UNITED DOMINION REALTY TRUST INC
Form 8-K
March 05, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **March 5, 2007**

UNITED DOMINION REALTY TRUST, INC.

(Exact name of registrant as specified in its charter)

Maryland	**1-10524**	**54-0857512**
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

1745 Shea Center Drive, Suite 200, Highlands Ranch, Colorado 80129

(Address of principal executive offices)(Zip Code)

Registrant s telephone number, including area code: **(720) 283-6120**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 7.01. Regulation FD Disclosure.

The information included as Exhibit 99.1 to this report will be made available to investors beginning March 5, 2007.

ITEM 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.		**Description**
99.1		Presentation Materials

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Signatures

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

	UNITED DOMINION REALTY TRUST, INC.
Date: March 5, 2007	/s/ David L. Messenger David L. Messenger Senior Vice President and Chief Accounting Officer

EXHIBIT INDEX

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99.1		Presentation Materials

y due to revenue growth coupled with controlled expenses as a result of our transformation efforts over the last several years. First quarter 2009 earnings per share were negatively impacted by $9.4 million (or $0.09 per share) in planned restructuring charges, primarily related to transformation efforts to streamline our operations in Japan.

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Revenue

North Asia. The following table sets forth revenue for the three-month period ended March 31, 2010 and 2009 for the North Asia region and its principal markets (U.S. dollars in millions):

	2009	2010	Change
Japan	$ 109.9	$ 108.7	(1%)
South Korea	29.9	62.2	108%
North Asia total	$ 139.8	$ 170.9	22%

Revenue in the region for the three-month period ended March 31, 2010 was positively impacted approximately 11% by foreign currency exchange rate fluctuations, due to the strengthening of both the Japanese yen and the South Korean won.

Local-currency revenue in Japan declined 4% for the three-month period ended March 31, 2010, compared to the same period in 2009, reflecting continued weakness in our distributor numbers with our active and executive distributor counts decreasing 9% and 6%, respectively. The decrease in distributor numbers was partially offset by increased distributor productivity and a positive response to our *ageLOC Future Serum*, which we introduced in Japan during the fourth quarter of 2009 and launched in the first quarter of 2010.

South Korea experienced local-currency revenue growth of 67% compared to the same period in 2009. This growth was driven by the January 2010 limited-time offering of our *ageLOC Transformation* skin care system in South Korea, which generated strong sales and robust sponsoring activity. The *ageLOC Transformation* skin care system became generally available again in April 2010; however, we do not expect sales to continue at the level experienced during the initial limited-time offering. The number of active and executive distributors in South Korea increased 21% and 37%, respectively, compared to the prior-year period.

Americas. The following table sets forth revenue for the three-month periods ended March 31, 2010 and 2009 for the Americas region and its principal markets (U.S. dollars in millions):

	2009	2010	Change
United States	$ 49.2	$ 53.0	8%
Canada	4.6	6.0	30%
Latin America	4.6	3.4	(26%)
Americas total	$ 58.4	$ 62.4	7%

Revenue in the United States for the three-month period ended March 31, 2010 increased by 8% compared to the prior-year period, driven primarily by the continued strength of our new products including our *ageLOC Transformation* skin care system and *ageLOC Edition Galvanic Spa System II*. Active distributors in the United States decreased 3% and executive distributors increased 11% in the first quarter of 2010 compared to the same prior-year period.

On a local-currency basis, revenue in Canada increased 8%, with strong sales of our *ageLOC Transformation* skin care system and *ageLOC Edition Galvanic Spa System II*. Local-currency revenue in Latin America decreased by 23% compared to the prior-year period. This decrease was due to the decline of our business in Venezuela, as a result of the difficult political and business environment in that market.

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Greater China. The following table sets forth revenue for the three-month periods ended March 31, 2010 and 2009 for the Greater China region and its principal markets (U.S. dollars in millions):

	2009	2010	Change
Taiwan	$ 19.3	$ 24.1	25%
Mainland China	16.5	20.4	24%
Hong Kong	11.7	13.2	13%
Greater China total	$ 47.5	$ 57.7	22%

Foreign currency exchange rate fluctuations positively impacted revenue by approximately 3% in this region during the first quarter of 2010.

On a local-currency basis, revenue in Mainland China increased 24% in the three-month period ended March 31, 2010, compared to the same period in 2009. This growth is due in part to increased sales force activity and excitement following the launch of our *ageLOC Edition Galvanic Spa System II* in January 2010, as reflected by a 15% increase in preferred customers and 28% increase in sales representatives, compared to the prior-year period.

Local-currency revenue in Taiwan was up 17%, and local-currency revenue in Hong Kong was up 12% on a year-over-year basis in the three-month period ended March 31, 2010, compared to the same prior-year period, due largely to anticipation regarding the general launch of our *ageLOC Transformation* skin care system at the Greater China Regional Convention held in May. First quarter executive distributors in Taiwan were up 16% and active distributors were up 11% when compared to the prior year period, while executive distributors in Hong Kong were up 11% and the active distributors in Hong Kong were down 2%.

Europe. The following table sets forth revenue for the three-month periods ended March 31, 2010 and 2009 for the Europe region (U.S. dollars in millions):

	2009	2010	Change
Europe	$ 26.7	$ 37.8	42%

We continued to experience strong growth throughout our European markets. Growth in this region was driven by strong sales force leadership and sustained interest in our *ageLOC Transformation* skin care system, *ageLOC Edition Galvanic Spa System II* and *LifePak* nutrition supplements. Regional results were positively impacted 11% by foreign currency fluctuations.

South Asia/Pacific. The following table sets forth revenue for the three-month periods ended March 31, 2010 and 2009 for the South Asia/Pacific region and its principal markets (U.S. dollars in millions):

	2009	2010	Change
Singapore/Malaysia/Brunei	$ 9.4	$ 13.6	45%
Thailand	8.0	12.0	50%
Australia/New Zealand	2.7	4.5	67%
Indonesia	2.0	3.0	50%
Philippines	1.7	2.2	29%
South Asia/Pacific total	$ 23.8	$ 35.3	48%

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Constant currency growth of 32% in this region was driven primarily by steady sales of our *Galvanic Spa System II* and our *TRA* weight loss products, as well as a positive response to a limited-time offering of our *ageLOC Transformation* skin care system in Thailand. Foreign currency exchange rate fluctuations positively impacted revenue in South Asia/Pacific by 16% in the first quarter of 2010 compared to the same prior-year period.

Gross profit

Gross profit as a percentage of revenue was 82.2% for the first quarter of 2010 and was 81.8% for the first quarter of 2009. The year-over-year improvement reflects strong sales of our higher margin ageLOC products, and foreign currency benefits during the first quarter of 2010.

Selling expenses

Selling expenses as a percentage of revenue increased to 42.4% for the first quarter of 2010 from 42.0% for the same period in 2009, bringing our selling expenses back in line with historical averages. This increase was largely due to higher commissions paid out on increased productivity of our sales leaders in connection with new product launches and other promotions.

As part of our compensation plan improvements, we increased our focus on distributor recognition. Accordingly, the costs of certain incentive trips and other rewards earned by distributors, previously recorded as general and administrative expenses, have been reclassified as selling expenses. In order to provide a meaningful comparison, we have made this reclassification for both the current and prior periods.

General and administrative expenses

General and administrative expenses increased to $98.9 million for the first quarter of 2010 from $88.4 million for the same period in 2009. As a percentage of revenue, general and administrative expenses decreased to 27.2% for the first quarter of 2010 from 29.8% for the same period in 2009. This improvement was largely due to increased revenue coupled with controlled expenses as a result of our transformation efforts over the last several years.

Restructuring charges

During the first quarter of 2009, we recorded restructuring charges of $9.4 million primarily related to restructuring in our Japan operations, including an approximately 30% headcount reduction as well as facility relocations and closures. These charges included $6.8 million related to severance payments to terminated employees and $2.6 million related to facility relocation or closing costs.

Other income (expense), net

Other income (expense), net for the first quarter of 2010 was $0.6 million of income compared to $1.2 million of expense for the same period in 2009, reflecting foreign currency translation gains, offset by net interest expense.

Provision for income taxes

Provision for income taxes for the first quarter of 2010 was $15.7 million compared to $7.1 million for the same period in 2009. The effective tax rate was 33.6% of pre-tax income during the first quarter of 2010, compared to a rate of 37.4% in the same prior-year period. The effective tax rate for the first quarter of 2010 was lower than our historical average due to

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reductions of reserves related to uncertain tax positions as a result of expiring statutes of limitations. We expect our effective tax rate for the second quarter of 2010 to increase in line with our historical average.

Net income

As a result of the foregoing factors, net income for the first quarter of 2010 increased to $31.0 million from $11.8 million for the same period in 2009.

Results for the year ended December 31, 2009 compared to results for the year ended December 31, 2008 and results for the year ended December 31, 2007

2009 Compared to 2008

Overview

Revenue in 2009 increased 6% to $1.33 billion from $1.25 billion in 2008. The introduction of our *ageLOC Transformation* skin care system at our global distributor convention held in Los Angeles during the fourth quarter contributed to a boost to revenue during this period. Foreign currency exchange fluctuations did not materially impact on revenue in 2009 compared to 2008. Revenue in 2009 was positively impacted by growth in all of our regions, driven largely by strong sales of our personal care products, including the *Galvanic Spa System II* with *ageLOC Galvanic Spa Gels* and our new *ageLOC Transformation* skin care system, as well as successful promotions of other key products. Despite improving trends in Japan, we continued to see declines in our local currency revenue in that market.

Earnings per share in 2009 increased to $1.40 compared to $1.02 in 2008 on a diluted basis. The increase in earnings is largely the result of increased revenue, as discussed above, and transformation initiatives we have executed over the last several years to transform and align our business and operate more efficiently. Earnings per share in 2009 and 2008 were also impacted by:

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

- restructuring charges in 2009 totaling $6.8 million (net of taxes of $3.9 million), or $.11 per share, relating to further transformation initiatives to reduce overhead, primarily in Japan.

Revenue

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

	2008	2009	Change
Japan	$ 443.7	$ 461.9	4%
South Korea	150.8	144.2	(4%)
North Asia total	$ 594.5	$ 606.1	2%

Foreign currency fluctuations positively impacted revenue by 3% in this region compared to the prior-year period. Currency fluctuations positively impacted revenue in Japan by 10% and negatively impacted revenue in South Korea by 16% in 2009. Our active and executive distributor counts decreased 10% and 5%, respectively, in Japan in 2009 compared to 2008. In South Korea, our active and executive distributor counts increased 18% and 20%, respectively, comparing 2009 to 2008.

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Local currency revenue in Japan declined 6% in 2009 compared to 2008. We continue to experience some weakness in this challenging market, as evidenced by the declines in both our active and executive distributors. The direct selling environment in Japan continues to be very difficult as the industry has been in a decline for several years. Most direct selling companies were seeing their businesses contract in this market. Increased regulatory and media scrutiny of the industry continues to negatively impact the industry and our business. As a result of this increased scrutiny, we continue to focus on distributor compliance and have also been more cautious in both our corporate and our distributors marketing activities. Despite these challenges, we have experienced an improving trend in revenue comparisons for the last few quarters due largely to the implementation of distributor initiatives that have been successful in other markets as well as strong product promotions in the last-half of 2009. The product promotions and distributor enthusiasm surrounding the launch of our *ageLOC Transformation Future Serum* and new *ageLOC Edition Galvanic Spa* in the fourth quarter in particular contributed to stronger fourth quarter revenue. Local currency revenue in Japan decreased 1% year-over-year in the fourth quarter. Although we are encouraged by these trend improvements in our Japan market, we believe that we may continue to see modest local currency revenue declines during 2010 based on continued weakness in distributor numbers, the promotional nature of some of the revenue generated in connection with the launch of our ageLOC products, and our anticipation that difficult regulatory conditions will continue throughout 2010.

South Korea posted strong year-over-year local currency revenue growth of 12%. This growth was fueled by strong distributor alignment behind our product and distributor initiatives, maintaining a vibrant sponsoring environment for our distributors and spurring significant growth in our active and executive distributors. This revenue growth was more than offset by a weakening of the South Korean won during 2009. As the South Korean won continues to fluctuate, it may positively or negatively impact our results. We launched our *ageLOC Transformation* skincare system in South Korea during the first quarter of 2010, and believe this product will have a positive impact on revenue in 2010.

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

	2008	2009	Change
United States	$ 192.1	$ 218.6	14%
Canada	16.2	23.5	45%
Latin America	15.6	18.8	21%
Americas total	$ 223.9	$ 260.9	17%

In 2009, we continued to experience strong growth in the United States, driven particularly by our highly demonstrable personal care products, including our *Galvanic Spa System II* with *ageLOC Galvanic Spa Gels* and our new *ageLOC Transformation* skin care system and *ageLOC Edition Galvanic Spa System II.* Revenue in 2009 was positively impacted by approximately $11.0 million as a result of product sales and convention fee revenue from foreign distributors attending our biannual global convention in Los Angeles. Active distributors in the United States decreased 3% and executive distributors increased 12% compared to the prior-year period.

Revenue increased by 45% in Canada and by 21% in Latin America in 2009 compared to 2008, respectively. Revenue continued to be driven primarily by the success of our *Galvanic Spa System II* and *ageLOC Galvanic Spa Gels* in these markets. Our growth in Latin America is also attributed to our expansion into Colombia during the second quarter of 2009.

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

	2008	2009	Change
Taiwan	$ 92.3	$ 91.7	1%
China	65.3	71.1	9%
Hong Kong	52.4	47.6	(9%)
Greater China total	$ 210.0	$ 210.4	

Foreign currency exchange rate fluctuations positively impacted revenue in the Greater China region by 1% in 2009. Local currency revenue in Taiwan was up 4% in 2009 compared to 2008. The executive distributor count in Taiwan was up 9% compared to the prior-year period, while the number of active distributors was up 12% when compared to the prior-year period. In Taiwan, due to regulatory restrictions, we continue to be unable to market the *Galvanic Spa System II*, which has been a primary growth initiative in our other markets.

On a local currency basis, revenue in Mainland China increased 7% in 2009 compared to 2008. Mainland China reported a 27% decline in our preferred customers compared to the prior-year period and a 9% increase in the number of sales representatives. The year-over-year increase in revenue in Mainland China was the result of strong sales of the *Galvanic Spa System II*, which we fully launched in the first quarter of 2009, successful sales initiatives and the adoption of our revised business model. We continue to focus our efforts on managing our sales force to ensure compliance with our policies and local regulations in this market.

Hong Kong local currency revenue was down 9% in 2009 compared to 2008 primarily as a result of a reduction in sales of products to sales employees in Mainland China who had been purchasing products in 2008 from Hong Kong that were not available in Mainland China such as our *Galvanic Spa System II*. Executive distributors in Hong Kong were up 15% and the active distributors in Hong Kong were down 4% compared to 2008.

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

	2008	2009	Change
Europe	$ 111.6	$ 133.6	20%

Foreign currency exchange rate fluctuations negatively impacted revenue in Europe by 6% in 2009 compared to the prior year. On a local currency basis, revenue in Europe grew by 26% in 2009 compared to 2008. The strong growth in Europe was driven by strong sales force leadership and sustained interest in our *Galvanic Spa System II* and our products supported by the *Pharmanex BioPhotonic Scanner*, particularly in Eastern Europe where we have recently expanded our business, as well as growth in Russia and South Africa. We also began initial marketing activities in Turkey during the second quarter of 2009. Our active and executive distributor counts in our Europe region increased by 12% and 16%, respectively, in 2009 compared to 2008.

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

	2008	2009	Change
Singapore/Malaysia/Brunei	$ 43.8	$ 49.2	12%
Thailand	34.6	38.8	12%
Australia/New Zealand	13.3	14.2	7%
Indonesia	8.9	10.7	20%
Philippines	7.0	7.2	3%
South Asia/Pacific total	$ 107.6	$ 120.1	12%

Foreign currency exchange rate fluctuations negatively impacted revenue in South Asia/Pacific by 5% in 2009 compared to the same prior-year period. All of the markets in this region experienced growth. The growth was driven largely by continued strong sales of our *TRA* family of weight loss products and our *Galvanic Spa System II*, as well as successful distributor leadership initiatives. We also successfully launched enhancements to our sales compensation plan in these markets, which we believe helped contribute to increased distributor productivity. Executive distributors in the region increased 16% while active distributors increased 9% compared to the prior year.

Gross profit

Gross profit as a percentage of revenue in 2009 remained level with 2008 at 81.7%. We anticipate that our gross profit as a percentage of revenue will increase slightly in 2010, based on improved margins on our ageLOC products and efforts to reduce other costs in our supply chain, including freight costs.

Selling expenses

Selling expenses decreased as a percentage of revenue to 41.4% in 2009 from 42.4% in 2008. The decrease as a percentage of revenue was due primarily to modifications to our compensation plan to improve the alignment of our compensation plan incentives around more productive distributor activity. In 2010, we plan to begin including the costs of incentive trips and other rewards earned by distributors in the selling expense category, which we expect will result in these expenses increasing slightly as a percentage of revenue in 2010. Previously, these expenses were recorded in general and administrative expenses.

General and administrative expenses

General and administrative expenses decreased as a percentage of revenue to 28.4% in 2009 from 29.2% in 2008, primarily as a result of increased revenue and our transformation to better leverage our overhead costs as we grow our revenue. General and administrative expenses were also positively impacted by our transformation efforts to reduce our overhead and general and administration expenses in Japan.

Restructuring charges

During 2009, we recorded restructuring charges of $10.7 million primarily related to transformation efforts in Japan designed to improve operational efficiencies and align organizationally in Japan with how we are organized globally in our other markets.

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Other income (expense), net

Other income (expense), net was $6.6 million of expense in 2009 compared to $24.8 million of expense in 2008. Of this 2008 amount, approximately $18.4 million relates to foreign currency transaction losses related to our yen-denominated debt as the Japanese yen strengthened from 111.45 at December 31, 2007 to 90.73 at December 31, 2008. Because it is impossible to predict foreign currency fluctuations, we cannot estimate the degree to which our other income expense will be impacted in the future. Other income (expense), net also includes approximately $6.9 million and $7.8 million in interest expense during 2009 and 2008, respectively.

Provision for income taxes

Provision for income taxes increased to $51.3 million in 2009 from $35.3 million in 2008. The effective tax rate increased to 36.3% in 2009 from 35.1% of pre-tax income in 2008. The higher income tax rate was due to a reduced benefit relating to the expiration of the statute of limitations in 2009 compared to 2008.

Net income

As a result of the foregoing factors, net income increased to $89.8 million in 2009 from $65.3 million in 2008.

2008 Compared to 2007

Overview

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

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

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

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

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

Revenue

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

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

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

Local currency revenue in Japan declined 12% in 2008 compared to 2007. Weakness in our distributor numbers in this market as evidenced by the declines in both active and executive distributors contributed to this decline as well as the regulatory and industry challenges discussed above. In response to this regulatory environment and, as a result of increases in the number of complaints to consumer centers regarding the activities of some of our distributors, we increased our focus on distributor compliance and training. Some of the actions we took to address activities of distributor groups that were having higher levels of complaints contributed to the declines in our revenue. We also engaged in less aggressive product promotions in 2008 than we had in 2007.

South Korea posted strong year-over-year local currency revenue growth of 24%. This growth was fueled by strong growth in our active and executive distributors and successful product launches.

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

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

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

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

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

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

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

In the fourth quarter of 2008, we introduced the *Galvanic Spa System II* to a limited number of sales leaders in Mainland China. The launch generated excitement among our sales force and helped to improve our revenue trend, with revenue declining only 1% in the fourth quarter.

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

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

	2007	2008	Change
Europe	$ 77.2	$ 111.6	45%

Foreign currency exchange rate fluctuations positively impacted revenue in Europe by 9% in 2008 compared to the prior year. On a local currency basis, revenue in Europe grew by 36% in 2008 compared to 2007. The strong growth in Europe was primarily a result of distributor enthusiasm and strong interest in our *Galvanic Spa System II* and personal care business, as well as strong

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growth in our newer Eastern European markets. We believe that strong alignment of distributor leaders behind our key initiatives, including the *Galvanic Spa System II*, has helped contribute to the distributor excitement and revenue growth. In 2008, we also expanded our operations into the Czech Republic and South Africa. Our active and executive distributor counts increased by 43% and 49%, respectively, in 2008 compared to 2007.

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

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

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

Gross profit

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

Selling expenses

Selling expenses decreased as a percentage of revenue to 42.4% in 2008 from 42.9% in 2007. The slight decrease as a percentage of revenue was due primarily to modifications to our compensation plan as discussed above.

General and administrative expenses

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

Restructuring charges

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

Other income (expense), net

Other income (expense), net was $24.8 million of expense in 2008 compared to $2.4 million of expense in 2007. Of this amount, approximately $18.4 million relates to foreign currency transaction losses related to our yen-denominated debt as the Japanese yen strengthened from 111.45 at December 31, 2007 to 90.73 at December 31, 2008. In addition, we recorded foreign currency transaction losses with respect to our intercompany receivables and payables with certain of our international affiliates, including markets that are newly opened or have remained in a loss position since inception. Generally, foreign currency transaction losses with these affiliates would be offset by gains related to the foreign currency transactions of our yen-based bank debt. However, during 2008, the Japanese yen strengthened against the U.S. dollar while most foreign currencies weakened against the U.S. dollar. Other income (expense), net also includes approximately $7.8 million in interest expense during 2008.

Provision for income taxes

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

Net income

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

Liquidity and capital resources

This discussion of our liquidity and capital resources at March 31, 2010 is derived from our Quarterly Report on Form 10-Q for the quarter ended March 31, 2010. For a discussion of our liquidity and capital resources as of December 31, 2009, see Management s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report of Form 10-K for the fiscal year ended December 31, 2009, incorporated by reference in this document.

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

We typically generate positive cash flow from operations due to favorable gross margins and the variable nature of selling expenses, which constitute a significant percentage of operating expenses. We generated $39.0 million in cash from operations during the three-month period ended March 31, 2010, compared to $18.7 million during the same period in 2009.

As of March 31, 2010, working capital was $167.7 million, compared to $152.7 million as of December 31, 2009. Cash and cash equivalents at March 31, 2010 and December 31, 2009 were

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$180.1 million and $158.0 million, respectively. The increase in cash balances was primarily due to the increase in cash generated from operating activities. This increase in cash positively impacted our working capital.

Capital expenditures in the first three months of 2010 totaled $6.7 million, and we anticipate additional capital expenditures of approximately $28 million to $33 million for 2010. These capital expenditures are primarily related to:

- purchases of computer systems and software, including equipment and development costs;
- the build-out and upgrade of leasehold improvements in our various markets, including retail stores in China; and
- real estate acquisitions and initial development work related to the building of a new innovation center on our Provo campus.

In connection with the Company s plans to build a new innovation center next to its primary corporate office building, the Company is evaluating whether to purchase a building it is currently leasing on the location where the Company would like to build the new innovation center. The building is owned by a partnership owned principally by Blake Roney, Sandie Tillotson, Steve Lund, directors of the Company and selling stockholders in this offering, and certain of their family members. The Company also recently decided to evaluate whether to purchase the remaining corporate facilities in Provo leased by the Company from partnerships owned by these directors as part of this transaction, including its primary corporate office building, as the Company s initial plans include the concept of connecting the new building with the Company s primary corporate office building to form a corporate campus/plaza. In the event the Company elects to proceed with such a transaction, it estimates that the transaction would involve a purchase price of $25-$40 million. The Company has formed a special committee of directors to evaluate the potential purchase of the buildings and to negotiate the purchase if the committee elects to proceed with a purchase. If the Company elects to proceed with such a purchase, its estimated capital expenditures for 2010 would increase by such amount. The Company anticipates it would fund all or a portion of the purchase through debt financing secured by the property.

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We currently have long-term debt pursuant to various credit facilities and other borrowings. The following table summarizes these long-term debt arrangements as of March 31, 2010:

Facility or arrangement(1)	Original principal amount	Balance as of March 31, 2010(2)	Interest rate	Repayment terms
2000 Japanese yen- denominated notes	9.7 billion yen	1.4 billion yen ($14.8 million as of March 31, 2010)	3.0%	Notes due October 2010, with annual principal payments that began in October 2004.
2003 2009 $205.0 million multi-currency uncommitted shelf facility:				
U.S. dollar-denominated:	$50.0 million	$10.0 million	4.5%	Notes due April 2010, with annual principal payments that began in April 2006.(3)
	$40.0 million	$40.0 million	6.2%	Notes due July 2016, with annual principal payments that begin in July 2010.
	$20.0 million	$20.0 million	6.2%	Notes due January 2017, with annual principal payments beginning January 2011.
Japanese yen-denominated:	3.1 billion yen	2.2 billion yen ($23.8 million as of March 31, 2010)	1.7%	Notes due April 2014, with annual principal payments that began in April 2008.
	2.3 billion yen	2.3 billion yen ($24.3 million as of March 31, 2010)	2.6%	Notes due September 2017, with annual principal payments beginning September 2011.
	2.2 billion yen	2.2 billion yen ($23.2 million as of March 31, 2010)	3.3%	Notes due January 2017, with annual principal payments beginning January 2011.
2004 $25.0 million revolving credit facility	N/A	None	N/A	Credit facility expires May 2011.
2009 $100.0 million uncommitted multi-currency shelf facility	N/A	None	N/A	

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

(2) The current portion of our long-term debt (i.e. becoming due in the next 12 months) is $41.5 million and includes $14.8 million of the balance on our 2000 Japanese yen-denominated notes, $8.1 million of the balance of our Japanese yen-denominated notes and $18.6 million of the balance on our U.S. dollar-denominated debt under the 2003 multi-currency shelf facility.

(3) These notes were paid in full in April 2010.

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Our board of directors has approved a stock repurchase program authorizing us to repurchase our outstanding shares of Class A common stock on the open market or in private transactions. The repurchases are used primarily to offset dilution from our equity incentive plans and for strategic initiatives. During the first quarter of 2010, we repurchased 0.4 million shares of Class A common stock under this program for $10.1 million. At March 31, 2010, $52.4 million was available for repurchases under the stock repurchase program.

In February 2010, our board of directors declared a quarterly cash dividend of $0.125 per share for Class A common stock. This quarterly cash dividend totaling $7.8 million was paid on March 17, 2010 to stockholders of record on February 26, 2010. Currently, we anticipate that our board of directors will continue to declare quarterly cash dividends and that the cash flows from operations will be sufficient to fund our future dividend payments. However, the continued declaration of dividends is subject to the discretion of our board of directors and will depend upon various factors, including our net earnings, financial condition, cash requirements, future prospects and other factors deemed relevant by our board of directors.

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

Contractual obligations and contingencies

The following table sets forth payments due by period for fixed contractual obligations as of December 31, 2009 (U.S. dollars in thousands). Since December 31, 2009, we have entered into contracts to purchase property for approximately $7 million relating to the expansion of our headquarter campus.

	Total	2010	2011-2012	2013-2014	Thereafter
Long-term debt obligations	$ 156,519	$ 35,400	$ 40,342	$ 40,342	$ 40,435
Capital lease obligations					
Operating lease obligations(1)	63,266	18,617	25,804	18,337	508
Purchase obligations	127,201	74,426	46,747	5,885	143
Other long-term liabilities reflected on the balance sheet(2)					
Total	$ 346,986	$ 128,443	$ 112,893	$ 64,564	$ 41,086

(1) Operating leases include corporate office and warehouse space with two entities that are owned by certain officers and directors of our company who are also founding stockholders. Total payments under these leases were $3.8 million for the year ended December 31, 2009 with remaining long-term obligations under these leases of $6.6 million.

(2) Other long-term liabilities reflected on the balance sheet of $66.4 million primarily consisting of long-term tax related balances, in which the timing of the commitments is uncertain.

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Due to the international nature of our business, we are subject from time to time to reviews and audits by the foreign taxing authorities of the various jurisdictions in which we conduct business throughout the world. As previously reported, we are currently involved in litigation in Japan with the Ministry of Finance with respect to additional customs assessments made by Yokohama Customs for the period of October 2002 through July 2005. The aggregate amount of those assessments is 2.7 billion Japanese yen ($28.8 million as of March 31, 2010), net of any recovery of consumption taxes. We believe that the documentation and legal analysis support our position and have taken action in the court system in Japan to overturn these assessments. The litigation on this matter is ongoing and we believe the court will likely decide this matter in the next year. Any decision is subject to appeal. To the extent that we are unsuccessful in recovering the amounts assessed and paid, we will be required to take a corresponding charge to our earnings.

In July 2005, we changed our operating structure in Japan and believed that these changes would eliminate further valuation disputes with Yokohama Customs as the new structure eliminated the issues that were the basis of the litigation and valuation disputes. However, in October 2009 we received notice from Yokohama Customs that they were assessing additional duties, penalties and interest for the period of October 2006 through November 2008 following an audit. The total amount of such assessments is 1.5 billion Japanese yen ($17.4 million as of March 31, 2010), net of any recovery of consumption taxes. The basis for such additional assessment is different from, and unrelated to, the issues that are being litigated in the current litigation with the Ministry of Finance. Following our review of the assessments and after consulting with our legal and customs advisors, we strongly believe that the additional assessments are improper and are not supported by any legal or factual basis. We filed letters of protest with Yokohama Customs, which were rejected. In March 2010, we appealed the matter to the Ministry of Finance in Japan. To the extent that we are unsuccessful in recovering the amounts assessed and paid, we will be required to take a corresponding charge to our earnings.

In addition, we are currently being required to pay a higher rate of duties on all current imports, which we are similarly disputing. Because we believe that the higher rate being assessed is improper, we are currently only expensing the portion of the duties we believe is supported under applicable customs law, and recording the additional payment ($4.0 million as of March 31, 2010) as a receivable on our books.

Seasonality and cyclicality

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

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

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Distributor information

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

	As of December 31, 2007		As of December 31, 2008		As of December 31, 2009		As of March 31, 2009		As of March 31, 2010	
	Active	Executive	Active	Executive	Active	Executive	Active	Executive	Active	Executive
North Asia	335,000	14,845	326,000	13,937	319,000	14,144	319,000	13,971	319,000	14,842
Americas	158,000	4,588	171,000	4,876	171,000	5,522	171,000	4,993	167,000	5,481
Greater China	138,000	6,389	115,000	6,323	106,000	6,938	99,000	5,972	108,000	7,155
Europe	59,000	1,957	83,000	2,911	94,000	3,385	85,000	2,850	99,000	3,551
South Asia/Pacific	65,000	2,223	66,000	2,541	71,000	2,950	63,000	2,368	72,000	3,040
Total	755,000	30,002	761,000	30,588	761,000	32,939	737,000	30,154	765,000	34,069

Quarterly results

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

				2008				2009	2010
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter
Revenue	$ 298.1	$ 321.7	$ 310.3	$ 317.6	$ 296.2	$ 322.6	$ 334.2	$ 378.1	$ 364.1
Gross profit	243.9	262.4	253.3	259.4	242.4	261.9	272.1	311.0	299.3
Operating income	27.4	28.9	30.3	38.8	20.2	34.4	40.9	52.2	46.1
Net income	13.5	20.6	16.8	14.5	11.8	22.1	25.6	30.3	31.0
Net income per share:									
Basic	0.21	0.32	0.26	0.23	0.19	0.35	0.41	0.48	0.50
Diluted	0.21	0.32	0.26	0.23	0.19	0.35	0.40	0.47	0.48

Recent accounting pronouncements

In June 2009, the FASB amended the consolidation accounting guidance. Effective January 1, 2010, we are required to qualitatively assess the determination of our being the primary beneficiary (consolidator) of a variable interest entity (VIE) on whether we (1) have the power to direct matters that most significantly impact the activities of the VIE, and (2) have the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. It also requires an ongoing reconsideration of the primary beneficiary and amends events that trigger a reassessment of whether an entity is a VIE. The new model is applicable to all new and existing VIEs. The adoption of this new guidance on January 1, 2010, had no impact on our consolidated financial position or results of operation.

In June 2009, the FASB amended the accounting guidance for determining whether a transfer of a financial asset qualifies for sale accounting. The amended guidance also provided four broad disclosure objectives designed to provide users of the financial statements with an understanding of:

the transferor s continuing involvement with the transferred assets;

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the nature of any restrictions on the transferor s assets that relate to a transferred financial asset, including the carrying amount of those assets;

how servicing assets and servicing liabilities are reported by the transferor; and

how a transfer of financial assets affects the company s balance sheet, earnings and cash flows.

The prospective adoption of this guidance to new transfers of financial assets beginning January 1, 2010, had no impact on our consolidated financial position or results of operation.

In June 2009, the Financial Accounting Standards Board (the FASB) voted to approve the FASB Accounting Standards Codification (Codification) as the single source of authoritative nongovernmental U.S. generally accepted accounting principles. The Codification was effective for us commencing July 1, 2009. The FASB Codification does not change U.S. generally accepted accounting principles, but combines all authoritative standards into a comprehensive online database.

Effective January 1, 2009, we adopted the fair value measurement provisions as required by the Fair Value Measurements and Disclosures Topic of Codification, as it relates to non-recurring, nonfinancial assets and liabilities. The adoption of these provisions did not have an impact on our Consolidated Financial Statements.

Effective January 1, 2009, we adopted the provisions relating to the accounting for business combinations as required by the Business Combinations Topic of the Codification. These provisions will impact our financial statements both on the acquisition date and in subsequent periods and will be applied prospectively. The impact of adopting these provisions will depend on the nature and terms of future acquisitions.

Effective January 1, 2009, we adopted the provisions for the accounting and reporting of noncontrolling interests in a subsidiary in consolidated financial statements as required by the Consolidations Topic of the Codification. These provisions recharacterize minority interests as noncontrolling interests and require noncontrolling interests to be classified as a component of shareholders equity. These provisions require retroactive adoption of the presentation and disclosure requirements for existing minority interests. The adoption of these provisions had no impact on our consolidated results of operations or financial condition.

Effective January 1, 2009, we adopted enhanced disclosures about how and why we use derivative instruments, how they are accounted for, and how they affect our financial performance as required by the Derivatives and Hedging Topic of the Codification. The enhanced disclosures had no impact on our financial condition, results of operations or cash flows.

Effective June 30, 2009, we adopted the subsequent event provisions of the Codification. These provisions provide guidance on management s assessment of subsequent events. The adoption of these provisions did not have an impact on our Consolidated Financial Statements.

Currency risk and exchange rate information

A majority of our revenue and many of our expenses are recognized outside of the United States, except for inventory purchases, which are primarily transacted in U.S. dollars from vendors in the United States. The local currency of each of our Subsidiaries primary markets is considered the functional currency. All revenue and expenses are translated at weighted-average exchange rates for the periods reported. Therefore, our reported revenue and earnings are positively impacted

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by a weakening of the U.S. dollar and will be negatively impacted by a strengthening of the U.S. dollar. Given the large portion of our business derived from Japan, any weakening of the yen negatively impacts reported revenue and profits, whereas a strengthening of the yen positively impacts our reported revenue and profits. Given the uncertainty of exchange rate fluctuations, it is difficult to predict the effect of these fluctuations on our future business, product pricing and results of operation or financial condition. However, based on current exchange rate levels, we currently anticipate that foreign currency fluctuations will have a slightly positive impact on reported revenue in 2010.

We may seek to reduce our exposure to fluctuations in foreign currency exchange rates through the use of foreign currency exchange contracts, through intercompany loans of foreign currency and through our Japanese yen-denominated debt. We do not use derivative financial instruments for trading or speculative purposes. We regularly monitor our foreign currency risks and periodically take measures to reduce the impact of foreign exchange fluctuations on our operating results. At March 31, 2010, we held 400 million Japanese yen ($4.3 million as of March 31, 2010) in forward contracts to hedge foreign-currency-denominated debt payments that were paid in April 2010.

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:

				2008				2009	2010
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter
Japan(1)	105.0	104.6	107.6	95.7	93.6	97.3	93.5	89.9	90.6
Taiwan	31.5	30.4	31.2	33.0	34.0	33.1	32.8	32.3	31.9
Hong Kong	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8
South Korea	956.4	1,017.3	1,063.1	1,360.6	1,418.4	1,282.8	1,237.3	1,167.4	1,142.0
Malaysia	3.2	3.2	3.3	3.6	3.6	3.5	3.5	3.4	3.4
Thailand	31.0	32.3	33.9	34.9	35.3	34.7	34.0	33.3	32.9
China	7.2	7.0	6.8	6.8	6.8	6.8	6.8	6.8	6.8
Singapore	1.4	1.4	1.4	1.5	1.5	1.5	1.4	1.4	1.4
Canada	1.0	1.0	1.0	1.2	1.2	1.2	1.1	1.1	1.0
Europe	0.7	0.6	0.7	0.8	0.8	0.7	0.7	0.7	0.7

(1) As of May 28, 2010, the exchange rate of U.S. $1 into the Japanese yen was approximately 90.92.

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Description of Capital Stock

Information about our capital stock appears under   Description of Capital Stock   in the accompanying prospectus.

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Our business

Overview

We are a leading, global direct selling company with operations in 50 markets worldwide. We develop and distribute innovative, premium-quality anti-aging personal care products and nutritional supplements under our Nu Skin and Pharmanex brands, respectively. We strive to secure competitive advantages in four key areas: our people, our products, the culture we promote, and the business opportunities we offer. In 2009, our 25th year of operations, we posted record revenue of $1.33 billion. Revenue in 2009 grew 7% based on the success of strong product innovation and distributor initiatives.

As of March 31, 2010, we had a global network of approximately 765,000 active distributors. Approximately 34,000 of our distributors were qualified sales leaders we refer to as executive distributors. Our executive distributors play a critical leadership role in the growth and development of our business.

Approximately 84% of our 2009 revenue came from our markets outside of the United States. While we have become more geographically diverse over the past decade, Japan, our largest revenue market, accounted for approximately 35% of our 2009 total revenue. Due to the size of our foreign operations, our results are often impacted positively or negatively by foreign currency fluctuations, particularly fluctuations in the Japanese yen. In addition, our results are impacted by global economic, political, demographic and business trends and conditions.

Our business is subject to various laws and regulations globally, particularly with respect to our product categories as well as our direct selling distribution channel, sometimes referred to as network marketing or multi-level marketing. Accordingly, we face certain risks, including risks associated with potential improper activities of our distributors or any inability to obtain necessary product registrations.

Industry

Direct selling. According to the World Federation of Direct Selling Associations (WFDSA), global direct retail sales reached an estimated $114.0 billion in 2008, up from $81.9 billion in 1998. Between 1998 and 2008, the industry (also referred to as networking marketing or multi-level marketing) grew at a compounded annual growth rate (CAGR) of 3.4%. The industry s global sales force has grown from approximately 33.6 million individuals in 1998 to 65.0 million in 2008, an estimated 6.8% CAGR. While recent macroeconomic weaknesses contributed to flat industry sales growth in 2008, as the economy recovers, mature markets stabilize, and emerging markets continue to grow, we expect the global industry will return to positive growth again in the future. Key industry participants include us, Avon, Alticor/Amway, Vorwerk, Mary Kay, Herbalife, Primerica, Tupperware, Natura Cosmeticos, and Oriflame.

The United States, which accounted for approximately $29.6 billion in retail sales and 15.1 million salespeople in 2008, is the largest direct selling market, constituting 26% of the total market in terms of sales. Japan, the second largest market, is approximately $23 billion in size, or 20% of the total market, with 2.7 million salespeople. Other sizeable markets include Brazil (9%), Germany (8%), and South Korea (6%). The top five markets account for roughly 68% of the industry in terms of retail sales, with the top ten accounting for approximately 83% of the industry.

The direct selling model has been widely accepted in North America, Western Europe, and Asia-Pacific regions for some time. Recently, however, more attention is being focused on China, Latin America, Eastern Europe, India, and other less mature regions which are currently under-penetrated markets in the direct selling space but are viewed as having strong potential for growth.

In these emerging markets, the industry is currently benefiting from various cultural and logistical factors, such as a limited modern retail infrastructure, high upfront costs associated with traditional retail formats, and fewer formal employment opportunities for women outside of the home. As a result, direct selling channel growth has outpaced growth in the store-based retailing (SBR) channel for certain consumer products. Between 2002 and 2008 in Brazil, Russia, and India, for example, the direct selling of beauty and personal care products, according to Euromonitor, had a CAGR of 19.8% (vs. 13.9% for SBR), 23.9% (vs. 12.9%), and 15.3% (vs. 8.7%), respectively.

The direct selling industry is subject to various laws and regulations globally. Laws and regulations in Japan, South Korea and China are particularly restrictive. Direct selling regulations are generally intended to prevent fraudulent or deceptive schemes, often referred to as pyramid schemes. In particular, China scrutinizes very closely the activities of direct selling companies. China s direct selling and anti-pyramiding regulations are very restrictive and contain various limitations, including a restriction on the ability to pay multi-level compensation to independent distributors. In addition, regulators in Japan have recently increased their scrutiny of our industry.

Anti-aging and supplements. The global cosmetics market (which consists of skin and hair products, makeup, fragrances, and toiletries, but excludes soap, toothpaste, and razors) was an estimated $160 billion market in 2008 and grew at a 4.5% CAGR between 1994 and 2008. According to Euromonitor, the anti-aging skin care and skin nourishing products segment of the global cosmetics market was an estimated $17 billion segment in 2008 and grew by 13% in 2008. In Brazil, Russia, India, and China (BRIC), the segment grew 22% in 2008 compared with 11% in non-BRIC countries. Key competitors in this segment include Avon, Olay (Procter & Gamble), Dermo (L Oreal), Nivea (Beiersdorf), and Lancome (L Oreal). Key drivers of growth in the global cosmetics and beauty care market, and the anti-aging segment, include favorable demographic trends as a result of aging populations and increased awareness of the longer-term potential benefits of anti-aging and wellness products, as well as the adoption of western purchasing habits in emerging markets.

According to the Nutrition Business Journal, global supplement sales (which consist of vitamins and minerals, herbs and botanicals, and sports, homeopathic, meal and specialty supplements) were approximately $75 billion in 2008, and had a 5% CAGR between 2003 and 2008. This market is projected to grow at approximately the same rate to $94 billion by 2013. The U.S., Western Europe, Japan and China comprise the largest geographical segments. In addition, emerging markets are expected to increase from 10% of the global supplement market in 1995 to 20% by 2013. According to the Nutrition Business Journal, the major contributor to this growth will be China, where the market continues to expand and Chinese consumers have demonstrated an increased willingness to purchase nutrition products. Other key drivers of the industry s growth globally include:

- a growing consumer preference for healthier products;
- increasing consumer interest in do-it-yourself health and self-care, particularly in light of the rising cost of healthcare;

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an aging wealthy population and expanding middle class in developing markets like Asia and the Middle East; and

an aging population in mature regions of North America and Western Europe.

Our difference demonstrated

We strive to maintain a competitive advantage in four key areas: our people, our products, our culture, and our opportunity.

Our people A global network of approximately 765,000 active distributors in 50 countries. We distribute all of our products exclusively through our distributors as opposed to traditional distribution channels such as retail stores or mail order catalogs. Consequently, our most significant asset is our extensive global network of distributors who enable us to introduce products and penetrate new markets with little upfront promotional expense. We believe our competitive sales compensation plan for our distributors has helped us to attract and develop a strong group of distributor leaders who play a critical role in building, motivating and training our extensive distributor network, which we believe is demonstrated by the fact that our distributor network has a higher level of education than the direct selling industry average.

Our products Science-based, proprietary anti-aging skin care and nutritional products. We believe our innovative approach to product development provides us with a competitive advantage in the anti-aging and direct selling markets. In 2009, we launched a new class of innovative anti-aging products we call Aging Response Modulators or ARMs. This new platform is based on the principle that advanced skin care and nutrition products should go beyond treating the signs and symptoms of aging. Our approach is to identify the ultimate sources of aging within the human genome. The scientific basis for ARMs is centered on understanding how to positively influence the expression of specific groups of genes that we believe play a critical role in the quest for preserving youth. Our ageLOC skin care system, which we introduced in the fall of 2009, is the first of such products to be introduced by us. We believe that our in-house research expertise, our license to access a proprietary gene databank that has been developed by researchers working in the anti-aging field for over 30 years, and our research collaborations with respected academic researchers at leading institutions uniquely position and enable us to continue to introduce innovative and proprietary anti-aging products in skin care and nutrition.

Our culture Improving lives. Our mission statement encourages our people to be a force for good by improving lives through the use of both our products and business opportunities and promotes a humanitarian culture. We encourage our distributors, customers and employees to become involved in humanitarian efforts, the most significant of which are our Nourish the Children initiative, which provides our distributors the ability to donate meals to starving children, and our Force for Good Foundation, which supports charitable causes that benefit children. We believe that people are attracted to organizations that focus on more than just financial incentives.

Our opportunity Global business opportunity. We believe our distributor compensation plan provides our distributors with the incentive to establish a sales organization and customer base in any country where we conduct business. We believe that we were the first major direct selling company to enable sales leaders to develop an international business and receive commissions on global sales volume in their home market. We believe our compensation plan, which pays

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approximately 42% of our product sales in commissions, is among the most generous compensation plans in the direct selling industry. We believe the high payout of our compensation plan enables sales leaders the opportunity to reach significant income levels and provides us with a competitive advantage in attracting and developing highly capable, motivated sales leaders.

Our product categories

We have two primary product categories, each operating under its own brand. We market our premium-quality personal care products under the Nu Skin brand and our science-based nutritional supplements under the Pharmanex brand.

Presented below are the U.S. dollar amounts and associated revenue percentages from the sale of Nu Skin, Pharmanex, and other products and services for the years ended December 31, 2007, 2008, and 2009, and the quarter ended March 31, 2010. This table should be read in conjunction with the information presented in the section entitled Management s Discussion and Analysis of Financial Condition and Results of Operation, which discusses the factors impacting revenue trends and the costs associated with generating the aggregate revenue presented.

Revenue by product category

(U.S. dollars in millions)(1)

Product category	**Year ended December 31,**						**Quarter ended March 31,**			
	2007		**2008**		**2009**		**2009**		**2010**	
Nu Skin	$ 498.5	43.0%	$ 633.4	50.8%	$ 752.7	56.5%	$ 163.2	55.1%	$ 223.3	61.3%
Pharmanex	634.2	54.8	597.7	47.9	565.6	42.5	129.9	43.9	138.1	37.9
Other	25.0	2.2	16.5	1.3	12.8	1.0	3.1	1.0	2.7	0.8
	$ 1,157.7	100.0%	$ 1,247.6	100.0%	$ 1,331.1	100.0%	$ 296.2	100.0%	$ 364.1	100.0%

(1) In 2009, 84% of our sales were transacted in foreign currencies that were then converted to U.S. dollars for financial reporting purposes at weighted-average exchange rates. Foreign currency fluctuations had no material impact on reported revenue in 2009 compared to 2008, negatively impacted reported revenue by approximately 3% in 2008 compared to 2007 and positively impacted reported revenue 8% for the quarter ended March 31, 2010, compared to the same prior-year period.

Nu Skin. Nu Skin is the brand of our original product line and offers premium quality anti-aging personal care products. Our strategy is to leverage our network marketing distribution model to establish Nu Skin as an innovative leader in the anti-aging personal care market. We are committed to continuously improving and evolving our product formulations to develop and incorporate innovative and proven ingredients.

Our new ageLOC anti-aging skin care products are designed to target both the signs and the ultimate sources of aging. Research for our ageLOC platform has identified and targeted what we call Youth Gene Clusters, functional groups of genes that regulate how we appear to age. We incorporate this research into ageLOC products that have been demonstrated to support and reset Youth Gene Clusters to function in more youthful patterns of activity. Our ageLOC products provide both corrective and preventative benefits in preserving youth and in reducing the signs of aging.

Another innovative product that positively impacted our revenue growth over the past four years is the *Galvanic Spa System.* The *Galvanic Spa* instrument emits a very mild electrical current. When the *Galvanic Spa System* is used to apply products that carry either positively or negatively

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charged active ingredients, product efficacy improves dramatically. The *Galvanic Spa System* is an ideal direct selling product because our distributors can demonstrate its benefits. This helps them to recruit new customers and distributors. Our *Galvanic Spa System*, *Galvanic Spa Gels*, and associated products accounted for approximately 19% of our total revenue and 33% of Nu Skin revenue in 2009. In the first quarter of 2010, we introduced an *ageLOC Edition Galvanic Spa System II* to capitalize on enthusiasm for ageLOC generally in all of our markets except for South Korea and our Southeast Asia region. This newest system is more user-friendly and improves the amount of ingredients delivered to the skin. We plan to launch this improved *ageLOC Edition Galvanic Spa System II* in South Korea in 2011 and in Southeast Asia in the second half of 2010.

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

Category	**Description**	**Selected products**
Core Systems	Regardless of skin type, our core systems provide a solid foundation for our customers individual skin care needs. Our systems are developed to target specific skin concerns and are made from ingredients scientifically proven to provide visible results for concerns ranging from aging to acne.	*ageLOC Transformation* *ageLOC Future Serum* *ageLOC Elements* *Nu Skin 180º Anti- Aging Skin Therapy System* *Nu Skin Tri-Phasic White Nutricentials* *Nu Skin Clear Action Acne Medication System*
Targeted Treatments	Our customized skin care line allows a customer to tailor product regimens that help deliver younger looking skin at any age. The products are developed using cutting-edge ingredient technologies that target specific skin care needs.	*ageLOC Edition Galvanic Spa System II* *Galvanic Spa Gels with ageLOC* *Tru Face Essence* *Ultra Tru Face Line Corrector* *Enhancer Skin Conditioning Gel* *Celltrex Ultra Recovery Fluid* *Celltrex CoQ10 Complete* *NAPCA Moisturizer* *Polishing Peel Skin Refinisher*
Total Care	Our total care line addresses body, hair and oral care. The total care line can be used by families and the products are designed to deliver superior benefits from head to toe for the ultimate sense of total body wellness.	*Body Bar* *Liquid Body Lufra Perennial* *Intense Body Moisturizer*

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

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Pharmanex. We market a variety of anti-aging nutritional products under our Pharmanex brand. Direct selling has proven to be an extremely effective method of marketing our high-quality nutritional supplements because our distributors can personally educate consumers on the quality and benefits of our products, differentiating them from our competitors offerings. *LifePak*, our flagship line of micronutrient supplements, accounted for 18% of our total revenue and 43% of Pharmanex revenue in 2009. Our other top selling Pharmanex product is a nutritional juice that we market under the *g3* trademark. We successfully launched our *g3* nutritional juice in 2005. Our *g3* nutritional juice generated approximately $8.5 million in sales during its first year of sales, and approximately $63.2 million in its second-year of sales.

Our strategy for our nutritional supplement business is to continue to introduce innovative, substantiated anti-aging products based on extensive research and development and quality manufacturing. In the fourth quarter of 2010, we plan to introduce our first ageLOC nutritional products designed to address the internal sources of aging. This product will be launched in Japan, the United States, Canada, and our markets in Europe and Latin America. We are also working on developing a comprehensive anti-aging ageLOC supplement to introduce in late 2011 with a planned global rollout of the product in 2012. We believe the addition of ageLOC nutritional products will continue to bridge the two key anti-aging categories of skin care and nutrition to deliver a unique, more comprehensive approach to anti-aging.

The following table summarizes our Pharmanex product line by category:

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

Other. We also offer a limited number of other products and services, including digital content storage, water purifiers and other household products. We also have integrated technology into

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other areas of our business and offer advanced tools and services that help distributors establish an online presence and manage their business. These other categories of products represented only a small percentage of our revenue in 2009 and will not likely be an area of focus in the next few years.

Sourcing and production

Nu Skin. In order to maintain high product quality, we acquire our ingredients and contract production of our proprietary products from suppliers and manufacturers that we believe are reliable, reputable and deliver high quality materials and service. Our *ageLOC Edition Galvanic Spa System II* is procured from a single vendor who owns certain patent rights associated with such product. We believe our agreements with this vendor are sufficiently long-term and exclusive. However, to continue offering this product category following any termination of our relationship with this vendor, we would need to develop a new galvanic unit and source it from another supplier. We also acquire ingredients and products from one other supplier that currently manufactures products representing approximately 30% of our Nu Skin personal care revenue in 2009. We maintain a good relationship with our suppliers and do not anticipate that either party will terminate the relationship in the near term. We also have ongoing relationships with secondary and tertiary suppliers. Please refer to Risk Factors The loss of suppliers or shortages in ingredients could harm our business for a discussion of risks and uncertainties associated with our supplier relationships and with the sourcing of raw materials and ingredients.

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

Pharmanex. Substantially all of our Pharmanex nutritional supplements and ingredients, including *LifePak*, are produced or provided by third-party suppliers and manufacturers. We rely on two partners for the majority of our Pharmanex products, one of which supplies products that represent approximately 35% of our nutritional supplement revenue while the other supplier manufactures products that represent approximately 20% of our nutritional supplement revenue in 2009. In the event we become unable to source any products or ingredients from these suppliers or from other current vendors, we believe that we would be able to produce or replace those products or substitute ingredients without great difficulty or significant increases to our cost of goods sold. Please refer to Risk Factors The loss of suppliers or shortages in ingredients could harm our business for a discussion of certain risks and uncertainties associated with our supplier relationships, as well as with the sourcing of raw materials and ingredients.

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

Research and development

We continually invest in our research and development capabilities. Our research and development expenditures were $10.0 million, $9.6 million and $10.4 million in 2007, 2008 and 2009, respectively. These amounts do not include salary and overhead expenses for our internal research and development activities. Because of our commitment to product innovation, we plan to continue to commit resources to research and development in the future. As we invest in our ageLOC platform of products, we expect an increase in our research and development expenditures over the next couple of years.

The Nu Skin Center for Anti-Aging Research, our primary research and testing laboratory located adjacent to our office complex in Provo, Utah, houses both Pharmanex and Nu Skin research facilities and professional and technical personnel. We are currently in the preliminary planning phase of building a state-of-the-art innovation center adjacent to our corporate headquarters, a portion of which will be dedicated to research and development. We believe this facility will cost approximately $40 million and will take roughly two years to complete. We also maintain research facilities in China. Much of our Pharmanex research is conducted in China, where we benefit from a well-educated, low-cost, scientific labor pool that enables us to conduct research at a much lower cost than would be possible in the United States.

We have joint research projects with numerous independent scientists, including a scientific advisory board comprised of recognized authorities in disciplines related to our nutritional and personal care product categories. We also fund and collaborate on basic research projects with researchers from prominent universities and research institutions in the United States, Europe and Asia, whose staffs include scientists with basic research expertise in natural product chemistry, biochemistry, dermatology, pharmacology and clinical studies.

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

Intellectual property

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

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Geographic sales regions

We currently sell and distribute our products in 50 markets. We have segregated our markets into five geographic regions: North Asia, Americas, Greater China, Europe, and South Asia/Pacific. The following table sets forth the revenue for each of the geographic regions for the years ended December 31, 2007, 2008 and 2009, and the quarters ended March 31, 2009 and 2010:

(U.S. dollars in millions)	Year ended December 31, 2007		2008		2009		Quarter ended March 31, 2009		2010	
North Asia	$ 585.8	50%	$ 594.5	48%	$ 606.1	45%	$ 139.8	47%	$ 170.9	47%
Americas	188.3	16	223.9	18	260.9	20	58.4	20	62.4	17
Greater China	205.0	18	210.0	17	210.4	16	47.5	16	57.7	16
Europe	77.2	7	111.6	9	133.6	10	26.7	9	37.8	10
South Asia/Pacific	101.4	9	107.6	8	120.1	9	23.8	8	35.3	10
	$ 1,157.7	100%	$ 1,247.6	100%	$ 1,331.1	100%	$ 296.2	100%	$ 364.1	100%

Additional comparative revenue and related financial information is presented in the tables captioned *Segment Information* in Note 17 to our Consolidated Financial Statements which can be found in our Annual Report on Form 10-K for the year ended December 31, 2009 and in Note 7 to our Consolidated Financial Statements which can be found in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2010.

Set forth below is information regarding the key markets in our geographic regions. The information includes information about the launch of key new products. With the launch of *ageLOC* we have been implementing a launch process that has been refined in our South Korea market. This process generally involves introducing the product in a market through a limited time offering that is often tied to a distributor event. The limited offering usually only lasts for three to five days, but typically generates significant distributor activity and purchasing. We then launch the product for general sales two to three months following the limited time offering. Information regarding product launches below refers to the launch of the product for general sales and not to the limited time offering used to introduce the product. Reference to introduction of a product refers to the limited time offering.

North Asia. The following table provides information on each of the markets in the North Asia region, including estimated market size based on data on 2008 retail sales in the direct selling industry published by the World Federation of Direct Selling Associations (WFDSA), the year we commenced operations in the market, 2009 revenue, and the percentage of our total 2009 revenue for each market:

(U.S. dollars in millions)	Market size	Year opened	2009 Revenue	Percentage of 2009 revenue
Japan	$ 22,284	1993	$ 461.9	35%
South Korea	$ 7,000	1996	$ 144.2	11%

Japan is our largest market and accounted for approximately 35% of total revenue in 2009. We market most of our Nu Skin and Pharmanex products in Japan, along with a limited number of other offerings. In addition, all product categories offer a limited number of locally developed products sold exclusively in our Japanese market. In the fourth quarter of 2009, we introduced our *ageLOC Future Serum* in Japan, with a general launch following in January 2010. We launched the full *ageLOC* system in Japan in the second quarter of this year. We currently plan to

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introduce an *ageLOC* nutritional product in the fourth quarter of 2010. A more comprehensive *ageLOC* nutritional product is being developed for introduction in Japan in late 2011.

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

In South Korea, we offer most of our Nu Skin and Pharmanex products, along with a limited number of other offerings. In April 2010, we launched the *ageLOC Transformation* skin care system following a very successful limited offering in January. We currently anticipate that our more comprehensive *ageLOC* nutritional product will be introduced in South Korea in the fourth quarter of 2011.

Americas. The following table provides information on each of the markets in the Americas region, including estimated market size based on data on 2008 retail sales in the direct selling industry published by the WFDSA, the year we commenced operations in the market, 2009 revenue, and the percentage of our total 2009 revenue for each market:

(U.S. dollars in millions)	**Market size**	**Year opened**	**2009 Revenue**	**Percentage of 2009 revenue**
United States	$ 29,600	1984	$ 218.6	16%
Canada	$ 1,180	1990	$ 23.5	2%
Latin America(1)	*	1994	$ 18.8	1%

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

* WFDSA data is not available for all of our markets in Latin America.

Substantially all of our Nu Skin and Pharmanex products, as well as limited other products and services, are available for sale in the United States. In October 2009, we introduced the *ageLOC Transformation* skin care system to our US market at our global convention, with the full launch occurring in January 2010. We currently plan to introduce an *ageLOC* nutritional product in the fourth quarter of 2010 to our North America and Latin America markets. A more comprehensive *ageLOC* nutritional product is being developed for introduction in late 2011. In 2009, we opened operations in Colombia.

Greater China. The following table provides information on each of the markets in the Greater China region, including estimated market size based on data on 2008 retail sales in the direct selling industry published by the WFDSA, the year we commenced operations in the market, 2009 revenue, and the percentage of our total 2009 revenue for each market:

(U.S. dollars in millions)	**Market size**	**Year opened**	**2009 Revenue**	**Percentage of 2009 revenue**
Taiwan	$ 1,640	1992	$ 91.7	7%
China	*	2003	$ 71.1	5%
Hong Kong	$ 191	1991	$ 47.6	4%

* WFDSA data is not available for Mainland China.

Our Hong Kong and Taiwan markets operate using our global direct selling business model and global compensation plan. We offer a robust product offering of the majority of our Nu Skin and Pharmanex products and limited other products and services in Hong Kong and Taiwan, although one of our flagship Nu Skin products, the *Galvanic Spa System II*, is not approved for sale in Taiwan. Approximately 50% of our revenue in these markets comes from orders through our

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monthly product subscription program, which has led to improved retention of customers and distributors and has helped streamline the ordering process.

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

We currently are unable to operate under our global direct selling business model in China as a result of regulatory restrictions on direct selling activities in this market. Consequently, we have developed a hybrid business model that utilizes retail stores with an employed sales force and contractual sales promoters to sell products through fixed locations that we are supplementing with a direct sales opportunity in those locations where we have obtained a direct sales license. We continue to operate our retail store/employed sales representative model because we believe it provides us with more flexibility in the manner in which we can operate throughout China and compensate our sales representatives given the restrictions in the new direct selling regulations. We rely on our sales force to market and sell products at the various retail locations supported by only minimal advertising and traditional promotional efforts. Our sales employees may also refer individuals to the Company for employment as sales representatives or contractual sales promoters. Our retail model in China is largely based upon our ability to attract customers to our retail stores through our sales force, to educate them about our products through frequent training meetings, and to obtain repeat purchases.

We also continue to implement a direct sales opportunity that allows us to engage independent direct sellers who can sell products away from our retail stores. We have received licenses and approvals to engage in direct selling activities in the municipalities of Shanghai, Beijing and in five cities in the Guangdong province, and we continue to work to obtain the necessary approvals in other locations in China. The direct selling licenses allow us to engage an entry-level, non-employee sales force that can sell products away from fixed retail locations. Our current direct sales model is structured in a manner that we believe is complementary to our existing retail sales model.

We launched our *ageLOC Galvanic Spa System* in our Greater China markets, excluding Taiwan, in January 2010, and launched our *ageLOC Transformation* product set at our Greater China convention in May 2010, which will be available for sale going forward in Taiwan and Hong Kong. The *ageLOC Transformation* kit will launch in Mainland China as soon as necessary regulatory approvals are obtained. We currently estimate the pre-launch will occur in the third quarter of 2010 with the general launch taking place in the fourth quarter of 2010. We are working towards launching our comprehensive *ageLOC* nutritional product in the first half of 2012 in this region.

Europe. The following table provides information on our Europe region, including the year we commenced operations in the market, revenue for 2009, and the percentage of our total 2009 revenue for the region.

(U.S. dollars in millions)	Market size	Year opened	2009 Revenue	Percentage of 2009 revenue
Europe region(1)	*	1995	$ 133.6	10%

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

* WFDSA data is not available for all of our markets in Europe.

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We currently operate and offer a full range of Nu Skin and Pharmanex products in 26 countries throughout Northern, Eastern, and Central Europe as well as in Israel and South Africa. In the first quarter of 2010, we launched the *ageLOC Transformation* skin care system. We plan to introduce our initial *ageLOC* nutritional product in the fourth quarter of 2010 in Europe. We currently plan to launch a more comprehensive *ageLOC* nutritional product in January of 2012. Various products and distributor tools have contributed to Europe s recent success, including the *Galvanic Spa System II*, the *Pharmanex BioPhotonic Scanner*, and *g3.* We have been experiencing strong growth in Central and Eastern European markets. In 2009, we opened operations in Turkey. In 2009, our revenue was earned in the following regions as follows: North Europe (Norway, Denmark, Sweden, United Kingdom, Ireland, Finland, and Iceland), 27%; East Europe (Hungary, Romania, Czech Republic, Poland, Turkey and Slovakia), 25%; West Europe (Netherlands, Germany, France, Belgium, Spain, Portugal, Italy, Austria, Luxembourg, and Switzerland), 32%, and Russia, Israel and South Africa, 16%.

South Asia/Pacific. The following table provides information on each of the markets in the South Asia/Pacific region, including estimated market size based on data on 2008 retail sales in the direct selling industry published by the WFDSA, the year we commenced operations in the market, 2009 revenue, and the percentage of our total 2009 revenue for each market:

(U.S. dollars in millions)	Market size	Year opened	2009 Revenue	Percentage of 2009 revenue
Singapore/Malaysia/Brunei(1)	$ 1,294	2000/2001/2004	$ 49.2	4%
Thailand	$ 1,583	1997	$ 38.8	3%
Australia/New Zealand	$ 980	1993	$ 14.2	1%
Indonesia	$ 726	2005	$ 10.7	1%
Philippines	$ 364	1998	$ 7.2	1%

(1) The market size for Singapore is $264 million based on 2008 retail sales data in the direct selling industry. Our 2009 revenue in Singapore was $18.7 million.

We offer a majority of our Pharmanex and Nu Skin products in the South Asia/Pacific region. In the first quarter 2010, we began to introduce the *ageLOC Transformation* skin care system and *ageLOC* products designed to address the internal sources of aging in our Southeast Asia region, and we plan to fully launch the products in July of 2010. We currently anticipate that our *ageLOC* nutritional product will launch in first half of 2012 in this region. Marketing initiatives in South Asia/Pacific have centered on monthly product subscription orders and the *Galvanic Spa System II*.

Distribution

Overview. The foundation of our sales philosophy and distribution system is network marketing. We sell our products through distributors who are not employees, except in China where we sell our products through employed retail sales representatives, contractual sales promoters and independent direct sellers. Our distributors generally purchase products from us for resale to consumers and for personal consumption. We also sell products directly to preferred customers at discounted monthly subscription prices.

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

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

- direct sales allow for actual product demonstrations and testing by potential customers;

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there is greater opportunity for distributor and customer testimonials; and

as compared to other distribution methods, our distributors can provide customers higher levels of service and encourage repeat purchases.

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

Executive distributors under our global compensation plan must achieve and maintain specified personal and group sales volumes each month. Once an individual becomes an executive distributor, he or she can begin to take advantage of the benefits of commission payments on personal and group sales volume. As a result of direct selling restrictions in China, we have implemented a hybrid business model utilizing sales employees and contractual sales promoters in our retail stores in addition to independent direct sellers. (See the discussion on China in Business Geographic Sales Regions.)

Our revenue is highly dependent upon the number and productivity of our distributors. Growth in sales volume requires an increase in the productivity and/or growth in the total number of distributors. As of March 31, 2010, we had a global network of approximately 765,000 active distributors. Approximately 34,000 of our distributors were executive distributors. Our number of active distributors has historically fluctuated from year to year based on various factors, including our business model transition in China, efforts to train and discipline distributors in Japan and changes in promotions. As of each of the dates indicated below, we had the following number of active and executive distributors in the referenced regions:

Total number of active and executive distributors by region

	As of December 31, 2007		As of December 31, 2008		As of December 31, 2009		As of March 31, 2009		As of March 31, 2010	
	Active	**Executive**	**Active**	**Executive**	**Active**	**Executive**	**Active**	**Executive**	**Active**	**Executive**
North Asia	335,000	14,845	326,000	13,937	319,000	14,144	319,000	13,971	319,000	14,842
Americas	158,000	4,588	171,000	4,876	171,000	5,522	171,000	4,993	167,000	5,481
Greater China	138,000	6,389	115,000	6,323	106,000	6,938	99,000	5,972	108,000	7,155
Europe	59,000	1,957	83,000	2,911	94,000	3,385	85,000	2,850	99,000	3,551
South Asia/Pacific	65,000	2,223	66,000	2,541	71,000	2,950	63,000	2,368	72,000	3,040
Total	755,000	30,002	761,000	30,588	761,000	32,939	737,000	30,154	765,000	34,069

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

The sponsoring of new distributors creates multiple levels in a network marketing structure. Individuals that a distributor sponsors are referred to as downline or sponsored distributors. If

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downline distributors also sponsor new distributors, they create additional levels in the structure, but their downline distributors remain in the same downline network as their original sponsoring distributor.

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

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

Commissions on the sale of an individual Nu Skin or Pharmanex product can exceed 50% of the wholesale price, except in a limited number of markets where commissions are limited by law. The actual commission payout percentage, however, varies depending on the number of distributors at each payout level within our global compensation plan. Historically, our distributor compensation plan has paid out to distributors approximately 42% of commissionable sales. We believe that our commission payout as a percentage of total sales is among the most generous paid by major direct selling companies.

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

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

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

Each of our products carries a specified number of sales volume points. Commissions are based on total personal and group sales volume points per month. Sales volume points are generally based

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upon a product s wholesale cost, net of any point-of-sale taxes. As a distributor s business expands to successfully sponsoring other distributors into the business, who in turn expand their own businesses, a distributor receives a higher percentage of commissions. An executive s commissions can increase substantially as multiple downline distributors achieve executive status. In determining commissions, the number of levels of downline distributors included in an executive s commissionable group increases as the number of executive distributorships directly below the executive increases.

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

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

Payments. 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.

Product returns. In order to provide a high level of consumer-protection, we offer a generous return policy. While our operations and applicable regulations vary somewhat from country to country, we generally follow a uniform procedure for product returns. For 30 days from the date of purchase, our product return policy generally allows a retail customer to return any Nu Skin or Pharmanex product to us directly or to the distributor through whom the product was purchased for a full refund. After 30 days from the date of purchase, the end user s return privilege is at the discretion of the distributor. Our distributors can generally return unused products directly to us for a 90% refund for one year. Through 2009, our experience with actual product returns averaged less than 5% of annual revenue.

Rules affecting distributors. We monitor regulations and distributor activity in each market to ensure our distributors comply with local laws. Our published distributor policies and procedures establish the rules that distributors must follow in each market. We also monitor distributor activity to maintain a level playing field for our distributors, ensuring that some are not disadvantaged by the activities of others. We require our distributors to present products and business opportunities ethically and professionally. Distributors further agree that their presentations to customers must be consistent with, and limited to, the product claims and representations made in our literature.

Distributors must represent to us that their receipt of commissions is based on retail sales and substantial personal sales efforts. We must also monitor sales aids used by distributors such as videotapes, audiotapes, brochures and promotional clothing to help ensure they comply with

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applicable laws and regulations. Distributors may not use any form of media advertising to promote products. Products may be promoted only by personal contact or by literature produced or approved by the Company.

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

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

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

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

Our culture

From our inception over 25 years ago, Nu Skin Enterprises mission has been to improve people s lives through our quality products, our rewarding business opportunities and by promoting an uplifting and enriching culture. Our mission statement encourages people to be a force for good in the world around them. Our culture unites our distributors, customers and employees in innovative humanitarian efforts, the most significant of which are our Nourish the Children initiative that provides our distributors the ability to donate meals to starving children, and our Force for Good Foundation that supports many charitable causes that benefit children. In short, we believe that people are attracted to organizations that focus on more than just financial incentives. We encourage our distributors and our employees to live each day with an understanding that together we have the opportunity to make the world a better place.

Nourish the children. In 2002, we introduced an innovative humanitarian initiative, Nourish the Children, which applies the power of our distribution network to help address the problem of hunger and malnutrition. We sell a highly nutritious meal replacement product under the brand, *VitaMeal*, and encourage our distributors, customers and employees to purchase *VitaMeal* and donate their purchase to charitable organizations that specialize in distributing food to alleviate famine and poverty. Distributors earn commissions on sales of *Vitameal* to distributors in their downline and their customers. For every eight packages of *VitaMeal* purchased and donated, we donate an additional package. Since 2002, our distributors, customers and employees have joined together to donate more than 200 million meals to malnourished children in various locations throughout the world.

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Force for good foundation. The original Force for Good campaign was introduced in conjunction with the Nu Skin *Epoch* product line in 1996. This unique brand of skin and hair care products was developed in partnership with the world s leading ethnobotanists. A donation of 25 cents from the sale of each *Epoch* product was directed to preserve the environments, languages, lifestyles, and traditions of indigenous people around the world. Today, the Force for Good Foundation provides support for charitable efforts throughout the globe, with a special emphasis on addressing the humanitarian needs of children. Charitable projects supported by the Force for Good Foundation, our Company, our employees, and our distributors include helping to provide crucial heart surgeries for children in Southeast Asia and China, supporting schools for children in need, helping farmers in Malawi be trained to grow more crops to better support the needs of their families, and other projects.

Competition

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

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

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. Laws and regulations in Japan, South Korea and China are particularly restrictive and difficult. These laws and regulations are generally intended to prevent fraudulent or deceptive schemes, often referred to as pyramid schemes, that compensate participants for recruiting additional participants irrespective of product sales, use high-pressure recruiting methods and/or do not involve legitimate products. The laws and regulations in our current markets often:

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

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

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

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

We continue to experience a high level of general inquiries regarding our company and complaints to consumer protection centers in Japan and have taken steps to try to resolve these issues including providing additional training to our distributors and restructuring our compliance group in Japan. We have seen improvements in some prefectures, but not in others. In 2009, we received one written and one oral warning from consumer protection centers in two prefectures raising concerns about our distributor training and number of general inquiries and complaints. We are implementing additional steps to reinforce our distributor education and training in Japan to help address these concerns. If consumer complaints escalate to a government review or if the current level of complaints does not improve, there is an increased likelihood that regulators could take action against us or we could receive negative media attention, either of which could harm our business.

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

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

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

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

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

Our Pharmanex products are subject to various regulations promulgated by government agencies in the markets in which we operate. In the United States, we generally market our nutritional products as conventional foods or dietary supplements. The FDA has jurisdiction over this regulatory area. Because these products are regulated under the Dietary Supplement and Health Education Act, we are generally not required to obtain regulatory approval prior to introducing a product into the United States market. None of this infringes, however, upon the FDA s power to remove from the market any product it determines to be unsafe or an unapproved drug. In our foreign markets, the products are generally regulated by similar government agencies, such as the Ministry of Health, Labor and Welfare in Japan, the KFDA in South Korea, and the Department of Health in Taiwan. We typically market our Pharmanex products in international markets as foods or health foods under applicable regulatory regimes. In the event a product, or an ingredient in a product, is classified as a drug or pharmaceutical product in any market, we will generally not be able to distribute that product in that market through our distribution channel because of strict restrictions applicable to drug and pharmaceutical products. China has some of the most restrictive nutritional supplement product regulations. Products marketed as health foods are subject to extensive laboratory and clinical analysis by governmental authorities, and the product registration process for these products may take two years or more. We market both health foods and general foods in China. Our flagship product, *LifePak*, is currently marketed as a general food, as only two of the three main capsules having received health food classification. Currently, general foods is not an approved category for direct selling; therefore, we will only market *LifePak* through our retail stores until final health food classification for *LifePak* is obtained for the other capsule. Additionally, there is some risk associated with the common practice in China of marketing a product as a general food while seeking health food classification. If government officials feel our categorization of our products is inconsistent with product claims, ingredients or function, this could end or limit our ability to market such products in China in their current form.

The markets in which we operate all have varied regulations that distinguish foods and nutritional health supplements from drugs or pharmaceutical products. Because of the varied regulations, some products or ingredients that are recognized as a food in certain markets may be treated as a pharmaceutical in other markets. In Japan, for example, if a specified ingredient is not listed as a food by the Ministry of Health and Welfare, we must either modify the product to eliminate or substitute that ingredient, or petition the government to treat such ingredient as a food. We experience similar issues in our other markets. This is particularly a problem in Europe where the regulations differ from country to country. As a result, we must often modify the ingredients and/or the levels of ingredients in our products for certain markets. In some circumstances, the regulations in foreign markets may require us to obtain regulatory approval prior to introduction of a new product or limit our uses of certain ingredients altogether. Because of negative publicity associated with some supplements, there has been an increased movement in the United States and other markets to expand the regulation of dietary supplements, which could impose additional restrictions or requirements in the future. In general, the regulatory environment is becoming more complex with increasingly strict regulations each year.

Effective June 2008, the U.S. FDA established regulations to require current good manufacturing practices (cGMP) for dietary supplements. The regulations ensure that dietary supplements are produced in a quality manner, do not contain contaminants or impurities, and are accurately labeled. The regulations include requirements for establishing quality control procedures for us and our vendors and suppliers, designing and constructing manufacturing plants, and testing ingredients and finished products. The regulations also include requirements for record keeping and handling consumer product complaints. If dietary supplements contain contaminants or do

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not contain the dietary ingredient they are represented to contain, the FDA would consider those products to be adulterated or misbranded. Our business is subject to additional FDA regulations, such as those implementing an adverse event reporting system (AER s) effective December 2007, which requires us to document and track adverse events and report serious adverse events associated with consumers use of our products. Compliance with these regulations has increased and may further increase the cost of manufacturing certain of our products as we work with our vendors to assure they are in compliance.

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

To date, we have not experienced any difficulty maintaining our import licenses. However, due to the varied regulations governing the manufacture and sale of nutritional products in the various markets, we have found it necessary to reformulate many of our products or develop new products in order to comply with such local requirements. In the United States, we are also subject to a consent decree with the FTC and various state regulatory agencies arising out of investigations that occurred in the early 1990s of certain alleged unsubstantiated product and earnings claims made by our distributors. The consent decree requires us to, among other things, supplement our procedures to enforce our policies, not allow our distributors to make earnings representations without making certain average earnings disclosures, and not allow our distributors to make unsubstantiated product claims. Compliance with the anti-terrorism regulations of the US has caused some delays in customs but these situations have been resolved by working with the US customs officials and training our vendors and market staff in the guidelines. The FTC recently approved, effective December 1, 2009, revisions to its Guides Concerning the Use of Endorsements and Testimonials in Advertising, or Guides, that impose disclosure of typical results and any material connections between an endorser and the company they are endorsing.

We also develop technologically-advanced business tools designed to help our distributors effectively market our Nu Skin and Pharmanex products. For example, during the last several years we have introduced our *Pharmanex BioPhotonic Scanner* in many of our markets around the world as well as our *Galvanic Spa System*. These tools are subject to the regulations of various health, consumer protection and other governmental authorities around the world. These regulations vary from market to market and affect whether our business tools are required to be registered as medical devices, the claims that can be made with respect to these tools, who can use them, and where they can be used. We have been subject to regulatory inquiries in the United States, Japan, and other countries with respect to the status of the *Pharmanex*

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BioPhotonic Scanner as a non-medical device. Any determination that medical device clearance is required for one of our tools could require us to expend significant time and resources in order to meet the stringent standards imposed on medical device companies or prevent us from marketing the product. For example, we are not able to market the *Galvanic Spa System* in Taiwan or Colombia as a result of the regulatory restrictions in these markets. We are also subject to regulatory constraints on the claims that can be made with respect to the use of our business tools.

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

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

Employees

As of December 31, 2009, we had approximately 3,400 full- and part-time employees worldwide. This does not include approximately 2,600 individuals who were employed as sales representatives in our China operations. We also had labor contracts with approximately 2,900 potential new sales representatives in China. None of our employees are represented by a union or other collective bargaining group, except in China and a small number of employees in Japan. We believe that our relationship with our employees is good, and we do not foresee a shortage in qualified personnel necessary to operate our business.

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Management

Executive officers and directors

Set forth below is information regarding our executive officers and directors. Ages shown are as of April 30, 2010.

Name	Age	Position
Blake Roney	52	Chairman of the Board
Truman Hunt	51	President, Chief Executive Officer, Director
Ritch Wood	44	Chief Financial Officer
Joe Chang	57	Chief Scientific Officer and Executive Vice President, Product Development
Dan Chard	45	President, Global Sales and Operations
Scott Schwerdt	52	President, Americas, Europe and South Pacific
Matthew Dorny	46	General Counsel and Secretary
Nevin Andersen	69	Director
Daniel Campbell	55	Director
E.J. Jake Garn	77	Director
Andrew Lipman	58	Director
Steven Lund	56	Director
Patricia Negrón	43	Director
Thomas Pisano	65	Director
Sandra Tillotson	53	Director
David Ussery	74	Director

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

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

Mr. Roney has over twenty five years of experience as our President or Chairman, which has given him an unusual understanding of the business and the key elements of success as well as potential pitfalls. Mr. Roney continues to serve as our Chairman because of his passion for benefiting our distributors, employees and investors through the growth and success of Nu Skin.

Truman Hunt has served as our President since January 2003 and our Chief Executive Officer since May 2003. He has also served as a director of our company since May 2003. Mr. Hunt has worked for our company for approximately 19 years and has served in various positions, including Vice

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President and General Counsel from 1996 to January 2003 and Executive Vice President from January 2001 until January 2003. He received a B.S. degree from Brigham Young University and a J.D. degree from the University of Utah.

As our President and Chief Executive Officer for the past seven years, Mr. Hunt has developed a deep understanding of our business globally. Mr. Hunt s leadership has been integral to the success of several of our key initiatives in recent years. Mr. Hunt is also recognized as a leader in the direct selling industry and has served in a variety of industry trade association leadership roles, including as Chairman of the World Federation of Direct Selling Associations from 2005 to 2008.

Ritch Wood has served as our Chief Financial Officer since November 2002. Prior to this appointment, Mr. Wood served as Vice President, Finance from July 2002 to November 2002 and Vice President, New Market Development from June 2001 to July 2002. Mr. Wood has worked for our company for approximately 19 years and has served in various capacities. Prior to joining us, he worked for the accounting firm of Grant Thornton LLP. Mr. Wood earned a B.S. and a Master of Accountancy degree from Brigham Young University.

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

Daniel Chard has served as President of Global Sales and Operations since May 2009. Prior to serving in this position, Mr. Chard served as Executive Vice President of Distributor Success from February 2006 to May 2009 and President of Nu Skin Europe from April 2004 to February 2006. Mr. Chard also served as Vice President of Marketing and Product Management of Big Planet, our technology products and services division, from May 2003 to April 2004 and as Senior Director of Marketing and Product Development at Pharmanex. Prior to joining us in 1998, Mr. Chard worked in a variety of strategic marketing positions in the consumer products industry. Mr. Chard holds a B.A. degree in Economics from Brigham Young University and an M.B.A. from the University of Minnesota.

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

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

Nevin N. Andersen has served as a director of our company since June 2008. Mr. Andersen is currently retired. Mr. Andersen previously served in various positions, including Senior Vice President and Chief Financial Officer, Vice President and Corporate Controller, and Director of

Internal Audit at Shaklee Corporation, a direct selling company, from June 1979 to February 2003, when he retired. He was asked to return to Shaklee Corporation for a period of time to serve as the Interim Chief Financial Officer and to help in the transition with a new Chief Financial Officer, which role he fulfilled from March 2005 to February 2008. Prior to initially working at Shaklee Corporation in 1979, he worked for Price Waterhouse & Co., and served as an officer in the U.S. Army Finance Corps. He received M.Acc and B.S. degrees from Brigham Young University.

Mr. Andersen is an experienced financial professional. His ten years as a CPA with Price Waterhouse provided him with valuable experience in the areas of audit, internal control and financial reporting, and his more than 25 years with Shaklee Corporation added to that knowledge and expertise by allowing him to focus on those issues directly related to the operations of a public company in the direct selling industry. Mr. Andersen s areas of expertise include corporate strategy, risk management, succession planning, executive compensation, shareholder communication and regulatory compliance.

Daniel W. Campbell has served as a director of our company since March 1997 and currently serves as our Lead Independent Director. Mr. Campbell has been a Managing General Partner of EsNet, Ltd., a privately held investment company, since 1994. From 1992 to 1994, Mr. Campbell was the Senior Vice President and Chief Financial Officer of WordPerfect Corporation, a software company, and prior to that was a partner of Price Waterhouse LLP. From November 2003 to August 2009, Mr. Campbell served as a director of The SCO Group, Inc., a provider of software solutions for businesses. He received a B.S. degree from Brigham Young University.

Mr. Campbell is a recognized business leader with expertise in the areas of finance, accounting, transactions, corporate governance and management. In addition, through his experience as a partner of an international accounting firm, and later as Chief Financial Officer of a large technology company, Mr. Campbell has developed deep insight into the management, operations, finances and governance of public companies.

E.J. Jake Garn has served as a director of our company since March 1997. Senator Garn has been a self-employed consultant since June 2004. He served as a Managing Director of Summit Ventures, LLC, a lobbying firm, from 2000 to May 2004, when he retired. He currently serves on the boards of directors of Franklin Covey Co., a provider of time management seminars and products, Headwaters, Inc., a provider of products, technologies and services to the energy, construction and home improvement industries, and United Space Alliance, a space operations company. He also serves as Chairman of Primary Children s Medical Center Foundation and is involved in various other private/public sector endeavors. From 1974 to 1993, Senator Garn was a member of the United States Senate and served on numerous Senate Committees. He received a B.S. degree from the University of Utah.

Senator Garn has a broad range of financial expertise and many years of experience. After graduating with a degree in banking and finance, he began his career in the insurance industry. While serving as City Commissioner and then Mayor of Salt Lake City, he developed extensive budgeting and managerial experience. Senator Garn represented the state of Utah in the United States Senate for three terms, including service as Chairman and Ranking Member of the Senate Committee on Banking, Housing and Urban Affairs, giving him significant experience and expertise in government and regulatory matters.

Andrew D. Lipman has served as a director of our company since May 1999. Mr. Lipman is a partner and head of the Telecommunications, Media and Technology Group of Bingham McCutchen LLP, an international law firm. Mr. Lipman previously held a similar position from

1988 with Swidler Berlin, LLP, which merged with Bingham McCutchen in 2006. He also currently serves as a member of the boards of directors of Sutron Corporation, a provider of hydrological and meteorological monitoring products, and The Management Network Group, Inc., a telecommunications related consulting firm. He received a B.A. degree from the University of Rochester and a J.D. degree from Stanford Law School.

Mr. Lipman is a highly experienced senior lawyer and business advisor with over 30 years of experience dealing with international regulatory, technology and marketing issues in multiple countries. In addition, he has extensive experience in corporate governance and related legal and transactional issues. Mr. Lipman has worked closely with dozens of public companies, including service on the boards of a variety of companies in several industries. His experience also includes managing and implementing strategic initiatives and launching new products and markets globally in competitive industries.

Steven J. Lund has served as a director and Vice Chairman of our company since September of 2006. Prior to this, he was on a three year leave of absence serving on a church assignment in Georgia. Mr. Lund served as President, Chief Executive Officer, and a director of our company from 1996, when our company went public, until his 2003 leave of absence. Mr. Lund was a founding stockholder of our company. Mr. Lund is a trustee of the Force for Good Foundation. Mr. Lund worked as an attorney in private practice prior to joining our company as Vice President and General Counsel. He received a B.A. degree from Brigham Young University and a J.D. degree from Brigham Young University s J. Reuben Clark Law School.

Mr. Lund brings to the Board over 20 years of company and industry knowledge and experience as a senior executive, including service as our General Counsel, Executive Vice President, and President and Chief Executive Officer. He has played an integral role in managing our growth from start-up through his term as President and Chief Executive Officer from 1996 to 2003. Mr. Lund also served on the executive board of the Direct Selling Association. A respected business and community leader, he currently serves as chairman of the board of trustees of Utah Valley University.

Patricia A. Negrón has served as a director of our company since June 2005. Since 2001, Ms. Negrón has worked as an independent business consultant to private clients and became an advisor to Goode Partners, LLC, a private equity firm, in February 2006. In 1999, Ms. Negrón launched the financial advisory group at Breakaway Solutions, an internet consulting firm, which she managed until 2001. Previously, Ms. Negrón was Vice President, Equity Research at the investment banking firm Adams, Harkness & Hill. From 1992 until 1996, she managed the corporate governance division, and later expanded into equity research and managing the firm s econometric model, at United States Trust Company, Boston. She has a B.S. degree from Armstrong Atlantic State University and a Certificate of Special Studies in Administration and Management from Harvard University Extension School.

Ms. Negrón is a seasoned financial and business analyst with more than 15 years of professional experience in equity research and analysis in the banking, brokerage and strategy consulting industries. In addition to her experience in working closely with top executives on development and implementation of a wide range of strategic initiatives, she has a deep understanding of corporate governance matters dating back nearly 20 years to her work with activist investors on matters such as compensation, board structure and anti-takeover provisions.

Thomas R. Pisano has served as a director of our company since June 2008. He served as Chief Executive Officer and a Director of Overseas Military Sales Corp., a marketer of motor vehicles, from January 2005 until his retirement in April 2010. From August 1998 to December 2004, he served as the Chief Operating Officer and a Director of Overseas Military Sales Corp. From February 1995 to December 1997, he served as Vice President, Head of the International Division, for The Topps Company, Inc., a sports publications and confectionery products company. Prior to that, he served in various positions, including Vice President, Global New Business Development, for Avon Products, Inc., a direct seller of personal care products, from 1969 to 1994. He received a B.S. from the Georgia Institute of Technology and an M.B.A. from Dartmouth College.

Mr. Pisano is an experienced senior executive who is an expert in the direct selling, personal care, beauty products and other consumer goods industries. During his 25 year career at Avon Products, Inc., he was responsible for global new business development, which included new geographic market openings and launching new product lines globally. He was also responsible for the operation of international businesses in Latin America, Europe and Asia. During his international business career at Avon, Topps and OMSC he traveled to and conducted business in 50 countries.

Sandra N. Tillotson founded our company and has served as Vice President, Senior Vice President and a director of our company since it went public in 1996. Ms. Tillotson is also a trustee of the Force for Good Foundation and Vice President of Seacology, an international environmental nonprofit organization. She earned a B.S. degree from Brigham Young University.

As one of our founders, Ms. Tillotson was instrumental in the development of our original Nu Skin product line and the establishment of our global marketing plan. With nearly 30 years of experience in the direct selling industry, Ms. Tillotson is an expert in the field and a respected leader in the industry.

David D. Ussery has served as a director of our company since June 2008. Mr. Ussery previously served as President and Representative Director of Amway Japan Limited & Amway Korea Limited, direct selling companies, from April 2002 to January 2008, when he retired. From April 2002 to April 2005, he served as President and Representative Director of Amway Japan Limited. From 1992 to 2002, he served in various other positions for Amway Korea Limited and Amway Philippines, L.L.C. In addition, he has approximately 30 years of experience working for Avon Products, Inc., a direct seller of personal care products, including as Vice President of Field Operations for the United States and Canada, Area Vice President of Avon Pacific and Chairman of the Board of Avon Japan. He received a B.B.A. degree from Georgia State University.

Mr. Ussery s 52 year career in the direct selling industry provided experience in every facet of business including daily operations, sales, manufacturing, marketing and distributor relations. He is an expert on doing business in Asia, with approximately 20 years of experience in the Philippines, South Korea and Japan. Mr. Ussery has also served in positions with sales responsibilities for the United States, Canada, Thailand, Malaysia, Taiwan, Australia and New Zealand.

Recent management changes

In June 2010, the Company will be appointing Luke Yoo to serve as the President of our North Asia region, which includes the Company s businesses in Japan and South Korea. In addition to his new position, Mr. Yoo will continue to serve as the President of our Nu Skin Korea business, a position he has held since 2003. Mr. Yoo will be relocating to Tokyo and will fill the role formerly held by Brett Nelson, who recently completed a two-year expatriate assignment to Japan and will be returning back to our corporate offices to serve as the President of our North America

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operations. Ryan Napierski will replace Mr. Nelson as President of our Nu Skin Japan operations. Mr. Napierski has been serving as Vice President of Business Development for our North Asia region and Chief Operating Officer of Nu Skin Japan.

In addition, in March 2010 Ashok Pahwa resigned as our Chief Marketing Officer. Our marketing team now reports to Dan Chard, President, Global Sales and Operations.

Certain relationships and related party transactions

In connection with the Company s plans to build a new innovation center next to its primary corporate office building, the Company is evaluating whether to purchase a building it is currently leasing on the location where the Company would like to build the new innovation center. The building is owned by a partnership owned principally by Blake Roney, Sandie Tillotson, Steve Lund, directors of the Company and selling stockholders in this offering, and certain of their family members. The Company also recently decided to evaluate whether to purchase the remaining corporate facilities in Provo leased by the Company from partnerships owned by these directors as part of this transaction, including its primary corporate office building, as the Company s initial plans include the concept of connecting the new building with the Company s primary corporate office building to form a corporate campus/plaza. In the event the Company elects to proceed with such a transaction, it estimates that the transaction would involve a purchase price of $25-$40 million. The Company has formed a special committee of directors to evaluate the potential purchase of the buildings and to negotiate the purchase if the committee elects to proceed with a purchase.

For information regarding material relationships with the selling stockholders, see Certain Relationships and Related Person Transactions in our Definitive Proxy Statement on Schedule 14A filed with the SEC on April 27, 2010, which is incorporated by reference herein.

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Selling stockholders

Except as described in the footnotes below, the following table sets forth the name of each selling stockholder, the number of shares and percentage of our Class A common stock beneficially owned by each selling stockholder as of May 28, 2010, the number of shares of common stock being sold in this offering and the number of shares to be beneficially owned by each selling stockholder after the completion of this offering.

Name of beneficial owner	Shares beneficially owned prior to offering Number	Percent of class	Number of shares offered(4)(5)	Shares beneficially owned after this offering Number	Percent of class
Blake Roney(1)(4)	8,099,508	12.9%	4,000,000	3,699,508	5.9%
Sandra Tillotson(2)	3,605,845	5.7%	30,000	3,575,845	5.7%
Steven Lund(3)(4)	1,743,687	2.8%	27,000	1,713,687	2.7%
Corporation of the President of The Church of Jesus Christ of Latter-day Saints(4)	403,000	*	403,000	0	0%

* Represents less than 1% of the outstanding shares of Class A Common Stock.

(1) Includes 7,902,915 shares of Class A Common Stock held by a family limited liability company, BMR NS-Holdings LLC. Mr. Roney is a co-manager of the limited liability company and has the sole right to exercise all voting power with respect to 25% of the shares held by the limited liability company and sole investment power with respect to 50% of the shares held by the limited liability company. Mr. Roney s spouse, Nancy Roney, is also a co-manager and has the sole right to exercise all voting and investment power with respect to 50% of the shares held by the limited liability company. Because of his position and relationship to the members of the limited liability company, Mr. Roney may be deemed to have shared voting and investment power with respect to all shares held by the limited liability company. Also includes 58,648 shares of Class A Common Stock held indirectly by Mr. Roney as trustee and with respect to which he has sole voting and investment power, for which Mr. Roney disclaims beneficial ownership, and 125,445 shares of Class A Common Stock held indirectly by Mr. Roney as co-trustee with respect to which he shares voting and investment power, for which Mr. Roney disclaims beneficial ownership. The beneficial ownership described in this footnote describes beneficial ownership prior to the offering. All shares offered hereby will be sold from the shares held by BMR NS-Holdings LLC.

(2) Includes 29,312 shares of Class A Common Stock held indirectly as co-trustee and with respect to which Ms. Tillotson shares voting and investment power, for which Ms. Tillotson disclaims beneficial ownership; and 500,000 shares of Class A Common Stock held indirectly as manager of a limited liability company and with respect to which she has sole voting and investment power, for which Ms. Tillotson disclaims beneficial ownership. The beneficial ownership described in this footnote describes beneficial ownership prior to the offering. All shares offered hereby will be sold from the shares held by the Sandra N. Tillotson Family Trust.

(3) Includes 1,644,354 shares of Class A Common Stock held by a family limited liability company, SJL NS-Holdings LLC. Mr. Lund is a co-manager of the limited liability company and has the sole right to exercise all voting power with respect to 25% of the shares held by the limited liability company and sole investment power with respect to 50% of the shares held by the limited liability company. Mr. Lund s spouse, Kalleen Lund, is also a co-manager and has the sole right to exercise all voting and investment power with respect to 50% of the shares held by the limited liability company. Because of his position and relationship to the members of the limited liability company, Mr. Lund may be deemed to have shared voting and investment power with respect to all such shares held by the limited liability company. Also includes 72,462 shares of Class A Common Stock held indirectly by Mr. Lund as trustee and with respect to which he has sole voting and investment power, for which Mr. Lund disclaims beneficial ownership; and 14,371 shares of Class A Common Stock held indirectly by Mr. Lund as co-trustee with respect to which he has shared voting and investment power, for which Mr. Lund disclaims beneficial ownership. The beneficial ownership described in this footnote describes beneficial ownership prior to the offering. All shares offered hereby will be sold from the shares held by SJL NS-Holdings LLC.

(4) Immediately prior to this offering Mr. Roney and Mr. Lund transferred, as a gift, to Corporation of the President of The Church of Jesus Christ of Latter-day Saints, 400,000 shares and 3,000 shares, respectively, which will be sold by Corporation of the President of The Church of Jesus Christ of Latter-Day Saints in this offering.

(5) This column excludes up to 669,000 shares that may be sold by certain of the selling stockholders if the underwriters exercise their over-allotment option. The number of shares that would be sold by certain selling stockholders in the event the underwriters exercise their over-allotment option in full are: (i) Blake Roney, 223,000 shares, (ii) Sandra Tillotson, 223,000 shares, and (iii) Steven Lund, 223,000 shares. Accordingly, assuming the over-allotment option is exercised in full, Mr. Roney would beneficially own 3,476,508 shares or 5.5% of the Class A common stock outstanding after the completion of the offering, Ms. Tillotson would beneficially own 3,352,845 shares or 5.3% of the Class A common stock outstanding after the completion of the offering, and Mr. Lund would beneficially own 1,490,687 shares or 2.4% of the Class A common stock outstanding after the completion of the offering.

For information regarding positions, offices, and other material relationships with the selling stockholders, see Management.

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Certain material U.S. federal tax consequences

The following discussion describes certain material U.S. federal income and estate tax consequences of the ownership and disposition of our Class A common stock. This discussion applies only to holders that hold shares of our Class A common stock as capital assets.

This discussion does not describe all of the tax consequences that may be relevant to a holder in light of its particular circumstances or to holders subject to special rules, including, but not limited to:

- banks and certain other financial institutions;
- insurance companies;
- dealers and certain traders in securities;
- tax-exempt entities;
- persons holding our Class A common stock as part of a straddle, hedge, conversion or similar transaction;
- U.S. holders (as defined below) whose functional currency is not the U.S. dollar;
- holders that own, or that are deemed to own, more than 5% of our Class A common stock;
- certain former citizens or residents of the United States;
- partnerships or other entities classified as partnerships for U.S. federal income tax purposes; or
- persons subject to the alternative minimum tax.

This discussion is based on the Internal Revenue Code of 1986, as amended (the Code), and administrative pronouncements, judicial decisions and final, temporary and proposed Treasury Regulations, changes to any of which subsequent to the date of this prospectus supplement may affect the tax consequences described herein. This discussion does not address all aspects of U.S. federal taxation that may be relevant to holders in light of their particular circumstances and does not address any tax consequences arising under the laws of any state, local or foreign jurisdiction. Prospective holders are urged to consult their own tax advisors with respect to the particular tax consequences to them of owning and disposing of common stock, including the consequences under the laws of any state, local or foreign jurisdiction.

In addition, if a partnership or entity classified as a partnership for U.S. federal income tax purposes holds our Class A common stock, the tax treatment of a partner in such partnership or entity generally will depend on the status of the partner and upon the activities of the partnership or entity. Accordingly, partnerships or entities classified as partnerships that hold our Class A common stock, and partners in such partnerships or entities, should consult their own tax advisors.

Tax consequences to U.S. holders

As used herein, the term U.S. holder means a beneficial owner of our Class A common stock that is, for U.S. federal income tax purposes:

- a citizen or resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States or of any political subdivision thereof;

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an estate the income of which is subject to U.S. federal income taxation regardless of its source; or

a trust that (1) is subject to the supervision of a court within the U.S. and the control of one or more U.S. persons or (2) has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a U.S. person.

Taxation of distributions on Class A common stock

Distributions paid on our Class A common stock, other than certain pro rata distributions of shares of Class A common stock, will be treated as dividends to the extent paid out of current or accumulated earnings and profits (as determined under U.S. federal income tax principles) and will be includible in income by the U.S. holder and taxable as ordinary income when actually or constructively received. If a distribution exceeds our current and accumulated earnings and profits, the excess will be first treated as a tax-free return of the U.S. holder s investment, up to the U.S. holder s adjusted tax basis in the Class A common stock. Any remaining excess will be treated as a capital gain. Subject to certain limitations and restrictions, dividends received by corporate U.S. holders generally will be eligible for the dividends received deduction. For taxable years beginning on or before December 31, 2010, dividends received by certain noncorporate U.S. holders on Class A common stock may be subject to U.S. federal income tax at lower rates than other types of ordinary income if certain conditions are met. U.S. holders should consult their own tax advisors regarding the application of these lower rates in their particular circumstances.

Sale or other disposition of common stock

Gain or loss realized by a U.S. holder on the sale or other disposition of our Class A common stock will be capital gain or loss for U.S. federal income tax purposes, and will be long-term capital gain or loss if the U.S. holder s holding period for the Class A common stock is greater than one year. The amount of the U.S. holder s gain or loss will be equal to the difference between the U.S. holder s amount realized on the disposition and the adjusted tax basis in the Class A common stock disposed of. Long-term capital gains recognized by non-corporate U.S. holders are taxed at reduced rates under current law. The deductibility of capital losses may be subject to limitations.

Tax consequences to non-U.S. holders

As used herein, the term non-U.S. holder means a beneficial owner of our Class A common stock that is, for U.S. federal income tax purposes, not a U.S. holder (as defined above).

Dividends

Dividends paid by us to a non-U.S. holder of Class A common stock generally will be subject to withholding tax at a 30% rate or a reduced rate specified by an applicable income tax treaty. In order to obtain a reduced rate of withholding, a non-U.S. holder will be required to provide a properly executed Internal Revenue Service Form W-8BEN certifying its entitlement to benefits under a treaty.

The withholding tax does not apply to dividends paid to a non-U.S. holder who provides a Form W-8ECI, certifying that the dividends are effectively connected with the non-U.S. holder s conduct of a trade or business within the United States. Instead, the effectively connected dividends will be subject to regular U.S. income tax, generally in the same manner as if the non-U.S. holder were a U.S. holder. A non-U.S. corporation receiving effectively connected dividends may also be subject to an additional branch profits tax imposed at a rate of 30% (or a lower treaty rate).

Gain on disposition of common stock

A non-U.S. holder generally will not be subject to U.S. federal income tax on gain realized on a sale or other disposition of Class A common stock unless:

- the holder is an individual who is present in the U.S. for a period or periods aggregating 183 days or more during the calendar year in which the sale or disposition occurs and certain other conditions are met;
- the gain is effectively connected with a trade or business of the non-U.S. holder in the United States (in which case, the non-U.S. holder will be taxed generally in the same manner as a U.S. holder), subject to an applicable treaty providing otherwise; or
- we have been a U.S. real property holding corporation at any time within the five-year period preceding the disposition or the non-U.S. holder s holding period, whichever period is shorter, and our Class A common stock has ceased to be regularly traded on an established securities market prior to the beginning of the calendar year in which the sale or disposition occurs.

We believe that we are not, and do not anticipate becoming in the foreseeable future, a U.S. real property holding corporation.

Recent legislation generally imposes a withholding tax of 30% on payments to certain foreign entities, after December 31, 2012, of dividends on and the gross proceeds of dispositions of U.S. common stock unless various U.S. information reporting and due diligence requirements that are different from, and in addition to, the beneficial owner certification requirements described above have been satisfied. Non-U.S. holders should consult their tax advisors regarding the possible implications of this legislation on their investment in our Class A common stock.

Federal estate tax

Individual Non-U.S. holders and entities the property of which is potentially includible in such an individual s gross estate for U.S. federal estate tax purposes (for example, a trust funded by such an individual and with respect to which the individual has retained certain interests or powers), should note that, absent an applicable treaty benefit, the common stock will be treated as U.S. situs property subject to U.S. federal estate tax.

Backup withholding and information reporting

Information returns and reports may be filed with the Internal Revenue Service in connection with payments of dividends on the Class A common stock and the proceeds from a sale or other disposition of the Class A common stock. A U.S. holder may be subject to United States backup withholding on these payments if it fails to provide its taxpayer identification number to the paying agent and comply with certification procedures or otherwise establish an exemption from backup withholding. A non-U.S. holder may be subject to U.S. backup withholding on these payments if it fails to comply with certification procedures to establish that it is not a U.S. person. The certification procedures required to claim a reduced rate of withholding under a treaty will

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satisfy the certification requirements necessary to avoid the backup withholding tax as well. The amount of any backup withholding from a payment generally will be allowed as a credit against the holder s U.S. federal income tax liability and may entitle the holder to a refund, provided that the required information is timely furnished to the Internal Revenue Service.

The foregoing discussion of U.S. federal income and estate tax considerations is provided as general information only and is not tax advice. Accordingly, you should consult your own tax advisors as to the particular tax consequences to you of purchasing, holding or disposing of our Class A common stock, including the applicability and effect of any federal, state, local or non-U.S. tax laws, and of any changes or proposed changes in applicable law.

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Underwriting

The selling stockholders are offering the shares of Class A common stock described in this prospectus supplement through a number of underwriters. J.P. Morgan Securities Inc. and Deutsche Bank Securities Inc. are acting as joint book-running managers of the offering and as representatives of the underwriters. We and the selling stockholders have entered into an underwriting agreement with the underwriters. Subject to the terms and conditions of the underwriting agreement, the selling stockholders have agreed to sell to the underwriters, and each underwriter has severally agreed to purchase, at the public offering price less the underwriting discounts and commissions set forth on the cover page of this prospectus supplement, the number of shares of Class A common stock listed next to its name in the following table:

Name	**Number of shares**
J.P. Morgan Securities Inc.	2,386,100
Deutsche Bank Securities Inc.	1,271,100
Canaccord Genuity Inc.	223,000
Stifel, Nicolaus & Company, Incorporated	223,000
Avondale Partners, LLC	178,400
Sidoti & Company, LLC	133,800
Moelis & Company LLC	44,600
Total	4,460,000

The underwriters are committed to purchase all the shares of Class A common stock offered by the selling stockholders if they purchase any shares. The underwriting agreement also provides that if an underwriter defaults, the purchase commitments of non-defaulting underwriters may also be increased or the offering may be terminated.

The underwriters propose to offer the shares of Class A common stock directly to the public at the initial public offering price set forth on the cover page of this prospectus supplement and to certain dealers at that price less a concession not in excess of $0.81 per share. After the initial public offering of the shares, the offering price and other selling terms may be changed by the underwriters. The offering of the shares by the underwriters is subject to receipt and acceptance and subject to the underwriters right to reject any order in whole or in part. Sales of shares made outside of the United States may be made by affiliates of the underwriters.

The underwriters have an option to buy up to 669,000 additional shares of Class A common stock from certain of the selling stockholders to cover sales of shares by the underwriters which exceed the number of shares specified in the table above. The shares purchased under this over-allotment option will be purchased at the public offering price, less the underwriting discounts and commissions and less an amount per share equal to any dividends declared by us and payable on the shares sold on the date hereof but not payable on the shares purchased pursuant to the over-allotment option. The underwriters have 30 days from the date of this prospectus supplement to exercise this over-allotment option. If any shares are purchased pursuant to this over-allotment option, the underwriters will purchase shares in approximately the same proportion as shown in the table above. If any additional shares of Class A common stock are purchased, the underwriters will offer the additional shares on the same terms as those on which the shares are being offered.

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The underwriting fee is equal to the public offering price per share of Class A common stock less the amount paid by the underwriters to the selling stockholders per share of Class A common stock. The underwriting fee is $1.35 per share. The following table shows the per share and total underwriting discounts and commissions to be paid to the underwriters assuming both no exercise and full exercise of the underwriters option to purchase additional shares.

	Without over-allotment exercise	With full over-allotment exercise
Per Share	$ 1.35	$ 1.35
Total	$ 6,021,000.00	$ 6,924,150.00

We estimate that the total expenses of this offering to be paid by the selling stockholders, including registration, filing and listing fees, printing fees and legal and accounting expenses, will be approximately $300,000. We will not pay any of the expenses relating to this offering.

A prospectus supplement and accompanying prospectus in electronic format may be made available on the web sites maintained by one or more underwriters, or selling group members, if any, participating in the offering. The underwriters may agree to allocate a number of shares to underwriters and selling group members for sale to their online brokerage account holders. Internet distributions will be allocated by the representatives to underwriters and selling group members that may make Internet distributions on the same basis as other allocations.

We have agreed, subject to certain exceptions, that we will not (i) offer, pledge, announce the intention to sell, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of, directly or indirectly, any shares of our Class A common stock or any securities convertible into or exercisable or exchangeable for shares of our Class A common stock or (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of shares of our Class A common stock (regardless of whether any of these transactions are to be settled by the delivery of shares of our Class A common stock, or such other securities, in cash or otherwise), in each case without the prior written consent of J.P. Morgan Securities Inc. and Deutsche Bank Securities Inc. for a period of 90 days after the date of this prospectus. Notwithstanding the foregoing, if (1) during the last 17 days of the 90-day restricted period, we issue an earnings release or material news or a material event relating to our Company occurs; or (2) prior to the expiration of the 90-day restricted period, we announce that we will release earnings results during the 16-day period beginning on the last day of the 90-day period, the restrictions described above shall continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event.

Our directors, executive officers, and the selling stockholders (except for the Corporation of the President of The Church of Jesus Christ of Latter-Day Saints) have entered into lock-up agreements with the underwriters prior to the commencement of this offering pursuant to which each of these persons or entities, with limited exceptions, for a period of 90 days after the date of this prospectus supplement, may not, without the prior written consent of J.P. Morgan Securities Inc. and Deutsche Bank Securities Inc., (1) offer, pledge, announce the intention to sell, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly

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or indirectly, any shares of our Class A Common Stock, or any securities convertible into or exercisable or exchangeable for shares of our Class A common stock (including without limitation, shares of our Class A common stock which may be deemed to be beneficially owned by such directors, executive officers, and selling stockholders in accordance with the rules and regulations of the SEC and securities which may be issued upon exercise of a stock option or warrant), (2) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of shares of our Class A common stock, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of shares of our Class A common stock or such other securities, in cash or otherwise or (3) make any demand for or exercise any right with respect to the registration of any shares of Class A common stock or any security convertible into or exercisable or exchangeable for shares of our Class A common stock. Notwithstanding the foregoing, if (1) during the last 17 days of the 90-day restricted period, we issue an earnings release or material news or a material event relating to our Company occurs; or (2) prior to the expiration of the 90-day restricted period, we announce that we will release earnings results during the 16-day period beginning on the last day of the 90-day period, the restrictions described above shall continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event.

We and the selling stockholders have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933.

Our common stock is listed on the New York Stock Exchange under the symbol NUS.

In connection with this offering, the underwriters may engage in stabilizing transactions, which involves making bids for, purchasing and selling shares of common stock in the open market for the purpose of preventing or retarding a decline in the market price of the Class A common stock while this offering is in progress. These stabilizing transactions may include making short sales of the Class A common stock, which involves the sale by the underwriters of a greater number of shares of Class A common stock than they are required to purchase in this offering, and purchasing shares of Class A common stock on the open market to cover positions created by short sales. Short sales may be covered shorts, which are short positions in an amount not greater than the underwriters over-allotment option referred to above, or may be naked shorts, which are short positions in excess of that amount. The underwriters may close out any covered short position either by exercising their over-allotment option, in whole or in part, or by purchasing shares in the open market. In making this determination, the underwriters will consider, among other things, the price of shares available for purchase in the open market compared to the price at which the underwriters may purchase shares through the over-allotment option. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the Class A common stock in the open market that could adversely affect investors who purchase in this offering. To the extent that the underwriters create a naked short position, they will purchase shares in the open market to cover the position.

The underwriters have advised us that, pursuant to Regulation M of the Securities Act of 1933, they may also engage in other activities that stabilize, maintain or otherwise affect the price of the Class A common stock, including the imposition of penalty bids. This means that if the representatives of the underwriters purchase Class A common stock in the open market in

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stabilizing transactions or to cover short sales, the representatives can require the underwriters that sold those shares as part of this offering to repay the underwriting discount received by them.

These activities may have the effect of raising or maintaining the market price of the Class A common stock or preventing or retarding a decline in the market price of the Class A common stock, and, as a result, the price of the Class A common stock may be higher than the price that otherwise might exist in the open market. If the underwriters commence these activities, they may discontinue them at any time. The underwriters may carry out these transactions on the New York Stock Exchange, in the over-the-counter market or otherwise.

Other than in the United States, no action has been taken by us, the selling stockholders or the underwriters that would permit a public offering of the securities offered by this prospectus supplement and accompanying prospectus in any jurisdiction where action for that purpose is required. The securities offered by this prospectus supplement and accompanying prospectus may not be offered or sold, directly or indirectly, nor may this prospectus supplement or accompanying prospectus or any other offering material or advertisements in connection with the offer and sale of any such securities be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of that jurisdiction. Persons into whose possession this prospectus supplement and accompanying prospectus come are advised to inform themselves about and to observe any restrictions relating to the offering and the distribution of this prospectus supplement and accompanying prospectus. This prospectus supplement and accompanying prospectus do not constitute an offer to sell or a solicitation of an offer to buy any securities offered by this prospectus supplement and accompanying prospectus in any jurisdiction in which such an offer or a solicitation is unlawful.

This document is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) to investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the Order) or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as relevant persons). The securities are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), from and including the date on which the European Union Prospectus Directive (the EU Prospectus Directive) is implemented in that Relevant Member State (the Relevant Implementation Date) an offer of securities described in this prospectus supplement and accompanying prospectus may not be made to the public in that Relevant Member State prior to the publication of a prospectus in relation to the shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the EU Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of shares to the public in that Relevant Member State at any time:

to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

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- to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than 43,000,000 and (3) an annual net turnover of more than 50,000,000, as shown in its last annual or consolidated accounts;

- to fewer than 100 natural or legal persons (other than qualified investors as defined in the EU Prospectus Directive) subject to obtaining the prior consent of the book-running managers for any such offer; or

- in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an offer of securities to the public in relation to any securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe for the securities, as the same may be varied in that Member State by any measure implementing the EU Prospectus Directive in that Member State and the expression EU Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Certain of the underwriters and their affiliates have provided in the past to us and our affiliates and may provide from time to time in the future certain commercial banking, financial advisory, investment banking and other services for us and such affiliates in the ordinary course of their business, for which they have received and may continue to receive customary fees and commissions. In addition, from time to time, certain of the underwriters and their affiliates may effect transactions for their own account or the account of customers, and hold on behalf of themselves or their customers, long or short positions in our debt or equity securities or loans, and may do so in the future.

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Legal matters

The validity of the Class A common stock offered hereby will be passed upon for us by Dorsey & Whitney LLP, Salt Lake City, Utah. Certain legal matters will be passed upon for the underwriters by Davis Polk & Wardwell LLP, New York, New York.

Experts

Information about experts appears under Experts in the accompanying prospectus.

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PROSPECTUS

Class A Common Stock

This prospectus relates to the sale of shares of our Class A common stock by certain selling stockholders. We are not selling any securities under this prospectus or any supplement to this prospectus and will not receive any of the proceeds from the sale of shares by the selling stockholders. This prospectus provides you with a general description of the shares that may be offered under this prospectus. Each time the selling stockholders decide to sell shares of Class A common stock, we will provide you with a prospectus supplement that will contain specific information about the price and terms of that offering. The prospectus supplement may add to, change or update information contained in this prospectus.

The selling stockholders may offer and sell shares of Class A common stock described in this prospectus or any supplement in a number of different ways and at varying prices. For additional information on the methods of sale that may be used by the selling stockholders, see Plan of Distribution on page 6.

Our Class A common stock is listed on the New York Stock Exchange under the symbol NUS . On May 28, 2010, the last reported sale price for our Class A common stock was $28.76 per share.

Investing in our securities involves risk. See Risk Factors on page 1 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is June 1, 2010

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We have not authorized anyone to provide you with information different from that contained or incorporated by reference in this prospectus. The selling stockholders are offering to sell, and seeking offers to buy, shares of our Class A common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of Class A common stock.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission, or SEC, using a shelf registration process. Pursuant to this shelf process, one or more of the selling stockholders named under the heading Selling Stockholders may sell the securities described in this prospectus from time to time in one or more offerings. Each time the selling stockholders sell securities, we will provide a prospectus supplement along with this prospectus that will contain specific information about the terms of the offering. The accompanying prospectus supplement may also add, update or change information contained in this prospectus. If information varies between this prospectus and the accompanying prospectus supplement, you should rely on the information in the accompanying prospectus supplement. This prospectus, the accompanying prospectus supplement and the documents incorporated by reference herein include important information about us, the Class A common stock being offered and other information you should know before investing. You should read both this prospectus and the accompanying prospectus supplement together with the additional information about us described in the section below entitled Where You Can Find More Information.

You should rely only on the information provided in this prospectus, in any prospectus supplement, or any other offering material that we authorize, including the information incorporated by reference. We have not authorized anyone to provide you with different information. You should not assume that the information in this prospectus, any supplement to this prospectus, or any other offering material that we authorize, is accurate at any date other than the date indicated on the cover page of these documents or the date of the statement contained in any incorporated documents, respectively. This prospectus is not an offer to sell or a solicitation of an offer to buy any securities other than the securities referred to in the prospectus supplement. This prospectus is not an offer to sell or a solicitation of an offer to buy such securities in any circumstances in which such offer or solicitation is unlawful. You should not interpret the delivery of this prospectus, or any sale of securities, as an indication that there has been no change in our affairs since the date of this prospectus. You should also be aware that information in this prospectus may change after this date.

Unless the context otherwise requires or otherwise specifies, references in this prospectus to Nu Skin Enterprises, the Company, we, our, and refer to Nu Skin Enterprises, Inc. and its subsidiaries.

RISK FACTORS

Investing in our securities involves risks. You should carefully consider the risks described under Risk Factors in Item 1A of Part I of our Annual Report on Form 10-K for the fiscal year ended December 31, 2009 and in the other documents incorporated by reference into this prospectus (which risk factors are incorporated by reference herein), as well as the additional risk factors and other information contained or incorporated by reference in this prospectus or in any prospectus supplement hereto before making a decision to invest in our securities. See Where You Can Find More Information.

NU SKIN ENTERPRISES, INC.

We are a leading, global direct selling company with operations in 50 markets worldwide. We develop and distribute innovative, premium-quality anti-aging personal care products and nutritional supplements under our Nu Skin and Pharmanex brands, respectively. We strive to secure competitive advantages in four key areas: our people, our products, the culture we promote, and the business opportunities we offer. In 2009, our 25th year of operations, we posted record revenue of $1.33 billion. Revenue in 2009 grew 7% based on the success of strong product innovation and distributor initiatives.

As of March 31, 2010, we had a global network of approximately 765,000 active distributors. Approximately 34,000 of our distributors were qualified sales leaders we refer to as executive distributors. Our executive distributors play a critical leadership role in the growth and development of our business.

Approximately 84% of our 2009 revenue came from our markets outside of the United States. While we have become more geographically diverse over the past decade, Japan, our largest revenue market, accounted for approximately 35% of our 2009 total revenue. Due to the size of our foreign operations, our results are often impacted positively or negatively by foreign currency fluctuations, particularly fluctuations in the Japanese yen. In addition, our results are impacted by global economic, political, demographic and business trends and conditions.

Our principal executive offices are located at 75 West Center Street, Provo, UT 84601, and our telephone number is (801) 345-1000. We maintain a website at www.nuskinenterprises.com where general information about us is available. We are not incorporating the contents of the website into this prospectus.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document we file at the SEC s Public Reference Room, 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on their public reference room. Our SEC filings are also available to the public at the SEC s website at http://www.sec.gov. Our Class A common stock is listed and traded on the New York Stock Exchange (the NYSE). You may also inspect the information we file with the SEC at the NYSE s offices at 20 Broad Street, New York, New York 10005. Information about us, including our SEC filings, is also available at our Internet site at http://www.nuskinenterprises.com. However, the information on our Internet site is not a part of this prospectus or any prospectus supplement.

The SEC allows us to incorporate by reference information into this prospectus. This means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be a part of this prospectus, and later information that we file with the SEC will automatically update and supersede this information. We incorporate by reference the documents listed below and any future filings made with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 (other than the portions provided pursuant to Item 2.02 or Item 7.01 of Form 8-K or other information furnished to the SEC) after the date of this prospectus and before the end of the offering of the securities pursuant to this prospectus:

- our Annual Report on Form 10-K for the fiscal year ended December 31, 2009, filed with the SEC on March 1, 2010;
- our Quarterly Report on Form 10-Q for the three-month period ended March 31, 2010, filed with the SEC on May 7, 2010;
- our Definitive Proxy Statement on Schedule 14A filed with the SEC on April 27, 2010; and
- the description of our Class A Common Stock, par value $.001 per share, as contained in the Registration Statement on Form 8-A filed on November 6, 1996, including any amendment or report filed for the purpose of updating such description.

We encourage you to read our SEC reports, as they provide additional information about us which prudent investors may find important. We will provide to each person, including any beneficial owner, to whom a prospectus is delivered a copy of any or all of the information that has been incorporated by reference in the prospectus but not delivered with the prospectus at no charge upon request in writing or by telephone to Nu Skin Enterprises, Inc., Attn: Corporate Secretary, 75 West Center Street, Provo, UT 84601, telephone: (801) 345-1000.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This prospectus and the documents incorporated by reference contain 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 prospectus or any document incorporated by reference herein the words or phrases will likely result, expect, intend, will continue, anticipate, estimate, project, believe and simil expressions are intended to identify forward-looking statements within the meaning of the Exchange Act.

Forward-looking statements include plans and objectives of management for future operations, including plans and objectives relating to our products and future economic performance in countries where we operate. The forward-looking statements included or incorporated by reference in this prospectus involve risks and uncertainties, including those set forth or incorporated by reference above in the section entitled Risk Factors, and are based on certain assumptions that may not be realized. Actual results and outcomes may differ materially from those discussed or anticipated. The forward-looking statements included or incorporated by reference in this prospectus are only made as of the date of this prospectus or the respective document incorporated by reference herein, as applicable. We assume no responsibility or obligation to update these statements to reflect any changes. The forward-looking statements and associated risks set forth herein relate to, among other things:

- our plans and expectations regarding our initiatives, strategies, development and launch of new products, and other innovation efforts;
- our expectations regarding our suppliers and our ability to replace them if needed;
- our expectations and beliefs regarding government regulations of our industry and our ability to comply with such regulations;
- our expectations and beliefs regarding our distributors and our compensation plan; and
- our beliefs regarding the availability of qualified personnel.

These and other forward-looking statements are subject to various risks and uncertainties. All forward-looking statements should be evaluated with the understanding of their inherent uncertainty. All subsequent written and oral forward-looking statements concerning the matters addressed in this document and attributable to us or any person acting on our behalf are qualified by these cautionary statements.

DESCRIPTION OF CAPITAL STOCK

As of the date of this prospectus, our authorized capital stock consists of 500,000,000 shares of Class A common stock, 100,000,000 shares of Class B common stock and 25,000,000 shares of preferred stock. As of May 28, 2010, we had 63,013,625 shares of Class A common stock issued and outstanding and no shares of Class B common stock issued and outstanding. Of the authorized shares of preferred stock, no shares of preferred stock were outstanding as of May 28, 2010.

The following description of our capital stock is a summary and is subject to and qualified in its entirety by reference to the provisions of our amended and restated certificate of incorporation, as amended.

Common Stock

As of May 28, 2010, there were approximately 651 holders of record of our Class A common stock.

Voting Rights

Each share of our Class A common stock entitles the holder to one vote on each matter submitted to a vote of our stockholders, including the election of directors. There is no cumulative voting. With respect to corporate

changes, including liquidations, reorganizations, recapitalizations, mergers, consolidations and sales of substantially all of our assets, the approval of 66 $^{2}/_{3}$% of the outstanding voting power is required to authorize or approve the transactions.

Dividends

The holders of our common stock are entitled to receive dividends if, as and when the dividends are declared by our board of directors out of assets legally available for the dividends after payment of dividends required to be paid on shares of preferred stock, if any.

Liquidation Preference

In the event of liquidation, after payment of the debts and other liabilities of our company and after making provision for the holders of our preferred stock, if any, our remaining assets will be distributable ratably among holders of common stock.

Mergers and Other Business Combinations

Upon the merger or consolidation of our company, holders of our common stock are entitled to receive equal per-share payments or distributions. We may not dispose of all or any substantial part of our assets to, or merge or consolidate with, any person, entity or group (as the term group is defined in Rule 13d-5 of the Exchange Act) that beneficially owns, in the aggregate, 10% or more of our outstanding common stock without the affirmative vote of the holders, other than a related person, of not less than 66 $^{2}/_{3}$% of the voting power. For the sole purpose of determining the 66 $^{2}/_{3}$% vote, a related person will also include the seller or sellers from whom the related person acquired, during the preceding six months, at least 5% of the outstanding shares of common stock pursuant to one or more agreements or other arrangements and not through a brokers transaction, but only if the seller or sellers have beneficial ownership of shares of common stock having a fair market value in excess of $10 million in the aggregate at the time of the proposed disposition, merger, or consolidation. Notwithstanding the foregoing, neither our company nor any of our subsidiaries shall be a related person. This 66 $^{2}/_{3}$% voting requirement is not applicable, however, if:

- the proposed transaction is approved by a vote of not less than a majority of our directors who are neither affiliated nor associated with the related person or the seller of shares to the related person as described above; or

- in the case of a transaction pursuant to which the holders of common stock are entitled to receive cash, property, securities or other consideration, the cash or fair market value of the property, securities or other consideration to be received per share in the transaction is not less than the higher of:

  - the highest price per share paid by the related person for any of its holdings of common stock within the two-year period immediately prior to the announcement of the proposed transaction; or

  - the highest closing sale price during the 30-day period immediately preceding that date or during the 30-day period immediately preceding the date on which the related person became a related person, whichever is higher.

Transfer Agent and Registrar

The transfer agent and registrar for our Class A common stock is American Stock Transfer and Trust Company.

Listing

Our Class A common stock is traded on the New York Stock Exchange under the trading symbol NUS .

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Preferred Stock

Our board of directors is authorized, subject to the limitations prescribed by the Delaware General Corporation Law or the rules of the New York Stock Exchange or other organizations on whose systems our stock may be quoted or listed, to:

- provide for the issuance of shares of preferred stock in one or more series;
- establish from time to time the number of shares to be included in each series;
- fix the rights, powers, preferences and privileges of the shares of each wholly unissued series and any qualifications, limitations or restrictions on such shares; and
- increase or decrease the number of shares of each series, without any further vote or action by the stockholders.

The approval of the holders of at least 66 2/3% of the combined voting power of the outstanding shares of common stock, however, is required for the issuance of shares of preferred stock that have the right to vote for the election of directors under ordinary circumstances or to elect 50% or more of the directors under any circumstances.

Depending upon the terms of the preferred stock established by our board of directors, any or all series of preferred stock could have preference over the common stock with respect to dividends and other distributions and upon liquidation of our company or could have voting or conversion rights that could adversely affect the holders of the outstanding common stock. In addition, the preferred stock could delay, defer or prevent a change of control of our company. We have no present plans to issue any shares of preferred stock.

Anti-Takeover Provisions

Special Stockholder Meetings

Special meetings of stockholders may be called only by the board of directors pursuant to a resolution adopted by the affirmative vote of a majority of the board, the chairman of the board of directors, the president, or at least a majority of the stockholders of our company. Except as otherwise required by law, stockholders are not entitled to request or call a special meeting of the stockholders.

Director Nominations and Business Proposals

Our stockholders are required to provide advance notice of nominations of directors to be made at, and of business proposed to be brought before, a meeting of the stockholders. The failure to deliver proper notice within the periods specified in our amended and restated bylaws will result in the denial of the stockholder of the right to make any nominations or propose any action at the meeting.

Section 203 of the Delaware General Corporation Law

We are a Delaware corporation and are subject to the provisions of Section 203 of the Delaware General Corporation Law. This law prevents many Delaware corporations, including those whose securities are listed on the New York Stock Exchange, from engaging, under specific circumstances, in a business combination with an interested stockholder for three years following the date that the stockholder became an interested stockholder, unless the business combination or interested stockholder is approved in a prescribed manner. An interested stockholder is a stockholder who, together with affiliates and associates, within the prior three years did own 15% or more of the corporation s outstanding voting stock.

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A Delaware corporation may opt out of the provisions of Section 203 of the Delaware General Corporation Law with an express provision in its original certificate of incorporation or an express provision in its certificate of incorporation or bylaws resulting from a stockholders amendment approved by at least a majority of the outstanding voting shares. We have not opted out of the provisions of Section 203.

SELLING SECURITY HOLDERS

Selling stockholders will use this prospectus in connection with resales of shares of Class A common stock. The applicable prospectus supplement or post-effective amendment will identify the selling stockholders and the numbers of shares to be sold. Selling stockholders may be deemed to be underwriters in connection with the shares they resell and any profits on the sales may be deemed to be underwriting discounts and commission under the Securities Act of 1933, as amended. Unless otherwise specified in the applicable prospectus supplement, we will not receive any proceeds from the sale of shares by selling stockholders.

USE OF PROCEEDS

The shares of Class A common stock covered by this prospectus will be sold or otherwise disposed of by the selling stockholders, and the selling stockholders will receive all of the proceeds from any offering covered by this prospectus. We will not receive any proceeds from any offering covered by this prospectus.

PLAN OF DISTRIBUTION

The selling stockholders may, from time to time, sell any or all of the shares of Class A common stock beneficially owned by them and offered hereby directly or through one or more underwriters, broker-dealers or agents, or a combination of any such methods of sale. If the Class A common stock is sold through underwriters or broker-dealers, the selling stockholders will be responsible for underwriting discounts or commissions or agent s commissions.

The selling stockholders will act independently of us in making decisions with respect to the timing, manner and size of each sale. Such sales may be made on the New York Stock Exchange, on the over-the-counter market or otherwise, or in a combination of such methods of sale, at a fixed price or prices that may be changed, at then prevailing market prices, at prices related to prevailing market prices or at negotiated prices. The shares of Class A common stock may be sold according to one or more of the following methods:

- a block trade in which the broker or dealer so engaged will attempt to sell the shares of Class A common stock as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by a broker or dealer as principal and resale by such broker or dealer for its account pursuant to this prospectus;
- ordinary brokerage transactions and transactions in which the broker solicits purchasers;
- privately negotiated transactions;
- a combination of such methods of sale; and
- any other method permitted pursuant to applicable law.

At any time a particular offer of the shares of Class A common stock is made, a revised prospectus or prospectus supplement may be filed with the SEC, or a report filed pursuant to the Exchange Act and incorporated by reference into this prospectus (which Exchange Act report will be identified in a prospectus filed

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to the extent required by the Securities Act), to reflect the disclosure of required additional information with respect to the distribution of the shares of Class A common stock. If required, such prospectus supplement or post-effective amendment will be distributed. We may suspend the sale of shares by the selling stockholders pursuant to this prospectus for certain periods of time for certain reasons, including if the prospectus is required to be supplemented or amended to include additional material information.

Any broker-dealer participating in such transactions as agent may receive commissions from the selling stockholders (and, if they act as agent for the purchaser of such shares, from such purchaser). Broker-dealers may agree with the selling stockholders to sell a specified number of shares at a stipulated price per share, and, to the extent such a broker-dealer is unable to do so acting as agent for the selling stockholders, to purchase as principal any unsold shares at the price required to fulfill the broker-dealer commitment to the selling stockholders. Broker-dealers who acquire shares as principal may thereafter resell such shares from time to time in transactions (which may involve crosses and block transactions and which may involve sales to and through other broker-dealers, including transactions of the nature described above) on the New York Stock Exchange, on the over-the-counter market, in privately-negotiated transactions or otherwise at market prices prevailing at the time of sale or at negotiated prices, and in connection with such resales may pay to or receive from the purchasers of such shares commissions computed as described above. To the extent required under the Securities Act, an amendment to this prospectus, or a supplemental prospectus will be filed, disclosing:

- the name of any such broker-dealers;
- the number of shares involved;
- the price at which such shares are to be sold;
- the commission paid or discounts or concessions allowed to such broker-dealers, where applicable;
- that such broker-dealers did not conduct any investigation to verify the information set out or incorporated by reference in this prospectus, as supplemented; and
- other facts material to the transaction.

Such brokers, dealers or agents may receive compensation in the form of discounts, concessions or commissions from the selling stockholders and/or the purchasers of the shares of Class A common stock for whom they may act as agent. In effecting sales, broker-dealers that are engaged by the selling stockholders may arrange for other broker-dealers to participate. The selling stockholders may be deemed to be underwriters within the meaning of the Securities Act. Any brokers, dealers or agents who participate in the distribution of the shares of Class A common stock may also be deemed to be underwriters, and any profits on the sale of the shares of Class A common stock by them and any discounts, commissions or concessions received by any such brokers, dealers or agents may be deemed to be underwriting discounts and commissions under the Securities Act.

If underwriters are used in the sale of any securities, the securities will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. If all the shares are not sold at the public offering price, the applicable underwriters may change the offering price and the other selling terms. The securities may be either offered to the public through underwriting syndicates represented by managing underwriters, or directly by underwriters. Generally, the underwriters obligations to purchase the securities will be subject to certain conditions precedent. The underwriters will be obligated to purchase all of the securities if they purchase any of the securities.

We will identify any underwriters or agents and describe their compensation in a prospectus supplement. To the extent the selling stockholders may be deemed to be underwriters, the selling stockholders will be subject to the prospectus delivery requirements of the Securities Act and may be subject to certain statutory liabilities of, including but not limited to, Sections 11, 12 and 17 of the Securities Act.

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Underwriters and purchasers that are deemed underwriters under the Securities Act may engage in transactions that stabilize, maintain or otherwise affect the price of the securities, including the entry of stabilizing bids or syndicate covering transactions or the imposition of penalty bids. The selling stockholders and any other persons participating in the sale or distribution of the shares will be subject to the applicable provisions of the Exchange Act and the rules and regulations thereunder including, without limitation, Regulation M. These provisions may restrict certain activities of, and limit the timing of, purchases by the selling stockholders or other persons or entities. Furthermore, under Regulation M, persons engaged in a distribution of securities are prohibited from simultaneously engaging in market making and certain other activities with respect to such securities for a specified period of time prior to the commencement of such distributions, subject to special exceptions or exemptions. Regulation M may restrict the ability of any person engaged in the distribution of the securities to engage in market-making and certain other activities with respect to those securities. In addition, the anti-manipulation rules under the Exchange Act may apply to sales of the securities in the market. All of these limitations may affect the marketability of the shares and the ability of any person to engage in market-making activities with respect to the securities.

Under the securities laws of some states, the shares of Class A common stock may be sold in such states only through registered or licensed brokers or dealers. In addition, in some states the shares of Class A common stock may not be sold unless such shares have been registered or qualified for sale in such state or an exemption from registration or qualification is available and is complied with. Agents and underwriters may be entitled under agreements entered into with us and the selling stockholders to indemnification against certain civil liabilities, including liabilities under the Securities Act, or to contribution with respect to payments which the agents or underwriters may be required to make in respect thereof. Agents and underwriters may be customers of, may engage in transactions with, or perform services for, us and the selling stockholders in the ordinary course of business. The specific terms of any lock-up provisions in respect of any given offerings will be described in the applicable prospectus supplement.

Any shares covered by this prospectus which qualify for sale pursuant to Rule 144 of the Securities Act may be sold under Rule 144 rather than pursuant to this prospectus. In addition, the selling stockholders may transfer the shares by other means not described in this prospectus.

Certain entities that may act as underwriters and their respective affiliates may have, from time to time, performed, and may perform in the future, various financial advisory and investment banking services for us, the selling stockholders and affiliates, for which they received or will receive customary fees and expenses.

LEGAL MATTERS

The legality of the shares offered hereby will be passed upon for Nu Skin Enterprises, Inc. by Dorsey & Whitney LLP, Salt Lake City, Utah. Any underwriters will be advised about legal matters relating to any offering by such other counsel as may be identified in the applicable prospectus supplement.

EXPERTS

The consolidated financial statements and management s assessment of the effectiveness of internal control over financial reporting (which is included in Management s Report on Internal Control over Financial Reporting) incorporated in this prospectus by reference to the Annual Report on Form 10-K for the year ended December 31, 2009 have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

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4,460,000 Shares of Class A common stock

Prospectus supplement

J.P. Morgan **Deutsche Bank Securities**

Canaccord Genuity **Stifel Nicolaus**

Avondale Partners **Sidoti & Company, LLC**

Moelis & Company

June 3, 2010

You should rely only on the information contained in, or incorporated by reference in, this prospectus supplement and the accompanying prospectus. You should also read and consider the information in the documents we have referred you to under Where You Can Find More Information in the accompanying prospectus. Neither we, the selling stockholders, nor the underwriters have authorized anyone to provide information different from that contained in, incorporated or deemed incorporated by reference into this prospectus supplement or the accompanying prospectus.

You should not assume that the information contained in this prospectus supplement and the accompanying prospectus to which it relates or the documents incorporated or deemed incorporated herein or therein is accurate as of any date other than the date of this prospectus supplement, the accompanying prospectus or such documents. Our business, financial condition, results of operations and prospects may have changed since the date of such information.