monthly Rent payable with respect to each Lease Year of a Renewal Term other than the first Lease Year of such Renewal Term shall be one hundred two and five-tenths percent (102.5%) of the Renewal Term Monthly Rent payable each month during the immediately preceding Lease Year of such Renewal Term.

If an Election Notice is given with respect to a Renewal Term, the Renewal Term Monthly Rent for the first Lease Year of such Renewal Term shall be determined as set forth in the balance of this ARTICLE 22, and shall be (i) ninety-five percent (95%) of the Fair Market Rental Rate (as defined below) of the Premises concerned for any Premises with an initial Lease term of five (5) years or more, and (ii) seventy-five percent (75%) of the Fair Market Rental Rate of the Premises concerned for any Premises with an initial Lease term of less than five (5) years.

The term "Fair Market Rental Rate" shall mean, with respect to each Premises, the amount that a comparable landlord of comparable premises would accept in current transactions between non-Affiliated parties from renewal and non-equity tenants of comparable credit-worthiness and for a comparable use for a comparable period of time ("Comparable Transactions"). In any determination of Comparable Transactions, appropriate consideration shall be given to the annual rental rates, the extent of Tenant's liability under the Lease, abatement provisions reflecting free rent and/or no rent during the period of construction or subsequent to the commencement date as to the space in question, brokerage commissions, if any, which would be payable by Landlord in similar transactions, length of the lease term, size and location of premises being leased, building standard work letter and/or tenant improvement allowances, if any, and other generally applicable conditions of tenancy for such Comparable Transactions. The intent is that the Fair Market Rental Rate will reflect the same rent and other economic benefits that Landlord would otherwise give in Comparable Transactions and that Landlord will make, and receive the same economic payments and concessions that Landlord would otherwise make, and receive in Comparable Transactions.

The Fair Market Rental Rate shall be determined as follows:

1. Landlord and Tenant shall meet with each other no later than thirty (30) days after the date on which the Election Notice is given exchange sealed envelopes containing their respective proposals of the Fair Market Rental Rate and then open such envelopes in each other's presence. If such proposals are within ten percent (10%) of each other, the average of such proposals shall be the Fair Market Rental Rate. If such proposals are not within ten percent (10%) of each other, and if Landlord and Tenant do not mutually agree upon the Fair Market Rental Rate within ten (10) business days after the exchange and opening of envelopes, then, within twenty (20) business days of the exchange and opening of envelopes Landlord and Tenant shall agree upon and jointly appoint a single arbitrator who shall by profession be a real estate broker who shall have been active over at least the ten (10) year period ending on the date of such appointment in the leasing of comparable properties in the vicinity of the Premises. Neither Landlord nor Tenant shall consult with such broker as to his or her opinion as to Fair Market Rental Rate prior to the appointment. The determination of the arbitrator shall be limited solely to the issue of whether Landlord's or Tenant's submitted Fair Market Rental Rate for the Premises is the closer to the actual Fair Market Rental Rate for the Premises as determined by the arbitrator, taking into account the requirements of this ARTICLE 22. Such arbitrator may hold such hearings and require such briefs as the arbitrator, in his or her sole discretion, determines is necessary. In addition, Landlord or Tenant may submit to the arbitrator with a copy to the other party within five (5) business days after the appointment of the arbitrator any market data and additional information that such party deems relevant to the determination of Fair Market Rental Rate ("FMRR Data") and the other party may submit a reply in writing within five (5) business days after receipt of such FMRR Data.

2. The arbitrator shall, within thirty (30) days of his or her appointment, reach a decision as to whether the parties shall use Landlord's or Tenant's submitted Fair Market Rental Rate, and shall notify Landlord and Tenant of such determination.

3. The decision of the arbitrator shall be binding upon Landlord and Tenant.

4. If Landlord and Tenant fail to agree upon and appoint an arbitrator, then the appointment of the arbitrator shall be made by the Presiding Judge of a court of general jurisdiction having jurisdiction over the parties.

5. The cost of arbitration shall be paid by Landlord and Tenant equally.

LANDLORD AND TENANT have executed this Lease on the respective dates set forth below, to be effective as of the day and year first above written.

LANDLORD:

ASPEN COUNTRY, LLC,
by its Manager:

MAPLE HILLS INVESTMENTS, INC.

By /s/ Brooke B. Roney
Brooke B. Roney
Vice President

Date 1/16/2003

TENANT:

NU SKIN INTERNATIONAL, INC.

By /s/ M. Truman Hunt
M. Truman Hunt
Vice President

Date 1/16/2003

SCHEDULE A
to
MASTER LEASE
[Aspen Country, LLC]

PREMISES

The Premises, together with their respective Lease term and Monthly Rent are set forth below.

DISTRIBUTION CENTER

1. Commencement Date: July 1, 2001.

2. Expiration Date: June 30, 2011.

3. Term: Ten (10) years. ----

4. Renewal Terms: Two (2) ten (10) year terms.

5. Monthly Rent:

MONTHS	MONTHLY RENT
1-6	$ 70,165.42
7-18	$ 71,919.54
19-30	$ 73,717.43
31-42	$ 73,560.48

43-54	$ 77,449.50
55-66	$ 79,385.67
67-78	$ 81,370.37
79-90	$ 83,404.61
91-102	$ 85,489.76
103-114	$ 87,627.01
115-120	$ 89,817.56

6. Previously Completed Alterations: Tenant has previously installed certain conveyor systems, racking, flow pack systems and structural mezzanines designed specifically for the building (hereinafter “warehouse improvements”). Tenant shall not have the right to remove the warehouse improvements from the Premises without the consent of Landlord and upon the expiration or earlier termination of the Lease, all such warehouse improvements shall become the property of Landlord and shall be deemed to be part of the Premises.

7. Permitted Use. General office space, warehouse, packaging, retail store operations and related uses.

NOC

1. Commencement Date: July 1, 2001.

2. Expiration Date: June 30, 2006.

3. Term: Five (5) years.

4. Renewal Terms: Two (2) five (5) year terms.

5. Monthly Rent:

MONTHS	MONTHLY RENT
1-6	$ 8,121.67
7-18	$ 8,324.70
19-30	$ 8,532.82
31-42	$ 8,746.14
43-54	$ 8,964.80
55-60	$ 9,188.92

6. Permitted Use. General office, computer center, call center, laboratory (for research and development of vitamins, dietary supplements and cosmetic products) and related uses.

ANNEX “A”

1. Commencement Date: July 1, 2001.

2. Expiration Date: June 30, 2003.

3. Term: Two (2) years.

4. Renewal Terms: Two (2) two (2) year terms.

5. Monthly Rent:

MONTHS	MONTHLY RENT
1-6	$ 3,318.75
7-18	$ 3,401.73
19-24	$ 3,486.76

6. Option to Terminate Lease: Landlord and Tenant shall each have the right to terminate the Lease with respect to Annex "A" upon sixty (60) days' prior written notice to the other.

7. Permitted Use. General warehouse storage, fleet maintenance and related uses.

BARLOW LAND

1. Commencement Date: July 1, 2001.

2. Expiration Date: June 30, 2004.

3. Term: Three (3) years.

4. Renewal Terms: Two (2) two (2) year terms.

5. Monthly Rent:

MONTHS	MONTHLY RENT
1-6	$ 400.00
7-18	$ 410.00
19-30	$ 420.25
31-36	$ 430.76

6. Permitted Use. Vehicle parking.

PARKING LOT #1

1. Commencement Date: July 1, 2001.

2. Expiration Date: June 30, 2011.

3. Term: Ten (10) years.

4. Renewal Terms: Two (2) ten (10) year terms.

5. Monthly Rent:

MONTHS	MONTHLY RENT
1-6	$ 2,018.42
7-18	$ 2,068.88
19-30	$ 2,120.60
31-42	$ 2,173.61
43-54	$ 2,227.95
55-66	$ 2,283.65
67-78	$ 2,340.74
79-90	$ 2,399.26
91-102	$ 2,459.24
103-114	$ 2,520.73
115-120	$ 2,583.74

6. Permitted Use. Vehicle parking.

SUNDANCE CABIN

1. Commencement Date: July 1, 2001.

2. Expiration Date: June 30, 2006.

3. Term: Five (5) years.

4. Renewal Terms: Two (2) five (5) year terms.

5. Monthly Rent:

MONTHS	MONTHLY RENT
1-6	$ 4,000.00
7-18	$ 4,100.00
19-30	$ 4,202.50
31-42	$ 4,307.56
43-54	$ 4,415.25
55-60	$ 4,525.63

6. Permitted Use. Retreat and entertainment facility for employees, directors, guests and invitees of Tenant and their family members.

NU SKIN ENTERPRISES, INC.
SECOND AMENDED AND RESTATED 1996 STOCK INCENTIVE PLAN
MASTER
STOCK OPTION AGREEMENT

This Master Stock Option Agreement (the “Agreement”) is made effective as of August ___, 200_ (the “Effective Date”), to _____ _____ (the “Optionee”) under the Nu Skin Enterprises, Inc. Second Amended and Restated 1996 Stock Incentive Plan (the “Plan”) by Nu Skin Enterprises, Inc., a Delaware corporation (“Nu Skin Enterprises”), under authority of the Plan Committee (the “Committee”). Capitalized terms used herein without definition and defined in the Plan have the same meanings as provided in the Plan. For purposes of this Agreement, the term “Company” shall refer collectively to Nu Skin Enterprises and all of its Subsidiaries. The term “Key Employee Covenants” shall mean the Key Employee Covenants executed by the Optionee as they may be amended or replaced from time to time.

1. **MASTER AGREEMENT**. This Agreement is a Master Agreement and the terms of each stock option grant set forth in any Stock Option Schedule hereto shall be deemed to have been granted pursuant to this Agreement and shall be subject to any and all conditions and provisions set forth in this Agreement as it may be amended from time to time. Each Stock Option Schedule shall incorporate all of the terms and conditions of this Agreement and shall contain such other terms and conditions that the Committee shall establish for the grant of options covered by such Stock Option Schedule. In the event of a conflict between the language of this Agreement and any Stock Option Schedule, the language of the Stock Option Schedule shall prevail with respect to that Stock Option Schedule. In order to be effective, the Stock Option Schedule must be executed by a duly authorized executive officer of the Company. No signature of the Optionee shall be required, and the Optionee's acceptance of the Stock Option Schedule shall be deemed to be his or her acceptance of all the terms and conditions set forth therein. Optionee shall be deemed to have accepted the Stock Option Schedule (and all of the terms and conditions set forth therein) unless Optionee provides written notice of his or her rejection of the Stock Option Schedule and all of the Options granted thereunder within 20 days after receipt of the Stock Option Schedule.

2. **OPTION GRANTS**. Each Stock Option Schedule shall set forth the number of options (the "Options") that the Committee has granted to Optionee and the effective date of such grant. Such Options are granted as an incentive to work to increase the value of the Company for its stockholders. Each Option shall entitle the Optionee to purchase, on the terms and conditions of this Agreement, the respective Stock Option Schedule and the Plan, one fully paid and non-assessable share of Class A Common Stock, par value $ .001 per share (the "Class A Common Stock"), of Nu Skin Enterprises at the exercise price set forth in the relevant Stock Option Schedule. The Options are subject to all the terms and conditions of the Plan, the Stock Option Schedule and this Agreement.

3. **NATURE OF OPTION**. Each Stock Option Schedule shall designate whether the options granted thereunder are Nonqualifed Stock Options or Incentive Stock Options.

4. **TERMS AND EXERCISE PERIOD**.

(a) Options awarded under this Agreement may not be exercised at any time until such Options are vested as provided in Section 5 below.

(b) Except as otherwise provided in a Stock Option Schedule or this Agreement, the Options granted hereunder shall terminate on the earlier of (i) the tenth anniversary of the date of the grant of the options as set forth in the Stock Option Schedule, or (ii) the date such Options are fully exercised.

5. **VESTING**. Unless expressly provided otherwise in a Stock Option Schedule, Options granted hereunder shall vest according to the following schedule:

ANNUAL ANNIVERSARY OF EFFECTIVE DATE OF GRANT	VESTED PERCENTAGE
1	25%
2	50%
3	75%
4	100%

6. **TERMINATION OF SERVICE**.

(a) In the event the employment of the Optionee is terminated for any reason, all Options that are not vested at the time of termination of employment shall be terminated and forfeited immediately upon termination of employment.

(b) Subject to Section 7 below, in the event the employment of the Optionee is terminated for any reason other than the death or disability of the Optionee, then any Options granted hereunder that are vested but unexercised at the time of termination of employment shall terminate immediately upon the earliest to occur of the following: (i) the full exercise of the Options, (ii) the expiration of the Options by their terms, or (iii) 90 days following the date of termination of such employment of the Optionee.

(c) Subject to Section 7 below, in the event the employment of the Optionee is terminated as a result of death or disability prior to the termination of the Options, then any Options granted hereunder that are vested but unexercised at the time of death or disability shall terminate immediately upon the earliest to occur of the following: (i) the full exercise of the Options, (ii) the expiration of the Options by their terms, or (iii) one year following the date of death or disability of Optionee. The Options may be exercised, to the extent vested and unexercised at the time of death or disability, as the case may be, by the Optionee, the estate of the Optionee, or the person or persons to whom the Options may have been transferred by will or by the laws of descent and distribution for the period set forth in this Section 6(c).

7. **FORFEITURE**. If at any time during the term of the Options granted pursuant to this Agreement a Forfeiture Event (as defined below) shall occur or be discovered, then all outstanding Options shall immediately terminate in full. If at any time during the Optionee's employment or at any time following Optionee's termination of employment until the later of (i) the twelve-month anniversary of the date Optionee's employment is terminated for any reason, or (ii) the six-month anniversary of the date Optionee exercises Optionee's last remaining Options, a Forfeiture Event occurs, then the Optionee shall pay to the Company an amount equal to the "Option Gain" on any Options exercised during the twelve-month period preceding such Forfeiture Event and any Options exercised following such Forfeiture Event. For purposes hereof, "Option Gain" shall mean the Fair Market Value of a share of the Class A Common Stock on the date of exercise over the Option Price,

multiplied by the number of shares purchased upon exercise of the Options. "Forfeiture Event" means the following: (i) conduct related to the Optionee's employment for which either criminal or civil penalties may be sought, (ii) the commission of an act of fraud or intentional misrepresentation, (iii) embezzlement or misappropriation or conversion of assets or opportunities of the Company, (iv) any breach of the non-competition or non-solicitation provisions of the Key Employee Covenants, (v) disclosing or misusing any confidential or proprietary information of the Company in violation of the Key Employee Covenants, or any other non-disclosure agreement with the Company or other duty of confidentiality or the Company's insider trading policy, (vi)

any other material breach of the Key Employee Covenants, or (vii) any other actions of Optionee that the Committee determines in good faith are harmful to the interests of the Company. The Committee, in its sole discretion, may waive, at any time, in writing this forfeiture provision and release the Optionee from liability hereunder. In addition, the Committee may, in its sole discretion, elect to purchase any shares acquired upon exercise of the Option for the exercise price paid by the Optionee in lieu of enforcing payment of the Option Gain with respect to any shares which have not been sold or otherwise transferred by the Optionee.

8. **STOCK CERTIFICATES**. Within a reasonable time after the exercise of an Option and the satisfaction of the Optionee's obligations hereunder, the Company shall cause to be delivered to the person entitled thereto a certificate for the shares purchased pursuant to the exercise of such Option.

9. **TRANSFERABILITY OF OPTIONS**. This Agreement and the Options granted hereunder shall not be transferable otherwise than by will or by the laws of descent and distribution and shall be exercised, during the lifetime of the Optionee, only by the Optionee.

10. **EXERCISE OF OPTIONS**. Options shall become exercisable at such time, as may be provided herein and shall be exercisable by written notice of such exercise, in the form prescribed by the Committee, to the person designated by the Committee at the corporate offices of Nu Skin Enterprises. The notice shall specify the number of Options that are being exercised. The exercise price shall be payable on the exercise of the Options and shall be paid in cash, in shares of Class A Common Stock, including shares of Class A Common Stock acquired pursuant to the Plan, part in cash and part in shares, or such other manner as may be approved by the Committee consistent with the terms of the Plan as it may be amended from time to time. Shares of Class A Common Stock transferred in payment of the exercise price shall be valued as of the date of transfer based on the Fair Market Value of the Company's Class A Common Stock, which for purposes hereof shall be considered to be the average closing price of the Company's Class A Common Stock as reported on the New York Stock Exchange for the ten trading days just prior to the date of exercise. Only shares of the Company's Class A Common Stock which have been held for at least six months may be used to exercise the Option.

11. **NO RIGHTS AS SHAREHOLDER**. This Agreement shall not entitle the Optionee to any rights as a stockholder of the Company until the date of the issuance of a stock certificate to the Optionee for shares pursuant to the exercise of Options covered hereby.

12. **GOVERNING PLAN DOCUMENT.** This Agreement incorporates by reference all of the terms and conditions of the Plan as presently existing and as hereafter amended. The Optionee expressly acknowledges and agrees that the terms and provisions of this Agreement are subject in all respects to the provisions of the Plan. The Optionee also hereby expressly acknowledges, agrees and represents as follows:

(a) Acknowledges receipt of a copy of the Plan and represents that the Optionee is familiar with the provisions of the Plan, and that the Optionee enters into this Agreement subject to all of the provisions of the Plan.

(b) Recognizes that the Committee has been granted complete authority to administer the Plan in its sole discretion and agrees to accept all decisions related to the Plan and all interpretations of the Plan made by the Committee as final and conclusive upon the Optionee and upon all persons at any time claiming any interest through the Optionee in any Option granted hereunder.

(c) If Optionee is an executive officer, acknowledges and understands that the establishment of the Plan and the existence of this Agreement are not sufficient, in and of themselves, to exempt the Optionee from the requirements of Section 16(b) of the Exchange Act and any rules or regulations promulgated thereunder and that the Optionee (to the extent Section 16(b) applies to

Optionee) shall not be exempt from such requirements pursuant to Rule 16b-3 unless and until the Optionee shall comply with all applicable requirements of Rule 16b-3, including without limitation, the possible requirement that the Optionee must not sell or otherwise dispose of any share of Class A Common Stock acquired upon exercise of an Option unless and until a period of at least six months shall have elapsed between the date upon which such Option was granted to the Optionee and the date upon which the Optionee desires to sell or otherwise dispose of any share of Class A Common Stock acquired upon exercise of such Option.

(d) Acknowledges and understands that the Optionee's use of Class A Common Stock owned by the Optionee to pay the Option Price of an Option could have substantial adverse tax consequences to the Optionee and that the Company recommends the Optionee consult with a knowledgeable tax advisor before paying the Option Price of any Option with Class A Common Stock.

(e) Represents that Optionee has received and carefully read a copy of the Prospectus (as defined below) together with the Company's most recent Annual Report to Stockholders. Optionee hereby acknowledges that he or she is aware of the risks associated with the Options and that there can be no assurance the price of the Class A Common Stock will not decrease in the future or that the Options will ever have any value. Optionee hereby acknowledges no representations or statements have been made to Optionee concerning the value or potential value of the Class A Common Stock. Optionee acknowledges that Optionee has relied only on information contained in the Prospectus and that Optionee has received no representations, written or oral, from the Company or its employees, attorneys or agents, other than those contained in the Prospectus or this Agreement. The Prospectus means those materials bearing a legend that such materials constitute a prospectus under the Securities Act of 1933 and the documents incorporated by reference therein. Optionee acknowledges that the Company has made no representations concerning the tax and other effects of this Option and the exercise thereof, and Optionee represents that Optionee has consulted with Optionee's own tax and other advisors concerning the tax and other effects of the Option and the exercise thereof.

13. **REPRESENTATIONS AND WARRANTIES**. As a condition to the exercise of any Option granted pursuant to the Plan, the Company may require the person exercising such Option to make any representations and warranties to the Company that legal counsel to the Company may determine to be required or advisable under any applicable law or regulation, including without limitation, representations and

warranties that the shares of Class A Common Stock being acquired through the exercise of such Option are being acquired only for investment and without any present intention or view to sell or distribute any such shares.

14. **NO EMPLOYMENT OR SERVICE CONTRACT**. Nothing in this Agreement or in the Plan shall confer upon Optionee any right to continue in the employment or service of the Company for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company, which rights are hereby expressly reserved, to terminate Optionee's employment or service at any time for any reason, with or without cause except as may otherwise be provided pursuant to a separate written employment agreement.

15. **WITHHOLDING OF TAXES**. The Optionee authorizes the Company to withhold, in accordance with applicable laws and regulations, from any compensation or other payment payable to the Optionee, all federal, state and other taxes attributable to taxable income realized by the Optionee as a result of the grant or exercise of any Options. As a condition to the exercise of any Option, Optionee shall remit to the Company the amount of cash necessary to pay any withholding taxes associated therewith or make other arrangements acceptable to the Company, in the Company's sole discretion, for the payment of any withholding taxes.

16. **EFFECTIVE DATE OF GRANT**. Each Option granted pursuant to this Agreement shall be effective as of the date first written above.

17. **COMPLIANCE WITH LAW AND REGULATIONS.** The obligations of the Company hereunder are subject to all applicable federal and state laws and to the rules, regulations and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Class A Common Stock is then listed and any other government or regulatory agency.

18. **SECTION REFERENCES**. The references to Plan sections shall be to the sections as in existence on the date hereof unless an amendment to the Plan specifically provides otherwise.

19. **QUESTIONS**. All questions regarding this Agreement shall be addressed to M. Truman Hunt.

[Intentionally Left Blank]

IN WITNESS WHEREOF, these parties hereby execute this Agreement to be effective as of the Effective Date.

NU SKIN ENTERPRISES, INC., a Delaware corporation

By: /s/Steven J. Lund
Its: Steven J. Lund, President and CEO

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Optionee

_____

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Optionee's Address

Nu Skin Enterprises

Executive Incentive Plan

JULY 2001 (updated January 1, 2003)

Annual Incentive Plan

Nu Skin Enterprises, Inc. 2

Purpose

Nu Skin Enterprises, Inc. ("Nu Skin") believes that sound compensation programs are essential to the retention, attraction and motivation of personnel. The purpose of the Plan is to focus employees on excellent, sustained performance that leads to long-term growth, profitability and stability.

Objectives

The objectives of the Incentive Plan include:

- Focusing employees on the achievement of Nu Skin Enterprise business and strategic objectives;
- Enhancing operational efficiency and teamwork within each division and country and across divisions and countries;
- Increasing revenue and operating income; and
- Attracting, retaining and motivating employees by emphasizing "pay for performance" compensation programs that offer competitive total compensation (base salary + incentives) opportunities upon achievement of Nu Skin Enterprises' (NSE) financial and strategic objectives; and Division, Country, Department and Individual objectives.

Annual Incentive Plan

Nu Skin Enterprises, Inc. 3

Effective Plan Date, Duration and Performance Cycles

- **Effective Plan Date**

  The effective Plan date is January 1, 2003. The Plan is in effect until further notice and can be cancelled or changed by notification to plan participants prior to the start of any performance cycle.

- **Performance Cycles**

  The Plan has two six-month performance cycles. Each cycle is based on the specific results of each period. The six-month periods are January through June and July through December. Within each six-month period, the results of each quarter are calculated.

  » Employees are eligible to earn 25% of their potential semi-annual incentive award each fiscal quarter.

  » 50% of the semi-annual incentive is dependant on the combined results of both quarters.

Six-Month Period

50%

25% 25%

Quarter **Quarter**

Annual Incentive Plan

Nu Skin Enterprises, Inc. 4

» The quarter and six-month period results are based upon the Company's, Division's or Country's, departments, and individual performance during the quarters and the six-month period. and,

» The calculation is based upon the individual's base salary at the time of the payment.

- **Constant Currency Basis**

  The Operating Profit and Revenue targets will be set based on budgets and projections converted on a constant currency basis and the results for each fiscal quarter will be converted to constant currency amounts for use in computing performance bonuses.

  Constant Currency means using the same currency exchange rate used to translate the financial results for the corresponding period of the prior year, thus eliminating the impact of currency fluctuations. These amounts will be computed by the Nu Skin Enterprises' Finance Department.

Annual Incentive Plan

Nu Skin Enterprises, Inc. 5

Incentives and Participants

Incentive Plan Participants have target award opportunities designed to reward superiorNSE, Division, Country, Department and Individual performance and maintain externallycompetitive total cash compensation commensurate with NSE's performance:

- Participants' incentive awards will be based upon the areas of the Company in which they contribute and,
- Participants are assigned a target incentive award opportunity expressed as a percentage of their base salary. The following chart summarizes the percentages used to calculate the bonus for each executive group.

Incentives

Position	Total Target Incentive	NSE Profit Portion	NSE Revenue Portion	Division/ Region Revenue
Chairman & CEO	60%	60%	40%	0%
Senior Vice Presidents	60%	60%	40%	0%
President, Executive Committee Executive Vice Presidents	60%	60%	40%	0%
CFO, CIO, CAO, CLO	50%	60%	40%	0%
Division Presidents, Regional VPs, Country General Managers	50%	60%	10%	30%

Vice Presidents	30-40%	60%	40%	0%

Critical Success Factors (“CSF’s”)

- The Company will use operating profit and revenue as Critical Success Factors ("CSF's").
- The incentive bonus will be weighted 60% to operating profit and 40% to revenue.
- For corporate employees, NSE Revenue is the CSF. For USA employees, USA revenue is the CSF. For divisional employees, the relevant divisional global revenue is the CSF.

Work Area	Corporate Revenue	Region/Country/ Division Revenue	Corporate Operating Profit
USA		|X|	|X|
Region		|X|	|X|
Division		|X|	|X|
Corporate	|X|		|X|

Performance Thresholds

- ***Threshold*** levels represent the minimum acceptable performance levels required for incentive pay-out in each category.

  The Operating Profit threshold is 90%

  The Revenue threshold is 90%

  The Department Goals threshold is 80%

  The Individual Goals threshold is 80%

If the Operating Profit threshold is not met, no Revenue incentive will be paid. If Department objectives or Individual objectives are below the threshold level at the end of the Plan performance cycle, no incentive will be paid.

Targets

Target levels are established by NSE’s Executive Committee and essentially represent achievement of 100% of budgeted revenue and operating profit, adjusted for currency fluctuations.

- Outstanding levels represent performance levels that exceed the target objectives.
- At the Outstanding performance level, target cash incentives will be increased linearly.
- At achievement of 90% of the CSFs and achievement of “Pass” for Department and Individual Goals, one-half of

the cash incentive will be paid out. The pay-out amount is increased linearly up to full payment at 100% achievement of CSFs.

Department Targets

- Departments set objectives that align with CSFs and the priorities of NSE and the division/country they support.
- A Department must achieve 80% of its respective Goals to earn a “pass” (P) to be eligible for any payment under the incentive plan;
- A Department is defined as a cost- center or group of cost- centers as determined by the employee's vice president;
- The approved budget must account for 25% of Department Goals. If a Department exceeds their approved budget by 5% or more, the employees in the Department are not eligible for the incentive unless such overruns are approved in advance by the NSE Executive Committee.

Individual Targets

- Target incentive award levels are determined by the Individual’s level of job responsibility, reflecting that job’s ability to impact NSE’s financial performance, as well as competitive total compensation practices (base salary plus incentives) for comparable jobs within organizations similar in size and scope.
- Individual performance objectives for each participant are established prior to the start of the performance period. Some Individual objectives may stretch for the entire fiscal year. Performance levels for Individual objectives are negotiated with each manager.
- The cost center of the participant determines which CSFs relate to the participant’s incentive payout;
- A participant must achieve at least 80% of Individual Goals to earn a “pass” (P) to be eligible for any payment under the incentive plan; and
- A participant's job performance must be at least at "competent" level.

Incentive Award Pay-Out Guidelines and Eligibility

- Incentive awards, if earned, will be distributed to Plan participants at the end of each performance cycle;
- All participants must be on the payroll at the time of the payment;
- Participants must be actively employed (not on a leave-of-absence) a minimum of six weeks to participate in the plan. The award amount will be prorated based on the number of days actively employed during the bonus period;
- Participants will receive their awards, when earned, by separate check;
- Award payments shall be subject to any State and/or Federal tax withholdings; and
- Award payments will be made within 45 days of the close of each quarter or 6 month period.
- The actual incentive pay-out may be smaller or larger, depending on overall NSE, Country and Division performance results.

January 17, 2003

Mr. Truman Hunt
75 West Center Street
Provo, Utah 84601

Dear Truman:

It is with great pleasure that we offer you the position of President and Chief Executive Officer of Nu Skin Enterprises, Inc. The President/CEO reports to the Chairman of the Board of Directors.

This position is offered on the following terms:

1. Effective Dates. You would assume the title and responsibilities of the Company's President effective immediately. Your responsibilities and those retained by Mr. Lund will be determined between the two of you. Upon Mr. Lund's departure to serve a mission, currently anticipated to be June 2003, you will assume the additional title and responsibilities of the CEO.

2. Base Salary. Your annual base salary will be immediately increased to $425,000. Upon your assumption of CEO responsibilities, your annual base salary will be increased to $550,000. Your base salary will be evaluated annually by the Compensation Committee of the Board of Directors and will be subject to adjustments based on company performance, market conditions and any other relevant data.

3. Cash Bonus Plan. You will participate in the company's standard cash incentive plan, as may be amended time from to time, and you will be eligible to receive cash bonuses at the "60%-level" within that incentive plan.

4. Stock Award. You will receive a restricted stock award immediately of 250,000 shares. These shares will vest at a rate of 25% per calendar year, with the first 25% vesting on January 1, 2004, and on January 1 of each year thereafter. The company recognizes that, upon vesting, the tax consequences of the stock award will require that you sell shares of stock to cover tax liabilities associated with the award. Therefore, the shares subject to the award will be registered by the company.

In addition, in connection with the stock award, you shall be entitled to receive a cash payment upon the Company's payment of any cash dividends to shareholders generally in an amount equal to 250,000 times the amount of the cash dividends paid per share.

5. Stock Options. You will receive an immediate grant of 250,000 stock options at current fair market value. These stock options will vest 25% per calendar year, with the first 25% vesting on December 31, 2003.

In addition, beginning in 2004, you will participate in the company's standard stock option awards at a level to be determined annually by the Compensation Committee, but at a level not to be less than 50,000 shares of common stock per year, vesting ratably over a four-year period.

6. Change of Control. In the event of a change in voting control of the Company, the following shall occur:

   A. All outstanding stock awards and stock options shall be considered vested immediately prior to the announcement of any such transaction.

   B. If within 24 months of a change of control your employment is terminated involuntarily or you are asked to assume a lesser position with the company for any reason except for cause (as defined below), you shall be entitled to terminate your employment if you so choose and accept (i) a lump sum severance payment equal to three times your annual target compensation then in effect (base plus cash bonus at 60% of base), (ii) continuation of health insurance benefits for a period of 36 months following termination or until similar benefits are obtained through other employment, and (iii) tax protection to offset the impact of any excise tax imposed on the above termination benefits as a result of any applicable IRS or state regulations on excessive compensation payments. A request to relocate to an office with located at a distance greater than a radius of 60 miles from the Provo, Utah office, will constitute involuntary termination.

7. Other Benefits. You shall be eligible to participate in all of the benefit plans offered by the company to members of senior management at the highest level authorized the Compensation Committee for any member of management.

8. Termination. In the event your employment is terminated for any reason other than for cause, your resignation, death or disability, you shall be entitled to (i) a lump sum severance payment equal to two times your annual target compensation then in effect, and (ii) tax protection to offset the impact of any excise tax imposed on the above termination benefit as a result of any applicable IRS or state regulations on excessive compensation payments. In addition, you shall be allowed to exercise any vested stock options that have

vested as the date of your termination for a period of 1 year following termination of your employment.

   A. As used herein, "cause" shall mean (i) any act or omission that constitutes a material breach by you of your obligations as CEO and which breach is materially injurious to the Company, (ii) your willful and continued failure or refusal to substantially perform the duties required of you in you position with the Company, which failure is not cured within twenty (20) days following written notice of such failure, (iii) any willful violation by you of any material law or regulation applicable to the business of the Company or any of its subsidiaries or affiliates, or your conviction of, or a plea of nolo contendre to, a felony, or any willful perpetration by

you of a common law fraud, or (iv) any other willful misconduct by you that is materially injurious to the financial condition or business reputation of, or is otherwise materially injurious to, the Company or any of its subsidiaries or affiliates.

9. Key Employee Covenants. You shall continue to be subject to and bound by the Company's Key Employee Covenants that apply generally to members of senior management, including covenants of confidentiality, assignment of work product, and non-competition and non-solicitation.

Please confirm your willingness to accept the employment terms set forth above by signing and returning a copy of this letter. We look forward to a rich and rewarding professional relationship with you.

Very truly yours,

/s/ Steven J. Lund
Steven J. Lund
President and Chief Executive Officer

/s/ Blake M. Roney
Blake M. Roney
Chairman

Accepted this 17th day of January, 2003

/s/ Truman Hunt
Truman Hunt

May 30, 2002

Corey B. Lindley
Nu Skin International, Inc.
75 West Center Street
Provo, Utah 84601

Dear Corey,

LETTER OF UNDERSTANDING

I am pleased to confirm your international assignment with Nu Skin International Management Group, Inc. (NSIMG) effective August 8, 2002. You have already received the following documents relating to this assignment for your review.

< Expatriate Compensation Profile

< International Assignment Policy for Expatriates

< International Assignment Tax Equalization Policy

These documents represent NSIMG's financial commitment to you as well as other important policies related to your assignment. Additional terms and conditions of your international assignment are as follows:

1. Position

You will continue as an NSE Executive Vice President. You will be directly accountable to Steve Lund, CEO & President of NSE. Your primary responsibility will be to oversee the strategies, development and operations in China, as well as continuing in your role as an Executive Vice President.

2. Term

The assignment is for a period of two years, commencing on or about August 8, 2002. By mutual written agreement the terms of the agreement may be extended, shortened or otherwise modified. Upon satisfactory completion of your assignment the Company will use its best efforts to assign you to a position comparable to the position held immediately prior to the foreign assignment with the salary comparable to the salary earned prior to the foreign assignment.

3. Compensation

Your annual base salary will remain at its current level with no international service premium. Annual salary increases, if any, will be determined by the company. Your salary will be paid to you on a bi-weekly basis along with the various differentials and allowances, as indicated on the Expatriate Compensation Profile and subject to periodic review and adjustment according to company policy. Your incentives and level at which you receive those incentives will remain the same as stated in the Cash Incentive Plan.

4. Housing

The company will allow flexibility in the amount of the housing allowance to assist in identifying a home that will be adequate for your family. In addition an employee housing contribution will not be deducted from your bi-weekly pay during your term of service.

5. Location

Your residence and office shall be located in or near Shanghai and your work assignment area shall consist of China, for the China portion of your work.

6. Passport/Visa/Work Permit

The Human Resources Department and the Company's Travel Administrator at extension 3939 will assist you in obtaining these necessary documents at your earliest opportunity.

7. Travel and Auto

Advance fare, economy class air travel on the most direct routing is authorized for expatriation, home leave, emergency leave and repatriation for you and your dependents. Schedule flights through the Company's Travel Administrator at extension 3939. You and your family are also authorized for one additional home leave or trip authorization per year with the first such trip taken approximately six months from the begginng of the assignment. The cost of the economy class air travel for the additional annual trip should not exceed $1,500 per ticket.

In place of the transportation allowance the company will provide transportation for you and your family at the assignment location. The

company will also provide storage for your two vehicles during the two year assignment.

8. Tax

NSIMG's policy with respect to tax reimbursement is based on tax equalization. NSIMG expects its employees to comply fully with all applicable tax laws in both the home and host countries. With tax equalization, you will pay roughly the same amount in taxes that you would have paid had you remained in your home country under similar circumstances. PriceWaterhouseCoopers, a international accounting firm, will assist you in filing your foreign and U.S. tax returns as outlined in the International Assignment Tax Equalization Policy.

9. Resignation/Termination

Either party may terminate this agreement with four (4) weeks written notice. See the International Assignment Policy for Expatriates for further details regarding other terms related to resignation/termination.

Please review the contents of this letter of understanding carefully since it represents essential terms of your international assignment. If the terms of this letter are agreeable to you, please sign the original copy and return it to me. Should there be any questions pertaining to any element of this letter, I or a member of my staff are ready to assist in answering them.

Sincerely,

/s/ Steven J. Lund
Steven J. Lund
President & CEO Nu Skin Enterprises
Date: 5/30/2002

ACCEPTED: /s/ Corey B. Lindley
Corey B. Lindley
NSE Executive Vice President
Date: 5/30/02

EXHIBIT 21

Subsidiaries of Registrant

Nu Family Benefits Insurance Brokerage, Inc., a Utah corporation

Nu Skin Asia Investment, Inc., a Delaware corporation

Nu Skin Enterprises Australia, Inc., a Utah corporation

Nu Skin Belgium, NV, a Belgium corporation

Big Planet, Inc., a Delaware corporation

Nu Skin Brazil, Ltda., a Brazilian corporation

Nu Skin Canada, Inc., a Utah corporation

Cedar Meadows LLC, a Utah limited liability company

Cygnus Resources, Inc., a Delaware corporation

NSE Domain, Ltd., a Cayman Island corporation

Nu Skin Domain, Ltd., a Cayman Island corporation

Nu Skin Enterprises Singapore Pte. Ltd., a Singapore corporation

Nu Skin Europe, Inc., a Delaware corporation

First Harvest International, LLC, a Utah limited liability company

Nu Skin France, SARL, a French corporation

Nu Skin (FCS), Inc., a Barbados corporation

Nu Skin Germany, GmbH, a German corporation

Nu Skin Guatemala, Inc., a Guatemalan corporation

Nu Skin Enterprises Hong Kong, Inc., a Delaware corporation

Nu Skin International Management Group, Inc., a Utah corporation

Nu Skin Italy, Srl, an Italian corporation

Nu Skin Japan Company Limited, a Japanese corporation

Nu Skin Japan, Ltd., a Japanese corporation

NSE Korea Ltd., a Delaware corporation

NSE Korea, Ltd., a Korean corporation

Nu Skin Malaysia Holdings Sdn. Bhd., a Malaysian corporation

Nu Skin (Malaysia) Sdn. Bhd., a Malaysian corporation

Nu Skin Mexico, S.A. de C.V., a Mexico corporation

Nu Skin Netherlands, B.V., a Netherlands corporation

Nu Skin Enterprises New Zealand, Inc., a Utah corporation

Niksun Acquisition Corporation, a Delaware corporation

Nutriscan, Inc., a Utah corporation

Pharmanex, LLC, a Delaware limited liability company

Pharmanex Domain, Ltd., a Cayman Island corporation

Nu Skin Philippines, Inc., a Delaware corporation with a Philippines branch

Nu Skin Enterprises Poland Sp. z.o.o., a Polish corporation

Nu Skin Poland Sp. z.o.o., a Polish corporation

Nu Skin Scandinavia A.S., a Denmark corporation

Shanghai Nu Skin Daily-Use and Health Products Co., Ltd., Chinese company

Nu Skin Spain, S.L., a Spain corporation

Nu Skin Taiwan, Inc., a Utah corporation

Nu Skin Personal Care (Thailand), Ltd., a Delaware corporation

Nu Skin Personal Care (Thailand), Ltd., a Thailand corporation

South Fork, a Delaware corporation

Nu Skin U.K., Ltd., a United Kingdom corporation

Nu Skin United States, Inc., a Delaware corporation

Zhejiang Cinogen Pharmaceutical Co., Ltd., a Chinese corporation

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Beneficial Life Tower
36 South State Street Suite 1700
Salt Lake City UT 84111
Telephone: (801) 531-9666
Facsimilie: (801) 363-7371

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 (No. 333-12073) and in the Registration Statements on Form S-8 (Nos. 333-48611, 333-68407, 333-95033, and 333-102327) of Nu Skin Enterprises, Inc. of our report dated February 3, 2003 relating to the financial statements, which appears in this Annual Report on Form 10-K.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Salt Lake City, Utah
March 3, 2003

EXHIBIT 99.1

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

In connection with the Annual Report of Nu Skin Enterprises, Inc. (the "Company") on Form 10-K for the period ended December 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven J. Lund, 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:

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.

/s/ Steven J. Lund
Steven J. Lund
Chief Executive Officer
March 4, 2003

EXHIBIT 99.2

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

In connection with the Annual Report of Nu Skin Enterprises, Inc. (the "Company") on Form 10-K for the period ended December 31, 2002 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:

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.

/s/ Ritch N. Wood
Ritch N. Wood
Chief Financial Officer
March 4, 2003