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Stock Options

Performance Units

Other Benefits and Indirect Compensation

Cash Compensation

In 2006, we provided cash compensation to our Named Executive Officers through base salary and annual incentive opportunities. This is consistent with both general market practice and the practices of our peer group of leading, comparably sized public consumer product companies, which typically provide base salary and annual incentives in the form of cash.

Base Salary

We set base salary to be competitive with the general market and our peer group. In addition to base salary, we rely on other forms of compensation (both cash and equity) to motivate and reward the Named Executive Officers.

Base salaries are based on job responsibilities and individual contribution, as well as the executive s experience taking into consideration competitive pay levels relative to other companies in our peer group. The base salary component of compensation is designed to retain employees in a competitive market situation.

Generally, the median of the relevant market data as described above is used as a guideline for determining base salary. In January of each year, the base salary of each of our Named Executive Officers is reviewed and approved by our Compensation Committee. Adjustments to base salary levels on a year-over-year basis depend largely on the Committee s assessment of market data and Company, business unit, and individual performance. The Named Executive Officers experience, expertise, and internal positioning are also factored into the annual review, and the CEO provides recommendations as to pay actions with respect to the Named Executive Officers other than himself. Base salaries are typically reviewed and adjusted, as described above, for the Company s Named Executive Officers during the first Compensation Committee meeting of the calendar year.

The base salaries paid to the Named Executive Officers during 2006 are reported in the Summary Compensation Table on page 24.

Annual Incentive Compensation

We believe it is important to provide annual cash incentives to motivate our executive officers to attain specific performance objectives that, in turn, further our long-term objectives. The Company s annual bonus

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plans seek to ensure that a significant portion of each executive officer s cash compensation is at risk and payable only when our stockholders have also benefited from his or her efforts.

Each year, the Chief Executive Officer recommends to the Compensation Committee targets for overall corporate performance for the fiscal year. The Compensation Committee in turn reviews these targets, applies any adjustments as deemed prudent, and recommends them to the full Board of Directors. For 2006, the targets were based on actual earnings per share (EPS) and other significant factors, such as cash management, strategic business development, operating efficiency, revenue generation, and other specific objectives. In October of 2006 the Compensation Committee recommended and the Board of Directors approved an adjustment to the targets for the 2006 incentive compensation plan based on consideration of a number of factors, including the impact of the adoption of FAS 123R, the continued impact of certain factors that negatively affected performance in the fourth quarter of 2005, significant accomplishments during 2006, and the potential impact on employee morale of failing to reward employees for these significant accomplishments. At the end of each year, the Compensation Committee evaluates corporate performance in light of these goals. If the Company meets or surpasses the pre-established performance goals, the Compensation Committee generally will award a bonus to each executive officer equal to between 40% and 100% of his or her base salary, as stipulated during the goal-setting period. The percentage of annual base salary that is paid as incentive compensation is based on both Company performance and executive officer performance. The Company performance component increases or decreases in the event the Company achieves greater than, or less than, 100% of the earnings target as approved by the Board of Directors. The performance component is based on achieving individual performance goals approved at the beginning of the fiscal year. Achieving three, four or five out of five individual goals leads to incentive compensation payouts of 50%, 75% and 100%, respectively. Achieving less than three individual goals results in no incentive compensation being paid to the individual. However, the Compensation Committee has absolute discretion in awarding annual bonuses and may award greater or lesser annual bonuses to one or more executive officers, whether or not the Company achieves its performance goals.

The incentive compensation target for each company executive is determined based on competitive market factors and is established at the discretion of the Compensation Committee. Incentive compensation rates for each Named Executive Officer are reviewed annually by the Compensation Committee. These rates are based on job responsibilities and the estimation of each executive officer s contribution to long-term growth and profitability for the Company taking into consideration competitive pay levels relative to other leading, comparably sized public consumer product companies. In addition, the incentive compensation rates are reviewed by the HayGroup for market competitiveness. For 2006, baseline award targets as a percentage of base salary were as follows:

Greggory Hammann, former CEO and President	100%
Timothy Hawkins, former President, Fitness Equipment Business	50%
William Meadowcroft, Chief Financial Officer	50%
Darryl Thomas, President, International Business	40%
Juergen Eckmann, President, Apparel Division	40%

The total annual cash incentive awards earned by each Named Executive Officer for 2006 are reported in the Summary Compensation Table on page 24.

Long-Term Incentives

A substantial portion of our executives total compensation is delivered in the form of equity compensation awarded under our 2005 Long Term Incentive Plan (the 2005 Plan). In 2006, this portion varied with each executive s role and degree of responsibility in the Company. In recent years, we have used two different equity vehicles stock options and performance units to provide long-term incentives to our Named Executive Officers.

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We also consider affordability to the Company as a factor in determining the size and mix of each equity award we grant. The accounting expense recognized by the Company in 2006 with respect to long-term incentive awards earned by the Named Executive Officers during 2006 and earlier years is reported in the Summary Compensation Table on page 24. Additional information on these awards, including the number of shares subject to each award, is reported in the Grants of Plan-Based Awards Table on page 25 and the Outstanding Equity Awards at Fiscal Year-End Table on page 26.

In 2006, the Named Executive Officers each received an equity award that was divided between stock options and performance units. This reflected a change from 2005 in which equity awards consisted of only stock options. We believe that the mix used in 2006 provided the most appropriate alignment with both stockholder and economic interests. While a stock option provides a direct link to financial performance as measured by growth in the market price of our common stock and emphasizes our overall performance in the market, the performance unit awards drive results since their payout is directly tied to the achievement of specific pre-established financial performance goals that have been crafted to help us reach our long-term strategic objectives.

Stock Options

The Compensation Committee views stock options as a key long-term element in its performance-based executive compensation program. Stock options provide for financial gain derived from the potential appreciation in stock price from the date the option is granted until the date the option is exercised. The exercise price of stock options is set at fair market value on the date of the grant. The 2005 Plan, as approved by the Company s shareholders, provides that fair market value is equal to the closing price of our common stock on the New York Stock Exchange on the date preceding the grant date. The Compensation Committee awards options at meetings that are generally held on Sundays in conjunction with regularly scheduled two-day quarterly board meetings that are held on Sundays and Mondays. Therefore, there is no opportunity for a change in market price between the date the Compensation Committee approves an award and the date of the grant. The Company does not backdate options or grant options retroactively. In addition, the Company does not plan to coordinate grants of options so that they are made before announcement of favorable information, or after announcement of unfavorable information. Stock options become exercisable in equal installments over time periods designated by the Compensation Committee, generally ranging from one to five years for Named Executive Officers. The Company s long-term performance ultimately determines the value of stock options, because gains from stock option exercises are dependent on the long-term appreciation of the Company s stock price.

The Compensation Committee grants stock options to executive officers based on the Board s estimation of each executive officer s contribution to our long-term growth and profitability. The Company, with the assistance of an independent consultant, HayGroup, collects and analyzes competitive market data annually to assess the adequacy of compensation paid to the Named Executive Officers. The analysis compares the Company s Named Executive Officers to positions in similar companies and includes an evaluation of the value of stock options granted for comparable positions.

Performance Unit Awards

The Compensation Committee views performance units as an additional key long-term element in its performance-based executive compensation program. Performance units are designed to enhance the Company s ability to attract and retain highly qualified personnel. In addition, performance units align the long-term interests of executives with those of the shareholders.

A performance unit entitles the Named Executive Officer to receive a share of the Company s common stock for each performance unit, for any completed fiscal year in which certain EPS targets are met. The awards vest annually over three years with a rolling provision that allows for an unvested award from year 1 or year 2 to vest if a subsequent period s targets are met. If none of the targets are met within the three year period, the performance unit award is cancelled.

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For the awards made in 2006, we set the target level for our performance units at our projected long-term business growth objective over the next three years. In making determinations of the desired threshold, target, and maximum performance levels, we also considered the general economic climate and the specific market conditions that we were likely to face in the upcoming years. We set the target performance levels for performance unit awards such that the levels are challenging but achievable, in that the target levels represent projected long-term meaningful growth of the Company. We set our threshold and maximum performance levels approximately 10% below and above, respectively, the target performance level. Although our assessment is subject to change over time, our performance was generally off target for 2006 and therefore we are currently not expensing our outstanding performance units for financial statement purposes based upon an assumption that we will not achieve the target performance levels. Target levels for the 2006 performance unit award were annual earnings per share of $1.15, $1.40 and $1.70 for 2006, 2007 and 2008, respectively. Additional information on all outstanding performance unit awards, including the number of shares subject to each award, is reported in the Outstanding Equity Awards at Fiscal Year-End Table on page 26.

Health & Welfare Benefits and Other Benefits

Executive officers participate in various broad-based employee benefit plans on substantially the same terms as eligible, non-executive employees, subject to any legal limits on the amounts that may be contributed or paid to executive officers under these plans. We offer a 401(k) plan which allows employees to invest in an array of funds on a pre-tax basis and which provides for employer matching contributions of up to three percent of eligible compensation, capped by IRS regulations.

The Named Executive Officers are eligible to participate in our Company-wide medical, dental, life, and disability insurance plans. Any participant, including a Named Executive Officer, may purchase higher levels of coverage for particular benefits. Some of the Named Executive Officers have taken advantage of this option. The Company s CEO also has a long-term disability and a life insurance policy.

The Company also provides tax services to Named Executive Officers. The primary purpose is to assist the executive officer in addressing tax and financial planning considerations when conducting stock option or performance unit transactions. Tax fees paid by the Company during 2006 ranged from $700 to $3,000 for each Named Executive Officer.

Additional information about these awards is reported in the Summary Compensation Table on page 24.

Severance Agreements

To ensure that we are offering a competitive executive compensation program, we believe it is important to provide reasonable severance benefits to our executive officers, including the Named Executive Officers.

We have a separate severance arrangement with each Named Executive Officer under their respective employment agreement that we entered into with them when they either began employment with the Company or through promotion into their current role. The agreement provides that, in the event we terminate their employment (other than for cause) or in some cases, if they were to voluntarily terminate employment for good reason, then, in lieu of any further salary, bonus, or other payments for periods subsequent to the date of termination, the Company shall pay to the employee severance ranging from six months to twenty-four months of the employee s average monthly annual base salary. Severance payments are made according to the Company s normal payroll process spread out equally over the severance period. In addition, under the employment agreement with our former Chief Executive Officer, Greggory C. Hammann, the Company is obligated to continue health benefits for Mr. Hammann and his covered dependents, at active-employee premium rates, during the period in which he is entitled to severance payments. Furthermore, Mr. Hammann is entitled under his employment agreement to receive a pro-rated bonus payment for the portion of the fiscal year

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completed prior to his termination, calculated on the basis of the average bonus paid to Mr. Hammann in the three preceding fiscal years. In addition, the stock option exercisable for up to 850,000 shares of common stock that was granted to Mr. Hammann when he joined the Company in 2003 (the Initial Option Award) will continue to vest as if Mr. Hammann had remained employed during the twenty four-month period in which he is entitled to receive severance pay. The Initial Option Award will also be exercisable for fifteen months after the date of termination of employment as to the shares vested on or before such date of termination and for fifteen months after the date of vesting as to shares vesting after the date of termination. In connection with the termination of his employment on August 13, 2007, the Company has provided, or is currently providing, Mr. Hammann with severance benefits in accordance with the terms of the employment agreement.

The estimated payments and benefits payable to the Named Executive Officers assuming an event triggering payment under these plans and arrangements as of the last day of 2006 are reported in the discussion of Other Potential Post-Employment Payments on page 27.

Deductibility of Compensation

Section 162(m) of the Internal Revenue Code of 1986 limits to $1,000,000 per person the amount that we can deduct for compensation paid to any of our most highly paid officers in any year. With the exception of our President and Chief Executive Officer, we generally do not expect any of our employee s salary and bonus levels to exceed that limit. However, depending on individual and corporate performance, total compensation for certain executives may be greater than $1,000,000. The limit on deductibility, however, does not apply to performance-based compensation that meets certain requirements. Our current policy is generally to grant long-term incentive awards that meet those requirements so that we may properly deduct compensation related to these awards when recognized by an executive.

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Summary Compensation Table

The table that follows this discussion summarizes the total compensation paid to or earned by Greggory C. Hammann, our former Chief Executive Officer and President, and each of our other Named Executive Officers for the fiscal year ended December 31, 2006. The narrative below describes current employment agreements and material employment terms with each of our Named Executive Officers, as applicable.

2006 Summary Compensation Table

Name and Principal Position	Salary	Bonus	Stock Awards[6]	Option Awards[7]	All Other Compensation	Total
Greggory C. Hammann Chairman, Chief Executive Officer and President	$ 550,000	$ 206,500	$	$ 824,340	$ 362,861	$ 1,943,700[1]
William D. Meadowcroft Chief Financial Officer, Secretary and Treasurer	$ 282,846	$ 53,000	$	$ 116,544	$ 6,052	$ 458,443[2]
Timothy E. Hawkins President, Fitness Equipment Business	$ 286,000	$ 53,500	$	$ 120,935	$ 5,452	$ 465,887[3]
Darryl K. Thomas President, International Equipment Business	$ 245,616	$ 34,500	$	$ 69,765	$ 112,230	462,110[4]
Juergen Eckmann President, Apparel Division	$ 235,000	$ 35,500	$	$ 95,300	16,554	382,354[5]

(1) Mr. Hammann s 2006 All Other Compensation consists of two $170,000 payments resulting from the first amendment to his 2003 nonstatutory stock option agreement and a Company matching contribution of $4,752 to the Nautilus, Inc. 401(k) Savings Plan. The amendments were made in response to the adoption of Section 409A of the Internal Revenue Code of 1988, as amended. Mr. Hammann s 2006 All Other Compensation also consists of Company paid premiums for disability and life insurance and tax service fees paid by the Company. Mr. Hammann s employment was terminated on August 13, 2007.

(2) Mr. Meadowcroft s 2006 All Other Compensation consists of a Company matching contribution of $4,752 to the Nautilus, Inc. 401(k) Savings Plan and tax service fees paid by the Company.

(3) Mr. Hawkins 2006 All Other Compensation consists of a Company matching contribution of $4,752 to the Nautilus, Inc. 401(k) Savings Plan and tax service fees paid by the Company. Mr. Hawkins employment was terminated effective June 29, 2007.

(4) Mr. Thomas 2006 All Other Compensation consists of $54,000 for payments received for corporate housing, $52,178 received for one-time relocation costs, and a Company matching contribution of $4,752 to the Nautilus, Inc. 401(k) Savings Plan and tax service fees paid by the Company.

(5) Mr. Eckmann s 2006 All Other Compensation consists of Company paid premiums for life insurance, personal travel costs, and a contribution to a pension fund, of which the Company is not a sponsor.

(6) The amounts reported in this column are equal to the dollar amount recognized for financial statement reporting purposes in 2006 in connection with performance units granted under the Company s 2005 Long Term Incentive Plan. With respect to performance units granted in 2006 and 2005, respectively, see Note 9 to the Consolidated Financial Statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2006 for a discussion of the relevant assumptions used in calculating the dollar amount recognized for financial statement reporting purposes with respect to the applicable fiscal year in accordance with Financial Accounting Standards Board Statement of Financial Accounting Standards no. 123 (revised 2004), *Share Based Payment* (FAS 123R). For further information about awards made in 2006, see the Grants of Plan-Based Awards table beginning on page 25.

(7) The amounts reported in this column are equal to the dollar amount recognized for financial statement reporting purposes in 2006 in connection with options granted under the Company s 2005 Long Term Incentive Plan, which was approved by the Company s stockholders and became effective on June 6, 2005. With respect to options granted in 2006, 2005 and 2004, respectively, see Note 9 to the Consolidated Financial Statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2006 for a discussion of the relevant assumptions used in calculating the dollar amount recognized for financial statement reporting purposes with respect to the applicable fiscal year in accordance with FAS 123R. For further information about awards made in 2006, see the Grants of Plan-Based Awards table on page 25.

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Grants of Plan-Based Awards

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards						
Name	**Grant Date(1)**	**Threshold ($)(2)**	**Target ($)(3)**	**Maximum ($)(4)**	**Threshold (#)**	**Target (#)(5)**	**Maximum (#)**	**All Other Unit Awards: Number of Securities Underlying Units (#)(6)**	**All Other Option Awards: Number of Securities Underlying Options (#)(7)**	**Exercise or Base Price of Option Awards ($ /Sh)(8)**	**Grant Date Fair Value of Stock and Option Awards ($)(9)**
Greggory C. Hammann	01/29/06	27,500	550,000	825,000							
	07/30/06					18,000		18,000			
William D. Meadowcroft	01/29/06	7,071	141,423	212,135		19,500		4,500	15,000	15.15	80,738
Timothy E. Hawkins	01/29/06	7,150	143,000	214,500		25,000		9,000	16,000	15.15	86,120
Darryl K. Thomas	01/29/06	4,912	98,246	147,370		15,000		3,000	12,000	15.15	64,590
Juergen Eckmann	01/29/06	4,700	94,000	141,000		14,100		3,600	10,500	15.15	56,516

(1) Awards are generally effective on the date of approval. Award grant procedures are discussed in the Compensation Discussion & Analysis.

(2) The amounts in this column represent the potential award level for each Named Executive Officer under the Company s annual cash incentive program at the threshold level. The threshold payout is calculated using company performance at the 10% target level and the employee obtaining three individual objectives which obtains 50% of target level payout. The actual amounts earned are reflected in the 2006 Summary Compensation table.

(3) The amounts in this column represent the potential award level for each Named Executive Officer under the Company s annual cash incentive program at the target level. The target payout is calculated using company performance at the 100% level and the employee obtaining five individual objectives which obtains 100% payout for individual contribution. The actual amounts earned are reflected in the 2006 Summary Compensation table.

(4) The amounts in this column represent the potential award level for each Named Executive Officer under the Company s annual cash incentive program at the maximum level. The maximum payout is calculated using company performance at the 150% level and the employee obtaining five individual objectives which obtains 100% payout for individual contribution. The actual amounts earned are reflected in the 2006 Summary Compensation table.

(5) The amounts in this column represents the target number of shares of common stock that could become vested to each executive officer in the event certain performance targets are met, as described in (6) below and the options granted, as described in (7) below are exercised by the Named Executive Officer.

(6) Nautilus, Inc. common stock will be granted to the Named Executive Officer upon achievement by the Company of annual earnings-per-share (EPS) targets equal to $1.15, $1.40, and $1.70 in 2006, 2007 and 2008, respectively. The Named Executive Officer may receive one third of the targeted shares per year as long as they are employed by the Company on the last day of such fiscal year and the EPS target is met. If the award is not achieved in 2006 or 2007, but the 2008 target is achieved, the Named Executive Officer shall be paid the awards for the previous years.

(7) The numbers reported in this column reflect the number of options to purchase shares that were awarded to the Named Executive Officers in 2006 pursuant to the 2005 Long Term Incentive Plan, which became effective on June 6, 2005. Each of these awards is subject to a four year vesting schedule, during which 25% of the award vests on each anniversary of the grant date.

(8) Consists of Stock Options with an exercise price equal to the NYSE closing price of Nautilus, Inc. Common Stock on business day prior to the date of grant and a seven year term.

(9) Reflects grant date fair value of performance unit awards at target described in footnote (6) above, and grant date fair value of Stock Options described in footnote (7) above, calculated in accordance with FAS 123R.

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Outstanding Equity Awards at Fiscal Year-End

The following table provides detailed information about all outstanding equity awards of Greggory C. Hammann, our former Chief Executive Officer and President, and each of our other Named Executive Officers at December 31, 2006.

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
Greggory C. Hammann(1)	340,000	340,000(2)	N/A	10.39	07/15/13	N/A	N/A	62,500(3)	1,106,250
	33,000	60,000(4)	N/A	15.66	06/07/14	N/A	N/A	62,500(5)	1,106,250
	12,000	48,000(4)	N/A	20.73	01/31/15	N/A	N/A	18,000(6)	225,360
William D. Meadowcroft	4,000	(7)	N/A	34.05	06/10/07	N/A	N/A	4,500(6)	68,175
		15,000(4)	N/A	15.15	01/29/13	N/A	N/A		
	12,000	8,000(8)	N/A	10.39	07/15/13	N/A	N/A		
	6,000	9,000(8)	N/A	23.15	10/25/14	N/A	N/A		
	6,000	24,000(8)	N/A	21.68	02/23/15	N/A	N/A		
Timothy E. Hawkins(9)		16,000(4)	N/A	15.15	01/29/13	N/A	N/A	9,000(6)	136,350
	20,000	30,000(8)	N/A	13.37	01/29/14	N/A	N/A		
	16,000	24,000(8)	N/A	15.66	06/07/14	N/A	N/A		
Darryl K. Thomas		12,000(4)	N/A	15.15	01/29/13	N/A	N/A	3,000(6)	45,450
	5,000	15,000(8)	N/A	13.59	01/14/14	N/A	N/A		
	10,000	15,000(8)	N/A	15.66	06/07/14	N/A	N/A		
Juergen Eckmann	5,000	15,000(4)	N/A	28.91	07/11/12	N/A	N/A	3,600(6)	54,540
		10,500(4)	N/A	15.15	01/29/13	N/A	N/A		

The shares become vested and issuable in equal installments commencing on the first anniversary of the grant date. Unvested shares at December 31, 2006 will vest equally over the remaining vesting period.

(1) Mr. Hammann s employment with the Company was terminated effective August 13, 2007.
(2) The grant will vest in equal six month installments over a period of five years, beginning the first anniversary of the grant date.
(3) Mr. Hammann was granted a performance unit award on December 1, 2005 (the Initial Award) that entitles him to receive 62,500 shares of the Company s common stock if, for any completed fiscal year ending on or before December 31, 2011, he is employed by the Company on the last day of such fiscal year, and the Company s earnings per share for such fiscal year equals or exceeds two dollars ($2.00). The year in which the Performance Goal for the Initial Award is achieved is referred to as the Initial Award Year . Due to the termination of Mr. Hammann s employment effective August 13, 2007, this award has been cancelled.
(4) The grant will vest in four equal annual installments, beginning the first anniversary of the grant date.
(5) Mr. Hammann received a second performance unit award on December 1, 2005 that entitles him to receive 62,500 additional shares of the Company s common stock if the performance goal for the Initial Award is achieved and the Company s earnings per share in the fiscal year immediately following the Initial Award Year increases by 10% or more over the earnings per share of the Initial Award Year.
(6) Nautilus, Inc. common stock will be granted to the Named Executive Officer upon achievement by the Company of annual earnings-per-share (EPS) targets equal to $1.15, $1.40, and $1.70 in 2006, 2007 and 2008, respectively. The Named Executive Officer may receive one third of the targeted shares per year as long as they are employed by the Company on the last day of such fiscal year and the EPS target is met. If the award is not achieved in 2006 or 2007, but the 2008 target is achieved, the Named Executive Officer shall be paid the awards for the previous years.
(7) The grant will vest in three equal annual installments, beginning the first anniversary of the grant date.
(8) The grant will vest in five equal annual installments, beginning the first anniversary of the grant date.
(9) Mr. Hawkins employment with the Company was terminated effective June 29, 2007.

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Option Exercises and Stock Vested

Name	Option Awards Number of Shares Acquired on Exercise (#)	Option Awards Value Realized on Exercise ($)	Stock Awards Number of Shares Acquired on Vesting (#)	Stock Awards Value Realized on Vesting ($)
Greggory C. Hammann(1)				
William D. Meadowcroft				
Timothy E. Hawkins(2)				
Darryl K. Thomas				
Juergen Eckmann				

None of the Named Executive Officers listed above exercised stock options or had any performance units vest during the year ended December 31, 2006.

(1) Mr. Hammann s employment with the Company was terminated effective August 13, 2007.
(2) Mr. Hawkins employment with the Company was terminated effective June 29, 2007.

Other Potential Post-Employment Payments

Name	Salary Continuation or Severance(1)	Pro-rated Bonus Payment	Benefits or Perquisites	Continued Vesting on the amendment to the Initial Option Grant	Continued Vesting of Initial Option Grant
Greggory C. Hammann	$ 1,200,000	$ 135,400(2)	$ 23,000(3)	$ 680,000(5)	$ 947,556(4)
William D. Meadowcroft	286,000				
Timothy E. Hawkins	296,010				
Darryl K. Thomas	235,870				
Juergen Eckmann	120,438				

(1) Amounts in this column reflect estimated amounts that may be paid under the Nautilus employment arrangement assuming termination occurred on December 31, 2006. The Nautilus separation benefits consist of monthly base salary equal to twenty-four equal payments for Mr. Hammann, twelve equal payments Mr. Meadowcroft, Mr. Hawkins, and Mr. Thomas, and six equal payments for Mr. Eckmann, Distributions are subject to certain restrictions imposed by Internal Revenue Code Section 409A. Mr. Hammann and Mr. Hawkins are each receiving salary continuation payments pursuant to their employment arrangements with the Company beginning on their termination dates of August 13, 2007 and June 29, 2007, respectively.

(2) Mr. Hammann will receive a pro-rated bonus payment for the portion of the fiscal year completed prior to the termination, calculated on the basis of the average bonus paid to Mr. Hammann in the three preceding fiscal years. Mr. Hammann received annual bonuses in the amount of $200,000, $0, and $206,259 in 2004, 2005, and 2006, respectively.

(3) Mr. Hammann is entitled to continued health benefits for himself and his covered dependents, at active-employee premium rates, during the period in which he is entitled to severance payments.

(4) Mr. Hammann currently has unvested stock options equal to 340,000 shares of common stock that was originally granted to him when he joined the Company in 2003 (the Initial Option Award), which will continue to vest as if Mr. Hammann remained employed during the twenty four-month period in which he is entitled to receive severance pay. The Initial Option Award will also be exercisable for fifteen months after the date of termination of employment as to the shares vested on or before such date of termination and for fifteen months after the date of vesting as to shares vesting after the date of termination. The actual expense was based on assumptions made as of December 31, 2006 in accordance with FAS 123R.

(5) Assuming that Mr. Hammann s employment was terminated on December 31, 2006, continued vesting of the nonstatutory stock option granted to Mr. Hammann when he joined the Company in 2003 would result in four equal payments of $170,000 during the twenty four-month period in which he is entitled to receive severance pay.

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Chief Executive Officer Compensation

In connection with his appointment as President, Chief Executive Officer and Chairman of the Board of Directors, the Company and Mr. Falcone entered into an Executive Employment Agreement dated as of October 17, 2007 (the Agreement). Under the Agreement, Mr. Falcone is entitled to a base annual salary of $575,000. Beginning in fiscal 2008, Mr. Falcone will be eligible for a bonus equal to 100% of his annual salary based on achievement of performance targets set by the Compensation Committee of the Company s Board of Directors. Additionally, on October 17, 2007, Mr. Falcone was awarded options to purchase 400,000 shares of the Company s common stock, which options vest (i) as to one-third of the shares subject to the award, on October 17, 2008 and (ii) as to $^{1}/36$ of the total number of shares subject to the award each month thereafter. Mr. Falcone s stock option is subject to full acceleration in connection with certain change of control events or termination of Mr. Falcone s employment under certain circumstances. Additionally, if the Company terminates Mr. Falcone s employment without cause, or Mr. Falcone terminates his employment with the Company for good reason, Mr. Falcone would be entitled to certain severance benefits including salary continuation payments for a period of 24 months from the date of such termination. The Agreement s term expires on October 31, 2010.

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DIRECTOR COMPENSATION

The Director Compensation Program provides for the payment of annual retainers, annual equity grants and initial equity grants to non-employee members of the Nautilus Board of Directors.

Annual Retainer

Under the Director Compensation Program adopted, as approved following the 2006 annual meeting of the Company s shareholders and amended as of May 7, 2007, each non-employee member of the Nautilus Board receives an annual retainer of $35,000. In addition, each member receives a fee of $1,500 for attendance at each meeting. Each director serving on a Committee receives an additional meeting fee of $1,000. The Chair of the Audit Committee and the Lead Independent Director each receive an additional retainer of $10,000, while the Chair of the Compensation Committee and the Nominating & Corporate Governance Committee each receive an additional retainer of $5,000.

Initial Equity Grant

The Director Compensation Program provides that upon initial election to the Board, each non-employee director will be granted an option to purchase 10,000 shares of our common stock. Such stock options vest ratably over four years.

Annual Equity Grant

The Director Compensation Program also provides that upon reelection to the Board, each non-employee director receives a stock option to purchase 10,000 shares of our common stock. Such stock options vest ratably over four years.

On May 8, 2006, the Board of Directors granted to each non-employee director an option to purchase 10,000 shares of our common stock at an exercise price equal to the market price of our common stock at close of trading on the New York Stock Exchange on the date prior to the grant date ($18.29 per share). The options vest over a four-year period. Directors who are Company employees receive no additional or special remuneration for serving as directors.

Concurrently with her appointment to the Board of Directors on September 6, 2007, Evelyn V. Follit was granted options to purchase 10,000 shares of the Company s common stock. In addition, Ms. Follit will be entitled to an annual cash retainer, cash payments for each meeting she attends and reimbursement of reasonable travel and incidental expenses in accordance with Company s policies described above.

2006 Directors Compensation Table

The following table sets forth specific information regarding the 2006 compensation received by our non-employee directors.

Name	Fees Earned or Paid in Cash ($)	Option Awards ($)(1)	Total ($)
Peter A. Allen	55,000	33,812	88,812
Ronald P. Badie	46,000	45,367	91,368
Robert S. Falcone	57,000	33,812	90,812
Frederick T. Hull(2)	42,000	33,812	75,812
Donald W. Keeble	46,000	33,812	79,812
Paul F. Little(3)	46,000	33,812	79,812
Diane L. Neal	42,000	33,812	75,812
Marvin G. Siegert	47,000	45,367	92,368

(1) The dollar values in this column represent the compensation cost of issued awards, before reflecting forfeitures, over the requisite period, as described in FAS123R. In applying a forfeiture rate of 25%, which is consistent with the forfeiture rate applied to director compensation in calculating FAS123R expense for the year 2006, forfeitures for all directors were $41,400.
(2) Mr. Hull retired from the board following completion of his term in May 2007.
(3) Mr. Little retired from the board following completion of his term in May 2007.

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REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS*

The Audit Committee of the Board of Directors of the Company (the Audit Committee) was comprised during 2006 of four non-employee, independent directors: Robert S. Falcone, Paul F. Little, Ronald P. Badie and Marvin G. Siegert. Mr. Falcone resigned from the Audit Committee in August 2007 in connection with his appointment as Interim Chief Executive Officer. Mr. Little retired from the Board of Directors following completion of his term in May 2007. Management has the primary responsibility for the financial statements and the reporting process, including the system of internal controls. The registered independent public accounting firm is responsible for performing an independent audit of the Company s consolidated financial statements in accordance with auditing standards generally accepted in the United States of America and issuing a report thereon. The Committee is responsible for the oversight of the Company s internal accounting and financial reporting process and the review of the audited financial statements of the Company, together with a discussion of pertinent matters with management and the Company s registered independent public accounting firm.

The Audit Committee acts under a written charter adopted and approved by our Board of Directors as described under The Audit Committee above. The members of the Audit Committee are independent, as such term is defined under applicable New York Stock Exchange listing standards. The Audit Committee has reviewed and discussed the audited financial statements for the year ended December 31, 2006 with management and Deloitte & Touche LLP, the Company s registered independent public accounting firm. In addition, the Audit Committee has discussed and reviewed with the registered independent public accounting firm the matters required to be discussed by Statement on Auditing Standards No. 61, and, with and without management present, discussed and reviewed the results of the registered independent public accounting firm s audit of the financial statements. Additionally, the Audit Committee has received the written disclosures and a letter from Deloitte & Touche LLP required by Independence Standards Board Standard No. 1, Independence Discussion with Audit Committees, and has discussed with Deloitte & Touche LLP the auditor s independence.

Based on the foregoing reviews and discussions, the Audit Committee has recommended to the Board of Directors that the audited financial statements be included in the Company s Annual Report on Form 10-K for the year ended December 31, 2006 for filing with the Securities and Exchange Commission.

Respectfully Submitted,

Robert S. Falcone (retired)

Paul F. Little (retired)

Ronald P. Badie

Marvin G. Siegert

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* The information contained in the Report of the Audit Committee shall not be deemed soliciting material or be incorporated by reference by any general statement incorporating this Proxy Statement into any filings under either the Securities Act of 1933, as amended, or the Exchange Act of 1934 (together the Acts), except to the extent the Company specifically incorporates such report by reference, and further, such Report shall not otherwise be deemed filed under the Acts.

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IMPORTANT OTHER INFORMATION

Your vote at the special meeting is especially important because of Sherborne s attempt to take control of Nautilus and its Board of Directors. Please use the WHITE proxy card TODAY to vote by telephone, by Internet, or by signing, dating and returning the WHITE proxy card in the envelope provided.

We urge you not to sign or return any green proxy card that may be sent to you by Sherborne, even as a protest vote against them. If you previously voted on a Sherborne green proxy card, you have every legal right to change your vote. You can do so simply by using the **WHITE** proxy card to vote by telephone, by Internet, or by signing, dating and returning the **WHITE** proxy card in the envelope provided. Only your latest dated proxy card will count. Please refer to Questions & Answers for a discussion how to revoke your proxy.

If the Nautilus shares you own are held in the name of a broker, bank or nominee, only it can vote a proxy card with respect to your shares and only upon specific instructions from you. Please contact the person responsible for your account and give instructions for a **WHITE** proxy card to be signed representing your Nautilus shares. We urge you to confirm in writing your instructions to the person responsible for your account and to provide a copy of such instructions to our proxy solicitor, Innisfree M&A Incorporated, at the address indicated below so that it can attempt to ensure that your instructions are followed. If you have any questions about executing your proxy or require assistance, please contact:

Innisfree M&A Incorporated

SHAREHOLDERS CALL TOLL-FREE: (888) 750-5834

BANKS AND BROKERS MAY CALL COLLECT: (212) 750-5833

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Appendix I

INFORMATION CONCERNING PERSONS WHO MAY BE DEEMED

PARTICIPANTS IN THE COMPANY S SOLICITATION OF PROXIES

The following table sets forth the name, principal business address and the present principal occupation or employment, and the name, principal business and address of any corporation or other organization in which their employment is carried on, of the directors, director nominees, officers and employees of Nautilus who, under SEC rules, may be deemed participants in our solicitation of proxies from Nautilus shareholder in connection with the special meeting.

Directors and Nominees

The principal occupations of our directors and director nominees who may be deemed participants in our solicitation are set forth under the Board of Directors section of this Proxy Statement. The name and business addresses of the organization of employment of our directors and director nominees are as follows:

Name	Business Address
Peter A. Allen	*
Ronald P. Badie	*
Robert S. Falcone	*
Evelyn V. Follit	*
Donald W. Keeble	*
Diane L. Neal	*
Marvin G. Siegert	*

* c/o Nautilus, Inc.
16400 SE Nautilus Drive
Vancouver, Washington 98683

Officers and Employees

The principal occupations of our executive officers and employees who may be deemed participants in our solicitation of proxies are set forth below. The principal occupation refers to such person s position with Nautilus, and the business address is Nautilus, Inc., 16400 SE Nautilus Drive, Vancouver, Washington 98683.

Name	Principal Occupation
Robert S. Falcone	President and Chief Executive Officer
Timothy Joyce	Senior Vice President, Global Sales
Juergen Eckmann	President, Nautilus Apparel Division
Darryl K. Thomas	President, International Equipment Business
William D. Meadowcroft	Chief Financial Officer
Steve Eichen	Chief Information Officer
Wayne M. Bolio	Chief Administrative Officer
Deborah Marsh	Senior Vice President, Human Resources
Ron Arp	Senior Vice President, Corporate Communications

Information Regarding Ownership of Nautilus Securities by Participants

None of the persons listed above under Directors and Nominees and Officers and Employees owns any Nautilus securities of record but not beneficially. The number of shares of our common stock held by directors, director nominees and the named executive officers as of October 15, 2007, is set forth in the proxy statement

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under the caption Stock Ownership. The number of shares of our common stock held by the other officers and employees listed above under Officers and Employees as of September 30, 2007 is set forth below.

Name	Number of Shares Beneficially Owned**	Options Exercisable Within 60 Days	Percentage of Shares Beneficially Owned
Steve Eichen	48,375	48,375	*
Wayne M. Bolio	41,625	35,125	*
Deborah Marsh	0	0	*
Ronald Arp	20,984	13,875	*

* Less than 1%.

** Includes shares that may be acquired within 60 days through the exercise of stock options. The number of these exercisable shares is listed in the adjacent column.

Information Regarding Transactions in the Company s Securities by Participants

The following table sets forth all transactions that may be deemed purchases and sales of our common stock by the participants since October 23, 2005. Unless otherwise indicated, all transactions were in the public market and none of the purchase price or market value of those shares is represented by funds borrowed or otherwise obtained for the purpose of acquiring or holding such securities.

Name	Date	Number of Shares of Common Stock, Acquired (Disposed of)
Peter A. Allen	May 23, 2006	1,000
Ronald Arp		2,320
	February 16, 2006	289
	May 11, 2006	
	August 21, 2006	1,500
Ronald P. Badie	February 10, 2006	2,500
Juergen Eckmann	August 8, 2007	1,000
Marvin G. Siegert	November 7, 2005	1,500

Information Regarding Stock Options Granted to Participants

The following table sets forth certain information with respect to stock options granted to each of the Participants since October 23, 2006:

Name	Date	Number of Shares Underlying Options Granted	Exercise Price Per Share
Peter A. Allen	May 7, 2007	10,000	$ 13.75
Ronald Arp	January 28, 2007	8,000	$ 16.10
Ronald P. Badie	May 7, 2007	10,000	$ 13.75
Wayne M. Bolio	January 28, 2007	12,000	$ 16.10
Juergen Eckmann	January 28, 2007	12,000	$ 16.10
Steve Eichen	January 28, 2007	12,000	$ 16.10
Robert S. Falcone	May 7, 2007	10,000	$ 13.75
	October 17, 2007	400,000	$ 6.26
Evelyn V. Follit	September 6, 2007	10,000	$ 9.81

Timothy Joyce	September 17, 2007	50,000	$	8.20
Donald W. Keeble	May 7, 2007	10,000	$	13.75
Deborah Marsh	March 15, 2007	12,000	$	16.41
William Meadowcroft	January 28, 2007	18,000	$	16.10
Diane L. Neal	May 7, 2007	10,000	$	13.75
Marvin G. Siegert	May 7, 2007	10,000	$	13.75
Darryl K. Thomas	January 28, 2007	12,000	$	16.10

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Information Regarding Restricted Stock Awards Granted to Participants

The following table sets forth certain information with respect to restricted stock awards granted to each of the Participants since October 23, 2006:

Name	Date	Number of Shares Subject to Award
Ronald Arp	August 13, 2007	8,200*
Wayne M. Bolio	August 13, 2007	9,300*
Juergen Eckmann	August 13, 2007	9,600*
Steve Eichen	August 13, 2007	9,100*
Robert S. Falcone	August 13, 2007	12,000**
Deborah Marsh	August 13, 2007	8,000*
William Meadowcroft	August 13, 2007	14,300*
Darryl K. Thomas	August 13, 2007	9,400*

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* The shares are restricted and will vest in full on August 13, 2009.

** Pursuant to an Employment Agreement entered into in connection with his service as Interim President and Chief Executive Officer Mr. Falcone was entitled to the grant of 4,000 restricted shares for each month or portion thereof that he served as the Company s Interim CEO. Mr. Falcone was awarded 12,000 restricted shares in connection with such service under such Employment Agreement. On October 17, 2007 Mr. Falcone was appointed President and Chief Executive Officer of the Company and, in connection with such appointment, such shares became vested.

Information Regarding Performance Unit Awards Granted to Participants

The following table sets forth certain information with respect to performance unit awards granted to each of the Participants since October 23, 2006:

Name	Date	Number of Shares Subject to Award*
Ronald Arp	January 28, 2007	1,200
Wayne M. Bolio	January 28, 2007	2,100
Juergen Eckmann	January 28, 2007	4,200
Steve Eichen	January 28, 2007	1,800
Deborah Marsh	March 15, 2007	1,200
William Meadowcroft	January 28, 2007	4,200
Darryl K. Thomas	January 28, 2007	3,000

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* Performance units entitle the participant to the number of shares subject to the award, vesting annually over three years, if the Company achieves certain earnings per share targets over the three year period.

Miscellaneous Information Regarding Participants

Except as described in this Appendix I or the Proxy Statement, to the best of our knowledge, none of the participants (i) beneficially owns (within the meaning of Rule 13d-3 under the Exchange Act), directly or indirectly, any shares or other securities of Nautilus or any of its subsidiaries, (ii) has purchased or sold any of such securities within the past two years or (iii) is, or within the past year was, a party to any contract, arrangement or understanding with any person with respect to any such securities. Except as disclosed in this Appendix I or the Proxy Statement, to the best knowledge of the participants, none of their associates beneficially owns, directly or indirectly, any securities of Nautilus. Other than as disclosed in this Appendix I or the Proxy Statement, to the knowledge of Nautilus, neither Nautilus nor any of the participants has any substantial interests, direct or indirect, by security holding or otherwise, in any matter to be acted upon at the special meeting or is or has been within the past year a party to any contract, arrangement or understanding with any person with respect to any securities of Nautilus, including, but not limited to, joint ventures, loan or option agreements, put or calls, guarantees against loss or guarantees of profit, division of losses or profits or the giving or withholding of proxies. Other than as set forth in this Appendix I or the Proxy Statement, to the knowledge of Nautilus, none of Nautilus, the participants or any of their associates has had or will have a direct or indirect

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material interest in any transaction or series of similar transactions since the beginning of the Company s last fiscal year or any currently proposed transactions, or series of similar transactions, to which Nautilus or any of its subsidiaries was or is to be a party in which the amount involved exceeds $60,000.

Other than in this Appendix I or the Proxy Statement, to the knowledge of Nautilus, none of Nautilus, any of the participants or any of their associates has any arrangements or understandings with any person with respect to any future employment by Nautilus or its affiliates or with respect to any future transactions to which Nautilus or any of its affiliates will or may be a party.

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Annex A

Proposed Amendments to Bylaws

Proposal 2

Following is the text to the amendment to Nautilus bylaws set forth in Proposal 2:

Section 2.4 of Article II of the Amended and Restate Bylaws of Nautilus Inc. is amended and restated in its entirety as follows (proposed new language appears in italics; deleted characters appear as struck through):

2.4 *Vacancies*. *Except as otherwise provided in this Section 2.4, a*ny vacancy occurring in the Board of Directors (whether caused by resignation, death, an increase in the number of directors, or otherwise) may be filled by the shareholders or the Board of Directors. If the directors in office constitute fewer than a quorum of the Board, they may fill the vacancy by the affirmative vote of a majority of all the directors in office. *Notwithstanding the foregoing, any vacancies occurring in the Board of Directors resulting from removal of members of the Board of Directors by the shareholders may not be filled by the Board of Directors and shall only be filled by the affirmative vote of the shareholders of the corporation entitled to vote generally in the election of directors, voting together as a single class.* A director elected to fill any vacancy should hold office until the next shareholders meeting at which directors are elected.

Proposal 3

Following is the text to the amendment to Nautilus bylaws set forth in Proposal 3:

Section 2.2 of Article II of the Amended and Restated Bylaws of Nautilus Inc. is amended and restated in its entirety as follows (proposed new language appears in italics; deleted characters appear as struck through):

2.2 *Number of Directors; Qualification*. *The authorized number of directors of the Corporation shall be fixed at seven (7); provided, however, that such number may be decreased (but not increased) pursuant to a resolution of the Board of Directors*. ~~The number of directors of the corporation shall be not less than five (5) nor more than fifteen (15), the specific number to be set by resolution of the Board of Directors.~~ No reduction of the authorized number of directors shall have the effect of removing any director before that director s term of office expires. No director need be a shareholder of the corporation or a resident of the State of Washington.

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YOUR VOTE IS IMPORTANT

Please take a moment now to vote your shares of Nautilus, Inc.

Common Stock for the upcoming Special Meeting of Shareholders.

PLEASE REVIEW THE PROXY STATEMENT

AND VOTE TODAY IN ONE OF THREE WAYS:

1. **Vote by Telephone** Please call toll-free in the U.S. or Canada at **1-866-814-2813**, on a touch-tone telephone**.** If outside the U.S. or Canada, call **1-215-521-1345**. Please follow the simple instructions. You will be required to provide the unique control number printed below.

OR

2. **Vote by Internet** Please access **https://www.proxyvotenow.com/nls**, and follow the simple instructions. Please note you must type an s after http. You will be required to provide the unique control number printed below.

You may vote by telephone or Internet 24 hours a day, 7 days a week.

Your telephone or Internet vote authorizes the named proxies to vote your shares in the same manner

as if you had marked, signed and returned a proxy card.

OR

3. **Vote by Mail** If you do not wish to vote by telephone or over the Internet, please complete, sign, date and return the proxy card in the envelope provided, or mail to: Nautilus, Inc., c/o Innisfree M&A Incorporated, P.O. Box 5155, FDR Station, New York, NY 10150-5155

Ú**TO VOTE BY MAIL PLEASE DETACH PROXY CARD HERE AND RETURN IN THE ENVELOPE PROVIDED** Ú

YOUR BOARD OF DIRECTORS RECOMMENDS YOU VOTE AGAINST PROPOSALS 1 THROUGH 3.

1. REMOVE EACH OF THE FOLLOWING CURRENT MEMBERS OF BOARD OF DIRECTORS:

	FOR REMOVAL	AGAINST REMOVAL	ABSTAIN
(01.) PETER A. ALLEN	..	..	..

YOUR BOARD OF DIRECTORS RECOMMENDS YOU VOTE FOR THE NOMINEES IN PROPOSAL 4.

	FOR ALL	WITHHOLD ALL	FOR ALL EXCEPT
4. IN THE EVENT ANY OF THE PROPOSAL 1 ITEMS PASS, ELECTION OF THE FOLLOWING DIRECTOR NOMINEES OF NAUTILUS, INC.:	..	..	..

(01.) PETER A. ALLEN

(02.) EVELYN V. FOLLIT

To withhold authority to vote for any individual nominee(s), mark For All Except and write the number(s) of the nominee(s) here:

(02.) EVELYN V. FOLLIT	..	..	..	(03.) DONALD W. KEEBLE	_____________
(03.) DONALD W. KEEBLE	..	..	..	(04.) DIANE L. NEAL	
(04.) DIANE L. NEAL	..	..	..		

2. AMENDMENT OF BYLAWS TO PROVIDE THAT VACANCIES ON BOARD OF DIRECTORS RESULTING FROM REMOVAL BY SHAREHOLDERS MAY NOT BE FILLED BY BOARD OF DIRECTORS AND MAY ONLY BE FILLED BY SHAREHOLDERS	**FOR** ..	**AGAINST** ..	**ABSTAIN** ..
3. AMENDMENT OF BYLAWS TO FIX SIZE OF BOARD OF DIRECTORS AT SEVEN (7) SEATS; SUCH NUMBER MAY BE DECREASED (BUT NOT INCREASED) BY THE BOARD OF DIRECTORS	**FOR** ..	**AGAINST** ..	**ABSTAIN** ..

YOUR BOARD OF DIRECTORS RECOMMENDS YOU VOTE AGAINST PROPOSAL 5.

5. ADJOURN SPECIAL MEETING, IF NECESSARY, FOR THE PURPOSE OF SOLICITING ADDITIONAL PROXIES TO VOTE IN FAVOR OF PROPOSALS 1 THROUGH 4	**FOR** ..	**AGAINST** ..	**ABSTAIN** ..

Note: Please sign exactly as the name(s) appear hereon. If the shares are owned in joint names, all joint owners should sign. A proxy executed by a corporation or other company should be signed in its name by its authorized officers. Executors, administrators, trustees and partners should indicate their positions when signing.

DATE _____________, 2007

Signature

Signature (if held jointly)

Title(s) if any

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PLEASE VOTE TODAY!

SEE REVERSE

SIDE FOR THREE EASY WAYS TO VOTE.

Ú TO VOTE BY MAIL PLEASE DETACH PROXY CARD HERE AND RETURN IN THE ENVELOPE PROVIDED Ú

NAUTILUS, INC.

W H I T E P R O X Y

PROXY FOR SPECIAL MEETING OF SHAREHOLDERS

The undersigned hereby acknowledges receipt of the Notice of Special Meeting of Shareholders, dated October 19, 2007, and the Proxy Statement and Supplemental Notice of Special Meeting of Shareholders dated November , 2007, and names, constitutes and appoints Robert S. Falcone and William D. Meadowcroft, or either of them acting in absence of the other, with full power of substitution, as attorneys and proxies to represent the undersigned at the Special Meeting of the Shareholders of Nautilus, Inc. (the Company), to be held at 16400 SE Nautilus Drive, Vancouver, Washington on December 18, 2007, 10:00 a.m. local time, and at any adjournment or postponement thereof, hereby revoking any proxies previously given, to vote all the shares of common stock of the Company that the undersigned is entitled to vote, in each case as directed below, and in their discretion upon such other matters as may come before the meeting, with all the powers that the undersigned would possess if personally present.

The Company s Board of Directors is soliciting this proxy. If no specific direction is given as to the items stated on the reverse side, this proxy will be voted AGAINST approval of Proposals 1 through 3 and Proposal 5 and FOR the current directors of Nautilus, Inc., who are the Company s nominees for purposes of Proposal 4.

YOUR VOTE IS VERY IMPORTANT PLEASE VOTE YOUR WHITE PROXY TODAY

(CONTINUED AND TO BE SIGNED AND DATED ON REVERSE)