SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(MarkOne)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2000

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM ______________ TO ______________

Commission file number 001-12421

Nu Skin Enterprises, Inc.
(Exact Name of Registrant as Specified in Its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	87-0565309 (I.R.S. Employer Identification No.)
75 West Center Street, Provo, Utah (Address of Principal Executive Offices)	84601 (Zip Code)

(801) 345-6100
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No _____

As of August 7, 2000, 30,918,332 shares of the Company's Class A Common Stock, $.001 par value per share, and 54,578,780 shares of the Company's Class B Common Stock, $.001 par value per share, were outstanding.

NU SKIN ENTERPRISES, INC.

2000 FORM 10-Q QUARTERLY REPORT - SECOND QUARTER

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Nu Skin Enterprises, Inc.
Consolidated Balance Sheets
(in thousands, except share amounts)

	(Unaudited) June 30, 2000	December 31, 1999
ASSETS		
Current assets		
Cash and cash equivalents	$ 48,014	$ 110,162
Accounts receivable	19,090	18,160
Related parties receivable	13,834	16,424
Inventories, net	92,035	85,751
Prepaid expenses and other	61,881	52,388
	234,854	282,885
Property and equipment, net	57,773	57,948
Other assets, net	299,401	302,382
Total assets	$ 592,028	$ 643,215
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 12,093	$ 22,685
Accrued expenses	104,614	114,691
Related parties payable	11,381	15,059
Current portion of long-term debt	48,051	55,889
	176,139	208,324
Long-term debt, less current portion	39,877	89,419
Other liabilities	36,093	36,093
Total liabilities	252,109	333,836
Stockholders' equity		
Preferred stock - 25,000,000 shares authorized, $.001 par value, no shares issued and outstanding	--	--
Class A common stock - 500,000,000 shares authorized, $.001 par value, 31,377,528 and 32,002,158 shares issued and outstanding	31	32
Class B common stock - 100,000,000 shares authorized, $.001 par value, 54,578,780 and 54,606,905 shares issued and outstanding	55	55
Additional paid-in capital	114,709	119,652
Retained earnings	275,293	244,758
Deferred compensation	(3,639)	(6,898)
Accumulated other comprehensive income	(46,530)	(48,220)
	339,919	309,379
Total liabilities and stockholders' equity	$ 592,028	$ 643,215

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

Nu Skin Enterprises, Inc.
Consolidated Statements of Income (Unaudited)
(in thousands, except per share amounts)

	Three Months Ended June 30, 2000	Three Months Ended June 30, 1999	Six Months Ended June 30, 2000	Six Months Ended June 30, 1999
Revenue	$ 226,959	$ 211,286	$ 440,584	$ 445,037
Cost of sales	38,605	36,019	72,896	77,036
Gross profit	188,354	175,267	367,688	368,001
Operating expenses				
Distributor incentives	88,468	81,640	171,263	169,289
Selling, general and administrative	74,539	61,220	149,536	119,225
Total operating expenses	163,007	142,860	320,799	288,514
Operating income	25,347	32,407	46,889	79,487
Other income (expense), net	(868)	1,980	821	3,844
Income before provision for income taxes	24,479	34,387	47,710	83,331
Provision for income taxes	8,812	12,379	17,175	30,488
Net income	$ 15,667	$ 22,008	$ 30,535	$ 52,843
Net income per share (Note 4):				
Basic	$ .18	$ .25	$ .35	$ .60
Diluted	$ .18	$ .25	$ .35	$ .60
Weighted average common shares outstanding:				
Basic	85,865	87,158	86,044	87,466
Diluted	86,192	88,425	86,370	88,750

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

Nu Skin Enterprises, Inc.
Consolidated Statements of Cash Flows (Unaudited)
(in thousands)

	Six Months Ended June 30, 2000	Six Months Ended June 30, 1999
Cash flows from operating activities:		
Net income	$ 30,535	$ 52,843
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	15,170	14,014
Amortization of deferred compensation	3,259	1,393
Changes in operating assets and liabilities:		
Accounts receivable	(930)	(369)
Related parties receivable	2,590	(6,824)
Inventories, net	(6,284)	9,644
Prepaid expenses and other	(9,493)	(13,953)
Other assets, net	(5,282)	(5,093)
Accounts payable	(10,592)	3,342
Accrued expenses	(10,077)	(21,512)
Related parties payable	(3,678)	(29)
Net cash provided by operating activities	5,218	33,456
Cash flows from investing activities:		
Purchase of property and equipment	(9,032)	(11,699)
Payments for lease deposits	(24)	(1,274)
Receipt of refundable lease deposits	725	161
Net cash used in investing activities	(8,331)	(12,812)
Cash flows from financing activities:		
Repurchase of shares of common stock (Note 6)	(4,987)	(15,541)
Exercise of distributor and employee stock options	43	2,264
Termination of Nu Skin USA license fee	--	(10,000)
Payment to stockholders under the NSI Acquisition	--	(25,000)
Payments on long-term debt	(55,678)	(14,545)
Net cash used in financing activities	(60,622)	(62,822)
Effect of exchange rate changes on cash	1,587	144
Net decrease in cash and cash equivalents	(62,148)	(42,034)
Cash and cash equivalents, beginning of period	110,162	188,827
Cash and cash equivalents, end of period	$ 48,014	$ 146,793

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

1. THE COMPANY

Nu Skin Enterprises, Inc. (the "Company") is a leading, global direct selling company that develops and distributes premium-quality, innovative personal care products and nutritional supplements and technology and telecommunication products and services. The Company distributes products 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 Australia, Hong Kong (including Macau), New Zealand, the PRC (China), the Philippines, Taiwan and Thailand; and Other Markets, which consists of the Company's markets in Europe, South America and North America (the Company's subsidiaries operating in these countries are collectively referred to as the "Subsidiaries"). The Company was incorporated on September 4, 1996 as a holding company.

The Company completed the acquisition (the "NSI Acquisition") of the capital stock of Nu Skin International, Inc. ("NSI"), NSI affiliates in Europe, South America, Australia and New Zealand and certain other NSI affiliates (collectively, the "Acquired Entities") on March 26, 1998.

The Company completed the acquisition of privately-held Generation Health Holdings, Inc., the parent company of Pharmanex, Inc., on October 16, 1998, which enhanced the Company's involvement with the distribution and sale of nutritional products.

As discussed in Note 2, on March 8, 1999, NSI terminated its distribution license and various other license agreements and other intercompany agreements with Nu Skin USA, Inc. ("Nu Skin USA"). Also, in March 1999, through a newly formed wholly-owned subsidiary, the Company acquired selected assets of Nu Skin USA. In May 1999, the Company acquired Nu Skin Canada, Inc., Nu Skin Mexico, Inc. and Nu Skin Guatemala, Inc. (collectively, the "North American Affiliates").

As discussed in Note 3, the Company completed the Big Planet Acquisition on July 13, 1999, which enabled the Company to provide marketing and distribution of technology-based products and services.

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments, consisting of normal recurring adjustments, considered necessary for a fair statement of the Company's financial information as of June 30, 2000 and for the three and six-month periods ended June 30, 2000 and 1999. The results of operations of any interim period are not necessarily indicative of the results of operations to be expected for the fiscal year. For further information, refer to the consolidated financial statements and accompanying footnotes included in the Company's annual report on Form 10-K for the year ended December 31, 1999.

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2. ACQUISITION OF CERTAIN ASSETS OF NU SKIN USA, INC.

On March 8, 1999, NSI 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. Also, on that same date, through a newly formed wholly-owned subsidiary, the Company acquired selected assets of Nu Skin USA in exchange for assuming approximately $8.0 million of Nu Skin USA liabilities.

The acquisition of the selected assets and assumption of liabilities and the termination of these agreements has been recorded for the consideration paid, except for the portion of Nu Skin USA which is under common control of a group of stockholders, which portion has been recorded at predecessor basis.

3. ACQUISITION OF BIG PLANET, INC.

On July 13, 1999, the Company completed the acquisition of Big Planet, Inc. ("Big Planet") for $29.2 million, which consisted of a cash payment of $14.6 million and a note payable of $14.6 million (the "Big Planet Acquisition"). In addition, the Company loaned Big Planet approximately $4.5 million immediately prior to the closing to redeem the option holders and certain management stockholders of Big Planet.

The Big Planet Acquisition was accounted for by the purchase method of accounting. The Company recorded intangible assets of $47.0 million which will be amortized over a period of 20 years. During the three and six-month periods ended June 30, 2000, the Company recorded amortization on the intangible assets relating to the Big Planet Acquisition of $0.6 million and $1.2 million, respectively. Big Planet incurred operating losses of approximately $22.8 million from the period January 1, 1999 through July 12, 1999 and approximately $13.0 million for the six-month period ended June 30, 2000.

4. NET INCOME PER SHARE

Net income per share is computed based on the weighted average number of common shares outstanding during the periods presented. Additionally, diluted earnings per share data gives effect to all dilutive potential common shares that were outstanding during the periods presented.

5. 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 June 30, 2000 and December 31, 1999, the Company held foreign currency forward contracts with notional amounts totaling approximately $26.4 million and $31.1 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 $0.8 million and $0.1 million for the three-month periods ended June 30, 2000 and 1999, respectively, and were $1.9 million and $2.6 million for the six-month periods ended June 30, 2000 and 1999, respectively. These contracts at June 30, 2000 have maturities through February 2001.

6. REPURCHASE OF COMMON STOCK

During the three-month periods ended June 30, 2000 and 1999, the Company repurchased approximately 392,000 and 220,000 shares, respectively, of Class A common stock for approximately $2.5 million and $3.7 million, respectively. During the six-month periods ended June 30, 2000 and 1999, the Company repurchased approximately 679,000 and 1,002,000 shares, respectively, of Class A common stock for approximately $5.0 million and $15.5 million, respectively.

7. COMPREHENSIVE INCOME

The components of comprehensive income, net of related tax, for the three and six-month periods ended June 30, 2000 and 1999, were as follows (in thousands):

	Three Months Ended June 30, 2000	Three Months Ended June 30, 1999	Six Months Ended June 30, 2000	Six Months Ended June 30, 1999
Net income	$ 15,667	$ 22,008	$ 30,535	$ 52,843
Other comprehensive income, net of tax:				
Foreign currency translation adjustments	1,606	61	1,690	(635)
Comprehensive income	$ 17,273	$ 22,069	$ 32,225	$ 52,208

8. 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):

	Three Months Ended June 30, 2000	Three Months Ended June 30, 1999	Six Months Ended June 30, 2000	Six Months Ended June 30,1999
Revenue				
North Asia	$ 149,805	$ 143,356	$ 290,178	$ 316,404
Southeast Asia	66,517	69,980	143,238	137,761
Other Markets	100,325	82,582	206,988	149,983
Eliminations	(89,688)	(84,632)	(199,820)	(159,111)
Totals	$ 226,959	$ 211,286	$ 440,584	$ 445,037
Operating Income				
North Asia	$ 10,286	$ 22,516	$ 17,505	$ 50,636
Southeast Asia	8,157	7,329	16,665	16,061
Other Markets	1,867	1,123	9,308	5,494
Eliminations	5,037	1,439	3,411	7,296
Totals	$ 25,347	$ 32,407	$ 46,889	$ 79,487

	As of June 30, 2000	As of December 31, 1999
Total Assets		
North Asia	$ 92,140	$ 116,918
Southeast Asia	64,925	111,204
Other Markets	473,634	520,832
Eliminations	(38,671)	(105,739)
Totals	$ 592,028	$ 643,215

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

Revenue
Revenue from the Company's operations in Japan totaled $142,408 and $139,232 for the three-month periods ended June 30, 2000 and 1999, respectively, and totaled $277,021 and $308,862 for the six-month periods ended June 30, 2000 and 1999, respectively. Revenue from the Company's operations in Taiwan totaled $21,395 and $25,918 for the three-month periods ended June 30, 2000 and 1999, respectively, and totaled $43,613 and $53,925 for the six-month periods ended June 30, 2000 and 1999, respectively. Revenue from the Company's operations in the United States (which includes intercompany revenue) totaled $94,144 and $77,374 for the three-month periods ended June 30, 2000 and 1999, respectively, and totaled $195,629 and $140,517 for the six-month periods ended June 30, 2000 and 1999, respectively.

Long-lived assets

Long-lived assets in Japan were $26,637 and $29,314 as of June 30, 2000 and December 31, 1999, respectively. Long-lived assets in Taiwan were $3,473 and $3,381 as of June 30, 2000 and December 31, 1999, respectively. Long-lived assets in the United States were $297,551 and $310,255 as of June 30, 2000 and December 31, 1999, respectively.

9. NEW ACCOUNTING STANDARDS

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, 2000. The Company will adopt SFAS 133 by January 1, 2001. The Company is currently evaluating the impact the adoption of SFAS 133 will have on the Company's consolidated financial statements.

Revenue Recognition in Financial Statements

In December 1999, the Securities and Exchange Commission staff issued staff Accounting Bulletin No. 101 ("SAB 101"), Revenue Recognition in Financial Statements, which provides guidance on the recognition, presentation and disclosure of revenue in financial statements. SAB 101 did not impact the Company's revenue recognition policies.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

2000 compared to 1999

Revenue increased 7.4% to $227.0 million from $211.3 million for the three-month period ended June 30, 2000, compared with the same period in 1999, respectively, and revenue decreased 1.0% to $440.6 million from $445.0 million for the six-month period ended June 30, 2000, compared with the same period in 1999, respectively. Revenue for the second quarter of 2000 benefitted from an additional $14.5 million in revenue in the USA from Big Planet after the Big Planet Acquisition in July 1999 as well as favorable currency exchange rates in the current year period.

Revenue in North Asia increased 4.5% to $149.8 million from $143.4 million for the three-month period ended June 30, 2000, compared with the same period in 1999, respectively and decreased 8.3% to $290.2 million from $316.4 million for the six-month period ended June 30, 2000, compared with the same period in 1999, respectively. The increase in revenue for the second quarter of 2000 was due to revenue in Japan increasing 2.3% to $142.4 million from $139.2 million in the second quarter of 1999 and also due to revenue in South Korea increasing 80.5% to $7.4 million from $4.1 million. The revenue increase in Japan is due to a stronger Japanese yen in the year 2000 versus the prior year. In local currency terms, revenue in Japan was 9.7% lower in the second quarter and 19.4% lower for the six-month period ended June 30, 2000 versus the prior year. The 2000 results reflect the impact of distributor productivity issues as well as increased competition experienced by the Company over the last 12 months. On a sequential basis, however, revenue increased 6.1% on a local currency basis due to a favorable distributor response to the launch of the Pharmanex business opportunity late in the first quarter and the launch of the popular Nu Skin 180 anti-aging skin therapy product late in the second quarter. In South Korea, the revenue increase is primarily due to significant growth in the Pharmanex division which included the launch of the Company's Body Design weight management products in the second quarter.

Revenue in Southeast Asia decreased 14.4% and 16.3% to $29.8 million and $60.2 million for the three and six-month periods ended June 30, 2000 from $34.8 million and $71.9 million for the same periods in 1999, respectively. This decline in revenue was primarily a result of revenue in Taiwan decreasing 17.4% and 19.1% to $21.4 million and $43.6 million for the three and six-month periods ended June 30, 2000 from $25.9 million and $53.9 million for the same periods in 1999, respectively. The Company's operations in Taiwan have continued to suffer the impact of increased competition and an overall decline in sales in the direct selling industry in Taiwan, which management believes is largely due to the uncertainty of the viability of direct selling activities in the PRC as well as economic concerns throughout Southeast Asia. In addition, direct selling as a distribution channel has significantly penetrated the Taiwan market. Management believes that the Company's operations in Taiwan have also continued to suffer the impact of a major earthquake, which occurred during the third quarter of 1999.

Revenue in the Company's other markets, which include its European and North and South America markets, increased 42.9% and 58.8% to $47.3 million and $90.2 million for the three and six-month periods ended June 30, 2000 from $33.1 million and $56.8 million for the same periods in 1999, respectively. This increase in revenue is due to the additional revenue of $14.5 million and $23.9 million for the three and six-month periods ended June 30, 2000, respectively, from Big Planet following the Big Planet Acquisition, which occurred in July 1999 as well as revenue from the transition of representatives and customers of I-Link in March 2000, resulting in sequential and year over year revenue increases in the USA. On a divisional basis, other U.S.-based divisions were relatively constant on a sequential and a year over year basis as more distributors focused on Big Planet. In addition, the increase in revenue for the six-month period also related to revenue of $26.3 million for the three-month period ended March 31, 2000 compared to revenue of $5.7 million from March 8, 1999 through March 31, 1999 from sales in the United States resulting from the termination of the Company's license agreement with Nu Skin USA, which occurred in

March 1999. This additional revenue more than offset the elimination of revenue from sales to the Company's former affiliates in these markets, which revenue is now eliminated in consolidation.

Gross profit as a percentage of revenue remained constant at 83.0% for the three-month period ended June 30, 2000 compared to the same period in the prior year and increased to 83.5% for the six-month period ended June 30, 2000 compared to 82.7% for the same period in the prior year. The increase in the gross profit percentage for the six-month period in 2000 resulted from the strengthening of the Japanese yen and other Asian currencies relative to the U.S. dollar, higher margin sales to distributors in the United States following the termination of the Company's license agreement with Nu Skin USA, increased local manufacturing efforts and reduced duty rates. The Company purchases a significant majority of goods in U.S. dollars and recognizes revenue in local currency and is consequently subject to exchange rate risks in its gross margins. The Company's gross margin was negatively impacted by Big Planet operations, which includes the sale of lower margin technology products and services. Due to the continued growth in revenue from Big Planet, the impact of Big Planet on gross margins had a greater offsetting effect in the second quarter of 2000, than it did in the first quarter.

Distributor incentives as a percentage of revenue increased to 39.0% and 38.9% for the three and six-month periods ended June 30, 2000 compared to 38.6% and 38.0% for the same periods in the prior year, respectively. The primary reason for the increase in 2000 was the termination of the Company's license agreement with Nu Skin USA which resulted in the Company beginning to sell products directly to distributors in the United States and paying the requisite commissions related to those sales. In addition, the Company recently restructured a portion of its compensation plan for distributors, adding short-term, division-focused incentives, which has increased compensation to the Company's entry-level distributors since the later part of 1999.

Selling, general and administrative expenses as a percentage of revenue increased to 32.8% and 33.9% of revenue, respectively, for the three and six-month periods ended June 30, 2000 compared to 29.0% and 26.8% of revenue, respectively, for the same periods in the prior year. In U.S. dollar terms, selling, general and administrative expenses increased to $74.5 million and $149.5 million for the three and six-month periods ended June 30, 2000 compared to $61.2 million and $119.2 million for the same periods in the prior year, respectively. This increase was due primarily to an additional $8.9 million and $17.0 million of selling, general and administrative expenses relating to the assumed operations of Big Planet for the three and six-month periods ended June 30, 2000, respectively. In addition, the Company incurred an incremental $5.0 million of overhead expenses during the first half of 2000 compared to the first half of 1999, for operations in North America following the acquisition of certain assets from Nu Skin USA in March 1999 and operations in Canada, Mexico and Guatemala in May 1999. Selling, general and administrative expenses also increased year-over-year due to stronger foreign currencies in 2000, primarily the Japanese yen, and a convention held in Japan in the first quarter of 2000 which resulted in higher expenses of approximately $4.7 million in Japan in the first quarter of 2000, versus the same period in the prior year.

Operating income decreased to $25.3 million and $46.9 million for the three and six-month periods ended June 30, 2000 from $32.4 million and $79.5 million in the same prior-year periods, respectively. Operating margin decreased to 11.2% and 10.6% for the three and six-month periods ended June 30, 2000 compared to 15.3% and 17.9% for the same prior-year periods, respectively. Operating income and margin decreased primarily due to the increase in selling, general and administrative expenses noted in the preceding paragraph.

Other income (expense), net decreased $2.8 million and $3.0 million for the three and six-month periods ended June 30, 2000 compared to the same periods in the prior year. These decreases are related to the lower net gains recorded on foreign currency contracts in 2000 compared to 1999 due to the strengthening of the Japanese yen in relation to the U.S. dollar.

Provision for income taxes decreased to $8.8 million and $17.2 million for the three and six-month periods ended June 30, 2000 from $12.4 million and $30.5 million for the same periods in the prior year, respectively. This decrease is primarily related to the decline in income before taxes as a result of the factors noted above.

Net income decreased to $15.7 million and $30.5 million for the three and six-month periods ended June 30, 2000 from $22.0 million and $52.8 million, respectively. Net income as a percentage of revenue decreased to 6.9% for the three and six-month periods ended June 30, 2000 from 10.4% and 11.9% for the same periods in the prior year, respectively. These decreases resulted due to the factors noted in "operating income" and "other income" and were offset by the factors noted in "provision for income taxes" above.

Liquidity and Capital Resources

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

The Company typically generates positive cash flow from operations due to favorable gross margins, the variable nature of distributor commissions which compromise a significant percentage of operating expenses, and minimal capital requirements. During the first and third quarters of each year, however, the Company pays significant accrued income taxes in many foreign jurisdictions including Japan. These large cash payments often more than offset significant cash generated in these quarters. During the six-month period ended June 30, 2000, the Company generated $5.2 million from operations compared to $33.5 million during the six-month period ended June 30, 1999. The significant decrease in cash generated from operations in 2000 compared to the same prior-year period primarily related to reduced net income in 2000 compared to 1999 of $22.3 million and the increase in inventory of approximately $21.0 million as of June 30, 2000 compared to inventory as of June 30, 1999, which were somewhat offset by reduced foreign income taxes paid in the first half of 2000, compared to the same period in the prior year.

As of June 30, 2000, working capital was $58.7 million compared to $74.6 million as of December 31, 1999. Cash and cash equivalents at June 30, 2000 and December 31, 1999 were $48.0 million and $110.2 million, respectively. Both the decreases in working capital and cash and cash equivalents are related primarily to the debt payment of $55.7 million in March 2000 for the current portion of long-term debt, as well as lower cash generated from operations as discussed above.

Capital expenditures, primarily for equipment, computer systems and software, office furniture and leasehold improvements, were $9.0 million for the six-month period ended June 30, 2000. In addition, the Company anticipates additional capital expenditures through the remainder of 2000 of approximately $18.0 million to further enhance its infrastructure, including enhancements to computer systems and Internet related software in order to expand the Company's Internet capabilities and to accommodate anticipated future growth.

In March 1998, the Company completed the NSI Acquisition. Pursuant to the terms of the NSI Acquisition, NSI and the Company met earnings growth targets in 1998 resulting in a contingent payment to the stockholders of NSI (the "NSI Stockholders") of $25.0 million. The Company and NSI did not meet specific earnings growth targets for the year ended December 31, 1999. However, contingent upon NSI and the Company meeting earnings growth targets during 2000 and 2001, the Company may pay up to $75.0 million in cash over the next two years to the NSI 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 the Acquired Entities. Any additional contingent consideration paid over the next two years, if any, will be accounted for in a similar manner.

In May 1998, the Company and its Japanese subsidiary Nu Skin Japan Co., Ltd. entered into a $180.0 million credit facility (the "Credit Facility") with a syndicate of financial institutions for which ABN-AMRO, N.V. acted as agent. The Credit Facility was used to satisfy 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. Payments against the credit facility totaling $41.6 million were made during the second quarter of 1998, payments totaling $14.5 million were made during the first quarter of 1999 and payments totaling $55.7 million were made during the first quarter of 2000. As of June 30, 2000, the balance relating to the Credit Facility totaled $87.9 million based on the quarter end exchange rate of Japanese yen to the U.S. dollar. In March 2000, the payment terms of the Credit Facility were extended resulting in a payment of approximately $48.1 million due in 2001 and approximately $19.9 million due in each of 2002 and 2003. The U.S. portion of the Credit Facility bears interest at either a base rate as specified in the Credit Facility plus an applicable margin or the London Inter-Bank Offer Rate plus an applicable margin, in the Company's discretion. The Japanese portion of the Credit Facility bears interest at the applicable Tokyo Inter-Bank Offer Rate plus an applicable margin. The maturity date of the Credit Facility as extended is March 31, 2003. The Credit Facility provides that the amounts borrowed are to be used for general corporate purposes. The Company is currently in compliance with all financial and other covenants under the Credit Facility.

During 1999, the Company renewed a $10.0 million revolving credit agreement with ABN-AMRO, N.V. Advances are available under the agreement through May 18, 2001 with a possible extension upon approval of the lender. There were no outstanding balances under this credit facility at June 30, 2000.

Since August 1998, the board of directors has authorized the Company to repurchase up to $40.0 million of the Company's outstanding shares of Class A common stock. The repurchases are used primarily to fund the Company's equity incentive plans. During the three and six-month periods ended June 30, 2000, the Company repurchased approximately 392,000 and 679,000 shares for an aggregate price of approximately $2.5 million and $5.0 million, respectively. As of June 30, 2000, the Company had repurchased a total of 2,960,102 shares for an aggregate price of approximately $32.5 million. In addition, in March 1999, in connection with the termination of the license and distribution agreements with Nu Skin USA, the board of directors separately authorized and the Company completed the purchase of approximately 700,000 shares of the Company's Class A common stock from Nu Skin USA and certain stockholders for approximately $10.0 million.

The Company had related party payables of $11.4 million and $15.1 million at June 30, 2000 and December 31, 1999, respectively. In addition, the Company had related party receivables of $13.8 million and $16.4 million, respectively, at those dates. Related party balances outstanding in excess of 60 days beyond the date they become due and payable bear interest at a rate of 2% above the U.S. prime rate. As of June 30, 2000, no material related party payables or receivables had been outstanding for more than 60 days beyond the date they are due and payable.

Management considers the Company to be sufficiently liquid to be able to meet its obligations on both a short and long-term basis. Management currently believes existing cash balances together with future cash flows from operations will be adequate to fund cash needs relating to the implementation of the Company's strategic plans.

Seasonality

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. Management believes that direct selling in Japan and Europe is also generally negatively impacted during the month of August, which is in the Company's third quarter, when many individuals traditionally take vacations.

Distributor Information

The following table provides information concerning the number of active and executive distributors as of the dates indicated.

	As of June 30, 2000		As of June 30, 1999	
	Active	Executive	Active	Executive
North Asia	301,000	14,119	330,000	15,822
Southeast Asia	96,000	2,929	117,000	4,283
Other Markets	72,000	3,600	73,000	3,506
Total	469,000	20,648	520,000	23,611

Currency Risk and Exchange Rate Information

A majority of the Company's revenue and many of the Company's 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, the Company's 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, the Company cannot estimate the effect of these fluctuations on the Company's future business, product pricing, results of operations or financial condition. However, because a majority of the Company's revenue is realized in local currencies and the majority of the Company's cost of sales is denominated in U.S. dollars, the Company's 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. 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 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.

The Company's foreign currency derivatives are comprised of over-the-counter forward contracts with major international financial institutions. As of June 30, 2000, the primary currency for which the Company had net underlying foreign currency exchange rate exposure was the Japanese yen. Based on the Company's foreign exchange contracts at June 30, 2000 as discussed in Note 6 of the notes to the Consolidated Financial Statements, 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.

Outlook

Management's outlook for the remainder of 2000 and looking forward to 2001 is contingent upon the continued success of its strategy of aligning the Company's historical business along three divisions of products and opportunities: Nu Skin (personal care products), Pharmanex (nutritional products), and Big Planet (technology, Internet and telecommunications products and services). Each of these divisions is supported by Nu Skin Enterprises' resources, expertise and knowledge of direct selling. During 1999, the divisional strategy was implemented or announced in major markets. While implementation initially caused some disruption in the distributor force, management believes that its strategy positively impacted overall revenue in the second quarter of 2000, particularly in the United States, Japan and South Korea. While management believes that its divisional strategy will yield overall growth for the Company in a market, it recognizes that division specific growth in any given market may vary as distributors shift their attention and focus from one division to another just as the Company's seamless compensation plan yields variations in individual market performance as distributors shift their focus among geographic markets. Management anticipates modest sequential revenue growth in Taiwan and South Korea and continued stabilization of revenue in Japan and the United States during the second half of the year.

Gross margins are anticipated to remain strong as the Company continues to focus on selling differentiated, high margin goods. As Big Planet continues to fuel revenue growth, gross margins will decrease due to the lower margin goods and services provided by Big Planet. Distributor incentives are anticipated to continue at current levels or slightly increase due to new incentive programs aimed at attracting new distributors. Selling, general and administrative costs are anticipated to slightly decrease as a percentage of revenue through the remainder of 2000 as the Company looks to improve efficiencies. While the Company experienced reduced tax rates for the year ended December 31, management believes that its annual corporate tax rates will continue at current levels through the remainder of 2000.

Note Regarding Forward-Looking Statements

With the exception of historical facts, the statements contained in this Report and Management's Discussion and Analysis of Financial Condition and Results of Operations, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Reform Act") which reflect the Company's current expectations and beliefs regarding the future results of operations, performance and achievements of the Company. These statements are subject to risks and uncertainties and are based upon assumptions and beliefs that may not materialize. These forward-looking statements include, but are not limited to, statements concerning: (i) the Company's belief that existing cash and cash flow from operations will be adequate to fund cash needs; (ii) management's belief that the Company's divisional strategy is beginning to generate growth in certain markets including the United States, Japan and South Korea; (iii) the belief that the Company's divisional strategy will yield overall growth; (iv) the belief that revenue in Japan, the United States, South Korea and Taiwan will stabilize or modestly increase for the balance of the year; (v) management's anticipation that gross margins will remain strong, distributor incentives will generally continue at historical rates or slightly increase, selling, general and administrative expenses will slightly decrease as a percent of revenue, and that tax rates will remain at historical levels; and (vi) the Company's plan to implement forward contracts and other hedging strategies to manage foreign currency risks. In addition, when used in this report, the words or phrases, "will likely result," "expects," "anticipates," " will continue," "intends," "plans," "believes," "the Company or management believes," and similar expressions are intended to help identify forward looking statements.

The Company wishes to caution readers that the risks and uncertainties set forth below, and the other risks and factors described herein and in the Company's other filings with the Securities and Exchange Commission (which contain a more detailed discussion of the risks and uncertainties related to the Company's business) could cause (and in some cases in the past have caused) the Company's actual results and outcomes to differ materially from those discussed or anticipated. The Company also wishes to advise readers that it is not obligated to update or revise these forward looking statements to reflect new events or circumstances. Important factors, risks and uncertainties that might cause actual results to differ from those anticipated include, but are not limited to:

(a) The risk that the sequential growth in Japan from the first and second quarters will not be sustained and may not necessarily be indicative of future operating results. The Company has implemented various initiatives to stabilize its Asian operations and renew growth. Although initial results have resulted in modest returns, there can be no assurances that the factors that have negatively impacted the business will not continue to have a negative impact or that the initiatives will help stabilize operations or renew growth on a sustained basis.

(b) The ability of the Company to retain its key and executive level distributors. The Company has experienced a reduction in the number of active and executive distributors. Because the Company's products are distributed exclusively through its distributors, the Company's divisional strategy and its operating results could be adversely affected if the Company's existing and new business opportunities and products do not generate sufficient economic incentive to retain its existing distributors or to sponsor new distributors on a sustained basis, or if the Company receives adverse publicity.

(c) Management's ability to successfully integrate the business of Pharmanex and Big Planet with the Company's existing operations and shift to a product-based divisional structure, which is subject to risks including continued or renewed confusion or uncertainty among the Company's distributors which the Company believes has adversely affected the productivity of the Company's distributors, and potential unforeseen expenses or difficulties in shifting to a divisional strategy.

(d) Because a substantial majority of the Company's sales are generated from the Asian region, particularly Japan and Taiwan, significant variations in operating results including revenue, gross margin and earnings from those expected could be caused by (i) renewed or sustained weakness of Asian economies or consumer confidence, or (ii) weakening of foreign currencies, particularly the Japanese yen, which has recently strengthened and helped offset the effects of the decline in local currency revenue in Japan, and the risk that the Company will not be able to favorably implement forward contracts and other hedging strategies to manage foreign currency risk.

(e) Adverse business or political conditions, continued competitive pressure, the maturity of the direct sales channel in certain of the Company's markets, adverse publicity, or changes in laws and regulations (including any increased government regulation of direct selling activities and products in existing and future markets such as the People's Republic of China's restrictions on direct selling or changes in U.S. or foreign tax regulations), unanticipated increases in expenses, the Company's reliance on outside manufacturers, fluctuations in quarterly results and general business risks that could adversely affect the Company's ability to sell products and expand or maintain its existing distributor force or otherwise adversely affect its operating results.

(f) Risks associated with the Company's new business opportunities, new product offerings and new markets, including: any legal or regulatory restrictions, particularly those applicable to nutritional products and the products and services offered by Big Planet, that might delay or prevent the Company from introducing such opportunities and products into all of its markets or limit the ability of the Company to effectively market such products, the risk that such opportunities and products will not gain market acceptance or meet the Company's expectations as a result of increased competition, any lack of market acceptance by consumers or the Company's distributors, and the risk that sales from such new business opportunities and product offerings could reduce sales of existing products and not generate significant incremental revenue growth.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by Item 3 of Part I of Form 10-Q is incorporated herein by reference from the section entitled "Currency Risk and Exchange Rate Information" in "Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations" of Part I and also in Note 5 to the Financial Statements contained in Item 1 of Part I.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Reference is made to the Company's Annual Report on Form 10-K for information concerning legal proceedings. On July 21, 2000, the Tenth Circuit Court of Appeals reversed a decision by the district court in the case Pharmanex v. Donna Shalala. The case was originally initiated by Pharmanex, a subsidiary of the Company, in the Federal District Court for the District of Utah to challenge the decision by the Food and Drug Administration that Cholestin was a drug and could not be marketed as a dietary supplement. In February 1999, the Utah district court ruled that Cholestin could be legally sold as a dietary supplement under the Dietary Supplement Health and Education Act of 1994 ("DSHEA") based on the courts statutory interpretation of a provision of DSHEA that excludes from the definition of dietary supplements an article that is approved as a new drug which was not marketed as a dietary supplement prior to such approval. The Tenth Circuit Court of Appeals reversed the district courts decision with respect to the interpretation of such provision and remanded the case back to the district court to determine whether Cholestin can be legally sold as a dietary supplement based on other provisions of DSHEA, the facts of the case and the appellate courts ruling regarding the interpretation of the relevant statute.

ITEM 2. CHANGES IN SECURITIES

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company's Annual Meeting of Stockholders was held on May 11, 2000. At the Annual Meeting, Blake M. Roney, Steven J. Lund, Sandra N. Tillotson, Keith R. Halls, Brooke B. Roney, Max L. Pinegar, E.J. "Jake" Garn, Paula F. Hawkins, Daniel W. Campbell and Andrew D. Lipman were elected to serve as directors of the Company until the next annual meeting of stockholders or until their successors are duly elected. Each director was elected by a plurality of votes in accordance with the Delaware General Corporation Law. There was no solicitation in opposition to management's director nominees. The following chart reflects the vote tabulation with respect to each director nominee. The figures reported reflect votes cast by holders of the Company's Class A common stock and Class B common stock. Each share of Class A common stock entitles its holder to one vote, and each share of Class B common stock entitles its holder to ten votes.

Name of Director Nominee	Votes For	Votes Withheld
Blake M. Roney	437,587,657	88,175
Steven J. Lund	437,587,657	88,175
Sandra N. Tillotson	437,587,657	88,175
Keith R. Halls	437,587,657	88,175
Brooke B. Roney	437,587,657	88,175
Max L. Pinegar	437,587,657	88,175
E.J. "Jake" Garn	437,587,657	88,175
Paula F. Hawkins	437,587,657	88,175
Daniel W. Campbell	437,587,657	88,175
Andrew D. Lipman	437,587,657	88,175

The stockholders also approved the Company's 2000 Employee Stock Purchase Plan with 434,136,274 votes voted in favor of the amendment, 3,160,293 votes cast against and 379,265 abstentions. The stockholders also ratified the appointment of PricewaterhouseCoopers LLP as the Company's independent public accountants, with 437,644,347 votes being cast for, 18,924 votes being cast against, and 12,561 abstentions.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

Regulation S-K Number	Description
10.1	Employment Agreement by and between Pharmanex and Joseph Chang.
10.2	Promissory Note by and between the Company and Grant Pace.
27.1	Financial Data Schedule - Six Months Ended June 30, 2000

(b) Reports on Form 8-K. No current Reports on Form 8-K were filed during the quarter ended June 30, 2000.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on this 14th day of August, 2000.

NU SKIN ENTERPRISES, INC.

By: /s/ Corey B. Lindley
Corey B. Lindley
Its: Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT INDEX

10.1	Employment Agreement by and between Pharmanex and Joseph Chang.
10.2	Promissory Note by and between the Company and Grant Pace.
27.1	Financial Data Schedule - Six Months Ended June 30, 2000

AMENDED AND RESTATED
JOSEPH Y. CHANG
EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT (the "Agreement") dated as of April 1, 2000, between PHARMANEX, INC., a Delaware corporation ("Company"), and JOSEPH Y. CHANG ("Executive").

WHEREAS, the Company is a wholly owned subsidiary of Nu Skin Enterprises, Inc. ("Parent");

WHEREAS, the Executive has been employed by the Company in a senior management position pursuant to the terms of an Employment Agreement dated October 5, 1998, as amended (the "Original Employment Agreement");

WHEREAS, the Company wishes to have Executive accept new responsibilities, and Executive wishes to accept those new responsibilities;

WHEREAS, the Company and Executive wish to amend and restate the terms of the Original Employment Agreement,

NOW, THEREFORE, in consideration of the covenants and agreements hereinafter set forth, the parties hereto agree as follows:

1. EFFECTIVENESS OF AGREEMENT

1.1. General. This Agreement shall become effective as of the date hereof and shall replace in its entirety the Original Employment Agreement, recognizing the effectiveness of the Original Employment Agreement from the date of its execution until the date hereof.

2. EMPLOYMENT AND DUTIES

2.1. General. The Company hereby employs the Executive, and the Executive agrees to serve, as President of the Company, upon the terms and conditions herein contained. In such capacity, Executive shall report directly to the Chief Executive Officer of the Parent. The Executive shall perform such other duties and services for the Company and the Parent as may be reasonably designated from time to time by the Parent and as are consistent with Executive's title. The Executive agrees to serve the Company faithfully and to the best of his ability under the direction of the Parent.

2.2. Exclusive Services. Except as may otherwise be approved in advance by the Board of Directors of the Company ("Board"), and except during vacation periods and reasonable periods of absence due to sickness, personal injury or other disability, the Executive shall devote his full working time throughout the Employment Term (as defined below) to the services required of him hereunder. The Executive shall render his services exclusively to the Company during the Employment Term, and shall use his best efforts, judgment and energy to improve and advance the business and interests of the Company in a manner consistent with the duties of his position. Executive may participate in charitable and philanthropic activities so long as they don't interfere with his duties hereunder.

2.3. Term of Employment. The Executive's employment under this Agreement shall commence as of the effective date hereof and shall terminate on the earlier of (a) December 31, 2004, or (b) the termination of the Executive's employment pursuant to this Agreement. The period commencing as of the Effective Time and ending on December 31, 2004 or such earlier date on which Executive's employment with the Company terminates, is hereinafter referred to as the "Employment Term". Executive may terminate his employment with the Company at any time and for any reason upon twelve (12) months prior written notice to the Company.

2.4. Reimbursement of Expenses. The Company shall reimburse the Executive for reasonable travel and other business expenses incurred by him in the fulfillment of his duties hereunder upon presentation by the Executive of an itemized account of such expenditures, in accordance with the Parent's policies and procedures.

2.5. Termination of Prior Agreements. Executive agrees and acknowledges that, upon the effective date hereof, all prior employment agreements, compensation and incentive arrangements and rights to acquire equity of the Company are cancelled in their entirety and are of no further force or effect.

3. SALARY

3.1. Base Salary. From the date hereof, the Executive shall be entitled to receive a base salary ("Base Salary") at a rate of $245,000 per annum, payable twice monthly in arrears in equal installments in accordance with the Parent's payroll practices. In the event Executive relocates his household to either the San Francisco or the Provo areas, the Company will augment Executive's Base Salary by $30,000 per annum.

3.2. Annual Review. The Executive's Base Salary shall be reviewed for potential increase by the Parent, based upon the Executive's performance, not less often than annually. Any positive adjustments in Base Salary effected as a result of such review shall be made by the Parent in its sole discretion; provided, however, that during the Employment Term only, the Executive shall receive a minimum increase of ten percent (10%) per annum.

3.3. Cash Incentives. During his employment under this Agreement, Executive shall be entitled to participate in the Company's standard cash incentive plan ("Cash Incentive Plan") at the same level as other Presidents of Parent's divisions. In addition, Executive shall participate in a cash bonus program designed to incent the development of successful products within the Parent's Pharmanex division (the "Product Development Bonus Plan"). Provided Executive is continuously employed by the Company or by Parent, the Company will pay a cash bonus of .5% of gross product revenue to Executive and Dr. Michael Chang (in equal allocations) for (a) any products not yet offered by the Company that generate at least $20 million of global, annual sales, and (b) any products not yet offered by the Company but based largely on product ingredients that the Company has already developed, such as the primary ingredients found in CordyMax, Tegreen or Gingko, provided that such products generate global sales in excess of $25 million, and (c) reformulated versions of LifePak, provided that the bonus shall only be paid on LifePak sales in excess of $175 million per year. Payments under the Product Development Bonus Plan will be calculated and paid within sixty (60) days of the end of each calendar year and will be capped at no more than $1 million per year. Bonus payments paid pursuant to the Product Development Bonus Plan will be subtracted from bonuses otherwise payable pursuant to the Cash Incentive Plan.

4. LONG-TERM INCENTIVE COMPENSATION.

The Company will provide the Executive with the following long-term incentive compensation arrangement in accordance with the terms of Parent's 1996 Incentive Stock Option Plan ("Stock Option Plan").

(a) As soon as practicable after the date hereof, Parent will grant the Executive nonqualified stock options to acquire 150,000 shares of Parent common stock ("Shares") with an exercise price equal to $8.00 per share (the "Series A Options").

(b) Provided the Executive is continuously employed by the Company or Parent after the date hereof and until the vesting date, the Series A Options shall vest and become exercisable as follows: 33,333 of the Series A Options will vest as of October 16, 1999, October 16, 2000 and October 16, 2001; 25,000 of the Series A Options will vest on October 16, 2002, with the remaining 25,000 Series A Options vesting on October 16, 2004.

(c) In addition, Parent will grant the Executive nonqualified stock options to acquire 25,000 Shares with an exercise price equal to $12.94 per share (the "Series B Options"). Provided the Executive is continuously employed by the Company or the Parent after the date hereof and until the vesting date, the Series B Options will vest and become exercisable in four equal installments of 6,250 Series B Options on August 31, 2000, 2001, 2002 and 2003.

(d) In addition, Executive will be entitled to participate in the annual, standard employee and executive stock incentive plan at a rate of no less than 25,000 options per year, on the same terms and conditions as other employees of Parent. In addition, the options to acquire Shares that Executive received at the time the Company was acquired by Parent, based on previously issued and outstanding options issued by the Company or its parent prior to Parent's acquisition of the Company shall be fully vested and exercisable as of the date hereof.

(e) Notwithstanding the foregoing, upon the occurrence of a change of control of the Parent (as defined in the Stock Option Plan) or in the event Parent engages in a transaction that effectively works to eliminate the possibility of trading publicly Parent's securities, all unvested Series A and Series B Options, and any other options issued by Parent to Executive, will become immediately vested and exercisable; provided the Executive is employed by the Company or an affiliate on such date.

(f) Unless the Company determines otherwise, the Executive shall forfeit all outstanding stock options, whether or not vested, if the Executive's employment with the Company or any of its affiliates is terminated for Cause or, if following termination of the Executive's employment with the Company or any of its affiliates for any other reason, the Company determines that, during the period of the Executive's employment, circumstances existed which would have entitled the Company or any such affiliate to terminate the Executive's employment for Cause and the Company notifies Executive of such determination in writing no later than ninety (90) days after termination of Executive's employment with the Company.

(g) In connection with the grant of any options, the Company and the Executive shall enter into an award document which shall set forth the term of the options, the procedures for exercising the options and such other terms as the Company may determine, in its reasonable discretion, are necessary and appropriate; provided, however, that notwithstanding the foregoing the options shall have the longest term permissible under the Stock Option Plan.

5. EMPLOYEE BENEFITS

The Executive shall, during his employment under this Agreement, be included to the extent eligible thereunder in all employee benefit plans, programs or arrangements (including, without limitation, any plans, programs or arrangements providing for retirement benefits, profit sharing, disability benefits, health and life insurance, or vacation and paid holidays) that shall be established or adopted by the Company or the Parent for, or made available to, the Company's or the Parent's senior executives. In addition, the Company shall furnish the Executive with the following benefits during his employment under this Agreement:

(a) Executive shall continue to be entitled to receive relocation and housing assistance on the terms previously agreed upon and set forth in a letter agreement dated _________________, 2000; and

(b) Four (4) weeks vacation per annum.

6. TERMINATION OF EMPLOYMENT

6.1. Termination Without Cause.

6.1.1. General. Subject to the provisions of Sections 6.1.3 and 6.1.4, if, prior to the expiration of the Employment Term, the Executive's employment is terminated by the Company without Cause (as defined below), the Company shall continue to pay the Executive the Base Salary (at the rate in effect on the date of such termination) for twelve (12) months (such period being referred to hereinafter as the "Severance Period"), at such intervals as the same would have been paid had the Executive remained in the active service of the Company. The Executive shall have no further right to receive any other compensation or benefits after such termination or resignation of employment, except as determined in accordance with the terms of the employee benefit plans or programs of the Company or as provided in this Agreement. In addition, the Executive may, but only within twelve (12) months after he ceases to be an employee, exercise his Options to the extent they have vested. To the extent that the Executive is not otherwise entitled to exercise the Options at the date of such termination, or if he fails to exercise the Options within the time specified in the preceding sentence, such Options will terminate.

6.1.2 To the extent that any of the Options would have vested at the end of the fiscal year in which Executive is terminated under Section 4 of this Agreement but for the termination of the Executive without Cause, then notwithstanding Section 6.1.1 hereof, such Options shall vest when the necessary calculations under Section 4 have been completed, and Executive shall have twelve (12) months from such determination date to exercise the Options. The Company shall notify Executive within ten days after the necessary calculations under Section 4 have been completed (which calculations shall be made no later than ninety (90) days after the fiscal year in question) as to whether any of the Options have vested. This provision shall survive termination of the Agreement.

6.1.3. Conditions Applicable to the Severance Period. If, during the Severance Period, the Executive breaches any of his obligations under Section 8, the Company may, upon written notice to the Executive, terminate the Severance Period and cease to make any further payments or provide any benefits described in Section 6.1.1.

6.1.4. Death During Severance Period. In the event of the Executive's death during the Severance Period, payments of Base Salary under Section 6.1.1 shall continue to be made during the remainder of the Severance Period to the beneficiary designated in writing for this purpose by the Executive or, if no such beneficiary is specifically designated, to the Executive's estate.

6.1.5. Date of Termination. The date of termination of employment without Cause shall be the date specified in a written notice of termination to the Executive as the last day of the Executive's employment.

6.1.6. Constructive Termination. The term "Constructive Termination" means:

(a) the continued assignment to Executive of any duties or the continued material reduction in Executive's duties, either of which is materially inconsistent with Executive's position with the Company, for thirty (30) calendar days after Executive's delivery of written notice to the Company objecting to such assignment or reduction; or

(b) the relocation of the principal place for the rendering of Executive's services hereunder to a location more than thirty (30) miles from the Company's business offices in the San Francisco Area; or

(c) a material reduction in compensation and benefits under this Agreement, which remains in effect for thirty (30) calendar days after Executive delivers written notice to the company of such material reduction.

None of the foregoing will constitute a Constructive Termination to the extent mutually agreed upon in advance of the occurrence thereof by the Executive and the Company. A Constructive Termination will be treated as a termination of the Executive by the Company without Cause.

6.2. Termination for Cause; Resignation.

6.2.1. General. If, prior to the expiration of the Employment Term, the Executive's employment is terminated by the Company for Cause, or the Executive resigns from his employment hereunder, the Executive shall be entitled only to payment of his Base Salary as then in effect through and including the date of termination or resignation. In the event the Executive resigns Executive may, but only within twelve (12) months after he ceases to be an employee, exercise his Options to the extent they have vested. The Executive shall have no further right to receive any other compensation or benefits after such termination or resignation of employment, except as determined in accordance with the terms of the employee benefit plans or programs of the Company or as provided in this Agreement.

6.2.2. Date of Termination. The date of termination for Cause shall be the date specified in a written notice of termination to the Executive as the last day of the Executive's employment. The date of resignation shall be the date specified in the written notice of resignation from the Executive to the Company as the last day of the Executive's employment, or if no date is specified therein, twelve (12) months after receipt by the Company of written notice of resignation from the Executive.

6.3. Cause. Termination for "Cause" shall mean termination of the Executive's employment because of:

(a) any act or omission that constitutes a material breach by the Executive of any of his obligations under this Agreement, which breach is materially injurious to the Company;

(b) the willful and continued failure or refusal of the Executive to substantially perform the duties required of him in his position with the Company, which failure is not cured within twenty (20) days following written notice of such failure;

(c) any willful violation by the Executive of any material law or regulation applicable to the business of the Company or any of its subsidiaries or affiliates, or the Executive's conviction of, or a plea of nolo contendre to, a felony, or any willful perpetration by the Executive of a common law fraud; or

(d) any other willful misconduct by the Executive that is materially injurious to the financial condition or business reputation of, or is otherwise materially injurious to, the Company or any of its subsidiaries or affiliates.

7. DEATH OR DISABILITY

In the event of termination of employment by reason of death or Disability (as hereinafter defined), the Executive (or his estate, as applicable) shall be entitled to Base Salary through the date of termination. Other benefits shall be determined in accordance with the terms of the benefit plans maintained by the Company, and the Company shall have no further obligation hereunder. In addition, the Executive (or his estate or the person or persons to whom the Options may have been transferred by will or by the laws of decent and distribution, as applicable) may, but only within twelve months after Executive ceases to be an employee, exercise Executive's Options to the extent Executive was entitled to exercise such Options on the date of his death or on the date he is terminated by the Company by reason of Disability (all of which shall be terminations without Cause). To the extent that the Executive was not otherwise entitled to exercise the Options on such date, or if he (or his estate or the person or persons to whom the Options may have been transferred by will or by the laws of decent and distribution, as applicable) fails to exercise the Options within the time specified in the preceding sentence, such Options will terminate. For purposes of this Agreement, "Disability" means a physical or mental disability or infirmity of the Executive, as determined by a physician of recognized standing selected by the Company, that prevents (or, in the opinion of such physician, is reasonably expected to prevent) the normal performance of his duties as an employee of the Company for any continuous period of 180 days, or for 180 days during any one 12-month period.

8. CONFIDENTIALITY; NONCOMPETITION; NONSOLICITATION

8.1. Key-Employee Covenants. The Executive agrees to perform his obligations and duties and to be bound by the terms of the Key-Employee Covenants attached hereto as Appendix B which are incorporated by reference and which shall be in force unless otherwise expressly modified by this Agreement.

(a) Executive agrees that the period of non-competition set forth in Section 8 of the Key-Employee Covenants is lengthened from six months to one year. The Company, or the Parent may extend the period of non-competition set forth in Section 8 of the Key-Employee Covenants for up to an additional two (2) years thereafter, provided that (i) where Executive has either voluntarily resigned his employment with the Company or his employment is terminated for Cause, within thirty (30) days of the termination of the applicable non-competition period the Company or the Parent notifies the Executive in writing that it wishes to so extend the period of non-competition for an additional one-year period, (ii) where Executive's employment with the Company is terminated without Cause or as a result of the expiration of the term of this Agreement (where Executive does not continue in the employ of the Company), the Company notifies the Executive in writing within sixty (60) days of the termination of Executive's employment hereunder, that it wishes to so extend the period of non-competition and specifies therein whether such extension shall be for a one (1) or two (2) year period, and

(iii) the Company pays Executive for each year that it decides to extend the period of non-competition an amount equal to fifty percent (50%) of Executive's most recent Base Salary, which amount shall be payable by the Company twice monthly over the period in question.

8.2. Certain Remedies. Without intending to limit the remedies available to the Company, the Executive agrees that a breach of any of the covenants contained in the Key-Employee Covenants may result in material and irreparable injury to the Company or its subsidiaries or affiliates for which there is no adequate remedy at law, that it will not be possible to measure damages for such injuries precisely and that, in the event of such a breach or threat thereof, the Company shall be entitled to seek a temporary restraining order or a preliminary or permanent injunction, or both, without bond or other security, restraining the Executive from engaging in activities prohibited by the Key-Employee Covenants or such other relief as may be required specifically to enforce any of the covenants in the Key-Employee Covenants. Such injunctive relief in any court shall be available to the Company in lieu of, or prior to or pending determination in, any arbitration proceeding.

9. ARBITRATION

Any dispute or controversy arising under or in connection with this Agreement that cannot be mutually resolved by the parties hereto shall be settled exclusively by arbitration pursuant to the rules of the American Arbitration Association in Salt Lake City, Utah before three arbitrators of exemplary qualifications and stature. Each party hereto shall choose an independent arbitrator meeting such qualifications within ten (10) business days after demand for arbitration is made and such independent arbitrators shall mutually agree as to the third arbitrator meeting such qualifications within twenty (20) business days after demand for arbitration is made. If such arbitrators cannot come to an agreement as to the third arbitrator by such date, the American Arbitration Association shall appoint the third arbitrator in accordance with its rules and the qualification requirements set forth in this section. Judgment may be entered on the arbitrator's award in any court having jurisdiction. The parties hereby agree that the arbitrators shall be empowered to enter an equitable decree mandating specific enforcement of the terms of this Agreement. The party that prevails in any arbitration hereunder shall be reimbursed by the other party hereto for any reasonable legal fees and out-of-pocket expenses directly attributable to such arbitration, and such other party shall bear all expenses of the arbitrators. Upon the request of a party, the arbitration award shall specify the factual and legal basis for the award.

10. MISCELLANEOUS

10.1. Communications. All notices and other communications given or made pursuant hereto shall be in writing and shall be deemed to have been duly given or made as of

the date delivered or on the fifth business day
after mailed if delivered personally or mailed by registered or certified mail (postage prepaid, return receipt requested) to the party at the following addresses (or at such other address for a party as shall be specified by like notice, except that notices of changes of address shall be effective upon receipt):

(a) if to the Company:

c/o Nu Skin Enterprises, Inc.
75 West Center Street
Provo, Utah 84601
Tel: (801) 345-6100
Fax: (801) 345-3099
Attention: Truman Hunt, Esq.

with copies to:

Shearman & Sterling
555 California Street, Suite 2000
San Francisco, CA 94104
Attention: Kevin Kennedy, Esq.
Telephone: (415) 616-1100
Facsimile: (415) 616-1199

(b) if to the Executive:

2550 Sandycreek Drive
Westlake Village, CA 91361
Tel: (818) 991-4139

10.2. Waiver of Breach; Severability. (a) The waiver by the Executive or the Company of a breach of any provision of this Agreement by the other party hereto shall not operate or be construed as a waiver or any subsequent breach by either party.

(b) The parties hereto recognize that the laws and public policies of various jurisdictions may differ as to the validity and enforceability of covenants similar to those set forth herein. It is the intention of the parties that the provisions hereof be enforced to the fullest extent permissible under the laws and policies of each jurisdiction in which enforcement may be sought, and that the unenforceability (or the modification to conform to such laws or policies) of any provisions hereof shall not render unenforceable, or impair, the remainder of the provisions hereof. Accordingly, if at the time of enforcement of any provision hereof, a court of competent jurisdiction holds that the restrictions stated herein are unreasonable under circumstances then existing, the parties hereto agree that the maximum period, scope, or geographic area reasonable under such circumstances will be substituted for the stated period, scope or geographical area and that such court shall be allowed to revise the restrictions contained herein to cover the maximum period, scope and geographical area permitted by law.

10.3. Assignment; Successors. No right, benefit or interest hereunder shall be assigned, encumbered, charged, pledged, hypothecated or be subject to any setoff or recoupment by the Executive. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the Company; provided, however that the Company may not assign this Agreement without Executive's consent.

10.4. Entire Agreement. This Agreement and the Appendices attached hereto, which are incorporated herein by this reference, contain the entire agreement of the parties with respect to the subject matter hereof, and on and after the Effective Time, and except as otherwise set forth herein, supersedes all prior agreements, promises, covenants, arrangements, communications, representations and warranties between them, whether written or oral, with respect to the subject matter hereof.

10.5. Withholding. The payment of any amount pursuant to this Agreement shall be subject to applicable withholding and payroll taxes, and such other deductions as may be required under the Company's employee benefit plans, if any.

10.6. Governing Law. This Agreement shall be governed by, and construed with, the law of the State of Utah.

10.7. Headings. The headings in this Agreement are for convenience only and shall not be used to interpret or construe any of its provisions.

10.8. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed, the Parent has agreed and accepted terms hereof, and the Executive has hereunto set his hand, as of the day and year first above written.

PHARMANEX, INC.

By:
Name:
Title:

[Executive]

Agreed and accepted as to its duties pursuant to this Agreement:

NU SKIN ENTERPRISES, INC.

By:
Name:
Title:

APPENDIX A

KEY-EMPLOYEE COVENANTS

Nu Skin Enterprises, Inc. and its affiliated companies ("Company") operate in a highly competitive direct sales multilevel marketplace competing for product market share as well as recruitment and retention of independent distributors. The success of Company depends on maintaining a competitive edge in this industry through the introduction of innovative products and attracting and retaining distributors. Accordingly, as a condition of and in consideration of employment or continued employment with Company, the parties hereby acknowledge and agree as follows:

1. Confidential Information: Employee acknowledges that during the term of employment with Company he or she may develop, learn and be exposed to information about Company and its business, including but not limited to formulas, business plans, financial data, vendor lists, product and marketing plans, distributor lists, and other trade secrets which information is secret, confidential and vital to the continued success of Company (" Confidential Information"). The term "Confidential Information" shall not include, and the obligations set forth in this Section shall not apply to, any information that (a) is publicly available, (b) becomes publicly available without breach of this Agreement by Employee, (c) Employee already possess without obligation of confidentiality, (d) Employee develops independently, or (e) Employee rightfully receives without obligation of confidentiality from a third party. Employee agrees that he or she will not, without the express written consent of Company or except as required by law or court order disclose, copy, retain, remove from Company's premises or make any use of such Confidential Information except as may be required in the course of his or her employment with Company.

2. Conflict of Interest: During employment with Company, Employee shall not engage in any transaction which involves a conflict of interest with the Company without the Company's consent. Employee must discharge his or her responsibility solely on the basis of what is in the best interest of Company and independent of personal considerations or relationships. Although it is difficult to identify every activity that might give rise to a conflict of interest, and not by way of making an all inclusive list, some of the more common circumstances and practices that might result in such conflicts are set forth below. Should Employee have any questions regarding this matter, Employee should consult with and receive written permission from his or her director or supervisor.

    a. While employed by the Company, Employee shall maintain impartial business relationships with vendors, suppliers and distributors.

b. While employed by the Company, Employee shall not have a direct or indirect ownership interest in vendors of Company nor any company doing or seeking to do business with Company unless such ownership interest is owned by Employee at the time his employment with the Company commences or unless such ownership is in the form of (a) securities in a company with publicly traded securities (provided that the securities held by Employee represent less than 1% of the total outstanding securities of the company) or (b) and interest in investment vehicles, limited partnerships, hedge funds or stock funds were Employee is a passive investor.

c. While employed by the Company, Employee shall not have a direct or indirect ownership in any company which competes with company in any product category or any multi-level marketing company, unless such ownership interest is owned by Employee at the time his employment with the Company commences or unless (a) such company's securities are publicly traded and the Employee's ownership interest is less than 1% of the total outstanding securities of such company, or (b) except for any ownership interest held as of the date of this Agreement, or (c) such company's securities are held by an investment vehicle, limited partnership, hedge fund or stock fund where Employee is a passive investor in such funds.

d. While employed by the Company, Employee shall not perform services of any kind for any entity doing or seeking to do business with Company. As to employment with or service to another company while employed by the Company, Employee shall not allow any such activity to detract from his or her job performance, use Company's time, resources, or personnel, or require such long hours to affect his or her physical or mental effectiveness.

e. While employed and except as permitted by paragraphs (b) or (c) above, and for a period of three (3) months after termination of an employment relationship with Company, Employee shall not directly or indirectly own any interest in a Company distributorship or any other direct sales on multi-level marketing distributorship. Additionally, during the course of employment, neither the Employee's spouse nor an immediate family member living in the same household shall own any interest in a Company distributorship or any other multi-level distributorship, unless Employee's interest would be permitted by paragraphs (b) and (c) above. Employee's spouse or immediate family member living in the same household will not, without prior written consent of the Company, own any interest in another direct sales distributorship, unless Employee's interest would be permitted by paragraphs (b) and (c) above. Any pre-existing ownership interests covered in this paragraph must be disclosed to the Company at the time of the execution of this Agreement.

f. Employee shall disclose to his/her immediate director or supervisor any and all areas posing a potential or actual conflict of interests. Said disclosure shall be made as promptly as possible after such conflict arises.

3. Work Product: Company shall have the sole proprietary interest in the work product of Employee during his or her employment with Company ("Work Product"), and Employee expressly assigns to Company or its designee all rights, title and interest in and to all copyrights, patents, trade secrets, improvements, inventions, sketches, models and all documents related thereto, manufacturing processes and innovations, special calibration techniques, software, service code, systems designs and any other Work Product developed by Employee, either solely or jointly with others, where said Work Product relates to any business activity or research and development activity in which Company is involved or plans to be involved at the time of or prior to Employee's creating such Work Product and where such Work Product is developed with the use of Company's time, material, or facilities; and Employee further agrees to disclose any and all such Work Product to Company without delay. This provision shall relate to Work Product created prior to the date of Employee's execution of this Agreement as well as Work Product developed after execution of this agreement.

4. Ethical Standards: Employee agrees to maintain the highest business ethical and legal standards in his or her conduct, to be scrupulously honest and straight-forward in all of his or her business dealings and to use his best efforts to avoid all situations which might project the appearance of being unethical from a business standpoint or illegal.

5. Product Resale: As an employee of Company, Employee may receive Company products and materials either at no charge or at discount as specified from time to time by Company in its sole discretion. Employee agrees that the products received from Company are strictly limited to Employee's personal use and that of Employee's immediate family and may not be resold, given or disposed of to any other person or entity in a manner inconsistent with the personal use herein described.

6. Gratuities: Employee shall neither seek nor retain gifts, gratuities, entertainment or other forms of compensation, benefit, or persuasion from suppliers, distributors, vendors or their representatives without the consent of a Company Vice President with the exception of meals provided in the ordinary course of business on an infrequent basis.

7. Non-Solicitation: The Employee shall not in any way, directly or indirectly, at any time

during employment or within two (2) years after either a voluntary or involuntary employment termination: (a) solicit, divert, or take away Company's distributors: (b) solicit in any manner Company's employees or (c) assist any other person in any manner or persons in an attempt to do any of the foregoing.

8. Non-Competition: During Employee's employment with Company, and for a period commencing with the date of termination of Employee's employment and continuing for a period of six (6) months thereafter, and except for Employee's ownership of securities in a Company with publicly traded securities (provided the securities held by Employee represent less than 1% of the total outstanding securities of the Company) and except for Employee's interest in investment vehicles, limited partnerships, hedge funds or stock funds where Employee is a passive investor) Employee agrees that he/she shall not accept employment with, engage in or participate, directly or indirectly, individually or as an officer, director, employee, shareholder, consultant, partner, joint venturer, agent, equity owner or in any other capacity whatsoever, with any multi-level marketing venture which competes with the business of Company whether for market share of products or for independent distributors in any territory in which Company is doing business. It is further recognized and agreed that the covenants set forth herein are for the purpose of restricting Employee's activities to the extent necessary for the protection of the legitimate business interests of Company and that Employee agrees that said covenants do and will not preclude him from engaging in activities sufficient for the purposes of earning a living.

9. Acknowledgment: Employee acknowledges that his or her position and work activities with the Company are "key" and vital to the on-going success of Company's operation in each product category and in each geographic location in which Company operates. In addition, Employee acknowledges that his or her employment or involvement with any other multi-level marketing company would create the impression that Employee has left Company for a "better opportunity," which could damage Company by this perception in the minds of Company's employees or independent distributors. Therefore, Employee acknowledges that his or her confidentiality, non-solicitation and non-competition covenants hereunder are fair and reasonable and should be construed to apply to the fullest extent possible by applicable laws. Employee has carefully read this Agreement, has consulted with independent legal counsel to the extent Employee deems appropriate, and has given careful consideration to the restraints imposed by the Agreement. Employee acknowledges that the terms of his Agreement are enforceable regardless of the manner in which Employee's employment is terminated, whether voluntary or involuntary.

10. Attorney's Fees: In the event of any dispute between the parties regarding this Agreement, then the prevailing party (whether at arbitration, trial or on appeal) shall be entitled, in addition to such other relief as may be granted, to be reimbursed by the losing party for all costs and expenses incurred, including, but not limited to, reasonable

attorneys' fees and costs for services rendered to prevailing party.

11. Court's Right to Modify Restriction: The parties agree that, if the scope or enforceability of the restrictive covenants contained in this Agreement are in any way disputed at any time, a court or other trier of fact may modify and enforce the covenants to the extent that it believes to be reasonable and enforceable under the circumstances existing at that time.

12. Severability: If any provision, paragraph, or subparagraph of this Agreement is adjudged by any court or administrative agency to be void or unenforceable in whole or in part, this adjudication shall not affect that validity of the remainder of the Agreement, including any other provision, paragraph, or subparagraph. Each provision, paragraph, and subparagraph of this Agreement is severable from every other provision, paragraph, and subparagraph and constitutes a separate and distinct covenant.

THESE COVENANTS HAVE BEEN READ, UNDERSTOOD AND FREELY ACCEPTED BY:

- ----------------------
"Employee"

PROMISSORY NOTE

$500,000 February 23, 2000

FOR VALUE RECEIVED, the undersigned, Grant F. Pace and Susan W. Pace, jointly and severally agree to pay to the order of NU SKIN ENTERPRISES, INC., a Delaware corporation, at 75 West Center Street, Provo, Utah 84601, or at such other place as the holder (the "Holder") of this Note may from time to time designate in writing, without setoff, in lawful money of the United States of America, the principal sum of FIVE HUNDRED THOUSAND DOLLARS ($500,000) together with interest on such principal sum and any other amounts due under this Note.

1. Interest. Commencing on the date of this Note and continuing until all principal and interest due under this Note are paid in full, the outstanding principal balance of this Note shall bear interest at the rate of 5.8% percent per annum. Interest shall accrue daily and be calculated on the basis of a three hundred sixty (360) day year and the actual number of days elapsed in any partial calendar month.

2. Payment. Accrued interest shall be due and payable in semi-annual installments due on the 15th day of April and October each year, commencing on October 15, 2000. The entire principal balance of this Note, together with any accrued and unpaid interest thereon and any other fees, costs or expenses payable hereunder, shall be due and payable on the earlier to occur of the following: (i) March 1, 2005, (ii) the 180th day following the date of the undersigned's voluntary termination of employment with the Holder or any affiliate thereof, (iii) the one year anniversary of the date of the termination of the employment of the undersigned by Holder if Holder terminates such employment other than for "cause" (as defined in the undersigned's employment agreement), and (iv) the 30th day following the date of the termination of the employment of the undersigned by Holder if Holder terminates such employment for "cause" (as defined in the undersigned's employment agreement); provided, in the event of a "change in control" (as defined in Schedule A), this Note shall in no event become due and payable prior to the third annual anniversary of the date of such change in control. Unless the Holder shall otherwise elect, each payment made under this Note shall be applied first to costs and expenses incurred in connection with the enforcement of this Note and interest due under this Note, and any balance shall be applied to reduce the principal balance of this Note.

3. Late or Partial Payments. Any payment required under this Note or under any other agreement entered into in connection with this Note that is not made when due, shall bear interest payable on demand, both before and after judgment, at the rate of fifteen percent (15.0%) per annum (the "Default Rate"). The acceptance by the Holder of any payment that is less than the entire amount then due under this Note shall be on account only and shall not constitute a waiver of the obligation of the undersigned to pay such entire amount. The failure of the undersigned to pay the entire amount then due under this Note shall be and continue to be an event of default under this Note, notwithstanding the acceptance by the Holder of less than such entire amount on account, and the Holder shall thereafter, until such entire amount is paid (and notwithstanding acceptance by the Holder thereafter of further sums on account or otherwise), be entitled to exercise all rights and remedies provided for in this Note and under any other agreement entered into in connection with this Note. The acceptance by the Holder of any amount due under this Note after the same is due shall not constitute a waiver of the right to require prompt payment, when due, of all other amounts due under this Note or to declare that an event of default has occurred under this Note with respect to any other amount not paid when due.

4. Default. If any payment required under this Note is not made when due or if the undersigned fails to promptly grant a valid mortgage or trust deed on the residential property to be purchased by the undersigned, if it is purchased by the undersigned, or a material breach under any other agreement entered into in connection with this Note occurs, the entire unpaid principal balance of this Note, together with all accrued but unpaid interest and any late charges due under this Note, shall, at the option of the Holder, become due and payable without presentment, demand, protest or notice of any kind, all of which are expressly waived by the undersigned and all endorsers, guarantors, sureties, accommodation parties and other persons at any time liable for all or any portion of the indebtedness evidenced by this Note, and shall thereafter earn interest, both before and after judgment, at the Default Rate. Any forbearance, failure or delay by the Holder in exercising any right or remedy under this Note or otherwise available to the Holder shall not be deemed to be a waiver of such right or remedy, nor shall any single or partial exercise of any right or remedy preclude the further exercise of such right or remedy. The undersigned shall pay all reasonable costs and expenses incurred by the Holder in connection with the enforcement of this Note (regardless of the particular nature of such costs and expenses and whether incurred before or after the initiation of suit or before or after judgment), including, without limitation, court costs and attorneys'

fees and costs.

5. Security. This Note is secured as provided by a mortgage or trust deed (the "Mortgage") on the undersigned's primary residential property owned by the undersigned or hereafter acquired in Provo, Utah, and the undersigned agrees to execute a trust deed or mortgage on such property in a form acceptable to the Holder. The Holder agrees that the Mortgage shall be subordinate to the trust deed or mortgage securing the primary loan used to finance the purchase of such residential property.

6. Miscellaneous. The undersigned and all endorsers, guarantors, sureties, accommodation parties and other persons at any time liable for all or any portion of the indebtedness evidenced by this Note consent to all extensions of time, renewals, waivers or modifications that may be granted by the Holder with respect to the payment or other provisions of this Note, the release of all or any portion of any security given in connection with this Note, with or without substitution, and the release of any party liable under this Note. If this Note is executed by more than one person, each of such persons shall be jointly and severally liable for all of the obligations evidenced by this Note. Time is of the essence with respect to all obligations of the undersigned under this Note. The unenforceability or invalidity of any provision of this Note shall not affect the enforceability or validity of any other provision of this Note. The terms of this Note shall bind the undersigned and inure to the benefit of the Holder and its respective heirs, successors, assigns and legal representatives. The Holder may, in its sole discretion, assign part or all of its interest under this Note at any time or from time to time. This Note shall be governed by Utah law. This Note, the Pledge Agreement and any other written agreement entered into in connection with this Note are a final expression of the agreement between the Holder and the undersigned and may not be contradicted by evidence of any alleged oral agreement.

THE UNDERSIGNED has executed and delivered this Note on the date set forth below, to be effective as of the date first set forth above.

	GRANT F. PACE
	/s/Grant F. Pace
Date: February 23, 2000	Grant F. Pace
	SUSAN W. PACE
	/s/ Susan W. Pace
Date: February 23, 2000	Susan W. Pace

Schedule A

For purposes of this Note, a change in control shall mean any of the following events that occur during the term of this Note:

(1) An acquisition (other than directly from Nu Skin Enterprises, Inc. (hereinafter the "Company")) of any voting securities of the Company (the "Voting Securities") by any "Person" (as the term person is used for purposes of Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) immediately after which such Person has 'Beneficial Ownership' (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of more than 50% of the combined voting power of the Company's then outstanding Voting Securities; provided, however, in determining whether a Change in Control has occurred, Voting Securities which are acquired in a "Non-Control Acquisition" (as defined below) shall not constitute an acquisition which would cause a Change in Control. A "Non-Control Acquisition" shall mean an acquisition by (A) an employee benefit plan (or a trust forming a part thereof) maintained by (i) the Company or (ii) any corporation or other Person of which a majority of its voting power or its equity securities or equity interest is owned directly or indirectly by the Company (a "Company Subsidiary"), (B) the Company or any Company Subsidiary, (C) any Person in connection with a "Non-Control Transaction" (as defined below), or (D) any holder of the Class B Common Stock of the Company;

(2) Approval by stockholders of the Company of:

(A) A merger, consolidation or reorganization involving the Company, unless

(i) the stockholders of the Company immediately before such merger, consolidation or reorganization own, directly or indirectly, immediately following such merger, consolidation or reorganization, at least fifty percent (50%) of the combined voting power of the outstanding voting securities of the corporation resulting from merger or consolidation or reorganization (the "Surviving Corporation") in substantially the same proportion as their ownership of the Voting Securities immediately before such merger, consolidation or reorganization; or

(ii) the individuals who were members of the Incumbent Board immediately prior to the execution of the agreement providing for such merger, consolidation or reorganization constitute at least two-thirds of the members of the board of directors of the Surviving Corporation; or

(iii) one or more holders of the Class B Common Stock own in the aggregate at least 50% of the combined voting power of the outstanding voting securities of the Surviving Corporation.

A transaction described in clauses (i), (ii) or (iii) shall herein be referred to as a "Non-Control Transaction;"

(B) A complete liquidation or dissolution of the Company; or

(C) An agreement for the sale or other disposition of all or substantially all of the assets of the Company to any Person (other than a transfer to a Company Subsidiary) or to a Company controlled by one or more holders of the Class B Common Stock.

Notwithstanding the foregoing, a Change of Control shall not be deemed to occur solely because any person (the "Subject Person") acquired Beneficial Ownership of more than the permitted amount of the outstanding voting securities as a result of the acquisition of voting securities by the Company which, by reducing the number of voting securities outstanding, increases the proportional number of shares beneficially owned by the Subject Person; provided, however, that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of voting securities by the Company, and after such share acquisition by the Company, the Subject Person becomes the Beneficial Owner of any additional voting securities which increases the percentage of the then outstanding voting securities beneficially owned by the Subject Person, then a Change in Control shall occur.

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