NU SKIN ENTERPRISES INC
Form DEF 14A
March 31, 2016
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement
Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
Definitive Proxy Statement
Definitive Additional Materials
Soliciting Material Pursuant to §240.14a-12

NU SKIN ENTERPRISES, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):
No fee required.
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(1) Title of each class of securities to which transaction applies:

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Amount Previously Paid:

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS OF
NU SKIN ENTERPRISES, INC.
May 24, 2016

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders (the "Annual Meeting") of Nu Skin Enterprises, Inc., a Delaware corporation, will be held at 11:00 a.m., Mountain Daylight Time, on May 24, 2016, at our corporate offices, 75 West Center Street, Provo, Utah 84601, for the following purposes, which are more fully described in the Proxy Statement:

1. To elect the eight directors named in the Proxy Statement;
2. To hold an advisory vote to approve our executive compensation;
3. To approve our Second Amended and Restated 2010 Omnibus Incentive Plan;
4. To ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2016; and
5. To transact such other business as may properly come before the Annual Meeting.

The Board of Directors has fixed the close of business on March 30, 2016, as the record date for determining the stockholders entitled to receive notice of and to vote at the Annual Meeting or any adjournment or postponement thereof.

You are cordially invited to attend the Annual Meeting in person. However, to ensure your representation at the Annual Meeting, please mark, sign, date and return the accompanying proxy as promptly as possible in the enclosed postage prepaid envelope. If you attend the Annual Meeting, you may, if you wish, withdraw your proxy and vote in person.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be Held on May 24, 2016: The proxy statement and annual report to stockholders are available at www.astproxyportal.com/ast/08684.

By Order of the Board of Directors,

STEVEN J. LUND
Chairman of the Board
Provo, Utah, March 31, 2016

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PROXY STATEMENT
NU SKIN ENTERPRISES, INC.
ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON MAY 24, 2016

SOLICITATION OF PROXIES

The accompanying proxy is solicited on behalf of the Board of Directors of Nu Skin Enterprises, Inc. ("Nu Skin," "we," "us," or "the company") for use at the Annual Meeting of Stockholders (the "Annual Meeting") at our corporate offices, 75 West Center Street, Provo, Utah 84601, on May 24, 2016, at 11:00 a.m., Mountain Daylight Time, and at any adjournment or postponement thereof, for the following purposes, which are more fully described in this Proxy Statement:

1. To elect the eight directors named in the Proxy Statement;
2. To hold an advisory vote to approve our executive compensation;
3. To approve our Second Amended and Restated 2010 Omnibus Incentive Plan;
4. To ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2016; and
5. To transact such other business as may properly come before the Annual Meeting.

All shares represented by each properly executed, unrevoked proxy received in time for the Annual Meeting will be voted as directed by the stockholder. In the absence of specific instructions, proxies will be voted in accordance with the Board of Directors' recommendations "FOR" the election of each director nominee and "FOR" Proposals 2, 3 and 4. Although it is anticipated that each nominee will be able to serve as a director, should any nominee become unavailable to serve, proxies will be voted for such other person or persons as may be designated by the Board of Directors. If any other matters properly come before the Annual Meeting, including, among other things, consideration of a motion to adjourn the Annual Meeting to another time or place, the persons named in the accompanying proxy will vote on such matters in accordance with their best judgment.

This proxy statement and form of proxy are first being sent or given to our stockholders on or about April 13, 2016.

We will bear the cost of solicitation of proxies. Expenses include reimbursements paid to brokerage firms and others for their expenses incurred in forwarding solicitation material regarding the Annual Meeting to beneficial owners of our voting stock. Our regular employees may further solicit proxies by telephone, by mail, in person or by electronic communication and will not receive additional compensation for such solicitation.

Any proxy duly given pursuant to this solicitation may be revoked by the person or entity giving it at any time before it is voted by delivering a written notice of revocation to our Corporate Secretary, by executing a later dated proxy and delivering it to our Corporate Secretary, or by attending the Annual Meeting and voting in person (although attendance at the Annual Meeting will not in and of itself constitute a revocation of the proxy). If you hold shares through a broker, bank or other nominee, you must follow the instructions of your broker, bank or other nominee to change or revoke your voting instructions, and if you wish to vote in person at the Annual Meeting you will be required to present a legal proxy from your broker, bank or other nominee. Directions to our Annual Meeting may be obtained by calling (801) 345-1000.

OUTSTANDING SHARES AND VOTING RIGHTS

Only stockholders of record at the close of business on March 30, 2016 are entitled to vote at the Annual Meeting. As of this record date, approximately 55,990,509 shares of our Class A Common Stock were issued and outstanding. Each outstanding share of Class A Common Stock will be entitled to one vote on each matter submitted to a vote of the stockholders at the Annual Meeting.

In order to constitute a quorum for the conduct of business at the Annual Meeting, a majority of the issued and outstanding shares of the Class A Common Stock entitled to vote at the Annual Meeting must be represented, either in person or by proxy, at the Annual Meeting. Under Delaware law, shares represented by proxies that reflect abstentions or "broker non votes" (which are shares held by a broker or nominee that are represented at the Annual Meeting, but with respect to which such broker or nominee is not empowered to vote on a particular proposal) will be counted as shares that are present and entitled to vote for purposes of determining the presence of a quorum. However, broker non votes will not be voted on proposals on which your broker or other nominee does not have discretionary authority to vote under the rules of the New York Stock Exchange (the "NYSE"), including Proposals 1, 2 and 3.

To be elected in an uncontested election, such as at the 2016 Annual Meeting, director nominees must receive a majority of the votes cast, meaning a nominee must receive more "for" votes than "against" votes. Shares not represented in person or by proxy at the Annual Meeting, abstentions and broker non-votes are not considered as votes cast and will have no effect on the election of directors. If an incumbent director does not receive the required majority, the director shall resign pursuant to an irrevocable resignation that was required to be tendered prior to his or her nomination and effective upon (i) such person failing to receive the required majority vote and (ii) the Board's acceptance of such resignation. Within 90 days after the date of the certification of the election results, the Board will determine whether to accept or reject the resignation or whether other action should be taken, and the Board will publicly disclose its decision.

Pursuant to our bylaws, approval of Proposals 2, 3 and 4 will require the affirmative vote of a majority of the votes cast affirmatively or negatively. Shares not represented in person or by proxy at the Annual Meeting, abstentions and broker non-votes will have no effect on the approval of Proposals 2, 3 and 4 under our bylaws. However, under NYSE listing standards, approval of Proposal 3 will also require approval by a majority of the votes cast at the meeting in person or by proxy, and for purposes of the NYSE listing standards, abstentions will have the effect of votes cast against Proposal 3. Proposal 2 is a stockholder advisory vote and will not be binding on the Board of Directors.

PROPOSAL 1:
ELECTION OF DIRECTORS

Directors are elected at each annual meeting of stockholders and hold office until their successors are duly elected and qualified at the next annual meeting of stockholders or until their earlier death, resignation or removal. Our Bylaws provide that the Board of Directors will consist of a minimum of three and a maximum of fifteen directors, with the number being designated by the Board. The current number of authorized directors is eight.

Each of our current directors was previously elected to his or her present term of office by our stockholders. Each of the nominees is currently a director of our company.

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE "FOR" EACH OF THE EIGHT NOMINEES TO OUR BOARD OF DIRECTORS.

Set forth below are the name, age as of March 1, 2016, business experience and other qualifications of each of our director nominees, listed in alphabetical order.

Nevin N. Andersen, 75, has served as a director of our company since 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 1979 to 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 2005 to 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, stockholder communication and regulatory compliance.

Daniel W. Campbell, 61, has served as a director of our company since 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. He has served on the Utah State Board of Regents for Higher Education since 2010. 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. 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.

M. Truman Hunt, 56, has served as our President and Chief Executive Officer and as a director of our company since 2003. Mr. Hunt joined our company in 1994 and has served in various positions, including Vice President and General Counsel from 1996 to 2003 and Executive Vice President from 2001 until 2003. Mr. Hunt is also a trustee of the Nu Skin Force for Good Foundation, a charitable organization that our company established in 1996 to help encourage and drive the philanthropic efforts of our company, its employees, its sales force and its customers to enrich the lives of others. 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 13 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 Chairman of the United States Direct Selling Association from 2014 to 2015 and Chairman of the World Federation of Direct Selling Associations from 2005 to 2008.

Andrew D. Lipman, 64, has served as a director of our company since 1999. Mr. Lipman is a partner and head of the Telecommunications, Media and Technology Group at Morgan, Lewis & Bockius LLP, an international law firm that he joined in 2014. He previously held similar positions with Bingham McCutchen LLP from 2006 to 2014 and Swidler Berlin, LLP from 1988 to 2006. From 2000 to 2014, Mr. Lipman served as a member of the board of directors of The Management Network Group, Inc., a telecommunications related consulting firm, and from 2007 to 2013, he served as a member of the board of directors of Sutron Corporation, a provider of hydrological and meteorological monitoring products. 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 35 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, 62, has served as the Chairman of the Board since 2012. Mr. Lund previously served as Vice Chairman of the Board from 2006 to 2012. Mr. Lund served as President, Chief Executive Officer and a director of our company from 1996, when our company went public, until 2003, when he took a three-year leave of absence. Mr. Lund was a founding stockholder of our company. Mr. Lund is a trustee of the Force for Good Foundation, a charitable organization that our company established in 1996 to help encourage and drive the philanthropic efforts of our company, its employees, its sales force and its customers to enrich the lives of others. 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 30 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 United States Direct Selling Association. A respected business and community leader, he currently serves on the Utah State Board of Regents for Higher Education and previously served as chairman of the board of trustees of Utah Valley University.

Neil H. Offen, 71, has served as a director of our company since 2011. Mr. Offen previously served as President and Chief Executive Officer of the United States Direct Selling Association from 1978 through 2011, when he retired. In addition, he served as secretary of the World Federation of Direct Selling Associations from 1978 to 2012 and as vice chairman of the Direct Selling Education Foundation from 1990 to 2011. Before joining the Direct Selling Association as a staff attorney in 1971, Mr. Offen was legislative and administrative assistant to a United States Congressman and, prior to that, served with the U.S. Department of State's Agency for International Development. Mr. Offen has published both legal and non-legal articles and has lectured on a variety of topics at numerous universities. Mr. Offen received a B.A. from Queens College and a J.D. degree from George Washington University. He is a member of the Bar of the District of Columbia.

With over 40 years of service and leadership in the direct selling industry, Mr. Offen has an extensive understanding of the opportunities and challenges of our industry. In addition, Mr. Offen has developed relationships with many other leaders both inside and outside our industry. Mr. Offen serves on the board of directors and the Finance, Audit and Governance Committee of Christel House International and previously served on the Advisory Board of Queens College. Mr. Offen has also served as Vice Chair of the board of directors of the Inter-American Foundation, on the board of trustees of the Hudson Institute and the boards of directors of the U.S. Chamber of Commerce Foundation, the Council of Better Business Bureaus, the National Retail Federation, the Small Business Legislative Council, the Ethics Resource Center, the American Society of Association Executives and co-chaired the Democratic Business Council.

Thomas R. Pisano, 71, has served as a director of our company since 2008. He served as Chief Executive Officer and a director of Overseas Military Sales Corp., a marketer of motor vehicles, from 2005 until his retirement in 2010. From 1998 to 2004, he served as the Chief Operating Officer and a director of Overseas Military Sales Corp. From 1995 to 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 of 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.

Edwina D. Woodbury, 64, has been President and Chief Executive Officer of The Chapel Hill Press, Inc., a publishing services company, since 1999. Ms. Woodbury has over 20 years of experience in the direct selling and personal care products industries, having served at Avon Products, Inc. as Chief Financial Officer and in other finance and operations positions from 1977 to 1998. From 1997 to 2015, Ms. Woodbury served as a member of the board of directors of RadioShack Corporation, a retail consumer electronics company. In addition, from to 2005 to 2010, Ms. Woodbury served as a member of the board of directors of R.H. Donnelley Corporation, a publishing and marketing company, and from 2000 to 2005, she served as a director of Click Commerce, Inc., a research solutions company. Ms. Woodbury has also served on the board of directors at the nonprofit Medical Foundation of North Carolina since 2009. She received a B.S.B.A from the University of North Carolina.

Ms. Woodbury has extensive experience and understanding of our industry. While serving in various roles of increasing responsibility during her 21 years at Avon Products, Inc., she gained an in-depth understanding of the financial and internal control-related issues associated with global companies in our industry.

We are not aware of any family relationships among any of our directors, director nominees or executive officers. Our Certificate of Incorporation contains provisions eliminating or limiting the personal liability of directors for violations of a director's fiduciary duty to the extent permitted by the Delaware General Corporation Law.

CORPORATE GOVERNANCE

Corporate Governance Highlights

The following are some highlights of our corporate governance practices and policies:

Board of Directors Independence and Committee Structure

- Separate Chairman of the Board and Chief Executive Officer. The positions of Chairman of the Board and Chief Executive Officer are filled by Mr. Lund and Mr. Hunt, respectively.
- Lead Independent Director. Our independent directors have designated Mr. Campbell as Lead Independent Director.
- Limitation on management directors. All of our directors are independent of the company and management except for Mr. Lund, who is one of our company's founders, and Mr. Hunt, our President and Chief Executive Officer.
- Meetings of independent directors. All independent directors meet regularly in executive session. Mr. Campbell, the Lead Independent Director, chairs these sessions.
- Independent committees. Only independent directors serve on our Audit, Executive Compensation, and Nominating and Corporate Governance Committees.
- Annual Board and committee performance evaluations. The performance of the Board and each Board committee is evaluated at least annually.

Election of Directors

- Annual election of directors. All of our directors are elected annually; we do not have a staggered board.
- Majority voting in uncontested director elections. Our Bylaws provide that director nominees must be elected by a majority of the votes cast in uncontested elections.

Stock-Related Matters

- Stock ownership requirements. We have stock ownership requirements that apply to our directors and executive officers, designed to align directors' and executive officers' interests with those of stockholders. For a description of these requirements, see "Additional Corporate Governance Information" and "Compensation Discussion and Analysis—Stock Ownership Guidelines."
- Hedging policy. Our directors and employees, including officers, are prohibited from engaging in any hedging transactions with respect to our securities, including through the use of financial instruments such as prepaid variable forward contracts, equity swaps, collars and exchange funds. This prohibition applies regardless of whether the director's or employee's securities were granted as compensation and regardless of whether the director or employee holds the securities directly or indirectly.
- Pledging policy. Our directors and employees, including officers, are prohibited from pledging their securities in our company.

Director Independence

The Board of Directors has determined that each of the current directors listed below is an "independent director" under the listing standards of the NYSE.

Nevin N. Andersen	Andrew D. Lipman	Thomas R. Pisano
Daniel W. Campbell	Neil H. Offen	Edwina D. Woodbury

In addition, the Board of Directors previously determined that Patricia Negrón, who served as a director through the date of our 2015 Annual Meeting of Stockholders, was an "independent director." In assessing the independence of the directors, the Board determines whether or not any director has a material relationship with us (either directly or as a partner, stockholder or officer of an organization that has a relationship with us). The Board considers all relevant facts and circumstances in making independence determinations, including the existence and scope of any commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships.

Board Leadership Structure

We currently separate the roles of Chairman of the Board and Chief Executive Officer. However, the Board has not adopted a policy with regard to whether the same person should serve as both the Chairman of the Board and Chief Executive Officer or, if the roles are separate, whether the Chairman of the Board should be selected from the non-employee directors or should be an employee. The Board believes it is most appropriate to retain the discretion and flexibility to make such determinations at any given point in time in the way that it believes best to provide appropriate leadership for the company at that time. We have determined that our current separation of the roles of Chairman of the Board and Chief Executive Officer is appropriate given the differences in the roles and duties of the two positions and the individuals currently serving in these positions.

The Board has created the Lead Independent Director position to provide independent leadership of the Board's affairs on behalf of our stockholders and to promote open communication among the independent directors. Our Corporate Governance Guidelines provide that the Lead Independent Director (i) is designated by the non-management directors; (ii) consults with the Chairman of the Board and the Chief Executive Officer regarding agenda items for Board meetings; (iii) chairs executive sessions of the Board's independent directors; and (iv) performs such other duties as the Board deems appropriate.

Risk Oversight

Our Board of Directors has primary responsibility for risk oversight. Except with regard to certain strategically significant risks, the Board administers its risk oversight function through the Audit Committee, Nominating and Corporate Governance Committee and Executive Compensation Committee. The committees are responsible for overseeing and discussing with management our risk assessment and risk management programs and plans related to the following risk areas:

Audit Committee:

- major financial risk exposures;
- operational risks related to information systems and facilities; and
- public disclosure and investor related risks.

Nominating and Corporate Governance Committee:

- corporate governance risks;
- operational risks not assigned to the Audit Committee;
- compliance and regulatory risks; and
- reputational risks.

Executive Compensation Committee:

- compensation practices related risks; and
- human resources risks.

The chairs of the Nominating and Corporate Governance Committee and Executive Compensation Committee report to the Audit Committee regarding their respective risk oversight responsibilities.

Board of Directors Meetings

The Board of Directors held 12 meetings during the fiscal year ended December 31, 2015. Each incumbent director attended more than 75% of the total number of meetings of the Board and the total number of meetings of all committees of the Board on which that director served during the period. Although we encourage Board members to attend our annual meetings of stockholders, we do not have a formal policy regarding director attendance at annual stockholder meetings. All eight of the current directors attended our 2015 annual meeting of stockholders.

Board Committees

We have standing Audit, Executive Compensation and Nominating and Corporate Governance Committees. Each member of the committees is independent within the meaning of the listing standards of the NYSE. In addition, the Audit Committee and the Executive Compensation Committee are composed solely of directors who meet additional, heightened independence standards applicable to members of audit committees and compensation committees under the NYSE listing standards and the Securities and Exchange Commission's rules.

The following table identifies the current membership of the committees and states the number of committee meetings held during 2015.

Director	Audit	Executive Compensation	Nominating and Corporate Governance
Nevin N. Andersen	Chair		
Daniel W. Campbell		Chair	
Andrew D. Lipman			Chair
Neil H. Offen			
Thomas R. Pisano			
Edwina Woodbury			
Number of Meetings in 2015	9	9	6

The Board has adopted a written charter for each of the committees, which are available in the "Corporate Governance" section of our website at nuskinenterprises.com.
The Board has determined that Messrs. Andersen and Campbell and Ms. Woodbury are Audit Committee financial experts as such term is defined in Item 407(d)(5) of Regulation S-K promulgated by the Securities and Exchange Commission.
The Audit Committee's responsibilities include, among other things:

- selecting our independent auditor;
- reviewing the activities and the reports of our independent auditor;
- approving in advance the audit and non-audit services provided by our independent auditor;
- reviewing our quarterly and annual financial statements and our significant accounting policies, practices and procedures;
- reviewing the adequacy of our internal controls and internal auditing methods and procedures;
- overseeing our compliance with legal and regulatory requirements;
- overseeing our risk assessment and risk management programs and plans related to our major financial risk exposures, operational risks related to information systems and facilities, and public disclosure and investor related risks; and
- conferring with the chairs of the Nominating and Corporate Governance Committee and Executive Compensation Committee regarding their respective oversight of our risk assessment and risk management programs and our related guidelines and policies.

The Executive Compensation Committee's responsibilities include, among other things:

- establishing and administering our executive compensation strategy, policies and practices;
- reviewing and approving corporate goals and objectives relevant to the compensation to be paid to our Chief Executive Officer and our Executive Chairman of the Board, evaluating the performance of these individuals in light of those goals and objectives, and determining and approving the forms and levels of compensation based on this evaluation;
- reviewing and acting on the CEO's evaluations and recommendations with respect to other executive officers;
- administering our equity incentive plans;
- overseeing regulatory compliance with respect to executive compensation matters; and
- overseeing our risk assessment and risk management programs and plans related to our compensation practices and human resources.

Pursuant to its charter, the Executive Compensation Committee may delegate its authority to a subcommittee or subcommittees and may delegate authority to the Chief Executive Officer and Chairman of the Board to approve the level of incentive awards to be granted to specific non-executive officers, employees or other grantees subject to such limitations as may be established by the Executive Compensation Committee. For a discussion of the processes and procedures for determining executive and director compensation and the role of compensation consultants in determining or recommending the amount or form of compensation, see "Compensation Discussion and Analysis" and

"Director Compensation."

The Nominating and Corporate Governance Committee's responsibilities include, among other things:

- making recommendations to the Board of Directors about the size and membership criteria of the Board or any committee thereof;
- identifying and recommending candidates for the Board and committee membership, including evaluating director nominations received from stockholders;
- leading the process of identifying and screening candidates for a new Chief Executive Officer when necessary, and evaluating the performance of the Chief Executive Officer;
- making recommendations to the Board regarding changes in compensation of non-employee directors and overseeing the evaluation of the Board and management;
- developing and recommending to the Board a set of corporate governance guidelines and reviewing such guidelines at least annually; and
- overseeing our risk assessment and risk management programs and plans related to our corporate governance risks, operational risks not assigned to the Audit Committee, compliance and regulatory risks, and reputational risks.

Compensation Committee Interlocks and Insider Participation

None of the directors who served on the Executive Compensation Committee during 2015 was:

- a current or former officer or employee of our company;
- a participant during 2015 in a related person transaction that is required to be disclosed; or
- an executive officer of another entity at which one of our executive officers served during 2015 on either the board of directors or the compensation committee, nor were any of our other directors an executive officer of another entity at which one of our executive officers served on the compensation committee.

Our Director Nominations Process

As indicated above, the Nominating and Corporate Governance Committee of the Board of Directors oversees the director nomination process. This committee is responsible for identifying and evaluating candidates for membership on the Board and recommending to the Board nominees to stand for election.

Minimum Criteria for Members of the Board. Each candidate to serve on the Board must possess the highest personal and professional ethics, integrity and values, and be committed to serving the long term interests of our stockholders. In addition, our Corporate Governance Guidelines require that, to be nominated for re-election to our Board, an incumbent director must tender an irrevocable resignation that will be effective upon (i) the failure to receive the required vote for director election at the next annual meeting at which they face re-election and (ii) Board acceptance of such resignation. Other than the foregoing, there are no stated minimum criteria for director nominees, although the Nominating and Corporate Governance Committee may consider such other factors as it may deem appropriate, which may include, without limitation, professional experience, diversity of backgrounds, skills and experience at policy making levels in business, government, financial, and other areas relevant to our global operations, experience and history with our company, and stock ownership.

We do not have a formal policy with regard to the consideration of diversity in identifying Board nominees, but the Nominating and Corporate Governance Committee strives to nominate individuals with a variety of complementary skills so that, as a group, the Board will possess the appropriate talent, skills and expertise to oversee our business.

Process for Identifying, Evaluating and Recommending Candidates. The Nominating and Corporate Governance Committee will consider director candidates recommended by stockholders if properly submitted to the committee. Stockholders wishing to recommend candidates should do so in writing to the Nominating and Corporate Governance Committee, c/o Corporate Secretary, Nu Skin Enterprises, Inc., 75 West Center Street, Provo, Utah 84601. The committee may also consider candidates proposed by current directors, management, employees and others. All such candidates who, after evaluation, are then recommended by the Nominating and Corporate Governance Committee and approved by the Board will be included in our recommended slate of director nominees in our proxy statement.

Procedures for Stockholders to Nominate Director Candidates at our Annual Meetings. Stockholders of record may also nominate director candidates for our annual meetings of stockholders by following the procedures set forth in our Bylaws. Please refer to the section below titled "Stockholder Proposals for 2017 Annual Meeting" for further information.

Communications with Directors

Stockholders or other interested parties wishing to communicate with the Board of Directors, the non management directors as a group, or any individual director may do so in writing by addressing the correspondence to that individual or group, c/o Corporate Secretary, Nu Skin Enterprises, Inc., 75 West Center Street, Provo, Utah 84601. All such communications will be initially received and processed by our Corporate Secretary. Accounting, audit, internal accounting controls and other financial matters will be referred to our Audit Committee chair. Other matters will be referred to the Board, the non management directors, or individual directors as appropriate.

Additional Corporate Governance Information

We have adopted the following:

- Code of Conduct. Our code of conduct applies to all of our employees, officers and directors, including our subsidiaries. As noted below, this code is available on our website. Any amendments or waivers (including implicit waivers) regarding this code for which disclosure is required by applicable NYSE listing standards or the Securities and Exchange Commission's rules will be disclosed on our website.

- Corporate Governance Guidelines. Our corporate governance guidelines govern our company and our Board of Directors on matters of corporate governance, including responsibilities, committees of the Board and their charters, director independence, director qualifications, director compensation and evaluations, director orientation and education, director access to management, director access to outside financial, business and legal advisors and management development and succession planning.

- Stock Ownership Guidelines. Our stock ownership guidelines apply to our directors and executive officers. These guidelines provide that executive officers and directors must retain 50% to 75% of the net shares (after payment of the exercise price and related taxes) with respect to any equity award unless the individual holds a number of shares equal to the ownership levels set forth in the guidelines. The ownership levels are phased in over five years from the date of appointment or election. Unvested equity awards and vested options are not counted in determining whether a director or executive officer holds shares equal to or greater than the designated level. At the end of the five-year phase-in period, the designated ownership levels are set at 100,000 shares for our Chief Executive Officer, 25,000 shares for our other executive officers, and 5,000 shares for directors.

Each of the above is available in the "Corporate Governance" section of our website at nuskinenterprises.com. In addition, stockholders may obtain a print copy of any of the above, free of charge, by making a written request to Investor Relations, Nu Skin Enterprises, Inc., 75 West Center Street, Provo, Utah 84601.

DIRECTOR COMPENSATION

Our Board of Directors periodically reviews director compensation. The Nominating and Corporate Governance Committee is responsible for evaluating director compensation from time to time and making any adjustments it determines are appropriate. The Nominating and Corporate Governance Committee has retained the services of Frederic W. Cook & Co. as its independent compensation consultant to assist in the review of our director compensation program, to provide compensation data and alternatives, and to provide advice as requested. For additional information regarding our independent compensation consultant, see "Compensation Discussion and Analysis—Use of Compensation Consultant and Competitive Data."

In 2015, each director who did not receive compensation as an executive officer or employee of our company or our affiliates in 2015 received an annual retainer fee of $50,000, a fee of $1,500 for each meeting of the Board or any committee meeting thereof attended, and an additional fee of $1,000 for each committee meeting attended if such director was the chair of that committee. The Lead Independent Director, the Audit Committee chair and all other committee chairs received additional annual retainer fees of $20,000, $15,000 and $10,000, respectively, for their service in those positions. In addition, we may compensate a director $1,500 per day for corporate events or travel that we require, and we may reimburse directors for certain expenses incurred in attending Board and committee meetings and other corporate events. We also may provide company products to our directors for their use. In 2015, each non-management director also received 5,000 stock options and 1,031 restricted stock units, all of which will vest April 30, 2016. The grant date fair value of these 2015 equity awards was approximately 31% lower than the value of the equity awards granted to directors in 2014.

Messrs. Lund and Hunt are employees of the company and are not paid under the non-employee director compensation program.

Director Compensation Table – 2015

The table below summarizes the compensation earned by or paid to each of our directors in 2015 except Mr. Hunt, whose compensation is reported in the executive compensation tables. Mr. Hunt serves as a director, but as a company employee he receives no compensation for his services as a director.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)(1)	Option Awards ($)(1)	All Other Compensation ($)(2)	Total ($)
Nevin N. Andersen	128,000	49,952	84,400	—	263,939
Daniel W. Campbell	141,500	49,952	84,400	—	276,405
Andrew D. Lipman	117,500	49,952	84,400	—	251,928
Patricia Negrón	31,500	—	—	—	31,500
Neil H. Offen	101,000	49,952	84,400	—	235,352
Thomas R. Pisano	107,000	49,952	84,400	—	242,382
Edwina D. Woodbury	69,500	49,952	84,400	—	203,852
Steven J. Lund	—	—	—	615,688(3)	615,688

(1) On June 23, 2015, Messrs. Andersen, Campbell, Lipman, Offen and Pisano and Ms. Woodbury each received 1,031 restricted stock units and 5,000 stock options. The stock options have an exercise price of $49.50. The amounts reported in these columns reflect the aggregate grant date fair value of equity awards computed in accordance with FASB ASC Topic 718 and do not represent amounts actually received by the director. For this purpose, the estimate of forfeitures is disregarded and the value of the stock awards is discounted to reflect that no dividends are paid prior to vesting. For information on the valuation assumptions used in calculating these amounts, refer to Note 12 to our financial statements in the Form 10-K filed for the fiscal year ended December 31, 2015.

The outstanding stock and option awards held at December 31, 2015 by each of the listed individuals are as follows:

Name	Stock Awards	Option Awards
Nevin N. Andersen	1,031	45,100
Daniel W. Campbell	1,031	45,000
Andrew D. Lipman	1,031	65,100
Patricia A. Negrón	—	10,000
Neil H. Offen	1,031	25,000
Thomas R. Pisano	1,031	25,000
Edwina D. Woodbury	1,031	5,000
Steven J. Lund	—	100,000

(2) This column does not include perquisites and personal benefits provided to directors where the director's aggregate amount of perquisites and personal benefits is less than $10,000.

(3) Consists of Mr. Lund's compensation as an employee of the company for 2015, including a salary of $550,000; a discretionary holiday bonus of $23,517; and other compensation of $42,171, including $12,880 in life insurance premiums, $10,600 in 401(k) contributions, company products, security monitoring, spouse travel to a sales force event where his spouse was expected to attend and help entertain and participate in events with our sales force and their spouses, and the amount reimbursed by us for the payment of taxes with respect to such spouse travel.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Executive Summary

The primary objectives of our executive compensation program are to successfully recruit, motivate and retain experienced and talented executives, provide competitive compensation arrangements that are tied to corporate and individual performance, and align the financial interests of our executives with those of our stockholders. The 2015 program was intended to align actual compensation payments to actual performance and to adjust upward during periods of strong performance and adjust downward when performance is short of expectations.

We believe that our executive compensation program is one of several key factors that drove our strong revenue and earnings per share growth prior to 2014. However, our executive compensation program is also designed to avoid rewarding performance that falls below expectations. Our closing stock price on December 31, 2015 was $37.89, a 13% decline from December 31, 2014. In 2015, we reported annual revenue of approximately $2.2 billion, a 13% year-over-year decline. Diluted earnings per share decreased to $2.25 in 2015, 28% lower than the prior year.

The 2015 compensation of our executive officers listed in the Summary Compensation Table (collectively, the "named executive officers") reflects our pay-for-performance philosophy. As discussed more fully in "Pay for Performance," below, our Chief Executive Officer's 2015 total compensation declined 7% from 2014 and 54% from 2013, and the total compensation of our Returning Named Executive Officers (as defined in "Overview," below) as a group declined 8% and 57% compared to 2014 and 2013, respectively. This decline for the group would be 11% compared to 2014 and 58% compared to 2013 if a special award to Mr. Chang were excluded. Furthermore, based on our 2015 performance, none of our Returning Named Executive Officers earned any equity performance awards that were contingent on our 2015 performance. This means that the equity compensation amounts in the Summary Compensation Table overstate the amounts actually earned because some equity awards were forfeited due to falling below our 2015 performance goals. There were also no cash incentive bonuses paid to our Returning Named Executive Officers based on 2015 performance, which was the second year in a row that short-term bonus opportunities were not earned and therefore not paid.

Our executive compensation program includes base salary, cash incentive bonuses, equity awards and retirement benefits. A substantial portion of each named executive officer's target compensation is based on corporate performance, which helps align their total compensation with our actual performance. We award performance-based cash incentive bonuses designed to motivate our executive officers to achieve pre-established quarterly and annual revenue and adjusted operating income performance levels, with performance goals that, in 2015, required above-median revenue growth rates and upper-quartile adjusted operating income growth rates relative to our peers. Our executive compensation program also emphasizes long-term equity incentives, which, coupled with our stock ownership guidelines, reward sustainable performance and align the financial interests of our executives with those of our stockholders. In 2015, 84% of the equity grant value granted to our Chief Executive Officer, and 45% or more of the equity grant value granted to our other Returning Named Executive Officers, was contingent on three years of future operating performance.

At our 2015 annual meeting of stockholders, approximately 87% of the votes cast were in favor of our executive compensation program. When designing our 2016 executive compensation program, the Executive Compensation Committee (the "Committee") of the Board of Directors considered, among other things, the 2015 voting results and other feedback we received from our stockholders, which were viewed as supporting our pay philosophy and incentive framework.

Overview

Our executive compensation program consists of a variety of components, including base salary, cash incentive bonuses, equity awards, and retirement benefits. This compensation discussion and analysis is intended to provide greater visibility regarding:

- our compensation objectives;
- various components of our compensation program and how they relate to our compensation objectives;
- factors taken into consideration in establishing executive compensation; and
- decisions related to the 2015 compensation of our named executive officers and the factors and analysis pertaining to such decisions.

The named executive officer group and our view of the compensation program involve unique circumstances with respect to two of our named executive officers during 2015. First, Ryan Napierski is a named executive officer who was promoted to a key role in 2015 following the departure of his predecessor. Second, Joseph Chang was granted a restricted stock unit award in anticipation of his signing a new employment agreement.

In September 2015, Daniel Chard, President of Global Sales and Operations and one of the named executive officers in our 2015 proxy statement based on 2014 compensation, resigned to pursue other business interests, and Ryan Napierski, who was serving as the President of our North Asia region, was appointed to succeed Mr. Chard. Many of the Committee's actions regarding the 2015 executive compensation program, including a review of executive officers' salaries, adoption of the terms of the 2015 cash incentive plan, and March 2015 equity awards (which included all of the performance-based equity awards granted during 2015), were taken in the first quarter, prior to Mr. Chard's resignation. Mr. Napierski received compensation in connection with his promotion, including a salary increase and a special award of stock options and restricted stock units. Because Mr. Napierski served in, and was compensated pursuant to, his region president position for most of the year, peer group data regarding his current position does not provide an accurate comparison, and we do not provide such data in this compensation discussion and analysis. To facilitate discussion of our continuing executive compensation program, and to identify the executive officers to whom the Committee's decisions applied, this compensation discussion and analysis refers to our "Returning Named Executive Officers," which consist of all named executive officers identified in this proxy statement except Mr. Napierski. We also refer to our "regular" equity compensation program or "regular" equity awards to avoid confusion with the other equity awards Mr. Napierski received both while serving as President of our North Asia region and in connection with his promotion. References to "regular" equity awards also exclude a special award of restricted stock units with a grant date fair value of $292,385 to Mr. Chang in March 2015 in anticipation of his entering into a new employment agreement in April 2015. This award is not viewed as part of Mr. Chang's ongoing annual compensation, which appears to have increased 1.5% over Mr. Chang's 2014 compensation as a result of the special equity award, while it would have decreased 16.5% without the special equity award.

Objectives

The primary objectives of our compensation program are to:

- successfully recruit, motivate and retain experienced and talented executives;
- provide competitive compensation arrangements that are tied to corporate and individual performance; and
- align the financial interests of our executives with those of our stockholders.

The following table identifies the key components of our compensation program and the objectives of each component:

Component of Compensation Program	Objective
Base Salary	Pay for role Retention Recruitment
Cash Incentive Plan	Short-term incentive Pay for performance Quarterly and annual operating achievement
Equity Incentive Plan	Long-term incentive Pay for performance Stock price performance Stockholder alignment

We also provide retirement benefits in the form of a 401(k) plan and a deferred compensation plan, as well as limited perquisites and other personal benefits to executives that represent a very small portion of their overall compensation.

Pay for Performance

The following factors demonstrate that our executive compensation for 2015 aligned with a pay-for-performance philosophy and adjusted compensation downward from 2014 due to our lower stock price and operating performance that was short of our challenging goals.

Cash Compensation

- We did not increase any of the Returning Named Executive Officers' salaries in 2015.

- Our 2015 cash incentive plan goals were challenging. Growth was required for any cash incentive bonus to be earned, with the minimum threshold performance levels required to earn any bonus exceeding actual results in 2014. These goals reflected above-median revenue growth rates and upper-quartile adjusted operating income growth rates relative to our peers (who are listed on page 20 of this proxy statement). For the second year in a row, we did not achieve the goals and did not pay quarterly or annual cash incentive bonuses to Returning Named Executive Officers. Mr. Napierski earned cash incentive bonuses related to the performance of the region he oversaw prior to becoming an executive officer.

- Our Chief Executive Officer's total cash compensation was the lowest of the non-founder chief executive officers in our peer group. Messrs. Wood, Chang and Dorny were below the median at the 25^{th} percentile. Total cash compensation consists of salary, bonus and cash incentive bonus.

Equity Compensation

- The total grant date fair value of the equity awards granted to our Chief Executive Officer and all Returning Named Executive Officers as a group in 2015 declined 10% and 14%, respectively, from 2014, or 10% and 19% if Mr. Chang's March 2015 special equity award is excluded. Our Chief Executive Officer's 2015 equity grant value was at the 35^{th} percentile in relation to our peers, and Messrs. Wood, Chang and Dorny were at the 30^{th}, 60^{th} and 10^{th} percentiles, respectively.

- As with our cash incentive bonuses, all equity awards for which earnout was contingent on our 2015 performance were forfeited by our named executive officers as a result of failing to achieve the performance levels required for earnout. The equity awards that were forfeited are reported at "target" as of the grant date in the Summary Compensation Table, which overstates the value delivered because it is before performance awards are forfeited.

- The annual performance-based equity awards that were granted to our Returning Named Executive Officers in March 2014 and March 2015 with earnout based on 2015 adjusted earnings per share results were forfeited when the performance levels required were not achieved. The 2015 performance level for the March 2015 awards represented a growth rate that was above the median at the 75th percentile in relation to our peer group.

- Our Chief Executive Officer forfeited equity grant value of $2,136,747 due to 2015 performance, and our other named executive officers forfeited an aggregate of $980,135. As required by SEC rules, these amounts are included in 2014 or 2015 total compensation in our Summary Compensation Tables. For further information about these forfeitures, see "Forfeiture of Performance Awards Contingent on 2015 Performance," below.

- The special equity awards of performance stock options that were granted to our named executive officers in July 2013 with vesting contingent on adjusted earnings per share over a rolling 12-month period reaching specified levels have not yet been earned. One of the four tranches of this award is expected to forfeit in 2017 based on failure to achieve the applicable adjusted earnings per share goal by the end of 2016.

- None of our ongoing goals will be or have been reset, which means that previous performance-based awards remain difficult to earn. We view the goals as pay-for-performance and do not view resetting goals as consistent with such a philosophy.

- The time-based stock options granted in March 2015, which vest in four annual installments beginning in February 2016, are underwater and will not be repriced. Time-based awards were 16% of our Chief Executive Officer's equity mix, based on grant date fair value, and 27% for the Returning Named Executive Officers as a group (23% if Mr. Chang's special equity award in anticipation of signing his employment agreement is excluded as not being part of the regular program).

<u>Total Direct Compensation</u>

- Our executive compensation program provided a target total direct compensation opportunity below the median at the 40th percentile in relation to our peers for our Returning Named Executive Officers on average. Total direct compensation consists of salary, bonus, grant date fair value of equity awards and cash incentive bonus.

- The 2015 target total direct compensation for our Returning Named Executive Officers as a group declined by 8% from 2014, or 10% if Mr. Chang's March 2015 special equity award is excluded.

- Our Chief Executive Officer's actual total direct compensation declined 8% from 2014 and is below the median at approximately the 10th percentile in relation to our peers. The actual total direct compensation of our other Returning Named Executive Officers as a group declined 11% from 2014 and places them below the median at approximately the 25th percentile, on average.

It is important to note that the Summary Compensation Table in this proxy statement does not reflect the forfeiture of the above performance-based equity awards tied to 2015 performance or the fact that the time-based stock options granted in March 2015 are underwater. Rather, as required by SEC rules, the stock awards and option awards in the Summary Compensation Table reflect the grant date fair value of each equity award that was granted during each respective year, which is driven in part by the stock price at the time of grant, even though that grant value, or any value at all, is not necessarily being earned. The Adjusted Summary Compensation Table on page 37 provides each named executive officer's total compensation, adjusted to reflect the forfeiture of performance equity awards.

As illustrated in the following table, notwithstanding the inclusion of the grant date fair value of all equity awards, the Summary Compensation Table still reveals a decrease in total compensation for our Chief Executive Officer and our Returning Named Executive Officers as a group in 2015, compared to both 2014 and 2013.

Named Executive Officer	Total Compensation in Summary Compensation Table 2015 ($)	2014 ($)	2013 ($)	2015 Decrease From 2014	2015 Decrease From 2013
M. Truman Hunt	4,414,663	4,759,080	9,694,835	-7%	-54%
Ritch N. Wood	1,332,259	1,590,783	4,148,614	-16%	-68%
Joseph Y. Chang	1,649,259	1,624,462	3,008,906	2%	-45%
D. Matthew Dorny	1,028,286	1,206,083	2,699,063	-15%	-62%
Total	8,424,467	9,180,408	19,551,417	-8%	-57%
Excluding March 2015 special equity award to Mr. Chang					
Joseph Y. Chang	1,356,874	1,624,462	3,008,906	-16%	-55%
Total	8,132,082	9,180,408	19,551,417	-11%	-58%
Ryan S. Napierski[(1)]	4,329,556	n/a	n/a	n/a	n/a

(1) Mr. Napierski became an executive officer in September 2015.

Process for Determining Compensation

Role of Executive Compensation Committee and Chief Executive Officer

The Committee is responsible for establishing and administering our executive compensation program. The Committee, together with the Nominating and Corporate Governance Committee, evaluates the performance of the Chairman and of the Chief Executive Officer. The Committee is then responsible for setting their compensation. The Committee has delegated to the Chief Executive Officer the responsibility for evaluating the performance of the other executive officers and sharing those evaluations with the Committee. The Chief Executive Officer can also make recommendations to the Committee with regard to the compensation packages for other executive officers. The Committee reviews any such recommendations and has the authority to approve, revise or reject such recommendations.

Use of Compensation Consultant and Competitive Data

The Committee has retained the services of Frederic W. Cook & Co. as its independent compensation consultant to assist the Committee in the review of our executive compensation program, to provide compensation data and alternatives to the Committee, and to provide advice to the Committee as requested. The compensation consultant engaged by the Committee does not perform any work for us outside of the services it performs for the Committee and for the Nominating and Corporate Governance Committee with respect to director compensation. The Committee utilizes the compensation data and alternatives provided by the compensation consultant to analyze compensation decisions in light of current market rates and practices, and to help ensure that our compensation decisions are competitive and economically defensible.

Peer group information is used by the Committee in making compensation decisions. The Committee compares compensation proposals to the compensation practices of a peer group of publicly-traded companies that compete with us broadly in the consumer products industry and are similar in size to us.

The Committee reviews and updates the peer group from time to time to ensure we are utilizing an appropriate group in terms of size and relevance. The peer group was reviewed and revised in 2013, taking into account the input and recommendations of Frederic W. Cook & Co. At the time of the revision, to avoid potential distortion from differences in peer size, the revenue and market capitalization of the companies included in the peer group fell within a range of about 25% and 400% of our revenue and market capitalization, and we were near the median of the peer group with respect to revenue and slightly below the median with respect to market capitalization. Early in 2015, when we made most of our 2015 pay decisions, our most recent survey of compensation was from 2013. The Committee reviewed new market data in October 2015. Compensation comparisons and market percentiles reflect the findings versus the October 2015 market benchmarks.

The following companies were included in our peer group prior to October 2015:

- Church & Dwight Co., Inc.
- Elizabeth Arden, Inc.
- Edgewell Personal Care Company(1)
- The Hain Celestial Group, Inc.
- Helen of Troy Limited
- Herbalife Ltd.
- International Flavors & Fragrances Inc.
- Newell Rubbermaid Inc.
- Perrigo Company
- Primerica, Inc.
- Revlon, Inc.
- Sally Beauty Holdings, Inc.
- Sensient Technologies Corporation
- Tupperware Brands Corporation
- Ulta Salon, Cosmetics & Fragrance, Inc.
- Vitamin Shoppe, Inc.
- Weight Watchers International, Inc.

(1) Edgewell Personal Care Company was known as Energizer Holdings, Inc. until July 2015, when it spun off its Household Products business.

For purposes of the October 2015 review, Weight Watchers International, Inc. was removed from our peer group because its market capitalization had become too small for direct comparisons, and USANA Health Sciences, Inc. was added as a relevant peer with a direct selling business model.

Risks Arising From Compensation Policies and Practices

In establishing and reviewing the components of compensation, the Committee considers potential risks associated with such components. In addition, our management conducted a review of our compensation policies and practices for employees and concluded that risks arising from our compensation policies and practices for employees are not reasonably likely to have a material adverse effect on us.

In reaching this conclusion, our management considered the following factors:

- Our compensation programs are market driven and balance short-term incentives with significant long-term equity incentives. Performance equity awards provide additional long-term incentives to our key employees and executive officers. In addition, our stock ownership guidelines help to ensure that a portion of our executives' equity incentives remains tied to our long-term performance.

- Our global cash incentive compensation is based on revenue and adjusted operating income, which are core measures of performance. In addition, substantially all of our revenue is received through cash or credit card payments, as opposed to other credit arrangements, which minimizes risk associated with our revenue-based incentives. We reduced bonuses under our 2015 cash incentive plans to 200% of the target bonus, down from 250% in 2014. Additionally, the Board of Directors and management regularly review the business plans and strategic initiatives, including related risks, proposed to achieve such performance metrics.

- A substantial portion of compensation is provided in the form of long-term equity incentives with multi-year vesting.

- We do not allow engagement in speculative trading or hedging. Our policies prohibit all of our directors and employees, including executive officers, from holding our stock in margin accounts and from engaging in speculative transactions in our stock, including short sales, options or hedging transactions. Our directors and employees, including executive officers, also are prohibited from pledging their securities in our company.

Mix of Compensation

When the Committee reviews an executive officer's compensation, it does not use a specific formula or allocation target to establish the level or mix of compensation. Rather, it exercises judgment in determining a compensation package that is appropriate to accomplish our compensation objectives under the circumstances applicable to the executive officer. The Committee also reviews the relative mix of compensation provided by other companies in our peer group for context and tries to ensure each component is competitive. Historically, we have tied a substantial amount of compensation to corporate performance under our cash incentive plan and equity incentive plan.

The Committee also reviews each executive officer's total compensation as a market check against the total compensation of executive officers in our peer group. This total compensation review focuses on base salary, cash bonuses, and valuation of equity grants using grant date valuations. The Committee periodically reviews perquisites and retirement benefits to confirm that they remain relatively consistent with the value of perquisites and retirement benefits provided by our peer companies. Our 2015 equity grants are more performance-based than those of most of our peers, with 84% being performance-contingent for our Chief Executive Officer, 45% for Mr. Chang and 63%-65% for Messrs. Wood and Dorny. Mr. Napierski became an executive officer in September 2015, after the Committee had granted performance-contingent equity awards for the year.

Components of Compensation

Base Salary

Base salaries are provided to reflect the individual's responsibilities, function, performance and competencies. In establishing and approving base salaries, the Committee considers various factors including:

- current market practices and salary levels;

- each executive officer's responsibilities, experience in their position and capabilities;

- individual performance and company performance;

- the relative role and contribution of each executive officer in the company;

- competitive offers made to executive officers and the level of salary that may be required to recruit or retain executive officers;

- the recommendations of the Chairman of the Board, and of the Chief Executive Officer regarding the other executive officers; and

- prior-year financial performance and current-year performance projections.

Base salaries for executive officers are typically reviewed annually during our evaluation period in the first quarter. The Committee does not assign specific weights to the factors identified above, but emphasizes establishing base salaries that are competitive in order to attract and retain qualified and effective executive officers.

In the first quarter of 2015, the Committee reviewed the base salaries of each of the Returning Named Executive Officers and determined not to increase these salaries in 2015. This was the second consecutive year without a salary increase for our Chief Executive Officer. The named executive officers' salaries, together with the prior salaries that were reviewed in the first quarter of 2015, are as follows:

Named Executive Officer	Prior Salary ($)(1)	Adjusted Salary ($)	Increase ($)	Increase (%)
M. Truman Hunt	1,000,000	1,000,000	—	—
Ritch N. Wood	535,000	535,000	—	—
Ryan S. Napierski	n/a	650,000(2)	n/a	n/a
Joseph Y. Chang	575,000	575,000	—	—
D. Matthew Dorny	440,000	440,000	—	—

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(1) Actual 2014 salaries reported in the Summary Compensation Table are slightly lower than the amounts in this column because 2014 salary increases did not take effect until March 2014.

(2) Mr. Napierski's salary includes an adjustment of $150,000 pursuant to the company's standard practice of augmenting the salaries of its expatriate employees for their foreign service. Prior to September 2015, Mr. Napierski served as President of our North Asia region. He maintains a residence in Asia, and his family has not yet relocated to the United States.

Cash Incentive Bonus

Consistent with our objective to tie a significant portion of the executive officers' compensation to our financial performance, we award performance-based cash incentive bonuses under our Amended and Restated 2010 Omnibus Incentive Plan. We believe these bonuses motivate executive officers and reward them for achieving short-term operating performance levels.

These bonuses are also structured to avoid rewarding our executive officers when performance does not meet expectations. Because the global performance goals for our 2015 quarterly and annual periods were not achieved, we did not pay any of these bonuses to our Returning Named Executive Officers for 2015. Mr. Napierski earned cash incentive bonuses related to the achievement of performance goals in the region he oversaw prior to becoming an executive officer.

Our executive cash incentive bonuses are determined based on equally weighted revenue and adjusted operating income performance levels. The company believes revenue measures management's effectiveness in growing the business and that adjusted operating income measures their effectiveness in growing the business profitably. For purposes of the cash incentive bonus, revenue and adjusted operating income are calculated on a constant currency basis, and adjusted operating income excludes certain predetermined items so that extraneous items not within the control of management are excluded. Revenue and adjusted operating income are equally weighted because management is responsible for both growing the business and increasing profitability, including by controlling costs. Our executive incentive plan allocates 50% of the cash incentive bonus to annual performance levels and 50% to quarterly performance levels, with 12.5% allocated to each quarter. A portion of the cash incentive bonus is tied to quarterly performance levels to motivate focused performance in each quarter, while the annual portion recognizes that strong annual results are a critical benchmark for stockholders.

Cash incentive bonuses are computed based on the degree to which pre-determined goal performance levels are met or exceeded. If goal performance levels are met for a particular incentive period, a participant will earn a cash incentive bonus equal to a pre-established percentage of salary, the "target bonus." If goal performance levels are not met, the bonus decreases linearly until reaching 50% of the target bonus at the minimum performance levels. If minimum adjusted operating income performance levels are not met, as was the case in 2015, no bonus is paid, except that the Committee has the discretion to pay a bonus based on achievement of individual performance objectives in an amount up to 10% of the executive's target bonus. The Committee did not exercise this discretion in 2015. If minimum adjusted operating income performance levels are met but minimum revenue performance levels are not, 25% of the target bonus is earned. To the extent actual revenue or adjusted operating income exceed goal performance levels, the bonus increases linearly above the target bonus until reaching 200% of the target bonus at the stretch performance levels. For actual revenue or adjusted operating income above the stretch performance levels in a given quarter or for the year, the bonus increases linearly above 200% of the target bonus 1% for every 1% that actual performance exceeds the stretch performance level. However, although an executive officer's bonus earned for revenue or adjusted operating income performance in a given quarter or for the year may separately exceed 200% of the associated target bonus, the aggregate quarterly and annual bonuses may not exceed 200% of the aggregate annual target bonus.

We set the target bonus as a percentage of base salary based on an executive officer's position and responsibility and on market practices. The target bonus is intended to tie a significant portion of an executive officer's total cash compensation to our performance. We set the 2015 target bonus percentage at 125% of salary for our Chief Executive Officer and 65% of salary for our other named executive officers. To motivate and reward individual performance, the Committee may reduce an executive's cash incentive bonus by up to 20% if an executive does not achieve individual performance goals designed to support strategic business imperatives.

Prior to Mr. Napierski's promotion as an executive officer in September 2015, Mr. Napierski participated in our cash incentive bonus program for region presidents, which uses a mix of global and regional goals. After his promotion, he began participating in our executive cash incentive bonus program for the fourth quarter and the annual period under the same terms as our other named executive officers, except that his bonus for the annual period was weighted to be based 75% on the performance of the North Asia region and 25% on global performance. His target bonus percentage in the executive program was set at 65%. Because he was not in the executive program for the first three quarters of the year, his total target bonus did not include the 37.5% allocation corresponding to those quarters. In addition, for purposes of calculating his target bonus under the executive program, his salary does not include the $150,000 adjustment for foreign service that is described in footnote 2 of the table in "Base Salary," above.

The October 2015 peer group compensation review suggested that the 2015 target annual cash compensation for our Returning Named Executive Officers, including salary, bonus and target cash incentive bonus, was below the median at the 40th percentile for the Chief Executive Officer and near the median for the other Returning Named Executive Officers, on average. Based on our performance in 2015, which fell below our pre-established minimum performance goals, actual annual cash compensation was lower than target due to the lack of earned bonuses. As illustrated in the table on page 27, our Chief Executive Officer's actual cash compensation for 2015 was the lowest of the non-founder chief executive officers in our peer group, Messrs. Wood and Chang were at or below the 25th percentile, and Mr. Dorny was at approximately the 10th percentile — all below the median. The Committee views the difference between the target cash level relative to peers and the actual cash compensation level relative to peers as a performance-driven outcome and consistent with our pay-for-performance philosophy.

In establishing minimum revenue and operating performance levels (the level at which 50% of the target bonus is paid), goal revenue and operating performance levels (the level at which 100% of the target bonus is paid), and stretch revenue and adjusted operating income performance levels (the level at which 200% of the target bonus is paid), the Committee considered various factors, including our recent performance and current business plans, desired core growth rates, general business and economic conditions and business risks. For 2015, our goal performance levels were set at levels that benchmarked as being above-median revenue growth and upper-quartile adjusted operating income growth relative to our peer group at the time the goals were established.

To provide incentives that are earned for operating performance that is within the control of the executive officers, the performance levels are based on constant currency rates and exclude certain items as determined by the Committee at the time the performance levels were established, such as charges arising from Japan customs litigation related to disputed duties for periods prior to 2015.

Stretch performance levels are set at a level that the Committee considers to be extraordinary performance. The following tables set forth the correlation between minimum, goal and stretch performance levels for 2014, measured as a percentage of goal performance levels, together with the percentage of target bonus that could be earned at such levels.

	Minimum	Goal	Stretch
Revenue			
Percentage of goal performance level	95.3%	100.0%	105.7%
Percentage of target bonus paid	50.0%	100.0%	200.0%

The percentage of target bonus earned increases 10.6% for every 1% increase in achievement of the goal revenue performance level from the minimum revenue performance level to the goal revenue performance level, and 17.5% for every 1% increase in excess of the goal revenue performance level from the goal revenue performance level to the stretch revenue performance level.

	Minimum	Goal	Stretch
Adjusted Operating Income			
Percentage of goal performance level	93.2%	100.0%	107.9%
Percentage of target bonus paid	50.0%	100.0%	200.0%

The percentage of target bonus earned increases 7.4% for every 1% increase in achievement of the goal adjusted operating income performance level from the minimum adjusted operating income performance level to the goal adjusted operating income performance level, and 12.7% for every 1% increase in excess of the goal adjusted operating income performance level from the goal adjusted operating income performance level to the stretch adjusted operating income performance level.

It is also important to note that the Committee considers the revenue and adjusted operating income performance levels within the context of desired core growth rates, determined on a constant currency basis and excluding certain predetermined items, to be achieved from the prior year in establishing the appropriate performance levels. For example, the goal revenue performance level for the annual period in 2015 represented a 6.0% constant currency growth rate over 2014 and the goal adjusted operating income performance level represented a 18.2% constant currency growth rate over 2014. The growth rates associated with the stretch performance levels for revenue and adjusted operating income were approximately 2.0 and 1.5 times the growth rates associated with the goal performance levels, respectively. Actual performance was approximately 10% and 26% below our revenue and adjusted operating income goal performance levels, respectively.

As established by the Committee, the percentage of target bonus paid for actual quarterly and annual revenue and adjusted operating income performance was calculated as follows:

- For actual performance between the minimum performance levels and the goal performance levels, the percentage of target bonus paid is equal to 100% – [(100% – 50%) x (actual performance – goal performance level) / (minimum performance level – goal performance level)].

- For actual performance between the goal performance levels and the stretch performance levels, the percentage of target bonus paid is equal to 100% + [(200% – 100%) x (actual performance – goal performance level) / (high performance level – goal performance level)].

- For actual performance exceeding the stretch performance levels, the percentage of target bonus paid is equal to 100% + (actual performance / stretch performance level), subject to a ceiling of 250% of target bonus for the incentive period and an aggregate annual ceiling of 200% of target bonus.

The table below sets forth the adjusted operating income and revenue performance levels for the incentive periods in 2015, the actual performance, the percentage of the goal performance levels achieved, and the percentage of the target bonus that was paid. We have included the growth rates over the prior-year period to help provide a clearer understanding of the performance levels under the incentive plan.

(dollar amounts expressed in thousands)

	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Annual
Revenue (50% weight)					
Goal performance level[1]	$610,000	$650,000	$745,000	$710,000	$2,715,000
(Constant currency growth rate over prior year)	-9.1%	0.0%	16.6%	17.9%	6.0%
Actual performance	$588,716	$605,777	$636,402	$614,117	$2,445,012
(Constant currency growth rate over prior year)	-12.3%	-6.8%	-0.4%	2.0%	-4.6%
Percentage of goal performance level achieved	96.5%	93.2%	85.4%	86.5%	90.1%
Percentage of target bonus paid	0.0%	0.0%	0.0%	0.0%	0.0%
Adjusted Operating Income (50% weight)					
Goal performance level[2]	$85,400	$92,950	$118,455	$108,630	$405,435
(Constant currency growth rate over prior year)	-15.6%	69.8%	12.9%	-32.3%	18.2%
Actual performance	$81,255	$83,461	$64,066	$70,707	$299,505
(Constant currency growth rate over prior year)	-19.7%	52.5%	-39.0%	-13.9%	-12.7%
Percentage of goal performance level achieved	95.2%	89.8%	54.1%	65.1%	73.9%
Percentage of target bonus paid	0.0%	0.0%	0.0%	0.0%	0.0%

(1) Minimum revenue performance levels for the four quarterly and annual periods were $580,000; $612,000; $720,000; $675,000 and $2,587,000, respectively. Stretch revenue performance levels were $640,000; $680,000; $800,000; $750,000 and $2,870,000, respectively.

(2) Minimum adjusted operating income performance levels for the four quarterly and annual periods were $79,460; $85,680; $111,600; $101,250 and $377,990, respectively. Stretch adjusted operating income performance levels were $91,520; $99,280; $130,400; $116,250 and $437,450, respectively.

For 2015, the total aggregate annual bonus earned in our executive cash incentive program was 0% of the aggregate annual target bonus, based on actual performance that fell below our pre-established minimum performance levels for revenue and adjusted operating income. Differences between actual results reported in the table above and results reported in our audited financial statements are a result of the difference between the exchange rates used in our financial statements and constant currency rates used to measure performance under the incentive plan, as well as the exclusion of certain items determined to be appropriate by the Committee at the time the performance levels were established. To facilitate comparisons between the incentive period and the prior-year period (i.e., to help measure core growth rates in the targets), the currency rates used to establish the goals and measure performance were the exchange rates that were used in the prior-year period.

Because 2015 cash incentive bonuses did not fund, total actual cash compensation was at or below the 25th percentile for each of our Returning Named Executive Officers in relation to our peer group.

Named Executive Officer	2015 Total Actual Cash Compensation[1] ($)	Approx. Percentile vs. Peers[2]
M. Truman Hunt	1,042,267	0P
Ritch N. Wood	560,392	25P
Ryan S. Napierski	668,247	n/a
Joseph Y. Chang	599,558	25P
D. Matthew Dorny	458,933	10P

(1) Includes salary, bonus and non-equity incentives paid under annual cash incentive bonus plan.

(2) Percentiles are in relation to peers excluding founders. One founder chief executive officer in the peer group had lower 2015 total actual cash compensation than Mr. Hunt.

Equity Awards

The equity component of our 2015 compensation program was designed to emphasize performance-based equity awards. Equity awards granted to our named executive officers in 2015 included our regular annual equity grants (as defined in "Overview," above), as well as other grants to Messrs. Chang and Napierski.

Annual Equity Grants

Aligning the interests of our executive officers with those of our stockholders is an important objective of our compensation program. In order to accomplish this objective, we tie a significant portion of the total compensation of executive officers to our long-term stock performance through the grant of equity awards and our stock ownership guidelines that require our executive officers to hold stock. We also believe that equity compensation helps motivate executive officers to drive earnings growth because they will be rewarded with increased equity value, and assists in the retention of executive officers who may have significant value tied up in unvested equity awards.

We periodically review and adjust the level of our equity awards. We do not use a fixed formula or criteria in determining whether to adjust the level of equity awards, but subjectively evaluate a variety of factors consisting of:

- practices of peer companies;
- degree of responsibility for overall corporate performance;
- overall compensation levels;
- changes in position and/or responsibilities;
- individual performance;
- company performance;
- total stockholder return;
- degree of performance risk in the equity grant program;

- potential dilution of our overall equity grants;
- accumulated realized and unrealized value of past equity awards;
- associated expenses of equity awards;
- the recommendations of the Chairman of the Board, and of the Chief Executive Officer regarding the other executive officers; and
- data and context provided by our compensation consultant.

Historically, we have referenced peer company compensation data for context on pay levels and performance requirements compared to our peers. We do not target specific percentiles, but use them as reference and consideration of reasonableness in light of past and future performance expectations and relative internal compensation levels. We generally have not given significant consideration to the value of existing equity award holdings because we want to ensure that our equity compensation is competitive for the position on an annualized basis and we want to provide an incentive from the date of grant. However, we periodically review and consider the in-the-money value of existing award holdings (inclusive of stock sales proceeds over the previous three years) of our executive officers in connection with our review of equity compensation practices to determine if wealth creation is aligning with performance and the amount of unvested equity in place for retention.

Emphasis on Performance-Based Awards

Although we consider time-based stock options to be performance-based because the stock price must increase after the grant for value to be realized, we believe that the performance nature of our equity grants is further enhanced by making a substantial portion of equity grants in the form of performance-contingent options or performance-contingent restricted stock units that are earned for achieving multi-year performance goals. Accordingly, as reflected in the following tables, in our regular equity compensation program (as defined in "Overview," above), each of the Returning Named Executive Officers was granted approximately 50% or more of their equity awards and 63% or more of their grant value in the form of performance stock options and performance restricted stock units. Including awards outside of our regular equity compensation program, Mr. Chang was granted 42% of his equity awards and 45% of his grant value in the form of performance-based equity.

Regular Equity Awards – 2015

Named Executive Officer	Performance Stock Options(1)	Performance Restricted Stock Units(1)	Time-Based Stock Options	Percentage Performance-Based Number of Awards	Percentage Performance-Based Grant Date Fair Value
M. Truman Hunt	—	52,100	37,000	58%	84%
Ritch N. Wood	8,600	5,100	13,600	50%	65%
Ryan S. Napierski(2)	—	—	6,800	—	—
Joseph Y. Chang	8,600	5,100	13,600	50%	65%
D. Matthew Dorny	6,500	3,500	11,000	48%	63%
	23,700	65,800	82,000	52%	75%

(1) Reflects the number of shares of stock that would have become eligible for vesting or exercisable if performance had been achieved at the goal performance level, the same number used for calculating grant date fair value for purposes of the Summary Compensation Table.

(2) Mr. Napierski became an executive officer in September 2015, which was after the Committee had granted performance-contingent equity awards for the year and when only one full quarter remained in the 2015 performance year.

The following table lists the aggregate equity awards to our named executive officers, including the regular equity awards listed in the table above and the awards outside of the regular program.

Aggregate Equity Awards – 2015

Named Executive Officer	Performance Stock Options(1)	Performance Restricted Stock Units(1)	Time-Based Stock Options	Time-Based Restricted Stock Units	Percentage Performance-Based Number of Awards	Percentage Performance-Based Grant Date Fair Value
M. Truman Hunt	—	52,100	37,000	—	58%	84%
Ritch N. Wood	8,600	5,100	13,600	—	50%	65%
Ryan S. Napierski(2)	—	—	56,800	8,500	—	—
Joseph Y. Chang(3)	8,600	5,100	13,600	5,458	42%	45%
D. Matthew Dorny	6,500	3,500	11,000	—	48%	63%
	23,700	65,800	132,000	13,958	38%	59%

(1) Reflects the number of shares of stock that would have become eligible for vesting or exercisable if performance had been achieved at the goal performance level, the same number used for calculating grant date fair value for purposes of the Summary Compensation Table.

(2) Mr. Napierski became an executive officer in September 2015, which was after the Committee had granted performance-contingent equity awards for the year and when only one full quarter remained in the 2015 performance year. Consistent with our practice of granting equity awards to certain non-executive employees, Mr. Napierski was granted 6,000 time-based restricted stock units in February 2015, while he was serving as President of our North Asia region. He was also granted a special award of 50,000 time-based stock options and 2,500 time-based restricted stock units in connection with his promotion.

(3) Mr. Chang received a special award of 5,458 time-based restricted stock units in March 2015 in anticipation of

entering into a new employment agreement in April 2015.

Our performance-based equity awards generally become eligible for vesting based on the achievement of adjusted earnings per share performance levels, measured in terms of diluted earnings per share excluding certain predetermined items. The terms of the performance-based equity awards that were granted in March 2015 give named executive officers the opportunity to earn up to 125% of their target award if performance meets certain pre-defined, "stretch" levels. Consistent with our historical practice, named executive officers earn 100% of their target award if performance is at goal level, and they earn 50% of their target award if performance is at the minimum level. In addition, as with 2014, the 2015 performance-based equity awards are divided into three equal tranches. The tranches are contingent on performance over 2015, 2016 and 2017, respectively. Prior to 2014, our performance-based equity awards were divided into tranches that were contingent on performance over two years. The change in 2014 was to focus performance-based equity award earnout on long-term operating performance over three years.

Forfeiture of Performance Awards Contingent on 2015 Performance

For the tranche of our annual performance-based equity awards granted in March 2015 that was contingent on 2015 performance, the minimum, goal and stretch adjusted earnings per share levels were $3.90, $4.05 and $4.28, respectively. These levels were based on expectations as of the beginning of 2015. Our 2015 adjusted earnings per share goal performance level of $4.05 reflected upper-quartile growth relative to our peer group at the time the goals were established. Our 2015 actual adjusted earnings per share as calculated for purposes of the performance awards were $2.25. This amount is less than our pre-established minimum performance levels of $3.90 for the March 2015 awards and of $6.80 for the March 2014 awards. As a result, our executive officers forfeited all performance-based equity awards that were based on 2015 performance.

The following table summarizes the performance-based equity awards that were forfeited as a result of 2015 performance falling short of all previously set expectations and performance goals. It also includes the grant date fair values for such awards, which values were included in the Summary Compensation Table for the year in which the grants were made.

Name	Grant Date	Award Type	Number of Underlying Shares Forfeited (#)(1)	Grant Date Fair Value ($)
M. Truman Hunt	3/31/2014	Performance-Based Restricted Stock Units	15,000	1,206,450
	3/10/2015	Performance-Based Restricted Stock Units	17,366	930,297
			32,366	2,136,747
Ritch N. Wood	3/31/2014	Performance-Based Stock Options	2,867	80,563
	3/31/2014	Performance-Based Restricted Stock Units	1,700	136,731
	3/10/2015	Performance-Based Stock Options	2,866	53,050
	3/10/2015	Performance-Based Restricted Stock Units	1,700	91,069
			9,133	361,412
Ryan S. Napierski	—	—	—	—
Joseph Y. Chang	3/31/2014			