

## **Nu Skin's "2004 Distributor Compensation Summary"**

(included in "public comments" on Business Opportunity Disclosure rule – submitted July 13, 2006)

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### **NU SKIN ENTERPRISES, INC. DISTRIBUTOR COMPENSATION SUMMARY**

#### *Company Overview*

Nu Skin Enterprises (together with its affiliates, the "Company") is a global direct selling company that operates in more than 30 countries throughout North and South America, Asia and Europe. The Company operates in three divisions: (1) the Nu Skin division markets premium quality skin care and personal care products; (2) the Pharmanex division is a science-based developer of nutrition products; and (3) the Big Planet division markets and distributes Internet, technology, telecommunications and other products.

#### *Distributors*

The Company markets its products through a network of independent distributors. For purposes of this summary, an "Active Distributor" is a distributor who placed an order for products, promotional materials or services or renewed their distributorship during the quarter. In the United States, the Company had an average of 57,998 Active Distributors each quarter in 2004.

#### *Compensation*

There are two fundamental ways in which a distributor can earn compensation:

- Through retail markups on sales of products purchased at wholesale prices; and
- Through commissions (sometimes called bonuses) paid on one's product sales and the sales of other distributors in one's downline sales network.

As with any other sales opportunity, the compensation earned by distributors varies significantly. The cost to become a distributor is very low. People become distributors for various reasons. Many people become distributors simply to enjoy the Company's products at wholesale prices. Some join the business to improve their skills or to experience the management of their own business. Others become distributors but for various reasons never purchase products from the Company. Consequently, many distributors never qualify to receive commissions.

Generating meaningful compensation as a distributor requires considerable time, effort, and commitment. This is not a get rich quickly program. There are no guarantees of financial success.

#### *Retail Markups*

Distributors can buy Nu Skin, Pharmanex and Big Planet products from the Company at wholesale prices for resale to customers or for personal consumption. Some Big Planet products are services, such as Internet access, on which there is no retail mark-up earned by distributors. In addition, some Big Planet products are lower margin products offered through Internet mall affiliates. Consequently lower levels of commissions are paid on the sale of such products. The Company's suggested retail markup is 43% on most of its personal care and nutrition products. However, distributors are free to set their own selling price and may personally consume some of the products they purchase. As a result, the Company currently neither provides an estimate of average income from retail sales nor includes distributor retail income in its average commission information.







