AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MAY 14, 1999

REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

NU SKIN ENTERPRISES, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE (STATE OR JURISDICTION OF INCORPORATION OR ORGANIZATION)	87-0565309 (I.R.S. EMPLOYER IDENTIFICATION NUMBER)
75 WEST CENTER STREET PROVO, UTAH 84601 (801) 345-6100 (ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)	STEVEN J. LUND, PRESIDENT NU SKIN ENTERPRISES, INC. 75 WEST CENTER STREET PROVO, UTAH 84601 (801) 345-6100 (NAME, AND ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF AGENT FOR SERVICE)

COPIES TO:

NOLAN S. TAYLOR, ESQ. LEBOEUF, LAMB, GREENE & MACRAE, L.L.P. 1000 KEARNS BUILDING 136 SOUTH MAIN STREET SALT LAKE CITY, UTAH 84101-1685 (801) 320-6700	M. TRUMAN HUNT, ESQ. NU SKIN ENTERPRISES, INC. 75 WEST CENTER STREET PROVO, UTAH 84601 (801) 345-6100	KEVIN P. KENNEDY, ESQ. SHEARMAN & STERLING 1550 EL CAMINO REAL MENLO PARK, CALIFORNIA 94025 (650) 330-2200

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC:
As soon as practicable after the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. [ ]

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. [ ]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED(1)	PROPOSED MAXIMUM OFFERING PRICE PER SHARE(1)(2)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE	AMOUNT OF REGISTRATION FEE
Class A common stock, par value $.001 per share.....	11,500,000 shares	$18.68	$214,820,000	$59,720

(1) The amount to be registered and the proposed maximum aggregate offering price also include the number and offering price of any shares initially offered or sold outside the United States that are thereafter sold or resold in the United States. Offers and sales of shares outside the United States are being made pursuant to the exemption afforded by Rule 901 of Regulation S and this Registration Statement shall not be deemed effective with respect

to such offers and sales.

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) based upon the average of the high and low prices of Nu Skin Enterprises' Class A common stock on May 13, 1999 as reported on the New York Stock Exchange Composite Tape.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SECTION 8(a), MAY DETERMINE.

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THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IT IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

SUBJECT TO COMPLETION
PRELIMINARY PROSPECTUS DATED MAY 14, 1999

PROSPECTUS

10,000,000 SHARES

[NU SKIN ENTERPRISES LOGO]

CLASS A COMMON STOCK

All of the shares of common stock are being sold by stockholders of Nu Skin Enterprises. The U.S. underwriters are offering 9,000,000 shares in the United States and Canada and the Japanese manager is offering 1,000,000 shares in Japan.

The Class A common stock trades on the New York Stock Exchange under the symbol "NUS." On May 13, 1999, the last sale price of the Class A common stock as reported on the New York Stock Exchange was $18 9/16 per share.

INVESTING IN THE CLASS A COMMON STOCK INVOLVES RISKS WHICH ARE DESCRIBED IN THE "RISK FACTORS" SECTION BEGINNING ON PAGE 9 OF THIS PROSPECTUS.

	PER SHARE	TOTAL
Public Offering Price	$	$
Underwriting Discount	$	$
Proceeds, before expenses, to selling stockholders	$	$

The U.S. underwriters may also purchase up to an additional 1,500,000 shares from the selling stockholders at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus to cover over-allotments.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares of Class A common stock will be ready for delivery in New York, New York on or about , 1999.

MERRILL LYNCH & CO.
MORGAN STANLEY DEAN WITTER
ADAMS, HARKNESS & HILL, INC.
DONALDSON, LUFKIN & JENRETTE
LEHMAN BROTHERS
U.S. BANCORP PIPER JAFFRAY

The date of this prospectus is , 1999.

[INSIDE FRONT COVER]

[LOGOS OF NU SKIN PERSONAL CARE, PHARMANEX AND BIG PLANET DEPICTED IN A CIRCLE]

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FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. We have based these forward-looking statements on our current expectations about future events. These forward-looking statements are subject to risks and uncertainties about our business, which are more fully described in "Risk Factors" beginning on page 9. This prospectus contains forward-looking statements concerning the planned acquisition of our affiliate Big Planet, Inc. This proposed acquisition is subject to the satisfaction of certain conditions including the satisfactory completion of our due diligence investigation and the receipt of regulatory and third-party approvals. The proposed acquisition may never be consummated.

You should rely only on the information contained or incorporated by reference in this prospectus. We have not, and the selling stockholders and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the selling stockholders and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate as of the date on the front cover of this prospectus only. Our business, financial condition, results of operations and prospects may have changed since that date.

PROSPECTUS SUMMARY

This summary may not contain all the information that may be important to you. You should read the entire prospectus, including the consolidated financial statements and related notes included elsewhere in this prospectus, before buying our stock. The terms "Nu Skin Enterprises," "our company" and "we" as used in this prospectus refer to "Nu Skin Enterprises, Inc." and its subsidiaries as a combined entity, except where it is made clear that such terms mean only the parent company. Unless we indicate otherwise, the information contained in this prospectus assumes no exercise of the underwriters' option to purchase additional shares from the selling stockholders.

NU SKIN ENTERPRISES, INC.

Nu Skin Enterprises is a leading, global direct selling company that develops and distributes premium-quality, innovative personal care products and nutritional supplements. Recently, we entered into an agreement to acquire our affiliate, Big Planet, Inc., an Internet service provider that also offers Internet devices, Web site development and hosting, online shopping and telecommunications products and services. We are one of the largest direct selling companies in the world with 1998 revenue of $913.5 million and a global network of over 500,000 active distributors. We currently operate in 27 countries throughout Asia, North and South America and Europe.

We believe our premium-quality products and services are well suited for our network marketing distribution channel. Distributors market and sell our products through educating consumers about the benefits and distinguishing characteristics of our products and providing personalized customer support.

We believe we have been one of the fastest growing global network marketing companies over the last five years. Our revenue grew at a compounded annual growth rate of 28.9% from $330.7 million in 1994 to $913.5 million in 1998. Largely because of the depreciation of Asian currencies against the U.S. dollar and the Asian economic recession, revenue in 1998 declined by 4.2% from 1997. Our number of active distributors has expanded from 182,000 at the end of 1994 to over 500,000 today.

RECENT STRATEGIC DEVELOPMENTS

We have undertaken a number of strategic initiatives since the beginning of 1998, which are designed to broaden our business both geographically and across product lines, simplify our management and corporate structure, diversify our revenue base and enhance our growth prospects. These initiatives include:

- Acquiring all of our previously private affiliates, including Nu Skin operations in North America, the right to enter all unopened markets and all Nu Skin distribution, product and intellectual property rights throughout the world.

- Acquiring Pharmanex, Inc., a premier developer of nutritional supplements. This acquisition enhanced our ability to develop innovative nutritional supplements and to apply high scientific standards to substantiate product safety and efficacy.

- Entering into an agreement to acquire Big Planet, a network marketer of technology products and services. The acquisition of Big Planet should enable us to attract a broader base of distributors and to offer our global distributor force an opportunity to participate in the dynamic business trends created by the Internet. We anticipate completing this acquisition by June 30, 1999.

- Expanding our operations into five additional countries, including Brazil, one of the world's largest direct selling markets.

OPERATING STRENGTHS

- Established Global Network of Over 500,000 Distributors. We believe our highly supported global distributor network enables us to quickly penetrate markets with new and existing products and positions us to effectively launch new product divisions in the future.

- Distinct Branded Product Divisions. We offer distinct, branded products and business opportunities through our separate divisions, Nu Skin Personal Care and Pharmanex. Upon the completion of the acquisition of Big Planet, we will have three divisions, each led by a dedicated management team with extensive product and industry expertise.

- Innovative, Premium-Quality Product Offerings. We believe we have developed an extensive portfolio of innovative, premium-quality products that appeal to broad markets and lead to repeat purchases. We believe that our expertise and research and product development relationships should enable us to continue developing and introducing new, innovative products.

- Seamless Global Distributor Compensation Plan. We believe our compensation plan is among the most financially rewarding plans offered to distributors by network marketing companies. We believe we are the first major network marketing company to allow distributors to be fully compensated for global sales of downline-sponsored distributors across separately branded product divisions.

GROWTH STRATEGY

- Introduce Pharmanex and Big Planet in Existing Markets. We intend to leverage our global distributor network to launch Pharmanex and Big Planet in countries in which we currently operate. We successfully launched Pharmanex in the United States in February 1999 and plan to launch Pharmanex throughout Asia by the end of 1999 and Big Planet in Japan during the next 18 months.

- Develop New Products. We intend to continue to develop new, innovative products and services in order to enhance the appeal of each of our product offerings and business opportunities.

- Generate Increased Brand Awareness and Customer Loyalty. We intend to increase brand awareness and customer loyalty by increasing our promotional and public relations efforts. We plan to continue to conduct and promote clinical research and capitalize on collaborative research and development arrangements with major universities and research centers.

- Increase Product Penetration in Existing Markets. We intend to further penetrate our existing markets, particularly those in Europe and South America, by introducing many of our existing products not yet available in those markets.

- Leverage Internet Communications. With the completion of the Big Planet acquisition, we intend to leverage Big Planet's existing Internet infrastructure to further develop our e-commerce capabilities and strengthen our communications link to distributors and customers. We believe that this will enable us to better attract and retain distributors and customers. In addition, we believe that the Internet provides us with a valuable tool for online ordering, product education and business development.

HOW TO REACH US

Our principal executive offices are located at 75 West Center Street, Provo, Utah 84601. Our telephone number at that address is (801) 345-6100. Nu Skin Enterprises is incorporated in Delaware.

THE OFFERING

Class A common stock offered by the selling stockholders:	
U.S. Offering	9,000,000 shares
Japanese Offering	1,000,000 shares
Total	10,000,000 shares of Class A common stock
Shares Outstanding Before and After the Offering(1)	34,756,818 shares of Class A common stock 53,034,737 shares of Class B common stock
Use of Proceeds	Nu Skin Enterprises will not receive any proceeds from this offering.
Risk Factors	See "Risk Factors" and the other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in shares of the Class A common stock.
Voting Rights	The shares of Class A common stock and Class B common stock are identical in all respects, except: - Holders of Class A common stock have one vote per share while holders of Class B common stock have ten votes per share, and - Class B common stock may be converted into Class A common stock at any time on a one-for-one basis. Following this offering, beneficial owners of our Class B common stock will have more than 90% of the combined voting power of our common stock. See "Description of Capital Stock" for more information about our Class A and Class B common stock.
New York Stock Exchange Symbol	"NUS"

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(1) Shares outstanding before and after this offering are based on the number of shares of Class A common stock and Class B common stock actually outstanding as of May 3, 1999, giving effect to the anticipated conversion of 1,572,168 shares of Class B common stock into Class A common stock, and exclude:

- 67,044 shares of Class A common stock issuable pursuant to contingent stock awards and 3,346,572 shares issuable upon the exercise of stock options outstanding as of May 3, 1999 at a weighted average exercise price of $11.72 per share, and

- 5,963,493 shares of Class A common stock available for future grant or issuance under our various stock incentive plans.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following tables set forth our summary consolidated and other financial information. The consolidated financial statements for the periods prior to December 31, 1998 have been combined and restated for the acquisition of Nu Skin International, Inc. and affiliates operating in Europe, Australia and New Zealand.

	YEAR ENDED DECEMBER 31,				
	1994	1995	1996	1997	1998
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
STATEMENT OF INCOME DATA:					
Revenue	$330,680	$435,855	$761,638	$953,422	$913,494
Cost of sales	76,012	101,474	171,187	191,218	188,457
Cost of sales -- amortization of inventory step-up	--	--	--	--	21,600
Gross profit	254,668	334,381	590,451	762,204	703,437
Operating expenses:					
Distributor incentives	104,994	139,495	282,588	362,195	331,448
Selling, general and administrative	86,931	115,950	168,706	201,880	202,150
Distributor stock expense	--	--	1,990	17,909	--
In-process research and development	--	--	--	--	13,600
Total operating expenses	191,925	255,445	453,284	581,984	547,198
Operating income	$ 62,743	$ 78,936	$137,167	$180,220	$156,239
Net income(1)	$ 44,717	$ 49,947	$ 84,712	$118,493	$103,917
Net income per share:					
Basic	$ 0.57	$ 0.63	$ 1.07	$ 1.42	$ 1.22
Diluted	$ 0.54	$ 0.61	$ 1.02	$ 1.36	$ 1.19
Weighted average common shares outstanding:					
Basic	78,660	78,660	79,194	83,331	84,894
Diluted	82,459	82,459	83,001	87,312	87,018

	AS OF DECEMBER 31,				
	1994	1995	1996	1997	1998
	(IN THOUSANDS)				
BALANCE SHEET DATA:					
Cash and cash equivalents	$ 63,550	$ 84,000	$214,823	$174,300	$188,827
Working capital	65,446	56,801	143,308	123,220	164,597
Total assets	119,908	182,154	380,482	405,004	606,433
Total debt	--	--	71,487	136,200	153,279
Stockholders' equity	63,849	68,363	113,495	94,892	254,642

	AS OF DECEMBER 31,				
	1994	1995	1996	1997	1998
OTHER OPERATING DATA(2):					
Number of active distributors.....	182,000	260,000	397,000	448,000	470,000
Number of executive distributors.....	6,391	8,173	21,479	22,689	22,781

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(1) Net income:

- For 1996 includes a one-time charge of $2.0 million and for 1997 includes a one-time charge of $17.9 million, both related to the non-cash and nonrecurring expenses associated with stock option grants made to our distributors in connection with our initial public offering,

- For 1998 includes a nonrecurring charge of $21.6 million due to the step-up of inventory as a result of our acquisition of Nu Skin International and a nonrecurring charge of $13.6 million due to the write-off of in-process research and development as a result of our acquisition of Pharmanex, and

- For 1996, 1997 and the first quarter of 1998 reflects Nu Skin International and its private affiliates, which we acquired in March 1998, being taxed as S Corporations during these periods.

Assuming Nu Skin International and its private affiliates were taxed as C Corporations and excluding these one-time and nonrecurring charges, net income would have been $85.8 million in 1996, $119.1 million in 1997 and $123.3 million in 1998. There were no significant nonrecurring expenses in 1994 or 1995.

(2) Active distributors are those distributors who were resident in the countries in which we operated and purchased products during the three months ended as of the date indicated. An executive distributor is an active distributor who has achieved required personal and group sales volumes. As of March 31, 1999, the number of active distributors increased to over 500,000 primarily because of the inclusion of distributors formerly licensed to our affiliate Nu Skin USA, Inc.

RISK FACTORS

You should carefully consider the following risk factors as well as the other information included and incorporated by reference in this prospectus before deciding to invest in shares of the Class A common stock.

The following are risks that we currently face in our business. Later in this section we discuss risks that we may face upon completing the planned Big Planet acquisition.

ADVERSE ECONOMIC AND POLITICAL CONDITIONS IN SOME OF OUR ASIAN MARKETS, PARTICULARLY JAPAN, COULD HARM OUR BUSINESS.

Economic and political conditions in our Asian markets have deteriorated in recent years and may not improve or may worsen. In 1998, our revenue declined by 4.2% from 1997 in part because of economic conditions in these markets. Continued or worsening economic and political conditions in Asia could further reduce our revenue. We are particularly susceptible to the adverse effects of economic and political conditions in Japan, which accounted for approximately 70% of our 1998 revenue. Many countries in Asia have experienced and may continue to experience:

- Declining stock and currency markets,
- Mounting bad bank debt,
- Bankruptcies involving large businesses,
- High unemployment,
- Excess manufacturing capacity,
- Declining demand for foreign goods, and
- Political unrest.

Any one or more of these events could harm our business.

CURRENCY EXCHANGE RATE FLUCTUATIONS COULD LOWER OUR REPORTED REVENUE AND NET INCOME.

We recognize most of our revenue in non-United States markets using local currencies. We purchase inventory primarily in the United States and in U.S. dollars. In preparing our financial statements, we translate our revenue and expenses in these countries from their local currencies into U.S. dollars using weighted average exchange rates. If the U.S. dollar strengthens relative to local currencies, our revenue and net income will likely diminish. For example, the weakening of the Japanese yen relative to the U.S. dollar negatively affects our revenue and net income because approximately 70% of our revenue is derived from the Japanese market. The 4.2% decrease in our 1998 revenue from 1997 resulted largely from decreases in the value of the Japanese yen relative to the U.S. dollar.

Given the uncertainty of exchange rate fluctuations, we cannot estimate the effect these fluctuations may have upon our future business, product pricing, results of operations or financial condition. However, because nearly all of our revenue is realized in local currencies and the majority of our cost of sales is denominated in U.S. dollars, our gross profits will be positively affected by a weakening in the U.S. dollar and will be negatively affected by a strengthening of the U.S. dollar. Although we attempt to reduce our exposure to exchange rate fluctuations by using foreign currency exchange contracts, we cannot be certain these contracts or any other hedging activity will effectively reduce our exchange rate exposure.

IF THE NUMBER OR PRODUCTIVITY OF OUR INDEPENDENT DISTRIBUTORS DOES NOT INCREASE, OUR REVENUE WILL NOT INCREASE.

We distribute our products exclusively through independent distributors, and we depend upon them directly for substantially all of our revenue. As a result, to increase our revenue, our distributors

must increase in number and/or become more productive. We cannot assure you that our distributors will increase or maintain their number or productivity. Over the past several years, the rate of increase in the number of our distributors has slowed. This trend may continue. Our distributors may terminate their services to us at any time, and we experience high turnover among our distributors from year to year. We also cannot accurately predict how the number and productivity of our distributors may fluctuate because we rely upon existing distributors to sponsor and train new distributors and to motivate new and existing distributors. The number and productivity of our distributors depend on several additional factors, including:

- Adverse publicity regarding us, our products or our competitors,

- The public's perception of our products and their ingredients,

- The public's perception of our distributors and direct selling businesses in general,

- General economic and business conditions, and

- Local holidays and customary vacation periods in some countries.

In addition, the number of distributors as a percentage of the population in a given country or market could theoretically reach levels that become difficult to exceed due to the finite number of persons inclined to pursue a direct selling business opportunity. This is of particular concern in Taiwan, where industry sources have estimated that up to 10% of the population is already involved in some form of direct selling.

ADVERSE PUBLICITY COULD REDUCE THE SIZE OF OUR DISTRIBUTION FORCE AND CONSEQUENTLY REDUCE OUR REVENUE.

In the past, adverse publicity has harmed our business operations. Additional adverse publicity in the future could reduce the size of our distribution force and consequently reduce our revenue. Specifically, we are susceptible to adverse publicity concerning:

- The legality of network marketing,

- The quality of our company's and competitors' products and product ingredients,

- Regulatory investigations of our company or competitors and their respective products, and

- Public perception of direct selling businesses generally.

Distributor actions that result in adverse publicity could also harm our business. Because our distributors are independent contractors and not employees, we cannot provide to them the same level of direction, motivation and oversight as we would to our employees. We may have difficulties enforcing our policies and procedures governing our distributors because of their independence, their large number and regulations in some countries that limit our ability to monitor and control the sales practices of distributors or terminate relationships with distributors.

GOVERNMENT INQUIRIES, INVESTIGATIONS AND ACTIONS COULD HARM OUR BUSINESS.

From time to time we receive inquiries from various government regulatory authorities about our business and our compliance with local laws and regulations. Also, our subsidiaries are periodically reviewed and audited by various governmental agencies. Any assertion or determination that we, our subsidiaries or any of our distributors is not in compliance with existing laws or regulations could potentially harm our business. Even if governmental actions against us do not result in rulings or orders against us, they potentially could create negative publicity for us. Negative publicity could detrimentally affect our efforts to motivate and recruit new distributors and, consequently, reduce our revenue and net income.

In addition, we are susceptible to government initiated campaigns that do not rise to the level of formal regulations. For example, the Korean government, several Korean trade groups and members of Korean media initiated campaigns in 1997 and 1998 urging Korean consumers not to purchase

luxury or foreign goods. We believe that these campaigns, and the related media attention they received, together with the economic recession in the Korean economy, significantly harmed our Korean business. Our revenue from our Korean operation decreased by 84.6% in 1998 as compared to 1997. We cannot assure you that similar government, trade group or media actions will not occur again in Korea or in other countries where we operate and that such events will not similarly harm our operations.

THE LOSS OF KEY HIGH-LEVEL DISTRIBUTORS COULD REDUCE OUR REVENUE.

Although we have over 500,000 distributors, we estimate that approximately 300 distributors currently occupy the highest levels under our Global Compensation Plan. These distributors, together with their extensive networks of downline-sponsored distributors, account for substantially all of our revenue. As a result, the loss of a high-level distributor or a group of leading distributors in such distributor's network of downline distributors could significantly reduce our revenue. See "Business -- Distribution System" for a more detailed discussion of our distribution system under our Global Compensation Plan.

FAILING TO SUCCESSFULLY INTEGRATE OUR RECENT OR FUTURE ACQUISITIONS COULD HARM OUR BUSINESS AND RESULTS OF OPERATIONS.

We face significant challenges integrating into our operations our recent acquisitions of Nu Skin International, Pharmanex and our other affiliates in North America. The completion of our proposed acquisition of Big Planet will increase these challenges. Our failure to successfully integrate our acquisitions into our recent or future business could lower the revenue, earnings and business synergies we expect from such acquisitions. Some of the challenges we have faced and may continue to face include:

- Increasing strain on our management team to effectively manage a worldwide business that is growing in complexity and diversity and which will require, among other things, developing additional expertise and hiring and integrating new management personnel,

- Incorporating Pharmanex products successfully into our direct sales distribution system, and

- The fact that accounting for completed and proposed acquisitions could reduce our reported earnings.

WE MAY NOT COMPLETE OUR PLANNED ACQUISITION OF BIG PLANET, AND, EVEN IF WE DO COMPLETE THIS ACQUISITION, WE MAY NOT BE ABLE TO OPERATE BIG PLANET PROFITABLY.

We cannot assure you that the Big Planet acquisition will ever be consummated or that the benefits and business synergies we anticipate from this acquisition will ever materialize. We will not complete our proposed acquisition of Big Planet until a number of conditions are satisfied, including:

- Completing our due diligence investigation of Big Planet, and

- Receiving various federal and state government and third-party approvals.

Even if we do complete this acquisition, we may never be able to operate Big Planet profitably or effectively market its products and services through our network marketing system. We may face difficulty selling Big Planet's price sensitive products and services through our network marketing system. Big Planet incurred operating losses of approximately $22 million in 1998, and we anticipate further operating losses in the foreseeable future. We may be unable to increase Big Planet's sales and reduce its costs to reverse such operating losses. We may not be able to successfully leverage Big Planet's existing Internet infrastructure to further strengthen our link to distributors and customers. See "Business -- Strategic Recent Developments" for a more detailed discussion of our proposed acquisition of Big Planet.

IF CHOLESTIN IS DETERMINED TO BE A DRUG REQUIRING FDA APPROVAL, OUR SALES OF CHOLESTIN WILL DECREASE AND OUR BUSINESS WILL BE HARMED.

A federal district judge ruled in February 1999 that the Pharmanex product CHOLESTIN could be sold as a nutritional supplement and is not a drug requiring Federal Drug Administration approval. In April 1999, the FDA asked the Tenth Circuit Court of Appeals to overturn the district court's decision. If the FDA succeeds in its appeal and CHOLESTIN is determined to be a drug that cannot be marketed without FDA approval, we will be unable to sell CHOLESTIN as a dietary supplement in the United States. This would likely diminish distributor morale. See "Business -- Legal Proceedings" for more information about this litigation.

LAWS AND REGULATIONS MAY PROHIBIT OR SEVERELY RESTRICT OUR DIRECT SALES EFFORTS AND CAUSE OUR SALES AND PROFITABILITY TO DECLINE.

Various government agencies throughout the world regulate direct sales practices, intending generally to prevent fraud. If we are unable to continue our business in our existing markets or commence operations in new markets because of these laws, our revenue and profitability will decline. The People's Republic of China and Singapore currently have laws that prohibit all direct sellers from conducting business in such markets. Other countries in which we currently do business could change their laws or regulations to negatively affect or prohibit completely our direct sales efforts. Additionally, government agencies and courts in the countries where we operate may use their powers and discretion in interpreting and applying laws in a manner that limits our ability to operate or otherwise harms our business. Also, if any governmental authority brings a regulatory enforcement action against us that interrupts our direct sales efforts, our business could suffer. See "Business -- Government Regulation" for additional discussion of regulations and laws governing our direct sales practices.

CHALLENGES BY PRIVATE PARTIES TO THE FORM OF OUR NETWORK MARKETING SYSTEM COULD HARM OUR BUSINESS.

We may be subject to challenges by private parties, including our distributors, to the form of our network marketing system. We are currently subject to litigation commenced by certain Canadian distributors in 1993 which involves claims under federal securities laws and state anti-pyramid laws. An adverse judicial decision in such lawsuit, a determination that our marketing system constitutes a security, or the initiation of additional lawsuits challenging the legality of our network marketing system would harm our business. In the United States, the network marketing industry and regulatory authorities have generally relied on the implementation of distributor rules and policies designed to promote retail sales, to protect consumers and to prevent inappropriate activities such as inventory loading in order to distinguish between legitimate network marketing distribution plans and unlawful pyramid schemes. We have adopted rules and policies based on those the Federal Trade Commission found acceptable in reviewing the legality of Amway Corporation's marketing system. We have also adopted our rules and policies based on negotiations and discussions with the Attorney General's offices in several states and the FTC, and based on industry standards required by domestic and global direct sales associations. Legal and regulatory requirements concerning network marketing systems, however, involve a high level of subjectivity, are inherently fact based, and are subject to judicial interpretation. For example, in a 1996 case, Webster v. Omnitrition, the Ninth Circuit Court of Appeals ruled that the existence of rules patterned after the rules reviewed by the FTC in the Amway case do not establish as a matter of law that a network marketing system is legal. The court indicated that a company may need to introduce evidence that the rules and policies are enforced and actually serve to deter inventory loading and encourage retail sales in order to demonstrate that a particular network marketing system is lawful. The Ninth Circuit also raised questions and issues concerning the effectiveness of the rules at issue in that case and remanded the case back to the trial court. These issues have not been definitively addressed by either a regulatory body or court since Webster v. Omnitrition. Because of the foregoing, we cannot assure you that we will not be harmed by the application or interpretation of statutes or regulations governing network marketing.

GOVERNMENT REGULATION OF OUR PERSONAL CARE AND NUTRITIONAL PRODUCTS MAY RESTRICT OUR ABILITY TO INTRODUCE THESE PRODUCTS IN SOME MARKETS AND COULD HARM OUR BUSINESS AS A RESULT.

Our products and our related marketing and advertising efforts are subject to extensive government regulation. We may be unable to introduce our products in some markets if we fail to obtain needed regulatory approvals, or if any product ingredients are prohibited. Failure to introduce or delays in introducing our products could reduce our revenue and decrease our profitability. Regulators also may prohibit us from making therapeutic claims about our products even if we have research and independent studies supporting such claims. These product claim restrictions could lower sales of some products. See "Business -- Government Regulation" for more information about government regulation of our personal care and nutritional products.

FOREIGN LAWS GOVERNING INTERCOMPANY FUND TRANSFERS COULD HARM OUR BUSINESS.

As a United States company doing business abroad through our subsidiaries, we are subject to foreign tax, exchange control and transfer pricing laws that regulate the flow of funds between our company and our subsidiaries. Local regulators may closely monitor our structure as a foreign corporation and how we effect intercompany fund transfers. If local regulators challenge our corporate structure or our intercompany transfers, our operations may be harmed. We further cannot assure you that we will continue operating in compliance with all foreign customs, exchange control, and transfer pricing laws, despite our efforts to be aware of and comply with such laws. If these laws change, we may need to adjust our operating procedures and our business may suffer.

INCREASES IN DUTIES ON OUR IMPORTED PRODUCTS IN OUR NON-UNITED STATES MARKETS WOULD REDUCE OUR REVENUE AND COULD HARM OUR COMPETITIVE POSITION.

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

LOSING ANY OF OUR LIMITED SUPPLIERS OR RIGHTS TO SELL OUR PRODUCTS COULD HARM OUR BUSINESS.

We currently acquire products and ingredients from the sole suppliers or from the suppliers we consider to be the best suppliers of our products and ingredients. We also license the right to distribute some of our products from third parties. Losing any of these suppliers or licenses could restrict our ability to produce or distribute our products and harm our sales as a result. We obtain some of our botanical products from plants that can only be harvested once a year. As a result, problems growing a certain plant in a given year could limit our ability to produce a product with ingredients derived from that plant. See "Business -- Operating Divisions -- Pharmanex -- Pharmanex Sourcing and Production" for a more detailed discussion of our product suppliers.

WE COULD LOSE OUR ABILITY TO SELL CHOLESTIN OR CORDYMAX CS-4 OR BE SUBJECT TO SIGNIFICANT PENALTIES FOR FAILING TO MEET MINIMUM PURCHASE REQUIREMENTS.

We have entered into license agreements that enable us to distribute CHOLESTIN and CORDYMAX CS-4, both well-publicized Pharmanex products. If we fail to satisfy minimum purchase requirements under these license agreements or otherwise default on our obligations, we could be required to pay a penalty of up to approximately $7.5 million in connection with our CHOLESTIN contracts and up to approximately $2.0 million in connection with the CordyMax Cs-4 contract and be deemed to be in default of such contracts. If any of these licenses is terminated as a result and we are no longer able to sell CHOLESTIN or CORDYMAX CS-4, our growth prospects would be harmed.

OUR MARKETS ARE INTENSELY COMPETITIVE, AND MARKET CONDITIONS AND THE STRENGTHS OF OUR COMPETITORS MAY HARM OUR BUSINESS.

The markets for our personal care and nutritional products are intensely competitive. We also compete with other network marketing companies for distributors. Our business and results of operations may be harmed by market conditions and competition in the future. Many of our competitors have much greater name recognition and financial resources than we have, which may give them a competitive advantage. Also, we currently do not have significant patent or other proprietary protection for our products, and our competitors may introduce products with the same natural ingredients and herbs as we use in our products. For example, our health supplement CHOLESTIN, which contains red yeast rice, has received recent publicity. In response to this publicity, we believe that competitors have introduced competing products using red yeast rice. Because of restrictions under regulatory requirements concerning claims we can make about dietary supplements, we may have a difficult time differentiating our products from our competitors' products. Accordingly, as a result of these competing products entering the market, our sales of CHOLESTIN and other natural supplements could suffer. See "Business -- Competition." for more information about the competitive nature of our markets.

WE MAY FAIL TO ACCURATELY IDENTIFY AND RESOLVE SIGNIFICANT YEAR 2000 PROBLEMS WITHIN OUR BUSINESS, OR IMPORTANT SUPPLIERS MAY BE UNABLE TO SUPPLY GOODS AND SERVICES BECAUSE OF YEAR 2000 PROBLEMS.

Many currently installed computer systems and software products are coded to accept only two-digit entries in the date code field. Beginning on January 1, 2000, these code fields will need to accept four-digit entries to distinguish 21st century dates from 20th century dates. Many companies' software and/or computer systems may need to be upgraded or replaced in order to correctly process dates beginning in 2000 and to comply with the Year 2000 requirements. We may not accurately identify all potential Year 2000 problems within our business, and the corrective measures we may implement may be ineffective or incomplete. Any such problems could interrupt our operations and cause our revenue to decrease. Similar problems and consequences could result if any of our key vendors and suppliers, such as technology and telecommunication service providers, manufacturers and suppliers, experience Year 2000 problems. We are particularly vulnerable to the Year 2000 readiness of our vendors and suppliers in our foreign markets. We also cannot control or otherwise predict the Year 2000 readiness of foreign governments, utility companies and other parties unrelated to us that could impact our operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for additional discussion of Year 2000 issues as they affect our business. See also "-- Big Planet's business could be harmed by Year 2000 compliance issues" for additional discussion of Year 2000 issues as they affect Big Planet's business.

IF WE FAIL TO SUCCESSFULLY INTEGRATE THE INTERNET INTO OUR EXISTING OPERATIONS, OUR BUSINESS MAY BE HARMED.

We believe that direct selling companies will need to adapt their business models to integrate the Internet into their operations as more and more consumers purchase goods and services using the Internet instead of traditional retail and direct sales channels. We cannot assure you that we, or our distributors, will be able to adequately adapt to using new technology or sales channels or effectively integrate the Internet into our direct sales practices. If we or our distributors fail to adequately adapt to the Internet we could lose our ability to compete with others in the industry and our business would be harmed. See "Business -- Distribution System" for more information about our plans to integrate the Internet into our existing operations.

THE HOLDERS OF OUR CLASS B COMMON STOCK CONTROL OVER 90% OF THE COMBINED VOTING POWER, AND THIRD PARTIES WILL BE UNABLE TO GAIN CONTROL OF OUR COMPANY THROUGH PURCHASES OF CLASS A COMMON STOCK.

The ten original stockholders of our company together with their family members and affiliates have the ability to control the election of our board of directors, and, as a result, our future direction and

operations, without the supporting vote of any other stockholder. These stockholders together with their family members and affiliates are able to control decisions about future acquisitions and other business opportunities, declaring dividends and issuing additional shares of Class A common stock or other securities. These stockholders own shares of our Class B common stock, which shares have ten-to-one voting privileges over shares of Class A common stock. Currently, these stockholders and their affiliates collectively own 100% of the outstanding shares of the Class B common stock, which represents more than 90% of the combined voting power of the outstanding shares of both classes of our common stock. As long as these stockholders are our majority stockholders, third parties will not be able to obtain control of our company through open-market purchases of shares of Class A common stock.

WE MAY BE UNABLE TO BENEFIT FULLY FROM FOREIGN TAX CREDITS AND, AS A RESULT, MAY PAY MORE CORPORATE TAX THAN OTHER UNITED STATES COMPANIES MUST PAY.

If we are unable to utilize fully our foreign corporate tax credits, we may pay a higher overall corporate tax rate on our worldwide operations than we would if we operated only in the United States. Our company is taxed in the United States, where we are incorporated, at a statutory corporate federal tax rate of 35.0% plus any applicable state income taxes. Each of our subsidiaries, however, is taxed in the country in which it operates, at a rate that may vary above or below our current United States tax rate. For example, our subsidiary in Japan has historically been subject to a tax rate of approximately 57%. We are eligible to receive foreign tax credits in the United States for the amount of foreign taxes actually paid in a given period. However, since our operations in Japan have grown disproportionately to the rest of our operations, we have for the past two years been unable to take advantage fully of our foreign tax credits in the United States. As a result, we have paid an overall effective tax rate on our worldwide operations that exceeds the statutory rate in the United States. This foreign tax situation could grow worse and our effective tax rate could rise still further if our Japanese business continues to grow at a disproportionate rate compared to the rest of our business.

PRODUCT LIABILITY CLAIMS EXCEEDING OUR PRODUCT LIABILITY INSURANCE COVERAGE COULD HARM OUR BUSINESS.

We may be required to pay for losses or injuries caused by our products. If our product liability insurance coverage fails to cover fully future product liability claims, we could be required to pay substantial monetary damages, which could harm our business. We currently maintain an insurance policy covering product liability claims against our company and our affiliates with a $1 million per claim and $1 million annual aggregate limit and an umbrella policy with a $40 million per claim and a $40 million annual aggregate limit.

SHARES ELIGIBLE FOR FUTURE SALE COULD AFFECT THE MARKET PRICE OF OUR CLASS A COMMON STOCK.

If our stockholders sell a substantial number of shares of our Class A common stock in the public market following this offering, the market price of our Class A common stock could fall. Several of our principal stockholders hold a large number of shares of the outstanding Class B common stock. A decision by one or more of these stockholders to convert such shares into Class A common stock, which conversion could happen at any time, and sell their shares could lower the market price of the Class A common stock. Upon completion of this offering, we will have outstanding an aggregate of 87,791,555 shares of Class A common stock and Class B common stock, including 47,785,824 restricted shares held by persons who may be deemed affiliates of the Company. The restricted shares may in the future be sold without registration under the Securities Act to the extent permitted by Rule 144 under the Securities Act or any applicable exemption under the Securities Act. In connection with this offering, we, our executive officers and directors, the selling stockholders and certain of our other stockholders have agreed that, subject to certain exceptions, we will not sell, offer or contract to sell any shares of common stock without the prior written consent of Merrill Lynch & Co., for a period of 90 days after the date of this prospectus.

The following are additional risks that we may face upon completing our planned Big Planet acquisition pertaining to the offering of Internet services and devices, online shopping, Web site hosting and development and other technology products and services.

BIG PLANET'S CURRENT OBLIGATIONS TO MAKE MINIMUM PURCHASES OF PRODUCTS, SERVICES AND EQUIPMENT COULD HARM ITS BUSINESS.

Big Planet has agreed to purchase technology and telecommunications products, services and equipment from several suppliers. Under these agreements, Big Planet is committed to make minimum purchases totaling approximately $96 million over the next five years. Big Planet is obligated to make these payments or aggregate termination payments of up to $32.0 million regardless of whether it is able to develop sufficient consumer demand for resale of these products and services or whether it needs the additional equipment it has agreed to purchase. Big Planet's failure to make these payments could place it in default of its supplier contracts and jeopardize its supplier relationships and ability to obtain needed products, services and equipment in the future on favorable terms.

BIG PLANET'S EXPANSION OUTSIDE THE UNITED STATES MAY BE RESTRICTED OR PROHIBITED BY THE REGULATORY ENVIRONMENT IN NON-UNITED STATES MARKETS.

If Big Planet is unable to implement its business model in foreign markets due to existing or new regulations in such markets, its growth prospects could be harmed. Big Planet's ability to provide Internet access and online shopping and sell Internet devices and telecommunications products and services may be restricted or prohibited in some foreign markets. Foreign regulations range from permissive to restrictive depending on the country. For example, some countries, such as Korea, may impose restrictions on the level of foreign ownership in companies providing telecommunications services. Some countries do not permit private competition in the provision of public switched voice communications services. Some countries may also regulate different services than those regulated in the United States, including, but not limited to, Internet access service. Big Planet and other similarly situated United States-based carriers may be prohibited from providing telecommunications services in these markets, restricting its opportunities for expansion in these markets. Because we are still in the process of completing the acquisition of Big Planet, our plans for introducing Big Planet products and services into our foreign markets are in the preliminary stages. As a result, we are still in the process of analyzing the various laws and regulations in our markets and the possible effect of such laws on our ability to introduce these products and services into such markets. We cannot assure you that such laws will not limit or restrict our ability to provide Big Planet products and services in some markets or result in delays in our anticipated timelines for introducing such products.

BIG PLANET MAY BE LIABLE FOR INFORMATION DISSEMINATED THROUGH ITS INTERNET ACCESS SERVICE.

If Big Planet becomes liable for information provided by its users and carried on its Internet access service, Big Planet could be directly harmed and may be forced to implement new measures to reduce its exposure to this liability. The law relating to the liability of online services companies for information carried on or disseminated through their services is currently unsettled. Claims could be made against online services companies under both United States and foreign law for defamation, libel, invasion of privacy, negligence, copyright or trademark infringement, or other theories based on the nature and content of materials accessed through their services. Several private lawsuits currently are pending that seek to impose liability upon other online services companies. In addition, federal, state and foreign legislation has been proposed that imposes liability or prohibits the transmission over the Internet of different types of information. These lawsuits and proposed legislation may require us to expend substantial resources and/or to discontinue selected service offerings. In addition, the increased attention focused upon liability issues as a result of these lawsuits and legislative proposals could harm our reputation or otherwise impact the growth of our business. We plan to carry liability

insurance, but it may not be adequate to compensate us fully if we become liable for information carried on or through our service. Any costs incurred as a result of this liability or asserted liability could harm our business.

SYSTEM FAILURES COULD HARM BIG PLANET'S BUSINESS.

The future success of Big Planet's proposed Internet, Web hosting and development, telecommunications and other technology products and services business will depend on the efficient and uninterrupted operation of its computer and communications hardware and software systems. Substantially all of Big Planet's computer hardware for operating its service currently is located at its facilities in Provo, Utah. These systems and operations are vulnerable to damage or interruption from fires, earthquakes, telecommunication failures and other events. They are also subject to break-ins, sabotage, intentional acts of vandalism and similar misconduct. Despite any precautions we may take, the occurrence of a natural disaster or other unanticipated problems at Big Planet's facility could result in interruptions in its services and reduce its revenue and profits in the future.

NEW AND EXISTING REGULATION OF THE INTERNET COULD HARM BIG PLANET'S BUSINESS.

Big Planet is subject to the same federal, state and local laws as other companies conducting business on the Internet. Today there are relatively few laws specifically directed towards online services. However, because of the increasing popularity and use of the Internet and online services, it is possible that laws and regulations will be adopted with respect to the Internet or online services. These laws and regulations could cover issues such as online contracts, user privacy, freedom of expression, pricing, fraud, content and quality of products and services, taxation, advertising, intellectual property rights and information security. Applicability to the Internet of existing laws governing issues such as property ownership, copyrights and other intellectual property issues, taxation, libel, obscenity and personal privacy is uncertain. The vast majority of these laws were adopted prior to the advent of the Internet and related technologies and, as a result, do not contemplate or address the unique issues of the Internet and related technologies. The Telecommunications Reform Act of 1996, via the Communications Decency Act, imposes criminal penalties on anyone who distributes obscene communications on the Internet knowing that the recipient of the communications is under 18 years of age. Other nations, including Germany, have taken actions to restrict the free flow of material deemed to be objectionable on the Internet. Most of such laws that do reference the Internet, including the recently passed Digital Millennium Copyright Act, have not yet been interpreted by the courts and their applicability and reach are therefore uncertain.

Several states have proposed legislation that would limit the uses of personal user information gathered online or require online services to establish privacy policies. The Federal Trade Commission also has recently settled a proceeding with one online service regarding the manner in which personal information is collected from users and provided to third parties. Changes to existing laws or the passage of new laws intended to address these issues could directly affect the way Big Planet does business or could create uncertainty in the marketplace. This could reduce demand for its services or increase the cost of doing business. In addition, because we intend to market our products and services worldwide, foreign jurisdictions may claim that we are required to comply with their laws. Our failure to comply with foreign laws could subject us to penalties ranging from fines to bans on our ability to offer our products and services.

In the United States, companies are required to qualify as foreign corporations in states where they are conducting business. As an Internet company, it is unclear in which states Big Planet is actually conducting business. Our failure to qualify as a foreign corporation in a jurisdiction where we are required to do so could subject us to taxes and penalties for the failure to qualify and could result in our inability to enforce contracts in those jurisdictions. Any new legislation or regulation, or the application of laws or regulations from jurisdictions whose laws do not currently apply to Big Planet's business, could harm its business.

BIG PLANET WILL DEPEND ON THE DEVELOPMENT AND MAINTENANCE OF THE WEB INFRASTRUCTURE.

The success of Big Planet's service will depend largely on the development and maintenance of the Web infrastructure. This includes maintenance of a reliable network backbone with the necessary speed, data capacity and security, as well as timely development of complementary products such as high speed modems, for providing reliable Web access and services. Because global commerce and the online exchange of information is new and evolving, we cannot predict whether the Web will prove to be a viable commercial marketplace in the long term. The Web has experienced, and is likely to continue to experience, significant growth in the number of users and amount of traffic. If the Web continues to experience increased number of users, increased frequency of use or increased bandwidth requirements, the Web infrastructure may be unable to support the demands placed on it. In addition, the performance of the Web may be harmed by increased users or bandwidth requirements.

The Web has experienced a variety of outages and other delays as a result of damage to portions of its infrastructure, and it could face outages and delays in the future. This might include outages and delays resulting from the "Year 2000" problem. See "-- Big Planet's business could be harmed by Year 2000 compliance issues." These outages and delays could reduce the level of Web usage. In addition, the Web could lose its viability because of delays in the development or adoption of new standards and protocols to handle increased levels of activity or because of increased governmental regulation. The infrastructure and complementary products or services necessary to make the Web a viable commercial marketplace for the long term may not be developed successfully or in a timely manner. Even if these products or services are developed, the Web may not become a viable commercial marketplace for products and services such as those that Big Planet offers.

BIG PLANET FACES SIGNIFICANT COMPETITION IN THE MARKET FOR TELECOMMUNICATION SERVICES.

The telecommunications industry is highly competitive. Big Planet's existing and potential competitors in this market segment, including AT&T Corporation, MCI Communications Corp. and Sprint Corporation, have financial, personnel, marketing and other resources significantly greater than those of Big Planet or our company, as well as other competitive advantages. Increased consolidation and strategic alliances in the industry resulting from the Telecommunications Act of 1996 could give rise to significant new competitors to Big Planet. We compete primarily on the basis of pricing, transmission quality, network reliability and customer service and support. Big Planet may be at a disadvantage because it does not have its own telecommunication facilities and must rely on its ability to acquire quality and reliable services from third-party vendors at a price that allows it to resell such services at competitive rates. The ability of Big Planet to compete effectively in this market will depend upon its ability to maintain high quality services at prices equal to or below those charged by its competitors. We cannot assure you that we or Big Planet will be able to contract with third parties to obtain rates allowing us to compete on the basis of price in the future or that we will be able to successfully compete in this market.

BIG PLANET IS SUBJECT TO POTENTIAL HARMFUL EFFECTS OF UNITED STATES REGULATION OF ITS TELECOMMUNICATIONS SERVICES.

As a provider of long distance, wireless and other telecommunications services, Big Planet is subject to varying degrees of federal and state regulation in the United States and similar regulations in foreign countries into which Big Planet may expand its operations. We cannot assure you that future regulatory, judicial and legislative changes in any of Big Planet's markets will not harm Big Planet's business. We also cannot assure you that domestic regulators or third parties will not raise material issues with regard to Big Planet's compliance or that noncompliance with applicable regulations or that regulatory actions against Big Planet will not harm its business. See "Business -- Government Regulation" for a more detailed discussion of government regulation of Big Planet's telecommunications services.

BIG PLANET'S BUSINESS COULD BE HARMED BY YEAR 2000 COMPLIANCE ISSUES.

Although Big Planet believes it will be Year 2000 compliant, it may be wrong. If it is wrong, it could face unexpected expenses fixing Year 2000 problems or unanticipated Web site outages, either of which could harm Big Planet's business. It also uses third-party equipment and software that may not be Year 2000 compliant. Big Planet is unable to make contingency plans covering the possibility that a significant number of the computers constituting the Internet may fail to properly process dates for the year 2000 and that there may be a systemwide slowdown or breakdown. Any interruption or significant degradation of Internet operations, whether due to Year 2000 problems or otherwise, could harm Big Planet's business.

BIG PLANET WILL NEED TO KEEP PACE WITH RAPID TECHNOLOGICAL CHANGES TO REMAIN COMPETITIVE.

The market in which Big Planet competes is characterized by rapidly changing technology, evolving industry standards, frequent new service and product introductions and enhancements and changing customer demands. These market characteristics are worsened by the emerging nature of the Internet and the apparent need of companies from a multitude of industries to offer Web-based products and services. Big Planet's future success therefore will depend on its ability to adapt to rapidly changing technologies, to adapt its services to evolving industry standards and to continually improve the performance, features and reliability of its service. Failure to adapt to such changes would harm its business. In addition, the widespread adoption of new Internet, networking or telecommunications technologies or other technological changes could require substantial expenditures to modify or adapt its services or infrastructure.

BIG PLANET MAY FACE SIGNIFICANT COMPETITION IN MARKETS FOR INTERNET ACCESS, ONLINE SHOPPING, WEB SITE HOSTING AND DEVELOPMENT AND RELATED SERVICES.

The market for Internet access and devices, online shopping, Web site hosting and development and related services is highly competitive. There are no substantial barriers to entry and we anticipate that competition will continue to intensify as the use of the Internet grows. The tremendous growth and potential market size of the Internet access and e-commerce markets has attracted many new start-ups as well as existing businesses from different industries. Current and prospective competitors include other national, regional and local Internet service providers, long distance and local exchange telecommunications companies, wireless communications providers and online service providers.

- Internet Service Providers. According to industry sources, there are over 4,000 Internet Service Providers in the United States and Canada as of 1998, consisting of national, regional and local providers. Big Planet's current primary competitors include other Internet Service Providers with a significant national presence, such as America Online, Microsoft Network, Earthlink and MindSpring. While we believe that Big Planet's network marketing sales channel distinguishes it from these competitors, all of these competitors have significantly greater market share, brand recognition, and financial, technical and personnel resources than Big Planet.

- Telecommunications Carriers. The major long distance companies including AT&T Corporation, MCI Communications Corp. and Sprint Corporation offer Internet access services and compete with Big Planet. The recent sweeping reforms in the federal regulation of the telecommunications industry have created greater opportunities for such telecommunications companies to enter the Internet connectivity market. These telecommunications carriers, in addition to their substantially greater network coverage, market presence, and financial, technical and personnel resources, also have larger existing commercial customer bases than Big Planet.

- Online Service Providers. The dominant online service providers, including Microsoft Network, America Online and Prodigy, Inc. have all entered the Internet access business by

engineering their current proprietary networks to include Internet access capabilities. Big Planet competes with these services providers, which currently are focused on the consumer marketplace and offer their own content, including chat rooms, news updates, searchable reference databases, special interest groups and online shopping.

FORWARD-LOOKING STATEMENTS.

Under the captions "Prospectus Summary," "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" there are "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934 and Section 27A of the Securities Act of 1933. These sections and the foregoing "Risk Factors" section contain discussions of some of the factors that could cause actual results to differ materially. In addition, when used in this prospectus the words or phrases "will likely result," "expects," "intends," "will continue," "is anticipated," "estimates," "projects," "management believes," "we believe" and similar expressions are intended to identify "forward-looking statements" within the meaning of the Exchange Act and the Securities Act.

Forward-looking statements include plans and objectives of management for future operations. These forward-looking statements involve risks and uncertainties and are based on assumptions that may not be realized. Actual results and outcomes may differ materially from those discussed or anticipated. The forward-looking statements and associated risks set forth herein relate to, among other things, the:

- Proposed acquisition of Big Planet,

- Proposed introduction of Pharmanex and Big Planet in our existing markets,

- The shift to a strategic, product-based divisional operating structure and related modifications of our Global Compensation Plan,

- Expansion of our market share in our current markets,

- Our entrance into new markets,

- Development of new products and new product lines designed for the network marketing distribution channel and tailored to appeal to the particular needs of consumers in specific markets,

- Stimulation of product sales by introducing new products and reintroducing existing products with improvements,

- Creation of innovative, premium-quality products through the research and development capabilities of Pharmanex,

- Establishment of relationships with major universities and research centers to assist in nutritional product development and testing,

- Establishment of agreements to expand our products and Big Planet's products and services offered for sale on the Internet,

- Enhancement and expansion of Big Planet's Internet services and devices, Web site development and hosting, online shopping and telecommunications products and services,

- Promotion of distributor growth, retention and leadership through local market initiatives,

- Upgrading of our technological resources to support distributors, including using the Internet in distributing products,

- Utilization of technological advancements to improve our direct selling efforts, and

- Obtaining of regulatory approvals for our products.

All forward-looking statements are subject to known and unknown risks and uncertainties, including those discussed in the above-referenced Risk Factors, that could cause actual results to differ materially from historical results and those presently anticipated or projected. We wish to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made.

USE OF PROCEEDS

Nu Skin Enterprises will not receive any proceeds from the sale of Class A common stock offered by the selling stockholders.

PRICE RANGE OF CLASS A COMMON STOCK

Our Class A common stock has been trading publicly on the New York Stock Exchange under the symbol "NUS" since November 22, 1996. The following table is based upon information available to us and sets forth the range of the high and low sales prices for our Class A common stock for the quarterly periods indicated.

	HIGH	LOW
1997		
First Quarter	$30.88	$23.00
Second Quarter	$28.25	$23.63
Third Quarter	$27.19	$19.31
Fourth Quarter	$24.44	$16.00
1998		
First Quarter	$25.75	$15.75
Second Quarter	$28.69	$15.50
Third Quarter	$19.25	$10.19
Fourth Quarter	$25.63	$10.31
1999		
First Quarter	$25.25	$17.75
Second Quarter, through May 13, 1999	$22.88	$18.13

On May 13, 1999, the closing price of our Class A common stock as reported by the New York Stock Exchange was $18 9/16. The number of holders of record of our Class A common stock and Class B common stock as of May 3, 1999 was 918. This number does not represent the actual number of beneficial owners of shares of our Class A common stock because shares are frequently held in "street name" by securities dealers and others for the benefit of individual owners who have the right to vote their shares.

DIVIDEND POLICY

Nu Skin Enterprises has not paid or declared any cash dividends on its common stock. We currently anticipate that we will retain all of our earnings for use in the operation and expansion of our business. We may from time to time re-evaluate our dividend policy. Any future decisions as to cash dividends will depend upon our earnings and financial position, our ability to comply with financial covenants in our credit facility and other factors that our board of directors may deem appropriate.

CAPITALIZATION

The following table sets forth our cash and cash equivalents, our short and long-term debt, and our capitalization as of December 31, 1998. This table should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements, related notes and other financial information included elsewhere in this prospectus.

	AS OF DECEMBER 31, 1998 (IN THOUSANDS)
Cash and cash equivalents	$188,827
Current portion of long-term debt	$ 14,545
Long-term debt	$138,734
Stockholders' equity:	
Preferred Stock, par value $.001 per share, 25,000,000 shares authorized, no shares issued and outstanding	--
Class A common stock, par value $.001 per share, 500,000,000 shares authorized, 33,709,257 shares issued and outstanding(1)	34
Class B common stock, par value $.001 per share, 100,000,000 shares authorized, 54,606,905 shares issued and outstanding	55
Additional paid in capital	146,781
Accumulated other comprehensive income	(43,604)
Retained earnings	158,064
Deferred compensation(2)	(6,688)
Total stockholders' equity	254,642
Total capitalization	$393,376

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(1) Excludes:

- 67,044 shares of Class A common stock issuable pursuant to contingent stock awards and 3,616,053 shares issuable upon the exercise of stock options outstanding as of December 31, 1998 at a weighted average exercise price of $11.27 per share, and

- 5,963,493 shares of Class A common stock available for future grant or issuance under our stock incentive plans.

(2) Reflects deferred compensation expenses related to the award of employee restricted stock awards and the grant of options to our distributors.

SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data as of December 31, 1997 and 1998 and for the years ended December 31, 1996, 1997 and 1998 have been derived from the audited consolidated financial statements included elsewhere in this prospectus. The financial data as of December 31, 1994, 1995 and 1996 and for the years ended 1994 and 1995 are unaudited but, in our opinion, include all necessary information to present fairly the information included therein. Our consolidated financial statements for all periods presented before December 31, 1998 have been combined and restated for the acquisition of Nu Skin International and affiliates operating in Europe, Australia and New Zealand.

	YEAR ENDED DECEMBER 31,				
	1994	1995	1996	1997	1998
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
INCOME STATEMENT DATA:					
Revenue	$330,680	$435,855	$761,638	$953,422	$913,494
Cost of sales	76,012	101,474	171,187	191,218	188,457
Cost of sales -- amortization of inventory step-up	--	--	--	--	21,600
Gross profit	254,668	334,381	590,451	762,204	703,437
Operating expenses:					
Distributor incentives	104,994	139,495	282,588	362,195	331,448
Selling, general and administrative	86,931	115,950	168,706	201,880	202,150
Distributor stock expense	--	--	1,990	17,909	--
In-process research and development	--	--	--	--	13,600
Total operating expenses	191,925	255,445	453,284	581,984	547,198
Operating income	62,743	78,936	137,167	180,220	156,239
Other income (expense), net	(394)	650	10,771	8,973	13,599
Income before provision for income taxes and minority interest	62,349	79,586	147,938	189,193	169,838
Provision for income taxes	10,071	19,141	49,526	55,707	62,840
Minority interest(1)	7,561	10,498	13,700	14,993	3,081
Net income(2)	$ 44,717	$ 49,947	$ 84,712	$118,493	$103,917
Net income per share:					
Basic	$ 0.57	$ 0.63	$ 1.07	$ 1.42	$ 1.22
Diluted	$ 0.54	$ 0.61	$ 1.02	$ 1.36	$ 1.19
Weighted average common shares outstanding:					
Basic	78,660	78,660	79,194	83,331	84,894
Diluted	82,459	82,459	83,001	87,312	87,018

	AS OF DECEMBER 31,				
	1994	1995	1996	1997	1998
	(IN THOUSANDS)				
BALANCE SHEET DATA:					
Cash and cash equivalents.....	$ 63,550	$ 84,000	$214,823	$174,300	$188,827
Working capital.....	65,446	56,801	143,308	123,220	164,597
Total assets.....	119,908	182,154	380,482	405,004	606,433
Short term notes payable to stockholders.....	--	--	71,487	19,457	--
Long term notes payable to stockholders.....	--	--	--	116,743	--
Short term debt.....	--	--	--	--	14,545
Long term debt.....	--	--	--	--	138,734
Stockholders' equity.....	63,849	68,363	113,495	94,892	254,642

	AS OF DECEMBER 31,				
	1994	1995	1996	1997	1998
OTHER OPERATING DATA(3):					
Number of active distributors.....	182,000	260,000	397,000	448,000	470,000
Number of executive distributors....	6,391	8,173	21,479	22,689	22,781

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(1) Minority interest represents the ownership interest of Nu Skin International held by individuals who are not immediate family members. The minority interest was purchased as part of the acquisition of Nu Skin International on March 26, 1998.

(2) Net income:

- For 1996 includes a one-time charge of $2.0 million and for 1997 includes a one-time charge of $17.9 million, both related to the non-cash and nonrecurring expenses associated with stock option grants made to our distributors in connection with our initial public offering,

- For 1998 includes a nonrecurring charge of $21.6 million due to the step-up of inventory as a result of our acquisition of Nu Skin International and a nonrecurring charge of $13.6 million due to the write-off of in-process research and development as a result of our acquisition of Pharmanex, and

- For 1996, 1997 and the first quarter of 1998 reflects Nu Skin International and its private affiliates, which we acquired in March 1998, being taxed as S Corporations during these periods.

Assuming Nu Skin International and its private affiliates were taxed as C Corporations and excluding these one-time and nonrecurring charges, net income would have been $85.8 million in 1996, $119.1 million in 1997 and $123.3 million in 1998. There were no significant nonrecurring expenses in 1994 or 1995.

(3) Active distributors are those distributors who were resident in the countries in which we operated and purchased products during the three months ended as of the date indicated. An executive distributor is an active distributor who has achieved required personal and group sales volumes. As of March 31, 1999, the number of active distributors increased to over 500,000 primarily because of the inclusion of distributors formerly licensed to our affiliate Nu Skin USA.

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

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

GENERAL

Nu Skin Enterprises is a leading, global direct selling company involved in the distribution and sale of premium-quality, innovative personal care and nutritional products. Recently, we entered into an agreement to acquire our affiliate Big Planet, an Internet service provider that also offers Internet devices, Web site development and hosting, online shopping and telecommunications products and services.

Our revenue is primarily dependent upon the efforts of a network of independent distributors who purchase products and sales materials from us in their local currency for resale to our customers or for personal use. We recognize revenue when products are shipped and title passes to these independent distributors. Revenue is net of returns, which have historically been less than 5.0% of gross sales. Distributor incentives are paid to several levels of distributors on each product sale. The amount and recipient of the incentive varies depending on the purchaser's position within the Global Compensation Plan. These incentives are classified as operating expenses. The following table sets forth revenue information for the time periods indicated. This table should be reviewed in connection with the tables presented under "-- Results of Operations," which disclose distributor incentives and other costs associated with generating the aggregate revenue presented.

	YEAR ENDED DECEMBER 31,		
REGION	1996	1997	1998
	(IN MILLIONS)		
North Asia	$502.4	$673.6	$665.5
Southeast Asia	183.7	225.3	159.7
Other Markets	75.5	54.5	88.3
	$761.6	$953.4	$913.5

Revenue generated in North Asia represented 73% of total revenue generated during 1998. Our operations in Japan generated 98% of the North Asia revenue. Revenue from the Southeast Asia operations generated 17% of total revenue generated in 1998. Our operations in Taiwan generated 75% of the Southeast Asia revenue. Revenue generated in Other Markets represented the remaining 10% of total revenue generated in 1998. The majority of the Other Market revenue in 1998 was generated from sales to and license fees from our North American private affiliates, which we subsequently acquired.

Cost of sales primarily consists of the cost of products purchased from third-party vendors (generally in U.S. dollars), the freight cost of shipping these products to distributors as well as duties related to the importation of such products. Additionally, cost of sales includes the cost of sales materials sold to distributors at or near cost. Sales materials are generally purchased in local currencies. As the sales mix changes between product categories and sales materials, cost of sales and gross profit may fluctuate to some degree due primarily to the margin on each product line as well as varying import duty rates levied on imported product lines. In each of our current markets, duties are generally higher on nutritional products than on personal care products. Also, as currency exchange rates fluctuate, our gross margin will fluctuate. In general, however, costs of sales move proportionate to revenue.

Distributor incentives are our most significant expense. Distributor incentives are paid to distributors on a monthly basis based upon their personal and group sales volume as well as the group sales volume of up to six levels of executive distributors in their downline sales organization. These incentives are computed each month based on the sales volume and network of our global distributor force. Small fluctuations occur in the amount of incentives paid as the network of distributors actively purchasing products changes from month to month. However, due to the size of our distributor force, with over 500,000 active distributors, the fluctuation in the overall payout is relatively small. The overall payout averages from 39% to 41% of global product sales. Sales materials and starter kits as well as sales to our recently acquired North American private affiliates are not subject to distributor incentives. Distributor incentives include the cost of computing and paying commissions as well as the cost of incentive programs for distributors including an annual trip to Hawaii for our leading distributors. These additional costs average approximately 1% of revenue.

In the fourth quarter of 1996, we implemented a one-time distributor equity incentive program. This global program provided for the granting of options to distributors to purchase 1.6 million shares of our Class A common stock. The number of options each distributor received was based on his or her performance and productivity through August 31, 1997. The options are exercisable at a price of $5.75 per share and vested on December 31, 1997. We recorded a $2.0 million charge in 1996 and recorded additional charges in 1997 of $17.9 million for the non-cash and nonrecurring expenses associated with this program. There are currently no plans to repeat this or similar distributor stock incentive programs.

Selling, general and administrative expenses include wages and benefits, rents and utilities, travel and entertainment, promotion and advertising, research and development and professional fees.

Provision for income taxes is dependent on the statutory tax rates in each of the countries in which Nu Skin Enterprises operates. For example, statutory tax rates are 16.0% in Hong Kong, 25.0% in Taiwan, 30.1% in South Korea and 57.9% in Japan. However, the statutory tax rate in Japan was reduced to 54.3% for fiscal years beginning in 1999. We operate a regional business center in Hong Kong, which bears inventory obsolescence and currency exchange risks. Any income or loss incurred by the regional business center is not subject to taxation in Hong Kong. In addition, since the incorporation of Nu Skin Enterprises in 1996, we have been subject to taxation in the United States, where we are incorporated, at a statutory corporate federal tax rate of 35.0%. However, we receive foreign tax credits in the United States for the amount of foreign taxes actually paid in a given period, which are utilized to reduce taxes in the United States to the extent allowed.

Minority interest represents the ownership interest of Nu Skin International held by individuals who are not immediate family members. The minority interest was purchased as part of the acquisition of Nu Skin International on March 26, 1998.

In March 1998, we completed the acquisition of the capital stock of Nu Skin International and our other previously private affiliates in Europe, Australia and New Zealand. Inasmuch as a portion of Nu Skin International and such affiliates were under common control, our consolidated financial statements have been combined and restated as if our company and Nu Skin International and such affiliates had been combined during all periods presented. We allocated $43.6 million of the purchase price to goodwill, intellectual property and other intangible assets.

In October 1998, we acquired Generation Health Holdings, Inc., the parent of Pharmanex. With the acquisition of Pharmanex, we increased our nutritional product development and formulation capabilities. In connection with the Pharmanex acquisition, we allocated $92.4 million to goodwill, intellectual property and other intangible assets and $13.6 million to purchased in-process research and development. During 1998, we fully wrote off the in-process research and development amount.

In February 1999, we announced our intent to acquire Big Planet and our remaining private affiliates in Canada, Mexico and Guatemala. Our subsidiary Nu Skin International also announced its

intent to terminate the distribution and related licenses with Nu Skin USA. In March 1999, Nu Skin International terminated its distribution license and various other license agreements and other intercompany agreements with Nu Skin USA and paid Nu Skin USA a $10.0 million termination fee. We also acquired selected assets of Nu Skin USA in March 1999 through a newly formed wholly-owned subsidiary and assumed approximately $8.0 million of Nu Skin USA liabilities. In May 1999, we completed the acquisition of our affiliates in Canada, Mexico and Guatemala.

RESULTS OF OPERATIONS

The following tables set forth operating results and operating results as a percentage of revenue, respectively, for the periods indicated.

	YEAR ENDED DECEMBER 31,		
	1996	1997	1998
	(IN MILLIONS)		
Revenue	$761.6	$953.4	$913.5
Cost of sales	171.2	191.2	188.5
Cost of sales -- amortization of inventory step-up	--	--	21.6
Gross profit	590.4	762.2	703.4
Operating expenses:			
Distributor incentives	282.6	362.2	331.4
Selling, general and administrative	168.7	201.9	202.2
Distributor stock expense	2.0	17.9	--
In-process research and development	--	--	13.6
Total operating expenses	453.3	582.0	547.2
Operating income	137.1	180.2	156.2
Other income (expense), net	10.8	9.0	13.6
Income before provision for income taxes and minority interest	147.9	189.2	169.8
Provision for income taxes	49.5	55.7	62.8
Minority interest	13.7	15.0	3.1
Net income	$ 84.7	$118.5	$103.9
Unaudited supplemental data(1):			
Income before pro forma provision for income taxes and minority interest	$147.9	$189.2	$169.8
Pro forma provision for income taxes	54.7	71.9	66.0
Pro forma minority interest	8.6	9.3	1.9
Pro forma net income	$ 84.6	$108.0	$101.9

	YEAR ENDED DECEMBER 31,		
	1996	1997	1998
Revenue	100.0%	100.0%	100.0%
Cost of sales	22.5	20.1	20.6
Cost of sales -- amortization of inventory step-up	--	--	2.4
Gross profit	77.5	79.9	77.0
Operating expenses:			
Distributor incentives	37.1	38.0	36.3
Selling, general and administrative	22.1	21.2	22.1
Distributor stock expense	.3	1.9	--
In-process research and development	--	--	1.5
Total operating expenses	59.5	61.1	59.9
Operating income	18.0	18.8	17.1
Other income (expense), net	1.4	.9	1.5
Income before provision for income taxes and minority interest	19.4	19.7	18.6
Provision for income taxes	6.5	5.8	6.9
Minority interest	1.8	1.5	.3
Net income	11.1%	12.4%	11.4%
Unaudited supplemental data(1):			
Income before pro forma provision for income taxes and minority interest	19.4%	19.7%	18.6%
Pro forma provision for income taxes	7.2	7.5	7.2
Pro forma minority interest	1.1	.9	.2
Pro forma net income	11.1%	11.3%	11.2%

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(1) Reflects adjustment for federal and state income taxes as if our subsidiaries had been taxed as C corporations rather than as S corporations for the years ended December 31, 1996, 1997 and 1998.

1998 COMPARED TO 1997

REVENUE decreased 4.2% to $913.5 million from $953.4 million for the years ended December 31, 1998 and 1997, respectively. The decrease in revenue resulted primarily from significant weakening of the Japanese yen and other Asian currencies relative to the U.S. dollar, an increasing competitive environment in Taiwan and the economic recession in Asia, particularly in South Korea and Thailand. These factors more than offset the increase in revenue from our other markets including license fees from and product sales to our private North American affiliated entities.

Revenue in North Asia, which consists of Japan and South Korea, decreased 1.2% to $665.5 million from $673.6 million for the years ended December 31, 1998 and 1997, respectively. The economic recession and a weakened currency in South Korea resulted in a significant decline in South Korean revenue from $74.2 million for the year ended December 31, 1997 to $11.4 million in 1998. This revenue decline was partially offset by revenue in Japan which increased from $599.4 million for the year ended December 31, 1997 to $654.2 million in 1998. In spite of the economic recession in Japan, our company recorded increases in revenue in Japan of 9.1% in U.S. dollar terms and 17.6% in local currency terms from 1997 to 1998. This increase is attributed to continued growth of the personal care and nutritional product lines and a strong Japanese distributor force.

Revenue in Southeast Asia, which consists of Taiwan, Thailand, Hong Kong, the Philippines, Australia and New Zealand, totaled $159.7 million for the year ended December 31, 1998, down from revenue of $225.3 million for the year ended December 31, 1997, a decrease of 29.1%. Our

operations in Taiwan have continued to suffer the impact of increased competition, currency devaluation and the PRC's temporary ban on direct selling, where many Taiwanese distributors hoped to expand their businesses, which resulted in a decline in revenue from $168.6 million in 1997 to $119.5 million in 1998. In addition, our operations in Thailand have been impacted negatively by Thailand's economic recession and currency devaluation resulting in a revenue decrease to $8.3 million in 1998 from $22.8 million in 1997.

The declines in North and Southeast Asia were partially offset by aggregate revenue increases in our other markets, which include the United Kingdom, Germany, Italy, the Netherlands, France, Belgium, Spain, Portugal, Ireland, Austria, Poland, Denmark, Sweden, Brazil and product sales to and license fees from our North American private affiliates. Aggregate revenue in these markets increased to $88.3 million for the year ended December 31, 1998 from $54.5 million for the year ended December 31, 1997, an increase of 62.0%. These increases were primarily due to increased revenue from our North American private affiliates following a successful global convention held in the first quarter of 1998, as well as increased sales from the openings of our operations in Poland, Denmark, Sweden and Brazil in 1998 and the introduction of nutritional products in several European markets in 1998.

GROSS PROFIT as a percentage of revenue was 77.0% for the year ended December 31, 1998 compared to 79.9% for the year ended December 31, 1997. The amortization of the step-up of inventory from the Nu Skin International acquisition increased cost of sales by $21.6 million for the year ended December 31, 1998. Without this nonrecurring charge, gross profit as a percentage of revenue would have been 79.4% for the year ended December 31, 1998. Nu Skin Enterprises purchases goods in U.S. dollars and recognizes revenue in local currency and is consequently subjected to exchange rate risks in its gross margins. The negative pressure on gross margins, primarily due to weakened currencies throughout our Asian markets, was somewhat offset by gross margin improvement as a result of price increases in certain markets in 1998. In addition, increased local manufacturing, including the local manufacturing in Taiwan of LIFEPAK, our leading nutritional product, improved and stabilized gross margins.

DISTRIBUTOR INCENTIVES as a percentage of revenue decreased to 36.3% for the year ended December 31, 1998 from 38.0% for the year ended December 31, 1997. The primary reason for this decrease was increased revenue in 1998 from product sales to and license fees from our North American private affiliates which was not subject to incentives being paid by Nu Skin Enterprises.

SELLING, GENERAL AND ADMINISTRATIVE expenses as a percentage of revenue increased to 22.1% for the year ended December 31, 1998 from 21.2% for the year ended December 31, 1997. This increase as a percentage of revenue was primarily due to weakened Asian currencies and continued U.S. dollar-based selling, general and administrative expenses. In dollar terms, selling, general and administrative expenses increased slightly from $201.9 million in 1997 to $202.2 million in 1998.

DISTRIBUTOR STOCK EXPENSE of $17.9 million for the year ended December 31, 1997 reflects a one-time grant of distributor stock options at an exercise price of $5.75 per share, 25% of the per share offering price in our initial public offering completed in November 1996. This non-cash expense is nonrecurring and was only recorded in the fourth quarter of 1996 and in each of the four quarters of 1997. There are currently no plans to repeat this or other similar distributor stock incentive programs.

IN-PROCESS RESEARCH AND DEVELOPMENT expense of $13.6 million for the year ended December 31, 1998 reflects a one-time expense for research and development intangible assets purchased in the Pharmanex acquisition during the fourth quarter of 1998. This non-cash expense is nonrecurring and was only recorded in the fourth quarter of 1998.

OPERATING INCOME decreased 13.3% to $156.2 million for the year ended December 31, 1998 from $180.2 million in 1997. Operating margin decreased to 17.1% in 1998 from 18.8% in 1997. The

operating income and margin decreases resulted from declines in U.S. dollar revenue in North and Southeast Asia, lower gross margins as a result of significant weakening in foreign currencies in North and Southeast Asia and by the nonrecurring amortization of inventory step-up and in-process research and development expenses recorded in our other markets in 1998, and was partially offset by the distributor stock expense recorded in 1997.

OTHER INCOME increased to $13.6 million for the year ended December 31, 1998 from $9.0 million for the year ended December 31, 1997. The increase was primarily caused by Japanese yen-based hedging gains from forward contracts and intercompany loans during 1998.

PROVISION FOR INCOME TAXES increased to $62.8 million for the year ended December 31, 1998 from $55.7 million for the year ended December 31, 1997 due to an increase in the effective tax rate from 29.4% in 1997 to 37.0% in 1998, which more than offset the decreased operating income in 1998 compared to 1997. The increase in the effective tax rate is due to Nu Skin International and its affiliates being taxed as C corporations rather than as S corporations during most of 1998. The pro forma provision for income taxes decreased to $66.0 million for the year ended December 31, 1998 from $71.9 million for the year ended December 31, 1997 due to decreased income in 1998. The pro forma provision for income taxes presents income taxes as if Nu Skin International and its affiliates had been taxed as C corporations rather than as S corporations for the years ended December 31, 1998 and 1997.

MINORITY INTEREST represents the ownership interest of Nu Skin International held by individuals who are not immediate family members. The minority interest was purchased as part of the acquisition of Nu Skin International on March 26, 1998.

NET INCOME decreased by $14.6 million to $103.9 million for the year ended December 31, 1998 compared with the same period in 1997 primarily due to the amortization of inventory step-up and in-process research and development expense recorded in 1998 partially offset by distributor stock expense recorded in 1997. Net income as a percentage of revenue decreased to 11.4% for the year ended December 31, 1998 as compared to 12.4% for the same period in 1997.

1997 COMPARED TO 1996

REVENUE increased 25.2% to $953.4 million from $761.6 million for the years ended December 31, 1997 and 1996, respectively. The increase in revenue resulted primarily from continued revenue growth in North and Southeast Asia related to the personal care and nutritional product lines.

Revenue in North Asia, which consists of Japan and South Korea, increased 34.1% to $673.6 million from $502.4 million for the years ended December 31, 1997 and 1996, respectively. Revenue in Japan increased from $380.0 million for the year ended December 31, 1996 to $599.4 million in 1997. This increase in revenue was primarily a result of continued growth of the personal care and nutritional product lines, which grew 43.8% and 94.9%, respectively, in 1997 and 1996. Additionally, revenue in Japan increased following a distributor convention held in the first quarter of 1997 and the sponsorship of the Japan Supergames featuring National Basketball Association stars in the third quarter of 1997. Offsetting revenue growth in North Asia was the decrease in revenue in South Korea from $122.3 million in 1996 to $74.2 million in 1997, which was primarily due to government and media actions targeted at sellers of foreign or luxury goods, volatile economic conditions and a weakened currency in South Korea.

Revenue in Southeast Asia, which consists of Taiwan, Thailand, Hong Kong, Australia and New Zealand increased to $225.3 million for the year ended December 31, 1997 from revenue of $183.7 million for the year ended December 31, 1996, an increase of 22.6%. Revenue in Taiwan increased to $168.6 million in 1997 from $154.5 million in 1996, an increase of 9.1%, primarily as a result of growth in nutritional product sales following the late 1996 introduction of LIFEPAK, our

leading nutritional supplement. In addition, our operations in Thailand commenced in March 1997 and generated revenue of $22.8 million in 1997. Revenue in Hong Kong increased to $21.3 million in 1997 from $17.0 million in 1996 as a result of growth in nutritional product sales following the introduction of LIFEPAK in the first quarter of 1997.

The increases in North and Southeast Asia were partially offset by an aggregate revenue decrease in our other markets, which include the United Kingdom, Germany, Italy, the Netherlands, France, Belgium, Spain, Portugal, Ireland, Austria and product sales to and license fees from our North American private affiliates. Aggregate revenue in these markets decreased to $54.5 million for the year ended December 31, 1997 from $75.5 million for the year ended December 31, 1996, a decrease of 27.8%. These decreases were primarily due to higher revenue recorded in 1996 as a result of a successful global convention held in 1996 by our North American private affiliates.

GROSS PROFIT as a percentage of revenue was 79.9% for the year ended December 31, 1997 compared to 77.5% for the year ended December 31, 1996. Gross margin improvement resulted from price increases throughout North and Southeast Asia which occurred during the second quarter of 1997. In addition, increased local manufacturing efforts were designed to improve and stabilize gross margins.

DISTRIBUTOR INCENTIVES as a percentage of revenue increased to 38.0% for the year ended December 31, 1997 from 37.1% for the year ended December 31, 1996. The primary reason for this increase was decreased revenue in 1997 from product sales to and license fees from our North American private affiliates which was not subject to incentives being paid by Nu Skin Enterprises.

SELLING, GENERAL AND ADMINISTRATIVE expenses as a percentage of revenue decreased to 21.2% for the year ended December 31, 1997 from 22.1% for the year ended December 31, 1996. In dollar terms, selling, general and administrative expenses increased from $168.7 million in 1996 to $201.9 million in 1997. This increase, in dollar terms, was primarily due to increased promotion expenses of approximately $4.0 million resulting from the expense of sponsoring the Japan Supergames and approximately $2.0 million resulting from distributor conventions held during the first quarter of 1997. In addition, other general and administrative expenses were higher in 1997 as a result of expenses of operating as a public company and as a result of increased spending in each of our markets to support current operations. These increased costs were offset as a percentage of revenue by increased operating efficiencies as our revenue increased.

DISTRIBUTOR STOCK EXPENSE of $17.9 million and $2.0 million for the years ended December 31, 1997 and 1996, respectively, reflects a one-time grant of distributor stock options at an exercise price of $5.75 per share, 25% of the per share offering price in our initial public offering completed in November 1996. This non-cash expense is nonrecurring and was only recorded in the fourth quarter of 1996 and in each of the four quarters of 1997.

OPERATING INCOME increased 31.3% to $180.2 million for the year ended December 31, 1997 from $137.1 million in 1996. Operating margin increased to 18.8% in 1997 from 18.0% in 1996. The operating income and margin increases resulted from increases in U.S. dollar revenue in North and Southeast Asia and improved gross margins as a result of price changes during the second quarter of 1997 in North and Southeast Asia, which were partially offset by the $17.9 million distributor stock expense recorded in 1997.

OTHER INCOME decreased to $9.0 million for the year ended December 31, 1997 from $10.8 million for the year ended December 31, 1996. The decrease was primarily caused by the exchange losses relating to intercompany balances denominated in foreign currencies offset by hedging gains from forward contracts and intercompany loans.

PROVISION FOR INCOME TAXES increased to $55.7 million for the year ended December 31, 1997 from $49.5 million for the year ended December 31, 1996 due to increased income that was offset partially by the decrease in the effective tax rate to 29.4% from 33.5% for the same periods. The

decrease in the effective tax rate is due to our termination of our S corporation status during 1996. The pro forma provision for income taxes increased to $71.9 million for the year ended December 31, 1997 from $54.7 million for the year ended December 31, 1996 due to increased income in 1997. The pro forma provision for income taxes presents income taxes as if Nu Skin International and its affiliates had been taxed as C corporations rather than as S corporations for the years ended December 31, 1997 and 1996.

MINORITY INTEREST represents the ownership interest of Nu Skin International held by individuals who are not immediate family members. The minority interest was purchased as part of the acquisition of Nu Skin International on March 26, 1998.

NET INCOME increased by $33.8 million to $118.5 million for the year ended December 31, 1997 compared with the same period in 1996 due primarily to the increase in revenue and improvements in gross margins in 1997 partially offset by distributor stock expense recorded in 1997. Net income as a percentage of revenue increased to 12.4% for the year ended December 31, 1997 as compared to 11.1% for the same period in 1996.

LIQUIDITY AND CAPITAL RESOURCES

Historically, our principal needs for funds have been for distributor incentives, working capital (principally inventory purchases), operating expenses, capital expenditures and the development of new markets. Nu Skin Enterprises has generally relied entirely on cash flow from operations to meet its business objectives without incurring long-term debt to unrelated third parties to fund operating activities.

Nu Skin Enterprises generates significant cash flow from operations due to favorable gross margins and minimal capital requirements. Additionally, we do not generally extend credit to distributors but require payment prior to shipping products. This process eliminates the need for significant accounts receivable from distributors. During the first quarter of each year, our company pays significant accrued income taxes in many foreign jurisdictions including Japan. These large cash payments generally more than offset significant cash generated in the first quarter. During the year ended December 31, 1998, we generated $118.6 million from operations compared to $108.6 million generated during the year ended December 31, 1997. Cash generated from operations in 1997 was affected by the repayment of significant related party payables to our North American private affiliates. In addition, we had reduced purchases of inventories and other assets in 1998.

As of December 31, 1998, working capital was $164.6 million compared to $123.2 million as of December 31, 1997. This increase is largely due to increased cash balances as well as increased inventory levels and other current assets. Cash and cash equivalents at December 31, 1998 and 1997 were $188.8 million and $174.3 million, respectively.

Capital expenditures, primarily for equipment, computer systems and software, office furniture and leasehold improvements, were $18.3 million and $14.4 million for the years ended December 31, 1998 and 1997, respectively. In addition, Nu Skin Enterprises anticipates capital expenditures in 1999 of approximately $40.0 million to further enhance its infrastructure, including enhancements to computer systems and software and call-center facilities in order to accommodate anticipated future growth.

In March 1998, we completed the acquisition of Nu Skin International and its affiliates in Europe, Australia and New Zealand for $70.0 million in preferred stock, which subsequently converted into Class A common stock, and long-term notes payable to the stockholders of Nu Skin International and such affiliates totaling approximately $6.2 million. Also, as part of the Nu Skin International acquisition, Nu Skin Enterprises assumed approximately $171.3 million in S distribution notes and incurred acquisition costs totaling $3.0 million. During the second quarter of 1998, the S distribution notes and long-term notes payable to the Nu Skin International stockholders were paid

in full with proceeds from the credit facility described below. In addition, Nu Skin International and Nu Skin Enterprises met earnings growth targets in 1998 resulting in a contingent payment payable to the Nu Skin International stockholders of $25.0 million as of December 31, 1998. Contingent upon Nu Skin International and Nu Skin Enterprises meeting earnings growth targets over the next three years, we may pay up to $25.0 million in cash in each of the next three years to the Nu Skin International stockholders. The contingent consideration of $25.0 million earned in 1998 was paid in the second quarter of 1999 and has been accounted for as an adjustment to the purchase price and allocated to the assets and liabilities of Nu Skin International and its previously private affiliates. Any additional contingent consideration paid over the next three years, if any, will be accounted for in a similar manner.

In May 1998, Nu Skin Enterprises and its Japanese subsidiary Nu Skin Japan Co., Ltd. entered into a $180.0 million credit facility with a syndicate of financial institutions for which ABN-AMRO, N.V. acted as agent. This credit facility was used to satisfy liabilities which were assumed as part of the Nu Skin International acquisition. Nu Skin Enterprises borrowed $110.0 million and Nu Skin Japan borrowed the Japanese yen equivalent of $70.0 million denominated in local currency. Payments totaling $41.6 million were made during the second quarter of 1998 relating to the $180.0 million credit facility. As of December 31, 1998, the balance relating to the $180.0 million credit facility totaled $153.3 million of which approximately $14.5 million was paid in 1999, approximately $53.5 million is due in 2000 and approximately $85.4 million will be due in 2001. The U.S. portion of the credit facility bears interest at either a base rate as specified in the credit facility or the London Inter-Bank Offer Rate plus an applicable margin, in the borrower's discretion. The Japanese portion of the credit facility bears interest at either a base rate as specified in the credit facility or the Tokyo Inter-Bank Offer Rate plus an applicable margin, in the borrower's discretion. The maturity date for the credit facility is three years from the borrowing date, with a possible extension of the maturity date upon approval of the lenders. The credit facility provides that the amounts borrowed are to be used for general corporate purposes. As of December 31, 1998, we were in compliance with all financial and other covenants under the credit facility. During 1998, we entered into a $10.0 million revolving credit agreement with ABN-AMRO, N.V. Advances are available under the agreement through May 18, 1999 with a possible extension upon approval of the lender. There were no outstanding balances under this credit facility at December 31, 1998.

During 1998, the board of directors authorized Nu Skin Enterprises to repurchase up to $20.0 million of our outstanding shares of Class A common stock. As of December 31, 1998, we had repurchased 917,254 shares for an aggregate price of approximately $10.5 million. In addition, in March 1999, the board of directors separately authorized the purchase of 620,000 shares of our Class A common stock from a related party for $8.7 million.

As part of the Pharmanex acquisition, we assumed approximately $34.0 million in liabilities and incurred acquisition costs totaling $1.3 million. The net assets acquired totaling $3.6 million include net deferred tax assets totaling $0.8 million. In connection with the closing of the Pharmanex acquisition, Nu Skin Enterprises paid approximately $29.0 million relating to the assumed liabilities.

We have entered into an agreement to acquire our affiliate Big Planet for an aggregate of approximately $37.0 million, of which approximately $14.5 million is payable in the form of a promissory note and approximately $22.5 million is payable in cash. We currently expect this transaction to close by June 30, 1999. We have also agreed to loan to Big Planet up to $7.5 million to fund its operations through the closing of the acquisition. Big Planet incurred operating losses of approximately $22.0 million in 1998 and we anticipate Big Planet will continue to incur operating losses in the foreseeable future.

Nu Skin Enterprises had related party payables of $25.0 million and $10.0 million at December 31, 1998 and 1997, respectively. In addition, we had related party receivables of $22.3 million and $23.0 million, respectively, at those dates. Related party balances outstanding in

excess of 60 days bear interest at a rate of 2% above the U.S. prime rate. As of December 31, 1998, no material related party payables or receivables had been outstanding for more than 60 days.

We lease office space and computer hardware under noncancellable long-term operating leases. Minimum future operating lease obligations at December 31, 1998 were $29.6 million with minimum obligations for 1999 of $8.9 million.

We consider Nu Skin Enterprises to be liquid and able to meet its obligations on both a short and long-term basis. We currently believe existing cash balances together with future cash flows from operations will be adequate to fund cash needs relating to the implementation of our strategic plans.

YEAR 2000

Nu Skin Enterprises has developed a comprehensive plan to address Year 2000 issues. In connection with this plan, our company has established a committee that is responsible for assessing and testing our systems to identify Year 2000 issues, and overseeing the upgrade or remediation of non-compliant Year 2000 systems. This committee reports on a regular basis to our executive management team and the audit committee of the board of directors on the progress and status of the plan and the Year 2000 issues affecting us.

To date, we have completed a broad scope assessment and audit of our information technology systems and non-information technology systems to identify and prioritize potential Year 2000 issues and are currently performing a micro-based assessment designed to identify specific Year 2000 issues at the hardware, software and processing levels. Through this process, we have identified potential Year 2000 issues in our information systems, and we are in the process of addressing these issues through upgrades and other remediation. We currently estimate that the cost of all upgrades related to Year 2000 issues, including scheduled upgrades intended primarily to increase efficiencies within Nu Skin Enterprises and also address Year 2000 issues, is anticipated to be approximately $10.0 million through 1999, which we anticipate will be funded by cash from operations. To date, we have spent approximately $3.0 million. We currently anticipate that we will complete the micro-based analysis and remediation on all of our significant in-house systems by the third quarter of 1999. In 1999, we will continue to run broad scope tests of our in-house systems to confirm that we have adequately addressed all Year 2000 issues and continue our work on the systems of our foreign offices.

As part of the Year 2000 plan, we are also assessing and monitoring our vendors and suppliers and other third parties for Year 2000 readiness. To date the committee has sent questionnaires to these third parties seeking their assessment and evaluation of their own Year 2000 readiness and has received responses back from a substantial majority of these third parties. Members of the committee have already begun follow-up calls to our top fifty vendors and plan to visit our significant suppliers and vendors in person for purposes of evaluating their Year 2000 readiness and sharing Year 2000 information. Nu Skin Enterprises will continue the follow-up with third party vendors throughout 1999.

Based on our evaluation of the Year 2000 issues affecting Nu Skin Enterprises, we believe that Year 2000 readiness of our vendors and suppliers, which is beyond our control, is currently the most significant area of risk, particularly in our foreign markets. We do not believe it is possible at this time to quantify or estimate the most reasonable worst case Year 2000 scenario. However, we are beginning to formulate contingency plans to limit, to the extent possible, interruption of our operations arising from the failure of third parties to be Year 2000 compliant as we move forward in the implementation of our Year 2000 plan. We will continue to work with third parties as indicated above to further evaluate and quantify this risk and will continue the development of contingency plans throughout 1999 as this process moves forward. There can be no assurance, however, that we will be able to successfully identify and develop contingency plans for all Year 2000 issues that could, directly or indirectly, harm our operations, some of which are beyond our control. In particular, we cannot predict or evaluate domestic and foreign governments' and utility companies' preparation for the Year 2000 or the readiness of other third parties (domestic and foreign) that do not have

relationships with us, and the resulting impact that the failure of such parties to be Year 2000 compliant may have on the economy in general and on our business.

The foregoing discussion of the Year 2000 issues contains forward-looking statements that represent our current expectations or beliefs. These forward-looking statements are subject to risks and uncertainties that could cause outcomes to be different from those currently anticipated including those risks identified in "Risk Factors."

SEASONALITY AND CYCLICALITY

In addition to general economic factors, the direct selling industry is impacted by seasonal factors and trends such as major cultural events and vacation patterns. For example, Japan, Taiwan, Hong Kong, South Korea and Thailand celebrate their respective local New Year in our first quarter. We believe that direct selling in Japan and Europe is also generally negatively impacted during the month of August, which is in our third quarter, when many individuals traditionally take vacations.

Nu Skin Enterprises has experienced rapid revenue growth in most of its new markets from the commencement of operations. In Japan, Taiwan and Hong Kong, the initial rapid growth was followed by a short period of stable or declining revenue followed by renewed growth fueled by new product introductions, an increase in the number of active distributors and increased distributor productivity. In South Korea, Nu Skin Enterprises experienced a significant decline in its 1997 revenue from revenue in 1996 and experienced additional quarterly sequential declines in 1998. Revenue in Thailand also decreased significantly after the commencement of operations in March 1997. We believe that the revenue declines in South Korea and Thailand were partly due to normal business cycles in new markets, but were primarily due to volatile economic conditions and weakened currencies in those markets. Revenue declines in South Korea also resulted from government and media actions targeted at sellers of foreign and luxury goods. In addition, we may experience variations on a quarterly basis in our results of operations, as new products are introduced and new markets are opened. No assurance can be given that our revenue growth rate in new markets where Nu Skin operations have not commenced will follow this pattern.

QUARTERLY RESULTS

The following table sets forth certain unaudited quarterly data for the periods shown, restated for the Nu Skin International acquisition.

	1997				1998			
	1ST QUARTER	2ND QUARTER	3RD QUARTER	4TH QUARTER	1ST QUARTER	2ND QUARTER	3RD QUARTER	4TH QUARTER
	(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)							
Revenue	$224.2	$245.9	$243.1	$240.2	$227.9	$209.1	$217.9	$258.7
Gross profit	179.0	195.3	194.4	193.5	182.2	151.5	164.9	204.9
Operating income	38.3	46.7	45.7	49.6	51.0	29.6	37.4	38.3
Net income	25.7	30.0	30.7	32.0	33.7	22.0	25.5	22.8
Net income per share:								
Basic	0.31	0.36	0.37	0.39	0.41	0.26	0.30	0.26
Diluted	0.29	0.34	0.35	0.37	0.39	0.25	0.30	0.26

CURRENCY RISK AND EXCHANGE RATE INFORMATION

A majority of our revenue and many of our expenses are recognized primarily outside of the United States except for inventory purchases which are primarily transacted in U.S. dollars from vendors in the United States. Each subsidiary's local currency is considered the functional currency. All revenue and expenses are translated at weighted average exchange rates for the periods reported. Therefore, our reported sales and earnings will be positively impacted by a weakening of the U.S. dollar and will be negatively impacted by a strengthening of the U.S. dollar.

Given the uncertainty of exchange rate fluctuations, we cannot estimate the effect of these fluctuations on our future business, product pricing, results of operations or financial condition. However, because a majority of our revenue is realized in local currencies and the majority of our cost of sales is denominated in U.S. dollars, our gross profits will be positively affected by a weakening in the U.S. dollar and will be negatively affected by a strengthening in the U.S. dollar. We seek to reduce our exposure to fluctuations in foreign exchange rates by creating offsetting positions through the use of foreign currency exchange contracts and through intercompany loans of foreign currency. We do not use such derivative financial instruments for trading or speculative purposes. We regularly monitor our foreign currency risks and periodically take measures to reduce the impact of foreign exchange fluctuations on our operating results.

Nu Skin Enterprises' foreign currency derivatives are comprised of over-the-counter forward contracts with major international financial institutions. As of December 31, 1998, the primary currency for which we had net underlying foreign currency exchange rate exposure was the Japanese yen. Based on our foreign exchange contracts at December 31, 1998 as discussed in Note 14 of the notes to the Consolidated Financial Statements included in this prospectus, the impact of a 10% appreciation or 10% depreciation of the U.S. dollar against the Japanese yen would not result in significant other income or expense recorded in the Consolidated Statements of Income.

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

	1996				1997				1998		
	1ST QUARTER	2ND QUARTER	3RD QUARTER	4TH QUARTER	1ST QUARTER	2ND QUARTER	3RD QUARTER	4TH QUARTER	1ST QUARTER	2ND QUARTER	3RD QUARTER
Japan(1)	105.8	107.5	109.0	112.9	121.4	119.1	118.1	125.6	128.2	135.9	139.5
Taiwan	27.4	27.4	27.5	27.5	27.5	27.7	28.4	31.0	32.8	33.6	34.5
Hong Kong	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.8	7.8
South Korea	782.6	786.5	815.5	829.4	863.9	889.6	894.8	1,097.0	1,585.7	1,392.6	1,327.0
Thailand	25.2	25.3	25.3	25.5	26.0	25.4	31.5	40.3	45.1	40.3	40.9

	1998
	4TH QUARTER
Japan(1)	119.3
Taiwan	32.6
Hong Kong	7.8
South Korea	1,278.9
Thailand	37.1

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(1) Since January 1, 1992, the highest and lowest exchange rates for the Japanese yen have been 147.3 and 80.6, respectively.

BUSINESS

GENERAL

Nu Skin Enterprises is a leading, global direct selling company that develops and distributes premium-quality, innovative personal care products and nutritional supplements. Recently, we entered into an agreement to acquire our affiliate, Big Planet, an Internet service provider that also offers Internet devices, Web site development and hosting, online shopping and telecommunications products and services. We are one of the largest direct selling companies in the world and currently operate in 27 countries throughout Asia, North and South America and Europe. We currently have a network of over 500,000 active distributors.

RECENT STRATEGIC DEVELOPMENTS

We have undertaken a number of strategic initiatives since the beginning of 1998 which are designed to broaden our business both geographically and across product lines, simplify our management and corporate structure, diversify our revenue base and enhance our growth prospects.

ACQUISITION OF NU SKIN AFFILIATES. At the beginning of 1998, we operated as the exclusive distribution vehicle for our affiliate Nu Skin International in the countries of Japan, Taiwan, Hong Kong (including Macau), Thailand and South Korea. We also had the right to expand into the Philippines, the PRC, Vietnam, Singapore, Malaysia and Indonesia.

In March 1998, we acquired Nu Skin International and most of our other previously private affiliates. Through this acquisition, we obtained:

- Nu Skin's existing operations in New Zealand, Australia and ten countries in Europe, and the right to enter all unopened markets,

- Ownership of all rights to the Nu Skin distributor force, including all distributor agreements and the Global Compensation Plan, all trade names, trademarks, product formulations and other intellectual property rights associated with the Nu Skin business and products, and

- Greater control over product development, manufacturing, pricing and the strategic development of the Nu Skin products and business opportunity offerings.

In March 1999, our subsidiary Nu Skin International terminated its exclusive license and distribution agreements with Nu Skin USA related to Nu Skin operations in the United States and we commenced operations in the United States through a new wholly-owned subsidiary. In May 1999, we acquired our other private affiliates operating in Canada, Mexico and Guatemala. As a result of these acquisitions, we now own all of the Nu Skin entities operating everywhere in the world and the right to expand into all future markets. We believe that the acquisitions of our Nu Skin affiliates will simplify our corporate structure by consolidating all of our Nu Skin operations under Nu Skin Enterprises.

ACQUISITION OF PHARMANEX. In October 1998, we acquired Pharmanex, a research and development company and manufacturer of nutritional supplements. The acquisition of Pharmanex provides us with:

- Substantial additional product research and development resources, a staff of approximately 30 scientists, working relationships with approximately 20 additional independent scientists and research centers in the PRC and the United States. These resources enhance our ability to continue to be an innovator of high quality nutritional supplements and our ability to apply

high scientific standards to assure product standardization and substantiate product safety and efficacy,

- Important clinical research and collaboration agreements and other relationships with several major universities in the United States and the PRC, which we believe will enhance our ability to perform cost-effective clinical trials to help demonstrate product efficacy and to substantiate product claims,

- A line of existing natural nutritional supplements including CHOLESTIN, a well-publicized nutritional supplement shown to help promote healthy cholesterol levels, as well as a broad line of standardized botanical supplements, and

- Global sourcing capabilities and an extraction facility in the PRC.

PROPOSED ACQUISITION OF BIG PLANET. In addition, we have entered into an agreement to acquire Big Planet, an Internet service provider that also offers Internet devices, Web site development and hosting, online shopping and telecommunications products and services. The acquisition of Big Planet will enable us to attract a broader base of distributors and to offer our distributors a chance to participate in the dynamic business trends created by the Internet. Big Planet distributors can assist and instruct their customers in obtaining the latest technology products and services. During 1998, Nu Skin USA funded the operations of Big Planet in exchange for an 85% ownership interest in Big Planet. Prior to our acquisition of Nu Skin International, Nu Skin International agreed in principle to a license agreement and operating relationship with Big Planet pursuant to which Big Planet received the opportunity to access and use Nu Skin distributors in the United States. Big Planet's operations were launched in April 1998 at which time several of our leading distributors began pursuing the Big Planet business opportunity.

We anticipate completing the Big Planet acquisition by June 30, 1999 subject to satisfaction of closing conditions and receipt of regulatory approvals. We cannot assure you, however, that we will be able to complete the acquisition of Big Planet. See "Risk Factors -- We may not complete our planned acquisition of Big Planet, and, even if we do complete this acquisition, we may not be able to operate Big Planet profitably" for more information about risks related to Big Planet and the proposed acquisition.

EXPANSION OF OPERATIONS INTO ADDITIONAL COUNTRIES. Over the past several years we have successfully commenced operations in most of the major direct selling markets throughout the world. During 1998, we expanded our operations into five additional countries: Brazil, Sweden, Denmark, Poland and the Philippines. Brazil is one of the largest direct selling markets in the world. In 1999, we plan to enter two new markets, Iceland and Norway.

CREATION OF DISTINCT, BRANDED PRODUCT DIVISIONS. In connection with our recent acquisitions, we are transitioning from managing our business based on a geographic model to managing our business based on product lines. Our three product-based divisions will offer three distinct business opportunities. Each of these business opportunities is specifically designed for the network marketing distribution channel, and each division will be managed and directed by a distinct management team.

- Nu Skin Personal Care is our original product division, offering over 100 premium-quality personal care products that incorporate advanced formulas and high quality ingredients in several categories: facial care, body care, hair care and color cosmetics, as well as specialty products such as sun protection, oral hygiene and fragrances.

- Pharmanex is our nutrition division, which incorporates our existing IDN (Interior Design Nutritionals) business and offers over 60 nutritional supplements in several categories: multivitamin and mineral products and supplements currently marketed under our IDN

trademark, including LIFEPAK, our flagship nutritional supplement; five natural nutritional supplements and a broad line of standardized botanical supplements that we acquired in the Pharmanex acquisition; and a line of sports nutritional and general health solutions.

- Big Planet is an Internet service provider that also offers Internet devices, Web site development and hosting, online shopping and telecommunications products and services. Big Planet currently has approximately 25,000 Internet service subscribers, approximately 15,000 long distance customers and hosts approximately 9,000 Web sites.

OPERATING STRENGTHS

We believe that our historical operating experience, our recent and planned acquisitions and our shift toward a strategic, product-based divisional operating structure combine to give us the following operating strengths and competitive advantages:

ESTABLISHED GLOBAL NETWORK OF OVER 500,000 DISTRIBUTORS. Over the past 15 years we have established a global network of over 500,000 independent distributors. We believe this network enables us to quickly enter new geographic markets, achieve rapid penetration for new products and launch new divisions. We provide a high level of personalized distributor support services that meet the needs and build the loyalty of our distributors as they build networks of downline distributors. For example, we will continue to make investments in technology and other corporate infrastructure designed to make it easier for distributors to build and manage a profitable business. By leveraging our other operating strengths, we intend to continue to create and maintain a business climate to promote growth in the number of our executive level distributors and increase distributor retention, motivation and profitability.

DISTINCT, BRANDED PRODUCT DIVISIONS. Each of our separate, branded product divisions has a dedicated management team with extensive product and industry experience. For each division, the management team focuses on creating an attractive business opportunity for distributors, leading expansion into new markets, developing premium-quality products and increasing brand awareness and customer loyalty. The presidents of each of our Nu Skin Personal Care, Pharmanex and Big Planet divisions will have global profit and loss responsibility for their businesses. Each president will report directly to our chief executive officer to ensure that management direction is coordinated across divisions. While senior management in each division concentrates on the operations of that division, its efforts are supported by our corporate management's expertise in managing the network marketing channel and providing distributor support. Our corporate personnel additionally support division management in such areas as distributor management, finances, legal matters and human resources. We believe that the divisional structure will enable us to continuously renew the business opportunities of each division. Our branded product divisions should enable us to attract a broader base of distributors who can pursue the divisional business opportunity of greatest interest to them. This divisional structure will enable us in the future to launch other new business opportunities in new industries.

INNOVATIVE, PREMIUM-QUALITY PRODUCT OFFERINGS. We believe we have developed an extensive portfolio of innovative, premium-quality products that appeal to broad markets and lead to repeat purchases. Furthermore, we are committed to continuously developing new, innovative premium-quality products. We believe this will increase brand recognition and distributor and customer loyalty. We sell personal care products with advanced formulas and high quality ingredients and nutritional products that are backed by scientific research. Big Planet currently provides convenient and reliable technology products and services through several leading technology companies. We believe we will be able to continue developing innovative products because of our product development expertise and our third-party research and development relationships.

SEAMLESS GLOBAL DISTRIBUTOR COMPENSATION PLAN. We believe our Global Compensation Plan is among the most financially rewarding plans offered to distributors by network marketing companies. The plan can result in commissions to distributors aggregating up to 58% of the wholesale price of personal care and nutritional products. On a global basis, our commissions have averaged approximately 39% to 41% of revenue from commissionable sales over the last eight years. The Global Compensation Plan is seamlessly integrated across all markets in which distributors sell our products, allowing distributors to receive credit for global product sales rather than merely local product sales. We have enhanced our Global Compensation Plan to allow distributors to develop a seamless global network of downline distributors across all of our product divisions. We believe we are the first major network marketing company to fully compensate distributors for these cross-border and cross-divisional sales. We believe this flexibility will benefit us by allowing distributors to focus on one division while still being eligible to be compensated for sales generated by their downline distributors in other divisions. By developing a compensation plan and structure that do not penalize distributors for focusing on one division, distributors will be better able to develop expertise in an area of interest to them, which should allow them to provide a greater level of service to their downline distributors and customers. This structure will also promote distributor sales across divisions as distributors recruit downline distributors with interests in different business opportunities.

GROWTH STRATEGY

Our growth strategy, designed to capitalize on our operating strengths, is to generate revenue and earnings growth and improve operating performance as follows:

INTRODUCE PHARMANEX AND BIG PLANET IN EXISTING MARKETS. We intend to leverage our existing global distributor network to launch Pharmanex and Big Planet in countries in which we have other operations. We successfully launched our new Pharmanex division in the United States in February 1999 and anticipate launching Pharmanex throughout Asia by the end of 1999, and in other markets during the next 18 months. Many of our existing markets, including Taiwan, Japan and Germany, have large markets for herbal supplements. We believe the Pharmanex division will enable us to further penetrate these markets.

Big Planet began operations in the United States in April 1998. Upon completing our acquisition of Big Planet, we will continue to develop and refine the Big Planet division in the United States and then move this division into Japan within the next 18 months subject to obtaining regulatory approvals and licenses. Big Planet will provide us with an entirely new category of technology products and services that we believe will attract a new demographic of customers and distributors.

DEVELOP NEW PRODUCTS. We intend to continue to develop new, innovative products and services in all divisions in order to enhance the appeal of each of our product offerings and business opportunities. New products tend to increase sales by existing distributors and attract new distributors. We plan to continue evaluating and enhancing our Nu Skin Personal Care products and introduce a new innovative alpha hydroxy acid treatment system. Through the additional product research and development resources we acquired in the Pharmanex acquisition, we intend to develop new nutritional supplements and to substantiate product claims and efficacy. For example, Pharmanex has under development a product designed to promote healthy bone structure for women. Upon completing our Big Planet acquisition, we plan to improve Big Planet's Internet facilities and operational platforms and explore new relationships with product suppliers and vendors so Big Planet can offer additional products and services.

GENERATE INCREASED BRAND AWARENESS AND CUSTOMER LOYALTY. We intend to increase brand awareness and loyalty and sales to new and existing customers, through:

- Increased promotional and public relations efforts focused on the Nu Skin Personal Care, Pharmanex and Big Planet brands, including using celebrity spokespersons such as Christie Brinkley, sponsoring the Nippon Challenge, the Japanese contender for the 2000 America's Cup Regatta, engaging in community support programs and generating clinical data suitable for publication,

- Product research collaboration arrangements with major universities and research centers, including the UCLA Center for Human Nutrition/Pharmanex Phytochemical Laboratory and the Nu Skin Center for Dermatological Research at Stanford University Medical Center, to develop new product offerings and generate credible clinical data, and

- Implementing systems designed to promote repeat purchases, including monthly automatic reordering and delivery.

INCREASE PRODUCT PENETRATION IN EXISTING MARKETS. Our strategy in the near term will be to focus on expanding our direct selling market share in countries where we currently have operations. We intend to further penetrate our existing markets, particularly those in Europe and South America, by introducing existing products not yet available in those markets. For example, in Brazil to date we have only introduced 25 of over 100 possible Nu Skin Personal Care products, and no Pharmanex products or services. In the long term, we will continue to evaluate the growth prospects for direct selling in large developing markets such as the PRC, India and Eastern Europe.

LEVERAGE INTERNET COMMUNICATIONS. Upon the completion of the Big Planet acquisition, we intend to leverage Big Planet's existing Internet infrastructure to further develop our e-commerce capabilities and strengthen our communications link to distributors and customers. We believe this enhanced communications platform will enable us to further attract and retain distributors and customers. For example, we are currently establishing a system that will allow customers to use an identification number assigned to their distributor to access our Web sites and order products. This should ensure that the distributor is compensated for the sale and improve customer retention by providing the customer a means of directly contacting us.

OPERATING DIVISIONS

We currently have two operating divisions: Nu Skin Personal Care, which offers our personal care line of products, and Pharmanex, which offers our nutritional supplements, including our IDN products. Upon the completion of the planned acquisition of Big Planet, Big Planet will become a third division that offers technology and telecommunications products and services.

Presented below are the dollar amount and percentage of revenue of our Nu Skin Personal Care products, Pharmanex/IDN products and sales aids for each of the years ended December 31, 1996, 1997, and 1998. This table should be read together with the information presented in "Management's Discussion and Analysis of Financial Condition and Results of Operations," which discusses the costs associated with generating the aggregate revenue presented.

REVENUE BY PRODUCT CATEGORY
(DOLLAR AMOUNTS IN THOUSANDS)

OPERATING DIVISIONS	YEAR ENDED DECEMBER 31, 1996 $	%	YEAR ENDED DECEMBER 31, 1997 $	%	YEAR ENDED DECEMBER 31, 1998 $	%
Nu Skin Personal Care	$554,974	72.9%	$604,078	63.4%	$531,915	58.2%
Pharmanex/IDN(1) (Nutritional Supplements)	160,288	21.0	297,300	31.2	334,257	36.6
Sales Aids	46,376	6.1	52,044	5.4	47,322	5.2
Total	$761,638	100.0%	$953,422	100.0%	$913,494	100.0%

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(1) We acquired Pharmanex in October 1998, and we formally launched its products in the United States through our distributors in February 1999. Accordingly, the nutritional supplement revenue reflected in this table is composed almost entirely of sales from our IDN nutritional supplement line which constituted our nutritional product line prior to the Pharmanex acquisition.

NU SKIN PERSONAL CARE

Overview. Nu Skin Personal Care is our original product line and business opportunity and currently consists of premium-quality lines of over 100 personal care products in the areas of facial care, body care, hair care, skin whiteners, and color cosmetics, as well as specialty products such as sun protection, oral hygiene, and fragrances. According to the WWD Beauty Report International, at the end of 1997 we were the tenth largest cosmetics company in Asia.

Nu Skin Personal Care's strategy is to distribute high quality personal care products and treatments that utilize advanced formulas. For example, we were one of the first companies to market topical applications of various vitamins including Vitamins A, C and E. Other examples include the MHA REVITALIZING products, which utilize alpha and beta hydroxy acids to fight the signs of aging, and CELLTREX, a concentrated solution of aloe vera and other ingredients, designed to improve the skin's moisture content. We recently entered into a nine-year contract with Stanford University for directed research on skin care products and established the Nu Skin Center for Dermatological Research at Stanford University's School of Medicine. Nu Skin Personal Care also seeks to take advantage of our educated distributor force to provide consumers with a high level of information and instruction about our products and guidelines for using them effectively.

In furtherance of this strategy, Nu Skin Personal Care intends to:

- Relaunch the NU COLOUR cosmetics line in 1999 with improvements to shades, packaging and market positioning,

- Develop and introduce new products that utilize advanced technologies and high quality ingredients, including a new, innovative treatment system to reduce the appearance of fine lines and wrinkles,

- Direct research and clinical studies at the recently established Nu Skin Center for Dermatological Research at Stanford University's School of Medicine to assist in the development of new products and clinically prove effectiveness of new and existing products, and

- Enhance our online ordering process to further attract new customers and help retain existing customers by providing a simplified order process.

Nu Skin Personal Care Products. Our current personal care products are divided into the following lines: facial care, body care, hair care, color cosmetics, sun protection, oral hygiene, fragrances, and speciality products. The Nu Skin Personal Care product line consists of over 100 products. We also offer product sets that include a variety of products in each product line as well as small, sample-size packages to facilitate product sampling by potential consumers. The product sets are especially popular during the opening phase of a new market, when distributors and consumers are anxious to purchase a variety of products, and during holiday and gift giving seasons in each market.

The following is a brief description of each product line within the Nu Skin Personal Care division offered as of December 31, 1998:

Facial Care. The facial care line is the premier line of our personal care products and consists of 20 different cleansers, moisturizers and special treatments. Our cleansers and moisturizers allow users to cleanse thoroughly without causing dryness and to moisturize with effective humectants that allow the skin to attract and retain vital water. These products include: CELLTREX, a concentrated solution of aloe vera and other ingredients, designed to improve the skin's moisture content; REJUVENATING CREAM, a facial moisturizer and one of our most popular personal care products; and PH BALANCE FACIAL TONER, a product combining aloe vera and other ingredients. Our specialized treatment products utilize advanced formulas and ingredients designed for specific skin care conditions. Special treatment products include MHA REVITALIZING products, which utilize alpha and beta hydroxy acids to help fight the signs of aging; and SKIN BRIGHTENING COMPLEX, designed to lighten skin color and diminish the appearance of discoloration caused by sun exposure and aging.

Body Care. Our line of body care products incorporates premium-quality ingredients to cleanse and condition skin. The body care product line consists of 12 different cleansers, moisturizers and special treatments. The cleansers are formulated without soaps, which dry the skin. Our moisturizers contain light but effective humectants and emollients. The body care line's special treatments include DERMATIC EFFECTS, a body contouring lotion containing extracts of hibiscus and malvaceae that has been clinically demonstrated to aid in preventing the appearance of cellulite and aging skin, and MHA REVITALIZING BODY LOTION. Other popular products in this line include BODY SMOOTHER, a moisturizing lotion, BODY BAR, a non-soap cleansing bar, and BODY CLEANSING GEL.

Hair Care. We have designed our hair care line, HAIRFITNESS, to meet the needs of people with all types of hair and hair problems. Focusing on the condition of the scalp and its impact on hair quality, our hair care products use water-soluble conditioners like panthenol to reduce build-up on the scalp and to promote healthy hair. HAIRFITNESS includes 12 products featuring CEREGEN, an innovative wheat-based complex of conditioning molecules designed to enhance hair repair. In April 1999, we introduced a hair care line, KANURE, specifically designed and formulated for the Brazilian market to address the natural properties of severely dry and curly hair.

Color Cosmetics. Our color cosmetics line, NU COLOUR, consists of 13 talc-free products with over 150 SKU's including eye shadow, lipliner, lipsticks, mascara, blush and finishing powder. Nu Skin Personal Care intends to commence the relaunch of the NU COLOUR line in the second quarter of 1999 with new packaging and new shades.

Sun Protection. We have designed our line of SUNRIGHT products to provide a variety of levels of sun screen protection with non-irritating and non-greasy ingredients. The sun protection line includes a sun preparation product that prepares the skin for the drying impact of the sun, five sun screen alternatives with various levels of SPF, and a sun screen lip balm.

Oral Hygiene. We have been exclusively licensed to offer for sale in the direct selling channel a line of oral health care products under the trademark AP-24. AP-24 incorporates anti-plaque

technology designed to help prevent plaque build-up 24 hours a day. The product line includes various oral health care products including toothpaste, mouthwash and floss.

Fragrances. We offer fragrances under the trademarks SAFIRO and BELIEVE, a new women's fragrance developed with Christie Brinkley.

Specialty Products. EPOCH is a line of ethnobotanical personal care products created in cooperation with well known ethnobotanists. These products unite natural compounds used by indigenous cultures with advanced scientific ingredients. This product line consists of various products including GLACIAL MARINE MUD, a revitalizing clay mask containing beneficial sea botanicals, EPOCH ANTISEPTIC HAND SANITIZER, a product containing lavender that disinfects hands, and FIREWALKER FOOT CREAM, created specifically to soothe and rejuvenate tired, aching feet.

NUTRIOL is another line of products that we have been licensed to sell in the direct selling channel. The NUTRIOL product line is manufactured in Europe and consists of five products: NUTRIOL HAIR FITNESS PREPARATION, NUTRIOL SHAMPOO, NUTRIOL MASCARA, NUTRIOL NAIL and NUTRIOL EYELASH. NUTRIOL is a product designed to replenish vital minerals and elements. Each NUTRIOL product uses mucopolysaccharide, a patented ingredient.

Nu Skin Personal Care Product Development. The product development philosophy for Nu Skin Personal Care is represented by our slogan: "All of the Good and None of the Bad." Nu Skin personal care products do not contain soaps and other harsh cleansers that can dry and irritate skin, undesirable oils such as lanolin, elements known to be irritating and pore clogging, and conditioning agents that leave heavy residues. We are also committed to continuously improving our evolving personal care product formulations to incorporate innovative and proven ingredients into our product line. A recent example of our product development capability is IDEALEYES, one of the first products to stabilize Vitamin C in liquid form for topical application.

For product development support in personal care, we rely on an advisory board comprised of recognized authorities in various disciplines. We also recently entered into a nine-year directed-research agreement and formed the Nu Skin Center for Dermatological Research with Stanford University Medical Center's Department of Dermatology. Under this collaborative arrangement, we will direct research and clinical trials of Nu Skin products or materials. We also evaluate a significant number of product ideas presented by distributors, vendors, and other outside sources. We believe our strategic relationships with vendors provide important access to innovative product concepts. We intend to continue developing products tailored to appeal to the particular needs of our markets.

Nu Skin Personal Care Sourcing and Production. We currently acquire products or ingredients for our personal care products from sole suppliers or suppliers that we consider to be the superior sources of such ingredients. We currently rely on one unaffiliated supplier for approximately 50% of our personal care products. Our contract with this supplier expires at the end of 2000. We believe that, in the event we are unable to source any products or ingredients from this supplier, we could produce or replace such products or substitute ingredients without great difficulty or significant increases in the cost of goods sold.

PHARMANEX

Overview. Following the acquisition of Pharmanex, we merged our previously existing Interior Design Nutritionals, or IDN, product division with Pharmanex. We believe that combining Pharmanex's research and development abilities and its nutritional and botanical supplements with IDN's existing product development resources and vitamin and mineral products, including its flagship product, LIFEPAK, helps position us to penetrate further the growing nutritional supplement

market. The combined Pharmanex/IDN division currently offers over 60 nutritional supplements and nutri-food products.

We believe that the nutritional supplement market is expanding throughout the world because of changing dietary patterns, an increasingly health-conscious population, and a growing amount of scientific evidence supporting the benefits of using vitamin and natural self-care products and supplements. We also believe that the Pharmanex/IDN nutritional supplements are particularly well-suited to network marketing because the average consumer is often uneducated about nutritional supplements. We believe that direct selling is a more effective method than traditional retailing channels to educate consumers about the benefits of nutritional supplements and to differentiate the quality and benefits of our products from those offered by competitors. Because there are numerous providers of nutritional supplements of varying degrees of quality, we believe that individual attention and testimonials by distributors provide information and comfort to a potential consumer. In January 1999, Pharmanex discontinued selling nutritional supplements in traditional retail channels where they had been distributed before we acquired Pharmanex. Pharmanex products are now available exclusively through our distributor network, which we believe can educate consumers more effectively about these products on a person-to-person basis. Consistent with this personal selling approach, Pharmanex will allow small, independent pharmacies to retail its products because these pharmacies tend to provide personalized service and accommodate the flow of information to consumers on a person-to-person basis.

Pharmanex utilizes available scientific literature, existing research and clinical studies, and its own research work and clinical studies, including chemistry, toxicology, pharmacology and placebo-controlled, double-blind studies, to evaluate and develop its products and to confirm their safety and efficacy. Two Pharmanex/IDN products, LIFEPAK, an advanced, uniquely formulated multivitamin/ mineral supplement, and CHOLESTIN, a nutritional supplement that promotes healthy cholesterol levels, have been tested in recent independent clinical studies that have demonstrated the efficacy of these products. Pharmanex also has established or supported the creation of the following research centers for nutritional supplements:

- The UCLA Center for Human Nutrition/Pharmanex Phytochemical Laboratory,

- The Pharmanex Institute for Cardiovascular Health and Sports Nutrition,

- A research center located at Shanghai Medical University in the PRC, and

- A research center located at Beijing Medical University in the PRC.

We believe that Pharmanex's nutritional supplements and broad line of botanical supplements complement the IDN multivitamin and nutritional products and provide us with a strong portfolio of products for both the botanical and non-botanical segments of the nutritional supplement market.

To further penetrate existing markets and expand into new markets, Pharmanex intends to:

- Introduce Pharmanex into several new countries in 1999, including Japan, Taiwan, Hong Kong, South Korea and New Zealand, subject to regulatory approvals.

- Introduce new, innovative products based on extensive research and development,

- Expand relationships with major universities and research centers to develop new supplements and publish research studies to confirm the efficacy of its products, and

- Increase efficiency by continuing to vertically integrate the development, sourcing and manufacturing of its products to improve margins and reduce costs.

Pharmanex Products. Our nutritional supplements are currently distributed under the brand names PHARMANEX and IDN. As we continue to integrate Pharmanex with our existing nutritional supplement business around the world, we anticipate that a number of products currently distributed under the IDN brand may be distributed under the PHARMANEX brand name.

Our nutritional supplements currently include the LIFEPAK line of multivitamin and mineral nutritional supplements, five natural nutritional supplements and a broad-line of botanical supplements and general health solutions. We also offer nutritional products in the following lines: general wellness, weight-management, nutritious foods and snacks, sports and fitness products and a water filtration system. We have designed our nutritional products to promote healthy, active lifestyles and general well-being when used in conjunction with proper diet and exercise. In Taiwan and South Korea, LIFEPAK is the official nutritional supplement of each of the Taiwan and South Korea Olympic Committees.

We must often reformulate our nutritional products to satisfy strict regulatory requirements in many of our different markets. While each product's concept and positioning are generally the same, regulatory differences between markets result in some product ingredient differences. For example, Japanese regulations mandate the use of tablets instead of capsules, which are typically used in the United States. See "-- Government Regulation" for more information about government regulation of our nutritional products.

Our herbal supplements are standardized, allowing consumers to obtain a specific, consistent level of the recommended dosage of the important components of the supplement. Recent studies have found that many popular herbal supplements are not standardized and vary enormously in content, which correspondingly varies the effectiveness of such products. Pharmanex uses its "6S Quality Process," which refers to "selection," "sourcing," "structure," "standardization," "safety," and "substantiation," to standardize its herbal supplements to provide a consistent level of the desired dosage of the active compounds of such herbal supplements. We believe that this 6S Quality Process enhances our ability to provide consumers with safe, effective, and consistent products. See "-- Pharmanex -- Pharmanex Product Development" for a more detailed discussion of the 6S Quality Process. The following is a brief description of each of the nutritional product lines within the combined Pharmanex/IDN division:

General Wellness Multivitamin/Mineral Supplements. This product line consists of various vitamin, mineral and antioxidant supplements, including LIFEPAK. The LIFEPAK family of products, the core IDN nutritional supplement, is designed to provide a beneficial mix of nutrients including vitamins, minerals, antioxidants, and phytonutrients, which are nutrient extracts from plants. The introduction of LIFEPAK in the United States in 1992 and Japan in 1995 resulted in a significant increase in our revenue. We currently sell LIFEPAK in 12 of our markets, including the United States, Japan and Taiwan. We offer LIFEPAK in different formulations to meet the unique needs of women, older adults and pregnant women.

Pharmanex Natural Nutritional Supplements. Pharmanex currently offers five natural nutritional supplements: CHOLESTIN, CORDYMAX Cs-4, TEGREEN 97, BIO ST. JOHN'S and BIOGINKGO 27/7.

CHOLESTIN is a nutritional supplement derived from a strain of red yeast rice. A recent double-blind, placebo-controlled study conducted at the UCLA Center for Human Nutrition and published in the February 1999 issue of the American Journal of Clinical Nutrition demonstrated the effectiveness of CHOLESTIN in helping to promote healthy cholesterol levels. In February 1999, a Federal District Court judge ruled that CHOLESTIN could be legally sold as a nutritional supplement under the Dietary Supplement Health and Education Act of 1994. The FDA had previously challenged the status of CHOLESTIN as a dietary supplement, claiming it was a drug and could not be

marketed without FDA approval. The FDA has appealed the decision. See "Risk Factors -- If CHOLESTIN is determined to be a drug requiring FDA approval, our sales of CHOLESTIN will decrease and our business will be harmed," for further discussion of this risk.

CORDYMAX Cs-4 is a nutritional supplement designed to help reduce fatigue. Several clinical trials have been conducted on this product which have demonstrated that CORDYMAX CS-4 can help promote stamina. CORDYMAX CS-4 is offered as a stand-alone product and in a combination product with St. John's Wort, a positive mood enhancer, distributed under the trademark BIO ST. JOHN'S. In addition, we offer BIO GINKGO 27/7, a ginkgo biloba extract that promotes blood circulation to the brain, arms, and legs, and TEGREEN 97, a supplement that contains a concentrated level of decaffeinated green tea polyphenols that offer high antioxidant levels.

Pharmanex Broadline Botanicals. Pharmanex also currently offers a line of ten standardized botanical supplements including GINSENG, KAVA KAVA, ECHINACEA, GARLIC, and HAWTHORN. Botanicals can exhibit substantial differences in content depending on various factors such as season, climate, soil, method of harvest, storage, and processing. As a result, botanical products can vary dramatically in quality and content. Pharmanex's botanical supplements are standardized to provide consumers with a product that contains a specific, consistent level of the desired dosage of the important components of the supplement. In addition, Pharmanex implements quality control processes designed to enhance its ability to keep products free from contaminants.

Nutritious and Healthy Snacks. As part of its mission to promote a healthy lifestyle and long-term wellness, Pharmanex's NUTRI-FOODS product line includes nutritional drinks such as ALOE FOUNTAIN, which contains organically grown aloe vera, and SPLASH C with aloe vera, a healthy beverage providing significant doses of Vitamins C and E as well as calcium in each serving. This product line also includes meal supplements such as nutritious snack bars.

Sports and Fitness Products. The SPORTRITION line of sports and fitness products caters to health conscious individuals with active lifestyles. This product line consists of a packaged group of nutritional supplements offering a comprehensive, flexible program for individuals who desire to improve athletic performance. Products in the Sportrition line include OVERDRIVE, a sports supplement that features antioxidants, B vitamins, and chromium chelate and PROGRAM-16 protein bars, designed to provide nutritional support for individuals involved in strenuous exercise.

HealthTrim 2000. The HEALTHTRIM 2000 weight management program includes a line of nutritional products designed to provide nutritional support to weight conscious individuals. These products include fiber supplements marketed under the product names FIBRENET and FIBRENET PLUS, and LIFEPAK TRIM, a multivitamin/mineral supplement, and other related products.

Specialty Products. In the fourth quarter of 1998, we introduced a high-performance home water filtration system in Japan. The FOUNTAIN FRESH filtration system was designed by and is being manufactured exclusively for us by CUNO Incorporated, a worldwide manufacturer of home and industrial filtration systems.

Pharmanex Product Development. Since we first began offering nutritional products, we have been committed to providing high quality nutritional supplements, as typified by our best-selling nutritional product, LIFEPAK. This philosophy has led to our commitment to avoid stimulants and any ingredients that are reported to have any long-term addictive or harmful effects, even if the short-term effects may be desirable. Through the acquisition of Pharmanex, we believe that our increased research and development capabilities will solidify us as one of the industry leaders in developing and distributing high-grade, clinically substantiated nutritional supplements.

We believe that we are one of the few nutritional supplement companies in the United States that has a research and development department patterned after the pharmaceutical industry. We believe that this research and development capability will provide us with an important competitive advantage in this industry. Moreover, because a substantial portion of Pharmanex's research and development activities are conducted in the PRC, we believe that we should be able to conduct quality research and development work as well as initial clinical trials at significantly less cost than would be incurred if we conducted comparable work in the United States.

In our development of natural and botanical supplements, our primary research and development goal is to selectively develop proprietary technologies for the purification and standardization of efficacious "single-species" herbal products. Selection of a botanical/natural or nutritional product for development is based on available scientific data concerning safety and efficacy and consumer need. We utilize our "6S Quality Process" in our development activities, which is designed to provide a precise, standardized, recommended dosage of each beneficial natural ingredient in every capsule. The 6S Quality Process generally involves the following steps:

- SELECTION. Conducting a scientific review of research and databases in connection with the selection of potential products and ingredients, and determining the authenticity, usefulness, and safety standards for such potential products and ingredients.

- SOURCING. Investigating potential sources, evaluating the quality of such sources, and performing botanical and chemical evaluations where appropriate.

- STRUCTURE. Determining the structural analyses of natural compounds and active ingredients.

- STANDARDIZATION. Standardizing the product to at least one relative active ingredient.

- SAFETY. Assessing safety from available research, and, where necessary, performing additional tests such as microbial tests and chemical, toxin, and heavy metal analyses.

- SUBSTANTIATION. Reviewing documented pre-clinical and clinical trials, and where necessary and appropriate, initiating studies and clinical trials sponsored by us.

Pharmanex now employs approximately 45 scientists at our dedicated research and development center in Shanghai, the PRC, and at our Provo, Utah and San Francisco, California offices. We also have working relationships with 20 other independent scientists and rely on an advisory board comprised of recognized authorities in related disciplines. In addition, we evaluate a significant number of product ideas presented to us by distributors and other outside sources. We believe that our strategic relationships with vendors also provide important access to innovative product concepts. We have established collaborative agreements with four established universities and research institutions in the PRC: Shanghai Medical University, Beijing Medical University, Institute of Materia Medica, and National Laboratory of Contraceptive and Devices Research. The staffs of these institutions include scientists with expertise in natural product chemistry, biochemistry, pharmacology and clinical studies. Our research and development center in Shanghai coordinates and validates our collaborative efforts with these institutions. We also currently have collaborative research and clinical study programs with several major university research centers in the United States, including UCLA, the Rippe Center for Clinical Lifestyle Research, Columbia University, the University of Kansas, and the Scripps Institute.

PHARMANEX SOURCING AND PRODUCTION. Substantially all of our nutritional supplements and ingredients, including LIFEPAK, are produced or provided by third-party suppliers that we consider to be the best suppliers of such products and/or ingredients. We currently rely on one unaffiliated supplier for approximately 30% of our nutritional supplements. We believe that, in the event we were unable to source any products or ingredients from this supplier or our other current suppliers other

than as described below, we could produce or replace such products or substitute ingredients without great difficulty or significant increases in the cost of goods sold. However, we cannot assure you that the loss of any such suppliers would not harm our business and results of operations.

We obtain one of our nutritional supplements, CORDYMAX CS-4, from a sole supplier in the PRC pursuant to a contract expiring in 2006. We obtain another product, CHOLESTIN, from two different suppliers pursuant to contracts that expire in 2008 and 2016. The CHOLESTIN and CORDYMAX CS-4 contracts have minimum purchase requirements. In the event we fail to satisfy these minimum purchase requirements, we will be required to pay a penalty of up to approximately $2.0 million in connection with our CORDYMAX CS-4 contract and up to approximately $7.5 million in connection with our CHOLESTIN contracts. In the event we are unable to source products from these suppliers, we could have difficulty finding another source of these products.

As part of the acquisition of Pharmanex, we acquired an extraction and purification facility located in Huzhou, Zhejiang Province, PRC where we currently produce the extracts for our BIO GINKGO 27/7 and TEGREEN 97 products.

We have focused on a five-step sourcing process for our natural nutritional supplements, such as TEGREEN 97 and BIO GINKGO 27/7, to ensure product quality. The first step in this process is to identify the sources of raw material from among many different species. This requires us to employ or engage the necessary botanical expertise to identify the species required for a particular product. The second step is to evaluate the raw material's availability. We concentrate on products that utilize raw materials that can be cultivated in quantities sufficient to produce satisfactory yields. We consider variables such as location, seasonal availability, stability, access and alternative sources. Once the sources of supply have been identified, the third step is to evaluate their quality, which can differ significantly not just by source, but by time of harvest and method of harvest. We have found that steps two and three require an on-the-ground presence and local expertise to be done properly. Step four is to identify the source of supply. To ensure raw material supply, we may engage in both forward contracts as well as contracts with multiple suppliers. As a final step to ensure quality, we, when possible, physically supervise the harvest and shipment of all raw materials and bulk extract purchased. This activity involves not only visual inspection, but also chemical analysis of the level of active ingredients in the material at the harvest site and at the receiving dock.

We have contract cultivation areas in the PRC and in Chile. Because some of our natural and botanical products such as BIO ST. JOHN'S and BIO GINKGO 27/7 come from crops that can only be harvested once a year, problems with such crops could limit our ability to produce products associated with that plant species during a poor harvest year. In addition, as these products can only be produced once a year, we must rely on the accuracy of our estimates of product requirements in sourcing these products. If we underestimate our product requirements, we may not be able to re-stock such product until the next growing season. To help mitigate this problem, we are continuing to work on sourcing raw materials in both the Northern and Southern hemispheres to provide for two separate growing seasons.

BIG PLANET

Overview. The Internet is rapidly emerging as a global medium for communications, sharing information and electronic commerce. An industry analyst, International Data Corporation, estimates that the number of Web users will grow from approximately 140 million at the end of 1998 to approximately 400 million by the end of 2002. Industry analysts further estimate that the value of e-commerce transactions totaled approximately $58 billion in 1998 and will reach approximately $730 billion in 2002. The recent growth of the Internet and electronic commerce is effecting significant changes in information delivery and product purchasing. In addition, deregulation of

telecommunications and the growth in wireless communications have resulted in changes and opportunities in the telecommunications markets. We recently entered into an agreement to acquire our affiliate Big Planet, which provides us a new business opportunity involving technology products and services allowing us to:

- Take advantage of the opportunities provided by the rapid growth of the technology and communication markets,

- Appeal to a broader base of customers and distributors, and

- Utilize the strength and competitive advantages of our distribution system to reach new segments of the marketplace.

The core strategy of Big Planet is to be an "InterNetworking" company that combines the global Internet revolution with the power of network marketing. We believe that technology products are highly compatible with our distribution system and that Big Planet provides a compelling business opportunity for technology-oriented entrepreneurs desiring to participate in the Internet revolution. Big Planet leverages the direct selling expertise of our distributor force to provide high levels of service to its customers in a product area that is often confusing to consumers. Big Planet trains its distributors to educate consumers as needed to help them understand and take advantage of the latest technology products. We believe that Big Planet's strategy of providing products and services through a properly trained and motivated sales force will provide us the opportunity to take technology to a broad market.

Big Planet seeks to differentiate itself from other Internet, telecommunications and technology providers in three respects by:

- Basing its customer acquisition strategy upon person-to-person communication and referrals, which Big Planet believes is an effective means of securing customers in a business environment that is often confusing to consumers,

- Providing high levels of customer support through both corporate support staff and through Big Planet distributors, and

- Becoming a single source provider of Internet and telecommunications products and services, giving consumers one source they can turn to for Internet devices, connectivity, online shopping and long distance services.

Big Planet believes that multiple connections to the home will enhance customer retention by providing a broad range of integrated services. Big Planet's communication and technology products and services are designed specifically for consumers and small businesses who desire a responsive, single-source provider of Internet connectivity, communications and online shopping both for our products and third-party products. Distributors earn commissions on purchases through the Big Planet online store, bpstore.com. Big Planet currently generates revenue from:

- Providing Internet access and sales of Internet access devices,

- Sales of telecommunications products and services including long distance and paging,

- Web site development and hosting, and

- Sales of a wide selection of products through the Big Planet online store.

In furtherance of its strategies, Big Planet intends to:

- Increase its online shopping potential by adding to the number of products offered through the Big Planet online store,

- Strengthen its product offerings by enhancing current services and expanding into new product categories, possibly including entertainment and home security, and

- Provide a single online bill for all services provided to its customers.

Big Planet Products. Upon completion of the proposed Big Planet acquisition, we will add technology and communication products and services to our product offerings. Big Planet, which was launched in April 1998, currently provides technology and communication products and services in both standalone and packaged bundles designed specifically for consumers and small businesses who desire a responsive, single-source provider of Internet connectivity, Internet devices, online shopping and telecommunications.

Big Planet has invested significantly in its Internet facilities and operation support facilities. Big Planet also has entered into contractual relationships with several industry-leading technology companies, including Qwest Communications, AT&T Wireless, UUNet, SkyTel, IBM, Sun Microsystems and other key vendors, to provide convenient and reliable technology products and services. Big Planet's sales representatives receive commissions based on Big Planet's gross margin on each sale of products or services, or based on the commission received by Big Planet with respect to products sold directly by third-party vendors to Big Planet's customers. Big Planet's products and services are built around the following core areas: providing Internet access, offering other Internet services and devices, Web site development and hosting, online shopping and telecommunications products and services.

Internet Connectivity and Access Devices. Big Planet provides dial-up Internet services to its customers through three separate access plans designed to cover the needs of a broad demographic group of consumers. As with many other Internet service providers, Big Planet outsources Internet access through a nationwide telecommunications network of over 1,800 dial up access sites, or "POPS," in cities throughout the United States. Big Planet currently has approximately 25,000 Internet service customers. Big Planet provides easy to use, reliable and competitively priced Internet access, electronic mail and content filtration for its distributors and consumers.

Big Planet has introduced the following Internet devices:

- The IPHONE, an innovative telephone that provides simple and convenient Internet access via a touch screen phone with a built-in monitor and keyboard, and

- The APLIOPHONE, a device that connects to a phone and allows the user to route long-distance calls over the Internet.

Web Site Development and Hosting. Big Planet provides a powerful, yet easy to use tool for creating and maintaining sophisticated Web sites. Big Planet currently hosts approximately 9,000 Web sites primarily for individuals and small businesses.

Telecommunications. Big Planet currently offers domestic and international long distance, prepaid calling cards, paging products and services, and personal 800 numbers. Big Planet offers both residential and business long distance services through its relationship with Qwest Communications. Big Planet currently provides long distance service to approximately 15,000 customers. Big Planet has entered into an agreement to offer wireless telecommunication services through AT&T Wireless. Big Planet also has a business relationship with SkyTel which allows Big Planet to sell SkyTel's prepaid paging products, including SkyTel's BEEPWEARPRO pager watch.

Online Shopping. The Big Planet online store provides an online shopping environment to Big Planet distributors and their customers. The Big Planet store was initially opened in September 1998 and currently offers access to a wide selection of products and services from numerous different vendors in addition to Nu Skin Personal Care and Pharmanex products. A key category within the store is computing products, including Internet appliances like the iPhone and the AplioPhone. Big Planet has several relationships with other parties which link the Big Planet online store to Web sites such as pharmanex.com, OnlineOfficeSupplies.com, ccvideo.com, ccmusic.com and Flowerclub.com. Distributors earn commissions on purchases by their customers through the store.

Big Planet Product Development. To date, Big Planet's product development has focused on developing its Internet facilities and operational systems in order to develop operational and support platforms necessary to ensure consistent services and provide for the introduction of new products and services. Big Planet seeks to identify and secure contractual relationships with various vendors and suppliers that will enable Big Planet to sell competitively-priced technology products and services through its distribution channel. In addition, Big Planet is committed to identifying and securing contractual relationships with various vendors and suppliers for a wide selection of products for sale through its online store. Big Planet is evaluating the next generation of Internet devices including set top boxes, Internet telephones and cellular phones that connect to the Internet. In addition, one of Big Planet's vendors is developing the next generation iPhone and an iPhone appropriate for the Japanese market. Big Planet is working with technology partners to develop other products and services for the home, including home security and satellite television.

Big Planet Sourcing and Production. Because the Internet is the key component of Big Planet's business and strategy of controlling its customer relationships, Big Planet has made a significant investment in building a state-of-the-art network operations center which serves as the central platform for its Internet services, Web site hosting services and its online store. Similar to other Internet service providers, Big Planet outsources dial-up Internet access through a nationwide telecommunications network of over 1,800 "POPS" in cities throughout the United States with a contract with UUNet and other key backbone providers. Except for its Internet services, Web hosting and online shopping platform, substantially all of the services and products offered by Big Planet are contracted or sourced from unaffiliated third parties pursuant to contractual arrangements. For example, Big Planet has contracted with Qwest Communications to provide long distance phone services and AT&T Wireless to provide wireless communications. By acting as a reseller of these services, Big Planet is able to avoid the large capital deployment and investment that would be required to build the infrastructure necessary to provide such services. However, Big Planet's profit margins and its ability to deliver quality service at competitive prices depend upon its ability to negotiate and maintain favorable terms with such third-party providers. Big Planet also contracts with or enters into various business relationships with various unaffiliated parties to acquire the right to distribute unique and innovative products, such as the iPhone through its online store.

REGIONAL PROFILES

For information on our revenue for each of the geographic regions in which we operated for the years ended December 31, 1996, 1997, and 1998 and other related information, we refer you to "Management's Discussion and Analysis of Financial Condition and Results of Operations," and Note 16 to our consolidated financial statements found elsewhere in this prospectus.

NORTH ASIA. Our North Asia region currently consists of our markets in Japan and South Korea. Japan is our largest market with approximately $654.2 million in revenue in 1998. According to the World Federation of Direct Selling Associations, the direct selling channel in Japan generated sales of approximately $30 billion of goods and services in 1997, making Japan the largest direct selling market in the world. Although industry sources estimate that approximately 2.5 million people were involved in direct selling in Japan, we believe that as many as six million people may be involved in

direct selling businesses in Japan. Direct selling is governed by detailed government regulation in Japan. Much of our success to date can be attributed to the growth of our Japanese business in recent years. While the direct sales market as a whole has remained relatively flat for several years in Japan, we have posted double-digit percentage growth in revenue, on a local currency basis, each year since we entered this market in 1993. In addition, in 1999 we plan to open a new operations center outside of Tokyo where we will relocate our order processing and distributor support functions. We believe this will improve customer service while increasing efficiencies and lowering occupancy costs.

As of December 31, 1998, in Japan we offered virtually all of our personal care products and nearly one third of our nutritional supplements, including LIFEPAK and LIFEPAK TRIM, our core nutritional supplements. In addition, in the fourth quarter of 1998, we introduced a home water filtration system designed for the Japanese market. With a suggested retail price of approximately $450, this is our first large-ticket item to be distributed through our network marketing channel. We currently offer a majority of our personal care products and approximately 10% of our nutritional supplements in South Korea. We have not introduced any of the natural nutritional supplements or botanical supplements that we acquired in our recent acquisition of Pharmanex such as CHOLESTIN and CORDYMAX CS-4 in either Japan or South Korea. We currently intend to begin introducing these products in these markets in 1999.

SOUTHEAST ASIA. Our Southeast Asia region currently consists of our markets in Taiwan, Hong Kong, Thailand, the Philippines, New Zealand, and Australia. This region has been significantly affected by the Asian economic recession, which has severely curtailed consumer spending, particularly in Thailand.

Taiwan is our largest market in this region with revenue of $119.5 million in 1998. According to the World Federation of Direct Selling Associations, the direct selling channel in Taiwan generated approximately $1.7 billion in sales of goods and services in 1996, of which approximately 43% were nutritional products. We believe that the direct selling industry in Taiwan contracted during 1998 due in part to the economic recession in the region and the PRC's decision to temporarily ban direct selling where many Taiwanese distributors hoped to expand their businesses. The contraction was more significant in United States dollar terms as a result of the weakening Taiwanese dollar. Approximately two million people, which is about 10% of the population, are estimated to be involved in direct selling. Taiwan's government strictly regulates direct selling activities. For example, Taiwan's government has enacted tax legislation aimed to ensure proper tax payments by distributors on product sales to consumers. We believe that we are one of the largest direct selling companies in Taiwan. As of December 31, 1998, we offered most of our personal care products and approximately one third of our nutritional supplements in Taiwan.

OTHER MARKETS. Our Other Markets region currently consists of our markets in Europe, which, until March 1998, had been operated by private affiliates, our North American markets, which, until May 1999, had been operated by private affiliates, and Brazil. In March 1999, we terminated our license agreement with our affiliate Nu Skin USA which, prior to this termination, had the exclusive right to sell our products within the United States. Accordingly, the only revenue we recognized in 1998 from sales in the United States related to license fees paid to us for use of the Nu Skin trademarks and trade names and revenue from sales of our products to Nu Skin USA. These fees and revenue accounted for a majority of the revenue in our Other Markets in 1998. Going forward we will recognize all revenue from sales of our products in the United States. According to the World Federation of Direct Selling Associations, the direct selling channel in the United States generated sales of approximately $22 billion of goods and services in 1997, making the United States the second largest direct selling market in the world. According to the World Federation of Direct Selling Associations, approximately 9.3 million people are involved in direct selling businesses in the United States. Substantially all of our personal care products and nutritional supplements are distributed in the United States.

The European markets first opened in 1995 with the opening of the United Kingdom, Belgium, the Netherlands, France and Germany. Since that initial opening, an additional eight markets have been opened in Europe, including Sweden, Denmark and Poland in 1998. Approximately 75 of our personal care products are sold in Europe. We have introduced several of our IDN products in a limited number of our European markets. We believe the nutritional supplement market provides us with our greatest growth potential in Europe. We recently hired a new European vice president and continue to refine our operations in Europe to fit European practices and preferences.

In November 1998 we opened the Brazilian market, which is our first market in South America. According to the World Federation of Direct Selling Associations, the direct selling channel in Brazil generated sales of approximately $4.0 billion of goods and services in 1997, prior to the recent currency devaluation, making Brazil the third largest direct selling market in the world. According to the World Federation of Direct Selling Associations there are approximately 1.8 million people involved in direct selling in Brazil. Approximately 25% of the personal care products have been introduced in Brazil, along with 15 locally produced products. We have not yet introduced our nutritional products into the Brazilian market.

DISTRIBUTION SYSTEM

OVERVIEW OF DISTRIBUTION SYSTEM. The foundation of our sales philosophy and distribution system is network marketing. Under most network marketing systems, distributors purchase products for resale to consumers and for personal consumption. Pursuant to our Global Compensation Plan, we currently sell products exclusively through independent distributors who are not our employees. Our network marketing program differs from many other network marketing programs in several respects.

- The Global Compensation Plan is among the most financially rewarding plans offered to distributors by network marketing companies and can result in commissions to distributors aggregating up to 58% of a personal care or nutritional product's wholesale price. On a global basis, commissions have averaged approximately 39 to 41% of revenue from commissionable sales over the last eight years.

- We were among the first to allow distributors to be compensated for product sales of downline-sponsored distributors around the world, and we believe we are now the first major network marketing company to allow distributors to be fully compensated for product sales of downline-sponsored distributors globally across all operating divisions.

- Our order and fulfillment systems eliminate the need for distributors to carry significant levels of inventory.

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

- Consumers can learn about products in person from distributors, which we believe is more effective for premium-quality products than using television and print advertisements,

- Direct sales allow for actual product testing by potential customers,

- There is greater opportunity for distributor and customer testimonials, and

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

Direct selling as a distribution channel has been enhanced in the past decade by advancements in communications, including telecommunications and Internet connectivity, and the proliferation of

the use of videos and fax machines. For this reason, we maintain an in-house staff of video production personnel for timely and cost-effective production of sales materials. In addition, we intend to leverage Big Planet's existing Internet infrastructure following the completion of the proposed Big Planet acquisition to implement effective Internet strategies in each of our product divisions. We believe that the Internet will become an increasingly important business factor as more and more consumers purchase products over the Internet as opposed to traditional retail and direct sales channels. As a result, we expect that direct sellers will need to adapt their business models to integrate the Internet into their operations to remain successful. Management is committed to fully utilizing current and future technological advances to continue enhancing the effectiveness of direct selling.

Because of the nature of Big Planet's products and services, Big Planet distributors do not buy products for resale but act as independent sales representatives of Big Planet. Upon completion of the Big Planet acquisition, we will sell products through the Big Planet online store in a manner allowing distributors to be compensated for online purchases by their customers.

Big Planet does not pay commissions on the wholesale price but on the gross margins from sales of services and products. If products and services are purchased directly by distributors or customers from third parties with contractual relationships with Big Planet, the commission is based on the total commission that Big Planet receives from such third parties with respect to such sales. Accordingly, commissions paid with respect to Big Planet products and services are significantly less as a percentage of revenue than our historic commission levels.

Our revenue depends directly upon the efforts of distributors. Growth in sales volume requires an increase in the productivity of distributors and/or growth in the total number of distributors. We cannot assure you that the productivity or number of distributors will be sustained at current levels or increased in the future. Furthermore, we estimate that, as of December 31, 1998, approximately 300 distributorships worldwide maintained Hawaiian Blue Diamond or Blue Diamond executive distributor levels, which are our two highest executive distributor levels, and, together with their extensive downline networks, account for substantially all of our revenue. Consequently, the loss of a high-level distributor, together with a group of leading distributors in such distributor's downline network, or the loss of a significant number of distributors for any reason, could harm our business.

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

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

Sponsoring activities are not required of distributors. However, because of the financial incentives provided to those who succeed in building a distributor network that consumes and resells products, we believe that most of our distributors attempt, with varying degrees of effort and success, to sponsor additional distributors. Generally, distributors invite acquaintances to sales meetings in which they present our products and explain the Global Compensation Plan. People are often attracted to become distributors after using our products and becoming regular customers. Once a person becomes a distributor, he or she is able to purchase products directly from us at wholesale prices or receive product rebates.

The distributor is also entitled to sponsor other distributors in order to build a network of distributors and product users.

A potential distributor must enter into a standard distributor agreement which obligates the distributor to abide by our policies and procedures. Additionally, in most countries except Japan, a new distributor is required to enter into a product purchase agreement with our local subsidiary, which governs product purchases. In some of our markets, we require distributors to purchase a starter kit, which includes our policies and procedures, for the approximate cost of producing the starter kit.

GLOBAL COMPENSATION PLAN. We believe that one of our key competitive advantages is our Global Compensation Plan. Distributors receive higher levels of commissions as they advance under the Global Compensation Plan. The Global Compensation Plan is seamlessly integrated across all markets in which distributors sell our products, allowing distributors to receive commissions for global product sales, rather than merely local product sales. We have also enhanced our Global Compensation Plan to allow distributors to develop a seamless global network of downline distributors across any or all of our product divisions. We believe we are the first major network marketing company to allow distributors to be fully compensated for global sales of downline-sponsored distributors across separately branded product divisions.

We believe that our enhanced Global Compensation Plan benefits us by allowing distributors to focus on one division while still being compensated for sales generated by their downline distributors in other divisions. Our distributors may develop expertise in areas of particular interest, and better serve their customers as a result, without being penalized if their downline-sponsored distributors have different interests in other product divisions. Our enhanced plan should also encourage distributors to sell products and sponsor new distributors across all product divisions because they are fully compensated for such activities. Under the enhanced Global Compensation Plan, we leverage the knowledge and experience of current distributors to build distributor leadership in new markets and across product divisions.

Our distributors benefit significantly from receiving commissions at the same rate for sales in foreign countries as for sales in their respective home countries and across product divisions. In addition, our distributors are not required to establish new distributorships or requalify for higher levels of commissions within each new country in which they begin to operate, which is frequently the case under the compensation plans of many of our competitors. Under the modified Global Compensation Plan, distributors are paid consolidated monthly commissions in the distributor's home country, in local currency, for product sales in that distributor's global downline distributor network across all product divisions.

HIGH LEVEL OF DISTRIBUTOR INCENTIVES. Based upon our knowledge of competitors' distributor compensation plans, we believe that the Global Compensation Plan is among the most financially rewarding plans offered to distributors by network marketing companies. Currently, there are three fundamental ways in which distributors can earn money:

- Through retail markups on personal care and nutritional products sold wholesale, for which we recommend a range from 43% to 60%,

- Through rebates on nutritional product retail sales in the United States to a distributor's retail customers which range from 20% to 30% of such products' retail price, and

- Through a series of commissions on product sales.

Commissions on personal care and nutritional products can result in commissions aggregating up to 58% of a product's wholesale price. On a global basis, commissions on personal care and

nutritional products have averaged approximately 39 to 41% of revenue from commissionable sales over the last eight years.

Big Planet pays commissions on the gross margins from sales of products and services. If products and services are purchased directly by distributors or customers from third parties which have contractual relationships with Big Planet, the commission is based on the total commission Big Planet receives from such third parties with respect to such sales. As a result, the commissions paid to distributors of Big Planet products and services would be significantly less as a percentage of revenue than our historic commission levels.

Each of our products carries a specified number of sales volume points. Commissions are based on total personal and group sales volume points per month. Sales volume points are essentially based upon a product's wholesale cost, net of any point-of-sale taxes. As a distributor's retail business expands and as he or she successfully sponsors other distributors into the business who in turn expand their own businesses, he or she receives a higher percentage of commissions.

Once a distributor becomes an executive-level distributor, the distributor can begin to take full advantage of the benefits of commission payments on personal and group sales volume. To achieve executive status, a distributor must achieve specified personal and group sales volumes for a required period of time. To maintain executive status, a distributor must generally also maintain specified personal and group sales volumes. An executive's commissions increase substantially as downline distributors achieve executive status. In determining commissions, the number of levels of downline distributors included in an executive's group increases as the number of executive distributorships directly below the executive increases.

On a monthly basis, we evaluate distributor requests for exceptions to the terms and conditions of the Global Compensation Plan. While the general policy is to discourage exceptions, we believe that the flexibility to grant such exceptions is critical in retaining distributor loyalty and dedication. In each market, distributor services personnel evaluate each such instance and make appropriate recommendations to us.

As of the dates indicated below, we had the following number of executive distributors:

TOTAL NUMBER OF EXECUTIVE DISTRIBUTORS

	AS OF DECEMBER 31,					AS OF MARCH 31,
	1994	1995	1996	1997	1998	1999
EXECUTIVE DISTRIBUTORS						
North Asia	3,613	4,017	14,844	16,654	17,311	16,530
Southeast Asia	2,778	4,129	6,199	5,642	5,091	4,087
Other Markets(1)	--	27	436	393	379	3,232
Total	6,391	8,173	21,479	22,689	22,781	23,849

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(1) Upon the termination of the Nu Skin USA distribution license in March 1999, we added 2,757 executive level distributors in the United States.

DISTRIBUTOR SUPPORT. We are committed to providing high-level support services tailored to the needs of our distributors in each market. We meet the needs and build the loyalty of our distributors with personalized distributor service, a support staff that assists distributors as they build networks of downline distributors, and a liberal product return policy. Because many distributors have only a limited number of hours each week to concentrate on their Nu Skin business, we believe that

maximizing a distributor's efforts by providing effective distributor support has been and will continue to be important to our success.

Through training meetings, annual conventions, distributor focus groups, regular telephone conference calls, and personal contacts with distributors, we seek to understand and satisfy the needs of our distributors. We provide walk-in, telephonic, and computerized product fulfillment and tracking services that result in user-friendly, timely product distribution. Several of our walk-in centers maintain meeting rooms which distributors may utilize in training and sponsoring activities. In addition, we are committed to evaluating new ideas in technology and services that we can provide to distributors, such as automatic product reordering. We currently utilize voicemail, teleconferencing, and fax services. We anticipate that global Internet access, including company and product information, ordering abilities, and group and personal sales volume inquiries, will be available to distributors in the future.

RULES AFFECTING DISTRIBUTORS. Our standard distributor agreement, policies and procedures, and compensation plan contained in every starter and/or introductory kit outline the scope of permissible distributor marketing activities. Our distributor rules and guidelines are designed to provide distributors with maximum flexibility and opportunity within the bounds of governmental regulations regarding network marketing and prudent business policies and procedures. Distributors are independent contractors and are expressly prohibited from representing themselves as our agents or employees. We require that distributors present our products and business opportunities ethically and professionally. Distributors further agree that their presentations to customers must be consistent with, and limited to, the product claims and representations made in literature distributed by us. Under most regulations governing nutritional supplements, no medical claims may be made regarding the products, nor may distributors prescribe any particular product as suitable for any specific ailment. Even though sponsoring activities can be conducted in many countries, distributors may not conduct marketing activities outside of countries in which we currently conduct business and further may not export for sale products from one country to another.

Distributors must represent to us that their receipt of commissions is based on retail sales and substantial personal sales efforts. Exhibiting commission statements or checks is prohibited. We must produce or pre-approve all sales aids used by distributors such as videotapes, audio tapes, brochures, promotional clothing, and other miscellaneous items.

Distributors may not use any form of media advertising to promote products. Products may be promoted only by personal contact or by literature produced or approved by us. Generic business opportunity advertisements, without using our name, may be placed in accordance with required guidelines in some countries. Our logos and names may not be permanently displayed at any location. Distributors may not use our trademarks or other intellectual property without our consent.

Products generally may not be sold, and our business opportunities may not be promoted, in traditional retail environments. Pharmanex has made an exception to this rule and has allowed its products to be sold in independently-owned pharmacies and drug stores meeting our requirements. Additionally, distributors may not sell at conventions, trade shows, flea markets, swap meets, and similar events. Distributors who own or are employed by a service-related business such as a doctor's office, hair salon, or health club, may make products available to regular customers as long as products are not displayed visibly to the general public in such a way as to attract the general public into the establishment to purchase products.

Generally, a distributor can receive commission bonuses on nutritional and personal care products only if, on a monthly basis, the distributor:

- Achieves at least 100 points, which is approximately $100, in personal sales volume,

- Documents retail sales to at least five retail customers,

- Sells and/or consumes at least 80% of personal sales volume, and

- Is not in default of any material policies or procedures.

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

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

SALES AIDS. We provide an assortment of sales aids to facilitate the sales of our products. In dollar terms, the largest sales aid is our starter kit which includes materials such as product brochures, training materials and order forms. Sales aids include videotapes, audiotapes, brochures, promotional clothing, pens, stationery, business cards, brushes, combs, cotton pads, tissues, and other miscellaneous items to help create consumer awareness of our company and products. Sales aids are priced at our approximate cost, and distributors do not receive commissions on purchases of sales aids.

PRODUCT GUARANTEES. We believe that we are among the most consumer-protective companies in the direct selling industry. For 30 days from the date of purchase, our product return policy allows a retail purchaser to return any product to the distributor through whom the product was purchased for a full refund. After 30 days from the date of purchase, the return privilege is in the discretion of the distributor. Because distributors may return unused and resalable products to us for a refund of 90% of the purchase price for one year, they are encouraged to provide consumer refunds beyond 30 days. In addition, our product return policy is an important tool used by our distributors in developing a retail customer base. Our experience with actual product returns has averaged less than 5.0% of annual revenue through 1998. Because many of Big Planet's products and services are provided directly to consumers by third-party vendors, the same 30-day return privilege does not apply to products purchased by consumers from such vendors unless such vendors otherwise agree.

COMPETITION

PERSONAL CARE AND NUTRITIONAL PRODUCTS. The markets for personal care and nutritional products are large and intensely competitive. We compete directly with companies that manufacture and market personal care and nutritional products in each of our product categories and product lines. We compete with other companies in the personal care and nutritional products industry by emphasizing the innovation, value, and premium-quality of our products and the convenience of our distribution system. Many of our competitors have much greater name recognition and financial resources than we have. In addition, personal care and nutritional products can be purchased in a wide variety of channels of distribution. While we believe that consumers appreciate the convenience of ordering

products from home through a sales person or through a catalog, the buying habits of many consumers accustomed to purchasing products through traditional retail channels are difficult to change. Our product offerings in each product category are also relatively small compared to the wide variety of products offered by many other personal care and nutritional product companies. We cannot assure you that our business and results of operations will not be harmed by market conditions and competition in the future.

TECHNOLOGY PRODUCTS AND SERVICES AND TELECOMMUNICATIONS. Upon the completion of our acquisition of Big Planet, we will compete in markets for technology and telecommunications products and services. The Internet services and e-commerce commerce market is new, rapidly evolving, and intensely competitive. We expect competition to intensify further in this market in the future. Barriers to entry for e-commerce are relatively low as current and new competitors can launch new Web sites at relatively low costs. Big Planet's online shopping services also compete with other channels of distribution, including catalogue sales and traditional retail sales. Big Planet currently or potentially competes with other companies for its Internet services and products, including:

- Established online services providers such as America Online and Microsoft Network,

- Local, regional, and national Internet service providers such as MindSpring and Earthlink,

- National telecommunication companies such as AT&T Corporation, MCI Communications Corp. and Sprint Corporation, and

- Numerous e-commerce Web sites such as Amazon.com and Buy.com.

Many of Big Planet's competitors have much greater name recognition and financial resources than Big Planet or our company. In addition, we understand that some e-commerce vendors have elected to sell products for little or no gross margins and to generate revenue through the sale of advertising. Big Planet would have a difficult time competing based on price with such vendors because its distribution system results in a commission payment based on such sales. We cannot assure you that Big Planet's business and results of operations will not be harmed by the intense competition in the Internet market.

The telecommunications industry is highly competitive. Many of Big Planet's existing and potential competitors in this market segment have financial, personnel, marketing, and other resources significantly greater than those of Big Planet or our company, as well as other competitive advantages. Increased consolidation and strategic alliances in the industry resulting from the Telecommunications Act of 1996 could give rise to significant new competitors to Big Planet. Competition in the telecommunications industry is primarily on the basis of pricing, transmission quality, network reliability, and customer service and support. Big Planet may be at a disadvantage because it does not have its own telecommunications facilities and must rely on its ability to acquire quality and reliable services from third-party vendors at a price that allows it to resell such services at competitive rates. The ability of Big Planet to compete effectively in this market will depend upon its ability to maintain high quality services at prices equal to or below those charged by its competitors. We cannot assure you that we or Big Planet will be able to contract with third parties to obtain rates allowing us to compete on the basis of price in the future or that we will be able to successfully compete in this market.

NETWORK MARKETING COMPANIES. We also compete with other direct selling organizations, some of which have a longer operating history and higher visibility, name recognition, and financial resources. The leading network marketing company in our existing markets is Amway Corporation and its affiliates. We compete for new distributors on the strength of our multiple business opportunities, product offerings, Global Compensation Plan, management strength, and appeal of our

international operations. We envision the entry of many more direct selling organizations into the marketplace as this distribution channel expands over the next several years. We cannot assure you that we will be able to successfully meet the challenges posed by this increased competition.

INTELLECTUAL PROPERTY

Our major trademarks are registered in the United States and in many other countries, and we consider our trademark protection to be very important to our business. The major trademarks we use include the following: Nu Skin, Interior Design Nutritionals, IDN, Pharmanex, and LIFEPAK. Big Planet and InterNetworking are trademarks of Big Planet. We generally register our important trademarks in the United States and each market where we operate or have plans to operate. In addition, a number of our products are based on proprietary technologies and formulations.

GOVERNMENT REGULATION

DIRECT SELLING ACTIVITIES. Direct selling activities are regulated by various federal, state, and local governmental agencies in the United States and foreign countries. These laws and regulations are generally intended to prevent fraudulent or deceptive schemes, often referred to as "pyramid," "money games," "business opportunity" or "chain sales" schemes, that promise quick rewards for little or no effort, require high entry costs, use high pressure recruiting methods, and/or do not involve legitimate products. The laws and regulations in our current markets often:

- Impose cancellation/product return, inventory buy-backs and cooling-off rights for consumers and distributors,

- Require us or our distributors to register with governmental agencies,

- Impose reporting requirements, and/or

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

The extent and provisions of these laws, however, vary from country to country and can impose significant restrictions and limitations on our business operations. For example, in South Korea, we cannot pay more than 35% of our revenue to our distributors in any given month. In Germany, the German Commercial Code prohibits using direct salespersons to promote multi-level marketing arrangements by making the inducement to purchase products for resale illegal. Accordingly, we, through our German subsidiary, sell our products to consumers through a "commercial agent" rather than a distributor. A commercial agent is similar to an employee. As a result, in Germany we are subject to potential tax and social insurance liability as well as agency laws governing the termination of commercial agents.

Based on our research conducted in opening existing markets, the nature and scope of inquiries from government regulatory authorities, and our history of operations in such markets to date, we believe that our method of distribution is in compliance in all material respects with the laws and regulations relating to direct selling activities of the countries in which we currently operate. The PRC currently has laws in place that prohibit us from conducting business in such market using our existing business model. The PRC recently announced its intention to lift this temporary ban in 2003. We cannot assure you that we will be allowed to conduct business in new markets or continue to conduct business in each of our existing markets. See "Risk Factors -- Laws and regulations may prohibit or severely restrict our direct sales efforts and cause our sales and profitability to decline" for additional discussion of the regulatory environment for network marketing.

REGULATION OF PERSONAL CARE AND NUTRITIONAL SUPPLEMENTS. Our personal care and nutritional products and related promotional and marketing activities are subject to extensive governmental regulation by numerous domestic and foreign governmental agencies and authorities. These include the FDA, the Federal Trade Commission, the Consumer Product Safety Commission, and the United States Department of Agriculture in the United States, and the Ministry of Health and Welfare in Japan.

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

- Reformulate products for a specific market to meet the specific product formulation laws of such country,

- Conform product labeling to the regulations in each country, and

- Register or qualify products with the applicable government authority or obtain necessary approvals or file necessary notifications for the marketing of such products.

For example, in Japan, the Ministry of Health and Welfare requires us to have an import business license and to register each personal care product imported into Japan. We also reformulated many products to satisfy other Ministry of Health and Welfare regulations. In Taiwan, all "medicated" cosmetic and pharmaceutical products require registration. These regulations can limit our ability to import products into our markets and can delay introductions of new products into markets as we go through the registration and approval process for such products. The sale of cosmetic products is regulated in the European Union member states under the European Union Cosmetics Directive, which requires a uniform application for foreign companies making personal care product sales.

Nutritional supplements are strictly regulated in our markets. Our markets have varied regulations that apply to and distinguish nutritional health supplements from "drugs" or "pharmaceutical products." For example, our products are regulated by the FDA of the United States under the Federal Food, Drug and Cosmetic Act. The Federal Food, Drug and Cosmetic Act has been amended several times with respect to nutritional supplements, most recently by the Nutrition Labeling and Education Act and the Dietary Supplement Health and Education Act. The Dietary Supplement Health and Education Act establishes rules for determining whether a product is a nutritional supplement. Under this statute, nutritional supplements are regulated more like foods than drugs, are not subject to the food additive provisions of the law, and are generally not required to undergo regulatory clearance prior to being introduced to the market. None of this infringes, however, upon the FDA's power to remove an unsafe substance from the market. In the event a product, or an ingredient in a product, is classified as a drug or pharmaceutical product in any market, we will generally not be able to distribute such product in such market through our distribution channel because of strict restrictions applicable to drug and pharmaceutical products. For example, the FDA has recently appealed the decision of a federal district court that CHOLESTIN, a Pharmanex product, could be sold as a nutritional supplement under the Dietary Supplement Health and Education Act. If the FDA succeeds in overturning the district court's decision, we will be unable to sell CHOLESTIN without first obtaining FDA approval. For more information regarding this appeal by the FDA, see "Risk Factors -- If CHOLESTIN is determined to be a drug requiring FDA approval, our sales of CHOLESTIN will decrease and our business will be harmed" and "-- Legal Proceedings."

Many of our existing markets also regulate product claims and advertising. These laws regulate the types of claims and representations that can be made regarding the efficacy of products, particularly dietary supplements. Accordingly, these regulations can limit our distributors' ability to inform consumers of the full benefits of our products. One of the strategic purposes of our acquisition

of Pharmanex was to obtain additional resources to enhance our ability to comply with these requirements.

In Japan, we and our distributors are severely restricted in making any claims concerning the health benefits of our nutritional supplements. In the United States we are unable to make any claim that any of our nutritional supplements will diagnose, cure, mitigate, treat or prevent disease. The Dietary Supplement Health and Education Act, however, permits substantiated, truthful and non-misleading statements of nutritional support to be made in labeling, such as statements describing general well being resulting from consumption of a dietary ingredient or the role of a nutrient or dietary ingredient in affecting or maintaining a structure or a function of the body. The FDA recently issued a proposed rule concerning these issues.

The FTC similarly requires that product claims be substantiated. In 1994, our affiliate, Nu Skin International, and three of its distributors entered into a consent decree with the FTC with respect to its investigation of product claims and distributor practices. As part of the settlement of this investigation, Nu Skin International paid approximately $1.0 million to the FTC. In August 1997, Nu Skin International reached a settlement with the FTC with respect to product claims and its compliance with the 1994 consent decree, pursuant to which settlement Nu Skin International paid $1.5 million to the FTC.

We and our vendors are also subject to laws and regulations governing the manufacturing of our products. For example, in the United States the FDA regulations establish Good Manufacturing Practices for foods and drugs. The FDA has also proposed detailed Good Manufacturing Practices for nutritional supplements; however, no such regulations have yet been adopted.

To date, we have not experienced any difficulty maintaining our import licenses but have experienced complications regarding health and safety and food and drug regulations for nutritional products. Many of our products have required reformulation to comply with local requirements. In addition, in Europe there is no uniform legislation governing the manufacture and sale of nutritional products. Complex legislation governing the manufacturing and sale of nutritional products in this market has inhibited our ability to gain quick access to this market for our nutritional supplements. These conditions could continue to delay sales of our nutritional supplements in these markets, particularly Germany, which already has a large nutritional, herbal and dietary products industry. Currently, we are only marketing our core nutritional products in a limited number of countries in our European market.

TELECOMMUNICATIONS REGULATION. Following the completion of our planned acquisition of Big Planet, we, through Big Planet, will be subject to varying degrees of telecommunications regulation in each of the jurisdictions in which we operate. As a nondominant carrier in the United States, our provision of international and domestic long distance telecommunications services is generally regulated on a streamlined basis. Despite recent trends toward deregulation, some countries do not currently permit competition in the provision of public switched voice telecommunications services.

United States Regulation of Domestic and International Telecommunications Services. In the United States, Big Planet's provision of domestic telecommunications service is subject to the provisions of the Communications Act, as amended by the Telecommunications Act of 1996, and Federal Communications Commission regulations adopted thereunder, as well as the applicable laws and regulations of the various states. The FCC exercises jurisdiction over all facilities of, and services offered by, telecommunications common carriers to the extent those facilities are used to provide, originate or terminate interstate or international communications. State regulatory commissions retain some jurisdiction over the same facilities and services to the extent they are used to originate or

terminate intrastate common carrier communications. The FCC and relevant state authorities regulate the ownership of transmission facilities, the provision of services, and the terms and conditions under which such services are provided. Nondominant carriers such as Big Planet are required by federal and state law and regulations to file tariffs listing the rates, terms, and conditions for the services they provide. In addition, Big Planet is subject to contribution requirements for federal and state universal service funds, which serve to fund affordable telephone service in designated sectors.

With regard to regulation of international telecommunications services in the United States, common carriers, such as Big Planet, are required to obtain authority under Section 214 of the Communications Act and are subject to a variety of international service regulations, including the FCC's International Settlements Policy, which governs permissible arrangements between United States carriers and their foreign correspondents to settle the cost of terminating traffic on each other's networks and settlement rates, and rules requiring the filing of international tariffs, carrier contracts, including foreign carrier agreements, and traffic and revenue reports.

Regulation of Telecommunications Services in Foreign Countries. Many overseas telecommunications markets are undergoing dramatic changes as a result of privatization and deregulation. In Europe, the regulation of the telecommunications industry is governed at a supranational level by the European Union, which has developed a regulatory framework aimed at ensuring an open, competitive telecommunications market. Each European Union member state has a different regulatory regime, and the requirements for Big Planet to obtain necessary licenses vary considerably from one member state to another and are likely to change as competition is permitted in new service sectors. In other overseas markets, Big Planet would be subject to the regulatory regimes in each of the countries in which it seeks to conduct business. Local regulations range from permissive to restrictive, depending upon the country. Despite recent trends toward deregulation, some countries do not currently permit competition in the provision of public switched voice telecommunications services, which will limit Big Planet's and other similarly situated United States-based carriers' ability to provide telecommunication services in some markets. For additional discussion of telecommunications regulations, see "Risk Factors -- Big Planet is subject to potential harmful effects of regulation of its telecommunications services" and "Risk Factors -- Big Planet's expansion outside the United States may be restricted or prohibited by the regulatory environment in non-United States markets."

Internet Access. In the United States, Internet service providers are generally considered "enhanced service providers" and are exempt from federal and state regulations governing common carriers. Accordingly, Big Planet's provision of Internet access services is currently exempt from tariff, certification, and rate regulation. Nevertheless, regulations governing disclosure of confidential information, copyright, excise tax, and other requirements that may apply to Big Planet's provision of Internet access services could be adopted in the future. In addition, the applicability of existing laws governing many of these issues to the Internet is uncertain. The majority of such laws were adopted prior to the advent of the Internet and related technologies and do not address unique issues associated with the Internet and related technologies. We cannot assure you that our operations will not be adversely affected by the adoption of any such laws or the application of existing laws to the Internet. In addition, we cannot assure you that regulatory requirements in markets outside of the United States will not harm our ability to implement Internet services in such markets. Some countries, including Japan, presently regulate Internet access service as a telecommunications service under existing telecommunications laws in some circumstances. To that extent, Big Planet's Internet access service might be subject to regulations similar to the regulations of telecommunications carriers in such countries. See "Risk Factors -- Big Planet is subject to potential harmful effects of regulation of its telecommunications services." For additional information regarding regulations governing the Internet, see "Risk Factors -- Big Planet may be liable for information disseminated

through its Internet access services" and "Risk Factors -- New and existing regulation of the Internet could harm Big Planet's business."

OTHER REGULATORY ISSUES. As a United States entity operating through subsidiaries in foreign jurisdictions, we are subject to foreign exchange control and transfer pricing laws that regulate the flow of funds between our subsidiaries and our company for product purchases, management services, and contractual obligations such as the payment of distributor commissions. We believe that we operate in compliance with all applicable foreign exchange control and transfer pricing laws. However, we cannot assure you that we will continue to be found to be operating in compliance with foreign exchange control and transfer pricing laws, or that such laws will not be modified, which, as a result, may require changes in our operating procedures.

As is the case with most companies that operate in our product categories, we have from time to time received inquiries from government regulatory authorities regarding the nature of our business and other issues such as compliance with local direct selling, customs, taxation, foreign exchange control, securities, and other laws. Although to date none of these inquiries has resulted in a finding materially adverse to us, adverse publicity resulting from inquiries into our operations by United States and state government agencies in the early 1990s, stemming in part from inappropriate product and earnings claims by distributors, and in the mid 1990s resulting from adverse media attention in South Korea, harmed our business and results of operations. We cannot assure you that we will not face similar inquiries in the future, which, either as a result of findings adverse to us or as a result of adverse publicity resulting from the instigation of such inquiries, could harm our business and results of operations.

Based on our experience and research and the nature and scope of inquiries from government regulatory authorities, we believe that we are in material compliance with all regulations applicable to us. Despite this belief, we could be found not to be in material compliance with existing regulations as a result of, among other things, the considerable interpretative and enforcement discretion given to regulators or misconduct by independent distributors.

Any assertion or determination that we or our distributors are not in compliance with existing laws or regulations could harm our business and results of operations. In addition, in any country or jurisdiction, the adoption of new laws or regulations or changes in the interpretation of existing laws or regulations could generate negative publicity and/or harm our business and results of operations. Government agencies and courts in any of our markets could use their discretionary powers and authority to interpret and apply laws in a manner that would limit our ability to operate or otherwise harm our business. We cannot determine the effect, if any, that future governmental regulations or administrative orders may have on our business and results of operations. Governmental regulations in countries where we plan to commence or expand operations may prevent, delay, or limit market entry of certain products or require the reformulation of such products. Regulatory action, whether or not it results in a final determination adverse to us, has the potential to create negative publicity, with detrimental effects on the motivation and recruitment of distributors and, consequently, on our sales and earnings.

EMPLOYEES

As of March 31, 1999, we had approximately 2,200 full-time and part-time employees. None of the employees is represented by a union or other collective bargaining group. We believe our relationship with our employees is good, and we do not currently foresee a shortage in qualified personnel needed to operate our business. As of March 31, 1999, Big Planet had approximately 400 employees.

LEGAL PROCEEDINGS

In February 1999, a federal district judge in Utah ruled that CHOLESTIN, one of our Pharmanex natural nutritional supplements that is derived from red yeast rice, could be legally sold as a nutritional supplement under the Dietary Supplement Health and Education Act of 1994. The FDA had previously challenged the status of CHOLESTIN as a dietary supplement, claiming it was a drug and could not be marketed without FDA approval. The FDA has since appealed to the Tenth Circuit Court of Appeals seeking to overturn the district court's decision. If the decision is overturned, we will not be able to sell CHOLESTIN without FDA approval. See "Risk Factors -- If CHOLESTIN is determined to be a drug requiring FDA approval, our sales of Cholestin will decrease and our business will be harmed" for additional information regarding this legal proceeding.

In March 1993, a class action lawsuit entitled Natalie Capone on behalf of Herself and All Others Similarly Situated v. Nu Skin Canada, Inc., Nu Skin International, Inc., Blake Roney, et al., was filed against Nu Skin International and affiliated parties in federal district court in Utah alleging violations of the anti-fraud provisions of the Securities Act and the Exchange Act, common law fraud and violations of the Utah Consumer Sales Practices Act. The plaintiffs in the case also seek injunctive relief as well as disgorgement of profits and restitution to the plaintiffs of earnings, profits and other compensation. In June 1997, the court denied Nu Skin International's motion for summary judgment but also denied the plaintiff's motion to certify a similarly situated class of distributors. However, in May 1998 the court granted the plaintiff's motion to certify a similarly situated class of distributors based on more limited non-reliance claims under the Securities Act and the Utah Anti-Pyramid statute. The case continues in discovery. We intend to continue to vigorously defend against this action.

MANAGEMENT

Our directors, executive officers and presidents of Nu Skin Enterprises' key subsidiaries as of March 31, 1999 were as follows:

NAME	AGE	POSITION
Blake M. Roney	41	Chairman of the Board of Directors
Steven J. Lund	45	President and Chief Executive Officer, Director
Sandra N. Tillotson	42	Senior Vice President, Director
Brooke B. Roney	36	Senior Vice President, Director
Keith R. Halls	41	Senior Vice President and Secretary, Director
Renn M. Patch	49	Chief Operating Officer
Corey B. Lindley	34	Chief Financial Officer
M. Truman Hunt	40	Vice President and General Counsel
William E. McGlashan, Jr.	35	President, Pharmanex
Richard W. King(1)	42	President, Big Planet
Michael D. Smith	53	Vice President of North Asia
Grant F. Pace	47	Vice President of Southeast Asia and Greater China
Takashi Bamba	63	President, Nu Skin Japan
John Chou	53	President, Nu Skin Taiwan
Daniel W. Campbell	44	Director
E.J. "Jake" Garn	66	Director
Paula Hawkins	72	Director
Max L. Pinegar	67	Director

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(1) Richard W. King will not become an executive officer of Nu Skin Enterprises until completion of the Big Planet acquisition.

Blake M. Roney has served as Chairman of the Board since our inception. Mr. Roney was a founder of Nu Skin International in 1984 and served as its Chief Executive Officer and President until we acquired Nu Skin International in March 1998. Since our acquisition of Nu Skin International, Mr. Roney has served as the Chairman of the Board of our company and each of its subsidiaries. He received a B.S. degree from Brigham Young University.

Steven J. Lund has been President, Chief Executive Officer and a director of our company since its inception. Mr. Lund was a founding shareholder of Nu Skin International and served as the Executive Vice President of Nu Skin International until we acquired Nu Skin International. Mr. Lund previously worked as an attorney in private practice. He received a B.A. degree from Brigham Young University and a J.D. degree from Brigham Young University.

Sandra N. Tillotson has served as a director of our company since its inception and as Senior Vice President from May 1998. Ms. Tillotson was a founding shareholder and Vice President of Nu Skin International from its formation until it was acquired by our company. She earned a B.S. degree from Brigham Young University.

Brooke B. Roney has served as a director of our company since its inception and as a Senior Vice President since May 1998. Mr. Roney was a founding shareholder and Vice President and director of Nu Skin International from its inception until it was acquired by our company.

Keith R. Halls has served as Secretary and a director of our company since its inception and as a Senior Vice President since May 1998. Mr. Halls was a director, Vice President and shareholder of Nu Skin International from its formation until it was acquired by our company. Mr. Halls continues to serve as a director of our subsidiaries. Mr. Halls is a Certified Public Accountant. Mr. Halls received a

B.A. degree from Stephen F. Austin State University and a B.S. degree from Brigham Young University.

Renn M. Patch has been Chief Operating Officer of our company since its inception. From 1992 until March 1998, he served as Vice President of Global Operations and Assistant General Manager of Nu Skin International. From 1991 to 1992, he served as Director of Government Affairs of Nu Skin International. Prior to joining Nu Skin International in 1991, Mr. Patch was associated with the Washington, D.C. consulting firm of Parry and Romani Associates. Mr. Patch earned a B.A. degree from the University of Minnesota, a J.D. degree from Hamline University School of Law and an LL.M. degree from Georgetown University.

Corey B. Lindley has been the Chief Financial Officer of our company since its inception. From 1993 to 1996, he served as Managing Director, International, of Nu Skin International. Mr. Lindley worked as the International Controller of Nu Skin International from 1991 to 1994. From 1990 to 1991, he served as Assistant Director of Finance of Nu Skin International. Mr. Lindley is a Certified Public Accountant. Prior to joining Nu Skin International in 1990, he worked for the accounting firm of Deloitte and Touche LLP. He earned a B.S. degree from Brigham Young University and an M.B.A. degree from Utah State University.

M. Truman Hunt has served as Vice President and General Counsel since May 1998. He served as Vice President of Legal Affairs and Investor Relations from our company's inception until May 1998. He also served as Counsel to the President of Nu Skin International from 1994 until 1996. From 1991 to 1994, Mr. Hunt served as President and Chief Executive Officer of Better Living Products, Inc., a Nu Skin International affiliate involved in the manufacture and distribution of houseware products sold through traditional retail channels. Prior to that time, he was a securities and business attorney in private practice. He received a B.S. degree from Brigham Young University and a J.D. degree from the University of Utah.

William E. McGlashan, Jr. has served as the President of Pharmanex since founding the company in February 1994. Prior to founding Pharmanex, in October 1993 Mr. McGlashan co-founded Generation Ventures, a firm which initiates and funds China-related ventures, and served as its Chief Executive Officer. Mr. McGlashan was employed by Bain Capital from 1990-1992. Mr. McGlashan received his B.A. degree from Yale University and his M.B.A. degree from the Stanford Graduate School of Business.

Richard W. King has served as President of Big Planet since its inception in 1997. From August 1996 to September 1997, Mr. King was president of Night Technologies International, Inc. From August 1993 to April 1996, Mr. King was an Executive Vice President of Novell, Inc., a leading network software company. Mr. King was responsible for NetWare, Novell's flagship product. Mr. King received a B.S. degree in Computer Science from Brigham Young University.

Michael D. Smith has been our Vice President of North Asia since December 1997. Mr. Smith was Vice President of Operations for our company from its inception until December 1997. He also served previously as Vice President of North Asian Operations for Nu Skin International. In addition, he served as General Counsel of Nu Skin International from 1992 to 1996 and as Director of Legal Affairs of Nu Skin International from 1989 to 1992. He earned B.S. and M.A. degrees from Brigham Young University and a J.D. degree from the University of Utah.

Grant F. Pace has served as Vice President of Southeast Asia and Greater China since December 1997. From 1992 to 1997, he was Regional Vice President-Direct Selling in the Asian region for Sara Lee, and from 1988 to 1992 he was President and Regional Managing Director, Southeast Asia for Avon Products, Inc. He received a J.D. degree from Brigham Young University and an M.B.A. degree from Harvard University.

Takashi Bamba has served as President and/or General Manager of Nu Skin Japan since 1993. Prior to joining Nu Skin Japan in 1993, Mr. Bamba was President and Chief Executive Officer of Avon Products Co., Ltd., the publicly-traded Japanese subsidiary of Avon Products, Inc., from 1988 to 1993. He received a B.A. degree from Yokohama National University.

John Chou has served as President and/or General Manager of Nu Skin Taiwan, Inc. since 1991. Prior to joining Nu Skin Taiwan in 1991, he spent 21 years in international marketing and management with 3M Taiwan Ltd., Amway Taiwan and Universal PR Co. Mr. Chou is the Chairman of the Taiwan ROC Direct Selling Association. He is also a member of Kiwanis International, and the Taiwan American Chamber of Commerce. He received a B.A. degree from Tan Kang University in Taipei, Taiwan.

Daniel W. Campbell has served as a director of our company since March 1997. Mr. Campbell has been a Managing General Partner of EsNet, Ltd. since 1994. From 1992 to 1994, Mr. Campbell was the Senior Vice President and Chief Financial Officer of WordPerfect Corporation and prior to that was a partner of Price Waterhouse LLP. He received a B.S. degree from Brigham Young University.

E.J. "Jake" Garn has served as a director of our company since March 1997. Senator Garn has been Vice Chairman of Huntsman Corporation, one of the largest privately-held companies in the United States, since 1993. He currently serves as a director for Morgan Stanley Dean Witter Advisors, a mutual fund company; United Space Alliance Board, a prime contractor for the space shuttle; and Franklin Covey & Co., Inc., a provider of time management seminars and products. From 1974 to 1993, Senator Garn was a member of the United States Senate and served on numerous senate committees. He received a B.A. degree from the University of Utah.

Paula Hawkins has served as a director of our company since March 1997. Senator Hawkins is the principal of Paula Hawkins & Associates, Inc., a management consulting company, since 1988. From 1980 to 1986, Senator Hawkins was a member of the United States Senate and served on numerous senate committees.

Max L. Pinegar has served as a director of our company since its inception. Mr. Pinegar served as a Senior Vice President from May 1998 until his retirement in November 1998. He also served as General Manager of Nu Skin International from 1989 and as Vice President of Nu Skin International from 1992 until he retired in November 1998. He received a B.A. degree from Brigham Young University and an M.B.A. degree from the University of Utah.

Blake M. Roney and Brooke B. Roney are brothers. We are not aware of any other family relationships among any directors 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.

PRINCIPAL AND SELLING STOCKHOLDERS+

The following table sets forth, as of May 3, 1999, certain information regarding the beneficial ownership of the Class A common stock and Class B common stock prior to and after the offering (assuming no exercise of the underwriters' over-allotment option) by:

- Each person (or group of affiliated persons) who is known by us to own beneficially more than 5% of the outstanding shares of either the Class A common stock or the Class B common stock,
- Each of our directors,
- Our chief executive officer and each of our seven most highly compensated executive officers determined in accordance with Rule 402 of Regulation S-K,
- Each selling stockholder, and
- All executive officers and directors of Nu Skin Enterprises as a group.

Unless otherwise indicated in the footnotes to the table (i) the business address of the 5% stockholders is 75 West Center Street, Provo, Utah 84601, and (ii) the stockholders have direct beneficial ownership and sole voting and investment power with respect to the shares beneficially owned.

	CLASS A COMMON STOCK(1)(2)				CLASS B COMMON STOCK(1)(2)		TOTAL COMMON STOCK
DIRECTORS, EXECUTIVE OFFICERS, 5% STOCKHOLDERS AND SELLING STOCKHOLDERS	OWNED PRIOR TO THE OFFERING	TO BE SOLD IN THE OFFERING	TO BE OWNED AFTER THE OFFERING		OWNED PRIOR TO AND AFTER THE OFFERING		VOTING POWER AFTER THE OFFERING
	NUMBER	NUMBER	NUMBER	%	NUMBER	%	%
Blake M. Roney(3)	5,346,749	1,324,000	4,022,749	11.6	16,129,232	30.4	29.3
Nancy L. Roney(4)	3,035,234	815,571	2,219,663	6.4	8,351,534	15.7	15.2
Nedra D. Roney(5)	3,993,461	1,194,700	2,798,761	8.1	10,280,046	19.4	18.7
Sandra N. Tillotson(6)	2,621,912	1,037,500	1,584,412	4.6	6,892,557	13.0	12.5
Craig S. Tillotson(7)	1,373,006	836,200	536,806	1.5	3,874,585	7.3	7.0
R. Craig Bryson(8)	1,280,006	749,819	530,187	1.5	3,818,741	7.2	6.9
Kathleen D. Bryson(9)	694,503	417,472	277,031	*	1,926,121	3.6	3.5
Steven J. Lund(10)	928,801	551,381	377,420	1.1	2,626,702	5.0	4.7

(continued on following page)

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+ The following table sets forth the pecuniary interest in the shares being offered by our executive officers, their spouses and children and any trusts or foundations for which any of them is a beneficiary in this offering. We have presented this information in an effort to clarify our executive officers' economic interest in this offering. The following table is provided for clarification purposes only.

NAME	CLASS A AND CLASS B COMMON STOCK OWNED PRIOR TO OFFERING	CLASS A COMMON STOCK TO BE SOLD IN THE OFFERING	CLASS A AND CLASS B COMMON STOCK OWNED AFTER THE OFFERING
Blake M. Roney	20,699,240	1,016,857	19,682,383
Sandra N. Tillotson	10,863,445	1,177,500	9,685,945
Steven J. Lund	3,472,252	407,000	3,065,252
Brooke B. Roney	3,482,166	534,343	2,947,823
Keith R. Halls	379,600	193,082	186,518

DIRECTORS, EXECUTIVE OFFICERS, 5% STOCKHOLDERS AND SELLING STOCKHOLDERS	CLASS A COMMON STOCK(1)(2)				CLASS B COMMON STOCK(1)(2)		TOTAL COMMON STOCK
	OWNED PRIOR TO THE OFFERING	TO BE SOLD IN THE OFFERING	TO BE OWNED AFTER THE OFFERING		OWNED PRIOR TO AND AFTER THE OFFERING		VOTING POWER AFTER THE OFFERING
	NUMBER	NUMBER	NUMBER	%	NUMBER	%	%
Kalleen Lund(11)	557,710	359,000	198,710	*	1,315,446	2.5	2.4
Brooke B. Roney(12)	910,077	693,000	217,077	*	2,642,664	5.0	4.7
Denice R. Roney(13)	534,367	425,828	108,539	*	1,321,332	2.5	2.4
Keith R. Halls(14)	156,875	153,553	3,322	*	210,875	*	*
Anna Lisa Massaro Halls(15)	135,500	132,178	3,322	*	189,116	*	*
Max L. Pinegar(16)	35,327	--	35,327	*	--	--	--
Daniel W. Campbell(17)	15,000	--	15,000	*	--	--	--
E.J. "Jake" Garn(17)	15,000	--	15,000	*	--	--	--
Paula Hawkins(17)	15,000	--	15,000	*	--	--	--
Renn M. Patch(18)	13,400	--	13,400	*	--	--	--
Takashi Bamba(19)	12,750	--	12,750	*	--	--	--
John Chou(20)	12,965	--	12,965	*	--	--	--
Safeco Corporation(21)	1,966,700	--	1,966,700	*	--	--	--
Kirk V. Roney(22)	877,420	693,000	184,420	*	1,925,322	3.6	3.4
Melanie K. Roney(23)	476,210	384,000	92,210	*	962,661	1.8	1.7
Rick A. Roney(24)	346,500	346,500	--	--	256,762	*	*
Burke F. Roney(25)	346,500	346,500	--	--	2,787	*	*
Park R. Roney(26)	346,500	346,500	--	--	196,109	*	*
The MAR Trust(27)	90,000	90,000	--	--	39,999	*	*
The WFA Trust(28)	18,004	18,004	--	--	--	--	--
The All R's Trust(29)	32,296	32,296	--	--	--	--	--
The Blake M. and Nancy L. Roney Foundation(30)	307,143	307,143	--	--	--	--	--
The Rose Foundation(31)	25,000	25,000	--	--	275,000	*	*
The Nedra Roney Fixed Charitable Trust(32)	125,000	45,000	80,000	*	125,000	*	*
NR Rhino Company, L.C.(33)	5,000	5,000	--	--	1,495,000	2.8	2.6
The SNT Trust(34)	30,000	30,000	--	--	122,893	*	*
The DVNM Trust(35)	10,000	10,000	--	--	160,258	*	*
The Sandra N. Tillotson Foundation(36)	25,000	15,000	10,000	*	20,000	*	*
The Sandra N. Tillotson Fixed Charitable Trust(37)	250,000	200,000	50,000	*	--	--	--
SNT Rhino Company, L.C.(38)	100,000	100,000	--	--	900,000	1.7	1.6
The Steven J. and Kalleen Lund Foundation(39)	163,000	143,000	20,000	*	55,571	*	*
The Steven J. and Kalleen Lund Fixed Charitable Trust(40)	75,000	75,000	--	--	--	--	--
S & K Rhino Company, L.C.(41)	50,000	50,000	--	--	100,000	*	*
The Brooke Brennan and Denice Renee' Roney Foundation(42)	158,657	158,657	--	--	--	--	--
The Kirk and Melanie Roney Fixed Charitable Trust(43)	75,000	75,000	--	--	--	--	--
The K and A Halls Trust(44)	78,082	78,082	--	--	10,000	*	*
The Keith Ray and Anna Lisa Massaro Halls Foundation(45)	19,375	16,053	3,322	*	9,357	*	*
The Keith and Anna Lisa Halls Fixed Charitable Trust(46)	12,500	12,500	--	--	--	--	--
K & A Rhino Company, L.C.(47)	15,000	15,000	--	--	--	--	--
The Halls Family Trust(48)	7,626	7,626	--	--	--	--	--
The CST Trust(49)	15,000	15,000	--	--	55,826	*	*
The Craig S. Tillotson Foundation(50)	30,000	20,000	10,000	*	31,600	*	*
The Craig S. Tillotson Fixed Charitable Trust(51)	90,000	90,000	--	--	22,500	*	*
CST Rhino Company, L.C.(52)	75,000	75,000	--	--	425,000	*	*
The C & K Trust(53)	51,381	51,381	--	--	51,381	*	*

DIRECTORS, EXECUTIVE OFFICERS, 5% STOCKHOLDERS AND SELLING STOCKHOLDERS	CLASS A COMMON STOCK(1)(2)				CLASS B COMMON STOCK(1)(2)		TOTAL COMMON STOCK
	OWNED PRIOR TO THE OFFERING	TO BE SOLD IN THE OFFERING	TO BE OWNED AFTER THE OFFERING		OWNED PRIOR TO AND AFTER THE OFFERING		VOTING POWER AFTER THE OFFERING
	NUMBER	NUMBER	NUMBER	%	NUMBER	%	%
The Bryson Foundation(54).....	34,000	10,125	23,875	*	33,500	*	*
The Bryson Fixed Charitable Trust(55)....	75,000	75,000	--	--	--	--	--
CKB Rhino Company, L.C.(56).....	25,000	25,000	--	--	25,000	*	*
All directors and officers as a group (17 persons)(57).....	9,964,414	3,759,434	6,776,735	19.5	31,138,816	58.7	56.3

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* Less than 1%.

(1) Each share of Class B common stock is convertible at any time at the option of the holder into one share of Class A common stock and each share of Class B common stock is automatically converted into one share of Class A common stock upon the transfer of such share of Class B common stock to any person who is not a Permitted Transferee as defined in the Company's Certificate of Incorporation. If the underwriters exercise their over-allotment option, shares will be sold by Steven J. Lund and the remaining shares will be allocated on a pro rata basis among the remaining selling stockholders.

(2) Prior to the offering, certain Selling Stockholders will convert shares of Class B common stock to Class A common stock to be sold in the offering.

(3) Includes shares beneficially owned or deemed to be owned beneficially by Blake M. Roney prior to the offering as follows: 2,311,515 shares of Class A common stock and 7,601,534 shares of Class B common stock held directly; 2,311,514 shares of Class A common stock and 7,601,534 shares of Class B common stock held directly by Blake M. Roney's wife, Nancy L. Roney, with respect to which he may be deemed to share voting and investment power as set forth in footnote (4) below; 307,143 shares of Class A common stock held indirectly as co-trustee and with respect to which he shares voting and investment power with his wife Nancy L. Roney as set forth in footnote (30) below; 416,577 shares of Class A common stock and 750,000 shares of Class B common stock held indirectly as co-trustee and with respect to which he shares voting and investment power with his wife, Nancy L. Roney; and 176,164 shares of Class B common stock held indirectly as trustee and with respect to which he has sole voting and investment power.

(4) Includes shares beneficially owned or deemed to be owned beneficially by Nancy L. Roney prior to the offering as follows: 2,311,514 shares of Class A common stock and 7,601,534 shares of Class B common stock held directly; 307,143 shares of Class A common stock held indirectly as co-trustee and with respect to which she shares voting and investment power with her husband, Blake M. Roney as set forth in footnote (30) below; and 416,577 shares of Class A common stock and 750,000 shares of Class B common stock held indirectly by as co-trustee and with respect to which she shares voting and investment power with her husband, Blake M. Roney. Nancy L. Roney is the wife of Blake M. Roney.

(5) Includes shares beneficially owned or deemed to be owned beneficially by Nedra D. Roney prior to the offering as follows: 3,968,461 shares of Class A common stock and 10,005,046 shares of Class B common stock directly; and 25,000 shares of Class A common stock and 275,000 shares of Class B common stock held indirectly as co-trustee and with respect to which she shares voting and investment power as set forth below in footnote (31).

(6) Includes shares beneficially owned or deemed to be owned beneficially by Ms. Tillotson prior to the offering as follows: 2,271,912 shares of Class A common stock and 6,447,557 shares of Class B common stock held directly; 250,000 shares of Class A common stock held indirectly as trustee and with respect to which she has sole voting and investment power as set forth below in footnote (37); 25,000 shares of Class A common stock and 20,000 shares of Class B common stock held indirectly as co-trustee and with respect to which she shares voting and investment power as set forth below in footnote (36); 75,000 shares of Class A common stock and 425,000 shares of Class B common stock held indirectly as manager of a limited liability company and with respect to which she has sole voting and investment power as set forth below in footnote (52).

(7) Includes shares beneficially owned or deemed to be owned beneficially by Mr. Tillotson prior to the offering as follows: 1,153,006 shares of Class A common stock and 2,802,321 shares of Class B common stock held directly; 30,000 shares of Class A common stock and 31,600 shares of Class B common stock held indirectly as co-trustee and with respect to which he shares voting and investment power as set forth below in footnote (50); 90,000 shares of Class A common stock and 22,500 shares of Class B common stock held indirectly as trustee and with respect to which Mr. Tillotson has sole voting and investment power as set forth below in footnote (51); 100,000 shares of Class A common stock and 900,000 shares of Class B common stock held indirectly as manager of a limited liability company and with respect

to which he has sole voting and investment

power as set forth below in footnote (38); and 118,164 shares of Class B common stock held indirectly as co-trustee and with respect to which he shares voting and investment power.

(8) Includes shares beneficially owned or deemed to be owned beneficially by Mr. Bryson prior to the offering as follows: 585,503 shares of Class A common stock and 1,892,620 shares of Class B common stock held directly; 585,503 shares of Class A common stock and 1,892,621 shares of Class B common stock held by Mr. Bryson's wife, Kathleen D. Bryson, with respect to which he may be deemed to share voting and investment power as set forth below in footnote (9); and 34,000 shares of Class A common stock and 33,500 shares of Class B common stock held indirectly as co-trustees and with respect to which he shares voting and investment power with his wife, Kathleen D. Bryson, as set forth below in footnote (54); 75,000 shares of Class A common stock held indirectly as co-trustee and with respect to which he shares voting and investment power with his wife, Kathleen D. Bryson, as set forth below in footnote (55).

(9) Includes shares beneficially owned or deemed to be owned beneficially by Ms. Bryson prior to the offering as follows: 585,503 shares of Class A common stock and 1,892,621 shares of Class B common stock held directly; and 34,000 shares of Class A common stock and 33,500 shares of Class B common stock held indirectly as co-trustees and with respect to which she shares voting and investment power with her husband, R. Craig Bryson as set forth below in footnote (54); 75,000 shares of Class A common stock held indirectly as co-trustee and with respect to which she shares voting and investment power with her husband, R. Craig Bryson, as set forth below in footnote (55).

(10) Includes shares beneficially owned or deemed to be owned beneficially by Mr. Lund prior to the offering as follows: 319,710 shares of Class A common stock and 1,259,875 shares of Class B common stock held directly; 319,710 shares of Class A common stock and 1,259,875 shares of Class B common stock held by Mr. Lund's wife, Kalleen Lund, with respect to which he may be deemed to share voting and investment power as set forth below in footnote (11); 51,381 shares of Class A common stock and 51,381 shares of Class B common stock held indirectly as trustee and with respect to which he has sole voting and investment power as set forth below in footnote (53); 163,000 shares of Class A common stock and 55,571 shares of Class B common stock held indirectly as co-trustee and with respect to which he shares voting and investment power with his wife, Kalleen Lund as set forth below in footnote (39); and 75,000 shares of Class A common stock held indirectly as co-trustee and with respect to which he shares voting and investment power with his wife, Kalleen Lund, as set forth below in footnote (40).

(11) Includes shares beneficially owned or deemed to be owned beneficially by Ms. Lund prior to the offering as follows: 319,710 shares of Class A common stock and 1,259,875 shares of Class B common stock held directly; 163,000 shares of Class A common stock and 55,571 shares of Class B common stock held indirectly as co-trustee and with respect to which she shares voting and investment power with her husband, Steven J. Lund as set forth below in footnote (39); and 75,000 shares of Class A common stock held indirectly as co-trustee and with respect to which she shares voting and investment power with her husband, Steven J. Lund, as set forth below in footnote (40). Ms. Lund is the wife of Steven J. Lund.

(12) Includes shares beneficially owned or deemed to be owned beneficially by Brooke B. Roney prior to the offering as follows: 375,710 shares of Class A common stock and 1,321,332 shares of Class B common stock held directly; 375,710 shares of Class A common stock and 1,321,332 shares of Class B common stock held by his wife, Denice R. Roney, with respect to which he may be deemed to share voting and investment power as set forth below in footnote (13); 158,657 shares of Class A common stock held indirectly as co-trustee and with respect to which he shares voting and investment power with his wife, Denice R. Roney, as set forth below in footnote (42).

(13) Includes shares beneficially owned or deemed to be owned beneficially by Denice R. Roney prior to the offering as follows: 375,710 shares of Class A common stock and 1,321,332 shares of Class B common stock held directly; 158,657 shares of Class A common stock held indirectly as co-trustee and with respect to which she shares voting and investment power with her husband, Brooke D. Roney, as set forth below in footnote (42). Denice R. Roney is the wife of Brooke B. Roney.

(14) Includes shares beneficially owned or deemed to be owned beneficially by Mr. Halls prior to the offering as follows: 100,000 shares of Class A common stock and 176,518 shares of Class B common stock held directly; 25,000 shares of Class A common stock and 25,000 shares of Class B common stock held indirectly by him as the manager of a limited liability company and with respect to which he has sole voting and investment power as set forth below in footnote (56); 19,375 shares of Class A common stock and 9,357 shares of Class B common stock held indirectly by him as co-trustee and with respect to which he shares voting and investment power with Anna Lisa Massaro Halls as set forth below in footnote (45); and 12,500 shares of Class A common stock held indirectly by him as co-trustee and with respect to which he shares voting and investment power with Anna Lisa Massaro Halls as set forth below in footnote (46).

(15) Includes shares beneficially owned or deemed to be owned beneficially by Ms. Halls prior to the offering as follows: 103,625 shares of Class A common stock and 179,759 shares of Class B common stock held directly; 19,375 shares of Class A common stock and 9,357 shares of Class B common stock held indirectly by her as

co-trustee and with respect to which she shares voting and investment power with Keith R. Halls as set forth below in footnote (45); and 12,500 shares of Class A common stock held indirectly by her as co-trustee and with respect to which she shares voting and investment power with Keith R. Halls as set forth below in footnote (46).

(16) Includes 9,000 shares of Class A common stock which may be acquired by Mr. Pinegar pursuant to a presently exercisable non-qualified stock option.

(17) Includes 12,500 shares of Class A common stock which may be acquired by each outside director pursuant to presently exercisable non-qualified stock options granted to each of them.

(18) Includes 6,500 shares of Class A common stock which may be acquired by Mr. Patch pursuant to presently exercisable non-qualified stock options.

(19) Includes 6,250 shares of Class A common stock which may be acquired by Mr. Bamba pursuant to presently exercisable non-qualified stock options.

(20) Includes 6,250 shares of Class A common stock which may be acquired by Mr. Chou pursuant to presently exercisable non-qualified stock options.

(21) The information regarding the number of shares beneficially owned or deemed to be beneficially owned by Safeco Corporation was taken from a Schedule 13G filed by that entity with the Securities and Exchange Commission dated February 11, 1999. The business address of Safeco Corporation is 4333 Brooklyn Avenue N.E., Seattle, Washington 98185.

(22) Includes shares beneficially owned or deemed to be owned beneficially by Kirk V. Roney prior to the offering as follows: 401,210 shares of Class A common stock and 962,661 shares of Class B common stock held directly; 401,210 shares of Class A common stock and 962,661 shares of Class B common stock held by his wife, Melanie K. Roney, with respect to which he may be deemed to share voting and investment power as set forth below in footnote (23); 75,000 shares of Class A common stock held indirectly as co-trustee and with respect to which he shares voting and investment power with his wife, Melanie K. Roney, and L.S. McCullough, as set forth below in footnote (43).

(23) Includes shares beneficially owned or deemed to be owned beneficially by Melanie K. Roney prior to the offering as follows: 401,210 shares of Class A common stock and 962,661 shares of Class B common stock held directly; and 75,000 shares of Class A common stock held indirectly as co-trustee and with respect to which she shares voting and investment power with her husband, Kirk V. Roney, and L.S. McCullough, as set forth below in footnote (43).

(24) Includes shares beneficially owned or deemed to be owned beneficially by Rick A. Roney prior to the offering as follows: 346,500 shares of Class A common stock and 168,680 shares of Class B common stock held directly; 88,082 shares of Class B common stock as trustee and with respect to which he has sole voting and investment power. Rick A. Roney is a brother of Blake M. Roney, Nedra D. Roney, Brooke B. Roney, Kirk V. Roney, Burke F. Roney and Park R. Roney.

(25) Burke F. Roney is a brother of Blake M. Roney, Nedra D. Roney, Brooke B. Roney, Kirk V. Roney, Rick A. Roney and Park R. Roney.

(26) Park R. Roney is a brother of Blake M. Roney, Nedra D. Roney, Brooke B. Roney, Kirk V. Roney, Rick A. Roney and Burke F. Roney.

(27) Tom Branch is the trustee of The MAR Trust and has sole voting and investment power with respect to the shares of Class A and Class B common stock owned by such entity.

(28) L.S. McCullough is the trustee of The WFA Trust and has sole voting and investment power with respect to the shares of Class A and Class B common stock owned by such entity.

(29) L.S. McCullough is the trustee of The All R's Trust and has sole voting and investment power with respect to the shares of Class A and Class B common stock owned by such entity.

(30) Blake M. Roney and Nancy L. Roney are co-trustees of The Blake M. and Nancy L. Roney Foundation and share voting and investment power with respect to shares of Class A common stock owned by such entity as reported above in footnotes (3) and (4).

(31) Nedra D. Roney and Tom Branch are co-trustees of The Rose Foundation and share voting and investment power with respect to the shares of Class A and Class B common stock owned by such entity as reported above in footnote (5).

(32) Tom Branch is the trustee of The Nedra Roney Fixed Charitable Trust and has sole voting and investment power with respect to the shares of Class A and Class B common stock owned by such entity.

(33) Craig F. McCullough is the manager of NR Rhino Company, L.C. and has sole voting and investment power with respect to the shares of Class A and Class B common stock owned by such entity.

(34) Lee M. Brower is the trustee of The SNT Trust and has sole voting and investment power with respect to the shares of Class A and Class B common stock owned by such entity.

(35) Lee M. Brower is the trustee of The DVNM Trust and has sole voting and investment power with respect to the shares of Class A and Class B common stock owned by such entity.

(36) Sandra N. Tillotson and Lee M. Brower are co-trustees of The Sandra N. Tillotson Foundation and share voting and investment power with respect to the shares of Class A common stock owned by such entity as reported above in footnote (6).

(37) Sandra N. Tillotson is the sole trustee of The Sandra N. Tillotson Fixed Charitable Trust and has sole voting and investment power with respect to the shares of Class A common stock owned by such entity as reported above in footnote (6).

(38) Craig S. Tillotson is the manager of SNT Rhino Company, L.C. and has sole voting and investment power with respect to the shares of Class A and Class B common stock owned by such entity as reported above in footnote (7).

(39) Steven J. Lund and Kalleen Lund are co-trustees of The Steven J. and Kalleen Lund Foundation and share voting and investment power with respect to the shares of Class A common stock owned by such entity as reported above in footnotes (10) and (11).

(40) Steven J. Lund and Kalleen Lund are co-trustees of The Steven J. and Kalleen Lund Fixed Charitable Trust and share voting and investment power with respect to the shares of Class A and Class B common stock owned by such entity as reported above in footnotes (10) and (11).

(41) Craig F. McCullough is the manager of S & K Rhino Company, L.C. and has sole voting and investment power with respect to the shares of Class A and Class B common stock owned by such entity.

(42) Brooke B. Roney and Denice R. Roney are co-trustees of The Brooke Brennan and Denice Renee Roney Foundation and share voting and investment power with respect to the Class A common stock owned by such entity as reported above in footnotes (12) and (13).

(43) Kirk V. Roney and Melanie K. Roney are co-trustees of The Kirk and Melanie Roney Fixed Charitable Trust and share voting and investment power with respect to the Class A common stock owned by such entity as reported above in footnote (22) and (23).

(44) Michael L. Halls and Dennis Morgan are co-trustees of The K and A Halls Trust and share voting and investment power with respect to the shares of Class A and Class B common stock owned by such entity.

(45) Keith R. Halls and Anna Lisa Massaro Halls are co-trustees of The Keith Ray and Anna Lisa Massaro Halls Foundation and share voting and investment power with respect to the Class A common stock owned by such entity as reported above in footnotes (14) and (15).

(46) Keith R. Halls and Anna Lisa Massaro Halls are co-trustees of The Keith and Anna Lisa Halls Fixed Charitable Trust and share voting and investment power with respect to the Class A common stock owned by such entity as reported above in footnotes (14) and (15).

(47) Craig F. McCullough is the manager of K & A Rhino Company, L.C. and has sole voting and investment power with respect to the shares of Class A and Class B common stock owned by such entity.

(48) Michael L. Halls and Dennis Morgan are co-trustees of The Halls Family Trust and share voting and investment power with respect to the shares of Class A and Class B common stock owned by such entity.

(49) Robert L. Stayner is the trustee of The CST Trust and has sole voting and investment power with respect to shares of Class A common stock owned by such entity.

(50) Craig S. Tillotson and Lee M. Brower are co-trustees of The Craig S. Tillotson Foundation and share voting and investment power with respect to the shares of Class A common stock and Class B common stock reported above in footnote (7).

(51) Craig S. Tillotson is the trustee of The Craig S. Tillotson Fixed Charitable Trust and has sole voting and investment power with respect to shares of Class A and Class B common stock owned by such entity as reported above in footnote (7).

(52) Sandra N. Tillotson is the manager of CST Rhino Company, L.C. and has sole voting and investment power with respect to the shares of Class A and Class B common stock owned by such entity as reported above in footnote (6) above.

(53) Steven J. Lund is the trustee of The C & K Trust and has sole voting and investment power with respect to the shares of Class A common stock owned by such entity as reported above in footnote (10) above.

(54) R. Craig Bryson and Kathleen D. Bryson are co-trustees of The Bryson Foundation and share voting and investment power with respect to the shares of Class A common stock owned by such entity as reported above in footnotes

(8) and (9).

(55) R. Craig Bryson and Kathleen D. Bryson are co-trustees of The Bryson Fixed Charitable Trust and share voting and investment power with respect to the shares of Class A common stock owned by such entity as reported above in footnotes (8) and (9) above.

(56) Keith R. Halls is the manager of CKB Rhino Company, L.C. and has sole voting and investment power with respect to the shares of Class A common stock owned by such entity as reported above in footnote (14).

(57) Includes 290,575 shares of Class A common stock which may be acquired upon exercise of presently exercisable options.

DESCRIPTION OF CAPITAL STOCK

GENERAL

As of the date of this prospectus, the authorized capital stock of Nu Skin Enterprises consists of 500,000,000 shares of Class A common stock, 100,000,000 shares of Class B common stock, and 25,000,000 shares of preferred stock. As of May 3, 1999, we had 33,184,650 shares of Class A common stock issued and outstanding and 54,606,905 shares of Class B common stock issued and outstanding. Of the authorized shares of preferred stock, no shares of preferred stock were outstanding as of May 3, 1999.

The following description of our capital stock is a summary and is subject to and qualified in its entirety by reference to the provisions of our Certificate of Incorporation.

COMMON STOCK

The approximate number of holders of record of our Class A common stock and Class B common stock as of May 3, 1999 was 918. The shares of Class A common stock and Class B common stock are identical in all respects, except for voting and conversion rights and transfer restrictions regarding the shares of the Class B common stock, as described below.

VOTING RIGHTS. Each share of Class A common stock entitles the holder to one vote on each matter submitted to a vote of our stockholders and each share of Class B common stock entitles the holder to ten votes on each such matter, including the election of directors. There is no cumulative voting. Except as required by applicable law, holders of Class A common stock and holders of Class B common stock will vote together on all matters submitted to a vote of the stockholders. With respect to certain corporate changes, such as liquidations, reorganizations, recapitalizations, mergers, consolidations and sales of substantially all of our assets, holders of Class A common stock and holders of Class B common stock will vote together as a single class and the approval of 66 2/3% of the outstanding voting power is required to authorize or approve such transactions.

Any action that can be taken at a meeting of the stockholders may be taken by written consent without a meeting if we receive consents signed by stockholders having the minimum number of votes that would be necessary to approve the action at a meeting at which all shares entitled to vote on the matter were present. This could permit holders of Class B common stock to take all actions required to be taken by the stockholders without providing the other stockholders an opportunity to make nominations or raise other matters at a meeting. The right to take action by less than unanimous written consent expires at such time as there are no shares of Class B common stock outstanding.

DIVIDENDS. Holders of Class A common stock and holders of Class B common stock are entitled to receive dividends at the same rate if, as and when such dividends are declared by our board of directors out of assets legally available therefor after payment of dividends required to be paid on shares of preferred stock, if any.

If a dividend or distribution payable in Class A common stock is made on the Class A common stock, we must also make a pro rata and simultaneous dividend or distribution on the Class B common stock payable in shares of Class B common stock. Conversely, if a dividend or distribution payable in Class B common stock is made on the Class B common stock, we must also make a pro rata and simultaneous dividend or distribution on the Class A common stock payable in shares of Class A common stock.

RESTRICTIONS ON TRANSFER. If a holder of Class B common stock transfers such shares, whether by sale, assignment, gift, bequest, appointment or otherwise, to a person other than a permitted transferee (as defined in our Certificate of Incorporation) such shares will be converted automatically into shares of Class A common stock. In the case of a pledge of shares of Class B common stock to a financial institution, such shares will not be deemed to be transferred unless and until a foreclosure occurs.

CONVERSION. The Class A common stock has no conversion rights. The Class B common stock is convertible into shares of Class A common stock, in whole or in part, at any time and from time to time at the option of the holder, on the basis of one share of Class A common stock for each share of Class B common stock converted. In the event of a transfer of shares of Class B common stock to any person other than a "Permitted Transferee," as defined in the Certificate of Incorporation, each share of Class B common stock so transferred automatically will be converted into one share of Class A common stock. Each share of Class B common stock will also automatically convert into one share of Class A common stock if, on the record date for any meeting of the stockholders, the number of shares of Class B common stock then outstanding is less than 10% of the aggregate number of shares of Class A common stock and Class B common stock then outstanding.

LIQUIDATION. In the event of liquidation, after payment of the debts and other liabilities of our company and after making provision for the holders of preferred stock, if any, our remaining assets will be distributable ratably among holders of Class A common stock and holders of Class B common stock treated as a single class.

MERGERS AND OTHER BUSINESS COMBINATIONS. Upon the merger or consolidation of our company, holders of each class of common stock are entitled to receive equal per share payments or distributions, except that in any transaction in which shares of capital stock are distributed, such shares may differ as to voting rights to the extent and only to the extent that the voting rights of the Class A common stock and the Class B common stock differ at that time. We may not dispose of all or any substantial part of our assets to, or merge or consolidate with, any person, entity or "group," as that term is defined in Rule 13d-5 of the Securities Exchange Act of 1934, which beneficially owns in the aggregate 10% or more of the outstanding common stock of our company without the affirmative vote of the holders, other than such "related person," of not less that 66 2/3% of the voting power of outstanding Class A common stock and Class B common stock voting as a single class. For the sole purpose of determining the 66 2/3% vote, a "related person" will also include the seller or sellers from whom the related person acquired, during the preceding six months, at least 5% of the outstanding shares of Class A common stock in a single transaction or series of related transactions pursuant to one or more agreements or other arrangements (and not through a brokers' transaction), but only if such seller or sellers have beneficial ownership of shares of common stock having a fair market value in excess of $10 million in the aggregate following such disposition to such related person. This 66 2/3% voting requirement is not applicable, however, if:

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

- In the case of a transaction pursuant to which the holders of common stock are entitled to receive cash, property, securities or other consideration, the cash or fair market value of the property, securities or other consideration to be received per share in such transaction is not less than the higher of (A) the highest price per share paid by the "related person" for any of its holdings of common stock within the two-year period immediately prior to the announcement of the proposed transaction or (B) the highest closing sale price during the

30-day period immediately preceding such date or during the 30-day period immediately preceding the date on which the related person became a related person, whichever is higher.

OTHER PROVISIONS. Holders of the Class A common stock and holders of Class B common stock are not entitled to preemptive rights. Neither the Class A common stock nor the Class B common stock may be subdivided or combined in any manner unless the other class is subdivided or combined in the same proportion.

TRANSFER AGENT AND REGISTRAR. The Transfer Agent and Registrar for the Class A common stock is American Stock Transfer and Trust Company.

LISTING. The Class A common stock is traded on the New York Stock Exchange under the trading symbol "NUS." There is currently no public market for the Class B common stock.

PREFERRED STOCK

The board of directors is authorized, subject to any limitations prescribed by the Delaware General Corporation Law or the rules of the New York Stock Exchange or other organizations on whose systems our stock may be quoted or listed, to provide for the issuance of shares of preferred stock in one or more series, to establish from time to time the number of shares to be included in each such series, to fix the rights, powers, preferences and privileges of the shares of each wholly unissued series and any qualifications, limitations or restrictions thereon, and to increase or decrease the number of shares of such series, without any further vote or action by the stockholders. The approval of the holders of at least 66 2/3% of the combined voting power of the outstanding shares of common stock, however, is required for the issuance of shares of preferred stock that have the right to vote for the election of directors under ordinary circumstances or to elect 50% or more of the directors under any circumstances. Depending upon the terms of the preferred stock established by our board of directors, any or all series of preferred stock could have preference over the common stock with respect to dividends and other distributions and upon liquidation of our company or could have voting or conversion rights that could adversely affect the holders of the outstanding common stock. In addition, the preferred stock could delay, defer or prevent a change of control of our company. We have no present plans to issue any shares of preferred stock.

OTHER CHARTER AND BYLAW PROVISIONS

Special meetings of stockholders may be called only by the majority stockholders, the board of directors or the President or Secretary of our company. Except as otherwise required by law, stockholders, in their capacity as such, are not entitled to request or call a special meeting of the stockholders.

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

SECTION 203 OF THE DELAWARE GENERAL CORPORATION LAW

We are a Delaware corporation and are subject to the provisions of Section 203 of the Delaware General Corporation Law regulating corporate takeovers. This law prevents certain Delaware corporations, including those whose securities are listed on the New York Stock Exchange, from engaging, under certain circumstances, in a "business combination" with an "interested stockholder"

for three years following the date that such stockholder became an "interested stockholder," unless the "business combination" or "interested stockholder" is approved in a prescribed manner. An "interested stockholder" is a stockholder who, together with affiliates and associates, within the prior three years did own 15% or more of the corporation's outstanding voting stock. A Delaware corporation may "opt out" of the provisions of Section 203 of the Delaware General Corporation Law with an express provision in its original certificate of incorporation or an express provision in its certificate of incorporation or bylaws resulting from a stockholders' amendment approved by at least a majority of the outstanding voting shares. We have not "opted out" of the provisions of this law.

INDEMNIFICATION AND LIMITATION OF LIABILITY OF DIRECTORS AND OFFICERS

To the fullest extent permitted by the Delaware General Corporation Law, our Certificate of Incorporation and Bylaws provide that we shall indemnify and advance expenses to each of our directors, officers, employees and agents. We believe the foregoing provisions are necessary to attract and retain qualified persons as directors and officers. We have entered into separate indemnification agreements with each of our directors and executive officers in order to effectuate such provisions. Our Certificate of Incorporation also provides for, to the fullest extent permitted by the Delaware General Corporation Law, elimination or limitation of liability of directors for breach of their fiduciary duty to us or our stockholders.

REGISTRATION RIGHTS

Under the Stockholders' Agreement, as amended, between and among certain Nu Skin Enterprises original stockholders, we have granted such stockholders registration rights permitting each of such original stockholders to register his or her shares of Class A common stock, subject to certain restrictions, on any registration statement filed by our company until such original stockholder has sold a specified value of shares of Class A common stock. In connection with the acquisition of Pharmanex, we have granted demand and piggyback registration rights, subject to certain restrictions, to the former stockholders of Pharmanex.

CERTAIN UNITED STATES FEDERAL TAX CONSIDERATIONS FOR NON-UNITED STATES HOLDERS

The following is a general discussion of certain United States federal income and estate tax consequences of the ownership and disposition of Class A common stock that may be relevant to you if you are a non-U.S. Holder. In general a "non-U.S. Holder" is any holder of Class A common stock other than:

- A citizen or resident of the United States,
- A corporation, partnership or other entity created or organized in the United States or under the laws of the United States or of any state,
- An estate, the income of which is includable in gross income for United States federal income tax purposes regardless of its source, or
- A trust if (a) a court within the United States is able to exercise primary supervision over the administration of the trust and (b) one or more United States persons have the authority to control all substantial decisions of the trust.

This discussion is a summary of certain aspects of current United States federal income and estate taxation and is for general information only. This discussion does not address aspects of United States federal taxation other than income and estate taxation and does not address all aspects of income and estate taxation, nor does it consider any specific facts or circumstances that may apply to a particular non-U.S. Holder (including certain United States expatriates). Accordingly, offerees of Class A common stock are urged to consult their tax advisers regarding the United States federal, state, local and non-United States income and other tax consequences of holding and disposing of shares of Class A common stock.

If you are an individual, you may, subject to certain exceptions, be deemed to be a United States resident (as opposed to a non-resident alien) by virtue of being present in the United States for at least 31 days in the calendar year and for an aggregate of at least 183 days during a three-year period ending in the current calendar year (counting for such purposes all of the days present in the current year, one-third of the days present in the immediate preceding year, and one-sixth of the days present in the second preceding year). In addition, an alien may be treated as a resident alien if he or she (1) meets a lawful permanent residence test or (2) elects to be treated as a United States resident and meets the test in the immediately preceding sentence in the immediately following year. Resident aliens are subject to United States federal income tax as if they were United States citizens.

DIVIDENDS. If dividends are paid on the Class A common stock, as a non-U.S. Holder, you will be subject to United States withholding tax at a 30% rate (or a lower rate prescribed by an applicable tax treaty) unless the dividends are either (1) considered effectively connected with a trade or business carried on by you within the United States, or alternatively, (2) if certain tax treaties apply, considered attributable to a permanent establishment in the United States maintained by you if certain income tax treaties apply.

Under currently effective United States Treasury regulations (the "Current Regulations"), if we have no definitive knowledge regarding your tax status, we must withhold tax at the rate of 30% on all dividend payments if your address is outside the United States. For these purposes, under the Current Regulations, dividends paid to an address in a foreign country generally are presumed to be paid to a resident of that country absent knowledge to the contrary. Under United States Treasury regulations generally effective for payments made after December 31, 2000 (the "Final Regulations"), such presumption is eliminated. Further, to claim the benefit of an applicable treaty rate, you

will be required to file the appropriate United States Internal Revenue Service form 1001 or form W-8BEN (or substitute form) with the United States. In addition, under the Final Regulations, in the case of Class A common stock held by a foreign partnership, (1) the certification requirement will generally be applied to the partners of the partnership and (2) the partnership will be required to provide certain information, including a United States taxpayer identification number. The Final Regulations also provide look-through rules for tiered partnerships. If you are eligible for a reduced rate of United States withholding tax pursuant to a tax treaty, you may obtain a refund of any excess amounts withheld by filing an appropriate claim for refund with the Internal Revenue Service.

Dividends that are considered effectively connected with a United States trade or business or attributable to a United States permanent establishment generally will not be subject to United States withholding tax if you file the appropriate U.S. Internal Revenue Service form 4224 or W-8ECI (or substitute form) with us (which form, under the Final Regulations, will require you to provide a United States taxpayer identification number). You will be taxed on such dividends for United States federal income tax purposes on a net income basis, in the same manner as if you were a resident of the United States. If you are a corporation, you may be subject to an additional branch profits tax at a rate of 30% (or such lower rate as may be specified by an applicable treaty).

SALE OF CLASS A COMMON STOCK. As a non-U.S. Holder, you will not be subject to United States federal income tax on any gain realized upon the disposition of such holder's shares of Class A common stock unless: (1)(a) the gain is considered effectively connected with a trade or business carried on by you within the United States, or alternatively, (b) if certain tax treaties apply, the gain is considered attributable to a permanent establishment in the United States maintained by you (and in either case, the branch profits tax discussed above may also apply if you are a corporation); (2) you are an individual who holds shares of Class A common stock as a capital asset and you are present in the United States for 183 days or more in the taxable year of disposition, and certain other conditions are met; or (3) we are or have been a United States real property holding corporation (a "USRPHC") for United States federal income tax purposes (which we do not believe that we currently are or are likely to become) at any time within the shorter of the five-year period preceding such disposition or your holding period. If we are or were to become a USRPHC at any time during this period, gains realized upon a disposition of Class A common stock by you would not be subject to United States federal income tax, provided you did not directly or indirectly own more than 5% of the Class A common stock during this period generally and that the Class A common stock had been regularly traded on an established securities market.

ESTATE TAX. If you are an individual who is not a citizen or resident (as defined for United States federal estate tax purposes) of the United States at the time of death, Class A common stock will be includable in your gross estate for United States federal estate tax purposes (unless an applicable estate tax treaty provides otherwise), and therefore may be subject to United States federal estate tax.

BACKUP WITHHOLDING, INFORMATION REPORTING AND OTHER REPORTING REQUIREMENTS. We must report annually to the Internal Revenue Service and to each of you the amount of dividends paid to, and the tax withheld with respect to, each of you. These reporting requirements apply regardless of whether withholding was reduced or eliminated by an applicable tax treaty. Copies of this information also may be made available under the provisions of a specific treaty or agreement with the tax authorities in the country in which the non-U.S. Holder resides or is established.

Under the Current Regulations, United States backup withholding tax (which generally is imposed at the rate of 31% on certain payments to persons that fail to furnish the information required under the United States information reporting requirements) and information reporting requirements (other than those discussed above) generally will not apply to dividends paid on

Class A common stock if you have an address outside the United States. Backup withholding and information reporting generally will apply to dividends paid on shares of Class A common stock to a non-U.S. Holder if you have an address in the United States, or if you fail to establish an exemption or to provide certain other information to the payor. Under the Final Regulations, however, if you fail to certify your status in accordance with the requirements of the Final Regulations, you may be subject to United States backup withholding on payments of dividends.

The payment of proceeds from the disposition of Class A common stock to or through a United States office of a broker will be subject to information reporting and backup withholding unless you, under penalties of perjury, certify, among other things, your status as a non-U.S. Holder or otherwise establish an exemption. The payment of proceeds from the disposition of Class A common stock to or through a non-U.S. office of a non-U.S. broker generally will be subject to information reporting, but not backup withholding, if the broker is a United States person, a "controlled foreign corporation" for United States federal income tax purposes or a foreign person 50% or more of whose gross income from certain periods is effectively connected with a United States trade or business. Information reporting and not backup withholding will not apply if the broker has documentary evidence in its files that the owner is a non-U.S. Holder (and the broker has no actual knowledge of the country).

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to you will be refunded or credited against the your United States federal income tax liability, if any, provided that the required information is furnished to the Internal Revenue Service in a timely manner.

UNDERWRITING

GENERAL

We intend to offer our Class A common stock in the United States through a number of U.S. underwriters. Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. Incorporated, Adams, Harkness & Hill, Inc., Donaldson, Lufkin & Jenrette Securities Corporation, Lehman Brothers, Inc. and U.S. Bancorp Piper Jaffray, Inc. are acting as U.S. representatives of each of the U.S. underwriters named below. Subject to the terms and conditions set forth in a U.S. purchase agreement among our company, the selling stockholders and the U.S. underwriters, and concurrently with the sale of 1,000,000 shares of Class A common stock to Merrill Lynch Japan Incorporated, as the Japanese manager, the selling stockholders have agreed to sell to the U.S. underwriters, and each of the U.S. underwriters severally and not jointly has agreed to purchase from the selling stockholders, the number of shares of Class A common stock set forth opposite its name below.

U.S. UNDERWRITERS	NUMBER OF SHARES
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Morgan Stanley & Co. Incorporated	
Adams, Harkness & Hill, Inc	
Donaldson, Lufkin & Jenrette Securities Corporation	
Lehman Brothers, Inc	
U.S. Bancorp Piper Jaffray, Inc	
Total	9,000,000

We and the selling stockholders have also entered into a Japanese underwriting agreement with the Japanese manager. Subject to the terms and conditions set forth in the Japanese underwriting agreement, and concurrently with the sale of 9,000,000 shares of Class A common stock to the U.S. underwriters pursuant to the U.S. purchase agreement, the selling stockholders have agreed to sell to the Japanese manager, and the Japanese manager has agreed to purchase from the selling stockholders, an aggregate of 1,000,000 shares of Class A common stock. The public offering price per share and the total underwriting discount per share of Class A common stock are identical under the U.S. purchase agreement and the Japanese underwriting agreement.

In the U.S. purchase agreement and the Japanese underwriting agreement, the several U.S. underwriters and the Japanese manager, respectively, have agreed, subject to the terms and conditions set forth in those agreements, to purchase all of the shares of Class A common stock being sold under the terms of each such agreement if any of the shares of Class A common stock being sold under the terms of such agreement are purchased. In the event of a default by an underwriter, the U.S. purchase agreement and the Japanese underwriting agreement provide that, in certain circumstances, the purchase commitments of the nondefaulting underwriters may be increased or the U.S. purchase agreement and/or the Japanese underwriting agreement may be terminated. The closings with respect to the sale of shares of Class A common stock to be purchased by the U.S. underwriters and the Japanese manager are conditioned upon one another.

All of the shares to be offered in this offering have been registered under the Securities Act. With regards to the offering in Japan, a filing of a securities registration statement and amendments

thereto under the Securities and Exchange Laws of Japan has also been made with the Minister of Finance of Japan. The Japanese manager has agreed that the offering in Japan will be a public offering without listing in Japan and will be governed by Japanese laws and regulations.

We and the selling stockholders have agreed to indemnify the U.S. underwriters and the Japanese manager against some liabilities, including some liabilities under the Securities Act and other applicable securities laws, or to contribute to payments the U.S. underwriters and Japanese manager may be required to make in respect of those liabilities.

The shares of Class A common stock are being offered by the several underwriters, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of certain legal matters by counsel for the underwriters and certain other conditions. The underwriters reserve the right to withdraw, cancel or modify such offer and to reject orders in whole or in part.

COMMISSIONS AND DISCOUNTS

The U.S. representatives have advised us and the selling stockholders that the U.S. underwriters propose initially to offer the shares of Class A common stock to the public at the public offering price set forth on the cover page of this prospectus, and to certain dealers at such price less a concession not in excess of $ per share of Class A common stock. The U.S. underwriters may allow, and such dealers may reallow, a discount not in excess of $ per share of Class A common stock to certain other dealers. After the public offering, the public offering price, concession and discount may change.

The following table shows the per share and total underwriting discount to be paid by the selling stockholders to the U.S. underwriters and the Japanese manager and the proceeds before expenses to the selling stockholders. This information is presented assuming either no exercise or full exercise by the U.S. underwriters and the Japanese manager of their over-allotment options.

	PER SHARE	WITHOUT OPTION	WITH OPTION
Public Offering Price	$	$	$
Underwriting Discount	$	$	$
Proceeds, before expenses, to the selling stockholders	$	$	$

The expenses of the offering, exclusive of the underwriting discount, are estimated at $ and are payable by the selling stockholders.

INTERSYNDICATE AGREEMENT

The U.S. underwriters and the Japanese manager have entered into an intersyndicate agreement that provides for the coordination of their activities. Under the terms of the intersyndicate agreement, the U.S. underwriters and the Japanese manager are permitted to sell shares of our Class A common stock to each other for purposes of resale at the public offering price, less an amount not greater than the selling concession. Under the terms of the intersyndicate agreement, the U.S. underwriters and any dealer to whom they sell shares of our Class A common stock will not offer to sell or sell shares of our Class A common stock to Japanese persons or to persons they believe intend to resell to Japanese persons, and the Japanese manager and any dealer to whom they sell shares of Class A common stock will not offer to sell or sell shares of Class A common stock to non-Japanese or to persons they believe intend to resell to non-Japanese persons, except in the case of transactions under the terms of the intersyndicate agreement.

OVER-ALLOTMENT OPTION

The selling stockholders have granted an option to the U.S. underwriters, exercisable for 30 days after the date of this prospectus, to purchase up to an aggregate of 1,500,000 additional shares of our Class A common stock at the public offering price set forth on the cover page of this prospectus, less the underwriting discount. The U.S. underwriters may exercise this option solely to cover over-allotments, if any, made on the sale of our Class A common stock offered hereby. To the extent that the U.S. underwriters exercise this option, each U.S. underwriter will be obligated, subject to certain conditions, to purchase a number of additional shares of our Class A common stock proportionate to such U.S. underwriter's initial amount reflected in the foregoing table. No over-allotment option has been granted under the Japanese underwriters agreement.

NO SALES OF SIMILAR SECURITIES

We, our executive officers and directors, all of the selling stockholders and certain other stockholders have agreed, with certain exceptions, without the prior written consent of Merrill Lynch on behalf of the underwriters for a period of 90 days after the date of this prospectus, not to directly or indirectly:

- Offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant for the sale of, lend or otherwise dispose of or transfer any shares of our Class A common stock or securities convertible into or exchangeable or exercisable for or repayable with our Class A common stock, whether now owned or later acquired by the person executing the agreement or with respect to which the person executing the agreement later acquires the power of disposition, or file a registration statement under the Securities Act relating to any shares of our Class A common stock or

- Enter into any swap or other agreement that transfers, in whole or in part, the economic consequence of ownership of our Class A common stock whether any such swap or transaction is to be settled by delivery of our Class A common stock or other securities, in cash or otherwise.

NEW YORK STOCK EXCHANGE LISTING

Our Class A common stock is listed on the New York Stock Exchange under the symbol "NUS." The shares of Class A common stock sold in the offering in Japan will not be listed on any stock exchange in Japan and will not be registered with the Japan Securities Dealers Association as shares to be traded in the Japanese over-the-counter market. Therefore, there will be no public market in Japan for the trading of such shares.

PRICE STABILIZATION AND SHORT POSITIONS

Until the distribution of our Class A common stock is completed, rules of the SEC may limit the ability of the underwriters and certain selling group members to bid for and purchase our Class A common stock. As an exception to these rules, the U.S. representatives are permitted to engage in transactions that stabilize the price of our Class A common stock. Such transactions consist of bids or purchases for the purpose of pegging, fixing or maintaining the price of our Class A common stock.

If the underwriters create a short position in our Class A common stock in connection with the offering, i.e., if they sell more shares of our Class A common stock than are set forth on the cover page of this prospectus, the U.S. representatives may reduce that short position by purchasing our

Class A common stock in the open market. The U.S. representatives may also elect to reduce any short position by exercising all or part of the over-allotment option described above.

In general, purchases of a security for the purpose of stabilization or to reduce a short position could cause the price of the security to be higher than it might be in the absence of such purchases.

Neither our company nor any of the underwriters makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our Class A common stock. In addition, neither our company nor any of the underwriters makes any representation that the U.S. representatives will engage in such transactions or that such transactions, once commenced, will not be discontinued without notice.

WHERE YOU CAN FIND MORE INFORMATION ABOUT NU SKIN ENTERPRISES

We file reports, proxy statements and other information with the Securities and Exchange Commission. Our SEC filings are also available over the Internet at the SEC's Web site at http://www.sec.gov. You may also read and copy any document we file at the SEC's public reference rooms in Washington, D.C., New York, New York and Chicago, Illinois. Please call the SEC at 1-800-SEC-0330 for more information on the public reference rooms and their copy charges. You may also inspect our SEC reports and other information at the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

We have filed a registration statement on Form S-3 with the SEC covering the Class A common stock. For further information on Nu Skin Enterprises and our Class A common stock, you should refer to our registration statement and its exhibits. This prospectus summarizes material provisions of contracts and other documents that we refer you to. Since the prospectus may not contain all the information that you may find important, you should review the full text of those documents.

INCORPORATION OF INFORMATION WE FILE WITH THE SEC

The SEC allows us to "incorporate by reference" the information we file with them, which means:

- Incorporated documents are considered part of the prospectus,
- We can disclose important information to you by referring you to those documents, and
- Information that we file with the SEC will automatically update and supersede this prospectus.

We incorporate by reference the documents listed below which were filed with the SEC under the Securities Exchange Act of 1934, the "Exchange Act":

- Annual Report on Form 10-K for the fiscal year ended December 31, 1998,
- Current Report on Form 8-K filed on February 9, 1999,
- Current Report on Form 8-K filed on March 23, 1999, and
- Current Report on Form 8-K/A filed on April 13, 1999.

We also incorporate by reference each of the following documents that we will file with the SEC after the date of this prospectus but before all the Class A common stock offered by this prospectus has been sold:

- Reports filed under Section 13(a) and (c) of the Exchange Act,
- Definitive proxy or information statements filed under Section 14 of the Exchange Act in connection with any subsequent stockholders' meeting, and
- Any reports filed under Section 15(d) of the Exchange Act.

You may request a copy of any filings referred to above (excluding exhibits) at no cost, by contacting us at the following address:

Nu Skin Enterprises, Inc.
75 West Center Street
Provo, Utah 84601
(801) 345-6100
Attention: Investor Relations

LEGAL MATTERS

The validity of our Class A common stock offered hereby will be passed upon for us by LeBoeuf, Lamb, Greene & MacRae, L.L.P., Salt Lake City, Utah. Certain legal matters relating to our Class A common stock will be passed upon for the underwriters by Shearman & Sterling, Menlo Park, California. Shearman & Sterling has in the past provided, and may continue to provide, legal services to Nu Skin Enterprises.

EXPERTS

The consolidated financial statements of Nu Skin Enterprises at December 31, 1997 and 1998 and for each of the three years in the period ended December 31, 1998, included in this prospectus, except as they relate to Nu Skin International and its affiliates including those operating in Europe, Australia and New Zealand as of December 31, 1997 and for the years ended December 31, 1997 and 1996, have been audited by PricewaterhouseCoopers LLP, independent accountants, as set forth in their report thereon appearing elsewhere in this prospectus, and insofar as they relate to Nu Skin International and its affiliates including those operating in Europe, Australia and New Zealand as of December 31, 1997 and for the years ended December 31, 1997 and 1996 have been audited by Grant Thornton LLP, independent accountants, whose report thereon appears herein. Such financial statements have been so included in reliance on the reports of such independent accountants given on the authority of such firms as experts in auditing and accounting.

NU SKIN ENTERPRISES, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT ACCOUNTANTS

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

In our opinion, based upon our audits and the report of other auditors, the accompanying consolidated balance sheets and the related consolidated statements of income, of stockholders' equity and of cash flows present fairly, in all material respects, the financial position of Nu Skin Enterprises, Inc. and its subsidiaries at December 31, 1997 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the Acquired Entities (Note 3), which statements reflect total assets of $127.0 million at December 31, 1997, and total revenue of $265.0 million and $308.9 million for the years ended December 31, 1996 and 1997, respectively. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for the Acquired Entities, is based solely on the report of the other auditors. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for the opinion expressed above.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Salt Lake City, Utah
February 17, 1999

NU SKIN ENTERPRISES, INC.

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

	DECEMBER 31,	
	1997	1998
ASSETS		
Current assets		
Cash and cash equivalents	$174,300	$188,827
Accounts receivable	11,074	13,777
Related parties receivable	23,008	22,255
Inventories, net	69,491	79,463
Prepaid expenses and other	38,716	50,475
	316,589	354,797
Property and equipment, net	27,146	42,218
Other assets, net	61,269	209,418
Total assets	$405,004	$606,433
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 23,259	$ 17,903
Accrued expenses	140,615	132,723
Related parties payable	10,038	25,029
Current portion of long-term debt	--	14,545
Current portion of notes payable to stockholders	19,457	--
	193,369	190,200
Long-term debt, less current portion	--	138,734
Other liabilities	--	22,857
Notes payable to stockholders, less current portion	116,743	--
Minority interest	--	--
Commitments and contingencies (Notes 10 and 17)		
Stockholders' equity		
Preferred stock -- 25,000,000 shares authorized, $.001 par value, 1,941,331 and no shares issued and outstanding	2	--
Class A common stock -- 500,000,000 shares authorized, $.001 par value, 11,758,011 and 33,709,251 shares issued and outstanding	12	34
Class B common stock -- 100,000,000 shares authorized, $.001 par value, 70,280,759 and 54,606,905 shares issued and outstanding	70	55
Additional paid-in capital	115,053	146,781
Accumulated other comprehensive income	(28,578)	(43,604)
Retained earnings	17,788	158,064
Deferred compensation	(9,455)	(6,688)
	94,892	254,642
Total liabilities and stockholders' equity	$405,004	$606,433

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

NU SKIN ENTERPRISES, INC.

CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	YEAR ENDED DECEMBER 31,		
	1996	1997	1998
Revenue	$761,638	$953,422	$913,494
Cost of sales	171,187	191,218	188,457
Cost of sales -- amortization of inventory step-up	--	--	21,600
Gross profit	590,451	762,204	703,437
Operating expenses:			
Distributor incentives	282,588	362,195	331,448
Selling, general and administrative	168,706	201,880	202,150
Distributor stock expense	1,990	17,909	--
In-process research and development (Note 4)	--	--	13,600
Total operating expenses	453,284	581,984	547,198
Operating income	137,167	180,220	156,239
Other income (expense), net	10,771	8,973	13,599
Income before provision for income taxes and minority interest	147,938	189,193	169,838
Provision for income taxes (Note 12)	49,526	55,707	62,840
Minority interest	13,700	14,993	3,081
Net income	$ 84,712	$118,493	$103,917
Net income per share (Note 2):			
Basic	$ 1.07	$ 1.42	$ 1.22
Diluted	$ 1.02	$ 1.36	$ 1.19
Weighted average common shares outstanding:			
Basic	79,194	83,331	84,894
Diluted	83,001	87,312	87,018
Unaudited pro forma data (Note 12):			
Income before pro forma provision for income taxes and minority interest	$147,938	$189,193	$169,838
Pro forma provision for income taxes	54,752	71,856	65,998
Pro forma minority interest	8,630	9,299	1,947
Pro forma net income	$ 84,556	$108,038	$101,893
Pro forma net income per share:			
Basic	$ 1.07	$ 1.30	$ 1.20
Diluted	$ 1.02	$ 1.24	$ 1.17

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

NU SKIN ENTERPRISES, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(IN THOUSANDS)

	CAPITAL STOCK	PREFERRED STOCK	CLASS A COMMON STOCK	CLASS B COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED OTHER COMPREHENSIVE INCOME	RETAINED EARNINGS
Balance at January 1, 1996	$ 5,595					$ (2,858)	$ 65,626
Net income	--					--	84,712
Foreign currency translation adjustments	--					(3,196)	--
Total comprehensive income							
Reorganization and termination of S corporation status (Note 1)	(4,550)			$ 80	$ 1,209	--	3,261
Net proceeds from the offering and conversion of shares by stockholders (Notes 1 and 11)	--		$12	(8)	98,829	--	--
Contributed capital	1,570		--	--	--	--	--
Purchase of Acquired Entities (Note 3)	(2,615)	$ 2	--	--	2,613	--	--
Dividends	--	--	--	--	--	--	(65,139)
Issuance of notes payable to stockholders	--	--	--	--	--	--	(86,487)
Issuance of distributor stock options	--	--	--	--	33,039	--	--
Issuance of employee stock awards	--	--	--	--	13,280	--	--
Amortization of deferred compensation	--	--	--	--	--	--	--
Balance at December 31, 1996	--	2	12	72	148,970	(6,054)	1,973
Net income	--	--	--	--	--	--	118,493
Foreign currency translation adjustments	--	--	--	--	--	(22,524)	--
Total comprehensive income							
Conversion of shares from Class B to Class A	--	--	2	(2)	--	--	--
Repurchase of 1,416 shares of Class A common stock (Note 11)	--	--	(2)	--	(20,260)	--	--
Adjustment to distributor stock options (Note 11)	--	--	--	--	(2,546)	--	--
Forfeitures of employee stock awards	--	--	--	--	(1,181)	--	--
Amortization of deferred compensation	--	--	--	--	--	--	--
Contributed capital	--	--	--	--	7,383	--	--
Dividends	--	--	--	--	(19,026)	--	(46,054)
Issuance of employee stock awards and options	--	--	--	--	1,713	--	--
Issuance of notes payable to stockholders	--	--	--	--	--	--	(56,624)
Balance at December 31, 1997	--	2	12	70	115,053	(28,578)	17,788
Net income	--	--	--	--	--	--	103,917
Foreign currency translation adjustments	--	--	--	--	--	(15,026)	--
Total comprehensive income							
Amortization of deferred compensation	--	--	--	--	--	--	--
Issuance of notes payable to stockholders	--	--	--	--	--	--	(24,413)
Purchase of Acquired Entities and termination of S corporation status	--	1	--	--	(22,144)	--	60,772
Purchase of Pharmanex (Note 4)	--	--	4	--	78,710	--	--
Repurchase of 917 shares of Class A common stock (Note 11)	--	--	--	--	(10,549)	--	--
Exercise of distributor and employee stock options	--	--	--	--	1,961	--	--
Conversion of preferred stock (Note 3)	--	(3)	3	--	--	--	--
Conversion of shares from Class B to Class A	--	--	15	(15)	--	--	--
Contingent payments to stockholders (Note 5)	--	--	--	--	(16,250)	--	--
Balance at December 31, 1998	$ --	$--	$34	$ 55	$146,781	$(43,604)	$158,064

	DEFERRED COMPENSATION	TOTAL STOCKHOLDERS' EQUITY
Balance at January 1, 1996		$ 68,363
Net income		84,712
Foreign currency translation adjustments		(3,196)
Total comprehensive income		81,516
Reorganization and termination of S corporation status (Note 1)		--
Net proceeds from the offering and conversion of shares by stockholders (Notes 1 and 11)		98,833
Contributed capital		1,570

Purchase of Acquired Entities (Note 3).....		--
Dividends.....		(65,139)
Issuance of notes payable to stockholders.....		(86,487)
Issuance of distributor stock options.....	$(20,688)	12,351
Issuance of employee stock awards.....	(13,280)	--
Amortization of deferred compensation.....	2,488	2,488
Balance at December 31, 1996.....	(31,480)	113,495
Net income.....	--	118,493
Foreign currency translation adjustments...	--	(22,524)
Total comprehensive income.....		95,969
Conversion of shares from Class B to Class A.....	--	--
Repurchase of 1,416 shares of Class A common stock (Note 11).....	--	(20,262)
Adjustment to distributor stock options (Note 11).....	(690)	(3,236)
Forfeitures of employee stock awards.....	1,181	--
Amortization of deferred compensation.....	23,247	23,247
Contributed capital.....	--	7,383
Dividends.....	--	(65,080)
Issuance of employee stock awards and options.....	(1,713)	--
Issuance of notes payable to stockholders.....	--	(56,624)
Balance at December 31, 1997.....	(9,455)	94,892
Net income.....	--	103,917
Foreign currency translation adjustments...	--	(15,026)
Total comprehensive income.....		88,891
Amortization of deferred compensation.....	3,626	3,626
Issuance of notes payable to stockholders.....	--	(24,413)
Purchase of Acquired Entities and termination of S corporation status.....	--	38,629
Purchase of Pharmanex (Note 4).....	(859)	77,855
Repurchase of 917 shares of Class A common stock (Note 11).....	--	(10,549)
Exercise of distributor and employee stock options.....	--	1,961
Conversion of preferred stock (Note 3).....	--	--
Conversion of shares from Class B to Class A.....	--	--
Contingent payments to stockholders (Note 5).....	--	(16,250)
Balance at December 31, 1998.....	$ (6,688)	$254,642

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

NU SKIN ENTERPRISES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,		
	1996	1997	1998
Cash flows from operating activities:			
Net income	$ 84,712	$ 118,493	$ 103,917
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	9,615	8,809	15,768
Amortization of deferred compensation	2,488	23,247	3,626
Amortization of inventory step-up	--	--	21,600
Write-off of in-process research and development	--	--	13,600
Income applicable to minority interest	13,700	14,993	3,081
Changes in operating assets and liabilities:			
Accounts receivable	(5,939)	(614)	(900)
Related parties receivable	(4,097)	(2,726)	1,215
Inventories, net	(6,060)	(10,206)	(3,556)
Prepaid expenses and other	(10,132)	(24,641)	(7,248)
Other assets	(24,814)	(23,161)	(4,100)
Accounts payable	(1,682)	3,336	(8,767)
Accrued expenses and other liabilities	82,844	31,058	(8,973)
Related parties payable	1,733	(29,986)	(10,703)
Net cash provided by operating activities	142,368	108,602	118,560
Cash flows from investing activities:			
Purchase of property and equipment	(9,172)	(14,389)	(18,320)
Purchase of Pharmanex, net of cash acquired	--	--	(28,750)
Payments for lease deposits	(562)	(3,457)	(633)
Receipt of refundable lease deposits	98	120	1,650
Net cash used in investing activities	(9,636)	(17,726)	(46,053)
Cash flows from financing activities:			
Payments on long-term debt	--	--	(41,634)
Proceeds from capital contributions	1,570	11,358	--
Proceeds from long-term debt	--	--	181,538
Net proceeds from the offering (Note 1)	98,833	--	--
Dividends paid	(80,025)	(30,468)	--
Repurchase of shares of common stock	--	(20,262)	(10,549)
Exercise of distributor and employee stock options	--	--	1,961
Payment to stockholders for notes payable (Note 5)	(15,000)	(71,487)	(180,000)
Net cash provided by (used in) financing activities	5,378	(110,859)	(48,684)
Effect of exchange rate changes on cash	(7,287)	(20,540)	(9,296)
Net increase (decrease) in cash and cash equivalents	130,823	(40,523)	14,527
Cash and cash equivalents, beginning of period	84,000	214,823	174,300
Cash and cash equivalents, end of period	$214,823	$ 174,300	$ 188,827

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

NU SKIN ENTERPRISES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. THE COMPANY

Nu Skin Enterprises, Inc. (the "Company"), is a network marketing company involved in the distribution and sale of premium quality, innovative personal care and nutritional products. The Company distributes Nu Skin brand products in markets throughout the world. The Company's operations are divided into three segments: North Asia, which consists of Japan and South Korea; Southeast Asia, which consists of Taiwan, Thailand, Hong Kong (including Macau), the Philippines, Australia, and New Zealand; and Other Markets, which consists of the United Kingdom, Austria, Belgium, Denmark, France, Germany, Italy, Ireland, Poland, Portugal, Spain, Sweden, the Netherlands, Brazil (the Company's subsidiaries operating in these countries are collectively referred to as the "Subsidiaries") and product sales to and license fees from the Company's North American private affiliates.

The Company was incorporated on September 4, 1996 as a holding company and acquired certain of the Subsidiaries (the "Initial Subsidiaries") through a reorganization (the "Reorganization") which occurred November 20, 1996. On November 27, 1996, the Company completed its initial public offerings of 4,750,000 shares of Class A common stock and received net proceeds of $98.8 million (the "Offerings").

As discussed in Note 3, the Company completed the NSI Acquisition on March 26, 1998. Prior to the Reorganization and the NSI Acquisition, each of the Subsidiaries elected to be treated as an S corporation. In connection with the Reorganization, the Initial Subsidiaries' S corporation status was terminated on November 19, 1996, and the Company declared a distribution to the stockholders that included all of the Initial Subsidiaries' previously earned and undistributed taxable S corporation earnings totaling $86.5 million. In connection with the NSI Acquisition, the Acquired Entities' S corporation status was terminated, and the Acquired Entities declared distributions to the stockholders that included all of the Acquired Entities' previously earned and undistributed taxable S corporation earnings totaling $87.1 million in 1997 and $37.6 million in 1998 (the "S Distribution Notes").

Inasmuch as a portion of the Acquired Entities were under common control (Note 3), the Company's consolidated financial statements for 1996 and 1997 have been combined and restated as if the Company and the Acquired Entities had been combined during all periods presented.

Also in connection with the NSI Acquisition, on December 31, 1997, NSI carved-out and distributed the net assets of its USA division ("Nu Skin USA") to the NSI Stockholders. Immediately prior to this distribution, NSI declared a distribution to the NSI Stockholders that included all of Nu Skin USA's previously earned and undistributed taxable S corporation earnings totaling $49.1 million. This distribution and all other historical transactions of Nu Skin USA are excluded from the restatement of the Company's consolidated financial statements for 1996 and 1997.

As discussed in Note 4, the Company completed the Pharmanex acquisition on October 16, 1998, which enhanced the Company's involvement with the distribution and sale of nutritional products.

As discussed in Note 18, in February 1999, the Company announced its intent to acquire Big Planet, Inc., an Internet-based company that offers Internet connectivity, e-commerce, telecommunications and other technology products and services to consumers in North America. The Company

also announced its intent to acquire certain assets of Nu Skin USA, Inc. and to acquire the Company's remaining affiliates in Canada, Mexico and Guatemala.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

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

Use of estimates

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

Cash and cash equivalents

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

Inventories

Inventories consist primarily of merchandise purchased for resale and are stated at the lower of cost, using the first-in, first-out method, or market. The Company had reserves for obsolete inventory totaling $11,000,000, $13,500,000 and $13,600,000 as of December 31, 1996, 1997 and 1998, respectively.

Property and equipment

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

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

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

Other assets

Other assets consist primarily of deferred tax assets, deposits for noncancelable operating leases, distribution rights, goodwill and long-term intangibles acquired in the NSI Acquisition (Note 3) and the Pharmanex Acquisition (Note 4). These intangibles are amortized on the straight-line basis over the estimated useful lives of the assets. The Company assesses the recoverability of long-lived assets

by determining whether the amortization of the balance over its remaining life can be recovered through undiscounted future operating cash flows attributable to the assets.

Revenue recognition

Revenue is recognized when products are shipped and title passes to independent distributors who are the Company's customers. A reserve for product returns is accrued based on historical experience. The Company generally requires cash or credit card payment at the point of sale. The Company has determined that no allowance for doubtful accounts is necessary. Amounts received prior to shipment and title passage to distributors are recorded as deferred revenue.

Research and development

The Company's research and development activities are conducted primarily out of its research and development facility located in Shanghai, China. Research and development costs are expensed as incurred.

Income taxes

The Company has adopted Statement of Financial Accounting Standards No. 109 ("SFAS 109"), Accounting for Income Taxes. Under SFAS 109, the liability method is used in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on the differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Net income per share

In 1997, the Company adopted Statement of Financial Accounting Standards No. 128 ("SFAS 128"), Earnings per Share. SFAS 128 specifies the computation, presentation and disclosure requirements for earnings per share data, and requires the restatement of earnings per share data in prior periods. SFAS 128 also requires the presentation of both basic and diluted earnings per share data for entities with complex capital structures. Diluted earnings per share data gives effect to all dilutive potential common shares that were outstanding during the periods presented. Net income per share for the year ended December 31, 1996 is computed assuming that the Company's Reorganization and the resultant issuance of Class B common stock occurred as of January 1, 1996.

Foreign currency translation

Most of the Company's business operations occur outside of the United States. Each Subsidiary's local currency is considered the functional currency. Since a substantial portion of the Company's inventories are purchased with U.S. dollars in the United States and since the Company is incorporated in the United States, all assets and liabilities are translated into U.S. dollars at exchange rates existing at the balance sheet dates, revenues and expenses are translated at weighted average exchange rates, and stockholders' equity is recorded at historical exchange rates. The resulting foreign currency translation adjustments are recorded as a separate component of

stockholders' equity in the consolidated balance sheets, and transaction gains and losses are included in other income and expense in the consolidated financial statements.

Fair value of financial instruments

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

Stock-based compensation

The Company measures compensation expense for its stock-based employee compensation plans using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25 ("APB 25"), Accounting for Stock Issued to Employees, and provides pro forma disclosures of net income and net income per share as if the fair value based method prescribed by Statement of Financial Accounting Standards No. 123 ("SFAS 123"), Accounting for Stock-Based Compensation, had been applied in measuring compensation expense (Note 11).

Reporting Comprehensive Income

During the first quarter of 1998, the Company adopted Statement of Financial Accounting Standards No. 130 ("SFAS 130"), Reporting Comprehensive Income. Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from nonowner sources, and it includes all changes in equity during a period except those resulting from investments by owners and distributions to owners.

Accounting for the Costs of Computer Software Developed or Obtained for Internal Use

In March 1998, the American Institute of Certified Public Accountants issued Statement of Position 98-1 ("SOP 98-1"), Accounting for the Costs of Computer Software Developed or Obtained for Internal Use. The statement is effective for fiscal years beginning after December 15, 1998. Earlier application is encouraged in fiscal years for which annual financial statements have not been issued. The statement defines which costs of computer software developed or obtained for internal use are capital and which costs are expensed. The Company adopted SOP 98-1 effective January 1998. The adoption of SOP 98-1 does not materially affect the Company's consolidated financial statements.

Reporting on the Costs of Start-Up Activities

In April 1998, the American Institute of Certified Public Accountants issued Statement of Position 98-5 ("SOP 98-5"), Reporting on the Costs of Start-Up Activities. The statement is effective for fiscal years beginning after December 15, 1998. The statement requires costs of start-up activities and organization costs to be expensed as incurred. The Company will adopt SOP 98-5 for calendar year 1999. The adoption of SOP 98-5 will not materially affect the Company's consolidated financial statements.

Accounting for Derivative Instruments and Hedging Activities

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133 ("SFAS 133"), Accounting for Derivative Instruments and Hedging Activities. The statement requires companies to recognize all derivatives as either assets or liabilities, with the instruments measured at fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on the intended use of the derivative and its resulting designation. The statement is effective for all fiscal quarters of fiscal years beginning after June 15, 1999. The Company will adopt SFAS 133 by January 1, 2000. The Company is currently evaluating the impact the adoption of SFAS 133 will have on its consolidated financial statements.

3. ACQUISITION OF NU SKIN INTERNATIONAL, INC. ("NSI") AND CERTAIN AFFILIATES

On March 26, 1998, the Company completed the acquisition (the "NSI Acquisition") of the capital stock of NSI, NSI affiliates in Europe, South America, Australia and New Zealand and certain other NSI affiliates (the "Acquired Entities") for $70.0 million in preferred stock and long-term notes payable to the stockholders of the Acquired Entities (the "NSI Stockholders") totaling approximately $6.2 million. In addition, contingent upon NSI and the Company meeting specific earnings growth targets, the Company may pay up to $25.0 million in cash per year over a four year period to the NSI Stockholders. Also, as part of the NSI Acquisition, the Company assumed approximately $171.3 million in S Distribution Notes and incurred acquisition costs totaling $3.0 million. The net assets acquired totaling $90.4 million include net deferred tax liabilities totaling $7.4 million recorded upon the conversion of the Acquired Entities from S to C corporations. All contingent consideration paid will be accounted for as an adjustment to the purchase price and allocated to the Acquired Entities' assets and liabilities.

The NSI Acquisition was accounted for by the purchase method of accounting, except for that portion of the Acquired Entities under common control of a group of stockholders, which portion was accounted for in a manner similar to a pooling of interests. The common control group is comprised of the NSI Stockholders who are immediate family members. The minority interest, which represents the ownership interests of the NSI Stockholders who are not immediate family members, was acquired during the NSI Acquisition. Prior to the NSI Acquisition, a portion of the Acquired Entities' net income, capital contributions and distributions (including cash dividends and S Distribution Notes) had been allocated to the minority interest.

For the portion of the NSI Acquisition accounted for by the purchase method, the Company recorded inventory step-up of $21.6 million and intangible assets of $34.8 million. During 1998, the inventory step-up was fully amortized and the Company recorded amortization of intangible assets totaling $1.6 million.

For the portion of the NSI Acquisition accounted for in a manner similar to a pooling of interests, the excess of purchase price paid over the book value of the net assets acquired was recorded as a reduction of stockholders' equity.

In connection with the restatement of the Company's consolidated financial statements for 1996 and 1997, the portion of the NSI Acquisition and the resulting Preferred Stock issued to the common control group is reflected as if such stock had been issued on the date of the Company's incorporation on September 4, 1996. On May 5, 1998, the stockholders of the Company approved the automatic

conversion of the Preferred Stock issued in the NSI Acquisition into 2,986,663 shares of Class A common stock. Under the terms of the NSI Acquisition, the 2,986,663 shares of Class A common stock were adjusted down by 8,504 shares in June 1998.

4. ACQUISITION OF PHARMANEX, INC.

On October 16, 1998, the Company completed the acquisition of privately-held Generation Health Holdings, Inc., the parent company of Pharmanex, Inc. (the "Pharmanex Acquisition"), for $77.6 million, which consisted of approximately 4.0 million shares of the Company's Class A common stock, including 261,008 shares issuable upon exercise of options assumed by the Company (Note 11). Contingent upon Pharmanex meeting specific revenue and other requirements, approximately 565,000 of the 4.0 million shares are being held in escrow and will be returned to the Company if such requirements are not met within one year from the date of the Pharmanex Acquisition. The contingent shares issued, if any, will be accounted for as an adjustment to the purchase price and allocated to the acquired assets and liabilities. Also, as part of the Pharmanex Acquisition, the Company assumed approximately $34.0 million in liabilities and incurred acquisition costs totaling $1.3 million. The net assets acquired totaling $3.6 million include net deferred tax assets totaling $0.8 million. In connection with the closing of the Pharmanex Acquisition, the Company paid approximately $29.0 million relating to the assumed liabilities.

The Pharmanex Acquisition was accounted for by the purchase method of accounting. The Company recorded inventory step-up of $3.7 million and intangible assets of $92.4 million. In addition, the Company allocated $13.6 million to purchase in-process research and development based on a discounted cash-flow method reflecting the stage of completion of the related projects. During 1998, the in-process research and development amount was fully written off and the Company recorded amortization of intangible assets totaling $1.3 million.

Pro forma results as if the Pharmanex Acquisition had occurred at January 1, 1998 have not been presented because the results are not considered material.

5. RELATED PARTY TRANSACTIONS

Scope of related party activity

The Company has transactions with affiliated entities that are under common control. The entities are Nu Skin USA, Nu Skin Canada, Nu Skin Mexico and Nu Skin Guatemala. The transactions with these entities are as follows: (1) In addition to selling products to consumers in its geographic territories, the Company sells products and marketing materials to affiliated entities in geographic areas outside those held by the Company (primarily the USA, Canada, Mexico and Guatemala). (2) The Company collects trademark royalty fees on products bearing NSI trademarks and marketed outside the Company's geographic areas that are not purchased from NSI. (3) The Company enters into a distribution agreement with each independent distributor. (4) The Company collects license fees from affiliated entities outside its geographical regions for the right to use the distributors, and for the right to use the Company's distribution system and other related intangibles. (5) The Company operates a global commission plan whereby distributors' commissions are determined by aggregate worldwide purchases made by down-line distributors. Thus, commissions on purchases from the Company earned by distributors located in geographic areas outside those held by the Company are remitted to the Company, which then forwards these commissions to the

distributors. (6) The Company collects fees for management and support services provided to affiliated entities outside its geographic areas.

The purchase prices paid by the affiliated entities for the purchase of product and marketing materials are determined pursuant to the Distribution Agreement between the Company and the affiliated entities. The selling prices to these affiliated entities of products and marketing materials are determined pursuant to the Wholesale Distribution Agreements between the Company and these affiliated entities. Trademark royalty fees and license fees are charged pursuant to the Trademark/ Trade name License Agreement between the Company and these affiliated entities and the Licensing and Sales Agreement between the Company and these affiliated entities, respectively. The independent distributor commission program is managed by the Company. Charges to the affiliated entities are based on a worldwide commission fee of 42% of product revenue which covers commissions paid to distributors on a worldwide basis and the direct costs of administering the global compensation plan. Management and support services fees are billed to the affiliated entities pursuant to the Management Services Agreement between the Company and the affiliated entities and consist of all direct expenses incurred by the Company and indirect expenses allocated to the affiliated entities based on its net sales. The sales revenue, royalties, licenses and management fees charged to the affiliated entities are recorded as revenue in the consolidated statements of income and totaled $68,556,000, $53,135,000 and $72,691,000 for the years ended December 31, 1996, 1997 and 1998, respectively.

Notes payable to stockholders

In connection with the Reorganization described in Note 1, the aggregate undistributed taxable S corporation earnings of the Initial Subsidiaries were $86.5 million. These earnings were distributed in the form of promissory notes bearing interest at 6.0% per annum. From proceeds from the Offerings, $15.0 million was used to pay a portion of the notes, and the remaining balance of $71.5 million with the related accrued interest of $1.6 million was paid on April 4, 1997.

In connection with the NSI Acquisition described in Notes 1 and 3, the Company assumed S Distribution Notes totaling $171.3 million and long-term notes payable to the NSI Stockholders totaling $6.2 million, both bearing interest at 6.0% per annum. These amounts were paid in full, including accrued interest of $3.3 million, during the second quarter of 1998. Prior to the NSI Acquisition, the Acquired Entities paid $2.5 million of the S Distribution Notes, plus accrued interest of $1.8 million.

Certain relationships with stockholder distributors

Two major stockholders of the Company have been independent distributors for the Company since 1984. These stockholders are partners in an entity which receives substantial commissions from the Company, including commissions relating to sales within the countries in which the Company operates. By agreement, the Company pays commissions to this partnership at the highest level of distributor compensation to allow the stockholders to use their expertise and reputations in network marketing to further develop the Company's distributor force, rather than focusing solely on their own distributor organizations. The commissions paid to this partnership relating to sales within the countries in which the Company operates were $1,200,000, $1,100,000 and $800,000 for the years ended December 31, 1996, 1997 and 1998, respectively.

Loan to stockholder

In December 1997, the Company loaned $5.0 million to a non-management stockholder. The loan is secured by 349,406 shares of Class B common stock, and matures in December 2000. Interest accrues at a rate of 6.0% per annum on this loan. The loan may be repaid by transferring to the Company the shares pledged to secure the loan. The loan balance, including accrued interest, totaled $5.0 million and $5.3 million at December 31, 1997 and 1998, respectively.

Contingent payments to stockholders under the NSI Acquisition

The Company and NSI met specific earnings growth targets for the year ended December 31, 1998 that resulted in $25.0 million of contingent consideration payable to the NSI Stockholders. The contingent consideration is payable in April 1999. In addition, contingent upon NSI and the Company meeting specific earnings growth targets, the Company may pay up to $25.0 million in cash per year over the next three years to the NSI Stockholders.

Lease agreements

The Company leases corporate office and warehouse space from two affiliated entities. The Company then sub-leases a portion of the corporate office and warehouse space to Nu Skin USA, Inc. and Big Planet, Inc. These lease transactions between the Company and affiliated entities approximate fair market value.

6. PROPERTY AND EQUIPMENT

Property and equipment are comprised of the following (in thousands):

	DECEMBER 31,	
	1997	1998
Furniture and fixtures	$25,587	$30,997
Computers and equipment	36,836	44,267
Leasehold improvements	8,068	13,874
Vehicles	745	1,153
	71,236	90,291
Less: accumulated depreciation	(44,090)	(48,073)
	$27,146	$42,218

Depreciation of property and equipment totaled $8,733,000, $8,060,000 and $11,543,000 for the years ended December 31, 1996, 1997 and 1998, respectively.

7. OTHER ASSETS

Other assets consist of the following (in thousands):

	DECEMBER 31,	
	1997	1998
Goodwill and intangibles	$ 7,563	$147,246
Deposits for noncancelable operating leases	9,127	10,282
Distribution rights	8,750	8,750
Deferred taxes	30,399	42,747
Other	7,815	6,023
	63,654	215,048
Less: accumulated amortization	(2,385)	(5,630)
	$61,269	$209,418

The goodwill and intangible assets are being amortized on a straight-line basis over their estimated useful lives ranging from 4 to 20 years. Amortization of goodwill and intangible assets totaled $726,000, $311,000 and $3,248,000 for the years ended December 31, 1996, 1997 and 1998, respectively. The distribution rights asset is being amortized on a straight-line basis over its estimated useful life of 20 years. Amortization of the distribution rights asset totaled $156,000, $438,000 and $438,000 for the years ended December 31, 1996, 1997 and 1998, respectively.

8. ACCRUED EXPENSES

Accrued expenses consist of the following (in thousands):

	DECEMBER 31,	
	1997	1998
Income taxes payable	$ 53,079	$ 40,726
Accrued commission payments to distributors	36,289	36,431
Other taxes payable	16,496	11,646
Other accruals	34,751	43,920
	$140,615	$132,723

9. LONG-TERM DEBT

On May 8, 1998, the Company and its Japanese subsidiary Nu Skin Japan Co., Ltd. entered into a $180.0 million credit facility with a syndicate of financial institutions for which ABN-AMRO, N.V. acted as agent. This unsecured credit facility was used to satisfy Company liabilities which were assumed as part of the NSI Acquisition. The Company borrowed $110.0 million and Nu Skin Japan Co., Ltd. borrowed the Japanese yen equivalent of $70.0 million denominated in local currency. The outstanding balance on the credit facility was $153.3 million at December 31, 1998.

The U.S. portion of the credit facility bears interest at either a base rate as specified in the credit facility or the London Inter-Bank Offer Rate plus an applicable margin, in the borrower's discretion. The Japanese portion of the credit facility bears interest at either a base rate as specified in the credit facility or the Tokyo Inter-Bank Offer Rate plus an applicable margin, in the borrower's

discretion. The maturity date for the credit facility is three years from the borrowing date, with a possible extension of the maturity date upon approval of the then outstanding lenders. Interest expense on the credit facility totaled $4.7 million for the year ended December 31,1998.

The credit facility contains other terms and conditions and affirmative and negative financial covenants customary for credit facilities of this type. As of December 31, 1998, the Company has continued to comply with all financial covenants under the credit facility.

During 1998, the Company entered into a $10.0 million revolving credit agreement with ABN-AMRO, N.V. Advances are available under the agreement through May 18, 1999. There were no outstanding balances under the credit facility at December 31, 1998.

Maturities of long-term debt at December 31, 1998 are as follows (in thousands):

YEAR ENDING DECEMBER 31,	
1999	$ 14,545
2000	53,359
2001	85,375
Total	$153,279

10. LEASE OBLIGATIONS

The Company leases office space and computer hardware under noncancelable long-term operating leases. Most leases include renewal options of up to three years. Minimum future operating lease obligations at December 31, 1998 are as follows (in thousands):

YEAR ENDING DECEMBER 31,	
1999	$ 8,882
2000	6,821
2001	5,185
2002	5,017
2003	3,685
Total minimum lease payments	$29,590

Rental expense for operating leases totaled $12,558,000, $15,518,000 and $15,969,000 for the years ended December 31, 1996, 1997 and 1998, respectively.

11. STOCKHOLDERS' EQUITY

The Company's capital stock consists of Preferred Stock, Class A common stock and Class B common stock. The shares of Class A common stock and Class B common stock are identical in all respects, except for voting rights and certain conversion rights and transfer restrictions, as follows: (1) each share of Class A common stock entitles the holder to one vote on matters submitted to a vote of the Company's stockholders and each share of Class B common stock entitles the holder to ten votes on each such matter; (2) stock dividends of Class A common stock may be paid only to holders of Class A common stock and stock dividends of Class B common stock may be paid only to

holders of Class B common stock; (3) if a holder of Class B common stock transfers such shares to a person other than a permitted transferee, as defined in the Company's Certificate of Incorporation, such shares will be converted automatically into shares of Class A common stock; and (4) Class A common stock has no conversion rights; however, each share of Class B common stock is convertible into one share of Class A common stock, in whole or in part, at any time at the option of the holder.

EQUITY INCENTIVE PLANS

Effective November 21, 1996, the Company implemented a one-time distributor equity incentive program. This program provided for grants of options to selected distributors for the purchase of 1,605,000 shares of the Company's previously issued Class A common stock. The number of options each distributor ultimately received was based on their performance and productivity through August 31, 1997. The options are exercisable at a price of $5.75 per share and vested on December 31, 1997. The related compensation expense was deferred in the Company's financial statements and was expensed to the statement of income as distributor stock expense ratably through December 31, 1997. As of December 31, 1998, 392,417 of the 1,605,000 stock options had been exercised.

The Company recorded compensation expense using the fair value method prescribed by SFAS 123 based upon the best available estimate of the number of shares that were expected to be issued to each distributor at the measurement date, revised as necessary if subsequent information indicated that actual forfeitures were likely to differ from initial estimates. Any options forfeited were reallocated and resulted in an additional compensation charge.

As a part of this program, 600,000 options were sold to affiliated entities at fair value in exchange for notes receivable totaling $12,351,000. As the number of distributor stock options to be issued to each distributor was revised through August 31, 1997, the options allocated to the affiliated entities were adjusted to 480,000 and the notes receivable were adjusted to $9,115,000. The affiliated entities are repaying these notes as distributors exercise their options. The notes receivable balance totaled $9,115,000 and $6,251,000 as of December 31, 1997 and 1998, respectively.

Prior to the Offerings, the Company's stockholders contributed 1,250,000 shares of the Company's Class A common stock to the Company and other affiliated entities held by them for issuance to employees of the Company and other affiliated entities as a part of an employee equity incentive plan. Equity incentives granted or awarded under this plan will vest over four years. Compensation expense related to equity incentives granted to employees of the Company and other Nu Skin entities who perform services on behalf of the Company will be recognized by the Company ratably over the vesting period.

Approximately 743,000 of the 1,250,000 shares were contributed to affiliated entities and the remaining 507,000 shares were contributed to the Company. In November 1996, the Company granted 462,791 shares to certain employees. The Company has recorded deferred compensation expense of $10,773,000 related to these stock awards and is recognizing such expense ratably over the vesting period. As of December 31, 1998, 217,606 of the stock awards had vested and 16,970 of the stock awards had been forfeited.

1996 Stock Incentive Plan

During the year ended December 31, 1996, the Company's Board of Directors adopted the Nu Skin Enterprises, Inc. 1996 Stock Incentive Plan (the "1996 Stock Incentive Plan"). The 1996 Stock Incentive Plan provides for granting of stock awards and options to purchase common stock to executives, other employees, independent consultants and directors of the Company and its Subsidiaries. A total of 7,500,000 shares of Class A common stock have been reserved for issuance under the 1996 Stock Incentive Plan.

In 1996, the Company granted stock awards to certain employees for an aggregate of 109,000 shares of Class A common stock and in 1997 the Company granted additional stock awards to certain employees and directors in the amount of 55,459 shares of Class A common stock. The Company has recorded deferred compensation expense of $3,780,000 related to these stock awards and is recognizing such expense ratably over the vesting period. As of December 31, 1998, 83,463 of the stock awards had vested and 34,378 of the stock awards had been forfeited.

In 1997, the Company granted options to purchase 298,500 shares of Class A common stock to certain employees and directors pursuant to the 1996 Stock Incentive Plan. Of the 298,500 options granted, 30,000 options vested in May 1997 and 265,500 options vest ratably over a period of four years. All options granted in 1997 will expire ten years from the date of grant. The exercise price of the options was set at $20.88 per share. The Company has recorded deferred compensation expense of $578,000 related to the options and is recognizing such expense ratably over the vesting periods. As of December 31, 1998, none of these 298,500 stock options had been exercised.

During 1998, the Company granted options to purchase 507,500 shares of Class A common stock to certain employees and directors of the Company pursuant to the 1996 Stock Incentive Plan. Of the 507,500 options granted, 500,000 options vest ratably over a period of four years and expire ten years from the date of grant and 7,500 vest in one year from the date of grant and expire in ten years or six months after termination from service as a director. The exercise price of the 500,000 options was set at $13.91 per share and the exercise price of the 7,500 options was set at $28.50 per share. No compensation expense has been recorded related to these options. As of December 31, 1998, none of these 507,500 stock options had been exercised.

Additionally in 1998, the Company granted options to purchase 1,080,000 shares of Class A common stock to certain employees pursuant to the 1996 Stock Incentive Plan. All of the 1,080,000 options vest seven years from the date of grant and expire ten years from the date of grant. Subject to the Company meeting certain revenue and profitability benchmarks, the vesting of these options may be accelerated over the three-year period ended December 31, 2001. The exercise price of the options was set at $17.00 per share. No compensation expense has been recorded related to these options. As of December 31, 1998, none of these 1,080,000 stock options had been exercised.

Generation Health Holdings, Inc. 1996 Stock Option Plan

In connection with the Pharmanex Acquisition (Note 4), the Company assumed the Generation Health Holdings, Inc. 1996 Stock Option Plan. Under this plan, the Company assumed options to purchase 261,008 shares of Class A common stock granted to certain employees of Pharmanex. In accordance with the terms of the plan, 173,785 of these options vested immediately due to the involuntary termination of certain employees. The value of these vested options was included as an acquisition cost in the Pharmanex Acquisition. The remaining 87,223 options vest ratably over periods

ranging from 1 to 5 years. The exercise prices of the options range from $.92 to $10.03 per share. The Company has recorded deferred compensation expense of $859,000 related to the 87,223 unvested options and is recognizing such expense ratably over the vesting periods. As of December 31, 1998, 1,863 of these 261,008 stock options had been exercised.

SFAS 123 pro forma disclosures

The Company's pro forma net income would have been $118,413,000 and $103,023,000 for the years ended December 31, 1997 and 1998, respectively, if compensation expense had been measured under the fair value method prescribed by SFAS 123. The Company's pro forma basic and diluted net income per share for the year ended December 31, 1997 would not have changed had compensation expense been measured under the fair value method. The Company's pro forma basic and diluted net income per share for the year ended December 31, 1998 would have been $1.21 and $1.18, respectively, had compensation expense been measured under the fair value method.

The fair value of the options granted during 1997 was estimated at $10.55 per share as of the date of grant using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 6%; expected life of 4 years; expected volatility of 46%; and expected dividend yield of 0%.

The fair values of the options granted during 1998 ranged from $13.51 to $22.16 per share, and were estimated as of the dates of grant using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 4.5%; expected life of 2 to 4 years; expected volatility of 48%; and expected dividend yield of 0%.

Weighted average common shares outstanding

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

	YEAR ENDED DECEMBER 31,		
	1996	1997	1998
Basic weighted average common shares outstanding.....	79,194	83,331	84,894
Effect of dilutive securities:			
Stock awards and options.....	3,807	3,981	2,124
Diluted weighted average common shares outstanding.....	83,001	87,312	87,018

Repurchase of common stock

In December 1997, the Company repurchased 1,415,916 shares of Class A common stock from certain original stockholders for an aggregate price of approximately $20.3 million. Such shares were converted from Class B common stock to Class A common stock prior to or upon purchase, and were repurchased in connection with the entering into of an amended and restated stockholders agreement by the original stockholders providing for, among other things, a one-year extension of the original lock-up provisions applicable to such original stockholders.

During 1998, the Board of Directors authorized the Company to repurchase up to $20.0 million of the Company's outstanding shares of Class A common stock. As of December 31, 1998, the Company had repurchased 917,254 shares for an aggregate price of approximately $10.5 million.

Conversion of common stock

In December 1998, the holders of the Class B common stock converted 15.0 million shares of Class B common stock to Class A common stock.

12. INCOME TAXES

Consolidated income before provision for income taxes consists of income earned primarily from international operations. The provision for current and deferred taxes for the years ended December 31, 1996, 1997 and 1998 consists of the following (in thousands):

	1996	1997	1998
Current			
Federal	$ 331	$ 3,332	$ 3,695
State	32	124	3,580
Foreign	56,929	76,553	72,317
	57,292	80,009	79,592
Deferred			
Federal	(1,929)	(24,317)	(10,712)
State	--	(30)	(48)
Foreign	(2,398)	45	947
Change in tax status	(3,439)	--	(6,939)
Provision for income taxes	$ 49,526	$ 55,707	$ 62,840

Prior to the Company's Reorganization and the NSI Acquisition described in Note 1, the Subsidiaries elected to be taxed as S corporations whereby the income tax effects of the Subsidiaries' activities accrued directly to their stockholders; therefore, adoption of SFAS 109 required no establishment of deferred income taxes since no material differences between financial reporting and tax bases of assets and liabilities existed. Concurrent with the Company's Reorganization and the NSI Acquisition, the Company terminated the S corporation elections of its Subsidiaries. As a result, deferred income taxes under the provisions of SFAS 109 were established.

The principal components of deferred tax assets are as follows (in thousands):

	DECEMBER 31, 1997	DECEMBER 31, 1998
Deferred tax assets:		
Inventory reserve	$ 1,773	$ 5,195
Foreign tax credit	19,268	33,969
Distributor stock options and employee stock awards	6,992	6,020
Capitalized legal and professional	--	5,990
Accrued expenses not deductible until paid	7,002	10,144
Withholding tax	5,692	7,291
Minimum tax credit	3,555	869
Net operating losses	--	12,621
Total deferred tax assets	44,282	82,099
Deferred tax liabilities:		
Withholding tax	5,692	8,871
Exchange gains and losses	1,679	3,032
NSI inventory step-up	--	11,176
Pharmanex intangibles step-up	--	11,445
Other	143	1,520
Total deferred tax liabilities	7,514	36,044
Valuation allowance	(4,700)	(12,166)
Deferred taxes, net	$ 32,068	$ 33,889

The valuation allowance primarily represents a reserve against a portion of the deferred tax asset related to foreign tax credits.

The consolidated statements of income include a pro forma presentation for income taxes, including the effect on minority interest, which would have been recorded if the Company's Subsidiaries had been taxed as C corporations for all periods presented. A reconciliation of the Company's pro forma effective tax rate for the years ended December 31, 1996, 1997 and 1998 compared to the statutory U.S. Federal tax rate is as follows:

	YEAR ENDED DECEMBER 31,		
	1996	1997	1998
Income taxes at statutory rate	35.00%	35.00%	35.00%
Foreign tax credit limitation (benefit)	--	2.41	4.40
Cumulative effect of change in tax status	--	--	(4.09)
Pharmanex in-process research and development	--	--	2.80
Non-deductible expenses	.75	.15	.83
Other	1.26	.42	(1.94)
	37.01%	37.98%	37.00%

13. EMPLOYEE BENEFIT PLAN

The Company has a 401(k) defined contribution plan which permits participating employees to defer up to a maximum of 15% of their compensation, subject to limitations established by the Internal Revenue Code. Employees who work a minimum of 1,000 hours per year, who have completed at least one year of service and who are 21 years of age or older are qualified to participate in the plan. The Company matches 100% of the first 2% and 50% of the next 2% of each participant's contributions to the plan. Participant contributions are immediately vested. Company contributions vest based on the participant's years of service at 25% per year over four years. The Company's contribution totaled $454,000, $647,000 and $829,000 for the years ended December 31, 1996, 1997 and 1998, respectively.

14. DERIVATIVE FINANCIAL INSTRUMENTS

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

At December 31, 1997 and 1998, the Company held foreign currency forward contracts with notional amounts totaling approximately $51.0 million and $46.3 million, respectively, to hedge foreign currency items. These contracts do not qualify as hedging transactions and, accordingly, have been marked to market. The net gains on foreign currency forward contracts were $5.6 million and $2.6 million for the years ended December 31, 1997 and 1998, respectively. There were no significant gains or losses on foreign currency forward contracts for the year ended December 31, 1996. These contracts at December 31, 1998 have maturities through July 1999.

At December 31, 1997 and 1998, the intercompany loan from Nu Skin Japan to Nu Skin Hong Kong totaled approximately $92.5 million and $57.3 million, respectively. The Company recorded exchange gains totaling $7.8 million and $2.2 million resulting from this intercompany loan for the years ended December 31, 1997 and 1998, respectively.

At December 31, 1998, the intercompany loan from Nu Skin Japan to the Company totaled approximately $82.0 million. The Company recorded exchange gains totaling $2.8 million resulting from this intercompany loan for the year ended December 31, 1998. There was no loan at December 31, 1997 from Nu Skin Japan to the Company.

15. SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for interest totaled $84,000, $251,000 and $3,731,000 for the years ended December 31, 1996, 1997 and 1998, respectively. Cash paid for income taxes totaled $18,133,000, $73,905,000 and $77,271,000 for the years ended December 31, 1996, 1997 and 1998, respectively.

Noncash investing and financing activities

For the year ended December 31, 1996, noncash investing and financing activities were as follows: (1) $86.5 million distribution to the stockholders of the Initial Subsidiaries (Note 1). (2) $1.2 million of additional paid-in capital contributed by the stockholders of the Initial Subsidiaries in exchange for shares of Class B common stock in connection with the termination of the Initial Subsidiaries' S corporation status. (3) $33.0 million of additional paid-in capital and $20.7 million of deferred compensation recorded related to the issuance of 1,605,000 options to distributors to purchase shares of Class A common stock. 600,000 of these options were sold to affiliated entities in exchange for notes receivable totaling $12.4 million (Note 11).

For the year ended December 31, 1997, noncash investing and financing activities were as follows: (1) $87.1 million distribution to the stockholders of the Acquired Entities (Note 1). (2) Adjustment to the distributor stock options to reallocate 120,000 options initially allocated to affiliated entities and a related reduction in the notes receivable of $3.2 million (Note 11).

For the year ended December 31, 1998, noncash investing and financing activities were as follows: (1) $37.6 million distribution to the stockholders of the Acquired Entities (Note 1). (2) Purchase of Acquired Entities for $70.0 million in Preferred Stock and $6.2 million in long-term notes payable. Net assets acquired totaled $90.4 million and assumed liabilities totaled $171.3 (Note 3). (3) $25.0 million in contingent consideration issued to the NSI Stockholders. $8.8 million of the contingent payment was recorded as an increase in intangible assets and $16.2 million of the contingent payment was recorded as a reduction of stockholders' equity (Notes 3 and 5). (4) Purchase of Pharmanex for $77.6 million in Class A common stock and $0.2 million in cash. Net assets acquired totaled $3.6 million and assumed liabilities totaled $34.0 million (Note 4).

16. SEGMENT INFORMATION

During 1998, the Company adopted Statement of Financial Accounting Standards No. 131 ("SFAS 131"), Disclosures about Segments of an Enterprise and Related Information. As described in Note 1, the Company's operations throughout the world are divided into three reportable segments: North Asia, Southeast Asia and Other Markets. Segment data includes intersegment revenue, intersegment profit and operating expenses and intersegment receivables and payables. The Company evaluates the performance of its segments based on operating income. Information as to the operations of the Company in each of the three segments is set forth below (in thousands):

	YEAR ENDED DECEMBER 31,		
	1996	1997	1998
REVENUE			
North Asia	$ 502,381	$ 673,582	$ 665,523
Southeast Asia	336,783	412,524	320,606
Other Markets	266,368	314,048	294,947
Eliminations	(343,894)	(446,732)	(367,582)
Totals	$ 761,638	$ 953,422	$ 913,494

	YEAR ENDED DECEMBER 31,		
	1996	1997	1998
OPERATING INCOME			
North Asia	$ 88,347	$ 117,302	$ 89,075
Southeast Asia	52,224	46,195	19,385
Other Markets	4,134	19,684	46,994
Eliminations	(7,538)	(2,961)	785
Totals	$ 137,167	$ 180,220	$ 156,239

	DECEMBER 31,	
	1997	1998
TOTAL ASSETS		
North Asia	$ 104,488	$ 167,867
Southeast Asia	176,570	110,518
Other Markets	211,663	500,299
Eliminations	(87,717)	(172,251)
Totals	$ 405,004	$ 606,433

Information as to the Company's operation in different geographical areas is set forth below (in thousands):

Revenue

Revenue from the Company's operations in Japan totaled $380,044, $599,375 and $654,168 for the years ended December 31, 1996, 1997 and 1998, respectively. Revenue from the Company's operations in Taiwan totaled $154,564, $168,568 and $119,511 for the years ended December 31, 1996, 1997 and 1998, respectively. Revenue from the Company's operations in the United States (which includes intercompany revenue) totaled $252,111, $301,217 and $280,115 for the years ended December 31, 1996, 1997 and 1998, respectively.

Long-lived assets

Long-lived assets in Japan were $11,001 and $20,242 as of December 31, 1997 and 1998, respectively. Long-lived assets in Taiwan were $3,087 and $2,466 as of December 31, 1997 and 1998, respectively. Long-lived assets in the United States were $55,557 and $213,856 as of December 31, 1997 and 1998, respectively.

17. COMMITMENTS AND CONTINGENCIES

The Company is subject to governmental regulations pertaining to product formulation, labeling and packaging, product claims and advertising and to the Company's direct selling system. The Company is also subject to the jurisdiction of numerous foreign tax authorities. These tax authorities regulate and restrict various corporate transactions, including intercompany transfers. The Company believes that the tax authorities in Japan and South Korea are particularly active in challenging the tax structures and intercompany transfers of foreign corporations. Any assertions or determination that

either the Company, or the Company's distributors is not in compliance with existing statutes, laws, rules or regulations could potentially have a material adverse effect on the Company's operations. In addition, in any country or jurisdiction, the adoption of new statutes, laws, rules or regulations or changes in the interpretation of existing statutes, laws, rules or regulations could have a material adverse effect on the Company and its operations. Although management believes that the Company is in compliance, in all material respects, with the statutes, laws, rules and regulations of every jurisdiction in which it operates, no assurance can be given that the Company's compliance with applicable statutes, laws, rules and regulations will not be challenged by foreign authorities or that such challenges will not have a material adverse effect on the Company's financial position or results of operations or cash flows.

18. SUBSEQUENT EVENTS

In February 1999, the Company announced its intent to acquire Big Planet, Inc., selected assets of Nu Skin USA, Inc. and the Company's remaining affiliates in Canada, Mexico and Guatemala for approximately $40.0 million in cash, $14.5 million in a three-year note and the assumption of certain liabilities. The selected assets to be acquired from Nu Skin USA, Inc. include approximately 620,000 shares of the Company's Class A common stock (Note 11). The Company concluded the Nu Skin USA, Inc. transaction in March 1999 and anticipates closing the remaining transactions within 90 days.

The acquisition of Big Planet, Inc. is expected to be accounted for by the purchase method of accounting. The acquisition of selected assets from Nu Skin USA, Inc. and the Company's remaining affiliates in Canada, Mexico and Guatemala will be recorded for the consideration paid, except for the portion of these affiliates under common control of a group of stockholders, which portion will be at the predecessor basis.

[INSIDE BACK COVER OF PROSPECTUS.]

[LOGOS OF NU SKIN PERSONAL CARE, PHARMANEX AND BIG PLANET DEPICTED IN A CIRCLE]

10,000,000 SHARES

NU SKIN ENTERPRISES, INC.

CLASS A COMMON STOCK

P R O S P E C T U S

MERRILL LYNCH & CO.
MORGAN STANLEY DEAN WITTER
ADAMS, HARKNESS & HILL, INC.
DONALDSON, LUFKIN & JENRETTE
LEHMAN BROTHERS
U.S. BANCORP PIPER JAFFRAY

, 1999

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The estimated expenses of the issuance and distribution are as follows:

SEC Registration Fee	$ 59,720
NASD Fee	21,982
NYSE Listing Fee	38,500*
Printing and Engraving Expenses	100,000*
Accounting Fees and Expenses	100,000*
Legal Fees and Expenses	150,000*
Blue Sky Fees and Expenses	5,000*
Transfer Agent's Fees and Expenses	3,500
Miscellaneous Expenses	30,000*
Total	$508,702+

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* Estimated expense.

+ Payable 10% by the Company and 90% by certain selling stockholders.

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Article 10 of the Company's Certificate of Incorporation and Article 5 of the Company's Bylaws require indemnification to the fullest extent permitted by Section 145 of the Delaware General Corporation Law. Section 145 of the DGCL provides that a corporation may indemnify directors and officers as well as other employees and individuals against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with specified actions, suits or proceedings, whether civil, criminal, administrative, or investigative (other than action by or in the right of the corporation a "derivative action"), if they acted in good faith and in a manner they reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe their conduct was unlawful. A similar standard is applicable in the case of derivative actions, except that indemnification only extends to expenses (including attorneys' fees) incurred in connection with the defense or settlement of such actions, and the statute requires court approval before there can be any indemnification where the person seeking indemnification has been found liable to the corporation. Indemnification provided by or granted pursuant to Section 145 of the DGCL is not exclusive of other indemnification that may be granted by a corporation's bylaws, any agreement, any vote of stockholders or disinterested directors or otherwise. Article 5 of the Company's Bylaws provides for indemnification consistent with the requirements of Section 145 of the DGCL.

Section 145 of the DGCL also permits a corporation to purchase and maintain insurance on behalf of directors and officers. Article 5 of the Company's Bylaws permits it to purchase such insurance on behalf of its directors and officers.

Article 7 of the Company's Certificate of Incorporation provides for, to the fullest extent permitted by the DGCL, elimination or limitation of liability of directors to the Company or its stockholders for breach of fiduciary duty as a director. Section 102(b)(7) of the DGCL permits a corporation to provide in its certificate of incorporation that a director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duties as a director, except for liability (i) for any breach of a director's duty of loyalty to the

corporation or its stockholders; (ii) for acts or omissions not in good faith or which involve international misconduct or a knowing violation of law; (iii) for improper payment of dividends or redemptions of shares; or (iv) for any transaction from which the director derives an improper personal benefit.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENTS SCHEDULES.

EXHIBIT NUMBER	DESCRIPTION
+1.1	Form of Purchase Agreement
2.1	Agreement and Plan of Merger and Reorganization dated May 3, 1999 by and among Nu Skin Enterprises, Inc., Big Planet Holdings, Inc., Big Planet, Inc., Nu Skin USA, Inc., Richard W. King, Kevin Doman and Nathan W. Ricks
*4.1	Specimen Form of Stock Certificate for Class A Common Stock
*4.2	Amended and Restated Certificate of Incorporation of Nu Skin Enterprises, Inc.
+5.1	Opinion of LeBoeuf, Lamb, Greene & MacRae, L.L.P. regarding legality of the securities covered by this Registration Statement
23.1	Consent of PricewaterhouseCoopers LLP, independent accountants
23.2	Consent of Grant Thornton LLP, independent accountants
+23.3	Consent of LeBoeuf, Lamb, Green & MacRae, L.L.P. (included in legal opinion -- see Exhibit 5.1)
24	Power of Attorney (included with the signatures in Part II of this Registration Statement)
99.1	Report of Grant, Thornton LLP, independent accountants

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* Filed previously as Exhibit 4.1 and 3.1 to the Form S-1 filed (Registration No. 333-12073) and incorporated herein by reference.

+ To be filed by amendment.

ITEM 17. UNDERTAKINGS.

The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of the Registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at the time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The undersigned hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) of 94) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Provo, State of Utah, on May 12, 1999.

NU SKIN ENTERPRISES, INC.

By: /s/ STEVEN J. LUND

Steven J. Lund
Its: Chief Executive Officer

KNOW ALL MEN BY THESE PRESENTS: that each person whose signature appears below hereby constitutes and appoints Steven J. Lund and M. Truman Hunt, and each of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to the Registration Statement, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting each of said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as full to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement on Form S-3 has been signed below on May 12, 1999 by the following persons in the capacities indicated.

SIGNATURE	TITLE	DATE
/s/ BLAKE M. RONEY Blake M. Roney	Chairman of the Board of Directors	May 12, 1999
/s/ STEVEN J. LUND Steven J. Lund	President and Chief Executive Officer and Director (Principal Executive Officer)	May 12, 1999
/s/ COREY B. LINDLEY Corey B. Lindley	Chief Financial Officer (Principal Financial and Accounting Officer)	May 12, 1999
/s/ SANDRA N. TILLOTSON Sandra N. Tillotson	Director	May 12, 1999
/s/ BROOKE B. RONEY Brooke B. Roney	Director	May 12, 1999

SIGNATURE	TITLE	DATE
/s/ KEITH R. HALLS Keith R. Halls	Director	May 12, 1999
/s/ MAX L. PINEGAR Max L. Pinegar	Director	May 12, 1999
/s/ E.J. "JAKE" GARN E.J. "Jake" Garn	Director	May 12, 1999
/s/ PAULA HAWKINS Paula Hawkins	Director	May 12, 1999
/s/ DANIEL W. CAMPBELL Daniel W. Campbell	Director	May 12, 1999

INDEX TO EXHIBITS

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* Filed previously as Exhibits 4.1 and 3.1 to Form S-1 (Registration No. 333-12073) and incorporated herein by reference.

+ To be filed by amendment.

EXHIBIT 2.1

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AGREEMENT AND PLAN OF MERGER AND REORGANIZATION

BETWEEN AND AMONG

NU SKIN ENTERPRISES, INC.,

BIG PLANET HOLDINGS, INC.,

BIG PLANET, INC. ,

NU SKIN USA, INC.,

RICHARD W. KING,

KEVIN V. DOMAN,

AND

NATHAN W. RICKS

DATED MAY 3, 1999

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EXHIBITS AND SCHEDULES:

DISCLOSURE SCHEDULE

AGREEMENT AND PLAN OF MERGER AND REORGANIZATION

This Agreement and Plan of Merger and Reorganization (the "Agreement") is entered into as of May 3, 1999, between and among Nu Skin Enterprises, Inc., a Delaware corporation ("Nu Skin Enterprises"), Big Planet Holdings, Inc., a Delaware corporation ("BP Holdings"), Big Planet, Inc., a Utah corporation ("Big Planet"), Nu Skin USA, Inc., a Delaware corporation ("Nu Skin USA"), Richard W. King, an individual ("King"), Kevin V. Doman, an individual ("Doman"), and Nathan W. Ricks, an individual ("Ricks"). Nu Skin Enterprises, BP Holdings, Big Planet, Nu Skin USA, King, Doman, and Ricks are referred to herein, collectively, as the "Parties" and, individually, as a "Party."

RECITALS

A. WHEREAS, the Board of Directors of BP Holdings and the Board of Directors of Big Planet have approved the merger of Big Planet with and into BP Holdings (the "Merger"), as set forth in this Agreement, and the Board of Directors of Big Planet has approved the Reorganization (as that term is defined below); and

B. WHEREAS, the Board of Directors of Big Planet has, in light of and subject to the terms and conditions set forth herein, (i) determined that (a) the consideration to be paid by Big Planet in connection with the deemed exercise and cash-out of all options to purchase shares of Big Planet Common (as defined below) in the Reorganization (as defined below) that are held by Big Planet employees and the cash consideration to be paid by Big Planet to the holders of restricted stock awards of Big Planet Common, and the consideration to be paid by Big Planet to Ricks for the Ricks Redemption Shares (as defined below), is fair to Big Planet and to the holders of such options, awards, and capital stock, as the case may be, (b) the Reorganization is otherwise in the best interests of Big Planet and its stockholders, and (c) the Merger is otherwise in the best interests of Big Planet and its stockholders, and (ii) approved and adopted this Agreement and the transactions contemplated hereby and has recommended the approval and adoption of this Agreement and the transactions contemplated herein by the stockholders of Big Planet.

NOW, THEREFORE, in consideration of the premises and mutual agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

SECTION 1

DEFINITIONS

1. DEFINITIONS.

"Affiliate" has the meaning set forth in Rule 12b-2 of the regulations promulgated under the Securities Exchange Act of 1934, as amended; provided, however, that, except as otherwise provided herein, (a) with respect to Nu Skin Enterprises, BP Holdings, or Nu Skin International, Inc., a Utah corporation, it shall not include Big Planet or Nu Skin USA, and (b) with respect to Big Planet or Nu Skin USA, it shall not include Nu Skin Enterprises, BP Holdings, or Nu Skin International, Inc., a Utah corporation.

"Affiliated Group" means any affiliated group within the meaning of Code Section 1504(a) or any similar group defined under a similar provision of state, local, or foreign law.

"Basis" means any past or present fact, situation, circumstance, status, condition, activity, practice, plan, occurrence, event, incident, action, failure to act, or transaction that forms or could form the basis for any specified consequence.

"BP Holdings" has the meaning set forth in the preface above.

"BP Holdings Common" means the Common Stock, $0.001 par value per share, of BP Holdings.

"Big 5 Accountant" has the meaning as set forth in Section 3.8.2 below.

"Big Planet" has the meaning set forth in the preface above.

"Big Planet Common" means the Common Stock, $0.001 par value per share, of Big Planet.

"Big Planet Series A Preferred" means the Series A Preferred Stock, $0.001 par value per share, of Big Planet.

"CERCLA" has the meaning set forth in Section 5.29.5 below.

"Certificates" has the meaning set forth in Section 4.1 below.

"Closing" has the meaning set forth in Section 3.1 below.

"Closing Agreement" has the meaning set forth in Section 5.12.6 below.

"Closing Balance Sheet" has the meaning set forth in Section 3.8.2 below.

"Closing Date" has the meaning set forth in Section 3.1 below.

"COBRA" means the requirements of Part 6 of Subtitle B of Title I of ERISA and Code Section 4980B.

"Code" means the Internal Revenue Code of 1986, as amended.

"Company Representations" shall have the meaning set forth in Section 10.2.5 below.

"Delaware Act" means the Delaware General Corporation Law, as amended.

"Delaware Filing" has the meaning set forth in Section 3.1 below.

"Delaware Secretary" means the Delaware Secretary of State.

"Disclosure Schedule" has the meaning set forth in Section 5 below.

"Dissenting Shares" has the meaning set forth in Section 4 below.

"Doman" means Kevin V. Doman.

"Doman Redemption Shares" has the meaning set forth in Section 2.2.2 below.

"Draft Closing Balance Sheet" has the meaning set forth in Section 3.8.1 below.

"Effective Time" has the meaning set forth in Section 3.1 below.

"Employee Benefit Plan" means any Employee Pension Benefit Plan, Employee Welfare Benefit Plan or any fringe benefit or other retirement, bonus, or incentive plan or program.

"Employee Option Shares" has the meaning set forth in Section 2.1 below.

"Employee Pension Benefit Plan" has the meaning set forth in ERISA Section 3(2).

"Employee Welfare Benefit Plan" has the meaning set forth in ERISA Section 3(1).

"Environmental, Health, and Safety Requirements" shall mean all federal, state, local and foreign statutes, regulations, ordinances and other provisions having the force or effect of law, all judicial and administrative orders and determinations, and pollution or protection of the environment, including without limitation all those relating to the presence, use, production, generation, handling, transportation, treatment, storage, disposal, distribution, labeling, testing, processing, discharge, release, threatened release, control, or cleanup of any hazardous materials, substances or wastes, chemical substances or mixtures, pesticides, pollutants, contaminants, toxic chemicals, petroleum products or byproducts, asbestos, polychlorinated biphenyls, noise or radiation, each as amended and as now or hereafter in effect.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"ERISA Affiliate" means each entity that is treated as a single employer with Big Planet for purposes of Code Section 414.

"Escrow Agreement" means the Escrow Agreement dated as of March 8, 1999 between and among Nu Skin Enterprises, Nu Skin USA and U.S. Bank National Association and certain stockholders of Nu Skin USA.

"Escrow Amount" means that certain Escrow Amount as defined in the Escrow Agreement.

"Financial Statements" has the meaning set forth in Section 5.8 below.

"First Amendment to Indemnification Limitation Agreement" means that certain first amendment to the Indemnification Limitation Agreement dated as of May 3, 1999 signed by Nu Skin Enterprises, Nu Skin USA, King, Doman, Ricks, and certain other parties.

"GAAP" means United States generally accepted accounting principles as in effect from time to time.

"Hart-Scott-Rodino Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"Indemnification Limitation Agreement" means that certain Indemnification Limitation Agreement dated March 8, 1999 signed by Nu Skin Enterprises, Nu Skin USA, King, Doman, Ricks, and certain other parties. Subsequent to the execution of this Agreement the parties to the Indemnification Limitation Agreement anticipate entering into an Amended and Restated Indemnification Limitation Agreement, which will amend and restate the Indemnification Limitation Agreement to reflect the amendment made thereto by the First Amendment to Indemnification Limitation Agreement.

"Indemnified Party" shall have the meaning set forth in 10.8.1 below.

"Indemnifying Parties" shall have the meaning set forth in 10.8 below.

"Intellectual Property" means (a) all inventions (whether patentable or unpatentable and whether or not reduced to practice), all improvements thereto, and all patents, patent applications, and patent disclosures, together with all reissuances, continuations, continuations-in-part, revisions, extensions, and re-examinations thereof, (b) all trademarks, service marks, trade dress, logos, trade names, and corporate names, together with all translations, adaptations, derivations, and combinations thereof and including all goodwill associated therewith, and all applications, registrations, and renewals in connection therewith, (c) all copyrightable works, all copyrights, and all applications, registrations, and renewals in connection therewith, (d) all mask works and all applications, registrations, and renewals in connection therewith, (e) all trade secrets and confidential business information (including ideas, research and development, know-how, formulas, compositions, manufacturing and production processes and techniques, technical data, designs, drawings, specifications, customer and supplier lists, pricing and cost information, and business and marketing plans and proposals), (f) all computer software (including data and related documentation), (g) all other proprietary rights, and (h) all copies and tangible embodiments thereof (in whatever form or recorded on whatever medium).

"King" means Richard W. King.

"King Redemption Shares" has the meaning set forth in Section 2.2.1 below.

"Knowledge" means actual knowledge of officers and directors, and employees with responsibility for the subject matter, after reasonable investigation.

"Legal Action" means any action, suit, proceeding, hearing, investigation, charge, complaint, claim, demand, or notice.

"Liability" means any liability (whether known or unknown, whether asserted or unasserted, whether absolute or contingent, whether accrued or unaccrued, whether liquidated or unliquidated, and whether due or to become due), including any liability for Taxes.

"Merger" has the meaning set forth in Recital A above.

"Merger Consideration" has the meaning set forth in Section 3.8 below.

"Multi-employer Plan" has the meaning set forth in ERISA Section 3(37).

"Net Asset Difference" has the meaning set forth in Section 3.8 below.

"Net Assets" means the excess of the book value of the assets of an entity over the liabilities of the entity as determined in accordance with GAAP.

"Nu Skin Enterprises" means Nu Skin Enterprises, Inc., a Delaware corporation.

"Nu Skin Enterprises Class A Common" means the Class A Common Stock, $0.001 par value per share, of Nu Skin Enterprises.

"Nu Skin Enterprises Note" has the meaning set forth in Section 3.7.3 below.

"Nu Skin USA" means Nu Skin USA, Inc., a Delaware corporation and holder of the Big Planet Series A Preferred and certain shares of Big Planet Common.

"Ordinary Course of Business" means the ordinary course of business consistent with past custom and practice (including with respect to quantity and frequency).

"Parties" and "Party" have the meanings set forth in the preface above.

"Paying Agent" has the meaning set forth in Section 4.1 below.

"PBGC" means the Pension Benefit Guaranty Corporation.

"Person" means an individual, a partnership, a corporation, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, or a governmental entity (or any department, agency, or political subdivision thereof).

"Plan" has the meaning set forth in Section 2.1 below.

"Recipients" has the meaning set forth in Section 3.8.1 below.

"Reorganization" has the meaning set forth in Section 2 below.

"Ricks" means Nathan W. Ricks.

"Ricks Options" has the meaning set forth in Section 2.3 below.

"Ricks Redemption Shares" has the meaning set forth in Section 2.3 below.

"Securities Filings" shall have the meaning set forth in Section 10.2.6 below.

"Security Interest" means any mortgage, pledge, lien, encumbrance, charge, or other security interest, other than (a) mechanic's, materialmen's, and similar liens, (b) liens for Taxes not yet due and payable or for Taxes that the taxpayer is contesting in good faith through appropriate proceedings, (c) purchase money liens and liens securing rental payments under capital lease arrangements, and (d) other

liens arising in the Ordinary Course of Business and not incurred in connection with the borrowing of money.

"Stockholders Meeting" has the meaning set forth in Section 3.9.1 below.

"Subsidiary" means any corporation with respect to which a specified Person (or a Subsidiary thereof) owns a majority of the common stock or has the power to vote or direct the voting of sufficient Securities to elect a majority of the directors.

"Surviving Corporation" has the meaning set forth in Section 3 below.

"SWDA" has the meaning set forth in Section 5.29.5 below.

"Tax" or "Taxes" means any federal, state, county, local, or foreign taxes, charges, fees, levies or other assessments, including all net income, gross receipts, license, payroll, employment, excise, severance, stamp, business and occupation, premium, windfall profits, environmental (including taxes under Code Section 59A), customs duties, capital stock, franchise, gains, profits, withholding, social security (or similar), unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, ad valorem, alternative or add-on minimum, estimated, or other tax of any kind whatsoever, imposed by any governmental authority including any interest, penalty, or addition thereto, whether disputed or not and any expenses incurred in connection with the determination, settlement or litigation of any tax liability.

"Tax Returns" means any return, declaration, report, claim for refund, or information return or statement relating to Taxes, including, where permitted or required, combined or consolidated returns for any group of entities that includes Big Planet and any schedule thereto, and including any amendment thereof.

"Tax Ruling" has the meaning set forth in Section 5.12.6 below.

"Utah Act" means the Utah Revised Business Corporations Act, as amended.

"Utah Division" means the Utah Department of Commerce, Division of Corporations and Commercial Code.

"Utah Filing" has the meaning set forth in Section 3.1 below.

"Year 2000 Basket" shall have the meaning set forth in Section 10.8.1 below.

"Year 2000 Compliant" shall mean with respect to Big Planet's products, internal systems, including hardware, software, firmware, telecommunications systems, management information systems and other systems, that such products and systems accurately process Date Data (including, but not limited to, calculating, comparing, and sequencing) for, into, and between the twentieth and twenty-first centuries, and the years 1999 and 2000, including leap year calculations. The term "Date Data" shall mean any data or input that includes an indication of or reference to date and that is stored information and internal to functionality. Date calculations involving either a single century or multiple centuries will neither cause an abnormal ending nor generate incorrect or unexpected results. When sorting by date, all records will

be sorted in accurate sequence. As used in the immediately preceding sentence, accurate sequence means, by way of example and without limitation, that records will be read, written and sorted in ascending order so that the year 1999 will be before the year 2000.

SECTION 2

THE REORGANIZATION

2. ACCELERATION AND REDEMPTION OF RESTRICTED STOCK AWARDS AND OPTIONS. The transactions described in this Section 2 are referred to herein, collectively, as the "Reorganization."

2.1 Acceleration and Redemption of Options Held by Big Planet Employees Pursuant to Amended and Restated 1998 Equity Plan. Immediately prior to the Effective Time and without any action on the part of the holders of options to acquire shares of Big Planet Common pursuant to Big Planet's Amended and Restated 1998 Equity Plan (the "Plan"), the vesting of all options to purchase shares of Big Planet Common currently held pursuant to the Plan (the "Employee Option Shares") will be accelerated and deemed exercised in accordance with the terms of the Plan, and the Employee Option Shares will be redeemed by Big Planet for a redemption price equal to (a) $0.50 per share (b) less the applicable exercise price and (c) any amounts required to be withheld by Big Planet for applicable tax withholdings. The redemption price for the Employee Option Shares will be paid by Company check or other acceptable form of payment.

2.2 Acceleration and Redemption of King and Doman Redemption Shares.

2.2.1 King Redemption Shares. Immediately prior to the Effective Time, the vesting of all shares of Big Planet Common underlying the restricted stock award currently held by King (the "King Redemption Shares") will be accelerated and the King Redemption Shares will be redeemed by Big Planet for a redemption price equal to (a) $0.50 per share, (b) less any amount required to be withheld by Big Planet for applicable tax withholdings, and (c) less the amount of any debt due and owing by King to either Big Planet or Nu Skin Enterprises (which debt has been agreed to be repaid at the Closing pursuant to Section 10.11 below). The redemption price for the King Redemption Shares will be paid by wire transfer or other immediately available funds.

2.2.2 Doman Redemption Shares; Debt Repayment. Immediately prior to the Effective Time, the vesting of all shares of Big Planet Common underlying the restricted stock award currently held by Doman (the "Doman Redemption Shares") will be accelerated and the Doman Redemption Shares will be redeemed by Big Planet for a redemption price equal to (a) $0.50 per share, (b) less any amount required to be withheld by Big Planet for applicable tax withholdings, and (c) less the amount of any debt due and owing by Doman to either Big Planet or Nu Skin Enterprises (which debt has been agreed to be repaid pursuant to Section 10.11 below); provided, however, that Doman can, at his option, elect to defer the repayment of such debt (plus all accrued interest thereon) for one (1) year from the Closing Date, at which time Doman shall repay all debt then due and owing to either Big Planet or Nu Skin Enterprises in cash. All such debt (plus all accrued interest thereon) shall be secured by any and all future equity awards granted to Doman. Any proceeds received by Doman with respect to such equity awards shall immediately be paid to Nu Skin Enterprises until such debt and all accrued interest thereon has been paid in full. In the event Doman has not paid such debt in full within one (1) year from the Closing Date, Nu Skin Enterprises

may, in its sole discretion, retain and cancel, and not deliver to Doman upon vesting, a number of shares of its capital stock underlying such equity awards and having a value equal to the principal amount of such debt (plus all accrued interest thereon) and any other out-of-pocket fees or expenses incurred by Nu Skin Enterprises in connection herewith. The number of shares of capital stock to be retained and canceled shall be determined by dividing the total aggregate amount of principal, accrued interest, and fees by the average closing sale price of such shares as reported on the New York Stock Exchange for the twenty (20) trading day period ending on the trading day immediately prior to the Company's election to retain and cancel such shares. Doman shall be responsible for any tax consequences or Liability resulting from the debt repayment mechanism set forth in this Section 2.2.2. The redemption price for the Doman Redemption Shares will be paid by wire transfer or other immediately available funds.

2.3 Acceleration and Redemption of the Ricks Redemption Shares. Prior to the Effective Time, the vesting of all of the options held by Ricks to acquire shares of Big Planet Common (which options are not held pursuant to the Plan) (the "Ricks Options") will be accelerated and deemed exercised (with the shares of Big Planet Common issued to Ricks upon the exercise thereof being referred to herein as the "Ricks Redemption Shares"). The Ricks Redemption Shares will be redeemed by Big Planet immediately prior to the Effective Time for a redemption price equal to (a) $0.50 per share, (b) less the exercise price for each of the Ricks Options, and (c) less the amount of any debt due and owing by Ricks to either Big Planet or Nu Skin Enterprises (which debt has been agreed to be repaid at the Closing pursuant to Section 10.11 below). The redemption price for the Ricks Redemption Shares will be paid by wire transfer or other immediately available funds.

2.4 Redemption of Big Planet Common. Immediately prior to the Effective Time, all outstanding shares of Big Planet Common (other than the King Redemption Shares, the Doman Redemption Shares, and the Ricks Redemption Shares) granted pursuant to vested restricted stock awards or not otherwise referenced in this Section 2 shall be accelerated and redeemed by Big Planet for a redemption price equal to (a) $0.50 per share, (b) less any amount required to be withheld by Big Planet for applicable tax withholdings, and (c) less the amount of any debt due and owing by the holder thereof to either Big Planet or Nu Skin Enterprises.

SECTION 3

THE MERGER

3. THE MERGER. At the Effective Time and upon the terms and subject to the conditions of this Agreement, the Utah Act, and the Delaware Act, Big Planet shall be merged with and into BP Holdings, whereupon the separate corporate existence of Big Planet shall cease and BP Holdings shall continue as the surviving corporation (the "Surviving Corporation") under the name "Big Planet, Inc."

3.1 Effective Time; Closing; Closing Date. As soon as practicable after the satisfaction or waiver of the conditions set forth in Section 8 below, the Parties will file a Certificate of Merger with the Delaware Secretary in the form attached hereto as Exhibit "A" and make all other filings or recordings required by the Delaware Act in connection with the Merger. In addition, as soon as practicable after the satisfaction or waiver of the conditions set forth in Section 8 below and concurrently with the filing of the Certificate of Merger with the Delaware Secretary, the Parties will file Articles of Merger in the form attached hereto as Exhibit "B" with the Utah Division and make all other filings or recordings required by

the Utah Act in connection with the Merger. The Merger shall become effective at such time a Certificate of Merger is duly filed with the Delaware Secretary (the "Delaware Filing") and Articles of Merger are duly filed with the Utah Division (the "Utah Filing"), or at such later time as is specified in the Delaware Filing (the "Effective Time"). In connection with the making of the Delaware Filing and the Utah Filing, a closing (the "Closing") shall be held at the offices of LeBoeuf, Lamb, Greene & MacRae, L.L.P., 1000 Kearns Building, 136 South Main Street, Salt Lake City, Utah 84101-1685, or such other place as the Parties shall agree, for the purpose of confirming the satisfaction or waiver of the conditions set forth in Section 8 below and effecting the closing of the Reorganization and the Merger. The date on which the Closing is held is referred to herein as the "Closing Date".

3.2 Effects of the Merger; Subsequent Actions. The Merger shall have the effects set forth under the Delaware Act and the Utah Act. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time, all the properties, rights, privileges, powers, and franchises of Big Planet shall vest in the Surviving Corporation, and all debts, liabilities, and duties of Big Planet shall become the debts, liabilities, and duties of the Surviving Corporation. If, at any time after the Effective Time, the Surviving Corporation shall consider or be advised that any deeds, bills of sale, assignments, assurances, or any other actions or things are necessary or desirable to vest, perfect, or confirm of record or otherwise in the Surviving Corporation its right, title, or interest in, to, or under any of the rights, properties, or assets of Big Planet acquired or to be acquired by the Surviving Corporation as a result of or in connection with the Merger, or otherwise to carry out this Agreement or any of the transactions contemplated herein, the officers and directors of the Surviving Corporation shall be authorized to execute and deliver, in the name and on behalf of Big Planet, all such deeds, bills of sale, assignments, and assurances and to take and do, in the name and on behalf of each such corporation or otherwise, all such other actions and things as may be necessary or desirable to vest, perfect, or confirm of record or otherwise any and all right, title, and interest in, to, and under such rights, properties, or assets of the Surviving Corporation or otherwise to carry out this Agreement and the transactions contemplated hereby.

3.3 Certificate of Incorporation. The Certificate of Incorporation of BP Holdings in effect immediately prior to the Effective Time, as amended pursuant to the Merger, shall be the Certificate of Incorporation of the Surviving Corporation until amended in accordance with the Delaware Act or other applicable law.

3.4 Bylaws. The Bylaws of BP Holdings in effect immediately prior to the Effective Time, as amended pursuant to the Merger, shall be the Bylaws of the Surviving Corporation until amended in accordance with the Delaware Act or other applicable law.

3.5 Directors. The directors of BP Holdings at the Effective Time shall be the initial directors of the Surviving Corporation, each to hold office in accordance with the Certificate of Incorporation and Bylaws of the Surviving Corporation and until his or her successor is duly elected and qualified.

3.6 Officers. The officers of BP Holdings at the Effective Time shall be the initial officers of the Surviving Corporation, each to hold office in accordance with the Certificate of Incorporation and Bylaws of the Surviving Corporation and until his or her successor is duly appointed and qualified.

3.7 Conversion of Shares.

3.7.1 Big Planet Series A Preferred. Each share of Big Planet Series A Preferred issued and outstanding and held by the holder thereof (as evidenced in the records of Big Planet) immediately prior to the Effective Time (other than shares of Big Planet Series A Preferred held in the treasury of Big Planet and other than any Dissenting Shares) shall be canceled and extinguished and be converted into the right to receive (i) cash in the amount of $0.50 per share and (ii) a promissory note (the "Nu Skin Enterprises Note") in the original principal amount of $0.50 per share. The Nu Skin Enterprises Note shall be substantially in the form attached hereto as Exhibit "C" and shall be payable over three (3) years in equal quarterly payments of principal and interest with interest accruing at six and one-half percent (6.50%) per annum. The aggregate original principal amount of the Nu Skin Enterprises Note shall be equal to (x) $0.50 multiplied by (y) the number of shares of Big Planet Series A Preferred held by the holder of the Nu Skin Enterprises Note. As provided in the Nu Skin Enterprises Note, Nu Skin Enterprises may set off against the Nu Skin Enterprises Note all adjustments to the Merger Consideration pursuant to Section 3.8 below and all amounts from time to time owing to Nu Skin Enterprises or BP Holdings or any of their respective Affiliates (other than Nu Skin USA) by Nu Skin USA or others, subject to the limitations and restrictions set forth in the Indemnification Limitation Agreement, a copy of which is attached hereto as Exhibit "D", as the same has been amended by the First Amendment to Indemnification Limitation Agreement, a copy of which is also attached hereto as Exhibit "D".

3.7.2 Big Planet Common. Any shares of Big Planet Common that have not been redeemed as provided in Section 2 above prior to the Effective Time will be converted at the Effective Time into the right to receive cash in the amount of $0.50 per share.

3.8 Merger Consideration; Adjustment of Merger Consideration; Net Asset Difference. The cash and the Nu Skin Enterprises Note (referred to in Section 3.7.1 above) to be paid and issued pursuant to Section 3.7 above and all cash paid pursuant to Section 2 above in connection with the Reorganization are, collectively, referred to herein as the "Merger Consideration"; provided, however, that the Merger Consideration shall be adjusted as provided in the immediately following sentence. If the Net Assets of Big Planet, as reflected on the Closing Date Balance Sheet are less than Big Planet's Net Assets on December 31, 1998 by an amount in excess of $200,000 (which excess, if any, is referred to herein as the "Net Asset Difference"), the Merger Consideration shall be adjusted dollar-for-dollar in an amount equal to the Net Asset Difference, and Nu Skin Enterprises shall be entitled to an adjustment in the Merger Consideration in an amount equal to the Net Asset Difference; provided, however, that for purposes of calculating the Net Asset Difference, (a) $7,899,528 in related-party receivables shall be excluded from the December 31, 1998 Balance Sheet and (b) a total of up to $7,500,000 in loans made by Nu Skin Enterprises to Big Planet shall be excluded from the Closing Date Balance Sheet, in determining the Net Asset Difference. Any adjustment in the Merger Consideration resulting from a Net Asset Difference, as determined in accordance with this Section 3.8, may, in Nu Skin Enterprises' sole discretion, be effected by (i) offsets against the Nu Skin Enterprises Note, (ii) disbursements of funds from the Escrow Amount in accordance with the Escrow Agreement, or (iii) offsets against King's, Doman's, or Ricks' right to receive equity incentives and cash bonuses earned and owing to them as provided by Exhibit "G" attached hereto. Any adjustment to the Merger Consideration resulting from a Net Asset Difference, as determined in accordance with this Section 3.8, shall not be subject to the applicable basket or cap set forth in the Indemnification Limitation Agreement, as amended by the First Amendment to Indemnification Limitation Agreement.

3.8.1 Draft Closing Date Balance Sheet. Within sixty (60) days after the date of the Closing, Nu Skin Enterprises will prepare and deliver to Nu Skin USA, King, Doman, and Ricks (collectively, the "Recipients") a draft unaudited consolidated balance sheet (the "Draft Closing Date Balance Sheet") of Big Planet as of the date of the Closing (determined on a pro forma basis as though the Parties had not consummated the transactions contemplated by this Agreement). Nu Skin Enterprises will prepare the Draft Closing Date Balance Sheet in accordance with GAAP applied on a basis consistent with the preparation of Big Planet's December 31, 1998 balance sheet; provided, however, that assets, liabilities, gains, losses, revenues, and expenses in interim periods or as of dates other than year-end (which normally are determined through the application of so-called interim accounting conventions or procedures) will be determined, for purposes of the Draft Closing Date Balance Sheet, through full application of the procedures used in preparing Big Planet's December 31, 1998 balance sheet.

3.8.2 Objections to Draft Closing Date Balance Sheet; Appointment of "Big 5" Accounting Firm. If the Recipients have any objections to the Draft Closing Date Balance Sheet, they shall deliver a detailed statement describing their objections to Nu Skin Enterprises within thirty (30) days after receiving the Draft Closing Date Balance Sheet. Nu Skin Enterprises and the Recipients will then use reasonable efforts to resolve any such objections themselves. If Nu Skin Enterprises and the Recipients do not agree on a final resolution of such objections within thirty (30) days after Nu Skin Enterprises receive the Recipients' statement describing their objections, Nu Skin Enterprises shall appoint one of the so-called "Big 5" national accounting firms to resolve any remaining objections to the Draft Closing Date Balance Sheet; provided, however, that the "Big 5" accounting firm so appointed shall not at that time be engaged by Nu Skin Enterprises to provide it with auditing services (the "'Big 5' Accountant"). The appointment of the "Big 5" Accountant by Nu Skin Enterprises, as provided by this Section 3.8.2, and the determinations and conclusions of the "Big 5" Accountant pursuant hereto, shall be conclusive and binding upon the Parties. Nu Skin Enterprises will revise the Draft Closing Date Balance Sheet, as appropriate, to reflect the resolution of any objections thereto pursuant to this Section 3.8.2. For purposes of this Agreement, the term "Closing Date Balance Sheet" shall mean the Draft Closing Date Balance Sheet together with any revisions made thereto by Nu Skin Enterprises pursuant to this Section 3.8.2. In the event Nu Skin Enterprises and the Recipients submit any unresolved objections to the Draft Closing Balance Sheet to the "Big 5" Accountant for resolution as provided above in this Section 3.8.2, Nu Skin Enterprises and the Recipients will share equally the fees and expenses of the "Big 5" Accountant.

3.9 Stockholders Meeting. As soon as practicable after the date of this Agreement, Big Planet shall in accordance with the Utah Act and any other applicable law:

3.9.1 establish and give any required notices of a record date for the taking of action by written consent or duly call, give notice of, convene, and hold an annual or special meeting of its stockholders (such action or meeting, the "Stockholders Meeting") for the purpose of considering and taking action upon this Agreement and the transactions contemplated hereby, including the Reorganization and the Merger;

3.9.2 include in any proxy statement delivered to the stockholders of Big Planet the recommendation of Big Planet's Board of Directors that the stockholders of Big Planet vote in favor of the approval and adoption of this Agreement and the transactions contemplated hereby, including the Reorganization and the Merger; and

3.9.3 use its reasonable best efforts to obtain the necessary approvals by its stockholders of this Agreement and the transactions contemplated hereby, including the Reorganization and the Merger.

3.10 BP Holdings Shares. Each share of BP Holdings Common issued and outstanding at the Effective Time shall remain issued and outstanding shares of BP Holdings, as the Surviving Corporation following the Merger, and shall continue to be held by Nu Skin Enterprises.

SECTION 4

DISSENTING SHARES; EXCHANGE OF SHARES

4. DISSENTING SHARES. Notwithstanding anything in this Agreement to the contrary, shares of Big Planet Common or Big Planet Series A Preferred outstanding immediately prior to the Effective Time and held by a holder who has not voted in favor of the Merger or consented thereto in writing and who has demanded appraisal for such shares of Big Planet Common or Big Planet Series A Preferred in accordance with the Utah Act ("Dissenting Shares") shall not be converted pursuant to Section 3.7 above unless such holder fails to perfect or withdraws or otherwise loses his, her, or its right to appraisal under the Utah Act. If such holder fails to perfect or withdraws or loses his, her, or its right to appraisal, such shares of Big Planet Common or Big Planet Series A Preferred shall be treated as if they were not Dissenting Shares and had been converted as of the Effective Time pursuant to Section 3.7 above.

4.1 Exchange of Certificates. From and after the Effective Time, Nu Skin Enterprises shall act as paying agent (the "Paying Agent") in effecting the payment of the Merger Consideration upon surrender of certificates (the "Certificates") that, prior to the Effective Time, represented shares of Big Planet Common or Big Planet Series A Preferred. Upon the surrender of each such Certificate formerly representing shares of Big Planet Common or Big Planet Series A Preferred, the Paying Agent shall pay the holder of such Certificate the Merger Consideration to be paid to such holder pursuant to Section 3.7 above in exchange therefor, and such Certificate shall forthwith be canceled. Until so surrendered and exchanged, each such Certificate (other than Certificates representing Dissenting Shares or shares of Big Planet Common or Big Planet Series A Preferred held by Big Planet) shall represent solely the right to receive the Merger Consideration into which such certificate may be converted pursuant to Section 3.7 above. No interest shall be paid or shall accrue on the Merger Consideration. If the Merger Consideration (or any portion thereof) is to be delivered to any Person other than the Person in whose name the Certificate formerly representing shares of Big Planet Common or Big Planet Series A Preferred surrendered in exchange therefor is registered, it shall be a condition to such exchange that the Certificate so surrendered shall be properly endorsed or otherwise be in proper form for transfer and that the Person requesting such exchange shall pay to the Paying Agent any transfer or other taxes required by reason of the payment of the Merger Consideration to a Person other than the registered holder of the Certificate surrendered, or shall establish to the satisfaction of the Paying Agent that such tax has been paid or is not applicable.

4.1.1 Deposit of Merger Consideration. Nu Skin Enterprises shall hold in trust the Merger Consideration to which holders of shares of Big Planet Common or Big Planet Series A Preferred shall be entitled at the Effective Time.

4.1.2 Letter of Transmittal and Instructions. Promptly after the Effective Time, Big Planet will, or will request the Paying Agent to, mail to each record holder of Certificates that immediately prior to the Effective Time represented shares of Big Planet Common or Big Planet Series A Preferred a form of letter of transmittal and instructions for use in surrendering such Certificates and receiving the Merger Consideration in exchange therefor.

4.1.3 No Transfers After Effective Time. After the Effective Time, there shall be no transfers on the stock transfer books of the Surviving Corporation of any shares of Big Planet Common or Big Planet Series A Preferred. If, after the Effective Time, Certificates formerly representing shares of Big Planet Common or Big Planet Series A Preferred are presented to the Surviving Corporation or the Paying Agent, they shall be canceled and exchanged for the Merger Consideration, as provided in this Section 4, subject to the Utah Act and other applicable law in the case of Dissenting Shares.

SECTION 5

REPRESENTATIONS AND WARRANTIES OF BIG PLANET

5. REPRESENTATIONS AND WARRANTIES OF BIG PLANET. Big Planet represents and warrants to each of BP Holdings and Nu Skin Enterprises that the statements contained in this Section 5 are correct and complete as of the date of this Agreement and will be true and correct as of the Closing Date (as though made then and as though the Closing Date were substituted for the date of this Agreement throughout this Section 5), except as set forth in the disclosure schedule attached to this Agreement and initialed by the Parties (the "Disclosure Schedule"). The Disclosure Schedule will be arranged in paragraphs corresponding to the numbered paragraphs contained in this Section 5 and as referenced in Sections 8.1.4 and 10.11 below. Nu Skin Enterprises and BP Holdings shall have the right to rely on the following representations and warranties notwithstanding any investigation or inquiry conducted by them relating to the business of Big Planet and no such investigation shall limit or in any way restrict the indemnification obligations of Nu Skin USA, King, Doman, or Ricks under Section 10.8 below.

5.1 Organization and Qualification of Big Planet. Big Planet is a corporation duly organized, validly existing, and in good standing under the laws of the State of Utah and is qualified in each state or jurisdiction in which the nature of its business or assets requires it to be so qualified except to the extent a failure to so qualify would not have a material adverse effect on the business of Big Planet, taken as a whole.

5.2 Authorization of Transaction. Big Planet has full power and authority (including full corporate power and authority) to execute and deliver this Agreement and to perform its obligations hereunder. Without limiting the generality of the foregoing, the Board of Directors of Big Planet has duly authorized the execution, delivery, and performance of this Agreement by Big Planet. This Agreement constitutes the valid and legally binding obligation of Big Planet, enforceable in accordance with its terms and conditions.

5.3 Non-Contravention. Except as set forth in Section 5.3 of the Disclosure Schedule, neither the execution and the delivery of this Agreement, nor the consummation of the transactions contemplated hereby (including the Reorganization and the Merger), will (i) violate any constitution, statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any government,

governmental agency, or court to which Big Planet is subject or any provision of the articles of incorporation or bylaws of Big Planet; or (ii) without the prior specific written approval of Nu Skin Enterprises after the date hereof, conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice under any material agreement, contract, lease, license, instrument, or other arrangement to which Big Planet is a party or by which it is bound or to which any of its assets is subject (or result in the imposition of any Security Interest upon any of its assets); or (iii) without the prior written approval of Nu Skin Enterprises after the date hereof, conflict with or violate or cause the termination or suspension of any license, permit, authority, certificate, or approval issued by any governmental agency or authority and held by Big Planet. Except as listed in Section 5.3 of the Disclosure Schedule, Big Planet has caused to be filed all notices and applications for authorization, consent, or approval required pursuant to the applicable requirements of the Communications Act of 1934, as amended, and applicable state telecommunications laws in order for the Parties to consummate the transactions contemplated by this Agreement (including, but not limited to, the Reorganization and the Merger).

5.4 Brokers' Fees. Big Planet has no Liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement for which BP Holdings or Nu Skin Enterprises could become liable or obligated.

5.5 Title to Assets. Except as set forth in Section 5.5 of the Disclosure Schedule, Big Planet has good and marketable title to, a valid leasehold interest in, or license to, the properties and assets used by it in the business, located on its premises, or shown on the Financial Statements or acquired after the date thereof, free and clear of all Security Interests or restrictions on transfer, except for properties and assets disposed of in the Ordinary Course of Business since the date of the Financial Statements. The assets of Big Planet as of the date hereof and as of the Closing Date constitute all of the assets necessary to operate the business of Big Planet as currently conducted.

5.6 Subsidiaries. Big Planet has no Subsidiaries.

5.7 Territorial Restrictions. Except as set forth in Section 5.7 of the Disclosure Schedule, Big Planet is not restricted by any written agreement or understanding with any other Person from carrying on its business anywhere in the world.

5.8 Financial Statements. Attached hereto as Exhibit "E" are the following financial statements of Big Planet (collectively, the "Financial Statements"): (i) an audited balance sheet and audited statements of income, changes in stockholders' equity, and cash flow as of and for the fiscal year ended December 31, 1998, and (ii) an unaudited balance sheet and unaudited statements of income, changes in stockholder equity, and cash flow as of and for the three (3) month period ended March 31, 1999. The Financial Statements have been prepared in accordance with GAAP (except that they contain no footnotes disclosing information not otherwise disclosed in the Disclosure Schedule and the unaudited statement may be subject to normal and customary adjustments) applied on a consistent basis throughout the periods covered thereby, present fairly the financial condition of Big Planet as of such dates and the results of the operations of Big Planet for such periods, are correct and complete, and are consistent with the books and records of Big Planet (which books and records are also correct and complete).

5.9 Events Subsequent to Date of Financial Statements. Except as otherwise approved in writing by Nu Skin Enterprises, after the date hereof, since March 31, 1999, there has not been any

material adverse change in the business, financial condition, operations, results of operations, or future prospects of Big Planet. Without limiting the generality of the foregoing, since that date:

5.9.1 Big Planet has not sold, leased, transferred, or assigned any of its assets, tangible or intangible, outside the Ordinary Course of Business;

5.9.2 Big Planet has not entered into any agreement, contract, lease, or license (or series of related agreements, contracts, leases, or licenses) outside the Ordinary Course of Business involving more than $10,000 individually or $100,000 in the aggregate;

5.9.3 No Person (including Big Planet) has accelerated, terminated, materially modified, or canceled any agreement, contract, lease, or license (or series of related agreements, contracts, leases, or licenses) involving more than $10,000 individually or $100,000 in the aggregate to which Big Planet is a party or by which it is bound;

5.9.4 Big Planet has not imposed any Security Interest upon any of its assets, tangible or intangible;

5.9.5 Big Planet has not made any capital expenditure (or series of related capital expenditures) outside the Ordinary Course of Business and involving more than $10,000 individually or $100,000 in the aggregate;

5.9.6 Big Planet has not made any capital investment in, any loan to, or any acquisition of the securities or assets of, any other Person (or series of related capital investments, loans, or acquisitions) involving more than $10,000 individually or $100,000 in the aggregate;

5.9.7 Big Planet has not issued any note, bond, or other debt security or created, incurred, assumed, or guaranteed any indebtedness for borrowed money or capitalized lease obligations either involving more than $10,000 individually or $100,000 in the aggregate;

5.9.8 Big Planet has not delayed or postponed the payment of accounts payable and other Liabilities outside the Ordinary Course of Business;

5.9.9 Big Planet has not canceled, compromised, waived, or released any right or claim (or series of related rights or claims) outside the Ordinary Course of Business and involving more than $10,000 individually or $100,000 in the aggregate;

5.9.10 Except as described in Section 5.9.10 of the Disclosure Schedule, Big Planet has not granted any license or sublicense of any rights under or with respect to any Intellectual Property outside the Ordinary Course of Business;

5.9.11 there has been no change made or authorized in the Articles of Incorporation or Bylaws of Big Planet;

5.9.12 Big Planet has not issued, sold, or otherwise disposed of any of its capital stock, or granted any options, warrants, or other rights to purchase or obtain (including upon conversion, exchange, or exercise) any of its capital stock;

5.9.13 Except as contemplated herein, Big Planet has not declared, set aside, or paid any dividend or made any distribution with respect to its capital stock (whether in cash or in kind) or redeemed, purchased, or otherwise acquired any of its capital stock;

5.9.14 Big Planet has not experienced any damage, destruction, or loss (whether or not covered by insurance) to any of its assets or property in excess of $20,000;

5.9.15 Big Planet has not made any loan to, or entered into any other transaction with, any of its directors, officers, or employees outside the Ordinary Course of Business;

5.9.16 Big Planet has not entered into any employment contract or collective bargaining agreement (whether written or oral), or modified the terms of any existing such contract or agreement;

5.9.17 Big Planet has not granted any increase in the base compensation of any of its directors, officers, or employees outside the Ordinary Course of Business;

5.9.18 Except as set forth in Section 5.9.18 of the Disclosure Schedule, Big Planet has not adopted, amended, modified, or terminated any bonus, profit-sharing, incentive, severance, or other plan, contract, or commitment for the benefit of any of its directors, officers, or employees (or taken any such action with respect to any other Employee Benefit Plan);

5.9.19 Except as set forth in Section 5.9.19 of the Disclosure Schedule, no officer of Big Planet has received an increase in salary in excess of $5,000;

5.9.20 Big Planet has not made or pledged to make any material charitable or other capital contribution;

5.9.21 Except as disclosed in Section 5.9.21 of the Disclosure Schedule, there has not been any other occurrence, event, incident, action, failure to act, or transaction involving Big Planet that has had or that could reasonably be expected to have a material adverse effect on the business of Big Planet, taken as a whole; and

5.9.22 Big Planet has not committed to any of the foregoing.

5.10 Undisclosed Liabilities. Big Planet has no Liability (and there is no Basis for any present or to its Knowledge, future action, suit, proceeding, hearing, investigation, charge, complaint, claim, or demand against it giving rise to any Liability), except for (i) Liabilities set forth on the face of the balance sheet included in the Financial Statements (rather than in any notes thereto) and (ii) Liabilities that have arisen after March 31, 1999 in the Ordinary Course of Business (none of which results from, arises out of, relates to, is in the nature of, or was caused by any breach of contract, breach of warranty, tort, infringement, or violation of law).

5.11 Legal Compliance; Permits. Except for any failures to comply that individually or in the aggregate would not have a material adverse effect on the business of Big Planet, taken as a whole, Big Planet and its predecessors and Affiliates have complied in all respects with all applicable laws (including rules, regulations, codes, plans, injunctions, judgments, orders, decrees, rulings, and charges thereunder) of all federal, state, local, and foreign governments (and all agencies thereof), and with the terms and

conditions of all material licenses, permits, certificates, approvals, and authorities issued by any governmental agency or authority, and no action, suit, proceeding, hearing, investigation, charge, complaint, claim, demand, or notice has been filed or commenced against any of them alleging any failure so to comply. Except as disclosed in Section 5.11 of the Disclosure Schedule, Big Planet has obtained and currently possesses all material licenses, permits, certificates, authorities and approvals necessary to operate its business as currently conducted including, without limitation, all required domestic and international telecommunications and electronic commerce licenses, permits, certificates, approvals and authorities. Subject to receipt of the approvals noted in Section 5.11 of the Disclosure Schedule, all such licenses, permits, certificates, approvals and authorities will be validly transferred to BP Holdings or its subsidiaries in connection with the Merger.

5.12 Tax Matters.

5.12.1 Big Planet has filed all Tax Returns that it was required to file. All such Tax Returns were correct and complete in all respects. Except for taxes that will be due and owing for calendar year 1999, all Taxes due and owed by Big Planet have been paid. Except as set forth in Section 5.12.1 of the Disclosure Schedule, Big Planet currently is not the beneficiary of any extension of time within which to file any Tax Return. No claim has ever been made by any taxing authority in a jurisdiction where Big Planet does not file Tax Returns that it is or may be subject to taxation by that jurisdiction. There are no Security Interests on any of the assets or properties of Big Planet that arose in connection with any failure (or alleged failure) to pay any Tax.

5.12.2 Big Planet has withheld and paid all Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, stockholder, or other third-party.

5.12.3 Neither Big Planet nor any employee responsible for Tax matters expects any taxing authority to assess any additional Taxes for any period for which Tax Returns have been filed. There is no dispute or claim concerning any Tax Liability of Big Planet either (i) claimed or raised by any taxing authority in writing or (ii) as to which any of Big Planet and the directors and officers (and employees responsible for Tax matters) of Big Planet has Knowledge based upon personal contact with any agent of such taxing authority. Big Planet has delivered to BP Holdings correct and complete copies of all federal income Tax Returns, examination reports, and statements of deficiencies assessed against or agreed to by Big Planet since January 1, 1998. None of Big Planet's Tax Returns are the subject of an audit.

5.12.4 Big Planet has not waived any statute of limitations for the assessment of any Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency.

5.12.5 No power of attorney currently in force has been granted by Big Planet concerning any Tax matter.

5.12.6 Big Planet has not received a Tax Ruling (as that term is defined below) or entered into a Closing Agreement (as that term is defined below) with any taxing authority that would have a continuing adverse effect after the Closing Date. "Tax Ruling" shall mean a written ruling of a taxing authority relating to Taxes. "Closing Agreement" shall mean a written and legally binding agreement with a taxing authority relating to Taxes.

5.12.7 The unpaid Taxes of Big Planet (i) did not, as of March 31, 1999, exceed the reserve for Tax Liability (rather than any reserve for deferred Taxes established to reflect timing differences between book and Tax income) set forth on the face of the balance sheet included in the Financial Statements (rather than in any notes thereto) (excluding, however, any taxes that are incurred as a result of the transactions contemplated by this Agreement being treated as a sale of assets) and (ii) do not exceed that reserve as adjusted for the passage of time up to the Closing Date in accordance with the past custom and practice of Big Planet in filing its Tax Returns.

5.12.8 Big Planet is not a party to any Tax allocation or sharing agreement. Big Planet (i) has not been a member of an Affiliated Group filing a consolidated federal income Tax Return or (ii) has no Liability for the Taxes of any Person (other than Big Planet) under Reg. Section 1.1502-6 (or any similar provision of state, local, or foreign law), as a transferee or successor, by contract, or otherwise.

5.13 Real Property.

5.13.1 Big Planet does not now own and has never owned any real property.

5.13.2 Section 5.13.2 of the Disclosure Schedule lists and describes briefly all real property leased or subleased to Big Planet except for real estate subleased or leased to Big Planet by Nu Skin Enterprises, its subsidiary Nu Skin International, Inc., or any of their respective Affiliates. Big Planet has delivered to BP Holdings correct and complete copies of the leases and subleases listed in 5.13.2 of the Disclosure Schedule (as amended to date). With respect to each lease and sublease listed in 5.13.2 of the Disclosure Schedule:

5.13.2.1 the lease or sublease is legal, valid, binding, enforceable, and in full force and effect;

5.13.2.2 the lease or sublease will continue to be legal, valid, binding, enforceable, and in full force and effect on identical terms following the consummation of the transactions contemplated hereby (including the Reorganization and the Merger), subject to receipt of any required third-party consents or approvals and possible renegotiation of the lease or sublease terms (subject to the prior written approval thereof by Nu Skin Enterprises) disclosed in Section 5.13.2 or Section 5.17 of the Disclosure Schedule;

5.13.2.3 Big Planet is not and, to Big Planet's Knowledge, no other party to the lease or sublease is in breach or default thereunder, and no event has occurred that, with notice or lapse of time, would constitute a breach or default by such party or permit termination, modification, or acceleration thereunder;

5.13.2.4 Big Planet has not and, to Big Planet's Knowledge, no other party to the lease or sublease has repudiated any provision thereof;

5.13.2.5 there are no disputes, oral agreements, or forbearance programs in effect as to the lease or sublease;

5.13.2.6 Big Planet has not assigned, transferred, conveyed, mortgaged, deeded in trust, or encumbered any interest in the leasehold or subleasehold; and

5.13.2.7 all facilities leased or subleased by Big Planet have received all approvals of governmental authorities (including licenses and permits) required in connection with the operation of Big Planet's business and have been operated and maintained in accordance with all applicable laws, rules, and regulations.

5.14 Intellectual Property.

5.14.1 Big Planet owns free of encumbrances or has the right to use pursuant to license, sublicense, agreement, or permission all Intellectual Property necessary for the operation of the business of Big Planet as presently conducted and as presently proposed to be conducted. Except as set forth in Section 5.14.1 of the Disclosure Schedule, each item of Intellectual Property owned or used by Big Planet immediately prior to the Closing will be owned or available for use by Big Planet on identical terms and conditions immediately subsequent to the Closing. Big Planet has taken all necessary and desirable action to maintain and protect each item of Intellectual Property that it owns or uses.

5.14.2 Except as set forth in Section 5.14.2 of the Disclosure Schedule, Big Planet has not infringed upon, misappropriated, or otherwise violated any Intellectual Property rights of third-parties, and none of Big Planet or its directors and officers (or employees with responsibility for Intellectual Property matters) has ever received any charge, complaint, claim, demand, or notice alleging any such infringement, misappropriation, or violation (including any claim that Big Planet must license or refrain from using any Intellectual Property rights of any third-party). To the Knowledge of Big Planet, no third-party has infringed upon, misappropriated, or otherwise violated any Intellectual Property rights of Big Planet.

5.14.3 Section 5.14.3 of the Disclosure Schedule identifies each patent or registration that has been issued to Big Planet with respect to any of its Intellectual Property, identifies each pending patent application or application for registration that Big Planet has made with respect to any of its Intellectual Property, and identifies each material license, agreement, or other permission that Big Planet has granted to any third-party with respect to any of its Intellectual Property (together with any exceptions thereto). Big Planet has delivered or has made available or will make available to Nu Skin Enterprises correct and complete copies of all such patents, registrations, applications, licenses, agreements, and permissions (as amended to date) and has made available or will make available to Nu Skin Enterprises correct and complete copies of all other written documentation evidencing ownership and prosecution (if applicable) of each such item. Section 5.14.3 of the Disclosure Schedule also identifies each material trade name or unregistered trademark used by Big Planet in connection with its business. With respect to each item of Intellectual Property required to be identified in 5.14.3 of the Disclosure Schedule:

5.14.3.1 Big Planet possesses all right, title, and interest in and to its proprietary Intellectual Property free and clear of any Security Interest, license, or other restriction;

5.14.3.2 Each item of Big Planet's proprietary Intellectual Property (and to its knowledge without inquiry of third-parties) each item of non-proprietary Intellectual Property is not subject to any outstanding injunction, judgment, order, decree, ruling, or charge;

5.14.3.3 No action, suit, proceeding, hearing, investigation, charge, complaint, claim, or demand is pending or, to the Knowledge of Big Planet, is threatened that challenges the legality, validity, enforceability, use, or ownership of the item; and

5.14.3.4 Except as generally disclosed in Section 5.14.3.4 of the Disclosure Schedule with respect to Big Planet's distributors and specifically disclosed with respect to other Persons, Big Planet has never agreed to indemnify any Person for or against any infringement, misappropriation, or other conflict with respect to the item.

5.14.4 Section 5.14.4 of the Disclosure Schedule identifies each material license, sublicense, agreement or permission with any Person relating to any Intellectual Property used by Big Planet. Big Planet has delivered to BP Holdings or Nu Skin Enterprises correct and complete copies of all such licenses, sublicenses, agreements, and permissions (as amended to date). Except as set forth in Section 5.14.4 of the Disclosure Schedule, with respect to each such license, sublicense, agreement or permission identified in 5.14.4 of the Disclosure Schedule:

5.14.4.1 The license, sublicense, agreement, or permission is legal, valid, binding, enforceable, and in full force and effect;

5.14.4.2 The license, sublicense, agreement, or permission will continue to be legal, valid, binding, enforceable, and in full force and effect on identical terms following the consummation of the transactions contemplated hereby (including the Reorganization and the Merger);

5.14.4.3 Big Planet has not and, to its Knowledge, no other party to any such license, sublicense, agreement, or permission is in breach or default, and no event has occurred that, with notice or lapse of time, would constitute a breach or default or permit termination, modification, or acceleration thereunder;

5.14.4.4 Big Planet has not and, to its Knowledge, no other party to any such license, sublicense, agreement, or permission has repudiated any provision thereof;

5.14.4.5 Neither the license, sublicense, agreement or permission nor (to its knowledge without inquiry of third-parties) the underlying item of Intellectual Property is subject to any outstanding injunction, judgment, order, decree, ruling, or charge;

5.14.4.6 No action, suit, proceeding, hearing, investigation, charge, complaint, claim, or demand is pending or, to the Knowledge of Big Planet, is threatened that challenges the legality, validity, or enforceability of the license, sublicense, agreement, permission or underlying item of Intellectual Property; and

5.14.4.7 Big Planet has not granted any sublicense or similar right with respect to any such license, sublicense, agreement, or permission other than in the Ordinary Course of Business.

5.14.5 To the Knowledge of Big Planet, Big Planet will not interfere with, infringe upon, misappropriate, or otherwise violate any Intellectual Property rights of third-parties as a result of the continued operation of its business as presently conducted and as presently proposed to be conducted.

5.14.6 Big Planet has no Knowledge of any new products, inventions, procedures, or methods of manufacturing or processing that any competitors or other third-parties have developed that reasonably could be expected to supersede or make obsolete any product or process of Big Planet.

5.15 Tangible Assets. Big Planet owns or leases all tangible assets used in its business. Each such tangible asset is free from patent defects, has been maintained in accordance with normal industry practice, is in good operating condition and repair (subject to normal wear and tear), and is suitable for the purposes for which it presently is used.

5.16 Inventory. All of the inventory of Big Planet consists of manufactured and purchased goods in process, and finished goods, all of which are merchantable and fit for the purpose for which they were procured or manufactured, and none of which is slow-moving, obsolete, damaged, or defective, subject only to the reserve for inventory write-down set forth on the face of the balance sheet included in the Financial Statements (rather than in any notes thereto) as adjusted for the passage of time through the Closing Date in accordance with the past custom and practice of Big Planet.

5.17 Contracts. Section 5.17 of the Disclosure Schedule lists the following contracts and other agreements to which Big Planet is a party:

5.17.1 any agreement (or group of related agreements) for the lease of personal property to or from any Person providing for lease payments in excess of $10,000 per annum;

5.17.2 any agreement (or group of related agreements) for the purchase, sale, or license (in-bound or out-bound) of raw materials, commodities, supplies, products, or other personal property, or for the furnishing or receipt of services, the performance of which will extend over a period of more than one (1) year, result in a loss to Big Planet, or involve consideration in excess of $10,000;

5.17.3 any agreement concerning any partnership, joint venture, or strategic alliance;

5.17.4 except as set forth in Section 5.17.4 of the Disclosure Schedule, Big Planet is not a party to any agreement (or group of related agreements) under which it has created, incurred, assumed, or guaranteed any indebtedness for borrowed money, or any capitalized lease obligation, in excess of $10,000 or under which it has imposed a Security Interest on any of its assets, tangible or intangible;

5.17.5 any agreement concerning confidentiality or non-competition except confidentiality agreements with network marketing distributors and employees;

5.17.6 any agreement between Big Planet and any Affiliates of Big Planet;

5.17.7 any profit sharing, stock option, stock award, stock purchase, stock appreciation, deferred compensation, severance, or other plan or arrangement for the benefit of Big Planet's current or former directors, officers, or employees;

5.17.8 any collective bargaining agreement;

5.17.9 any agreement for the employment of any individual on a full-time, part-time, consulting, or other basis providing annual compensation in excess of $10,000 or providing severance benefits;

5.17.10 any agreement under which Big Planet has advanced or loaned any amount to any of its directors, officers, or employees outside the Ordinary Course of Business;

5.17.11 any agreement under which the consequences of a default or termination could have or could reasonably be expected to have a material adverse effect on the business, financial condition, operations, results of operations, or future prospects of Big Planet;

5.17.12 any other agreement (or group of related agreements) the performance of which involves consideration in excess of $10,000;

5.17.13 any agreements with any telecommunications providers, Internet service providers, licensors of technology (including software), web page designers and service providers, consumer finance or credit card finance companies, or any agreements related to electronic commerce transactions in excess of $10,000; or

5.17.14 all contracts and other agreements to which Big Planet is a party and that require Big Planet to make minimum purchases thereunder or that contain minimum purchase obligations in excess of $250,000 in any twelve (12) month period, and, except as set forth in Section 5.17.14 of the Disclosure Schedule, Big Planet is not a party to any contract or other agreement that requires it to make minimum purchases or that contains minimum purchase obligations in excess of $250,000 in any twelve (12) month period.

Big Planet has delivered to BP Holdings or Nu Skin Enterprises a correct and complete copy of each written agreement listed in Section 5.17 of the Disclosure Schedule (as each such agreement has been amended to date) and a written summary setting forth the terms and conditions of each oral agreement referred to in Section 5.17 of the Disclosure Schedule. Except as set forth in Section 5.17 of the Disclosure Schedules, with respect to each such agreement: (i) the agreement is legal, valid, binding, enforceable, and in full force and effect; (ii) subject to the required consents from applicable third-parties, the agreement will continue to be legal, valid, binding, enforceable, and in full force and effect on identical terms following the consummation of the transactions contemplated hereby (including the Reorganization and the Merger); (iii) Big Planet is not and, to its Knowledge, no other Person is in breach or default, and no event has occurred that with notice or lapse of time would constitute a breach or default, or permit termination, modification, or acceleration, under the agreement; and (iv) Big Planet has not and, to its Knowledge, no other party under the agreement has notified Big Planet that such party has, repudiated any provision of the agreement.

5.18 Distributors and Customers. Section 5.18 of the Disclosure Schedule sets forth (i) the names and addresses of all executive level and above distributors and all customers of Big Planet that ordered goods and services from Big Planet with an aggregate value for each such distributor and customer of $5,000 or more during the last twelve (12) months and (ii) the amount for which each such customer was invoiced during such period. Big Planet has not received any notice or has no reason to believe that any significant distributor or customer of Big Planet (A) has ceased, or will cease, to use the products, goods, or services of Big Planet, (B) has substantially reduced or will substantially reduce the purchase of products, goods, or services of Big Planet, or (C) has sought, or is seeking, to reduce the price it will pay for products, goods, or services of Big Planet, including in each case after the consummation of the transactions contemplated hereby. To the Knowledge of Big Planet, no executive level or above distributor of Big Planet has threatened to take any action described in the preceding sentence as a result of the

consummation of the transactions contemplated by this Agreement. Big Planet has no arrangements or agreements with any of its distributors that are not offered to all of its distributors generally.

5.19 Suppliers; Vendors; Raw Materials. Section 5.19 of the Disclosure Schedule sets forth (i) the names and addresses of all suppliers from whom Big Planet ordered supplies, products, merchandise, and other goods and services with an aggregate purchase price for each such supplier of $10,000 or more during the last twelve (12) months, and (ii) the amount for which each such supplier invoiced Big Planet during such period. Big Planet has not received any notice or has no reason to believe that there has been any material adverse change in the price of such raw materials, supplies, products, merchandise, or other goods or services, or that any such supplier will not sell raw materials, supplies, products, merchandise, and other goods to Big Planet at any time after the Closing Date on terms and conditions similar to those used in its current sales to Big Planet, subject to general and customary price increases. To the Knowledge of Big Planet, no supplier of Big Planet described in clause (i) of the first sentence of this Section 5.19 has otherwise threatened to take any action described in the preceding sentence as a result of the consummation of the transactions contemplated by this Agreement.

5.20 Notes and Accounts Receivable. All notes and accounts receivable of Big Planet are reflected properly on its books and records, are valid receivables subject to no set-offs or counterclaims, are current and collectible, and will be collected in accordance with their terms at their recorded amounts, subject only to the reserve for bad debts set forth on the face of the balance sheet included in the Financial Statements (rather than in any notes thereto) as adjusted for the passage of time through the Closing Date in accordance with the past custom and practice of Big Planet.

5.21 Powers of Attorney. There are no outstanding powers of attorney executed on behalf of Big Planet.

5.22 Insurance. Section 5.22 of the Disclosure Schedule lists all insurance policies to which Big Planet is a party. Each of Big Planet's insurance policies (i) is legal, valid binding, enforceable, and in full force and effect; (ii) will continue to be legal, valid, binding, enforceable, and in full force and effect on identical terms following the consummation of the transactions contemplated hereby (including the Reorganization and the Merger); (iii) is not in default, nor is any party thereto in material breach thereof, (including with respect to the payment of premiums or the giving of notices), and no event has occurred that, with notice or the lapse of time, would constitute such a breach or default, or permit termination, modification, or acceleration under the policy; and (iv) has never been repudiated nor has any party to such policy repudiated any provision thereof.

5.22.1 Big Planet has been covered since October 1997 by insurance in scope and amount customary and reasonable for the business during the aforementioned period. Section 5.22 of the Disclosure Schedule describes any self-insurance arrangements affecting Big Planet.

5.23 Litigation. Section 5.23 of the Disclosure Schedule sets forth each instance in which Big Planet (i) is subject to any outstanding injunction, judgment, order, decree, ruling, or charge, or (ii) is a party or, to the Knowledge of Big Planet, is threatened to be made a party to any action, suit, proceeding, hearing, or investigation of, in, or before any court or quasi-judicial or administrative agency of any federal, state, local, or foreign jurisdiction or before any arbitrator. Except as set forth in Section 5.23 of the Disclosure Schedule, none of the actions, suits, proceedings, hearings, and investigations set forth in Section 5.23 of the Disclosure Schedule could result or could reasonably be expected to result in any

adverse change in the business, financial condition, operations, results of operations, or future prospects of Big Planet. Neither Big Planet nor any of its directors or officers (and employees with responsibility for litigation matters) has any reason to believe that any such action, suit, proceeding, hearing, or investigation may be brought or threatened against Big Planet.

5.24 Product Warranty. Each product sold, leased, distributed, or delivered by Big Planet has conformed in all material respects with all applicable contractual commitments and all express and implied warranties, and Big Planet has no Liability (and there is no Basis for any present or future action, suit, proceeding, hearing, investigation, charge, complaint, claim, or demand against it giving rise to any Liability) for replacement or repair of such products or other damages in connection with such products, subject only to the reserve for product warranty claims set forth on the face of the balance sheet included in the Financial Statements (rather than in any notes thereto) as adjusted for the passage of time through the Closing Date in accordance with the past custom and practice of Big Planet. No product sold, leased, distributed, or delivered by Big Planet is subject to any guaranty, warranty, or other indemnity beyond the applicable standard terms and conditions of sale or lease. Section 5.24 of the Disclosure Schedule includes copies of the standard terms and conditions of sale or lease for Big Planet (containing applicable guaranty, warranty, and indemnity provisions).

5.25 Product Liability. Big Planet has no Liability (and there is no Basis for any present or future action, suit, proceeding, hearing, investigation, charge, complaint, claim, or demand against it giving rise to any Liability) arising out of any injury to individuals or property as a result of the ownership, possession, or use of any product sold, leased, distributed, or delivered by Big Planet.

5.26 Employees. Big Planet is not a party to or bound by any collective bargaining agreement, nor has it experienced any strikes, grievances, claims of unfair labor practices, or other collective bargaining disputes. Big Planet has not committed any unfair labor practice. Neither Big Planet nor any of its directors or officers (and employees with responsibility for employment matters) has any Knowledge of any organizational effort presently being made or threatened by or on behalf of any labor union with respect to any of the employees of Big Planet. There are no administrative charges or legal actions against Big Planet concerning alleged employment discrimination, harassment or other employment related matters, pending or threatened, before the U.S. Equal Employment Opportunity Commission or any court or other governmental or regulatory body or authority.

5.27 Employee Benefits.

5.27.1 Section 5.27.1 of the Disclosure Schedule lists each Employee Benefit Plan that Big Planet maintains or to which Big Planet contributes or has any obligation to contribute.

5.27.1.1 Each such Employee Benefit Plan (and each related trust, insurance contract, or fund) complies in form and in operation in all material respects with the applicable requirements of ERISA, the Code, and all other applicable laws.

5.27.1.2 All required reports and descriptions (including Form 5500 Annual Reports, summary annual reports, PBGC-1's, and summary plan descriptions) have been timely filed and distributed appropriately with respect to each such Employee Benefit Plan. The requirements of COBRA have been met in all material respects with respect to each such Employee Benefit Plan that is an Employee Welfare Benefit Plan.

5.27.1.3 All contributions (including all employer contributions and employee salary reduction contributions) that are due have been paid to each such Employee Benefit Plan and all contributions for any period ending on or before the Closing Date that are not yet due have been paid to each such Employee Pension Benefit Plan or accrued in accordance with the past custom and practice of Big Planet and are listed on schedule 5.27.1 of the Disclosure Schedule. All premiums or other payments for all periods ending on or before the Closing Date have been paid with respect to each such Employee Benefit Plan that is an Employee Welfare Benefit Plan.

5.27.1.4 Each such Employee Benefit Plan that is an Employee Pension Benefit Plan intending to meet the requirements of a "qualified plan" under Code Section 401(a) is listed as such on Section 5.27.1 of the Disclosure Schedule, is so qualified, and has received, within the last two (2) years, a favorable determination letter from the Internal Revenue Service that it is a "qualified plan," and Big Planet is not aware of any facts or circumstances that could result in the revocation of such determination letter.

5.27.1.5 The market value of assets under each such Employee Benefit Plan that is an Employee Pension Benefit Plan (other than any Multi-employer Plan) equals or exceeds the present value of all vested and non-vested Liabilities thereunder determined in accordance with PBGC methods, factors, and assumptions applicable to an Employee Pension Benefit Plan terminating on the date for determination.

5.27.1.6 Big Planet has delivered to BP Holdings correct and complete copies of the plan documents and summary plan descriptions, the most recent determination letter received from the Internal Revenue Service, Form 5500 Annual Reports, and all related schedules for the past three (3) years and any interim financial statement or actuarial valuations issued subsequent to the last available Form 5500, and all related trust agreements, insurance contracts, and other funding agreements that implement each such Employee Benefit Plan.

5.27.2 With respect to each Employee Benefit Plan that Big Planet and any ERISA Affiliate maintains or ever has maintained or to which any of them contributes, ever has contributed, or ever has been required to contribute, no such Employee Benefit Plan is or has been subject to Title IV of ERISA or is a Multi-employer Plan and neither Big Planet nor any ERISA Affiliate has, or is expected to have, any Liability with respect thereto.

5.27.3 Big Planet does not maintain or contribute to, has never maintained or contributed to, or has ever been required to contribute to, any Employee Welfare Benefit Plan providing medical, health, or life insurance or other welfare-type benefits for current or future retired or terminated employees, their spouses, or their dependents (other than in accordance with Code Section 4980B).

5.28 Guaranties. Big Planet is not a guarantor or otherwise liable for any Liability or obligation (including indebtedness) of any other Person.

5.29 Environmental, Health, and Safety Matters.

5.29.1 Big Planet and its predecessors and Affiliates have complied and are in compliance in each case in all material respects with all Environmental, Health, and Safety Requirements.

5.29.2 Without limiting the generality of the foregoing, Big Planet and its predecessors and Affiliates have obtained and complied with, and are in compliance with, in each case in all material respects, all permits, licenses, and other authorizations that are required pursuant to Environmental, Health, and Safety Requirements for the occupation of its facilities and the operation of its business.

5.29.3 Neither Big Planet nor its predecessors or Affiliates have received any written or oral notice, report, or other information regarding any actual or alleged violation of Environmental, Health, and Safety Requirements, or any liabilities or potential liabilities (whether accrued, absolute, contingent, unliquidated, or otherwise), including any investigatory, remedial, or corrective obligations, relating to any of them or its facilities arising under Environmental, Health, and Safety Requirements.

5.29.4 None of the following exists at any property or facility owned or operated by Big Planet: (i) underground storage tanks, (ii) asbestos-containing material in any form or condition, (iii) materials or equipment containing polychlorinated biphenyls, or (iv) landfills, surface impoundments, or disposal areas.

5.29.5 Big Planet has not treated, stored, disposed of, arranged for or permitted the disposal of, transported, handled, or released any substance, including, without limitation, any hazardous substance, or owned or operated any property or facility (and no such property or facility is contaminated by any such substance) in a manner that has given or would give rise to Liabilities, including any Liability for response costs, corrective action costs, personal injury, property damage, natural resources damages, or attorney fees, pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA"), the Solid Waste Disposal Act, as amended ("SWDA"), or any other Environmental, Health, and Safety Requirements.

5.29.6 Neither Big Planet nor any of its predecessors or Affiliates has, either expressly or by operation of law, assumed or undertaken any Liability, including, without limitation, any obligation for corrective or remedial action, of any other Person relating to Environmental, Health, and Safety Requirements.

5.29.7 No facts, events, or conditions relating to the past or present facilities, properties, or operations of Big Planet or any of its predecessors or Affiliates will prevent, hinder, or limit continued compliance with Environmental, Health, and Safety Requirements, give rise to any investigatory, remedial, or corrective obligations pursuant to Environmental, Health, and Safety Requirements, or give rise to any other Liabilities pursuant to Environmental, Health, and Safety Requirements, including, without limitation, any relating to onsite or offsite releases or threatened releases of hazardous materials, substances, or wastes, personal injury, property damage, or natural resources damage.

5.30 Certain Business Relationships With Big Planet. No officer of Big Planet has been involved in any business arrangement or relationship other than an employment relationship with Big Planet during the past twelve (12) months, and none of Big Planet's officers, directors, or employees and their respective Affiliates owns any asset, tangible or intangible, that is used in the business of Big Planet.

5.31 Capitalization. The entire authorized capital stock of Big Planet consists of 110,000,000 shares of Big Planet Common, $0.001 par value per share, of which a total of 3,857,553 shares are issued and outstanding and 40,000,000 shares of Big Planet Series A Preferred, $0.001 par value per share, of which a total of 29,163,243 shares are issued and outstanding. All of the issued and outstanding shares

of Big Planet capital stock have been duly authorized, are validly issued, fully paid, and non-assessable, and are held of record by the respective stockholders as set forth on Section 5.31 of the Disclosure Schedule. Except as contemplated by this Agreement and the Exhibits attached hereto, there are no outstanding or authorized options, warrants, purchase rights, subscription rights, conversion rights, exchange rights, co-sale rights, pre-emptive rights, or other contracts or commitments that could require Big Planet to issue, sell, or otherwise cause to become outstanding any additional shares of its capital stock. Except as contemplated by this Agreement and the Exhibits attached hereto, there are no outstanding or authorized stock appreciation, phantom stock, profit participation, or similar rights with respect to Big Planet. There are no voting trusts, proxies, or other agreements or understandings with respect to the voting of the capital stock of Big Planet.

5.32 Disclosure. The representations and warranties contained in this Section 5 do not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements and information contained in this Section 5 not misleading.

SECTION 6

REPRESENTATIONS AND WARRANTIES OF BP HOLDINGS AND NU SKIN ENTERPRISES

6. REPRESENTATIONS AND WARRANTIES OF BP HOLDINGS AND NU SKIN ENTERPRISES. BP Holdings and Nu Skin Enterprises each represent and warrant to Big Planet that the statements contained in this Section 6 are correct and complete as of the date of this Agreement and will be true and correct as of the Closing Date (as though made then and as though the Closing Date were substituted for the date of this Agreement throughout this Section 6). Big Planet shall have the right to rely on the following representations and warranties notwithstanding any investigation or inquiry conducted by it relating to the business of Nu Skin Enterprises and BP Holdings.

6.1 Organization of BP Holdings and Nu Skin Enterprises. Each of BP Holdings and Nu Skin Enterprises is a corporation duly organized, validly existing, and in good standing under the laws of its jurisdiction of incorporation. BP Holdings is a newly formed, wholly-owned subsidiary of Nu Skin Enterprises and has conducted no business prior to the date hereof.

6.2 Authorization of Transaction. Each of BP Holdings and Nu Skin Enterprises has full power and authority (including full corporate power and authority) to execute and deliver this Agreement and to perform its obligations hereunder. This Agreement constitutes the valid and legally binding obligation of each of BP Holdings and Nu Skin Enterprises, enforceable in accordance with its terms and conditions.

6.3 Non-Contravention. Neither the execution and the delivery of this Agreement, nor the consummation of the transactions contemplated hereby (including the Reorganization and Merger), will (i) violate any constitution, statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any government, governmental agency, or court to which either BP Holdings or Nu Skin Enterprises is subject or any provision of its Articles or Certificate of Incorporation or Bylaws, or (ii) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any Person the right to accelerate, terminate, modify, or cancel, or require any notice under any agreement, contract, lease, license, instrument, or other arrangement to which BP Holdings or Nu Skin Enterprises

is a party or by which it is bound or to which any of its assets is subject. Except for the filing of a Notification and Report Form for Certain Mergers and Acquisitions required under the Hart-Scott-Rodino Act, neither BP Holdings nor Nu Skin Enterprises needs to give any notice to, make any filing with, or obtain any authorization, consent, or approval of any government or governmental agency in order for the Parties to consummate the Merger.

6.4 Brokers' Fees. BP Holdings and Nu Skin Enterprises have no Liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement for which Big Planet could become liable or obligated.

6.5 Acquisition Intent. Nu Skin Enterprises does not currently intend to sell off, spin out, or otherwise dispose of the equity interests it is acquiring or will hold in, or the assets of, Big Planet or BP Holdings subsequent to the Closing.

6.6 Disclosure. The representations and warranties contained in Sections 6.1, 6.2, 6.3, 6.4, and 6.5 do not contain any untrue statement of material fact or omit to state any material fact necessary in order to make the statements and information contained in this Section 6 not misleading.

SECTION 7

PRE-CLOSING COVENANTS

7. PRE-CLOSING COVENANTS. The Parties agree as follows with respect to the period between the execution of this Agreement and the Closing:

7.1 General. Each of the Parties will use its commercially reasonable best efforts to take all action and to do all things necessary, proper, or advisable in order to consummate and make effective the transactions contemplated by this Agreement (including satisfaction, but not waiver, of the closing conditions set forth in Section 8.

7.2 Notices, Consents and Regulatory Approvals. Big Planet will give any notices to third parties, and Big Planet will use its reasonable best efforts to obtain any third-party consents, that BP Holdings or Nu Skin Enterprises may request or that are required in order to consummate the transactions contemplated herein. Each of the Parties will give any notices to, make any filings with, and use its commercially reasonable best efforts to obtain any authorizations, consents, and approvals of governments and governmental agencies in connection with the transactions referred to in this Agreement. Without limiting the generality of the foregoing, each of the Parties will file any Notification and Report Forms and related materials that it may be required to file with the Federal Trade Commission and the Antitrust Division of the United States Department of Justice under the Hart-Scott-Rodino Act, will use its commercially reasonable best efforts to obtain an early termination of the applicable waiting period, and will make any further filings pursuant thereto that may be necessary, proper, or advisable in connection therewith. Each of the Parties agrees to cooperate, in good faith, with the other Parties in obtaining consents and approvals from governmental authorities, including, without limitation, approvals from state and federal telecommunications regulatory agencies, including, without limitation, the consent and approval of the governmental agencies listed on Exhibit "F" attached hereto.

7.3 Operation of Business. Big Planet will not engage in any practice, take any action, or enter into any transaction outside the Ordinary Course of Business without the prior written approval of Nu Skin Enterprises after the date hereof. Without limiting the generality of the foregoing, without the prior written approval of Nu Skin Enterprises, Big Planet will not (i) declare, set aside, or pay any dividend or make any distribution with respect to its capital stock or redeem, purchase, or otherwise acquire any of its capital stock, (ii) otherwise engage in any practice, take any action, or enter into any transaction of the sort described in Section 5.9 above, or (iii) enter into any contract or agreement outside the Ordinary Course of Business, or any contract or agreement in the Ordinary Course of Business, that involves the payment of more than $100,000 in consideration or that has any minimum purchase requirements or obligations.

7.4 Preservation of Business. Without the prior written approval of Nu Skin Enterprises after the date hereof, Big Planet will keep its business, properties, and assets substantially intact, including its present operations, physical facilities, working conditions, relationships with distributors, lessors, licensors, suppliers, customers, employees, and governmental authorities, as well as its licenses, permits, certificates, authorities, and approvals.

7.5 Full Access. Big Planet will permit representatives of BP Holdings and Nu Skin Enterprises to have full access to all premises, properties, assets, personnel, books, records (including Tax records), contracts, and documents of or pertaining to Big Planet or its business or operations.

7.6 Notice of Developments. Each Party will give prompt written notice to the other Parties of any material adverse development causing a breach of any of its own representations and warranties in respective Sections of this Agreement above. No disclosure by Big Planet pursuant to this Section 7.6, however, shall be deemed to amend or supplement the Disclosure Schedule or to prevent or cure any misrepresentation, breach of warranty, or breach of covenant.

7.7 Exclusivity. Big Planet will not (i) solicit, initiate, or encourage the submission of any proposal or offer from any Person relating to the acquisition of any capital stock or other Securities, or any substantial portion of the assets, of Big Planet (including any acquisition structured as a merger, consolidation, or share exchange), or (ii) participate in any discussions or negotiations regarding, furnish any information with respect to, assist or participate in, or facilitate in any other manner any effort or attempt by any Person to do or seek any of the foregoing. Big Planet will notify BP Holdings and Skin Enterprises immediately if any Person makes any proposal, offer, inquiry, or contact with respect to any of the foregoing.

SECTION 8

CONDITIONS TO OBLIGATIONS TO CLOSE

8.1 Conditions to Obligations of BP Holdings and Nu Skin Enterprises. The obligations of BP Holdings and Nu Skin Enterprises to consummate the transactions to be performed by them in connection with the Closing are subject to satisfaction of the following conditions any or all of which may be waived in writing by BP Holdings and Nu Skin Enterprises, in their sole discretion, prior to the Closing:

8.1.1 the representations and warranties set forth in Section 5 above and Section 10 below that are qualified by materiality shall be true and correct in all respects at and as of the Closing Date

and the representations and warranties set forth in Section 5 above and Section 10 below that are not qualified by materiality shall be true in all material respects at and as of the Closing Date;

8.1.2 Big Planet, Nu Skin USA, King, Doman, and Ricks shall have performed and complied with all of their respective covenants hereunder in all material respects through the Closing Date;

8.1.3 Big Planet, Nu Skin USA, King, Doman, and Ricks shall have procured all of the third-party and governmental consents and approvals specified in Section 7 above;

8.1.4 no action, suit, or proceeding shall be pending or, to Big Planet's Knowledge, threatened before any court or quasi-judicial or administrative agency of any federal, state, local, or foreign jurisdiction or before any arbitrator wherein an unfavorable injunction, judgment, order, decree, ruling, or charge would (i) prevent consummation of any of the transactions contemplated by this Agreement, (ii) cause any of the transactions contemplated by this Agreement to be rescinded following consummation, or (iii) except as disclosed in Section 8.1.4 of the Disclosure Schedule, affect adversely the right of BP Holdings or Nu Skin Enterprises to operate the former business of Big Planet;

8.1.5 the Reorganization shall have been consummated;

8.1.6 the transactions contemplated herein shall have been approved by the Board of Directors and shareholders of Big Planet;

8.1.7 Big Planet shall have delivered to BP Holdings and Nu Skin Enterprises a certificate to the effect that each of the conditions specified in Sections 8.1.1 through 8.1.6 above are satisfied in all respects;

8.1.8 all applicable waiting periods (and any extensions thereof) under the Hart-Scott-Rodino Act shall have expired or otherwise been terminated;

8.1.9 BP Holdings and Nu Skin Enterprises shall have received from counsel to Big Planet an opinion in form and substance reasonably acceptable to BP Holdings and Nu Skin Enterprises and their counsel, addressed to BP Holdings and Nu Skin Enterprises and dated as of the Closing Date;

8.1.10 all actions to be taken by Big Planet in connection with consummation of the transactions contemplated hereby and all certificates, opinions, instruments, and other documents required to effect the transactions contemplated hereby will be reasonably satisfactory in form and substance to BP Holdings and Nu Skin Enterprises;

8.1.11 BP Holdings and Nu Skin Enterprises shall have completed their due diligence investigation of Big Planet and the information gathered in such investigation shall be satisfactory to BP Holdings and Nu Skin Enterprises, in their sole and absolute discretion;

8.1.12 Big Planet shall not have experienced any event or events that individually or in the aggregate, in the reasonable judgment of Nu Skin Enterprises, constitutes a material adverse change in Big Planet's financial condition, business or prospects;

8.1.13 the contracts with Amteva Technologies, Inc. and UUNET Technologies, Inc. will be renegotiated in a manner satisfactory to Nu Skin Enterprises, and the non-binding letter of intent with TelQuest Satellite Services LLC will be resolved in a manner satisfactory to Nu Skin Enterprises and no contract or agreement shall be entered into with TelQuest Satellite Services LLC without the prior written consent of Nu Skin Enterprises;

8.1.14 an Amended and Restated Indemnification Limitation Agreement (which shall reflect the terms of the Indemnification Limitation Agreement, as amended by the First Amendment to Indemnification Limitation Agreement) shall have been entered into subsequent to the execution of this Agreement and shall be originally executed by each of the Stockholders (as that term is defined in the First Amendment to Indemnification Limitation Agreement) who executed the Indemnification Limitation Agreement, and a copy thereof shall have been delivered to BP Holdings and Nu Skin Enterprises; and

8.1.15 Nu Skin USA shall have contributed all of its right, title, and interest in and to the leasehold improvements at the Big Planet operations center to Big Planet.

Either BP Holdings or Nu Skin Enterprises may waive any condition specified in this Section 8.1 if it executes a writing so stating at or prior to the Closing Date.

8.2 Conditions to Obligations of Big Planet. The obligation of Big Planet to consummate the transactions to be performed by it in connection with the Closing is subject to satisfaction of the following conditions, any or all of which may be waived in writing by Big Planet, in its sole discretion, prior to the Closing:

8.2.1 the representations and warranties set forth in Section 6 above shall be true and correct in all material respects at and as of the Closing Date;

8.2.2 BP Holdings and Nu Skin Enterprises shall have performed and complied with all of their respective covenants hereunder in all material respects through the Closing Date;

8.2.3 no action, suit, or proceeding shall be pending or, to the Knowledge of Nu Skin Enterprises or Big Planet Holdings, threatened before any court or quasi-judicial or administrative agency of any federal, state, local, or foreign jurisdiction or before any arbitrator wherein an unfavorable injunction, judgment, order, decree, ruling, or charge would (i) prevent consummation of any of the transactions contemplated by this Agreement, or (ii) cause any of the transactions contemplated by this Agreement to be rescinded following consummation (and no such injunction, judgment, order, decree, ruling, or charge shall be in effect);

8.2.4 the Board of Directors and stockholder of BP Holdings shall have approved the transactions contemplated in this Agreement;

8.2.5 BP Holdings and Nu Skin Enterprises shall have delivered to Big Planet a certificate to the effect that each of the conditions specified in Section 8.2.1 through 8.2.4 above are satisfied in all respects;

8.2.6 all applicable waiting periods (and any extensions thereof) under the Hart-Scott-Rodino Act shall have expired or otherwise been terminated;

8.2.7 Big Planet shall have received from counsel to BP Holdings and Nu Skin Enterprises an opinion in form and substance reasonably acceptable to Big Planet and its counsel, addressed to Big Planet and dated as of the Closing Date;

8.2.8 if the Parties are otherwise prepared to close the transactions contemplated by this Agreement at a time at which Big Planet has not competed the renegotiation of the contracts with Amteva Technologies, Inc. or UUNET Technologies, Inc. (as contemplated by Section 8.1.13 above), Nu Skin Enterprises shall agree to defer the Closing for an additional thirty (30) days (or such lesser number of days agreed to by Big Planet) in order to allow Big Planet to attempt to complete the renegotiation of such contracts.

8.2.9 all actions to be taken by BP Holdings and Nu Skin Enterprises in connection with the consummation of the transactions contemplated hereby and all certificates, opinions, instruments and other documents required to effect the transactions contemplated hereby will be reasonably satisfactory in form and substance to Big Planet.

Big Planet may waive any condition specified in this Section 8.2 if it executes a writing so stating at or prior to the Closing Date.

8.3 Conditions to Obligations of Nu Skin USA. The obligations of Nu Skin USA to consummate the transactions to be performed by it in connection with the Closing are subject to satisfaction of the following conditions, any or all of which may be waived in writing by Nu Skin USA, in its sole discretion, prior to the Closing:

8.3.1 The representations and warranties set forth in Section 6 above shall be true and correct in all material respects at and as of the Closing Date;

8.3.2 Big Planet, BP Holdings, and Nu Skin Enterprises shall have performed and complied with all of their respective covenants hereunder in all material respects through the Closing Date;

8.3.3 No action, suit, or proceeding shall be pending or, to the Knowledge of Nu Skin Enterprises or Big Planet Holdings, threatened before any court or quasi-judicial or administrative agency of any federal, state, local, or foreign jurisdiction or before any arbitrator wherein an unfavorable injunction, judgment, order, decree, ruling, or charge would (i) prevent consummation of any of the transactions contemplated by this Agreement, or (ii) cause any of the transactions contemplated by this Agreement to be rescinded following consummation (and no such injunction, judgment, order, decree, ruling, or charge shall be in effect);

8.3.4 The Board of Directors and stockholder of BP Holdings shall have approved the transactions contemplated in this Agreement;

8.3.5 All applicable waiting periods (and any extensions thereof) under the Hart-Scott-Rodino Act shall have expired or otherwise been terminated; and

8.3.6 All actions to be taken by BP Holdings and Nu Skin Enterprises in connection with the consummation of the transactions as contemplated hereby and all certificates, instruments, and other documents required to effect the transactions contemplated hereby will be reasonably satisfactory in form and substance to Nu Skin USA.

8.4 Conditions to Obligations of King, Doman, and Ricks. The obligations of King, Doman, and Ricks to consummate the transactions to be performed by them in connection with the Reorganization

are subject to satisfaction of the following conditions, any or all of which may be waived by King, Doman, and Ricks, individually or collectively and in their sole discretion, by executing a writing so stating at or prior the Closing:

8.4.1 The representations and warranties set forth in Section 6 above shall be true and correct in all material respects at and as of the Closing Date;

8.4.2 Big Planet, BP Holdings, and Nu Skin Enterprises shall have performed and complied with all of their respective covenants hereunder in all material respects through the Closing Date;

8.4.3 No action, suit or proceeding shall be pending or threatened before any court or quasi-judicial or administrative agency of any federal, state, local, or foreign jurisdiction or before any arbitrator wherein an unfavorable injunction, judgment, order, decree, ruling, or charge would (i) prevent consummation of the Reorganization, or (ii) cause the Reorganization to be rescinded following consummation (and no such injunction, judgment, order, decree, ruling, or charge shall be in effect);

8.4.4 The Board of Directors and stockholder of BP Holdings shall have approved the Reorganization;

8.4.5 The Reorganization shall have been consummated; and

8.4.6 All actions to be taken by BP Holdings and Nu Skin Enterprises in connection with the consummation of the transactions as contemplated hereby and all certificates, opinions, instruments and other documents required to effect the transactions contemplated hereby will be reasonably satisfactory in form and substance to King, Doman, and Ricks.

SECTION 9

TERMINATION

9. TERMINATION OF AGREEMENT. Certain of the Parties may terminate this Agreement as provided below:

9.1 The Parties hereto may terminate this Agreement by mutual written consent at any time prior to the Closing;

9.2 BP Holdings or Nu Skin Enterprises may terminate this Agreement by giving written notice to Big Planet on or before the sixtieth (60th) day following the date of this Agreement if either BP Holdings or Nu Skin Enterprises is not satisfied with the results of its continuing business, legal, and accounting due diligence regarding Big Planet;

9.3 Either BP Holdings or Nu Skin Enterprises may terminate this Agreement by giving written notice to Big Planet at any time prior to the Closing (i) in the event Big Planet or Nu Skin USA, or King, Doman, or Ricks has breached any representation, warranty, or covenant contained in this Agreement in any material respect; provided, however, that Nu Skin Enterprises or BP Holdings has notified the breaching Party of the breach, and the breach has continued without cure for a period of thirty (30) days

after the notice of breach; or (ii) if the Closing shall not have occurred on or before August 15, 1999, by reason of the failure of any condition precedent under Section 8.1 above (unless the failure results primarily from BP Holdings or Nu Skin Enterprises itself breaching any representation, warranty, or covenant contained in this Agreement); and

9.4 Big Planet may terminate this Agreement by giving written notice to BP Holdings or Nu Skin Enterprises at any time prior to the Closing (i) in the event either BP Holdings or Nu Skin Enterprises has breached any material representation, warranty, or covenant contained in this Agreement in any material respect; provided, however, that Big Planet has notified Nu Skin Enterprises and Big Planet of the breach, and the breach has continued without cure for a period of thirty (30) days after the notice of breach; or (ii) if the Closing shall not have occurred on or before August 15, 1999, by reason of the failure of any condition precedent under Section 8 above (unless the failure results primarily from Big Planet itself breaching any representation, warranty, or covenant contained in this Agreement).

9.5 King, Doman, or Ricks may terminate their respective obligations under this Agreement by giving written notice to Big Planet, BP Holdings, and Nu Skin Enterprises at any time prior to the Closing (i) in the event either BP Holdings or Nu Skin Enterprises has breached any material representation, warranty, or covenant contained in this Agreement in any material respect; provided, however, that King, Doman, or Ricks have notified Big Planet, BP Holdings, and Nu Skin Enterprises of the breach, and the breach has continued without cure for a period of thirty (30) days after the notice of breach; or (ii) if the Closing shall not have occurred on or before August 15, 1999, by reason of the failure of any condition precedent under Section 8 above (unless the failure results primarily from King, Doman, or Ricks breaching any representation, warranty, or covenant contained in this Agreement.

9.6 If this Agreement is terminated pursuant to this Section 9, all rights and obligations of the Parties hereunder shall terminate without any Liability of any Party to any other Party (except for any Liability of any Party then in breach).

SECTION 10

ADDITIONAL REPRESENTATIONS, WARRANTIES AND AGREEMENTS;
COVENANTS AFTER CLOSING

10. ADDITIONAL AGREEMENTS; COVENANTS AFTER CLOSING.

10.1 Arbitration. Except for actions for equitable relief such as injunctions and specific performance or as otherwise provided in this Agreement, any dispute or claim arising under or relating to this Agreement shall be resolved by final and binding arbitration, before a panel of three (3) arbitrators, which arbitration proceeding shall be conducted exclusively in Salt Lake City, Utah (unless otherwise agreed by the Parties in writing), under the Commercial Arbitration Rules of the American Arbitration Association, and judgment on the award rendered may be entered in any court having jurisdiction. Any Party may initiate an arbitration proceeding under this Section 10.1.

10.2 Representations and Warranties of Nu Skin USA. Nu Skin USA represents and warrants to each of BP Holdings and Nu Skin Enterprises that the statements contained in this Section 10.2 are correct and complete as of the date of this Agreement and will be true and correct as of the Closing Date

(as though made then and as though the Closing Date were substituted for the date of this Agreement throughout this Section 10.2), as follows:

10.2.1 Organization and Qualification of Nu Skin USA. Nu Skin USA is a corporation duly organized, validly existing, and in good standing under the laws of the State of Delaware and is qualified in each state or jurisdiction in which the nature of its business or assets requires it to be so qualified.

10.2.2. Authorization of Transaction. Nu Skin USA has full power and authority (including full corporate power and authority) to execute and deliver this Agreement and to perform its obligations hereunder. Without limiting the generality of the foregoing, the Board of Directors and the requisite number of stockholders of Nu Skin USA has duly authorized the execution, delivery, and performance of this Agreement by Nu Skin USA. This Agreement constitutes the valid and legally binding obligation of Nu Skin USA, enforceable in accordance with its terms and conditions.

10.2.3 Non-contravention. Neither the execution and the delivery of this Agreement, nor the consummation of the transactions contemplated hereby (including the Reorganization and the Merger), will (i) violate any constitution, statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any government, governmental agency, or court to which Nu Skin USA is subject or any provision of the Certificate of Incorporation or bylaws of Nu Skin USA; or (ii) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice under any agreement, contract, lease, license, instrument, or other arrangement to which Nu Skin USA is a party or by which it is bound or to which any of its assets is subject (or result in the imposition of any Security Interest upon any of its assets); or (iii) conflict with or violate or cause the termination or suspension of any license, permit, authority, certificate, or approval issued by any governmental agency or authority and held by Nu Skin USA. Nu Skin USA does not need to give any notice to, make any filing with, or obtain any authorization, consent, or approval of any government or governmental agency or authority in order for the Parties to consummate the transactions contemplated by this Agreement (including the Reorganization and the Merger).

10.2.4 Brokers' Fees. Nu Skin USA has no Liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement for which BP Holdings or Nu Skin Enterprises could become liable or obligated.

10.2.5 Company Representations. The representations and warranties of Big Planet made in Section 5 of this Agreement (the "Company Representations") which are qualified as to materiality are true and correct and the Company Representations which are not so qualified are true and correct in all material respects, in each case, as of the date of this Agreement and as of the Closing Date as though newly made at and as of that time.

10.2.6 Securities Filings. Nu Skin USA hereby acknowledges that Nu Skin Enterprises has delivered to it a copy of (i) the Nu Skin Enterprises' Annual Report on Form 10-K for the year ended December 31, 1998 and (ii) Current Reports on Form 8-K dated March 23, 1999, February 4, 1999, and October 16, 1998 (collectively, the "Securities Filings"). Nu Skin USA, has received and is in possession of the Securities Filings and has reviewed the Securities Filings and such other information regarding Nu Skin Enterprises and its business and business plan as Nu Skin USA deems relevant to make an informed decision to enter into the transactions contemplated herein. Nu Skin USA together with its legal, tax and

financial advisers have investigated Nu Skin Enterprises and its business and have negotiated the transactions contemplated herein and have independently determined to enter into such transactions. No representation is being or has been made by Nu Skin Enterprises or its advisers to Nu Skin USA regarding the tax or other effects to Nu Skin USA of the transactions contemplated herein. Notwithstanding the foregoing, Nu Skin USA shall be entitled to rely on the representations and warranties made by BP Holdings and Nu Skin Enterprises as set forth in Section 6 above and nothing herein shall limit or diminish Nu Skin USA's right to rely on such representations and warranties.

10.2.7 Litigation. There is no action, suit, claim, investigation or proceeding (or, to its Knowledge, any basis for any person to assert any claim likely to result in liability or any other adverse determination) pending against, or to its Knowledge, threatened against or affecting it or its properties before any court or arbitrator or any administrative, regulatory or governmental body, or any agency or official which in any manner challenges or seeks to prevent, enjoin, alter or delay the transactions contemplated hereby. As of the date hereof, neither it nor its properties is subject to any order, writ, judgment, injunction, decree, determination or award which would prevent or delay the consummation of the transactions contemplated hereby.

10.2.8 Title to Big Planet Series A Preferred. Nu Skin USA has good and marketable title to all of the shares of Big Planet Series A Preferred and Big Planet Common held of record or beneficially by it, free and clear of all Security Interests or restrictions on transfer.

10.2.9 Investment Representations. Nu Skin USA hereby represents and warrants to each of BP Holdings and Nu Skin Enterprises as follows:

10.2.9.1 Nu Skin USA is capable of evaluating the merits and risks of the transactions contemplated by this Agreement and has the capacity to protect its own interests and to bear the economic risk of the transactions contemplated herein. Nu Skin USA has conducted all of the due diligence and investigation on BP Holdings and Nu Skin Enterprises and their respective officers and directors that it deemed necessary or proper in evaluating whether to enter into this Agreement and the transactions contemplated hereby. In addition, Nu Skin USA has reviewed the books and records of BP Holdings and Nu Skin Enterprises and has obtained such information as it has considered relevant and important in making a decision to enter into this Agreement and the transactions contemplated herein. Nu Skin USA has also had an opportunity to ask questions of the officers and directors of BP Holdings and Nu Skin Enterprises, which questions have been answered to its complete and full satisfaction. Nu Skin USA relying solely on such investigation in determining whether to enter into this Agreement and the transactions contemplated hereby.

10.2.9.2 Nu Skin USA is entering into this Agreement and the transactions contemplated hereby for its own account, not as a nominee or agent, and not with the view to, or for any resale or redistribution of any of Nu Skin Enterprise's securities involved in any of the transactions contemplated herein.

10.2.9.3 Nu Skin USA has received and read the Securities Filings.

10.2.10 Disclosure. The representations and warranties contained in Sections 10.2.1 through 10.2.9 above do not contain any untrue statement of material fact or omit to state any material fact necessary in order to make the statements and information contained in this Section 10.2 not misleading.

10.3 Representations and Warranties of King, Doman, and Ricks. Each of King, Doman, and Ricks hereby represent and warrant to Big Planet, Nu Skin Enterprises, and BP Holdings that the statements contained in this Section 10.3 are correct and complete as of the date of this Agreement and will be true and correct as of the Closing Date (as though made then and as though the Closing Date were substituted for the date of this Agreement throughout this Section 10.3), as follows:

10.3.1 Authority. He has the legal capacity and all necessary right, power and authority to execute and deliver this Agreement, to perform his obligations hereunder and to consummate the transactions contemplated hereby without any consent, approval, power, authority or participation of or from his spouse, partner or other Affiliate.

10.3.2 Valid Execution and Delivery. This Agreement has been duly and validly executed and delivered by him and constitutes his legal, valid and binding agreement and obligation enforceable against him in accordance with its terms. He has good and marketable title to the shares of Big Planet Common, restricted stock awards of Big Planet Common or options to acquire Big Planet Common owned by him free and clear of any claims, restrictions, liens or encumbrances.

10.3.3 Non-Contravention. The execution, delivery and performance by him of this Agreement and the consummation of the transactions contemplated hereby do not and will not (i) contravene or conflict with or constitute a violation of any provision of any law, regulation, judgment, injunction, order or decree binding upon or applicable to him or any of his properties; (ii) conflict with, or result in the breach or termination of any provision of or constitute a default (with or without the giving of notice or the lapse of time or both) under, or give rise to any right of termination, cancellation, or loss of any benefit to which he is entitled under any provision of any agreement, contract, license or other instrument binding upon him or any of his properties, or allow the acceleration of the performance of, any of his obligations under any indenture, mortgage, deed of trust, lease, license, contract, instrument or other agreement to which he is a party or by which he or any of his properties is subject or bound; or (iii) result in the creation or imposition of any liens, security interests, pledges, mortgages, encumbrances or claims of third-parties on any of his assets, except in the case of clauses (i), (ii) and (iii) for any such contraventions, conflicts, violations, breaches, terminations, defaults, cancellations, losses, accelerations and liens which would not individually or in the aggregate materially interfere with the consummation of the transactions contemplated by this Agreement.

10.3.4 Affiliate and Governmental Authorities. The execution, delivery and performance by him of this Agreement and the consummation of the transactions contemplated hereby by him require no action by or in respect of, or filing with, any affiliate, governmental body, agency, official or authority.

10.3.5 Litigation. There is no action, suit, claim, investigation or proceeding (or, to his Knowledge, any basis for any person to assert any claim likely to result in liability or any other adverse determination) pending against, or to his Knowledge, threatened against or affecting him or his properties before any court or arbitrator or any administrative, regulatory or governmental body, or any agency or official which in any manner challenges or seeks to prevent, enjoin, alter or delay the transactions contemplated hereby. As of the date hereof, neither he nor his properties is subject to any order, writ, judgment, injunction, decree, determination or award which would prevent or delay the consummation of the transactions contemplated hereby.

10.3.6 Company Representations. The Company Representations which are qualified as to materiality are true and correct and the Company Representations which are not so qualified are true and correct in all material respects, in each case, as of the date of this Agreement and as of the Closing as though newly made at and as of that time.

10.3.7 King, Doman, and Ricks Disclosure. Each of King, Doman, and Ricks are capable of evaluating the merits and risks of the transactions contemplated by this Agreement and have the capacity to protect their own interests and to bear the economic risk of the transactions contemplated herein. King, Doman, and Ricks have each conducted all of the due diligence and investigation on BP Holdings and Nu Skin Enterprises and their respective officers and directors that they deemed necessary or proper in evaluating whether to enter into this Agreement and the transactions contemplated hereby. In addition, each of King, Doman, and Ricks have reviewed the books and records of BP Holdings and Nu Skin Enterprises and have obtained such information as they have considered relevant and important in making a decision to enter into this Agreement and the transactions contemplated herein. King, Doman, and Ricks have also had an opportunity to ask questions of the officers and directors of Big Planet regarding the redemptions contemplated by Sections 2.2, 2.3, and 2.4 above, respectively, in connection with the Reorganization, which questions have been answered to their complete and full satisfaction. King, Doman, and Ricks are relying solely on such investigation in determining whether to enter into this Agreement and the transactions contemplated hereby. Furthermore, King, Doman, and Ricks, with their respective legal, tax, and financial advisers, have negotiated the transactions contemplated herein and have independently determined to enter into the Reorganization, as contemplated hereby. King, Doman, and Ricks alone, or with the assistance of their respective legal, tax, and financial advisers, are knowledgeable and experienced in financial and business matters and are capable of making an informed decision to enter into the transactions contemplated hereby. No representation is being or has been made by BP Holdings or Nu Skin Enterprises, or any of their advisers, agents, or representatives, to King, Doman, or Ricks regarding the tax or other effects to them of the transactions contemplated herein. Notwithstanding the foregoing, King, Doman, and Ricks shall be entitled to rely on the representations and warranties made by BP Holdings and Nu Skin Enterprises, as set forth in Section 6 above, and nothing herein shall limit or diminish King's, Doman's, or Ricks' right to rely on such representations and warranties.

10.3.8 Title to Restricted Stock Awards and Ricks Options. King and Doman have good and marketable title to the restricted stock awards described in Sections 2.2 and 2.3 above, and Ricks has good and marketable title to the Ricks Options, in each case free and clear of all Security Interests or restrictions on transfer.

10.3.9 Disclosure. The representations and warranties contained in Sections 10.3.1 through 10.3.8 above do not contain any untrue statement of material fact or omit to state any material fact necessary in order to make the statements and information contained in this Section 10.3 not misleading.

10.4 Covenants of Nu Skin USA, King, Doman, and Ricks. Each of Nu Skin USA King, Doman, and Ricks hereby agree as follows:

10.4.1 Except as provided for herein, not to (either directly or indirectly) sell, transfer, pledge, assign, hypothecate or otherwise dispose of, or enter into any contract, option or other arrangement or understanding with respect to the sale, transfer, pledge, assignment, hypothecation or other disposition of their shares of Big Planet Common or Big Planet Series A Preferred owned by them or which they have the right to acquire or enter into any discussions or negotiations with any third-parties with respect to any of the foregoing:

10.4.2 Except as provided for herein, not to (either directly or indirectly) grant any proxies with respect to any of the shares of Big Planet Common or Big Planet Series A Preferred owned by them or which they have the right to acquire, as the case may be, deposit any such shares into a voting trust or enter into a voting agreement with respect to any such shares;

10.4.3 Except as provided for herein, not to (either directly or indirectly) take any action which would make any of their representations or warranties herein untrue or incorrect in any material respect; and

10.4.4 Deliver to Big Planet in connection with the Reorganization and the Closing of the Merger as provided herein, the original stock certificates representing all shares of Big Planet Common or Big Planet Series A Preferred owned of record or beneficially by them and to be redeemed in the Reorganization or converted and exchanged in the Merger with original stock powers executed in blank transferring all redeemed shares to Big Planet and together with originally executed assignments of any options to acquire shares of Big Planet Common or Big Planet Series A Preferred.

10.5 Voting Agreement and Grant of Irrevocable Proxy. Each of Nu Skin USA, King, Doman, and Ricks hereby consents to and approves all of the terms of this Agreement and the Reorganization and the Merger and the other agreements delivered pursuant hereto, and agrees to vote all of his or its shares of Big Planet Common or Big Planet Series A Preferred and any other voting securities of Big Planet that he or it may own, or have the power to vote (i) in favor of the approval and adoption of the Merger and the Reorganization at any meeting of the stockholders of Big Planet; (ii) in any manner consistent with the terms of the Merger and the Reorganization; and (iii) against any other mergers, recapitalizations, business combinations, sales of assets, liquidations or similar transactions involving Big Planet, or any other matters which would be inconsistent with this Agreement or the other transactions contemplated by the Merger and the Reorganization. In furtherance of such voting agreement, each of them hereby revokes any and all previous proxies with respect to any of Big Planet Common or Big Planet Series A Preferred owned by him or it and hereby grants to Nu Skin Enterprises an irrevocable proxy and irrevocably appoints Nu Skin Enterprises or its designees, with full power of substitution, as his or its attorney and proxy to vote all of the shares of Big Planet Common or Big Planet Series A Preferred owned by him or it, as the case may be, and any other voting securities of Big Planet that any of them may own, at any meeting of the stockholders of Big Planet however called, or in connection with any action by written consent by the stockholders of Big Planet. Each of them acknowledges and agrees that such proxy is coupled with an interest, constitutes, among other things, an inducement for BP Holdings and Nu Skin Enterprises to enter into this Agreement, is irrevocable and shall not be terminated by operation of law or otherwise upon the occurrence of any event (other than the termination of this Agreement) and that no subsequent proxies will be given (and if given will not be effective). Each of them shall execute such instruments or take such further actions as may be necessary to cause the shares of Big Planet Common or Big Planet Series A Preferred owned by him or it, as the case may be, and any other voting securities of Big Planet which he or it may own, to be voted as directed by Nu Skin Enterprises pursuant to such proxy. Any such proxy shall terminate upon the termination of this Agreement in accordance with its terms.

10.6 Non-Competition. Each of Nu Skin USA, King, Doman, and Ricks agree that Big Planet's (and its successor's) successful operation depends, to a great extent, on special knowledge and expertise possessed by each of them in the business of marketing and selling computer, Internet, telecommunications, and other products and services through electronic commerce or network or multi-level marketing. Consequently, as further consideration of the transactions contemplated herein and Big Planet's agreement to purchase the King Redemption Shares, the Doman Redemption Shares, and the Ricks Redemption

Shares, each of Nu Skin USA, King, Doman, and Ricks for a period of one (1) year following the Closing, agrees not to engage, directly or indirectly, personally or as an employee, agent, consultant, partner, manager, member, officer, director, shareholder or otherwise, in any business activities (i) involving the providing of computer, Internet, or telecommunications services or products through network or multi-level marketing, or (ii) any other business that is competitive with the network marketing business then conducted by Big Planet or its successors, nor shall they entice, induce or encourage any of Big Planet's officers or directors, other employees, consultants or independent contractors to engage in any activity that, were it done by King, Doman, or Ricks, would violate any provision of this Section 10.6; provided, that their ownership of one percent (1%) or less of the outstanding stock of any corporation listed on the New York or American Stock Exchange or included in the National Association of Securities Dealers Automated Quotation System shall not be considered to be a violation of this Section 10.6. This Section 10.6 shall apply only with respect to any state, foreign country or geographic area or region in which Big Planet or its successors does business during the term of the covenants contained in this Section 10.6. Each of Nu Skin USA, King, Doman, and Ricks expressly agrees and acknowledges that (w) this covenant not to compete is reasonable as to time and geographic scope and area and does not place any unreasonable burden on them, (x) the general public will not be harmed as a result of the enforcement of this covenant not to compete, (y) each of them has requested or has had the opportunity to request that his personal legal counsel review this covenant not to compete, and (z) each of them understands and hereby agrees to each and every term and condition of this covenant not to compete.

10.7 Non-Solicitation of Employees. In consideration of the covenants and agreements of Big Planet and Nu Skin Enterprises contained herein, and as a further inducement to cause Big Planet and Nu Skin Enterprises to enter into this Agreement, each of Nu Skin USA, King, Doman, and Ricks agrees that for a period of one (1) year after the Closing of the Merger he or it shall not, directly or indirectly, for his or its own account or the account of any other person or entity with which he or it shall become associated in any capacity or in which he or it shall have any ownership interest, (a) solicit for employment or employ any person who, at any time during the preceding twelve (12) months, is or was employed as a director level or above employee by Big Planet or any of its successors, regardless of whether such employment is direct or through an entity with which such person is employed or associated, or otherwise intentionally interfere with the relationship of Big Planet or any of its successors with any person who or which is at the time employed by Big Planet or any of its successors, or (b) induce any director level or above employee of Big Planet or any of its successors to engage in any activity that such employee is prohibited from engaging in under any agreement between such employee and Big Planet or any of its successors or to terminate their employment with Big Planet or any of its successors. The foregoing shall not prohibit any person or entity with which King or Doman may be affiliated from hiring an employee or former employee of Big Planet or any of its successors, provided that such hiring results exclusively and directly from such employee's affirmative response to a general advertisement effort (such as an ad in a newspaper) by such person or entity (with no encouragement or recommendation, directly or indirectly, by either King or Doman of such person to respond to such advertisement effort or apply for any job opening), and, provided further, that neither King nor Doman shall have any personal contact or communication, directly or indirectly, with any such employee regarding any such job opening prior to his or her being hired by such person or entity.

10.8 Indemnification. As an inducement for Nu Skin Enterprises to enter into this Agreement, each of Nu Skin USA, King, Doman, and Ricks (collectively, the "Indemnifying Parties") shall:

10.8.1 Indemnify, defend and hold harmless Nu Skin Enterprises, Big Planet (and its successor), and each of their respective Affiliates (other than Nu Skin USA), including BP Holdings, who

are Parties to this Agreement and each of their respective officers, directors, and agents (each an "Indemnified Party") from and against any and all losses, damages, claims, liabilities, actions, causes of action, costs, expenses (including attorney's fees) investigations, proceedings, demands, obligations, equitable remedies, or judgments (collectively, "Losses") arising out of or relating to (i) any breach of any of the representations and warranties of Big Planet, Nu Skin USA, King, Doman, or Ricks contained in this Agreement, (ii) any breach of any covenant or agreement of Nu Skin USA, King, Doman, or Ricks contained in this Agreement, (iii) any brokerage fees, commissions, or finders' fees payable on the basis of any action taken by Big Planet or any of its Affiliates (other than Nu Skin Enterprises or BP Holdings), (iv) any Liability for Taxes of Big Planet relating to any periods beginning prior to the Closing Date and ending prior to or on the Closing Date or arising out of or incurred as a result of the transactions contemplated by this Agreement and any Liability of Big Planet under Section 5.12 above (and any Liability to Nu Skin Enterprises and Big Planet Holdings for matters related to this clause (iv) shall exist independent of Liability under clause (i) of this Section 10.8.1), (v) any downward adjustment to the Merger Consideration as provided for herein (provided, however, that any such downward adjustment shall not be subject to the basket or cap set forth in the Indemnification Limitation Agreement, as amended by the First Amendment to Indemnification Limitation Agreement), (vi) any Liabilities not reflected on the balance sheet of Big Planet dated March 31, 1999 arising from or relating to the actions or inactions of Big Planet prior to the Closing Date, (vii) any costs, expenses, or Losses in excess of $450,000 (the "Year 2000 Basket") incurred by Nu Skin Enterprises or BP Holdings or any of their respective Affiliates (a) to make any of the products or internal systems of Big Planet Year 2000 Compliant (including, but not limited to, all internal costs and expenses incurred, whether or not budgeted, and all third-party out-of-pocket costs and expenses incurred; provided, however, that with respect to any internal costs and expenses incurred for salaries and associated expenses of employees who are not engaged full-time in making such products or internal systems Year 2000 Compliant, such costs and expenses will be reasonably allocated in accordance with the amount of time actually devoted to such efforts) or (b) as a result of any of the products or internal systems of Big Planet not being Year 2000 Compliant, (viii) any judgment or any costs or expenses, including attorneys' fees (both before, during, and after trial) incurred by Nu Skin Enterprises or BP Holdings in connection with the lawsuit captioned Netscape Communications Corporation v. Big Planet, Inc., et al., pending in the United States District Court, Northern District of California (San Jose Division), Case No. C-99-20144 (JW) (PVT)(ARB), and (ix) any and all Losses suffered or incurred by an Indemnified Party by reason of or in connection with any claim or cause of action or Legal Action of any third party to the extent arising out of any action, inaction, event, condition, Liability, or obligation of any of the Indemnifying Parties occurring or existing prior to the Closing Date.

10.8.2 An Indemnified Party shall give the Indemnifying Parties notice of any matter that an Indemnified Party has determined has given or could give rise to a right of indemnification under this Agreement, within sixty (60) days of such determination, stating the amount of the Loss, if known, and method of computation thereof, and containing a reference to the provisions of this Agreement in respect of which such right of indemnification is claimed or arises; provided, however, that the failure to provide such notice shall not release the Indemnifying Parties from any of their obligations under this Section 10 except to the extent the Indemnifying Parties are materially prejudiced by such failure and shall not relieve the Indemnifying Parties from any other obligation or Liability that they may have to any Indemnified Party otherwise than under this Section 10. The obligations and liabilities of the Indemnifying Parties under this Section 10 with respect to Losses arising from claims of any third-party which are subject to the indemnification provided for in this Section 10 ("Third-Party Claims") shall be governed by and contingent upon the following additional terms and conditions: if an Indemnified Party shall receive notice of any Third-Party Claim, the Indemnified Party shall give the Indemnifying Parties notice of such Third-

Party Claim within thirty (30) days of the receipt by the Indemnified Party of such notice; provided, however, that the failure to provide such notice shall not release the Indemnifying Parties from any of their obligations under this Section 10 except to the extent the Indemnifying Parties are materially prejudiced by such failure and shall not relieve the Indemnifying Parties from any other obligation or Liability that they may have to any Indemnified Party otherwise than under this Section 10. If the Indemnifying Parties acknowledge in writing their obligation to indemnify the Indemnified Party hereunder against any Losses that may result from such Third-Party Claim, then the Indemnifying Parties shall be entitled to assume and control the defense of such Third-Party Claim at their expense and through counsel of their choice if they give notice of their intention to do so to the Indemnified Party within five (5) days of the receipt of such notice from the Indemnified Party; provided, however, that if there exists or is reasonably likely to exist a conflict of interest that would make it inappropriate in the judgment of the Indemnified Party, in its sole and absolute discretion, for the same counsel to represent both the Indemnified Party and the Indemnifying Parties then the Indemnified Party shall be entitled to retain its own counsel, in each jurisdiction for which the Indemnified Party determines counsel is required, at the expense of the Indemnifying Parties. In the event the Indemnifying Parties exercise the right to undertake any such defense against any such Third-Party Claim as provided above, the Indemnified Party shall cooperate with the Indemnifying Parties in such defense and make available to the Indemnifying Parties, at the Indemnifying Parties' expense, all witnesses, pertinent records, materials and information in the Indemnified Party's possession or under the Indemnified Party's control relating thereto as is reasonably required by the Indemnifying Parties. Similarly, in the event the Indemnified Party is, directly or indirectly, conducting the defense against any such Third-Party Claim, the Indemnifying Parties shall cooperate with the Indemnified Party in such defense and make available to the Indemnified Party, at the Indemnifying Parties' expense, all such witnesses, records, materials and information in the Indemnifying Parties' possession or under the Indemnifying Parties' control relating thereto as is reasonably required by the Indemnified Party. No such Third-Party Claim may be settled by the Indemnifying Parties without the prior written consent of the Indemnified Party.

10.8.3 The respective liability of the Indemnifying Parties under this Section 10.8 shall be limited and restricted as provided by the Indemnification Limitation Agreement, as amended by the First Amendment to Indemnification Limitation Agreement; provided, however, that any claims brought by an Indemnified Party against any of the Indemnifying Parties for a breach of any of the representations and warranties contained in Sections 10.2.2, 10.2.8, 10.3.1, or 10.3.8 above or based upon fraud shall not be subject to the restrictions and limitations set forth in Indemnification Limitation Agreement, as amended by the First Amendment to Indemnification Limitation Agreement; provided further, however, that (a) claims for indemnification under clause (vii) of Section 10.8.1 above shall not be subject to the $250,000 basket provided for in the Indemnification Limitation Agreement, as amended by the First Amendment to Indemnification Limitation Agreement, but rather shall be subject to the Year 2000 Basket (but shall nevertheless be subject to the $17,500,000 cap set forth in Section 1.1 of the Indemnification Limitation Agreement) , and (b) claims for indemnification under clause (viii) of Section 10.8.1 above shall not be subject to the $250,000 basket provided for in the Indemnification Limitation Agreement, as amended by the First Amendment to Indemnification Limitation Agreement, but rather shall be subject to the Netscape Litigation Basket (as that term is defined in the First Amendment to Indemnification Limitation Agreement) (but shall nevertheless be subject to the $17,500,000 cap set forth in Section 1.1 of the Indemnification Limitation Agreement).

10.9 Survival of Representations and Warranties. All of the representations and warranties of the Parties contained in this Agreement shall survive the Closing (even if the damaged Party knew or had reason to know of any misrepresentation or breach of warranty or covenant at the time of the Closing) and shall continue in full force and effect until the second anniversary of the Closing Date.

10.10 Equity and Other Incentives. In consideration of the covenants and agreements of King, Doman, and Ricks contained herein, and as a further inducement to cause King, Doman, and Ricks to enter into this Agreement, Nu Skin Enterprises agrees at the Closing to comply with the requirements of Exhibit "G" attached hereto.

10.11 Repayment of Debt. As set forth in Section 2.2.1 above, at the Closing King agrees to pay to Big Planet and Nu Skin Enterprises all amounts borrowed from and due and owing to such entities immediately prior to the Closing. Doman agrees to pay to Big Planet and Nu Skin Enterprises all amounts borrowed from and due and owing to such entities immediately prior to the Closing as set forth in Section 2.2.2 above. In addition, Ricks agrees to pay to Big Planet and Nu Skin Enterprises all amounts borrowed from and due and owing to such entities immediately prior to the Closing as set forth in Section 2.2.3 above. A list of all such amounts borrowed from and due and owed by King, Doman, and Ricks immediately prior to the Closing is set forth in Section 10.11 of the Disclosure Schedule.

SECTION 11

MISCELLANEOUS

11. MISCELLANEOUS.

11.1 Press Releases and Public Announcements. Nu Skin Enterprises may issue press releases and make public announcements relating to the subject matter of this Agreement prior to the Closing without the prior written approval of the other Parties. No other Party may make any press release or other announcement concerning this Agreement or any transactions contemplated herein without the consent of Nu Skin Enterprises.

11.2 No Third-Party Beneficiaries. This Agreement shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns.

11.3 Entire Agreement. This Agreement (including the documents referred to herein) and all Exhibits and Schedules attached hereto constitute the entire agreement between the Parties and supersedes any prior understandings, agreements, or representations by or between or among the Parties (whether written or oral), to the extent they related in any way to the subject matter hereof.

11.4 Succession and Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns. No Party may assign either this Agreement or any of its rights, interests, or obligations hereunder without the prior written approval of the other Parties; provided, however, that BP Holdings and Nu Skin Enterprises may (i) assign any or all of their rights and interests hereunder to one or more of their Affiliates and (ii) designate one or more of their Affiliates to perform its obligations hereunder (in any or all of which cases BP Holdings nonetheless shall remain responsible for the performance of all of its obligations hereunder).

11.5 Counterparts. This Agreement may be executed by facsimile and in counterparts, each of which shall be deemed an original, but all of which, when taken together, shall constitute one and the same instrument.

11.6 Headings. The Section and subsection headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

11.7 Notices. All notices, requests, demands, claims, and other communications hereunder shall be in writing. Any notice, request, demand, claim, or other communication hereunder shall be deemed duly given if (and then two (2) business days after) it is sent by registered or certified mail, return receipt requested, postage prepaid, and addressed to the intended recipient as set forth below:

If to Big Planet:

Big Planet, Inc.
75 West Center
Provo, Utah 84601
Attention: Richard W. King
E-Mail Address: richardk@bigplanet.com

with a copy to:

Holland & Hart, LLP
215 South State Street, Suite 500
Salt Lake City, Utah 84111
Attention: David R. Rudd, Esq.
Fax No.: (801) 364-9124
E-Mail Address: drudd@hollandhart.com

If to King:

Richard W. King
1932 West 1600 North
Provo, Utah 84604
Fax No.: (801) 375-2614
E-Mail Address: richardk@bigplanet.com

If to Doman:

Kevin V. Doman
1320 East 140 South
Lindon, Utah 84042
E-Mail Address: kevind@bigplanet.com

If to Ricks:

Nathan W. Ricks
7561 South Quicksilver Drive
Salt Lake City, Utah 84121
Fax No.: (801) 943-7554
E-Mail Address: nathan@bigplanet.com

with a copy to:

Rob Hicks, Esq.
1162 North 1050 East
Orem, Utah 84097
Fax No.: (801) 434-7497
E-Mail Address: robhicks@utah-inter.net

If to Nu Skin Enterprises:

c/o Nu Skin Enterprises, Inc.
75 West Center Street
Provo, Utah 84601
Attention: M. Truman Hunt, Esq.
Fax No.: (801) 345-3099
E-Mail Address: mhunt@nuskin.net

with a copy to:

LeBoeuf, Lamb, Greene & MacRae, L.L.P.
136 South Main Street, Suite 1000
Salt Lake City, Utah 84101-1685
Attention: Nolan S. Taylor, Esq.
Fax No.: (801) 359-8256
E-Mail Address: ntaylor@llgm.com

Any Party may send any notice, request, demand, claim, or other communication hereunder to the intended recipient at the address set forth above using any other means (including personal delivery, expedited courier, messenger service, telecopy, ordinary mail, or electronic mail), but no such notice, request, demand, claim, or other communication shall be deemed to have been duly given unless and until it actually is received by the intended recipient or receipt is confirmed electronically or by mail. Any Party

may change the address to which notices, requests, demands, claims, and other communications hereunder are to be delivered by giving the other Parties notice in the manner herein set forth.

11.8 Governing Law. This Agreement shall be governed by and construed in accordance with the domestic laws of the State of Utah without giving effect to any choice or conflict of law provision or rule (whether of the State of Utah or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Utah.

11.9 Amendments and Waivers. No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by each of the Parties.

11.10 Severability. Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

11.11 Expenses. Nu Skin USA shall pay all costs and expenses (including, but not limited to, legal and accounting fees and expenses) incurred by it or by Big Planet with respect to or in connection with the transactions contemplated herein, including any fees that may be assessed by any third-party for its consent hereto or the grant of any assignment required hereby. Big Planet also agrees that it has not paid any amount to any third-party, and will not pay any amount to any third-party with respect to any of the costs and expenses of Big Planet (including any of its legal fees and expenses) in connection with this Agreement or any of the transactions contemplated hereby. Notwithstanding the foregoing, Nu Skin Enterprises and Nu Skin USA will share equally the cost of any filing fee paid in connection with any Hart-Scott-Rodino Act filing or any fee paid in connection with the transfer or reissuance of any permit, license, certificate, approval, or authority used in Big Planet's business.

11.12 Construction. The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement. Any reference to any federal, state, local, or foreign statute or law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise. The word "including" shall mean "including without limitation." Nothing in the Disclosure Schedule shall be deemed adequate to disclose an exception to a representation or warranty made herein unless the Disclosure Schedule identifies the exception with particularity and describes the relevant facts in detail. Without limiting the generality of the foregoing, the mere listing (or inclusion of a copy) of a document or other item shall not be deemed adequate to disclose an exception to a representation or warranty made herein (unless the representation or warranty has to do with the existence of the document or other item itself). The Parties intend that each representation, warranty, and covenant contained herein shall have independent significance. If any Party has breached any representation, warranty, or covenant contained herein in any respect, the fact that there exists another representation, warranty, or covenant relating to the same subject matter (regardless of the relative levels of specificity) that the Party has not breached shall not detract from or mitigate the fact that the Party is in breach of the first representation, warranty, or covenant.

11.13 Incorporation of Recitals, Exhibits, and Schedules. The above Recitals and all Exhibits and Schedules identified in or attached to this Agreement are deemed to be incorporated herein by reference and made a part hereof.

11.14 Specific Performance. Each Party acknowledges and agrees that the other Parties would be damaged irreparably in the event any of the provisions of this Agreement are not performed in accordance with their specific terms or otherwise are breached. Accordingly, each Party agrees that the other Parties shall be entitled, without the necessity of posting a bond or proving actual damages, to an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce specifically this Agreement and the terms and provisions hereof in any action instituted in any court of the United States or any state thereof having jurisdiction over the Parties and the matter (subject to the provisions set forth in Section 11.15 below), in addition to any other remedy to which it may be entitled, at law or in equity.

11.15 Submission to Jurisdiction. Each Party submits to the jurisdiction of any state or federal court sitting in Salt Lake City or Provo, Utah, in any action or proceeding arising out of or relating to this Agreement and agrees that all claims in respect of the action or proceeding may be heard and determined in any such court. Each Party also agrees not to bring any action or proceeding arising out of or relating to this Agreement in any other court. Each Party waives any defense of inconvenient forum to the maintenance of any action or proceeding so brought and waives any bond, surety, or other security that might be required of any other Party with respect thereto.

11.16 Recovery of Litigation Costs. If any legal action or other proceedings is brought for the enforcement of this Agreement, or because of an alleged dispute, breach, default, or misrepresentation in connection with any of the provisions of this Agreement, the successful or prevailing Party or Parties shall be entitled to recover reasonable attorneys' fees and other costs incurred in that action or proceeding, in addition to any other relief to which it or they may be entitled.

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IN WITNESS WHEREOF, the Parties have caused this Agreement and Plan of Merger and Reorganization to be signed as of the day and year first above written.

NU SKIN ENTERPRISES, INC.

By: /s/ M. TRUMAN HUNT

M. Truman Hunt
Its: Vice President and General Counsel

BIG PLANET HOLDINGS, INC.

By: /s/ M. TRUMAN HUNT

M. Truman Hunt
Its: Secretary

BIG PLANET, INC.

By: /s/ RICHARD W. KING

Richard W. King
Its: President

/s/ RICHARD W. KING

Richard W. King

/s/ KEVIN V. DOMAN

Kevin V. Doman

/s/ NATHAN W. RICKS

Nathan W. Ricks

NU SKIN USA, INC.

By: /s/ STEVEN J. LUND

Its:

[Schedules and Exhibits Omitted]

EXHIBIT 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in the Prospectus constituting part of this Registration Statement on Form S-3 of our report dated February 17, 1999, relating to the financial statements of NuSkin Enterprises, Inc., which appears in such Prospectus. We also consent to the references to us under the heading "Experts" in such Prospectus.

PriceWaterhouseCoopers LLP
Salt Lake City, Utah
May 12, 1999

EXHIBIT 23.2

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in the Prospectus constituting part of this Registration Statement on Form S-3 of our report dated April 1, 1998, which appears in such Prospectus. We also consent to the reference to us under the heading "Experts" in such Prospectus.

GRANT THORNTON LLP

Provo, Utah
May 12, 1999

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Boards of Directors
Nu Skin Acquired Entities

We have audited the accompanying combined balance sheets of Nu Skin Acquired Entities (collectively, the Entities) as of December 31, 1997 and 1996, and the related combined statements of earnings, shareholders' equity (deficit), and cash flows for the years ended December 31, 1997, 1996 and 1995. These financial statements are the responsibility of the Entities' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of Nu Skin Acquired Entities as of December 31, 1997 and 1996, and the combined results of their operations and their combined cash flows for the years ended December 31, 1997, 1996 and 1995, in conformity with generally accepted accounting principles.

GRANT THORNTON LLP

Provo, Utah
April 1, 1998