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October 25, 2001

VIA OVERNIGHT MAIL

T-03630A-01-0854

Arizona Corporation Commission
Docket Control Center
1200 West Washington Street
Phoenix, AZ 85007-2996

Re: **Application and Petition of Big Planet, Inc. for a Certificate of Convenience and Necessity to Provide Intrastate Interexchange Telecommunications Service in Arizona and for Competitive Classification of its Services**

Dear Sir or Madam:

Enclosed for filing are an original and ten (10) copies of the Application and Petition of Big Planet, Inc. ("Big Planet") for a Certificate of Convenience and Necessity to Provide Intrastate Interexchange Telecommunications Service in Arizona and for Competitive Classification of its Services (together, "Application").

Please date-stamp the enclosed extra copy of this filing and return it in the attached self-addressed, postage prepaid envelope provided. Should you have any questions concerning this filing, please do not hesitate to contact Zenas Choi (202/295-8375).

Respectfully submitted,

Tony S. Lee

Tony S. Lee

Counsel for Big Planet, Inc.

Enclosures

388114.1

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Nu Skin Enterprises, Inc.
Notes to Consolidated Financial Statements

The purchase prices paid by the affiliated entities for the purchase of product and marketing materials are determined pursuant to the Distribution Agreement between the Company and the affiliated entities. The selling prices to these affiliated entities of products and marketing materials were determined pursuant to the Wholesale Distribution Agreements between the Company and these affiliated entities. Trademark royalty fees and license fees were charged pursuant to the Trademark/Trade Name License Agreement between the Company and these affiliated entities and the Licensing and Sales Agreement between the Company and these affiliated entities, respectively. The independent distributor commission program is managed by the Company. Charges to the affiliated entities were based on a worldwide commission fee of 42% of product revenue, which covers commissions paid to distributors on a worldwide basis and the direct costs of administering the global compensation plan. Management and support services fees were billed to the affiliated entities pursuant to the Management Services Agreement between the Company and the affiliated entities and consisted of all direct expenses incurred by the Company and indirect expenses allocated to the affiliated entities based on the entities' net sales. The sales revenue, royalties, licenses and management fees charged to the affiliated entities prior to the acquisition were recorded as revenue in the consolidated statements of income and totaled $72,691,000 and $13,610,000 for the years ended De

cember 31,
1998 and 1999, respectively.

Notes payable to stockholders

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

Certain relationships with stockholder distributors

Two major stockholders of the Company have been independent di stributors for the Company since 1984. These stockholders are partners in an en tity which receives substantial commissions from the Company, including c ommissions relating to sales within the countries in which the Company ope rates. By agreement, the Company pays commissions to this partnership at the hig hest level of distributor compensation to allow the stockholders to use their exp ertise and reputations in network marketing to further develop the Company's d istributor force, rather than focusing solely on their own distributor organizat ions. The commissions paid to this partnership relating to sales within the co untries in which the Company operates were $800,000, $3,331,000 and $3,368,0 00 for the years ended December 31, 1998, 1999 and 2000, respectively. The incre ase in the 1999 and 2000 commissions paid to this partnership reflects the am ounts paid relating to sales in 1999 and 2000 within the North American countri es and Big Planet, which were not included in the amounts in 1998.

Loan to stockholder

The Company has loaned $5.0 million to a non-management stockho lder. The loan is partly secured by shares of Class B common stock, and m atures in December 2001. Interest accrues at a rate of 6.0% per annum on this loan. The loan balance, including accrued interest, totaled $5.6 million and $6 .0 million at December 31, 1999 and 2000, respectively.

Lease agreements

The Company leases corporate office and warehouse space from two affiliated entities. Total lease payments to these two affiliated entities were $3.0 million, $2.8 million and $2.7 million for the years ended December 31, 1998, 1999 and 2000, respectively.

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Nu Skin Enterprises, Inc.
Notes to Consolidated Financial Statements

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8. Property and Equipment

Property and equipment are comprised of the following (U.S. dollars in thousands):

	December 31,	
	1999	2000
Furniture and fixtures	$ 33,598	$ 35,995
Computers and equipment	64,588	71,377
Leasehold improvements	25,057	23,797
Vehicles	1,414	1,187

	124,657	132,356
Less: accumulated depreciation	(66,709)	(71,794)
	$ 57,948	$ 60,562

Depreciation of property and equipment totaled $11,543,000, $14,148,000 and $16,978,000 for the years ended December 31, 1998, 1999 and 2000, respectively.

9. Other Assets

Other assets consist of the following (U.S. dollars in thousands):

	December 31,	
	1999	2000
Goodwill and intangibles	$198,450	$203,730
Deposits for noncancelable operating leases	10,179	11,837
Distribution rights	8,687	8,750
Deferred taxes	86,341	88,551
Other	15,749	26,063
	319,406	338,931
Less: accumulated amortization	(17,024)	(30,581)
	$302,382	$308,350

Amortization of goodwill and intangible assets totaled $3,248,000, $14,929,000 and $14,934,000 for the years ended December 31, 1998, 1999 and 2000, respectively. Amortization of the distribution rights asset totaled $438,000 for each of the years ended December 31, 1998, 1999 and 2000.

10. Accrued Expenses

Accrued expenses consist of the following (U.S. dollars in thousands):

	December 31,	
	1999	2000
Income taxes payable	$ 18,121	$ 10,756
Accrued commission payments to distributors	39,857	26,425
Other taxes payable	9,385	13,016
Other accruals	47,328	24,002
	$114,691	$ 74,199

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Nu Skin Enterprises, Inc.
Notes to Consolidated Financial Statements

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11. Long-Term Debt

In 1998, the Company and its Japanese subsidiary Nu Skin Japan Co., Ltd. ("Nu Skin Japan") entered into a $180.0 million credit facility with a syndicate of financial institutions. This unsecured credit facility was used to satisfy Company liabilities which were assumed as part of the NSI Acquisition. The Company borrowed $110.0 million and Nu Skin Japan borrowed the Japanese yen equivalent of $70.0 million denominated in local currency. Payments totaling $41.6 million, $14.5 million and $55.7 million were made during 1998, 1999 and 2000, respectively, relating to the $180.0 million credit facility.

On October 12, 2000, the Company refinanced the $87.1 million remaining balance of its existing credit facility with the proceeds of a private placement of $90.0 million of ten-year senior notes (the "Notes") to The Prudential Insurance Company of America. The Notes are denominated in Japanese yen. The

Notes bear interest at an effective rate of 3.03% annually and become due October 2010 with principal payments beginning October 2004. The debt is classified as long-term in the consolidated financial statements as of December 31, 2000. Interest expense relating to the long-term debt totaled $4.7 million, $5.7 million and $4.8 million for the years ended December 31, 1998, 1999 and 2000, respectively.

The Notes contain other terms and conditions and affirmative and negative financial covenants customary for credit facilities of this type. As of December 31, 2000, the Company is in compliance with all financial covenants under the Notes.

During 2000, 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 December 31, 2000.

Maturities of long-term debt at December 31, 2000 are as follows (U.S. dollars in thousands):

Year Ending December 31,	
2001 - 2003	$ --
2004	12,126
2005	12,126
Thereafter	60,632
Total	$ 84,884

12. Lease Obligations

The Company leases office space and computer hardware under non cancelable long-term operating leases. Most leases include renewal options of up to three

years. Minimum future operating lease obligations at December 31, 2000 are as follows (U.S. dollars in thousands):

Year Ending December 31,	
2001	$ 9,300
2002	7,062
2003	4,726
2004	2,754
2005	2,094
Total minimum lease payments	$ 25,936

Rental expense for operating leases totaled $15,969,000, $18,354,000 and $20,683,000 for the years ended December 31, 1998, 1999 and 2000, respectively.

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Nu Skin Enterprises, Inc.
Notes to Consolidated Financial Statements

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13. Capital Stock

The Company's authorized capital stock consists of 25 million shares of preferred stock, par value $.001 per share, 500 million shares of Class A common stock, par value $.001 per share and 100 million shares of Class B common stock, par value $.001 per share. The shares of Class A common stock and Class B common stock are identical in all respects, except for voting rights and certain conversion rights and transfer restrictions, as follows: (1) each share of Class A common stock entitles the holder to one vote on matters submitted to a vote of the Company's stockholders and each share of Class B common stock entitles the

holder to ten votes on each such matter; (2) stock dividends of Class A common stock may be paid only to holders of Class A common stock and stock dividends of Class B common stock may be paid only to holders of Class B common stock; (3) if a holder of Class B common stock transfers such shares to a person other than a permitted transferee, as defined in the Company's Certificate of Incorporation, such shares will be converted automatically into shares of Class A common stock; and (4) Class A common stock has no conversion rights; however, each share of Class B common stock is convertible into one share of Class A common stock, in whole or in part, at any time at the option of the holder.

Weighted average common shares outstanding

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

	Year Ended December 31,		
	1998	1999	2000
Basic weighted average common shares outstanding	84,894	87,081	85,401
Effect of dilutive securities:			
Stock awards and options	2,124	812	241
Diluted weighted average common shares outstanding	87,018	87,893	85,642

Repurchase of common stock

Since August 1998, the board of directors has authorized the Company to repurchase up to $50.0 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 years ended December 31, 1999 and 2000, the Company repurchased approximately 1,364,000 and 1,893,000 shares for an aggregate price of approximately $17.1 million and $12.8 million, respectively. As of December 31, 2000, the Company had repurchased a total of approximately 4,175,000 shares for an aggregate price of approximately $40.0 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.

Conversion of common stock

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

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14. Equity Incentive Plans

During the year ended December 31, 1996, the Company's board of directors adopted the Nu Skin Enterprises, Inc. 1996 Stock Incentive Plan (the "1996 Stock Incentive Plan"). The 1996 Stock Incentive Plan provides for granting of stock awards and options to purchase common stock to executives, other

employees, independent consultants and directors of the Company and its Subsidiaries. As of December 31, 2000, approximately 3.5 million shares were available for grant under this plan.

Effective November 21, 1996, the Company implemented a one-time distributor equity incentive program which provided for grants of options to selected distributors for the purchase of 1,605,000 shares of the Company's Class A common stock. The options are exercisable at a price of $5.75 per share and vested one year from the effective date. The Company recorded distributor stock expense of $19.9 million over the vesting period. As of December 31, 2000, approximately 641,000 of these options had been exercised.

Pursuant to the Pharmanex Acquisition, the Company assumed outstanding options under two stock option plans. The options were converted into the right to purchase approximately 261,000 shares of Class A common stock.

A summary of the Company's stock option plans as of December 31, 1998, 1999 and 2000 and changes during the years then ended, is presented below:

<TABLE>
<CAPTION>

	1998		1999		2000	
	Shares (in 000s)	Weighted Average Exercise Price	Shares (in 000s)	Weighted Average Exercise Price	Shares (in 000s)	Weighted Average Exercise Price
<S>	<C>					

<C> <C> <C>

Outstanding - beginning of year 2,112.3 $ 7.72 3,570.3
$ 10.82 5,071.6 $ 13.53
Granted at fair value 1,890.5 13.87 2,319.1
17.00 1,969.7 7.41
Exercised (394.3) 5.73 (410.2)
5.07 (31.1) 5.59
Forfeited/Canceled (38.2) 10.17 (407.6)
10.17 (1,183.1) 16.04
--- ---

Outstanding - end of year 3,570.3 10.82 5,071.6
13.53 5,827.1 11.01

Options exercisable at year-end 1,948.5 $ 5.92 2,146.2
$ 6.83 2,056.9 $ 9.65
</TABLE>

The following table summarizes information concerning outsta nding and
exercisable options at December 31, 2000:

<TABLE>
<CAPTION>

Options Outstanding				Options Exercisable	
Exercise Price Range	Shares (in 000s)	Weighted Average Exercise Price	Weighted Average Years Remaining	Shares (in 000s)	Weighted Average Exercise Price
<S>	<C>	<C>	<C>	<C>	<C>
$0.92 to $5.75	1,252.2	$ 4.92	5.95	1,229.5	$ 4.94
$6.56 to $11.00	1,996.1	7.43	9.42	21.3	11.00
$12.00 to $16.00	1,447.3	13.55	8.29	449.9	13.61
$17.00 to $28.50	1,131.5	20.80	8.13	356.2	20.84

	5,827.1	11.01	8.14	2,056.9
9.65				

</TABLE>

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Nu Skin Enterprises, Inc.
Notes to Consolidated Financial Statements

The Company accounts for stock-based compensation in accordance with the provisions of APB 25. The Company recorded expense in the amount of $220,000, $579,000 and $703,000 in 1998, 1999 and 2000, respectively, in connection with options granted under the Company's equity incentive plans. As of December 31, 2000, approximately $747,000 remains to be amortized over the remaining vesting periods of the options. Had compensation expense been determined based on the fair value at the grant dates as prescribed in SFAS 123, the Company's results for the years ended December 31 would have been as follows:

	1998	1999	2000
Pro forma net income (in 000s)	$ 103,023	$ 84,456	$ 52,430
Pro forma earnings per share:			
Basic	$ 1.21	$ 0.97	$ 0.61
Diluted	$ 1.18	$ 0.97	$ 0.61

The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions:

	1998	1999	2000
Risk-free interest rate	4.5%	6.8%	6.2%
Expected life	3.4 years	2.7 years	4.0 years
Expected volatility	48.0%	80.0%	85.0%
Expected dividend yield	--	--	--

The weighted-average grant date fair values of options granted during 1998, 1999 and 2000 were $7.88, $10.56 and $4.72, respectively.

Since the Company's initial public offering in 1996, the Company has granted stock awards of its Class A common stock to employees. In total, approximately 686,000 shares were issued in this program, and the awards vested ratably over a one to four year period. The Company recorded compensation expense of $1.2 million and $2.7 million for the years ended December 31, 1998 and 1999, respectively, and the remaining compensation expense of $2.8 million for the year ended December 31, 2000 relating to these stock awards.

Effective February 1, 2000, the Company's board of directors adopted the Employee Stock Purchase Plan (the "Purchase Plan"), which provides for the issuance of a maximum of 200,000 shares of Class A common stock. Eligible employees can have up to 15% of their earnings withheld, up to certain maximums, to be used to purchase shares of the Company's Class A common stock on every April 30th, July 31st, October 31st or January 31st (the "Purchase Date"). The price of the Class A common stock purchased under the Purchase Plan will be equal to 85% of the lower of the fair market value of the Class A common stock on the commencement date of each three month offering period or Purchase Date. During 2000, approximately 20,000 shares were purchased at prices ra

nging from
$4.62 to $7.75 per share. At December 31, 2000, approximately 180,0
00 shares
were available under the Purchase Plan for future issuance.

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Nu Skin Enterprises, Inc.
Notes to Consolidated Financial Statements
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15. Income Taxes

Consolidated income before provision for income taxes consists of income
earned primarily from international operations. The provision for c
urrent and
deferred taxes for the years ended December 31, 1998, 1999 and 2000 c
onsists of
the following (U.S. dollars in thousands):

	1998	1999	2000
Current			
Federal	$ 3,695	$ 3,030	$ 1,677
State	3,580	3,030	1,589
Foreign	72,317	56,165	36,503
	79,592	62,225	39,769
Deferred			
Federal	(10,712)	(19,008)	4,337
State	(48)	(215)	836
Foreign	947	(1,260)	(10,236)
Change in tax status	(6,939)	--	--
Provision for income taxes	$ 62,840	$ 41,742	$ 34,706

Prior to the reorganization of the initial companies to form t
he Company
(the "Reorganization") and the NSI Acquisition described in Notes 3
and 7, the
Subsidiaries elected to be taxed as S corporations whereby the i
ncome tax

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

The principal components of deferred tax assets are as follows (U.S. dollars in thousands):

<TABLE>
<CAPTION>

	December 31, 2000	December 31, 1999
<S>	<C>	<C>
Deferred tax assets:		
Inventory differences	$ 5,164	$ 12,224
Foreign tax credit	60,278	40,503
Distributor stock options and employee stock awards	6,723	5,261
Capitalized legal and professional	1,427	2,570
Accrued expenses not deductible until paid	14,154	12,632
Withholding tax	2,142	8,897
Minimum tax credit	10,739	10,264
Net operating losses	7,096	11,017
Total deferred tax assets		103,36

8 107,723

- ---

Deferred tax liabilities:

Foreign deferred tax	11,65
7 14,816	
Exchange gains and losses	3,56
6 5,880	
Cost of goods sold adjustment	-
- 3,220	
Pharmanex intangibles step-up	21,11
6 18,880	
Other	4,06
7 6,149	
Total deferred tax liabilities	40,40
6 48,945	
Valuation allowance	-
- --	
Deferred taxes, net	$ 62,96
2 $ 58,778	

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</TABLE>

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Nu Skin Enterprises, Inc.
Notes to Consolidated Financial Statements

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The consolidated statements of income include a pro forma presentation for income taxes, including the effect on minority interest, which would have been recorded if the Company's Subsidiaries had been taxed as C corporations for all periods presented. A reconciliationof the Company's pro forma effective tax rate

for the year ended December 31, 1998 and the actual tax rate for the years ended December 31, 1999 and 2000 compared to the statutory U.S. Federal tax rate is as follows:

	Year Ended December 31,		
	1998	1999	2000
Income taxes at statutory rate	35.00%	35.00%	35.00%
Foreign tax credit limitation (benefit)	4.40	(7.77)	--
Cumulative effect of change in tax status	(4.09)	--	--
Pharmanex in-process research and development	2.80	--	--
Non-deductible expenses	.83	1.72	1.92
Branch remittance gains and losses	(1.38)	3.78	(.03)
Other	(.56)	(.23)	(.89)
	37.00%	32.50%	36.00%

16. Employee Benefit Plan

The Company has a 401(k) defined contribution plan which permits participating employees to defer up to a maximum of 15% of their compensation, subject to limitations established by the Internal Revenue Code. Employees who work a minimum of 1,000 hours per year, who have completed at least one year of service and who are 21 years of age or older are qualified to participate in the

plan. The Company matches 100% of the first 2% and 50% of the next 2% of each participant's contributions to the plan. Participant contributions are immediately vested. Company contributions vest based on the participant's years of service at 25% per year over four years. The Company's contribution totaled $829,000, $910,000 and $979,000 for the years ended December 31, 1998, 1999 and 2000, respectively.

17. Derivative Financial Instruments

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

At December 31, 1999 and 2000, the Company held foreign currency forward contracts with notional amounts totaling approximately $31.1 million and $28.9 million, respectively, to hedge foreign currency items. These contracts do not qualify as hedging transactions and, accordingly, have been marked to market. The net gain on foreign currency forward contracts was $2.6 million for the year

ended December 31, 1998, the net loss on foreign currency forward contracts was $0.3 million for the year ended December 31, 1999 and the net gain on foreign currency forward contracts was $4.5 million for the year ended December 31, 2000. These contracts at December 31, 2000 have maturities through July 2001.

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Nu Skin Enterprises, Inc.
Notes to Consolidated Financial Statements
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18. Supplemental Cash Flow Information

Cash paid for interest totaled $3,731,000, $5,714,000 and $4,194,000 for the years ended December 31, 1998, 1999 and 2000, respectively. Cash paid for income taxes totaled $77,271,000, $76,596,000 and $30,860,000 for the years ended December 31, 1998, 1999 and 2000, respectively.

Noncash investing and financing activities

For the year ended December 31, 1998, noncash investing and financing activities were as follows: (1) $37.6 million distribution to the stockholders of the Acquired Entities (Note 3). (2) Purchase of Acquired Entities for $70.0 million in Preferred Stock and $6.2 million in long-term notes payable. Net assets acquired totaled $90.4 million and assumed liabilities totaled $171.3 (Note 3). (3) $25.0 million in contingent consideration issued to the NSI Stockholders. $8.8 million of the contingent payment was recorded as an increase in intangible assets and $16.2 million of the contingent payment was recorded as a reduction of stockholders' equity (Notes 3 and 7). (4) Purchase of

Pharmanex for $77.6 million in Class A common stock and $0.2 million in cash. Net assets acquired totaled $3.6 million and assumed liabilities totaled $34.0 million (Note 4).

For the year ended December 31, 1999, noncash investing and financing activities included the purchase of Big Planet for $29.2 million of which $14.6 million consisted of a note payable (Note 6).

19. Segment Information

As described in Note 1, the Company's operations throughout the world are divided into four reportable segments: North Asia, North America, 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 four segments is set forth below (U.S. dollars in thousands):

<TABLE>
<CAPTION>

	Year Ended December 31,		
	1998	1999	2000
<S>	<C>	<C>	<C>
Revenue			
North Asia	$ 665,523	$ 619,283	$ 585,373
North America	280,115	320,630	386,498
Southeast Asia	320,606	265,604	271,246
Other Markets	15,616	16,960	19,075
Eliminations	(368,366)	(328,228)	(382,434)
Totals	$ 913,494	$ 894,249	$ 879,758

Year Ended December 31,

	1998	1999	2000
Operating Income			
North Asia	$ 89,075	$ 84,396	$ 42,331
North America	55,051	12,457	18,708
Southeast Asia	19,385	31,922	27,001
Other Markets	(8,057)	(6,924)	(7,295)
Eliminations	785	7,996	9,668
Totals	$ 156,239	$ 129,847	$ 90,413

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Nu Skin Enterprises, Inc.
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	December 31,	
	1999	2000
Total Assets		
North Asia	$ 116,918	$ 83,941
North America	508,825	471,221
Southeast Asia	111,204	76,279
Other Markets	12,007	13,039
Eliminations	(105,739)	(53,677)
Totals	$ 643,215	$ 590,803

</TABLE>

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

Revenue

Revenue from the Company's operations in Japan totaled $654,168, $602,411 and $554,210 for the years ended December 31, 1998, 1999 and 2000, respectively.
Revenue from the Company's operations in Taiwan totaled $119,511, $1

03,581 and
$83,436 for the years ended December 31, 1998, 1999 and 2000, respectively.
Revenue from the Company's operations in the United States (which includes
intercompany revenue) totaled $280,115, $316,128 and $380,785 for the years
ended December 31, 1998, 1999 and 2000, respectively.

Long-lived assets

Long-lived assets in Japan were $29,314 and $23,782 as of December 31, 1999
and 2000, respectively. Long-lived assets in Taiwan were $3,381 and $3,235 as of
December 31, 1999 and 2000, respectively. Long-lived assets in the United States
were $310,255 and $313,415 as of December 31, 1999 and 2000, respectively.

20. Commitments and Contingencies

The Company is subject to governmental regulations pertaining to product
formulation, labeling and packaging, product claims and advertising and to the
Company's direct selling system. The Company is also subject to the jurisdiction
of numerous foreign tax authorities. Any assertions or determination that either
the Company or the Company's distributors is not in compliance with existing
statutes, laws, rules or regulations could potentially have a material adverse
effect on the Company's operations. In addition, in any country or jurisdiction,
the adoption of new statutes, laws, rules or regulations or changes in the
interpretation of existing statutes, laws, rules or regulations could have a
material adverse effect on the Company and its operations. Although management
believes that the Company is in compliance, in all material respects, with the
statutes, laws, rules and regulations of every jurisdiction in which it
operates, no assurance can be given that the Company's compliance with

applicable statutes, laws, rules and regulations will not be challenged by foreign authorities or that such challenges will not have a material adverse effect on the Company's financial position or results of operations or cash flows.

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MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

COMMON STOCK. The Company's Class A common stock is listed on the New York Stock Exchange ("NYSE") and trades under the symbol "NUS". The Company's Class B common stock has no established trading market. The following table is based upon information available to the Company and sets forth the range of the high and low sales prices for the Company's Class A common stock for the quarterly periods during 1999 and 2000 based upon quotations on the NYSE.

Quarter Ended	High	Low
March 31, 1999	$ 25.25	$ 17.75
June 30, 1999	22.88	15.50
September 30, 1999	22.00	10.69
December 31, 1999	14.63	8.50

Quarter Ended	High	Low
March 31, 2000	$ 10.38	$ 7.88
June 30, 2000	8.25	5.75
September 30, 2000	7.50	5.50
December 31, 2000	6.75	4.25

The market price of the Company's Class A common stock is subject to significant fluctuations in response to variations in the Company's quarterly operating results, general trends in the market for the Company's products and

product candidates, economic and currency exchange issues in the foreign markets in which the Company operates and other factors, many of which are not within the control of the Company. In addition, broad market fluctuations, as well as general economic, business and political conditions, may adversely affect the market for the Company's Class A common stock, regardless of the Company's actual or projected performance.

The closing price of the Company's Class A common stock on March 9, 2001 was $8.01. The approximate number of holders of record of the Company's Class A common stock and Class B common stock as of March 9, 2001 was 896 and 57, respectively. This number of record holders does not represent the actual number of beneficial owners of shares of the Company's Class A common stock because shares are frequently held in "street name" by securities dealers and others for the benefit of individual owners who have the right to vote their shares.

In February 2001, the board of directors authorized the Company to declare a quarterly cash dividend of $0.05 per share for all classes of common stock. This initial quarterly cash dividend was be paid on March 28, 2001, to stockholders of record on March 12, 2001. Management believes that cash flows from operations will be sufficient to fund this and future dividend payments.

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<TEXT>

EXHIBIT 21

Subsidiaries of Registrant

Nu Family Benefits Insurance Brokerage, Inc., a Utah corporation

Nu Skin Argentina, Inc., a Utah corporation with an Argentina branch

Nu Skin Asia Investment, Inc., a Delaware corporation

Nu Skin Australia, Inc., a Utah corporation

Nu Skin Belgium, NV, a Belgium corporation

Big Planet, Inc., a Delaware corporation

Nu Skin Brazil, Ltda., a Brazil corporation

Nu Skin Canada, Inc., a Utah corporation

Cedar Meadows LLC, a Utah limited liability company

Nu Skin Chile, S.A., a Chilean corporation

Cygnus Resources, Inc., a Delaware corporation

NSE Domain, Ltd., a Cayman Island corporation

Nu Skin Domain, Ltd., a Cayman Island corporation

Nu Skin Enterprises Singapore Pte. Ltd., a Singapore corporation

Nu Skin Europe, Inc., a Delaware corporation

Nu Skin France, SARL, a French corporation

Nu Skin (FCS), Inc., a Barbados corporation

Nu Skin Germany, GmbH, a German corporation

Nu Skin Guatemala, Inc., a Delaware corporation

NSE Hong Kong, Inc., a Utah corporation

Nu Skin International, Inc., a Utah corporation

Nu Skin International Management Group, Inc., a Utah corporation

Nu Skin Italy, Srl, an Italy corporation

Nu Skin Japan Company Limited, a Japanese corporation

Nu Skin Japan, Limited, a Japanese corporation

NSE Korea, Ltd., a Delaware corporation

<PAGE>

NSE Korea, Ltd., a Korean corporation

Nu Skin Mexico, Inc., a Delaware corporation

Nu Skin Netherlands, B.V., a Netherlands corporation

Nu Skin New Zealand, Inc., a Utah corporation

Pharmanex,LLC, a Delaware limited liability company

Pharmanex Domain, Ltd., a Cayman Island corporation

Nu Skin Philippines, Inc., a Delaware corporation with a Philippines b ranch

Nu Skin Poland Sp. z o.o., a Poland corporation

Sage Acquisition Corporation, a Delaware corporation

Nu Skin Scandinavia A.S., a Denmark corporation

Shanghai Harmony, Chinese joint venture company

Nu Skin Spain, S.L., a Spain corporation

Nu Skin Taiwan, Inc., a Utah corporation

Nu Skin Personal Care (Thailand), Ltd., a Delaware corporation

Nu Skin Personal Care (Thailand), Ltd., a Thailand corporation

Nu Skin U.K., Ltd., a United Kingdom corporation

Nu Skin United States, Inc., a Delaware corporation

Zhejiang Cinogen Pharmaceutical Co., Ltd., a Sino-American joint ventu re

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CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Re gistration
Statement on Form S-3 (No. 333-12073) and in the Registration Statemen ts on Form
S-8 (Nos. 333-48611, 333-68407, and 333-95033) of Nu Skin Enterprises , Inc. of
our report dated February 12, 2001 relating to the financial statemen ts, which
appears in the Annual Report to Stockholders, which is incorporate d in this
Annual Report on Form 10-K.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Salt Lake City, Utah
March 26, 2001
</TEXT>
</DOCUMENT>
</SEC-DOCUMENT>
-----END PRIVACY-ENHANCED MESSAGE-----

ATTACHMENT E

PARENT COMPANY STATEMENT

PARENT COMPANY STATEMENT

Nu Skin Enterprises, Inc. hereby guarantees the financial obligations of Big Planet, Inc. ("Big Planet") in providing financial backing for Big Planet liabilities and obligations incurred in its course of reselling services, as applied for in this application. Nu Skin Enterprises, Inc. also guarantees the repayment of customers' advances, prepayments, or deposits held by Big Planet if, for some reason, Big Planet cannot provide services or repay the deposits.

(Signature of Authorized Representative)

9/4/01
(Date)

Truman Hunt
(Print Name of Authorized Representative)

Chief General Counsel
(Title)

Nu Skin Enterprises, Inc.

STATE OF UTAH)
) ss:
COUNTY OF)

The above-named Truman Hunt appeared before me today and swore that he/she is the Chief General Counsel of Nu Skin Enterprises, Inc., and that he/she is duly authorized by it to execute the foregoing Guaranty on its behalf.

Subscribed and sworn to before me this 4 day of Sept., 2001.

Shauna Mills
Notary Public

SHAUNA MILLS
NOTARY PUBLIC • STATE of UTAH
726 TOMAHAWK DRIVE
PAYSON UTAH 84651
COMM. EXP. 9-4-2002

My Commission expires: 9/4/02

ATTACHMENT F

MANAGERIAL AND TECHNICAL QUALIFICATIONS OF BIG PLANET'S KEY PERSONNEL

MANAGERIAL AND TECHNICAL QUALIFICATIONS OF BIG PLANET'S KEY PERSONNEL

As a growing provider of telecommunications services, Big Planet is technically qualified to provide resold interexchange services throughout the State of Arizona. To begin with, Big Planet's officers have extensive managerial, financial and technical telecommunications experience. Moreover, Big Planet has already been authorized to provide its telecommunications services by several jurisdictions throughout the United States.

Richard King, President

Before joining Big Planet, Mr. King was an Executive Vice President at Novell, Inc. where he was responsible for the development and marketing of NetWare, the Company's flagship product with revenues of over $1.2 billion, and managed the largest Novell business unit of over 1100 people. Richard delivered over $500 million in EBITDA results year over year while at Novell. Mr. King spent over 11 years at Novell, the network software leader, in development and general management positions. During his tenure, Mr. King managed all areas of the business, including operations, development, support and finance. Richard was instrumental in the sale of UnixWare to SCO Corporation and several other key product acquisitions and sales. He was also president and CEO of Night Technologies, a multi-media computer company focused on the recording, broadcast, and film markets. He has been in the computer industry for over 15 years. Mr. King has a BS in Computer Science from Brigham Young University.

Jack Peterson, Chief Operating Officer

Mr. Peterson was the vice president and general manager at 2021 Interactive, the leading software provider to the network marketing industry. Mr. Peterson joined 2021 in 1990 when the network marketing industry began to flourish due to technological advances. While at 2021, Mr. Peterson lead the development of the Nu Skin VIP system. Before that, Mr. Peterson was an investment executive with Piper Jaffray. He studied business management at Brigham Young University.

Michael Anderson, Vice President of Products and Services

Prior to joining Big Planet, Mr. Anderson was founder, chairman and CEO of Big Planet, the Portland, Oregon based Internet Service Provider that was acquired to start the new Utah-based Big Planet. Previously, Mr. Anderson was Vice President of Product Development for GST Telecom, a major telecommunications firm specializing in broadband access, long distance, Internet and CLEC services, and also Vice President of GST Internet. He also has additional telecommunications and management experience at AT&T and MCI. While at GST, Michael significantly increased the Company's product revenues and lead initiatives to acquire several key companies for GST. His sales team at AT&T were among the top for two years, increasing revenues by over 55%. He is a

charter and steering committee member of the Internet Service Provider Business Forum and chairs the product committee. Mr. Anderson holds a BA from the University of Washington and received additional training through AT&T School of Business and the MBA program at the University of Portland.

Kevin Doman, Vice President of Business Development

Mr. Doman was integral in researching technology opportunities for Nu Skin leading up to the establishment of Big Planet. He spent the last several years focused on telecommunications including wireless network systems and smart card technologies with Honeywell Bull. Before that, Mr. Doman spent three years with Paine Webber on the trading floor of Wall Street. Mr. Doman has a BS from Brigham Young University and an MBA from New York University, with emphasis on international business and information technology.

Scott E. Schwerdt, Vice President of Strategy & Planning

Mr. Schwerdt earned a B.A. degree in International Relations at Brigham Young University in 1984. Between 1984 and 1988, Mr. Schwerdt was the Senior Resource Manager at the Department of Defense in Washington, D.C. He joined Nu Skin in 1988 as a Communications Representative, and in December 1989, he became Director of Distributor Service.

Scott Nelson, Vice President of Marketing

Mr. Nelson brings over twelve years of marketing and sales experience to Big Planet. He spent ten years at WordPerfect and Novell where he directed all marketing activities for the Business Applications Division and WordPerfect product lines on a global basis. In addition, he successfully launched Novell into the competitive office suite market with PerfectOffice and gained a 25 percent market share. The launch of PerfectOffice was recognized by the Software Publishers Association as one of the most successful integrated product launch campaigns in 1995. Most recently, he served as Vice President of marketing for Century Software. He holds a Bachelors degree from Brigham Young University in Marketing and Finance.

Joe Ford, Vice President of Customer Service and Quality Assurance

Mr. Ford was Vice President of Development for 2021 Interactive, a leading software provider to the network marketing industry, before joining Big Planet. Mr. Ford has over 15 years experience in large scale application design and development, including development and integration of applications for dozens of MLM companies around the world. His other prior experience includes being Vice President of Operations for Castle Systems and MIS Manager for the Boyd Martin Company. Mr. Ford graduated from the US Army Officer candidate school number one in his class with presidential honors.

ATTACHMENT G

LETTER FROM THE NEW MEXICO PUBLIC REGULATION COMMISSION

NEW MEXICO PUBLIC REGULATION COMMISSION

COMMISSIONERS

DISTRICT 1 HERB H. HUGHES, VICE-CHAIRMAN
DISTRICT 2 BILL POPE
DISTRICT 3 JEROME D. BLOCK
DISTRICT 4 LYNDA M. LOVEJOY
DISTRICT 5 TONY SCHAEFER, CHAIRMAN

1120 Paseo de Peralta
P.O. Box 1269
Santa Fe, NM 87504

LEGAL DIVISION

Phone: (505) 827-4588
Fax: (505) 827-4417

March 9, 2001

Mr. Tony S. Lee
Counsel to Big Planet, Inc.
Swidler, Berlin, Shereff, Friedman, LLP
3000 K Street NW, Suite 300
Washington, D.C. 2007-5116

RE: Docket No. 98-500-TC
Application of Big Planet, Inc.

Dear Mr. Lee:

On behalf of the Staff of the Telecommunications Bureau of the Utility Division ("Staff") of the New Mexico Public Regulation Commission ("Commission"), I write to return as rejected the Application of Big Planet, Inc. for a Certificate of Registration to Provide Resold Intrastate Long Distance Telecommunications Services within the State of New Mexico ("Application") that is pending before the Commission in Docket No. 98-500-TC. Staff has rejected the Application because it is incomplete.

I also write to encourage Big Planet, Inc.to reapply for a Certificate of Registration to Provide Intrastate Long Distance Telecommunications Services in New Mexico ("Certificate of Registration") pursuant to the Commission's new rule for intrastate long distance providers, 17.11.21 NMAC, Expedited Procedures for Intrastate Long Distance Providers, which went into effect on January 1, 2001. I have enclosed a copy of this rule.

On September 14, 1998, Big Planet, Inc. filed its Application with the Commission. On April 12, 1999 Staff forwarded Big Planet, Inc. a letter that stated that its Application was incomplete and directed it to submit specific information in order to complete its Application. Staff records indicate that Big Planet, Inc.did not complete its Application as directed by Staff. Within the past two weeks, Staff phoned Big Planet, Inc. to inquire if it wanted to pursue its pending Application with the Commission. As of today's date, Staff has not heard back from Big Planet, Inc.regarding this matter.

On January 1, 2001, Commission Rule 17.11.21 NMAC went into effect. This rule prescribes the current Commission procedures for granting Certificates of Registration to intrastate long distance providers. This rule applied to all applications for Certificates of Registration that were pending as of the effective date of the rule and requires Staff to return applications as rejected if they are incomplete. Because Big Planet, Inc.'s Application was pending as of the effective date of 17.11.21 NMAC and remains incomplete, Staff has rejected it without prejudice pursuant to 17.11.21.12 NMAC. Again, Staff encourages Big Planet, Inc. to reapply for a Certificate of Registration.

Lastly, because Staff has rejected Big Planet, Inc.'s Application, Staff plans to file a motion to close Docket No. 98-500-TC, a copy of which will be forwarded to you for your records. If you have any questions regarding this matter, please phone. A copy of this letter will be placed in Docket No. 98-500-TC for the Commission's records.

Very truly yours,

Ruby Rohrs,
Administrative Assistant
Telecommunications Bureau

Enclosure

cc: Dollie S. King
Consultant to Big Planet, Inc.
Professional Certification Services International
500 Grapevine HWY, Suite 300
Hurst, Texas 76054

Michael Anderson, Vice President
Big Planet, Inc.
75 West Center Street
Provo, Utah 84601

ATTACHMENT H

Petition of Big Planet, Inc.
for Competitive Classification

BEFORE THE ARIZONA CORPORATION COMMISSION

In the Matter of the Application and Petition of	)	
	)	
Big Planet, Inc.	)	Docket No. _____
	)	
For a Certificate of Convenience and Necessity	)	
to Provide Resold Interexchange	)	
Telecommunications Service	)	
Within the State of Arizona	)	
	)	

Petition of Big Planet, Inc. for Competitive Classification

Petitioner, Big Planet, Inc. (hereinafter "Big Planet" or "Petitioner"), a Delaware corporation, hereby files this Petition for classification of its proposed services as competitive as part of its Application for a Certificate of Convenience and Necessity ("CCN") to Provide Resold Interexchange Telecommunications Service in Arizona.

I. INTRODUCTION

The Commission's rules require that an applicant seeking to provide competitive telecommunications services shall, as part of its Application, "petition the Commission for a determination that the service being provided or to be provided is competitive." A.A.C. R14-2-1105.B. Pursuant to A.A.C. R14-2-1108, the Petition must set forth the conditions within the relevant market that demonstrate that the telecommunications service is competitive, providing, at a minimum, the following information:

1. A description of the general economic conditions that exist which make the relevant market for the service one that is competitive;

2. The number of alternative providers of the service;

3. The estimated market share held by each alternative provider of the service;

4. The names and addresses of any alternative providers of the service that are also affiliates of the telecommunications company, as defined in R14-2-801;

5. The ability of alternative providers to make functionally equivalent or substitute services readily available at competitive rates, terms, and conditions; and

6. Other indicators of market power, which may include growth and shifts in market share, ease of entry and exit, and any affiliation between and among alternative providers of the services.[1]

II. MARKET CONDITIONS RENDERING BIG PLANET'S SERVICES COMPETITIVE

In this section, Big Planet addresses each of these indicators of market power separately.

1. Description of General Economic Conditions

The relevant product market that Big Planet will enter is the market for resold interexchange telecommunications services in Arizona. The relevant geographic market is the Arizona exchanges in which numerous interexchange telecommunications carriers provide interexchange service. This market currently is not dominated by any carrier and, therefore, Big Planet will face stiff competition from the numerous interexchange carriers presently providing interexchange telecommunications services in Arizona.

---

[1] *See* R14-2-1108(B). Big Planet understands that, if its Petition is approved, the provision of these services by Big Planet will be declared competitive.

2. **Number of Alternative Providers of the Service**

As discussed above, there are numerous providers of interexchange telecommunications services in Arizona.

3. **Estimated Market Share Of Each Alternative Provider**

The estimated market share of each interexchange carrier is ever-changing and the constant addition of new competitive carriers makes any estimation of present market share difficult to determine. The largest three interexchange carriers (AT&T, MCI WorldCom and Sprint) together control a large portion of the relevant market while the smaller interexchange carriers control the remaining portions.

4. **Affiliated Alternative Providers of the Service**

Big Planet does not have any affiliated alternative providers that currently provide interexchange telecommunications service in the relevant market.

5. **Ability of Alternative Providers to Make Functionally Equivalent or Substitute Services Readily Available at Competitive Rates, Terms, and Conditions**

The market for interexchange telecommunications services in Arizona is a highly competitive market in which carriers are constantly providing substituted services at competitive rates and terms in order to gain and retain customers. Carriers are constantly adapting their offerings in reaction to the increasing demand for interexchange telecommunications services and the competitive offerings of other interexchange telecommunications providers. The ability of carriers to provide functionally equivalent or substitute services remains vital to their ability to compete in the highly competitive Arizona interexchange telecommunications marketplace. Thus, the numerous alternative providers of interexchange telecommunications services in Arizona have the ability to

make functionally equivalent or substitute services readily available at competitive rates, terms, and conditions.

III. CONCLUSION

WHEREFORE, For the foregoing reasons, Big Planet, Inc. respectfully petitions the Commission to classify Big Planet's proposed services as competitive.

Respectfully submitted,

Tony S. Lee
Swidler Berlin Shereff Friedman, LLP
3000 K Street, NW, Suite 300
Washington, D.C. 20007
Telephone: 202/424-7500
Facsimile: 202/424-7645

Counsel for Big Planet, Inc.

Dated: October __, 2001

FORM B

ARIZONA CORPORATION COMMISSION

Application and Petition for Certificate of Convenience and Necessity to Provide Intrastate Interexchange Services as a Reseller

Mail original plus 10 copies of completed application to:

Docket Control Center
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007-2927

If you have current applications pending in Arizona as an Interexchange reseller, AOS provider, or as the provider of other telecommunication services.

Type of Service: N/A
Docket No.: _____ Date: _____

Type of Service: N/A
Docket No.: _____ Date: _____

For Docket Control Only:
(Please Stamp Here)

Docket No. _____

Date Docketed _____

A. Company and Telecommunications Service Information
(A-1) The name, address, and telephone number (including area code) of the Applicant: Big Planet, Inc. 75 West Center Street Provo, Utah 84601 801/345-7000
(A-2) If doing business (d/b/a) under a name other than the Applicant's name listed above, specify: None.
(A-3) The name. address, telephone number, facsimile number, and Email address of the management contact: Scott Farnsworth 75 West Center Street Provo, Utah 84601 801/345-7000 (tel.) 801/345-1299 (fax) scottf@bigplanet.net

(A-4) The name, address, telephone number, facsimile number, and Email address of the Attorney and/or Consultant, if any, representing the Applicant:

Tony S. Lee
Swidler Berlin Shereff Friedman, LLP
3000 K Street, N.W., Suite 300
Washington, D.C. 20007
202/424-7798 (tel)
202/424-7645 (fax)
TSLee@swidlaw.com

(A-5) What type of legal entity is the Applicant'?

Sole proprietorship

Partnership: _____limited,_____ general,_____ Arizona, _____Foreign

Limited liability company

Corporation: _____"S", _____ "C", _____non-profit, _____Arizona, X Foreign

Other, specify:

(A-6) Include Attachment "A". Attachment "A" must include a copy of the Applicant's authority to transact business in the State of Arizona, as well as a list of the names of all owners, partners, limited liability company managers, or corporation officers and directors (specify), and indicate percentages of ownership.

Please see Attachment A.

(A-7) (a) Is your company currently reselling telecommunication services in Arizona? If "yes", provide the date or the approximate date that you began reselling service in Arizona.

Yes. March 2000.

(b) If the answer to question (a) is "yes", identify the types of telecommunications services you resell; whether operator services are provided or resold and whether they are provided or resold to traffic aggregators (as defined in A.A.C. Rule R14-2-1001(3), a copy of which is attached) (there is no copy of this attached); the number of customers in Arizona for each type of service; and the total number of intrastate minutes resold in the latest 12 month period for which data is available. Note: The Commission rules require that a separate CC&N, issued under Article 10. be obtained in order to provide operator services to traffic aggregators.

Big Planet resells long distance service in Arizona, with approximately 192 customers. The total number of intrastate minutes resold for the time period of March 2000-December 2000 is approximately 321,609 minutes. Upon request, Big Planet will furnish data for the calendar year 2001 as such information becomes available.

(c) If the answer to question (a). is " no", when does your company plan to begin reselling service in Arizona?

(A-8) Include Attachment "B." Attachment "B", your proposed tariff, must include proposed rates and charges for each service to be provided. State the tariff (maximum) rate as well as the price to be charged, and state other terms and conditions, including deposits, that will apply to provision of the service(s) by your company.

Please see Attachment B.

The Arizona Corporation Commission provides pricing flexibility by allowing competitive telecommunications service companies to price their services at levels equal to or below the tariff (maximum) rates. The prices to be charged by the company are filed with the Commission in the form of price lists.

Note: Price list rate changes that result in rates that are lower than the tariff rate are effective upon concurrent notice to the Commission (see Rule R14-2-1109 (B)(2)). See Rule R14-2-1110 for procedures to make price list changes that result in rates that are higher than the tariff rate.

(A-9) The geographic market to be served is:

√ Statewide.

Other. Describe the area.

(A-10)

(a) List the states in which you currently offer services similar to those you intend to resell in Arizona.

Big Planet currently offers services similar to those it intends to resell in all states except Alaska and New Mexico.

(b) List the states in which you have been approved to offer services similar to those you intend to resell in Arizona.

Big Planet is currently approved to offer services similar to those it intends to resell in all states except Alaska and New Mexico.

(A-11) Provide the name, address, and telephone number of the company's complaint contact person.

Scott Farnsworth
75 West Center Street
Provo, Utah 84601
1-800-211-6500

(A-12) Provide a list of states in which you have sought authority to resell telecommunications services and were either granted the authority with major changes and conditions, or had grant your application for those services denied. For each state listed, provide a copy of the Commission's decision modifying or denying your application for authority to provide telecommunications services.

Big Planet was denied authority to provide service in New Mexico for failure to prosecute the application. However, the company was encouraged by the New Mexico Public Regulation Commission ("PRC") to apply for certification again. Big Planet is currently seeking certification in New Mexico in response to the New Mexico PRC's invitation to resubmit its application. A copy of the New Mexico PRC's letter is attached hereto as Attachment G.

(A-13) Has the company been granted authority to provide or resell telecommunications services in any state where subsequently the authority was revoked? If "yes", provide copies of the State Regulatory Commission's decision revoking its authority.

No.

(A-14) Has the company been or is the company currently involved in any formal complaint proceedings before any State or Federal Regulatory Commission? If "yes", in which states is the company involved in proceedings and what is the substance of these complaints? Also, provide copies of Commission orders that have resolved any of these complaints.

No.

(A-1 5) Has the Applicant been involved in any civil or criminal investigations related to the delivery of telecommunications services within the last five years? If "yes", in which states has the Applicant been involved in investigations and why is the Applicant being investigated?

No.

(A-16) Has the Applicant had judgment entered against it in any civil matter or been convicted of criminal acts related to the delivery of telecommunications services within the last five years?. If yes, list the states where judgment or conviction was entered and provide a copy of the court order.

No.

B. Technical Information

(B-1) If your company is a switchless reseller, provide the name of the company or companies whose services you resell and skip to question (B-2). If you are not a switchless reseller, complete the remainder of this section.

Big Planet intends to resell the services of the incumbent local exchange carrier(s) and/or other carriers as market conditions warrant. Big Planet intends to provide resold intrastate interexchange telecommunications services by purchasing or leasing network elements and/or wholesale services from other carriers.

Include Attachment "C". Attachment C should provide the following information: A diagram of the Applicant's basic call network used to complete Arizona intrastate telecommunications traffic. This diagram should show how a typical call is routed in both its originating and terminating ends (i.e. show the access network and call completion network).

Also include on the diagram the carrier(s) used for each major network component and indicate if the carrier is facilities-based or not. If the carrier is not facilities-based, indicate who owns the facilities (within the State of Arizona) that are used to originate and terminate the Applicant's intrastate telecommunications traffic (i.e. provide a list of the Arizona facilities-based long distance carriers whose facilities are used to complete the Applicant's intrastate traffic).

(B-2) Will your customers be able to access alternative toll service providers or resellers via 1+ or 10 1XXXX access, if your system becomes non-operational?

Yes, to the extent that the company provides non-optional dial tone services to end users.

C. Financial Information

(C-1) Include Attachment "D" which **must** include a copy of your Company's balance sheet, income statement, audit report (if audited), and all related notes to these financial statements for the two most recent years your Company has been in business.

Big Planet will rely upon the substantial financial resources of its ultimate parent, Nu Skin Enterprises, Inc. to fund operating costs. These financial resources are identified in the annual and quarterly report information on Nu Skin Enterprises, Inc.'s most recent 10K and 10Q filings with the SEC, which are attached hereto as Exhibit D.

(C-2) If your Company does not have financial statements for the two most recent years, please give the date your Company began operations.

Please see Attachment D.

(C-3) If the balance sheets you submit do not have retained earnings accounts, please provide this account information on a separate sheet

Please see Attachment D.

(C-4) If your Company is a subsidiary, please provide your Parent Company's financial statements, in addition to your Company's financial statements.

Please see Attachment D.

(C-5) If your Company intends to rely on the financial resources of its Parent Company, please provide a written statement from your Parent Company attesting that it will provide complete financial backing if your Company experiences a net loss or a business failure. This statement should also affirm that it will guarantee re-payment of customers' advances, prepayments, or deposits held by your Company if, for some reason, your Company cannot provide service or repay the deposits.

Please see Attachment E.

(C-6) Will your customers by required to (or have the option to) pay advances, prepayments, or deposits for any of your products or services?

YES ___X___(If " yes", provide an explanation of how and when these customer advances, prepayments, or deposits will be applied or reference the terms and conditions section of your Company's tariffs with this explanation. If this information is not explained in the tariff of this application, please provide it on a separate sheet.)

Big Planet's services are pre-paid on a monthly basis.

NO_____ (Note: If at a later date, your Company decides it wants to offer or require customer advances, prepayments, or deposits, it may be required to submit updated financial statements as part of the tariff amendment process.)

I certify that if the Applicant is an Arizona corporation, a current copy of the Articles of Incorporation is on file with the Arizona Corporation Commission and the Applicant holds a Certificate of Good Standing from the Commission. If the company is a foreign corporation or partnership, I certify that the company has authority to transact business in Arizona. I certify that all appropriate city, county, and/or State agency approvals have been obtained. Upon signing of this application, I attest that I have read the Commission's rules and regulations relating to the regulations of telecommunications services (A.A.C. Title 14, Chapter 2, Article 11) and that the company will abide by Arizona State Law including the Arizona Corporation Commission Rules and Regulations. I agree that the Commission's rules apply in the event there is a conflict between those rules and the company's tariff, unless otherwise ordered by the Commission. I certify that to the best of my knowledge the information provided in this Application and Petition is true and correct.

(Signature of Authorized Representative)

8-17-01
(Date)

Jack Peterson
(Print Name of Authorized Representative)

Chief Operating Officer
(Title)

SUBSCRIBED AND SWORN to before me this 17th day of August, 2001

NOTARY PUBLIC
KATHRYN M. STEELE
75 West Center Street
Provo, UT 84601
My Commission Expires
January 23rd, 2002
STATE OF UTAH

Kathryn M. Steele
NOTARY PUBLIC

My Commission Expires January 23, 2002

ATTACHMENTS

ATTACHMENT A	**Authority to Transact Business List of Owners, Officers and Directors and Percentages of Ownership**
ATTACHMENT B	**Proposed Tariff**
ATTACHMENT C	**Diagram of Applicant's Basic Call Network (Not Applicable)**
ATTACHMENT D	**Financial Information**
ATTACHMENT E	**Parent Company Statement**
ATTACHMENT F	**Managerial and Technical Qualifications of Big Planet's Key Personnel**
ATTACHMENT G	**Letter from the New Mexico Public Regulation Commission**
ATTACHMENT H	**Petition for Competitive Classification**

ATTACHMENT A

AUTHORITY TO TRANSACT BUSINESS

OWNERS, OFFICERS AND DIRECTORS AND PERCENTAGES OF OWNERSHIP

AUTHORITY TO TRANSACT BUSINESS

CARL J. KUNASEK
CHAIRMAN

JIM IRVIN
COMMISSIONER

WILLIAM A. MUNDELL
COMMISSIONER

ARIZONA CORPORATION COMMISSION

BRIAN C. MCNEIL
EXECUTIVE SECRETARY

JOANNE C. MACDONNELL
DIRECTOR, CORPORATIONS DIVISION

September 14, 1999

Re: Big Planet, Inc.

This letter concerns the document checked below which was filed on September 13, 1999

( ) Articles of Amendment
( ) Articles of Restatement
( ) Articles of Merger
(X) Application for New Authority
( ) Statement of Intent to Dissolve (nonprofit)
( ) Share Exchange

This document must be published within sixty (60) days after the above-referenced filing date in a newspaper of general circulation in the county in which you are doing business in Arizona for three (3) consecutive publications. An affidavit evidencing the publication must be filed with the Commission within ninety (90) days of the date of filing.

Sincerely,

Sonia Greer
Examiner
Corporations Division
(602) 542-3135
1-800-345-5819 Arizona Only

NM + AZ
BP Cert & Auth.
(copies)

AZ. CORP. COMMISSION
DELIVERED

SEP 1 3 1999

FILED BY Sonia Bree
TERM
DATE 9/13/99

F-0875697-3

APPLICATION FOR AUTHORITY TO TRANSACT BUSINESS IN ARIZONA

The name of the corporation is: Big Planet Holdings, Inc.

A(n) Delaware Corporation
(State, Province or Country)

___ We are a foreign corporation applying for authority to transact business in the State of Arizona

X We are a foreign corporation currently authorized to transact business in Arizona and must now file this Application for New Authority pursuant to A.R.S. § 10-1504 because we have changed the following in our domicile jurisdiction:

- [X] Our actual corporate name (or the name under which we originally obtained authority in Arizona).
- [ ] The period of our duration.
- [ ] The state, province or country of our incorporation.

1. The exact name of the foreign corporation is

Big Planet, Inc.

If the exact name of the foreign corporation is not available for use in this state, then the fictitious name adopted for use by the corporation in Arizona is:

_____ (FN).

2. The name of the state, province or country in which the foreign corporation is incorporated is:

Delaware

3. The foreign corporation was incorporated on the 26t day of February, 1999 and the period of its duration is Perpetual.

4. The street address of the principal office of the foreign corporation in the state, province or country of its incorporation is:

1209 Orange Street
Wilmington, Delaware 19901

5. The name and street address of the statutory agent for the foreign corporation in Arizona is:

C T Corporation System
3225 North Central Avenue
Phoenix, Arizona 85012

CF: 0024
Rev: 9/97

5.a. The street address of the known place of business of the foreign corporation in Arizona IF DIFFERENT from the street address of the statutory agent is:

_____

_____

_____

The Annual Report and general correspondence should be mailed to the address specified above in section 4 ✓ or 5a _____.

6. The purpose of the corporation is to engage in any and all lawful business in which corporations may engage in the state, province or country under whose law the foreign corporation is incorporated, with the following limitations, if any: (If none, so state.)

none

7. The names and usual business addresses of the current directors and officers of the foreign corporation are: (Attach additional sheets if necessary.)

See attached list of directors and officers

_____, _____ [title]

_____

_____

_____, _____ [title]

_____

_____

_____ _____ [title]

_____

_____

_____, _____ [title]

_____

_____

8. The foreign corporation is authorized to issue 1,000 shares, itemized as follows:

(Attach additional sheets if necessary.)

1,000 shares of common (No series) [class or series] stock at _____ no par value or par value of $ 0.00 per share.

_____ shares of _____ [class or series] stock at _____ no par value or par value of $ _____ per share.

_____ shares of _____ [class or series] stock at _____ no par value or par value of $ _____ per share.

9. The foreign corporation has issued 1,000 shares, itemized as follows:

(Attach additional sheets if necessary.)

1,000 shares of common (No series) [class or series] stock at

____ no par value or par value of $ 0.00 per share.

____ shares of ____ [class or series] stock at

____ no par value or par value of $ ____ per share.

____ shares of ____ [class or series] stock at

____ no par value or par value of $ ____ per share.

10. The character of business the foreign corporation initially intends to conduct in Arizona is:

Internet Services and Telecommunications.

This application is accompanied by:

A Certificate of Disclosure containing the information set forth in Arizona Revised Statutes Section 10-202.D.

A certified copy of our articles of incorporation, all amendments (AZ Const. Art. XIV,§ 8) and a certificate of existence or document of similar import duly authenticated by the official having custody of corporate records in the state, province or country under whose laws we are incorporated (A.R.S. § 10-1503.B).

The filing fee(s) (U.S.) made payable to the Arizona Corporation Commission.

DATED this 25 day of August, 1999.

Big Planet, Inc.
[Name of Corporation]

Executed By Richard King

Richard King, President
[print name] [title]

PHONE ____ [optional] FAX ____ [optional]

ACCEPTANCE OF APPOINTMENT BY STATUTORY AGENT

The undersigned hereby acknowledges and accepts the appointment as statutory agent of this corporation effective this ____ day of ____, ____.

Signature

C T Corporation System
[Print Name]

(AZ045)

Big Planet, Inc. (formerly Big Planet Holdings, Inc.)
Corporate Information

FEIN:	87-0630193
State of Incorporation:	Delaware
Date of Incorporation:	February 26, 1999
Date Sales Commenced:	July 1, 1999
Federal SIC code:	6676
Total Shares Authorized (Common):	1,000 (Treasury)
Par Value:	$0.001
Address:	75 W. Center Street Provo, UT 84601
Phone:	801-345-7000
Fax:	801-345-1299

Officers:

		Director?	
Richard King	President	Yes	529-88-9238

Business Address:	Residence Address:
75 W Center Street	1932 West 1600 North
Provo	Provo
UT	UT
84601	84604

Truman Hunt	V.P./Secretary	Yes	529-70-2710

Business Address:	Residence Address:
75 W Center Street	5 Saddlewood Lane
Provo	Sandy
UT	UT
84601	84092

ARIZONA CORPORATION COMMISSION
CORPORATIONS DIVISION

Phoenix Address: 1300 West Washington
Phoenix, Arizona 85007-2929

Tucson Address: 400 West Congress
Tucson, Arizona 85701-1347

CERTIFICATE OF DISCLOSURE
A.R.S. § 10-202.D

Big Planet, Inc.
EXACT CORPORATE NAME

CHECK APPROPRIATE BOX (A or B)
ANSWER "C"

THE UNDERSIGNED CERTIFY THAT:

A. [X] No persons serving either by elections or appointment as officers, directors, trustees, incorporators and persons controlling or holding over 10% of the issued and outstanding common shares or 10% of any other proprietary, beneficial or membership interest in the corporation:

1. Have been convicted of a felony involving a transaction in securities, consumer fraud or antitrust in any state or federal jurisdiction within the seven-year period immediately preceding the execution of this Certificate.
2. Have been convicted of a felony, the essential elements of which consisted of fraud, misrepresentation, theft by false pretenses, or restraint of trade or monopoly in any state or federal jurisdiction within the seven-year period immediately preceding the execution of this Certificate.
3. Have been or are subject to an injunction, judgment, decree or permanent order of any state or federal court entered within the seven-year period immediately preceding the execution of this Certificate wherein such injunction, judgment, decree or permanent order:
   (a) Involved the violation of fraud or registration provisions of the securities laws of that jurisdiction; or
   (b) Involved the violation of the consumer fraud laws of that jurisdiction; or
   (c) Involved the violation of the antitrust or restraint of trade laws of that jurisdiction.

B. [ ] For any person or persons who have been or are subject to one or more of the statements in Items A.1 through A.3 above, the following information MUST be attached:

1. Full name, prior name(s) and aliases, if used.
2. Full birth name.
3. Present home address.
4. Prior addresses (for immediate preceding 7-year period).
5. Date and location of birth.
6. Social Security number.
7. The nature and description of each conviction or judicial action, date and location, the court and public agency involved and file or cause number of case.

C. Has any person serving as an officer, director, trustee or incorporator of the corporation served in any such capacity or held or controlled over 20% of the issued and outstanding common shares, or 20% of any other proprietary, beneficial or membership interest in any corporation which has been placed in bankruptcy, receivership or had its charter revoked, or administratively or judicially dissolved by any state or jurisdiction?

Yes ____ No X

IF YOUR ANSWER TO THE ABOVE QUESTION IS "YES", YOU MUST ATTACH THE FOLLOWING INFORMATION FOR EACH CORPORATION:

1. Name and address of the corporation.
2. Full name (including aliases) and address of each person involved.
3. State(s) in which the corporation:
   (a) Was incorporated. (b) Has transacted business.
4. Dates of corporate operation.
5. Date and case number of Bankruptcy or date of revocation/administrative dissolution.

D. The fiscal year end adopted by the corporation is December 31.

Under penalties of law, the undersigned incorporator(s)/officer(s) declare (s) that I (we) have examined this Certificate, including any attachments, and to the best of my (our) knowledge and belief it is true, correct, and complete. **THE SIGNATURE(S) MUST BE DATED WITHIN THIRTY (30) DAYS OF THE DELIVERY DATE.**

BY Richard W. King BY ____

PRINT NAME Richard King PRINT NAME ____

TITLE President DATE 8/25/99 TITLE ____ DATE ____

DOMESTIC CORPORATIONS: ALL INCORPORATORS MUST SIGN THE INITIAL CERTIFICATE OF DISCLOSURE. If within sixty days, any person becomes an officer, director, trustee or person controlling or holding over 10% of the issued and outstanding shares or 10% of any other proprietary, beneficial, or membership interest in the corporation and the person was not included in this disclosure, the corporation must file an AMENDED certificate signed by at least one duly authorized officer of the corporation.

FOREIGN CORPORATIONS: MUST BE SIGNED BY AT LEAST ONE DULY AUTHORIZED OFFICER OF THE CORPORATION.

C/F: 0022-Business Corporations
Rev 7/96

OWNERS, OFFICERS AND DIRECTORS AND PERCENTAGES OF OWNERSHIP

Owner:	Nu Skin Enterprises, Inc.
Percentage Ownership:	100%
Officers:	Blake M. Roney, Chairman Steven J. Lund, Vice Chairman Richard W. King, President Corey B. Lindley, Vice President Jack Peterson, Chief Operating Officer M. Truman Hunt, Vice President and Secretary Larry Bianucci, Assistant Secretary
Directors:	Blake M. Roney Steven J. Lund

ATTACHMENT B

PROPOSED TARIFF

REGULATIONS AND SCHEDULE OF INTRASTATE CHARGES

GOVERNING THE PROVISION OF NON-FACILITIES BASED RESOLD

INTEREXCHANGE SERVICES

WITHIN THE STATE OF ARIZONA

ISSUED BY BIG PLANET, INC.

This Tariff applies to the provision of non-facilities-based resold interexchange services by Big Planet, Inc. between one or more points within the Arizona. This Tariff is on file with the Arizona Corporation Commission, and copies may be inspected, during normal business hours, at the Company's principal place of business, 75 West Center Street, Provo, Utah 34601.

Issued By: JACK PETERSON
CHIEF OPERATING OFFICER
75 WEST CENTER STREET
PROVO, UT 34601

RESOLD INTEREXCHANGE COMMUNICATIONS SERVICES

CHECK SHEET

The sheets of this tariff are effective as of the date shown. The original and revised sheets named below contain all changes from the original tariff and are in effect on the date shown.

Sheet	Revision	Sheet	Revision
Title	Original	26	Original
1	Original	27	Original
2	Original	28	Original
3	Original	29	Original
4	Original	30	Original
5	Original	31	Original
6	Original	32	Original
7	Original	33	Original
8	Original	34	Original
9	Original	35	Original
10	Original	36	Original
11	Original	37	Original
12	Original	38	Original
13	Original	39	Original
14	Original	40	Original
15	Original	41	Original
16	Original	42	Original
17	Original	43	Original
18	Original	44	Original
19	Original		
20	Original		
21	Original		
22	Original		
23	Original		
24	Original		
25	Original		

*New or Revised Sheet

Issued By: JACK PETERSON
CHIEF OPERATING OFFICER
75 WEST CENTER STREET
PROVO, UT 34601

RESOLD INTEREXCHANGE COMMUNICATIONS SERVICES

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Issued By: JACK PETERSON
CHIEF OPERATING OFFICER
75 WEST CENTER STREET
PROVO, UT 34601

RESOLD INTEREXCHANGE COMMUNICATIONS SERVICES

TARIFF FORMAT

1. Sheet Numbering - Sheet numbers appear in the upper right corner of the sheet. Sheets are numbered sequentially. However, new sheets are occasionally added to the tariff. When a new sheet is added between sheets already in effect, a decimal is added. For example, a new sheet added between sheets 14 and 15 would be 14.A.

2. Sheet Revision Numbers - Revision numbers also appear in the upper right corner of each sheet. These numbers are used to determine the most current sheet version on file with the Commission. For example, the 4th revised Sheet 14 cancels the 3rd revised Sheet 14. Because of various suspension periods, deferrals, etc. the Commission follows in its tariff approval process, the most current sheet number on file with the Commission is not always the tariff sheet in effect.

3. Paragraph Numbering Sequence - There are nine levels of paragraph coding. Each level of coding is subservient to its next higher level:

   2.
   2.1.
   2.1.1.
   2.1.1.A.
   2.1.1.A.1.
   2.1.1.A.1.a.
   2.1.1.A.1.a.I.
   2.1.1.A.1.a.I.i.

4. Check Sheets - When a Tariff filing is made with the Commission, an updated check sheet accompanies the tariff filing. The check sheet lists the sheets contained in the tariff, with a cross reference to the current revision number. When new sheets are added, the check sheet is changed to reflect the revision. All revisions made in a given filing are designated by an asterisk (*). There will be no other symbols used on the check sheet if these are the only changes made to it (i.e., the format, etc. remains the same, just revised revision levels on some sheets). The tariff user should refer to the latest check sheet to find out if a particular sheet is the most current on file with the Commission.

RESOLD INTEREXCHANGE COMMUNICATIONS SERVICES

SECTION 1 - EXPLANATION OF SYMBOLS

The following symbols shall be used in this Tariff for the purpose indicated below:

C - To signify a change in existing rate and/or regulation.

D - To signify the deletion/discontinuance of rates, regulations and/or text.

I - To signify a rate increase.

M - To signify matter moved/relocated within the tariff with no change to the material.

N - To signify new text, regulation, services, and/or rates.

R - To signify a rate reduction.

T - To signify a text change in tariff, but no change in rate or regulation.

Z - To signify a correction.

RESOLD INTEREXCHANGE COMMUNICATIONS SERVICES

SECTION 2 - DEFINITIONS

Certain terms used generally throughout this tariff are described below.

Advance Payment
Part or all of a payment required before the start of service.

Access Services
The Company's interstate telephone services offered pursuant to this tariff.

Authorized User
A person, firm or corporation which is authorized by the customer or joint user to be connected to the service of the customer or joint user, respectively.

Commission
The Arizona Corporation Commission.

Carrier or Company
The term "Carrier" or "Company" denotes Big Planet, Inc.

Customer
The person, firm or corporation which orders service and is responsible for the payment of charges and compliance with the Company's regulations.

Dedicated or Private Line
A facility or equipment system or subsystem set aside for the sole use of a specific customer.

End User or User
Any person or entity that obtains the Company's services provided under this Tariff, regardless of whether such person or entity is so authorized by the Customer.

ICB or Individual Case Basis
A service arrangement in which the regulation, rates and charges are developed based on the specific circumstances of the case.

LATA
A Local Access and Transport Area established pursuant to the Modification of Final Judgment entered by the United States District Court for the District of Columbia in Civil Action No. 82-0192; or any other geographic area designated as a LATA in the NATIONAL EXCHANGE CARRIER ASSOCIATION, Inc. Tariff F.C.C. No. 4.

RESOLD INTEREXCHANGE COMMUNICATIONS SERVICES

SECTION 2 - DEFINITIONS (Cont'd)

Network

Refers to the Company's facilities, equipment, and services provided under this Tariff.

Network Service

Intrastate communications service providing one-way and/or two-way information transmissions originating from points within the State of Arizona.

Service Commencement Date

The first date on which the Company notifies the Customer that the requested service or facility is available for use, unless extended by the Customer's refusal to accept service which does not conform to standards set forth in the Service Order or this tariff, in which case the Service Commencement Date is the date of the Customer's acceptance. The Company and the Customer may mutually agree on a substitute Service Commencement Date. If the Company does not have an executed Service Order from a Customer, the Service Commencement Date will be the first date on which the service or facility was used by a Customer.

Service Order

The written request for dedicated services executed by the Customer and the Company in the format devised by the Company. The signing of a Service Order by the Customer and acceptance by the Company initiates the respective obligations of the parties as set forth therein and pursuant to this tariff, but the duration of the service is calculated from the Service Commencement Date. Should a Customer use the Company's dedicated service without an executed Service Order, the Company will then request the Customer to submit a Service Order.

Shared

A facility or equipment system or subsystem that can be used simultaneously by several Customers.

User

A customer, joint user, or any other person authorized by a customer to use service provided under this tariff.

SECTION 3 - APPLICATION OF TARIFF

3.1 This tariff contains the descriptions, regulations, rates, and charges applicable to the provision of non-facilities based long distance intrastate resold telecommunications service to business customers by Big Planet, Inc. within the Arizona. Service is furnished subject to facility availability, transmission conditions, atmospheric conditions, and other like conditions.

SECTION 4 - REGULATIONS

4.1 Undertaking of the Company

4.1.1 Scope

The Company provides non-facilities based intrastate long distance telecommunications services through the resale of telecommunications services of other authorized carriers to customers for the transmission of voice, data, and facsimile, and other special service on a switched and dedicated basis. All services are to be provided in accordance with the terms and conditions set forth in this tariff.

The Company installs, operates and maintains the communication services provided hereunder in accordance with the terms and conditions set forth under this tariff. It may act as the customer's agent for ordering access connection facilities provided by other carriers or entities when authorized by the customer, to allow connection of a customer's location to the Company's network. The customer shall be responsible for all charges due for such service arrangements.

The Company's services and facilities are available twenty-four (24) hours per day, seven (7) days per week.

4.1.2 Shortage of Facilities

All service is subject to the availability of suitable facilities. The Company reserves the right to limit the length of communications or to discontinue furnishing services when necessary because of the lack of transmission medium capacity or because of any causes beyond its control.

SECTION 4 – REGULATIONS (Cont'd)

4.1 Undertaking of the Company (Cont'd)

4.1.3 Terms and Conditions

A. Service is provided on the basis of a minimum period of at least one (1) month, twenty-four (24) hours per day. For the purpose of computing charges in this Tariff, a month is considered to have thirty (30) days.

B. Customers may be required to enter into written Service Orders which shall contain or reference a specific description of the service ordered, the rates to be charged, the duration of the services, and the terms and conditions in this Tariff. Customers will also be required to execute any other documents as may be reasonably requested by the Company.

C. In any action between the parties to enforce any provision of this Tariff, the prevailing party shall be entitled to recover its legal fees and court costs from the non-prevailing party in addition to other relief a court may award.

D. This Tariff shall be interpreted and governed by the laws of the State of Arizona regardless of its choice of laws provision.

SECTION 4 - REGULATIONS (Cont'd)

4.1 Undertaking of the Company (Cont'd)

4.1.4 Limitations on Liability

A. Except as otherwise stated in this section, the liability of the Company for damages arising out of either: (1) the furnishing of its services, including but not limited to mistakes, omissions, interruptions, delays, or errors, or other defects, misrepresentations, or use of these services or (2) the failure to furnish its service, whether caused by acts or omission, shall be limited to the extension of allowances to the Customer for interruptions in service as set forth in this Tariff.

B. Except for the extension of allowances to the Customer for interruptions in service as set forth in this Tariff, the Company shall not be liable to a Customer or third party for any direct, indirect, special, incidental, reliance, consequential, exemplary or punitive damages, including, but not limited to, loss of revenue or profits, for any reason whatsoever, including, but not limited to, any act or omission, failure to perform, delay, interruption, failure to provide any service or any failure in or breakdown of facilities associated with the service.

C. The liability of the Company for errors in billing that result in overpayment by the Customer shall be limited to a credit equal to the dollar amount erroneously billed or, in the event that payment has been made and service has been discontinued, to a refund of the amount erroneously billed.

SECTION 4 - REGULATIONS (Cont'd)

4.1 Undertaking of the Company (Cont'd)

4.1.4 Limitations on Liability (Cont'd)

D. The Company shall not be liable for any claims for loss or damages involving:

1. Any act or omission of: (a) the Customer; (b) any other entity furnishing service, equipment or facilities for use in conjunction with services or facilities provided by the Company; or (c) common carriers or warehousemen;

2. Any delay or failure of performance or equipment due to causes beyond the Company's control, including but not limited to, acts of God, fires, floods, earthquakes, hurricanes, or other catastrophes; national emergencies, insurrections, riots, wars or other civil commotions; strikes, lockouts, work stopsheets or other labor difficulties; criminal actions taken against the Company; unavailability, failure or malfunction of equipment or facilities provided by the Customer or third parties; and any law, order, regulation or other action of any governing authority or agency thereof;

3. Any unlawful or unauthorized use of the Company's facilities and services;

4. Libel, slander, invasion of privacy or infringement of patents, trade secrets, or copyrights arising from or in connection with the transmission of communications by means of Company-provided facilities or services; or by means of the combination of Company-provided facilities or services with Customer-provided facilities or services;

5. Breach in the privacy or security of communications transmitted over the Company's facilities;

SECTION 4 - REGULATIONS (Cont'd)

4.1 Undertaking of the Company (Cont'd)

4.1.4 Limitations on Liability (Cont'd)

D. (Cont'd)

6. Changes in any of the facilities, operations or procedures of the Company that render any equipment, facilities or services provided by the Customer obsolete, or require modification or alteration of such equipment, facilities or services, or otherwise affect their use or performance, except where reasonable notice is required by the Company and is not provided to the Customer, in which event the Company's liability is limited as set forth in this Tariff.

7. Defacement of or damage to Customer premises resulting from the furnishing of services or equipment on such premises or the installation or removal thereof;

8. Injury to property or injury or death to persons, including claims for payments made under Workers' Compensation law or under any plan for employee disability or death benefits, arising out of, or caused by, any act or omission of the Customer, or the construction, installation, maintenance, presence, use or removal of the Customer's facilities or equipment connected, or to be connected to the Company's facilities;

9. Any intentional, wrongful act of a Company employee when such act is not within the scope of the employee's responsibilities for the Company and/or is not authorized by the Company;

10. Any representations made by Company employees that do not comport, or that are inconsistent, with the provisions of this Tariff;

11. Any noncompletion of calls due to network busy conditions;

12. Any calls not actually attempted to be completed during any period that service is unavailable.

SECTION 4 - REGULATIONS (Cont'd)

4.1 Undertaking of the Company (Cont'd)

4.1.4 Limitations on Liability (Cont'd)

E. The Company shall be indemnified, defended and held harmless by the Customer or end user from and against any and all claims, loss, demands, suits, expense, or other action or any liability whatsoever, including attorney fees, whether suffered, made, instituted, or asserted by the Customer or by any other party, for any personal injury to or death of any person or persons, and for any loss, damage or destruction of any property, including environmental contamination, whether owned by the Customer or by any other party, caused or claimed to have been caused directly or indirectly by the installation, operation, failure to operate, maintenance, presence, condition, location, use or removal of any Company or Customer equipment or facilities or service provided by the Company.

F. The Company does not guarantee nor make any warranty with respect to installations provided by it for use in an explosive atmosphere. The Company shall be indemnified, defended and held harmless by the Customer from and against any and all claims, loss, demands, suits, or other action, or any liability whatsoever, including attorney fees, whether suffered, made, instituted or asserted by the Customer or by any other party, for any personal injury to or death of any person or persons, and for any loss, damage or destruction of any property, including environmental contamination, whether owned by the Customer or by any other party, caused or claimed to have been caused directly or indirectly by the installation, operation, failure to operate, maintenance, presence, condition, location, use or removal of any equipment or facilities or the service.

SECTION 4 - REGULATIONS (Cont'd)

4.1 Undertaking of the Company (Cont'd)

4.1.4 Limitations on Liability (Cont'd)

G. The Company assumes no responsibility for the availability or performance of any cable or satellite systems or related facilities under the control of other entities, or for other facilities provided by other entities used for service to the Customer, even if the Company has acted as the Customer's agent in arranging for such facilities or services. Such facilities are provided subject to such degree of protection or nonpreemptibility as may be provided by the other entities.

H. Except as otherwise stated in this Tariff, any claim of whatever nature against the Company shall be deemed conclusively to have been waived unless presented in writing to the Company within thirty (30) days after the date of the occurrence that gave rise to the claim.

I. THE COMPANY MAKES NO WARRANTIES OR REPRESENTATIONS, EXPRESS OR IMPLIED EITHER IN FACT OR BY OPERATION OF LAW, STATUTORY OR OTHERWISE, INCLUDING WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR USE, EXCEPT THOSE EXPRESSLY SET FORTH HEREIN.

J. The above tariff language (and any and all language which appears in this tariff addressing liability of Company or its customers) does not constitute a determination by the Commission that a limitation of liability imposed by the Company should be upheld in a court of law. Acceptance for filing by the Commission recognizes that it is a court's responsibility to adjudicate negligence and any direct, indirect, and consequential damage claims. It is also the court's responsibility to determine the validity of the exculpatory clause(s).

SECTION 4 - REGULATIONS (Cont'd)

4.1 Undertaking of the Company (Cont'd)

4.1.5 Testing and Adjusting

Upon suitable notice, the Company may make such tests, adjustments, and inspections as may be necessary to maintain the Company's facilities in satisfactory operating condition. No interruption allowance will be credited to the customer for the period during which the Company makes such tests, adjustments, or inspections.

4.1.6 Provision of Equipment and Facilities

A. Except as otherwise indicated, customer-provided station equipment at the Customer's premises for use in conjunction with this service shall be so constructed, maintained and operated as to work satisfactorily with the facilities of the Company.

B. The Company shall not be responsible for the installation, operation or maintenance of any Customer-provided communications equipment. Where such equipment is connected to service furnished pursuant to this Tariff, the responsibility of the Company shall be limited to the furnishing of services under this Tariff and to the maintenance and operation of such services in the proper manner. Subject to this responsibility, the Company shall not be responsible for:

1. the through transmission of signals generated by Customer-provided equipment or for the quality of, or defects in, such transmission; or

2. the reception of signals by Customer-provided equipment; or

3. network control signaling where such signaling is performed by Customer-provided network control signaling equipment.

SECTION 4 - REGULATIONS (Cont'd)

4.1 Undertaking of the Company (Cont'd)

4.1.7 Special Construction

Subject to the arrangement of the Company and to all of the regulations contained in this Tariff, special construction of facilities may be undertaken on a reasonable efforts basis at the request of the customer. Special construction is that construction undertaken:

A. where facilities are not presently available, and there is no other requirement for the facilities so constructed;

B. of a type other than that which the Company would normally utilize in the furnishing of its services:

C. over a route other than that which the Company would normally utilize in the furnishing of its services;

D. in a quantity greater than that which the Company would normally construct;

E. on an expedited basis;

F. on a temporary basis until permanent facilities are available;

G. involving abnormal costs; or

H. in advance of its normal construction.

Special construction charges will be determined as described herein.

4.1.8 Ownership of Facilities

Title to all facilities provided in accordance with this Tariff remains in the Company, its agents, contractors or suppliers.

SECTION 4 - REGULATIONS (Cont'd)

4.2 Prohibited Uses

A. The services the Company offers shall not be used for any unlawful purpose or for any use for which the Customer has not obtained all required governmental approvals, authorizations, licenses, consents and permits.

B. The Company may require applicants for service who intend to use the Company=s offering for resale and/or for shared use to file a letter with the Company confirming that their use of the Company=s offering complies with relevant laws and regulations, policies, orders, and decisions.

C. The Company may require a Customer to immediately shut down its transmission if such transmission is causing interference to others.

D. A Customer, joint user, or authorized user may not assign, or transfer in any manner, the service or any rights associated with the service without the written consent of the Company. The Company will permit a Customer to transfer its existing service to another entity if the existing Customer has paid all charges owed to the Company for regulated Access Services. Such a transfer will be treated as a disconnection of existing service and installation of new service, and non-recurring installation charges as stated in this Tariff will apply.

4.3 Obligations of the Customer

4.3.1 Customer Premises Provisions

A. The Customer shall provide the personnel, power and space required to operate all facilities and associated equipment installed on the premises of the Customer.

B. The Customer shall be responsible for providing Company personnel access to premises of the Customer at any reasonable hour for the purpose of testing the facilities or equipment of the Company.

SECTION 4 - REGULATIONS (Cont'd)

4.3 Obligations of the Customer (Cont'd)

4.3.2 Liability of the Customer

A. The Customer will be liable for damages to the facilities of the Company and for all incidental and consequential damages caused by the negligent or intentional acts or omissions of the Customer, its officers, employees, agents, invitees, or contractors where such acts or omissions are not the direct result of the Company's negligence or intentional misconduct.

B. To the extent caused by any negligent or intentional act of the Customer as described in Subsection A, preceding, the Customer shall indemnify, defend and hold harmless the Company from and against all claims, actions, damages, liabilities, costs and expenses, including reasonable attorneys' fees, for (1) any loss, destruction or damage to property of any third party, (2) the death of or injury to persons, including, but not limited to, employees or invitees of either party, and (3) any liability incurred by the Company to any third party pursuant to this or any other Tariff of the Company, or otherwise, for any interruption of, interference to, or other defect in any service provided by the Company to such third party.

C. The Customer shall not assert any claim against any other customer or user of the Company's services for damages resulting in whole or in part from or arising in connection with the furnishing of service under this Tariff including but not limited to mistakes, omissions, interruptions, delays, errors or other defects or misrepresentations, whether or not such other customer or user contributed in any way to the occurrence of the damages, unless such damages were caused solely by the negligent or intentional act or omission of the other customer or user and not by any act or omission of the Company. Nothing in this Tariff is intended either to limit or to expand Customer's right to assert any claims against third parties for damages of any nature other than those described in the preceding sentence.

SECTION 4 - REGULATIONS (Cont'd)

4.4 Customer Equipment and Channels

4.4.1 Interconnection of Facilities

In order to protect the Company's facilities and personnel and the services furnished to other Customers by the Company from potentially harmful effects, the signals applied to the Company's service shall be such as not to cause damage to the facilities of the Company. Any special interface equipment necessary to achieve the compatibility between facilities of the Company and the channels or facilities of others shall be provided at the Customer's expense.

4.4.2 Inspections

A. The Company may, upon notification to the Customer, at a reasonable time, make such tests and inspections as may be necessary to determine that the requirements regarding the equipment and interconnections are being complied with in respect to the installation, operation and maintenance of Customer-provided equipment and in the wiring of the connection of Customer channels to Company-owned facilities.

B. If the protective requirements in connections with Customer provided equipment are not being complied with, the Company may take such action as necessary to protect its facilities and personnel and will promptly notify the Customer by registered mail in writing of the need for protective action. In the event that the Customer fails to advise the Company within ten (10) days after such notice is received or within the time specified in the notice that corrective action has been taken, the Company may take whatever additional action is deemed necessary, including canceling service, to protect its facilities and personnel from harm. The Company will upon request twenty-four (24) hours in advance provide Customer with a statement of technical parameters that the Customer's equipment must meet.

SECTION 4 - REGULATIONS (Cont'd)

4.4 Customer Equipment and Channels (Cont'd)

4.4.3 Station Equipment

A. Customer-provided terminal equipment on the premises of the Customer or other authorized user, the operating personnel there, and the electric power consumed by such equipment shall be provided by and maintained at the expense of the Customer, authorized user, or joint user.

B. The Customer or other authorized user is responsible for ensuring that Customer-provided equipment connected to Company equipment and facilities is compatible with such equipment and facilities. The magnitude and character of the voltages and currents impressed on Company-provided equipment and wiring by the connection, operation, or maintenance of such equipment and wiring shall be such as not to cause damage to the Company-provided equipment and wiring or injury to the Company's employees or to other persons. Any additional protective equipment required to prevent such damage or injury shall be provided by the Company at the customer's expense.

4.4.4 Interconnection Provisions

Facilities furnished under this Tariff may be connected to Customer-provided terminal equipment in accordance with the provisions of this Tariff.

SECTION 4 - REGULATIONS (Cont'd)

4.5 Customer Deposits and Advance Payments

4.5.1 Advance Payments

The Company does not normally require am advance payment from customers. However, the Company reserves the right to collect an amount not to exceed one (1) month's estimated charges as an advance payment for service. This will be applied against the next month's charges and if necessary a new advance payment will be collected for the month.

4.5.2 Deposits

The Company does not normally require am advance payment from customers. However, the Company reserves the right to collect an amount not to exceed two (2) month's estimated charges from residential customers and two and one half (2½) months estimated charges from business customers. This will be applied against the next month's charges and if necessary a new advance payment will be collected for the month.

SECTION 4 - REGULATIONS (Cont'd)

4.6 Payment Arrangements

4.6.1 Payment for Service

The Customer is responsible for the payment of all charges for facilities and services furnished by the Company to the Customer.

A. Taxes

The Customer is responsible for payment of any sales, use, gross receipts, excise, access or other local, state and federal taxes, charges or surcharges (however, designated) (excluding taxes on the Company's net income) imposed on or based upon the provision, sale or use of Network Services.

4.6.2 Billing and Collection of Charges

The Customer is responsible for payment of all charges incurred by the Customer or other users for services and facilities furnished to the Customer by the Company.

A. Non-recurring charges are due and payable within thirty (30) days after the date of the invoice.

B. The Company shall present invoices for Recurring Charges monthly to the Customer, in advance of the month in which service is provided, and Recurring Charges shall be due and payable within thirty (30) days after the date of the invoice. When billing is based upon Customer usage, usage charges will be billed monthly for the preceding billing period.

C. When service does not begin on the first day of the month, or end on the last day of the month, the charge for the fraction of the month in which service was furnished will be calculated on a pro rata basis. For this purpose, every month is considered to have thirty (30) days.

SECTION 4 - REGULATIONS (Cont'd)

4.6 Payment Arrangements (Cont'd)

4.6.2 Billing and Collection of Charges (Cont'd)

D. Billing of the Customer by the Company will begin on the Service Commencement Date, which is the day on which the Company notifies the Customer that the service or facility is available for use, except that the Service Commencement Date may be postponed by mutual agreement of the parties, or if the service or facility does not conform to standards set forth in this Tariff or the Service Order. Billing accrues through and includes the day that the service, circuit, arrangement or component is discontinued.

E. If any portion of the payment is received by the Company after the date due, or if any portion of the payment is received by the Company in funds which are not immediately available upon presentment, then a late payment penalty shall be due to the Company. The late payment penalty shall be the portion of the payment not received by the date due, multiplied by a late factor. The late factor shall be the lesser of:

1. a rate of 1.5 percent per month; or

2. the highest interest rate which may be applied under state law for commercial transactions.

F. The Customer will be assessed a charge of Fifteen Dollars ($15.00) for each check submitted by the Customer to the Company which a financial institution refuses to honor.

G. If service is disconnected by the Company in accordance with Section 4.6.4 following and later reinstalled, service will be subject to all applicable installation charges. If service is suspended by the Company and later restored, service will be subject to all applicable restoration charges.

SECTION 4 - REGULATIONS (Cont'd)

4.6 Payment Arrangements (Cont'd)

4.6.3 Billing Disputes

A. General

All bills are presumed accurate, and shall be binding on the Customer unless notice of the disputed charge(s) is received by the Company within ninety (90) days (commencing five (5) days after such bills have been mailed or otherwise rendered per the Company's normal course of business). For the purposes of this section, "notice" is defined as written notice to the Company, containing sufficient documentation to investigate the dispute, including the account number under which the bill has been rendered, the date of the bill, and the specific items on the bill being disputed.

B. Late Payment Charge

1. The undisputed portions of the bill must be paid by the payment due date, thirty (30) days after mailing, to avoid assessment of a late payment charge on the undisputed amount as provided in this Tariff.

2. In the event that a billing dispute is resolved by the Company in favor of the Customer, any disputed amount withheld pending resolution of the billing dispute shall not be subject to the late payment charge.

3. In the event that a billing dispute is resolved in favor of the Company, the Customer shall pay the late payment charge.

SECTION 4 - REGULATIONS (Cont'd)

4.6 Payment Arrangements (Cont'd)

4.6.3 Billing Disputes (Cont'd)

C. Adjustments or Refunds to the Customer

1. In the event that the Company resolves the billing dispute in favor of a Customer who has withheld payment of the disputed amount pending resolution of the disputed bill, the Company will credit the Customer's account for the disputed amount in the billing period following the resolution of the dispute.

2. In the event that the Company resolves the billing dispute in favor of a Customer who has paid the total amount of the disputed bill, the Company will credit the Customer's account for any overpayment by the Customer in the billing period following the resolution of the dispute.

3. In the event that the Company resolves the billing dispute in favor of a Customer who has paid the total amount of the disputed bill but canceled the service, the Company will issue a refund of any overpayment by the Customer.

4. All adjustments or refunds provided by the Company to the Customer at the Customer's request, or provided by the Company to the Customer by way of compromise of a billing dispute, and which are accepted by the Customer, are final and constitute full satisfaction, settlement, and/or compromise of all of the Customer's claims for the billing period for which the adjustment or refund was issued.

SECTION 4 - REGULATIONS (Cont'd)

4.6 Payment Arrangements (Cont'd)

4.6.3 Billing Disputes (Cont'd)

D. Unresolved Billing Disputes

In the case of a billing dispute between the Customer and the Company for service furnished to the Customer, which cannot be settled to the mutual satisfaction of the Customer and the Company, the Customer has up to ninety (90) days (commencing five (5) days after such bills have been mailed or otherwise rendered per the Company's normal course of business) to take the following course of action.

1. First, the Customer may request and the Company will provide an in-depth review of the disputed amount.

2. Second, if after investigation and review by the Company, a disagreement remains as to the disputed amount, the Customer may file an appropriate complaint with:

Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007
Phone: 602/542 - 4251

SECTION 4 - REGULATIONS (Cont'd)

4.6 Payment Arrangements (Cont'd)

4.6.4 Discontinuance of Service for Cause

A. Upon nonpayment of any amounts owing to the Company, the Company may, by giving fifteen (15) days prior written notice to the Customer and the Authority of its intent to discontinue service, discontinue or suspend service without incurring any liability. The notice shall be in English and Spanish and shall be in simple language. It will be sent by U.S. Mail, postage prepaid to the last known address of the Customer. Company will take reasonable steps to communicate with a Customer at least two (2) days prior to the actual date of discontinuance of service to obtain payment of delinquent accounts. Service will not be disconnected less than twenty-four (24) hours prior to a holiday or weekend and on days when Company's offices are closed for business.

B. Upon violation of any of the other material terms or conditions for furnishing service the Company may, by giving thirty (30) days prior notice in writing to the Customer and the Authority, discontinue or suspend service without incurring any liability if such violation continues during that period.

C. Upon condemnation of any material portion of the facilities used by the Company to provide service to a Customer or if a casualty renders all or any material portion of such facilities inoperable beyond feasible repair, the Company, by notice to the Customer, may discontinue or suspend service without incurring any liability.

D. Upon the Customer's insolvency, assignment for the benefit of creditors, filing for bankruptcy or reorganization, or failing to discharge an involuntary petition within the time permitted by law, the Company may immediately discontinue or suspend service without incurring any liability.

RESOLD INTEREXCHANGE COMMUNICATIONS SERVICES

SECTION 4 - REGULATIONS (Cont'd)

4.6 Payment Arrangements (Cont'd)

4.6.4 Discontinuance of Service for Cause (Cont'd)

E. Upon any governmental prohibition or required alteration of the services to be provided or any violation of an applicable law or regulation, the Company may immediately discontinue service without incurring any liability.

F. In the event of fraudulent use of the Company's Network, the Company may without notice suspend or discontinue service. The Customer will be liable for all related costs. The Customer will also be responsible for payment of any reconnection charges.

G. Upon the Company's discontinuance of service to the Customer under this section, the Company, in addition to all other remedies that may be available to the Company at law or in equity or under any other provision of this Tariff, may declare all future monthly and other charges which would have been payable by the Customer during the remainder of the term for which such services would have otherwise been provided to the Customer to be immediately due and payable (discounted to present value at six percent).

H. Customers will be provided written notice stating the reason for the discontinuance within a reasonable time after the suspension of termination of customer's service.

4.6.5 Notice to Company for Cancellation of Service

Customers desiring to terminate service shall provide Company thirty (30) days written notice of desire to terminate service.

SECTION 4 - REGULATIONS (Cont'd)

4.6 Payment Arrangements (Cont'd)

4.6.6 Customer Overpayment

The Company will pay interest on a Customer overpayment. Customer overpayment shall mean a payment to the Company in excess of the correct charges for service when caused by erroneous billing by the Company. The rate of interest shall be the unadjusted interest rate paid on Customer deposits or the late payment penalty rate, whichever is greater. Interest shall be paid from the date when the Customer overpayment was made, adjusted for any changes in the deposit interest rate or late payment penalty rate, and compounded monthly, until the date when the overpayment is refunded. No interest shall be paid on Customer overpayments that are refunded within thirty (30) days after such overpayment is received by the Company.

4.6.7 Cancellation of Application for Service

A. The Customer may cancel an application for service prior to installation of the equipment provided that the Customer immediately pay the Company any out of pocket expenses incurred by the Company plus a cancellation fee of two times the applicable monthly recurring service charge.

B. Out of pocket expenses include but are not limited to the cost of the equipment, facilities, and material, the cost of installation, engineering, labor, and supervision, general and administrative expense, other disbursements, depreciation, maintenance, taxes, provision for return on investment, and any other costs associated with the special construction or arrangements.

4.7 Back Billing

Carrier shall be entitled to revise bills previously rendered to adjust for previously rendered unbilled service, or adjust upward a bill previously rendered in accordance with the Commission.

SECTION 4 - REGULATIONS (Cont'd)

4.8 Allowances for Interruptions in Service

4.8.1 General

A. A credit allowance will be given when service is interrupted, except as specified below. A service is interrupted when it becomes inoperative to the Customer, e.g., the Customer is unable to transmit or receive, because of a failure of a component furnished by the Company under this Tariff.

B. An interruption period begins when the Customer reports a service, facility or circuit to be inoperative and, if necessary, releases it for testing and repair. An interruption period ends when the service, facility or circuit is operative.

C. If the Customer reports a service, facility or circuit to be interrupted but declines to release it for testing and repair, the service, facility or circuit is considered to be impaired but not interrupted. No credit allowances will be made for a service, facility or circuit considered by the Company to be impaired.

4.8.2 Limitations of Allowances

No credit allowance will be made for any interruption in service:

A. Due to the negligence of or noncompliance with the provisions of this Tariff by any person or entity other than the Company, including but not limited to the Customer or other common carriers connected to the service of the Company;

B. Due to the failure of power, equipment, systems, connections or services not provided by the Company;

C. Due to circumstances or causes beyond the control of the Company;

SECTION 4 - REGULATIONS (Cont'd)

4.8 Allowances for Interruptions in Service (Cont'd)

4.8.2 Limitations of Allowances (Cont'd)

D. During any period in which the Company is not given full and free access to its facilities and equipment for the purposes of investigating and correcting interruptions;

E. During any period in which the Customer continues to use the service on an impaired basis;

F. During any period when the Customer has released service to the Company for maintenance purposes or for implementation of a Customer order for a change in service arrangements;

G. That occurs or continues due to the Customer's failure to authorize replacement of any element of special construction; and

H. That was not reported to the Company within thirty (30) days of the date that service was affected.

4.8.3 Use of Another Means of Communications

If the Customer elects to use another means of communications during the period of interruption, the Customer must pay the charges for the alternative service used.

SECTION 4 - REGULATIONS (Cont'd)

4.8 Allowances for Interruptions in Service (Cont'd)

4.8.4 Application of Credits for Interruptions in Service

A. Credits for interruptions in service that is provided and billed on a flat rate basis for a minimum period of at least one month, beginning on the date that billing becomes effective, shall in no event exceed an amount equivalent to the proportionate charge to the Customer for the period of service during which the event that gave rise to the claim for a credit occurred. A credit allowance is applied on a pro rata basis against the rates specified hereunder and is dependent upon the length of the interruption. Only those facilities on the interrupted portion of the circuit will receive a credit.

B. For calculating credit allowances, every month is considered to have thirty (30) days.

C. A credit allowance will be given for interruptions in service of fifteen (15) minutes or more. Two (2) or more interruptions of fifteen (15) minutes or more during any one twenty-four (24) hour period shall be considered as one (1) interruption.

SECTION 4 - REGULATIONS (Cont'd)

4.8 Allowances for Interruptions in Service (Cont'd)

4.8.4 Application of Credits for Interruptions in Service (Cont'd)

D. Interruptions of 24 Hours or Less

Length of Interruption	Interruption Period To Be Credited
Less than 15 minutes	None
15 minutes up to but not including 3 hours	1/10 Day
3 hours up to but not including 6 hours	1/5 Day
6 hours up to but not including 9 hours	2/5 Day
9 hours up to but not including 12 hours	3/5 Day
12 hours up to but not including 15 hours	4/5 Day
15 hours up to but not including 24 hours	One Day

E. Interruptions over twenty-four (24) hours and less than seventy-two (72) hours will be credited one-fifth (1/5) day for each three (3) hour period or fraction thereof that occurs following the expiration of the initial twenty-four (24) hour period. No more than one (1) full day's credit will be allowed for any period of twenty-four (24) hours.

F. Interruptions over seventy-two (72) hours will be credited two (2) days for each full twenty-four (24) hour period that occurs following the expiration of the initial seventy-two (72) hour period. No more than thirty (30) days credit will be allowed for any one (1) month period.

SECTION 4 - REGULATIONS (Cont'd)

4.8 Allowances for Interruptions in Service (Cont'd)

4.8.5 Cancellation For Service Interruption

Cancellation or termination for service interruption is permitted only if any circuit experiences a single continuous outage of eight (8) hours or more or cumulative service credits equaling sixteen (16) hours in a continuous twelve (12) month period. The right to cancel service under this provision applies only to the single circuit which has been subject to the outage or cumulative service credits.

4.8.6 Cancellation of Service/Termination Liability

If a Customer cancels a Service Order or terminates services before the completion of the term for any reason whatsoever other than a service interruption, Customer agrees to pay to Company termination liability charges, which are defined below. These charges shall become due and owing as of the effective date of the cancellation or termination and be payable within the period set forth in this Tariff.

4.8.7 Termination Liability

Customer's termination liability for cancellation of service shall be equal to:

1. all unpaid Non-Recurring charges reasonably expended by Company to establish service to Customer, plus;
2. any disconnection, early cancellation or termination charges reasonably incurred and paid to third parties by Company on behalf of Customer, plus;
3. all Recurring Charges specified in the applicable Service Order for the balance of the then current term discounted at the prime rate announced in the Wall Street Journal on the third business day following the date of cancellation;
4. minus a reasonable allowance for costs avoided by the Company as a direct result of Customer's cancellation.

SECTION 4 - REGULATIONS (Cont'd)

4.8 Allowances for Interruptions in Service (Cont'd)

4.8.8 Company Initiated Interruption

The Company will attempt to notify customers at least twenty-four (24) hours in advance of any necessary interruption of service, lasting four (4) or more hours, which are necessary for repairs or maintenance.

SECTION 4 - REGULATIONS (Cont'd)

4.9 Customer Liability for Unauthorized Use of the Network

4.9.1 Unauthorized Use of the Network

A. Unauthorized use of the Network occurs when: (1) a person or entity that does not have actual, apparent, or implied authority to use the Network, obtains the Company's services provided under this Tariff; or (2) a person or entity that otherwise has actual, apparent, or implied authority to use the Network, makes fraudulent use of the Network to obtain the Company's services provided under this Tariff, or uses specific services that are not authorized.

B. The following activities constitute fraudulent use:

1. Using the Network to transmit a message, locate a person, or otherwise give or obtain information, without payment for the service;

2. Using or attempting to use the Network with the intent to avoid payment, either in whole or part, of any of the Company's tariffed charges by either rearranging, tampering with, or making connections not authorized by this Tariff to any service components used to furnish the Company's services or using fraudulent means or devices, tricks, schemes, false or invalid numbers, false credit devices or electronic devices;

3. Using fraudulent means or devices, tricks, schemes, false or invalid numbers, false credit devices or electronic devices to defraud or mislead callers.

SECTION 4 - REGULATIONS (Cont'd)

4.9 Customer Liability for Unauthorized Use of the Network (Cont'd)

4.9.1 Unauthorized Use of the Network (Cont'd)

C. Customers are advised that use of telecommunications equipment and services, including that provided under this Tariff, carries a risk of various forms of telecommunications fraud (including, but not limited to, toll and PBX fraud perpetrated by Users who gain access to a Customer's facilities, account numbers, security or authorization codes, etc.). Customers should take all necessary steps to restrict access to their facilities, including the equipment and services provided hereunder, and to detect and prevent unauthorized use of the equipment and services provided by the Company under this Tariff.

4.9.2 Liability for Unauthorized Use

A. Except as provided for elsewhere in this Tariff, the Customer is responsible for payment of all charges for services provided under this Tariff furnished to the Customer or User. This responsibility is not changed due to any use, misuse, or abuse of the Customer's service or Customer-provided equipment by Users or other third parties, the Customer's employees, or the public.

B. The Customer is liable for all costs incurred as a result of unauthorized use of the Network, including service charges and any direct, indirect, special, incidental, reliance, consequential, exemplary or punitive charges.

C. The Customer is responsible for payment of any charges related to the suspension and/or termination of service, and any charges for reconnection of service, incurred as a result of unauthorized use of the Network.

SECTION 5 - SERVICE DESCRIPTIONS

5.1 Service Offerings

5.1.1 ePLANET 800/888 Service

ePLANET 800/888 Service consists of the furnishing of inbound switched message telephone service between telephone stations located within the State. Such service is available twenty-four (24) hours a day, seven (7) days a week. This service is billed to the customers' credit card.

Customers will be charged for calls based upon the duration of the call as set forth in Section 6.4 below.

5.1.2 PLANET Travel Card Service

PLANET Travel Card Service allows customers to gain access to their long distance service from anywhere in the State to anywhere in the State via discount service billed back to the user's account. This service is billed via local telephone bill or by direct billing from the Company.

Customers will be charged for calls based upon the duration of the call, as set forth in Section 6.5 below. An access fee applies per call.

5.1.3 PLANET 0+ Service

PLANET 0+ Service consists of the furnishing of operator assisted switched message telephone service between telephone stations located within the State. Such service is available twenty-four (24) hours a day, seven (7) days a week. Billable time is measured in one (1) minute increments.

Customers will be charged for calls based upon the time of day and the duration of the call, as set forth in Section 6.6 below. An access fee applies per call.

SECTION 5 - SERVICE DESCRIPTIONS (Cont'd)

5.1 Service Offerings (Cont'd)

5.1.4 PLANET Prepaid Phone Card

PLANET Prepaid Phone Card allows customers to gain access to long distance service from anywhere in the State to anywhere in the State via disposable prepaid calling cards. Network is accessed via an 800/888 number. Customer uses a PIN number to access their account. Such service is available twenty-four (24) hours a day, seven (7) days a week. Billable time is measured in one (1) minute increments.

Customers will be charged for calls based upon the duration of the call, as set forth in Section 6.7 below.

5.1.5 PLANET Directory Assistance

Service offered on a per call basis to all commercial customers whereby the customer may obtain telephone numbers by dialing 1 + area code + 555-1212. Such service is available twenty-four (24) hours per day, seven (7) days a week.

Customers will be charged for calls based upon the duration of the call, as set forth in Section 6.8 below.

RESOLD INTEREXCHANGE COMMUNICATIONS SERVICES

SECTION 6 - RATES AND CHARGES

This section sets forth the rates and charges applicable to the Company's services. The rates and charges apply to intrastate services and facilities. All rates and charges are expressed in U.S. dollars. Calls which overlap rate periods will be charged according to the rates applicable to the time recorded in each period.

6.1 PLANET ONE Service

Rate Per Minute:	Day	$0.1500
	Evening	$0.1500
	Night/Weekend	$0.1500

6.2 ePLANET ONE Service

Rate Per Minute:	Day	$0.1500
	Evening	$0.1500
	Night/Weekend	$0.1500

6.3 PLANET 800/888 Service

Rate Per Minute:	Day	$0.2490
	Evening	$0.2490
	Night/Weekend	$0.2490
Payphone Compensation Surcharge		$0.3500

6.4 ePLANET 800/888 Service

Rate Per Minute:	Day	$0.2490
	Evening	$0.2490
	Night/Weekend	$0.2490
Payphone Compensation Surcharge		$0.3500

RESOLD INTEREXCHANGE COMMUNICATIONS SERVICES

SECTION 6 - RATES AND CHARGES (Cont'd)

6.5 PLANET Travel Card Service

Rate Per Minute:	Day	$0.2500
	Evening	$0.2500
	Night/Weekend	$0.2500
Per Call Charge		$0.0000
Payphone Compensation Surcharge		$0.3500

6.6 PLANET 0+ Service

	Day		Evening		Night/Weekend	
Miles	1st	Add'l	1st	Add'l	1st	Add'l
0-10	.2400	.1100	.1560	.0715	.1200	.0550
11-22	.3400	.1600	.2210	.1040	.1700	.0800
23-55	.3500	.2000	.2435	.1365	.1950	.1050
56-124	.4100	.2500	.2805	.1655	.2300	.1350
125-292	.4200	.2700	.2950	.1850	.2350	.1500
293+	.4300	.3000	.3180	.1980	.2600	.1600

Operator Station		
	Collect	$2.25
	Billed to Third Number	$2.35
Person-to-Person Collect		$4.90

6.7 PLANET Prepaid Phone Card

		Units Used Per Min.	Rate Per Unit
Rate Per Minute:	Day	2	$0.1990
	Evening	2	$0.1990
	Night/Weekend	2	$0.1990
Per Call Charge			$0.0000
Payphone Compensation Surcharge			$0.3500

RESOLD INTEREXCHANGE COMMUNICATIONS SERVICES

SECTION 6 - RATES AND CHARGES (Cont'd)

6.8 PLANET Directory Assistance

	Per Inquiry
For use with Section 6.1 through Section 6.6	$0.7500
For use with Section 6.7	
Units Used 4	$0.7960

RESOLD INTEREXCHANGE COMMUNICATIONS SERVICES

SECTION 7 - PROMOTIONAL OFFERINGS

From time to time, the Company may offer special limited-duration promotions waiving charges. The promotion may include (but is not limited to) waiver of: recurring monthly charges, basic account code charges, verified account code charges, and installation charges. Such promotions are designed to attract new subscribers or to increase subscriber awareness of a particular service. Company will provide the Commission with a thirty (30) day written notice prior to implementing any promotional offering. Promotional offerings will have a ninety (90) day maximum duration period.

ATTACHMENT C

DIAGRAM OF APPLICANT'S BASIC CALL NETWORK

NOT APPLICABLE

ATTACHMENT D

FINANCIAL INFORMATION

Big Planet Inc.'s financial information is reported as part of Nu Skin Enterprises, Inc.'s ("Nu Skin") filings with the Securities and Exchange Commission. Accordingly, a copy of Nu Skin's most recent 10-K and 10Q's are attached hereto.

10-Q 1 q2-2001.htm NSE SECOND QUARTER REPORT ON FORM 10-Q

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

|X| QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2001

OR

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

NU SKIN ENTERPRISES, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisidiction of incorporation)

001-12421
(Commission File No.)

87-0565309
(IRS Employer Identification No.)

75 West Center Street
Provo, UT 84601
(Address of registrant as specified in its charter)

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

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 1, 2001, 33,491,792 shares of the Company's Class A Common Stock, $.001 par value per share, and 49,669,955 shares of the Company's Class B Common stock, $.001 par value per share, were outstanding.

NU SKIN ENTERPRISES, INC.

2001 FORM 10-Q QUARTERLY REPORT – SECOND QUARTER

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Nu Skin, Pharmanex, Big Planet, Nu Skin 180° and LifePak are trademarks of Nu Skin Enterprises, Inc. or its subsidiaries.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

NU SKIN ENTERPRISES, INC.
Consolidated Balance Sheets
(in thousands, except share amounts)

	(Unaudited) June 30, 2001	De
ASSETS		
Current assets		
Cash and cash equivalents	$ 61,314	$
Accounts receivable	21,282	
Related parties receivable	12,380	

Inventories, net	83,852	
Prepaid expenses and other	38,161	
	216,989	
Property and equipment, net	60,950	
Other assets, net	298,136	
Total assets	$ 576,075	$
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 15,885	$
Accrued expenses	68,888	
Related parties payable	6,887	
	91,660	
Long-term debt	77,826	
Other liabilities	41,441	
Total liabilities	210,927	
Stockholders' equity		
Class A common stock - 500,000,000 shares authorized, $.001 par value, 33,353,392 and 31,338,676 shares issued and outstanding	33	
Class B common stock - 100,000,000 shares authorized, $.001 par value, 49,969,955 and 53,408,951 shares issued and outstanding	50	
Additional paid-in capital	95,574	
Retained earnings	322,474	
Deferred compensation	(78)	
Accumulated other comprehensive income	(52,905)	
	365,148	
Total liabilities and stockholders' equity	$ 576,075	$

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

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NU SKIN ENTERPRISES, INC.
Consolidated Statements of Income (Unaudited)
(in thousands, except per share amounts)

	Three Months Ended June 30, 2001	Three Months Ended June 30, 2000	Six Months Ende June 30, 2001
Revenue	$ 218,617	$ 226,959	$ 428,87

Cost of sales	43,312	38,605	85,82
Gross profit	175,305	188,354	343,04
Operating expenses			
Distributor incentives	86,542	88,468	168,37
Selling, general and administrative	68,569	74,539	141,46
Total operating expenses	155,111	163,007	309,84
Operating income	20,194	25,347	33,20
Other income (expense), net	(1,805)	(868)	5,15
Income before provision for income taxes	18,389	24,479	38,36
Provision for income taxes	6,804	8,812	14,19
Net income	$ 11,585	$ 15,667	$ 24,16
Net income per share (Note 2):			
Basic	$ .14	$ .18	$ .2
Diluted	$ .14	$ .18	$ .2
Weighted average common shares outstanding:			
Basic	83,403	85,865	83,77
Diluted	84,231	86,192	84,59

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, 2001	Si Months June 20
Cash flows from operating activities:		
Net income	$ 24,167	$
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	15,491	
Amortization of deferred compensation	669	
Changes in operating assets and liabilities:		
Accounts receivable	(3,091)	

Related parties receivable	796	
Inventories, net	(1,837)	
Prepaid expenses and other	(2,626)	
Other assets, net	2,632	
Accounts payable	48	(
Accrued expenses	(5,311)	(
Related parties payable	(2,133)	
Other liabilities	1,311	
Net cash provided by operating activities	30,116	
Cash flows from investing activities:		
Purchase of property and equipment	(7,725)	
Payments for lease deposits	--	
Receipt of refundable lease deposits	--	
Net cash used in investing activities	(7,725)	
Cash flows from financing activities:		
Exercise of distributor and employee stock options	24	
Payments on long-term debt	--	(
Dividend	(8,151)	
Repurchase of shares of common stock (Note 5)	(10,736)	
Net cash used in financing activities	(18,863)	(
Effect of exchange rate changes on cash	(6,210)	
Net decrease in cash and cash equivalents	(2,682)	(
Cash and cash equivalents, beginning of period	63,996	1
Cash and cash equivalents, end of period	$ 61,314	$

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

NU SKIN ENTERPRISES, INC.
Notes to Consolidated Financial Statements

1. THE COMPANY

Nu Skin Enterprises, Inc. (the "Company") is a leading, global direct selling company that develops and distributes premium-quality, innovative personal care products and nutritional supplements. The Company also

distributes technology and telecommunications products and services. The Company's operations are divided into four segments: North Asia, which consists of Japan and South Korea; North America, which consists of the United States and Canada; Southeast Asia, which consists of Australia, Hong Kong (including Macau), New Zealand, the PRC (China), the Philippines, Singapore, Taiwan and Thailand; and Other Markets, which consists of the Company's markets in Brazil, Europe, Guatemala and Mexico (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 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. The unaudited consolidated financial statements include the accounts of the Company and the Subsidiaries. All significant intercompany accounts and transactions are eliminated in consolidation. 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, 2001 and for the three and six-month periods ended June 30, 2001 and 2000. 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, 2000.

2. 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 give effect to all dilutive potential common shares that were outstanding during the periods presented.

3. DIVIDENDS PER SHARE

In May 2001, the board of directors declared a quarterly cash dividend of $0.05 per share for all classes of common stock. This quarterly cash dividend of approximately $4.2 million was paid on June 27, 2001, to stockholders of record on June 11, 2001.

4. DERIVATIVE FINANCIAL INSTRUMENTS

The Company has adopted 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 adoption of SFAS 133 did not have a significant impact on the Company's consolidated financial statements.

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 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 certain intercompany loans of foreign currency are recorded as other income and expense in the consolidated statements of income.

At June 30, 2001 and December 31, 2000, the Company held forward contracts designated as foreign currency cash flow hedges with notional amounts totaling approximately $54.9 million and $28.9 million, respectively, to hedge foreign currency intercompany items. The net gains on foreign currency cash flow hedges recorded in current earnings were $2.0 million and $3.6 million for the three and six-month periods ended June 30, 2001, respectively. Prior to the adoption of SFAS 133, the Company held foreign currency forward contracts which were marked to market and recorded net gains in other income of $0.8 million and $1.9 million, respectively, for the three and six-month periods ended June 30, 2000. Those contracts held at June 30, 2001 have maturities through February 2002 and accordingly, all unrealized gains on foreign currency cash flow hedges included in other comprehensive income at June 30, 2001 will be recognized in current earnings over the next twelve-month period.

5. REPURCHASE OF COMMON STOCK

During the three-month periods ended June 30, 2001 and 2000, the Company repurchased approximately 650,000 and 392,000 shares, respectively, of Class A common stock for approximately $4.8 million and $2.5 million, respectively. During the six-month periods ended June 30, 2001 and 2000, the Company repurchased approximately 1,497,000 and 679,000 shares, respectively, of Class A common stock for approximately $10.7 million and $5.0 million, respectively.

6. COMPREHENSIVE INCOME

The components of comprehensive income, net of related tax, for the three and six-month periods ended June 30, 2001 and 2000, were as follows (in thousands):

	Three Months Ended June 30, 2001	Three Months Ended June 30, 2000	Six Months En June 30, 2
Net Income	$ 11,585	$ 15,667	$ 24,
Other comprehensive income, net of tax:			
Foreign currency translation adjustments	(2,188)	1,606	(9,
Net unrealized gains on foreign currency cash flow hedges	458	--	4,
Net gain reclassified into current earnings	(1,271)	--	(2,
Comprehensive income	$ 8,584	$ 17,273	$ 16,

7. SEGMENT INFORMATION

As described in Note 1, the Company's operations throughout the world are divided into four reportable segments: North Asia, Southeast Asia, North America 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 four segments is set forth below (in thousands):

	Three Months Ended June 30, 2001	Three Months Ended June 30, 2000	Six Months Ended June 30, 2001	Six Months Ende June 30, 200
Revenue				
North Asia	$ 137,210	$ 149,805	$ 267,169	$ 290,17
Southeast Asia	83,813	66,517	149,472	143,23
North America	109,743	95,710	212,899	197,88
Other	6,254	4,615	12,329	9,10
Eliminations	(118,403)	(89,688)	(212,993)	(199,82
Totals	$ 218,617	$ 226,959	$ 428,876	$ 440,58
Operating Income				
North Asia	$ 10,309	$ 10,286	$ 20,798	$ 17,50
Southeast Asia	6,321	8,157	12,116	16,66
North America	8,368	3,460	5,845	12,82
Other	(1,804)	(1,593)	(3,160)	(3,51
Eliminations	(3,000)	5,037	(2,393)	3,41
Totals	$ 20,194	$ 25,347	$ 33,206	$ 46,88

	As of June 30, 2001	As of December 31 2000
Total Assets		
North Asia	$ 79,698	$ 83,94
Southeast Asia	87,423	76,27
North America	454,822	471,22
Other Markets	13,852	13,03
Eliminations	(59,720)	(53,67
Totals	$ 576,075	$ 590,80

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 $126,717 and $142,408 for the three-month periods ended June 30, 2001 and 2000, respectively, and totaled $248,558 and $277,021 for the six-month periods ended June 30, 2001 and 2000, respectively. Revenue from the

Company's operations in Taiwan totaled $17,971 and $21,395 for the three-month periods ended June 30, 2001 and 2000, respectively and totaled $35,547 and $43,613 for the six-month periods ended June 30, 2001 and 2000, respectively. Revenue from the Company's operations in the United States (which includes intercompany

revenue) totaled $107,920 and $94,144 for the three-month periods ended June 30, 2001 and 2000, respectively, and totaled $209,405 and $195,629 for the six-month periods ended June 30, 2001 and 2000, respectively.

Long-lived assets

Long-lived assets in Japan were $20,588 and $23,782 as of June 30, 2001 and December 31, 2000, respectively. Long-lived assets in Taiwan were $2,283 and $3,235 as of June 30, 2001 and December 31, 2000, respectively. Long-lived assets in the United States were $308,097 and $313,415 as of June 30, 2001 and December 31, 2000, respectively.

8. REVOLVING CREDIT AGREEMENT

On May 10, 2001, the Company entered into a $60.0 million revolving credit agreement (the "Revolving Credit Facility") with Bank of America, N.A. and Bank One, N.A. for which Bank of America, N.A. acted as agent. The proceeds may be used for working capital, capital expenditures and other purposes including repurchases of the Company's outstanding shares of Class A common stock. There were no outstanding balances relating to the Revolving Credit Facility as of June 30, 2001.

The Revolving Credit Facility bears interest at a rate equal to the London Inter-Bank Offer Rate (LIBOR) or the Japanese yen LIBOR, plus an applicable margin. The maturity date for the Revolving Credit Facility is three years from the borrowing date and will be reduced by $15.0 million on each of the first two anniversaries of the closing. The Revolving Credit Facility contains other terms and conditions and affirmative and negative financial covenants customary for similar credit facilities.

9. NEW PRONOUNCEMENTS

In July 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141 (FAS 141), *Business Combinations,* and No. 142 (FAS 142), *Goodwill and Other Intangible Assets.* FAS 141 is effective for all business combinations initiated after June 30, 2001 and for all business combinations accounted for by the purchase method for which the date of acquisition is after June 30, 2001. The provisions of FAS 142 will be effective for fiscal years beginning after December 15, 2001. Accordingly, the Company will adopt FAS 142 during the first quarter of 2002. The Company is currently evaluating the impact the adoption of FAS 141 and FAS 142 will have on the Company's consolidated financial statements.

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

2001 compared to 2000

Revenue decreased 3.7% and 2.7% to $218.6 million and $428.9 million for the three and six-month periods ended June 30, 2001 from $227.0 million and $440.6 million for the same periods in 2000, respectively, primarily due to a weakening in foreign currencies. On a constant currency basis, however, the Company experienced revenue growth in each of its operating regions other than North America, which resulted in overall constant currency growth of 6.4% and 6.0% for the second quarter and first half of 2001 compared to the same prior-year periods, respectively.

Revenue in North Asia decreased 8.4% and 7.9% to $137.2 million and $267.2 million for the three and six-month periods ended June 30, 2001 from $149.8 million and $290.2 million for the same periods in 2000, respectively. This decrease in revenue was due to revenue in Japan decreasing 11.0% and 10.3% to $126.7 million and $248.6 million for the three and six-month periods ended June 30, 2001 from $142.4 million and $277.0 million for the same periods in 2000, respectively. This decrease is directly attributable to a 14.9% and 12.7% weakening in the Japanese yen for the second quarter and first half of 2001 compared to the same prior-year periods, respectively. In local currency, revenue in Japan increased 2.6% and 1.3% for the second quarter and first half of 2001 compared to the same prior-year periods, respectively, due to the strength of the products launched in the past 18 months, the success of the automatic repurchasing programs and the personalized web sites the Company offers its distributor force. The decline in revenue in Japan in U.S. dollar terms was partially offset by an increase in revenue in South Korea of 41.9% and 40.9% to $10.5 million and $18.6 million for the three and six-month periods ended June 30, 2001 from $7.4 million and $13.2 million for the same periods in 2000, respectively. In local currency terms, revenue in South Korea was 66.2% and 62.9% higher in the second quarter and first half of 2001

versus the same prior-year periods, respectively. The revenue increase in South Korea is primarily due to continued improvement in the South Korean economy and the effective execution of a revised product introduction strategy in South Korea over the past 18 months, including the launch of Pharmanex's weight management products and Nu Skin 180° skin therapy system.

Revenue in Southeast Asia increased 22.5% and 11.8% to $36.5 million and $67.3 million for the three and six-month periods ended June 30, 2001 from $29.8 million and $60.2 million for the same periods in 2000, respectively. In local currency terms, revenue in Southeast Asia increased 30.3% and 18.2% for the second quarter and first half of 2001 compared to the same prior-year periods, respectively. The increase in revenue resulted primarily from operations in Singapore which generated $8.6 million and $13.3 million for the three and six-month periods ended June 30, 2001, respectively, following the opening of the market in Singapore late in 2000. The success from the opening of the operations in Singapore has also contributed to modest growth in other markets in the Southeast Asia region, such as Hong Kong, Thailand and Australia. The increase in revenue from the operations in Singapore were somewhat offset by the results in Taiwan, which decreased 15.9% and 18.6% to $18.0 million and $35.5 million for the three and six-month periods ended June 30, 2001 from $21.4 million and $43.6 million for the same prior-year periods, respectively. In local currency, revenue in Taiwan declined 8.4% and 12.5% during the second quarter and first half of 2001 compared to the same prior-year periods, respectively. Revenue in Taiwan on a local currency basis increased 5.1% during the second quarter of 2001 compared to the first quarter of 2001 due in part to seasonal trends. Management believes that the Company's operations in Taiwan have stabilized. Over the last several years, the Company's operations have suffered the impact of increased competition, an overall decline in sales in the direct selling industry in Taiwan and challenges relating to direct selling as a distribution channel significantly penetrating the Taiwanese market. In addition, since the Company's business model for distributors encourages top leaders to assist in opening new markets, management believes the decline in revenue in Taiwan compared to the prior-year period was also in part due to top leaders from that market focusing on Singapore in early 2001.

Revenue in North America, consisting of the United States and Canada, decreased 9.6% to $38.6 million for the three-month period ended June 30, 2001 from $42.7 million for the same period in 2000, respectively, and increased 1.2% to $82.1 million for the six-month period ended June 30, 2001 from

$81.1 million for the same period in 2000, respectively. This revenue decrease for the second quarter is related primarily to the revenue declines in the United States. Management believes that the Company's operations in the United States have been negatively impacted by distributor uncertainty relating to the Company's divisional strategies, which have recently been reorganized to simplify the Company's business and to focus on renewed growth in the United States. The slight increase in revenue for the six-month period in 2001 was a result of the international convention held in the United States in February 2001, which generated approximately $5.0 million in revenue from sales to international distributors attending the convention, as well as additional revenue from new business development efforts which provided an additional $9.6 million in revenue. The new business development efforts recorded in the Big Planet division is a small business related to outsourcing personnel and benefits for small businesses. Without the impact of this additional revenue, revenue in the North America region would have decreased approximately 16.8% during the first half of 2001 versus the same prior-year period.

Revenue in the Company's other markets, which include its European and Latin American operations, increased 37.0% and 35.2% to $6.3 million and $12.3 million for the three and six-month periods ended June 30, 2001 from $4.6 million and $9.1 million for the same periods in 2000, respectively. This increase in revenue is due to a 37.9% and 39.7% increase for the second quarter and first half of 2001 in revenue in Europe in U.S. dollar terms compared with the same prior-year periods, respectively. In local currency terms, revenue in Europe increased approximately 47.0% during the second quarter of 2001 versus the same prior-year period.

Gross profit as a percentage of revenue decreased to 80.2% and 80.0% for the three and six-month periods ended June 30, 2001 compared to 83.0% and 83.5% for the same periods in the prior year, respectively. The decrease in gross profit percentages resulted from the weakening of the Japanese yen and other currencies relative to the U.S. dollar and the increased revenue, which is expected to continue, relating to the new business development efforts recorded in the Big Planet division as described above that carry a lower gross margin. In addition, the results for the six-month period in 2001 include the negative impact of logo merchandise which have lower gross margins and were sold as part of the first quarter 2001 U.S. convention. The Company purchases a significant majority of goods in U.S. dollars and recognizes revenue in local currencies. Consequently, the Company is subject to exchange rate risks in its gross margins.

Distributor incentives as a percentage of revenue increased to 39.6% and 39.3% for the three and six-month periods ended June 30, 2001 compared to 39.0% and 38.9% for the same prior-year periods, respectively. In the later part of 1999, the Company restructured a portion of its compensation plan for distributors, adding short-term, division-focused incentives, which increased compensation to the Company's distributors.

Selling, general and administrative expenses as a percentage of revenue decreased to 31.4% and 33.0% for the three and six-month periods ended June 30, 2001 compared to 32.8% and 33.9% for the same prior-year periods, respectively. In U.S. dollar terms, selling, general and administrative expenses decreased to $68.6 million and $141.5 million for the three and six-month periods ended June 30, 2001 compared to $74.5 million and $149.5 million for the same periods in the prior year, respectively. The decreases resulted primarily from a weaker Japanese yen in 2001 as well as the Company's cost-saving initiatives such as lower headcount and occupancy costs. Offsetting these lower expenses were the costs incurred during the first quarter in 2001 for the Company's convention in the United States which added approximately $5.0 million in selling, general and administrative expenses.

Other income (expense), net decreased $0.9 million for the three-month period ended June 30, 2001 resulting in net other expenses of $1.8 million compared to the same prior-year period. This decrease related primarily to losses resulting from the exchange of intercompany payables and receivables as well as the exchange of yen based bank debt into U.S. dollars for financial reporting purposes. Other income (expense), net increased $4.3 million for the six-month period ended June 30, 2001 resulting in net other income of $5.2 million compared to the same period in the prior year. This increase related primarily to foreign currency gains resulting from the strength of the U.S. dollar.

Provision for income taxes decreased to $6.8 million and $14.2 million for the three and six-month periods ended June 30, 2001 from $8.8 million and $17.2 million for the same prior-year periods. This decrease is largely due to the decreases in operating income as compared to the same prior-year periods, offset by an increase in the effective tax rate from 36.0% in the second quarter of 2000 to 37.0% in the second quarter of 2001.

Net income decreased to $11.6 million and $24.2 million for the three and six-month periods ended June 30, 2001 from $15.7 million and $30.5 million for the same prior-year periods, respectively. Net income decreased primarily because of the factors noted above in "revenue" and "gross profit" and was somewhat offset by the factors noted in "selling, general and administrative" and "provision for income taxes" above. The decrease in net income for the six-month period ended June 30, 2001 was also offset by the factors noted above in "Other income (expense), net".

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 comprise 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, 2001, the Company generated $30.1 million from operations compared to $5.2 million during the six-month period ended June 30, 2000. This increase in cash generated from operations in 2001 compared to the same prior-year period is primarily related to reduced cash payments to vendors for purchases of inventory resulting from increased efficiencies in the Company's management of inventory as well as reduced foreign taxes paid in 2001 versus 2000.

As of June 30, 2001, working capital was $125.3 million compared to $122.8 million as of December 31, 2000. Cash and cash equivalents at June 30, 2001 and December 31, 2000 were $61.3 million and $64.0 million, respectively. In addition to factors such as cash flow from operations, capital expenditures, dividends and stock repurchases, the Company's U.S. dollar reported cash position was negatively impacted during the six-month period from the strength of the U.S. dollar relative to other currencies, particularly the Japanese yen.

Capital expenditures, primarily for equipment, computer systems and software, office furniture and leasehold improvements, were $7.7 million for the six-month period ended June 30, 2001. In addition, the Company anticipates additional capital expenditures in 2001 of approximately $15.0 million to further enhance its infrastructure, including enhancements to computer systems and Internet related software in order to expand the Company's Internet capabilities.

In March 1998, the Company completed the acquisition of Nu Skin International, Inc. (the "NSI Acquisition"). Pursuant to the terms of the NSI Acquisition, Nu Skin International, Inc. ("NSI") and the Company are required to pay certain contingent payments if specific earnings growth targets are met. The Company and NSI did not meet specific earning growth targets for the years ended December 31, 1999 and 2000. Contingent upon NSI and the Company meeting specific earnings growth targets during 2001, the Company may pay up to $75.0 million in cash over the next year to the stockholders of NSI. However, management believes it is unlikely that such contingency payments will be made.

On October 12, 2000, the Company refinanced the $87.1 million balance of its existing credit facility with the proceeds of a private placement of 9.7 billion Japanese yen of ten-year senior notes (the "Notes") to The Prudential Insurance Company of America. The Notes bear interest at an effective rate of

3.03% annually and become due October 2010 with principal payments beginning October 2004. As of June 30, 2001, the outstanding balance on the Notes remained at 9.7 billion Japanese yen, or $77.8 million.

On May 10, 2001, the Company entered into a $60.0 million revolving credit agreement (the "Revolving Credit Facility") with Bank of America, N.A. and Bank One, N.A. for which Bank of America, N.A. acted as agent. The proceeds may be used for working capital, capital expenditures and other purposes including repurchases of the Company's outstanding shares of Class A common stock. There were no outstanding balances relating to the Revolving Credit Facility as of June 30, 2001.

Since August 1998, the board of directors has authorized the Company to repurchase up to $70.0 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, 2001, the Company repurchased approximately 650,000 and 1,500,000 shares for an aggregate price of approximately $4.8 million and $10.7 million, respectively. As of June 30, 2001, the Company had repurchased a total of approximately 5.7 million shares for an aggregate price of approximately $51.0 million.

In May 2001, the board of directors authorized the Company to declare a quarterly cash dividend of $0.05 per share for all classes of common stock. This quarterly cash dividend of approximately $4.2 million was paid on June 27, 2001, to stockholders of record on June 11, 2001. Management believes that cash flows from operations will be sufficient to fund future dividend payments.

The Company had related party payables of $6.9 million and $9.0 million at June 30, 2001 and December 31, 2000, respectively. In addition, the Company had related party receivables of $12.4 million and $13.2 million, respectively, at those dates. These balances are largely related to the acquisition of Big Planet, Inc. and the Nu Skin USA, Inc. transactions completed during 1999, as well as a loan to a significant stockholder.

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 the first quarter, which generally has a negative impact on such quarter. Management believes that direct selling in Japan, the United States 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. Active distributors are those distributors who were resident in the countries in which the Company operated and purchased products during the three months ended as of the date indicated. An executive distributor is an active distributor who has achieved required personal and group sales volumes.

	As of June 30, 2001		As of June 30, 2000	
	Active(1)	Executive	Active(1)	Executive
North Asia	299,000	15,997	301,000	14,119
Southeast Asia	113,000	3,593	96,000	2,929
North America	52,000	2,434	54,000	3,014
Other	23,000	880	18,000	586
Total	487,000	22,904	469,000	20,648

(1) The Big Planet representatives do not necessarily place product orders with the Company for resale to retail customers. Big Planet representatives sign up retail customers for Internet, telecommunications and other services with the Company or its service providers for all products. Therefore, the active distributors for 2001 and 2000 do not include approximately 41,000 and 29,000 Big Planet representatives who have residual sales volume on a three-month rolling basis, respectively, for service provided by the Company or its service providers.

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 strengthening in the U.S. dollar. The Company seeks to reduce its exposure to fluctuations in foreign exchange rates through the use of foreign currency exchange contracts, through intercompany loans of foreign currency and through its Japanese yen denominated debt. 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, 2001, 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, 2001 as discussed in Note 4 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 represent a material potential loss in fair value, earnings or cash flows against such contracts. This potential loss does not consider the underlying foreign currency transaction or translation exposures of the Company.

Note Regarding Forward-Looking Statements

With the exception of historical facts, the statements contained in 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:

- the belief that operations in Taiwan have stabilized;

- the Company's belief that existing cash and cash flow from operations will be adequate to fund cash needs;
- the expectation that the Company will spend $15 million for capital expenditures during the remainder of 2001; and
- the anticipation that cash will be sufficient to pay future dividends.

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 not to place any undue reliance on such forward-looking statements, which reflect the Company's beliefs and expectations only as of the date of this report. The Company assumes no obligation to update or revise these forward-looking statements to reflect new events or circumstances or any changes in its beliefs or expectations. Important factors, risks and uncertainties that might cause actual results to differ from those anticipated include, but are not limited to, the following:

(a) Because a substantial majority of the Company's sales are generated from the Asian regions, particularly from Japan and Taiwan, significant variations in operating results including revenue, gross margin and earnings from those expected could be caused by

- renewed or sustained weakness of Asian economies or consumer confidence, or
- weakening of foreign currencies, particularly the Japanese yen in light of current economic and political conditions in Japan.

(b) Many of the initiatives and strategies that have helped stabilize revenue in Japan, and which the Company believes have helped stabilize revenue in Taiwan, have only been recently introduced and there is still uncertainty concerning the long-term effect of these initiatives. There can be no assurance that such initiatives will continue to be successful or that planned initiatives for future periods will have a similar impact. In addition, there is a risk that the continued refinement and implementation of the Company's divisional strategy, Internet initiatives and promotions could create renewed confusion or uncertainty among distributors and not increase distributor productivity. In addition, costs associated with these initiatives, particularly the Internet and related technology initiatives, may be greater than anticipated.

(c) The ability of the Company to retain its key and executive level distributors or to sponsor new executive distributors is critical to the Company's success. Because the Company's products are distributed exclusively through its distributors, the Company's 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.

(d) Risks associated with the Company's new product offerings and initiatives planned for the remainder of 2001, including:

- the risk that such products will not gain market acceptance or meet the Company's expectations,

- the risk that sales from such product offerings could reduce sales of existing products and not generate significant incremental revenue growth or help increase distributor numbers and productivity,

- technological problems could delay or adversely affect the Company's Internet and technology initiatives; and

- any legal or regulatory restrictions that might delay or prevent the Company from offering its new products into all of its markets or limit the ability of the Company to effectively market such products.

(e) Risks associated with efforts to renew growth in the United States, including:

- the risk that the Company's efforts to harmonize and simplify its divisional approach in the United States will not be sufficient to generate sustained and renewed sponsoring and sales activities in the United States by its distributors, and

- uncertainties concerning the actual impact that the new initiatives and enhancements to distributor incentives will have on revenue and distributor incentives as a percentage of revenue.

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 4 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 the year ended December 31, 2000 and the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2001 for information concerning legal proceedings.

ITEM 2. CHANGES IN SECURITES

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITES

None.

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

The Company's Annual Meeting of Stockholders was held on May 10, 2001. At the Annual Meeting, Blake M. Roney, Steven J. Lund, Sandra N. Tillotson, 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 direct 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	477,370,172	592,760
Steven J. Lund	477,831,727	131,205
Sandra N. Tillotson	477,831,727	131,205
Brooke B. Roney	477,630,327	332,605
Max L. Pinegar	477,831,717	131,215
E.J. "Jake" Garn	477,884,067	78,865
Paula F. Hawkins	477,884,067	78,865
Daniel W. Campbell	477,884,067	78,865
Andrew D. Lipman	477,849,994	112,938

The stockholders also ratified the appointment of PricewaterhouseCoopers LLP as the Company's independent public accountants, with 477,934,077 votes being cast for, 23,978 votes being cast against, and 4,875 abstentions.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

Regulation S-K Number	Description
10.1	Amendment to Employment Agreement by and between Pharmanex and Joseph Chang.
10.2	Promissory Note dated July 5, 2001 between the Company and Joseph Chang
10.3	Utah Deed of Trust dated July 5, 2001 executed by Joseph Chang in favor of the Company
10.4	Credit Agreement dated as of May 10, 2001 among Nu Skin Enterprises, Inc., Various Financial Institutions, and Bank of America, N.A., as Administrative Agent
10.5	Amendment to Collateral Agency and Intercreditor Agreement among State Street Bank and Trust Company of California, N.A., as Collateral Agent, The Prudential Insurance Company of America, as Senior Noteholder and ABN AMRO Bank N.V., as Senior Lender.

(b) Reports on Form 8-K. No current Reports on Form 8-K were filed during the quarter ended June 30, 2001.

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, 2001.

NU SKIN ENTERPRISES, INC.

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

EXHIBIT INDEX

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EX-10 4 changagree.htm EXHIBIT 10.1 JOSEPH CHANG AMEND EMPLOYMENT TERMS

April 23, 2001

Mr. Joseph Chang
President
Pharmanex

RE: Amendment to Employment Terms

Dear Joe:

This letter, when executed by you in the space provided below, will constitute an amendment to your Employment Agreement with Nu Skin Enterprises, Inc. and its Pharmanex division (together the "Company"), dated as of April 1, 2000 (the "Employment Agreement").

Section 3.1 of the Employment Agreement is hereby amended to provide for a minimum annual cash bonus of 10% of your base salary. For 2001, the minimum cash bonus of $30,000 will be paid as soon as practicable following the execution of this letter agreement. This guaranteed minimum bonus will be paid for at least 3 years, as long as you remain employed by the Company.

The Company also agrees to make a loan to you for the purpose of purchasing a home along the Wasatch front of Utah. The principal loan amount will be for any amount up to $500,000, assuming that the home you purchase has a purchase price of at least $500,000. The loan will bear interest at the lowest rate allowable under applicable IRS regulations. The term of the loan will be the earlier of (a) five years, or (b) six months form the date of termination of your employment, with accrued interest paid annually. The loan will be secured by a first mortgage position in the home you choose to purchase.

In the event you choose to relocate from the Wasatch front, at your option, the Company will purchase your home for the original purchase price. This election must be made within 6 months of the later of (a) termination of your employment for any reason, or (b) your move away form the Wasatch front.

All other provisions of the Employment Agreement remain in full force and effect.

Please indicate your acceptance of the terms of this letter by signing the space provided below.

Very truly yours,

/s/Truman Hunt

Truman Hunt
Executive Vice President
General Counsel

Agreed to this ____ day of April, 2001.

/s/ Joseph Y. Chang

Joseph Y. Chang

EX-10 5 changpromissory.htm EXHIBIT 10.2 CHANG PROMISSORY AGREEMENT

PROMISSORY NOTE

$500,000
July 5, 2001

FOR VALUE RECEIVED, the undersigned, JOSEPH Y. CHANG and WAN PING CHANG, 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 5.06% 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, 2001. Except as otherwise provided in this Note or the Deed of Trust (as defined in paragraph 5) in the case of a default in payment or other breach, 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) July 1, 2006, and (ii) the 180th day following the date of the undersigned's termination of employment with the Holder or any affiliate thereof. 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 a material breach under any the Deed of Trust or 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 shall be secured by a Utah Deed of Trust (the "Deed of Trust") on the undersigned's primary residential property owned by the undersigned.

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 Deed of Trust 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.

Date: July 5, 2001

/s/Joseph Y. Chang
Joseph Y. Chang

Date: July 5, 2001

/s/Wan Ping Chang
Wan Ping Chang

EX-10 6 trustdeed-chang.htm EXHIBIT 10.3 JOE CHANG DEED OF TRUST

WHEN RECORDED, PLEASE RETURN TO:

D. Matthew Dorny
Nu Skin Enterprises, Inc.
75 West Center Street
Provo, Utah 84601

UTAH DEED OF TRUST

THIS TRUST DEED (this "Trust Deed") is executed as of the 5th day of July, 2001, by JOSEPH Y. CHANG and WAN PING CHANG (collectively, the "Trustors"), in favor of METRO NATIONAL TITLE ("Trustee"), and NU SKIN ENTERPRISES, INC., a Delaware corporation ("Beneficiary"), whose address is 75 West Center Street, Provo, Utah 84601.

FOR good and valuable consideration, and in order to secure for the benefit of Beneficiary the following obligations (collectively, the "Obligations"): (i) the timely payment and performance of the obligations of Trustor under this Trust Deed, under the promissory note (the "Note") of even date with this Trust Deed, executed by Trustors, as maker, in favor of Beneficiary, as payee, in the principal amount of Five Hundred Thousand Dollars ($500,000.00), payable with interest as set forth in the Note, and under any other instruments given to further evidence or secure such obligations, as this Trust Deed, the Note or such other instruments may be extended, renewed, modified, amended or replaced from time to time; and (ii) the payment of any loans or advances made after the date of this Trust Deed for any purpose by Beneficiary to Trustors,

TRUSTORS CONVEY, WARRANT AND TRANSFER TO TRUSTEE, IN TRUST, WITH POWER OF SALE, the following:

The land (the "Land") located in Salt Lake County, Utah, more particularly described as follows:

Parcel 1:

All of Lot 747, contained within PEPPERWOOD PHASE 7B, as said Lot is identified in the Plat of said Development, recorded in Salt Lake County, Utah, as Entry No. 5739632, in Book 94-2, at Page 43, and in the Declaration of Covenants, Conditions and Restrictions, recorded in Salt Lake County, Utah, on February 15, 1994, as Entry No. 5739633, in Book 6873, at Page 663. TOGETHER WITH a right and easement of use and enjoyment in and to the Common Areas described, and as provided for, in said Declaration of Covenants, Conditions, and Restrictions, which include, without limitation, an easement for vehicular ingress and egress over and across said Common Areas to and from said Lot and Pepperwood Drive, a physically open and legally dedicated public street,

which Parcel 1 has the address of 7 South Courtside Lane, Sandy, Utah 84092.

Parcel 1A:

TOGETHER WITH a perpetual right of way to use and enjoy those portions of PEPPERWOOD SUBDIVISION, any and all Phases, which are identified and will be identified as Lot "A", being the streets within the subdivision.

TOGETHER WITH all buildings, structures and other improvements on or after the date of this Trust Deed located on the Land (collectively, the "Improvements"), and all air and water rights, water stock, rights-of-way, easements, tenements, hereditaments, possessory rights, claims (including mining claims), privileges, appurtenances and fixtures belonging to, or used or enjoyed with, all or any part of the Land, including, without limitation, all right, title and interest of Trustors, now owned or acquired after the date of this Trust Deed. The Land, the Improvements and all of the foregoing are collectively referred to in this Trust Deed as the "Property."

TRUSTORS AGREE WITH TRUSTEE AND BENEFICIARY AS FOLLOWS:

1. Obligations; Certain Proceedings. Trustors shall timely pay and perform the Obligations and all obligations under any other encumbrance or lien on the Property. Trustors shall maintain this Trust Deed as a valid lien on, and security interest

in, the Property of equal priority to that created by this Trust Deed, shall preserve and protect Trustors' interests in the Property and the interests of Trustee and Beneficiary under this Trust Deed, and shall appear in and defend any action or proceeding which may affect the Property or the obligations of Trustors or the interests of Trustee or Beneficiary under this Trust Deed.

2. Maintenance and Use. Trustors shall occupy, establish and use the Property as Trustors' principal residence within sixty days after this execution of this Trust Deed. Trustors shall (a) maintain the Property in good condition and repair, (b) comply with all laws, ordinances, rules, regulations, covenants, conditions and restrictions relating to the Property, (c) not permit nuisances to exist or commit or permit waste in or on the Property, (d) promptly complete in a good and workmanlike manner any Improvements which may be constructed, and promptly restore and repair in like manner any Improvements which may be damaged or destroyed, (e) preserve and extend all rights, licenses and permits (including, without limitation, zoning variances, special exceptions, special permits and non-conforming uses) which are applicable to the Property, and (f) immediately on discovery, clean up all hazardous substances, hazardous wastes, pollutants and contaminants located on the Property. Trustors shall do or refrain from doing any act which, from the character or use of the Property, is reasonably necessary to protect and preserve the fair market value of the Property, any specific enumerations in this Trust Deed not limiting such general obligation. Trustors shall indemnify, defend and hold harmless Trustee and Beneficiary from and against all liabilities, claims, losses, damages, costs and expenses (including, without limitation, cleanup costs and attorneys' fees) directly or indirectly arising out of, related to or connected with any hazardous substances, hazardous wastes, pollutants or contaminants located on the Property. The liability of Trustors under the indemnity set forth in the preceding sentence shall arise on the discovery of an unacceptable environmental condition and shall survive the exercise of the power of sale, foreclosure of this Trust Deed as a mortgage or any other event. (As used in this Trust Deed, the terms "hazardous substances," "hazardous wastes," "pollutants" and "contaminants" mean any substances, wastes, pollutants or contaminants included within those respective terms under any law, ordinance, rule or regulation, whether now existing or enacted or amended after the date of this Trust Deed.)

3. Development. Without Beneficiary's prior written consent, Trustors shall not do any of the following: (a) make any material change to the Property or to the use of the Property; (c) initiate or support any zoning reclassification of the Property, seek any variance under existing zoning ordinances applicable to the Property or use or permit the use of the Property in a manner which would be a nonconforming use under applicable zoning ordinances; (d) impose any covenants, conditions, restrictions, easements or rights-of-way on the Property, execute or file any subdivision plat affecting the Property or consent to the annexation of the Property to any municipality; or (e) permit the Property to be used by any person in such manner as might make possible a claim of adverse usage or possession or of implied dedication or easement.

4. Payment of Certain Impositions. Trustors shall pay when due all taxes, assessments and charges relating to or levied against the Property, including, without limitation, real and personal property taxes, general and special assessments, utility charges, mechanics' and materialmen's charges, and charges arising from any covenants, conditions or restrictions relating to the Property. Trustors shall also pay to Beneficiary the amount of all taxes, assessments and charges which may be levied by any governmental authority on this Trust Deed, the Obligations or Beneficiary by reason of the interest of Beneficiary under this Trust Deed. Upon the request of Beneficiary, Trustors shall deliver to Beneficiary official receipts of the appropriate taxing or other authority or other proof satisfactory to Beneficiary within ten (10) days after the date any such taxes, assessments or charges are due and payable, evidencing the payment of such taxes, assessments or charges. Trustors may contest in good faith the validity of any mechanic's or materialman's lien.

5. Insurance. Trustors shall maintain insurance policies (collectively, the "Policies") with respect to the Property, in amounts and forms and with deductibles acceptable to Beneficiary, providing hazard insurance insuring against fire, extended coverage risks and such other risks as Beneficiary may require, including, without limitation, the risk of damage caused by earthquake and flooding, with replacement cost coverage and agreed value endorsement. The hazard insurance policy shall contain a standard lender's loss payable endorsement, in favor of and in a form acceptable to Beneficiary. Beneficiary shall be named as an additional insured under the liability insurance policy, and such insurance shall be primary and non-contributing in the event of loss with any other insurance Beneficiary may carry. The insurers concerned shall agree that the coverage under the Policies will not be modified or canceled unless at least thirty (30) days advance written notice of the proposed modification or cancellation has been given to Beneficiary. Beneficiary may review the Policies from time to time and require that the same be modified so as to protect Beneficiary's interests. Such insurance shall be carried with companies approved by Beneficiary. Trustors shall deliver to Beneficiary (at the option of Beneficiary) either the originals of the Policies or certificates duly executed by the insurers evidencing such insurance coverage. All renewal and replacement policies must be delivered to Beneficiary at least fifteen (15) days before the expiration of the old policies.

6. Reserve. On written notice by Beneficiary to Trustors, Trustors shall pay to Beneficiary on the first day of each month an amount equal to one-twelfth (1/12) of all taxes, assessments and insurance premiums required to be paid under this Trust Deed by Trustors, in such manner as to provide Beneficiary with sufficient funds to pay such taxes, assessments and

premiums at least thirty (30) days prior to their respective due dates. Such funds may be commingled with other funds of Beneficiary, shall not bear interest and shall periodically be used by Beneficiary for the payment of such taxes, assessments and premiums. Nothing contained in this Trust Deed shall cause Beneficiary to be deemed a trustee of such funds or to be obligated to pay any amounts in excess of such funds. If such funds are insufficient to pay all of such taxes, assessments and premiums, Trustors shall immediately pay the deficiency to Beneficiary.

7. Condemnation or Damage. Trustors shall immediately give written notice to Beneficiary of the institution of any proceedings for the taking of the Property or of the occurrence of any damage to the Property, and Beneficiary shall receive all compensation, awards and insurance and other proceeds (collectively, the "Proceeds") distributed in connection with such taking or damage. Each person concerned is authorized and directed to make payments for such taking or damage directly to Beneficiary, instead of to Beneficiary and Trustors jointly. Beneficiary may, but shall not be obligated to, commence, appear in and prosecute in its own name any action or proceeding and make any compromise or settlement in connection with such taking or damage. After deducting from the Proceeds all costs and expenses (including attorneys' fees) incurred by Beneficiary in connection with such action, proceeding, compromise or settlement, Beneficiary may use the Proceeds to reduce the Obligations (whether or not then due) or to restore or repair the Property damaged. If Beneficiary determines to use the Proceeds for restoration and repair of the Property, the Proceeds shall be made available to Trustors for use in restoring or repairing the Property in accordance with plans and specifications and construction arrangements approved by Beneficiary. Beneficiary or its nominee shall hold the Proceeds and from time to time shall, on compliance with such conditions or requirements as may be imposed by Beneficiary, disburse portions of the Proceeds to Trustors or to those entitled to the Proceeds as progress is made on such restoration and repair. If any of the Proceeds remain after the entire costs of such restoration and repair have been paid, Beneficiary may use such remaining Proceeds to reduce the Obligations (whether or not then due) or may remit the same to Trustors.

8. Assignment of Leases and Rents. In the event Beneficiary consents to Trustors leasing or renting the Property in the future, Trustors absolutely, irrevocably and unconditionally assign to Beneficiary all future leases, subleases and rental agreements covering the Property (collectively, the "Leases"), and all rents, issues, profits and income (including security deposits) arising from the Property (collectively, the "Rents"), together with the right, power and authority to enforce the Leases, collect the Rents and apply the Rents to any of the Obligations. Notwithstanding anything contained in this Trust Deed to the contrary, the assignment set forth in the preceding sentence is an absolute, irrevocable and unconditional present assignment from Trustors to Beneficiary and not merely the passing of a security interest. Trustors may, on behalf of Beneficiary, enforce the Leases and collect the Rents (but not more than one (1) month in advance) at any time a default does not exist under this Trust Deed and an event or condition does not exist which with the giving of notice or lapse of time or both would result in a default under this Trust Deed. Trustors shall hold the Rents so collected in trust for Beneficiary and shall use so much of the Rents as is required for the satisfaction of the Obligations. On the occurrence of a default under this Trust Deed or an event or condition which with the giving of notice or lapse of time or both would result in a default under this Trust Deed, the right of Trustors to enforce the Leases and collect the Rents shall automatically terminate, and Trustors shall immediately pay to Beneficiary all of the Rents then held by Trustors. All tenants, lessees and other persons having any obligation to make any payment in connection with the Property are authorized and directed to make such payment directly to Beneficiary on the demand of Beneficiary. The receipt by Beneficiary of such payment shall be a good and sufficient discharge of the obligation of the tenant, lessee or other person concerned to make the payment connected with the amount so received by Beneficiary. Nothing contained in this Paragraph shall be construed to make Beneficiary a mortgagee in possession or make Beneficiary responsible for any matters relating to the Property or the Leases.

9. Transfers and Encumbrances. Without the prior written consent of Beneficiary, which may be withheld by Beneficiary in its sole discretion, Trustors shall not, directly or indirectly, do any of the following: (a) sell, convey, assign or transfer the Property, the Leases or the Rents, or contract to do so, voluntarily, involuntarily or by operation of law; or (b) lease, rent or otherwise surrender possession of the Property, or contract to do so, voluntarily, involuntarily, or by operation of law. Beneficiary's consent to one or more of such transactions shall not be a waiver of the right to require such consent with respect to any subsequent or successive transactions. Such consent of Beneficiary may be conditioned on satisfaction of such requirements as Beneficiary may impose.

10. Mortgagee Title Insurance. At the request of Beneficiary, Trustors shall provide to Beneficiary a policy of title insurance insuring the lien of this Trust Deed, in form and amount, and issued by a company, acceptable to Beneficiary.

11. Representations and Warranties. Trustors covenant with, and represent and warrant to, Trustee and Beneficiary that all of the following statements are true as of the date of this Trust Deed and will remain true: (a) Trustors are lawfully seized of indefeasible fee simple marketable title to the Property; (b) this Trust Deed has been duly executed by Trustors, and the Property has been duly conveyed to Trustee under this Trust Deed; (c) the Property is free and clear of all liens, encumbrances and interests of third parties not approved in writing by Beneficiary; (d) Trustors will defend title to the Property against all claims and demands; (e) all of the Personal Property has been paid for in full, is owned solely by Trustors

and is not used and was not bought for personal, family or household purposes; and (f) all obligations incurred by Trustors in connection with or which relate to the Property are current and without default.

12. Default. Trustors shall be in default under this Trust Deed on the occurrence of any of the following: (a) Trustors fail to timely pay or perform any of the Obligations; (b) an event of default occurs under any lien or encumbrance affecting the Property; (c) Trustors or any guarantor of the Obligations (i) files a voluntary petition in bankruptcy or files a petition or answer seeking or acquiescing in a reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future law or regulation relating to bankruptcy, insolvency or other relief for debtors, (ii) consents to or acquiesces in the appointment of a trustee, receiver or liquidator of Trustors or such guarantor, the Property or the Rents, (iii) makes a general assignment for the benefit of creditors, or (iv) admits in writing its inability to pay its debts generally as they become due; (d) a court of competent jurisdiction enters an order, judgment or decree approving a petition filed against Trustors or such guarantor seeking a reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future law or regulation relating to bankruptcy, insolvency or other relief for debtors; (e) a trustee, receiver or liquidator of Trustors, such guarantor, the Property or the Rents is appointed without the consent or acquiescence of Trustors or such guarantor; (f) a writ of execution, attachment or similar process is issued or levied against the Property or the Rents or a judgment involving monetary damages is entered against Trustors which becomes a lien on the Property or the Rents; (g) any representation or warranty contained in this Trust Deed or in any other instrument executed by Trustors is or becomes untrue; or (h) a change occurs in the condition or affairs (financial or otherwise) of Trustors or such guarantor which materially impairs Beneficiary's security or increases its risks.

13. Remedies. On a default under this Trust Deed, Trustee or Beneficiary may (but is not obligated to) do any one or more of the following: (a) without notice or demand on Trustors and without releasing Trustors from any of the Obligations, pay or perform a portion or all of the Obligations that Trustors have failed to pay or perform, and Trustors shall immediately reimburse Trustee and Beneficiary for all costs and expenses (including attorneys' fees) incurred in connection with such payment or performance, with interest on such costs and expenses at fifteen percent (15%) per annum (the "Default Rate"), both before and after judgment; (b) declare all of the Obligations immediately due and payable and charge interest on the Obligations then outstanding at the Default Rate, both before and after judgment; (c) exercise the power of sale under applicable law; (d) foreclose this Trust Deed in the manner provided by law for the foreclosure of mortgages on real property; (e) exercise all of the rights and remedies of a secured party under the UCC (whether now existing or created after the date of this Trust Deed); (f) take possession or appoint a receiver to take possession of and (without liability or obligation) (i) hold, occupy, operate, use, maintain, repair and conserve the value of the Property, (ii) make, modify, enforce and terminate the Leases, (iii) collect the Rents and (after deducting from the Rents maintenance and operating expenses, including reasonable management fees) apply the same to the Obligations, and (iv) exercise such other powers as may be fixed by the court; (g) offset the Obligations against any amounts owed by Beneficiary to Trustors and apply toward the Obligations all funds of Trustors which Beneficiary may have in its possession or under its control; (h) if permitted by applicable law, sue on the Note; or (i) exercise any other rights and remedies available at law or in equity. A receiver appointed pursuant to this Paragraph may be appointed without notice to Trustors, and without regard to whether the Property is in danger of being lost, removed or materially injured, whether the Property or any other security is sufficient to discharge the Obligations or whether Beneficiary forecloses this Trust Deed judicially or nonjudicially, it being the intention of Trustors to authorize the appointment of a receiver when Trustors are in default under this Trust Deed and Beneficiary has requested the appointment of a receiver. Trustors consent to the appointment of the particular person (including an officer, director, partner or employee, as the case may be, of Beneficiary) designated by Beneficiary as "receiver" and waive any right to suggest or nominate any person as receiver in opposition to the person designated by Beneficiary. Neither the entering on and taking possession of the Property nor the collection and application of the Rents as aforesaid shall cure or waive any default or notice of default under this Trust Deed, invalidate any act done pursuant to such notice of default or operate to postpone or suspend any of the Obligations. No remedy provided in this Trust Deed shall be exclusive of any other remedy at law or in equity (whether now existing or created after the date of this Trust Deed), and all remedies under this Trust Deed may be exercised concurrently, independently or successively from time to time. The failure on the part of Trustee or Beneficiary to promptly enforce any right under this Trust Deed shall not operate as a waiver of such right, and the waiver of any default shall not constitute a waiver of any subsequent or other default.

14. Power of Sale; Foreclosure. The procedures relating to the exercise of the power of sale or foreclosure of this Trust Deed as a mortgage shall be governed by then existing law, or to the extent such procedures are not covered by then existing law, by law existing as of the date of this Trust Deed. Following foreclosure of this Trust Deed as a mortgage, the purchaser at the sale held pursuant to judicial decree shall be entitled to possession of the Property during any period of redemption. If a deficiency remains after application of the proceeds of sale following default under this Trust Deed (whether such sale is held pursuant to the exercise of the power of sale or judicial decree), Trustors shall pay the same to Beneficiary immediately on determination of the amount of such deficiency. Such deficiency shall bear interest at the Default Rate, both before and after judgment.

15. Security Agreement; Fixture Filing. This Trust Deed constitutes a security agreement with respect to all personal property and fixtures in which Beneficiary is granted a security interest under this Trust Deed, and Beneficiary shall have all of the rights and remedies of a secured party under the UCC (whether now existing or created after the date of this Trust Deed), as well as any other rights and remedies available at law or in equity. This Trust Deed, with Trustors, as debtor, and Beneficiary, as secured party, also constitutes a fixture filing with respect to any part of the Property which is or may become a fixture. The record owners of the Property are the Trustors. Beneficiary is not a seller or purchase money lender of the Personal Property. Trustors shall immediately notify Beneficiary if the name or identity of Trustors are changed, or if the address of Trustors is changed to an address different from the address for Trustors set forth in the first paragraph of this Trust Deed. With respect to any instrument or chattel paper covered by this Trust Deed, neither Trustee nor Beneficiary need take any steps to preserve rights against prior parties. A carbon, photographic or other reproduction of a financing statement is sufficient as a financing statement.

16. Waiver. Trustors waive, to the fullest extent permitted by law, any right (a) to obtain a partial release of the Property from the lien of this Trust Deed by paying less than all of the Obligations, (b) to partially redeem the Property by paying less than the amount necessary to effect redemption in full, (c) to have the Property or any other property securing the Note marshalled on the foreclosure of the lien of this Trust Deed, and agrees that any court having jurisdiction to foreclose such lien may order the Property and such other property sold as an entirety, (d) to direct the order of the sale of the Property or any other property securing the Note, and agrees that Beneficiary may exhaust the security given for the Note in any order, and (e) relating to procedural or substantive limitations on the recovery of any deficiency, such as those set forth in Section 57-1-32 of the Utah Code Ann. (1953), as amended, including, without limitation, any requirement that Trustee or Beneficiary establish a deficiency in connection with the indebtedness secured by this Trust Deed prior to the time that all of the security given for payment of the Note has been exhausted. Trustors further waive and relinquish all exemptions and homestead rights which may exist with respect to the Property, and agrees not to file a declaration of homestead with respect to the Property.

17. Expenses and Fees. Trustors shall pay all costs, expenses and fees (including, without limitation, trustee's and attorneys' fees) which are incurred by Trustee or Beneficiary in connection with the Obligations, this Trust Deed, the servicing of the indebtedness secured by this Trust Deed and the enforcement or protection of the rights and interests of Trustee or Beneficiary under this Trust Deed, including, without limitation, the monitoring of any insolvency or bankruptcy proceedings, with interest on such costs, expenses and fees at the Default Rate, both before and after judgment.

18. Further Assurances. Trustors shall at any time and from time to time, on request of Beneficiary, take or cause to be taken any action, and execute, acknowledge, deliver or record any further instruments, which Beneficiary deems necessary or appropriate to carry out the purposes of this Trust Deed and to perfect and preserve the lien and security interest intended to be created and preserved in the Property.

19. Request for Notices. Trustors request that a copy of any notice of default and a copy of any notice of sale under this Trust Deed be mailed to Trustors at the address of Trustors set forth in the first paragraph of this Trust Deed.

20. Miscellaneous. Time is of the essence of this Trust Deed. This Trust Deed shall be binding on Trustors and shall inure to the benefit of Trustee and Beneficiary and their respective successors and assigns. The liability of each person executing this Trust Deed as Trustors shall be joint and several. The invalidity or unenforceability of any provision of this Trust Deed shall in no way affect the validity or enforceability of any other provision. This Trust Deed shall be governed by and construed in accordance with the laws of the State of Utah. Paragraph captions and defined terms in this Trust Deed are for convenience of reference only and shall not affect the construction of any provision of this Trust Deed. All pronouns shall be deemed to refer to the masculine, feminine or neuter or singular or plural, as the identity of the parties may require.

BY SIGNING BELOW, TRUSTORS accept and agree to the terms and covenants contained in this Trust Deed and in any rider(s) executed by Trustors and recorded with it.

TRUSTORS:

/s/ Joseph Y. Chang
Joseph Y. Chang

/s/ Wan Ping Chang
Wan Ping Chang

STATE OF UTAH)

) ss:
COUNTY OF SALT LAKE)

On this 5th day of July, 2001, personally appeared before me, Joseph Y. Chang and Wan Ping Chang, the signers of the above instrument, who duly acknowledged to me that they executed the same.

_____ My Commission expires:_____
Notary Public

REQUEST FOR RECONVEYANCE

To Trustee:

The undersigned is the holder to the note or notes secured by this Trust Deed. Said note or notes, together with all other indebtedness secured by this Trust Deed, have been paid in full. You are hereby directed to cancel said note or notes and this Trust Deed, which are delivered hereby, and to reconvey, without warranty, all of the estate now held by you under this Trust Deed to the person or persons legally entitled thereto.

Dated:_____ _____
By:_____
Mail Reconveyance to:_____
_____

EX-10 7 creditagreement.htm CREDIT AGREEMENT EXHIBIT 10.4

CREDIT AGREEMENT

dated as of May 10, 2001

among

NU SKIN ENTERPRISES, INC.,

VARIOUS FINANCIAL INSTITUTIONS,

and

BANK OF AMERICA, N.A.,

as Administrative Agent

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CREDIT AGREEMENT

This CREDIT AGREEMENT dated as of May 10, 2001 (this "Agreement") is among NU SKIN ENTERPRISES, INC., a Delaware corporation (the "Company"), the various financial institutions that are or may from time to time become parties hereto (together with their respective successors and assigns, the "Lenders"), and BANK OF AMERICA, N.A. (in its individual capacity, "Bank of America"), as administrative agent for the Lenders.

WHEREAS, the Company has requested that the Lenders provide a revolving credit facility to the Company; and

WHEREAS, the Lenders are willing to extend commitments to make Loans to the Company hereunder for the purposes provided herein and on the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained herein, the parties hereto agree as follows:

SECTION 1 DEFINITIONS.

1.1 Definitions. When used herein the following terms shall have the following meanings:

ABN Amro Facility means the $10,000,000 credit facility evidenced by that certain Grid Note dated as of May 24, 2000 executed by the Company in favor of ABN Amro Bank N.V., as amended, supplemented or modified prior to the date hereof.

Administrative Agent means Bank of America in its capacity as administrative agent for the Lenders hereunder and any successor thereto in such capacity.

Affected Lender means any Lender that has given notice to the Company (which has not been rescinded) of (a) any obligation by the Company to pay any amount pursuant to Section 7.6 or 8.1 or (b) the occurrence of any circumstance of the nature described in Section 8.2 or 8.3.

Affiliate means, at any time, (a) with respect to any Person, any other Person that at such time directly or indirectly through one or more intermediaries Controls, or is Controlled by, or is under common Control with, such first Person, and (b) with respect to the Company and its Subsidiaries, any Person beneficially owning or holding, directly or indirectly, 5% or more of any class of voting or equity interests of the Company or any of its Subsidiaries or any corporation of which the Company and its Subsidiaries beneficially own or hold, in the aggregate, directly or indirectly, 5% or more of any class of voting or equity interests. As used in this definition, "Control" means the possession, directly or indirectly, of the power to direct or cause the

direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. Unless the context otherwise clearly requires, any reference to an "Affiliate" is a reference to an Affiliate of the Company.

Agent-Related Persons means the Administrative Agent and any successor administrative agent arising under Section 13.9, together with their respective Affiliates, and the officers, directors, employees, agents and attorneys-in-fact of such Persons and Affiliates.

Agreement - see the Preamble.

Assignee - see Section 14.9.1.

Assignment Agreement - see Section 14.9.1.

Base Rate means at any time the greater of (a) the Federal Funds Rate plus 0.5% and (b) the Prime Rate.

Bank of America - see the Preamble.

Business Day means any day other than a Saturday, a Sunday or a day on which commercial banks in Charlotte, North Carolina and New York, New York are required or authorized to be closed and (a) with respect to any borrowing, payment or rate determination of Yen LIBOR Loans, any day other than a Saturday, a Sunday or a day on which commercial banks in Tokyo, Japan and London, England are required or authorized to be closed and (b) with respect to any borrowing, payment or rate determination of Eurodollar Loans, any day other than a Saturday, a Sunday or day on which commercial banks in London, England are required or authorized to be closed.

Capital Lease means, at any time, a lease with respect to which the lessee is required concurrently to recognize the acquisition of an asset and the incurrence of a liability in accordance with GAAP.

Change of Control means an event or series of events by which:

(a) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, but excluding any (i) Specified Person and (ii) employee benefit plan of such Person or its subsidiaries, or any Person acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan) becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934, except that a person shall be deemed to have "beneficial ownership" of all securities that such person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of (x) 25% or more of the equity interests of the Company and (y) more

voting equity interests of the Company than the aggregate amount of such voting equity interests beneficially owned by the Specified Persons; or

(b) during any period of 12 consecutive months, a majority of the members of the Board of Directors or other equivalent governing body of the Company cease to be composed of individuals (i) who were members of that board or equivalent governing body on the first day of such period, (ii) whose election or nomination to that board or equivalent governing body was approved by individuals referred to in clause (i) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body or (iii) whose election or nomination to that board or other equivalent governing body was approved by individuals referred to in clauses (i) and (ii) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body.

Closing Date means the date of the making of the initial Loans, or the issuance of the initial Letter of Credit, hereunder (whichever occurs first).

Codemeans the Internal Revenue Code of 1986.

Collateral Agency and Intercreditor Agreement means the Collateral Agency and Intercreditor Agreement, a copy of which is attached as Exhibit E-1, by and among the Company, the Collateral Agent, the Administrative Agent and each of the other Senior Secured Creditors, and acknowledged by the Company and the Subsidiary Guarantors.

Collateral Agent means State Street Bank and Trust Company of California, N.A., acting in its capacity as collateral agent under the Collateral Agency and Intercreditor Agreement, together with its successors and assigns.

Collateral Documents means the Pledge Agreement, the Subsidiary Guaranty, the Collateral Agency and Intercreditor Agreement and all other documents evidencing, securing or relating to the Loans, the payment of the indebtedness evidenced by the Notes and all other amounts due from the Company or any other Restricted Subsidiary evidenced or secured by this Agreement, the Notes or the Collateral Documents.

Commitment means, as to any Lender, such Lender's commitment to make Loans, and to issue or participate in Letters of Credit, under this Agreement.

Commitment Amount means $60,000,000, as reduced from time to time pursuant to Section 6.1.

Commitment Fee Rate - see Schedule 1.1.

Company - see the Preamble.

Computation Period means each period of four consecutive quarterly fiscal periods ending on the last day of a quarterly fiscal period.

Consolidated Income Available for Fixed Charges means, with respect to any period, Consolidated Net Income for such period plus all amounts deducted in the computation thereof on account of (a) Fixed Charges, and (b) taxes imposed on or measured by income or excess profits of the Company and the Restricted Subsidiaries.

Consolidated Net Income means, with respect to any period, the net income (or loss) of the Company and the Restricted Subsidiaries for such period (taken as a cumulative whole), as determined in accordance with GAAP, after eliminating all offsetting debits and credits between the Company and the Restricted Subsidiaries and all other items required to be eliminated in the course of the preparation of consolidated financial statements of the Company and the Restricted Subsidiaries in accordance with GAAP.

Consolidated Net Worth means, at any time, (a) the consolidated stockholders' equity of the Company and the Restricted Subsidiaries, as defined according to GAAP, less (b) the sum of (i) to the extent included in clause (a), all amounts attributable to minority interests, if any, in the securities of Restricted Subsidiaries, and (ii) the amount by which Restricted Investments exceed 20% of the amount determined in clause (a).

Consolidated Total Assets means, at any date of determination, on a consolidated basis for the Company and the Restricted Subsidiaries, total assets, determined in accordance with GAAP.

Credit Facility means any credit facility providing for the borrowing of money or the issuance of letters of credit (a) for the Company or (b) for any Restricted Subsidiary, if its obligations under such Credit Facility are guaranteed by the Company.

Dollar and the sign "$" mean the lawful money of the United States of America.

Dollar Equivalent means, with respect to a specified amount of any currency, the amount of Dollars into which such amount of such currency would be converted, based on the applicable Spot Rate of Exchange.

Domestic Subsidiary means, at any time, each Subsidiary of the Company (a) which is created, organized or domesticated in the United States or under the laws of the United States or any state or territory thereof, (b) which was included as a member of the Company's affiliated group in the Company's most recent consolidated United States federal income tax return, or (c) the earnings of which were includable in the taxable income of the Company or any other Domestic Subsidiary (to the extent of the Company's and/or such other Domestic Subsidiary's ownership interest of such Subsidiary) in the Company's most recent consolidated United States federal income tax return.

EBITDA means, with respect to any period, the sum of (i) Consolidated Net Income for such period without giving effect to extraordinary gains and losses, gains and losses resulting from changes in GAAP and one time non-recurring income and expenses resulting from acquisitions and similar events, plus (ii) to the extent deducted in the calculation of Consolidated Net Income, the amount of all interest expense, depreciation expense, amortization expense, and income tax expense; provided that EBITDA will include or exclude, as applicable, acquisitions and divestitures of Restricted Subsidiaries or other business units on a pro forma basis as if such acquisitions or divestitures occurred on the first day of the applicable period.

Effective Date - see Section 11.1.

Environmental Laws means any and all federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including but not limited to those related to hazardous substances or wastes, air emissions and discharges to waste or public systems.

ERISA means the Employee Retirement Income Security Act of 1974, and the rules and regulations promulgated thereunder from time to time in effect.

ERISA Affiliate means any trade or business (whether or not incorporated) that is treated as a single employer together with the Company under Section 414 of the Code.

Eurocurrency Reserve Percentage means, with respect to any Eurodollar Loan for any Interest Period, a percentage (expressed as a decimal) equal to the daily average during such Interest Period of the percentage in effect on each day of such Interest Period, as prescribed by the FRB (or any successor), for determining the aggregate maximum reserve requirements applicable to "Eurocurrency Liabilities" pursuant to Regulation D or any other then applicable regulation of the FRB which prescribes reserve requirements applicable to "Eurocurrency Liabilities" as presently defined in Regulation D.

Eurodollar Loan means any Loan which bears interest at a rate determined by reference to the Eurodollar Rate (Reserve Adjusted).

Eurodollar/Yen LIBOR Margin - see Schedule 1.1.

Eurodollar Office means with respect to any Lender the office or offices of such Lender which shall be making or maintaining the Eurodollar Loans of such Lender hereunder or, if applicable, such other office or offices through which such Lender determines the Eurodollar Rate. A Eurodollar Office of any Lender may be, at the option of such Lender, either a domestic or foreign office.

Eurodollar Rate means, with respect to any Eurodollar Loan for any Interest Period, (i) the rate per annum (rounded upward, if necessary, to the nearest 1/100 of 1%) equal to the rate determined by the Administrative Agent to be the offered rate which appears on the page of the Telerate Screen which displays an average British Bankers Association Interest Settlement Rate (such page currently being page number 3750) for deposits (for delivery two Business Days prior to the beginning of such Interest Period) with a term equivalent to the applicable Interest Period, determined as of approximately 11:00 A.M. (London, England time) on such date of determination, or (ii) if the rate referenced in the preceding clause (i) does not appear on such page or service or if such page or service shall cease to be available, the rate per annum (rounded upward, if necessary, to the nearest five decimal places) equal to the rate determined by the Administrative Agent to be the offered rate on such other page or other service which displays an average British Bankers Association Interest Settlement Rate for deposits (for delivery two Business Days prior to the beginning of such Interest Period) with a term equivalent to such Interest Period determined as of approximately 11:00 A.M. (London, England time) on such date of determination, or (iii) if the rates referenced in the preceding clauses (i) and (ii) are not available, the rate per annum equal to the offered quotation rate (rounded upward, if necessary, to the nearest five decimal places) to first class banks in the London interbank market by the Administrative Agent for deposits (for delivery two Business Days prior to the beginning of such Interest Period) of amounts in same day funds comparable to the principal amount of the Eurodollar Loan of Bank of America included in the Eurodollar borrowing for which the Eurodollar Rate is then being determined with a maturity comparable to such Interest Period as of approximately 11:00 A.M. (London, England time) on such date of determination.

Eurodollar Rate (Reserve Adjusted) means, with respect to any Eurodollar Loan for any Interest Period, a rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) determined pursuant to the following formula:

$$\text{Eurodollar Rate (Reserve Adjusted)} = \frac{\text{Eurodollar Rate}}{1 - \text{Eurocurrency Reserve Percentage}}$$

Event of Default means any of the events described in Section 12.1.

Exchange Act means the Securities Exchange Act of 1934.

Existing Letters of Credit means the letters of credit described by date of issuance, letter of credit number, undrawn amount, name of beneficiary and the date of expiry on Schedule 1 hereto.

Exemption Representation - see Section 7.6.

Federal Funds Rate means, for any day, the rate set forth in the weekly statistical release designated as H.15(519), or any successor publication, published by the Federal Reserve Bank of

New York (including any such successor publication, "H.15(519)") on the preceding Business Day opposite the caption "Federal Funds (Effective)"; or, if for any relevant day such rate is not so published on any such preceding Business Day, the rate for such day will be the arithmetic mean as determined by the Administrative Agent of the rates for the last transaction in overnight Federal funds arranged prior to 9:00 a.m. (New York City time) on that day by each of three leading brokers of Federal funds transactions in New York City selected by the Administrative Agent.

Fixed Charges means, with respect to any period, the sum of (i) Interest Expense for such period, and (ii) Lease Rentals for such period.

Floating Rate Loan means any Loan which bears interest at or by reference to the Base Rate.

Floating Rate Margin - see Schedule 1.1.

Foreign Subsidiary means, at any time, each Subsidiary of the Company that is not a Domestic Subsidiary.

FRB means the Board of Governors of the Federal Reserve System.

GAAP means generally accepted accounting principles as in effect from time to time in the United States of America.

Group - see Section 2.2.1.

Governmental Authority means (a) the government of (i) the United States of America or any state or other political subdivision thereof, or (ii) Japan or any political subdivision thereof, or (iii) any jurisdiction in which the Company or any Subsidiary conducts all or any part of its business, or which asserts jurisdiction over any properties of the Company or any Subsidiary, or (b) any entity exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, any such government.

Guaranty means, with respect to any Person, any obligation (except the endorsement in the ordinary course of business of negotiable instruments for deposit or collection) of such Person guaranteeing or in effect guaranteeing any indebtedness, dividend or other obligation of any other Person in any manner, whether directly or indirectly, including (without limitation) obligations incurred through an agreement, contingent or otherwise, by such Person (a) to purchase such indebtedness or obligation or any property constituting security therefor, (b) to advance or supply funds (i) for the purchase or payment of such indebtedness or obligation, or (ii) to maintain any working capital or other balance sheet condition or any income statement condition of any other Person or otherwise to advance or make available funds for the purchase or payment of such indebtedness or obligation, (c) to lease properties or to purchase properties or

services primarily for the purpose of assuring the owner of such indebtedness or obligation of the ability of any other Person to make payment of the indebtedness or obligation, or (d) otherwise to assure the owner of such indebtedness or obligation against loss in respect thereof. In any computation of the indebtedness or other liabilities of the obligor under any Guaranty, the indebtedness or other obligations that are the subject of such Guaranty shall be assumed to be direct obligations of such obligor.

Hazardous Material means any and all pollutants, toxic or hazardous wastes or any other substances that might pose a hazard to health or safety, the removal of which may be required or the generation, manufacture, refining, production, processing, treatment, storage, handling, transportation, transfer, use, disposal, release, discharge, spillage, seepage, or filtration of which is or shall be restricted, prohibited or penalized by any applicable law (including asbestos, urea formaldehyde foam insulation and polychlorinated biphenyls).

Indebtedness with respect to any Person means, at any time, without duplication, (a) its liabilities for borrowed money and its redemption obligations in respect of mandatorily redeemable Preferred Stock, (b) its liabilities for the deferred purchase price of property acquired by such Person (excluding accounts payable arising in the ordinary course of business but including all liabilities created or arising under any conditional sale or other title retention agreement with respect to any such

property), (c) all liabilities appearing on its balance sheet in accordance with GAAP in respect of Capital Leases, (d) all liabilities for borrowed money secured by any Lien with respect to any property owned by such Person (whether or not it has assumed or otherwise become liable for such liabilities), (e) Securitization Debt and (f) any Guaranty (other than the Subsidiary Guaranty) of such Person with respect to liabilities of a type described in any of clauses (a) through (e) hereof. Indebtedness of any Person shall include all obligations of such Person of the character described in clauses (a) through (f) to the extent such Person remains legally liable in respect thereof notwithstanding that any such obligation is deemed to be extinguished under GAAP.

Interest Expense means, with respect to the Company and the Restricted Subsidiaries for any period, the sum, determined on a consolidated basis in accordance with GAAP, of (a) all interest paid, accrued or scheduled for payment on the Indebtedness of the Company and the Restricted Subsidiaries during such period (including interest attributable to Capital Leases), plus (b) all fees in respect of outstanding letters of credit paid, accrued or scheduled for payment by the Company and the Restricted Subsidiaries during such period.

Interest Period means, as to any Yen LIBOR Loan or Eurodollar Loan, the period commencing on the date such Loan is borrowed or continued as a Yen LIBOR Loan or Eurodollar Loan or converted into a Eurodollar Loan and ending on the date one, two, three or six months thereafter, as selected by the Company pursuant to Section 2.2.3; provided that:

(a) if any Interest Period would otherwise end on a day that is not a Business Day, such Interest Period shall be extended to the following Business Day unless the

result of such extension would be to carry such Interest Period into another calendar month, in which event such Interest Period shall end on the preceding Business Day;

(b) any Interest Period for a Yen LIBOR Loan or Eurodollar Loan that begins on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period shall end on the last Business Day of the calendar month at the end of such Interest Period; and

(c) the Company may not select any Interest Period for any Loan which would extend beyond the scheduled Termination Date or which would cause the aggregate principal amount of all Yen LIBOR Loans and Eurodollar Loans having Interest Periods ending after the date on which the Commitment Amount is scheduled to be reduced pursuant to Section 6.1(d), plus the Stated Amount of all Letters of Credit scheduled to be outstanding after such date, to exceed the Commitment Amount scheduled to be in effect at the close of business on such date.

Investment means any investment, made in cash or by delivery of property, by the Company or any Restricted Subsidiary (a) in any Person, whether by acquisition of stock, Indebtedness or other obligation or Security, or by loan, Guaranty, advance, capital contribution or otherwise; or (b) in any property.

Issuing Lender means Bank of America in its capacity as an issuer of Letters of Credit hereunder and any other Lender which, with the written consent of the Company and the Administrative Agent, is the issuer of one or more Letters of Credit hereunder.

L/C Application means, with respect to any request for the issuance of a Letter of Credit, a letter of credit application in the form being used by the applicable Issuing Lender at the time of such request for the type of letter of credit requested.

Lease Rentals means, with respect to any period, the sum of the rental and other obligations required to be paid during such period by the Company or any Restricted Subsidiary as lessee under all leases of real or personal property (other than Capital Leases) as determined on a consolidated basis for the Company and the Restricted Subsidiaries in accordance with GAAP.

Lender - see the Preamble. References to the "Lenders" shall include the Issuing Lender; for purposes of clarification only, to the extent that Bank of America (or any successor Issuing Lender) may have any rights or obligations in addition to those of the other Lenders due to its status as Issuing Lender, its status as such will be specifically referenced.

Letter of Credit - see Section 2.1.2.

Leverage Ratio means, as of any date, the ratio of Total Indebtedness as of such date to EBITDA for the most recently ended period of four consecutive fiscal quarters.

Lien means, with respect to any Person, any mortgage, lien, pledge, charge, security interest or other encumbrance, or any interest or title of any vendor, lessor, lender or other secured party to or of such Person under any conditional sale or other title retention agreement or Capital Lease, upon or with respect to any property or asset of such Person (including in the case of stock, stockholder agreements, voting trust agreements and all similar arrangements).

Loan Documents means this Agreement, the Notes, the Guaranties, the L/C Applications and the Collateral Documents.

Loans - see Section 2.1.1.

Material or Materially means material or materially, as the case may be, in relation to the business, operations, affairs, financial condition, assets, properties or prospects of the Company and the Restricted Subsidiaries taken as a whole.

Material Adverse Effect means a material adverse effect on (a) the business, operations, affairs, financial condition, assets or properties of the Company and the Restricted Subsidiaries taken as a whole, or (b) the ability of the Company and the Restricted Subsidiaries, taken as a whole, to perform their obligations under this Agreement, the Collateral Documents or any other Loan Document, or (c) the validity or enforceability of this Agreement, the Collateral Documents or any other Loan Document.

Material Domestic Subsidiary means each Domestic Subsidiary of the Company that also is a Material Subsidiary.

Material Foreign Subsidiary means each Foreign Subsidiary of the Company that also is a Material Subsidiary.

Material Subsidiaries means, at any time, (a) Nu Skin Japan Co., Ltd., a Japanese corporation, Nu Skin International, Inc., a Utah corporation, NSE Hong Kong, Inc., a Utah corporation, Nu Skin Taiwan, Inc., a Utah corporation, and Nu Skin United States, Inc., a Delaware corporation, and (b) each other Subsidiary of the Company which (i) had revenues during the four most recently ended fiscal quarters equal to or greater than 5.0% of the consolidated total revenues of the Company and its Subsidiaries during such period or (ii) is an obligor under any Guaranty with respect to the Indebtedness of the Company under any Significant Credit Facility; provided that no Subsidiary shall be a "Material Subsidiary" unless at least a majority of the voting securities of such Subsidiary are owned by the Company and/or one or more Wholly-Owned Restricted Subsidiaries.

Multiemployer Plan means any Plan that is a "multiemployer plan" (as such term is defined in Section 4001(a)(3) of ERISA).

Note - see Section 3.1.

Officer's Certificate means a certificate of a Senior Financial Officer or of any other officer of the Company whose responsibilities extend to the subject matter of such certificate.

PBGC means the Pension Benefit Guaranty Corporation referred to and defined in ERISA or any successor thereto.

Percentage means, with respect to any Lender, the percentage specified opposite such Lender's name on Schedule 2.1, as adjusted by any assignment pursuant to Section 14.9.1.

Permitted Liens - see Section 10.12.

Permitted Securitization Program means any transaction or series of transactions that may be entered into by the Company or any Restricted Subsidiary pursuant to which the Company or any Restricted Subsidiary may sell, convey or otherwise transfer to (a) a Securitization Entity (in the case of a transfer by the Company or any Restricted Subsidiary) and (b) any other Person (in the case of a transfer by a Securitization Entity), or may grant a security interest in, any receivables (whether now existing or arising or acquired in the future) of the Company or any Restricted Subsidiary, and any assets related thereto including (i) all collateral securing such receivables, (ii) all contracts and contract rights and all guarantees or other obligations in respect of such receivables, (iii) proceeds of such receivables, and (iv) other assets (including contract rights) that are customarily transferred or in respect of which security interests are customarily granted in connection with asset securitization transactions involving receivables; provided that the resultant Securitization Debt, together with all other Priority Indebtedness then outstanding, shall not exceed the amount of Priority Indebtedness permitted by Section 10.11(a)(ii).

Person means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization or government (or an agency or political subdivision thereof).

Plan means an "employee benefit plan" (as defined in Section 3(3) of ERISA) that is or, within the preceding five years, has been established or maintained, or to which contributions are or, within the preceding five years, have been made or required to be made, by the Company or any ERISA Affiliate or with respect to which the Company or any ERISA Affiliate may have any liability.

Pledge Agreement means the Pledge Agreement executed by the Company in favor of State Street Bank and Trust Company of California, N.A., as collateral agent, a copy of which is attached as Exhibit C.

Pledged Securities means, in respect of each Pledgor, (a) the Equity Securities owned by such Pledgor described in Schedule I attached to, or otherwise pledged pursuant to, the Pledge Agreement and the Equity Securities owned by such Pledgor of each Person that becomes a Material Foreign Subsidiary, including all securities convertible into, and rights, warrants, options and other rights to purchase or otherwise acquire, any of the foregoing now or hereafter owned by such Pledgor, and the certificates or other instruments representing any of the foregoing and any interest of such Pledgor in the entries on the books of any securities intermediary pertaining thereto (the "Pledged Shares"), and all dividends, distributions, returns of capital, cash, warrants, option, rights, instruments, right to vote or manage the business of the respective issuer pursuant to organizational documents governing the rights and obligations of the stockholders, and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such Pledged Shares; provided that the Pledged Shares shall not include any Equity Securities of such issuer in excess of the number of shares or other equity interests of such issuer possessing up to but not exceeding 65% of the voting power of all classes of Equity Securities entitled to vote of such issuer, and all dividends, cash, warrants, rights, instruments and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such Equity Securities, and (b) to the extent not covered by clause (a) above, all proceeds of any or all of the foregoing.

Pledgor means each Person who pledges Pledged Securities under the Pledge Agreement.

Preferred Stock means any class of capital stock of a corporation that is preferred over any other class of capital stock of such corporation as to the payment of dividends or the payment of any amount upon liquidation or dissolution of such corporation.

Prime Rate means, for any day, the rate of interest in effect for such day as publicly announced from time to time by Bank of America in Charlotte as its "prime rate." (The "prime rate" is a rate set by Bank of America based upon various factors, including Bank of America's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above or below such announced rate.) Any change in the prime rate announced by Bank of America shall take effect at the opening of business on the day specified in the public announcement of such change.

Priority Indebtedness means (without duplication) the sum of (a) any unsecured Indebtedness of the Restricted Subsidiaries other than (i) guarantees under the Subsidiary Guaranty, (ii) Indebtedness of a Restricted Subsidiary if (x) the Company has guaranteed such Indebtedness or is a primary obligor of such Indebtedness, and (y) the holder of such Indebtedness becomes a party to the Collateral Agency and Intercreditor Agreement (provided that until the holder of such

Indebtedness becomes a party to the Collateral Agency and Intercreditor Agreement, such Indebtedness will be considered Priority Indebtedness), and (iii) Indebtedness owed to the Company or any other Restricted Subsidiary, and (b) Indebtedness of

the Company and its Restricted Subsidiaries secured by a Lien not permitted by clauses (a) through (m) of Section 10.12, and (c) Securitization Debt.

Property or properties means and includes each and every interest in any property or asset, whether tangible or intangible and whether real, personal or mixed.

QPAM Exemption means Prohibited Transaction Class Exemption 84-14 issued by the United States Department of Labor.

Required Lenders means Lenders having Percentages aggregating 51% or more.

Responsible Officer means any Senior Financial Officer and any other officer of the Company or its Subsidiaries with responsibility for the administration of the relevant portion of this Agreement or any Loan Document.

Restricted Investments means all Investments except any of the following: (a) property to be used in the ordinary course of business; (b) assets arising from the sale of goods and services in the ordinary course of business; (c) Investments in one or more Restricted Subsidiaries or any Person that immediately becomes a Restricted Subsidiary; (d) Investments existing on the Signing Date; (e) Investments in obligations, maturing within one year, issued by or guaranteed by the United States of America, or an agency thereof, or Canada, or any province thereof; (f) Investments in tax-exempt obligations, maturing within one year, which are rated in one of the top two rating classifications by at least one national rating agency; (g) Investments in certificates of deposit or banker's acceptances maturing within one year issued by Bank of America or other commercial banks which are rated in one of the top two rating classifications by at least one national rating agency; (h) Investments in commercial paper, maturing within 270 days, rated in one of the top two rating classifications by at least one national rating agency; (i) Investments in repurchase agreements; (j) treasury stock; (k) Investments in money market instrument programs which are classified as current assets in accordance with GAAP; (l) Investments in foreign currency risk hedging contracts used in the ordinary course of business; and (m) Investments in Securitization Entities.

Restricted Subsidiary means any Subsidiary (a) at least a majority of the voting securities of which are owned by the Company and/or one or more Wholly-Owned Restricted Subsidiaries, and (b) which the Company has not designated as an Unrestricted Subsidiary in accordance with Section 10.18; provided that upon any Unrestricted Subsidiary becoming a Material Subsidiary, it shall immediately be deemed to be a Restricted Subsidiary.

Securities Act means the Securities Act of 1933.

Security has the meaning set forth in Section 2(l) of the Securities Act.

Securitization Debt for the Company and the Restricted Subsidiaries shall mean, in

connection with any Permitted Securitization Program, (a) any amount as to which any Securitization Entity or other Person has recourse to the Company or any Restricted Subsidiary with respect to such Permitted Securitization Program by way of a Guaranty and (b) the amount of any reserve account or similar account or asset shown as an asset of the Company or a Restricted Subsidiary under GAAP that has been pledged to any Securitization Entity or any other Person in connection with such Permitted Securitization Program.

Securitization Entity means a wholly-owned Subsidiary (other than a Restricted Subsidiary) of the Company (or another Person in which the Company or any of its Subsidiaries makes an investment and to which the Company or any of its

Subsidiaries transfers receivables and related assets) that engages in no activities other than in connection with the financing of receivables and that is designated by the Board of Directors of the Company (as provided below) as a Securitization Entity (a) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (i) is guaranteed by the Company or any of its Subsidiaries (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (ii) is recourse to or obligates the Company or any of its Subsidiaries in any way other than pursuant to Standard Securitization Undertakings, or (iii) subjects any property or asset of the Company or any other Subsidiary of the Company, directly or indirectly, continently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings, (b) with which neither the Company nor any of its Subsidiaries has any material contract, agreement, arrangement or understanding other than on terms no less favorable to the Company or such Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Company, other than fees payable in the ordinary course of business in connection with servicing receivables of such entity, and (c) to which neither the Company nor any of its Subsidiaries has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

Senior Financial Officer means the chief financial officer, principal accounting officer, treasurer or comptroller of the Company.

Senior Notes means the 3.03% Senior Notes due October 12, 2010 issued by the Company.

Senior Note Purchase Agreement means the Note Purchase Agreement dated October 12, 2000 between the Company and The Prudential Insurance Company of America.

Senior Secured Creditor means (a) each Lender, (b) each holder of a Senior Note, and (c) each lender under a Significant Credit Facility.

Significant Credit Facility means (a) any Credit Facility that has at least $7,500,000 available to be borrowed and/or outstanding at any time, and (b) any Credit Facility if the aggregate amount available to be borrowed and/or outstanding under all of the Credit Facilities exceeds $25,000,000 at any time; provided that the term "Significant Credit Facility" shall not

include any Priority Indebtedness to the extent that such Priority Indebtedness is permitted by Section 10.11(a)(ii), any Indebtedness secured by a Lien permitted by Section 10.12(h), or any Indebtedness secured by a Lien renewing, extending or replacing Liens as described in Section 10.12(m).

Signing Date means the date on which the Agreement has been executed and delivered by all of the parties hereto.

Specified Person means each of (a) Blake M. Roney, Steven J. Lund, Sandra N. Tillotson, Brooke B. Roney, Nedra Roney, Craig Bryson or Craig Tillotson and (b) the immediate family members and trusts established for the immediate family members of, and other entities 67% or more of the equity interests of which are owned by, any of the foregoing individuals.

Spot Rate of Exchange means, as of any date for any amount denominated in any currency other than Dollars, the applicable quoted spot rate as reported on the appropriate page of the Reuters Screen at 11:00 A.M. (London, England time) two Business Days preceding the day such determination is requested to be made.

Standard Securitization Undertakings means representations, warranties, covenants and indemnities entered into by the Company or any of its Subsidiaries that are reasonably customary in a receivables securitization transaction.

Stated Amount means, with respect to any Letter of Credit at any date of determination, the maximum aggregate amount available for drawing thereunder at any time during the then ensuing term of such Letter of Credit under any and all circumstances, plus the aggregate amount of all unreimbursed payments and disbursements under such Letter of Credit.

Subsidiary means, as to any Person, (a) any corporation of which more than 50% of the issued and outstanding Equity Securities having ordinary voting power to elect a majority of the Board of Directors of such corporation (irrespective of

whether at the time capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency) is at the time directly or indirectly owned or controlled by such Person, by such Person and one or more of its Subsidiaries or by one or more of such Person's other Subsidiaries, (b) any partnership, joint venture, limited liability company or other association of which more than 50% of the equity interest having the power to vote, direct or control the management of such partnership, joint venture, limited liability company or other association is at the time owned and controlled by such Person, by such Person and one or more of its Subsidiaries or by one or more of such Person's other Subsidiaries, or (c) any other Person included in the financial statements of such Person on a consolidated basis. Unless the context otherwise clearly requires, any reference to a "Subsidiary" is a reference to a Subsidiary of the Company.

Subsidiary Guarantors means all current and future Material Domestic Subsidiaries of the

Company.

Subsidiary Guaranty means the Subsidiary Guaranty, substantially in the form of Exhibit B.

Swap Agreement means (a) any and all rate swap transactions, basis swaps, forward rate transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing); provided that any such transaction is governed by or subject to a Master Agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., or any other master agreement published by any successor organization thereto (any such master agreement, together with any related schedules, as amended, restated, extended, supplemented or otherwise modified in writing from time to time, a "Master Agreement"), including any such obligations or liabilities under any Master Agreement.

Taxes - see Section 7.6.

Term Debt means any Indebtedness of the Company or any Restricted Subsidiary other than (a) Credit Facilities providing for the borrowing of money or the issuance of letters of credit on a revolving basis or for working capital, (b) Priority Indebtedness, and (c) Indebtedness secured by Liens permitted by clauses (a) through (m) of Section 10.12.

Termination Date means the earlier to occur of (a) May 10, 2004 or (b) such other date on which the Commitments shall terminate pursuant to Section 6 or 12.

Total Indebtedness means, at any date of determination, the sum of (i) the total of all Indebtedness of the Company and the Restricted Subsidiaries outstanding on such date, after eliminating all offsetting debits and credits between the Company and the Restricted Subsidiaries and all other items required to be eliminated in the course of the preparation of consolidated financial statements of the Company and the Restricted Subsidiaries in accordance with GAAP, plus (ii) the aggregate amount of Indebtedness of the Company to any of its Restricted Subsidiaries that is not subordinated to the Indebtedness hereunder pursuant to a subordination agreement substantially in the form of Exhibit F.

Total Outstandings means at any time the sum of (a) the aggregate Dollar Equivalent principal amount of all outstanding Loans plus (b) the Stated Amount of all Letters of Credit.

Type of Loan or Borrowing - see Section 2.2.1. The types of Loans or borrowings under this Agreement are as follows: Floating Rate Loans or borrowings, Yen LIBOR Loans or borrowings, and Eurodollar Loans or borrowings.

Unmatured Event of Default means an event or condition the occurrence or existence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

Unrestricted Subsidiary means any Subsidiary which is designated as an Unrestricted Subsidiary on Schedule 9.8 or is designated as such in writing by the Company to each Lender pursuant to Section 10.18; provided that no Material Subsidiary shall be an Unrestricted Subsidiary.

Wholly-Owned Restricted Subsidiary means, at any time, (a) with respect to Domestic Subsidiaries, any Restricted Subsidiary one hundred percent (100%) of all of the equity interests (except directors' qualifying shares) and voting interests of which are owned by any one or more of the Company and the Company's other wholly-owned Restricted Subsidiaries at such time, and (b) with respect to Foreign Subsidiaries, any Restricted Subsidiary ninety-five percent (95%) or more of all of the equity interests (except directors' qualifying shares) and voting interests of which are owned by any one or more of the Company and the Company's other Wholly-Owned Restricted Subsidiaries at such time.

Yen and ¥ mean the lawful currency of Japan.

Yen LIBOR means, for any Yen LIBOR Loan for any Interest Period, the per annum rate (reserve adjusted as provided below) of interest, rounded upwards, if necessary, to the nearest one-sixteenth of one percent (0.0625%), at which Japanese Yen deposits in immediately available funds are offered in the interbank eurodollar market as presented on Telerate Page 3750 as of 11:00 A.M., London time, two Business Days prior to the beginning of such Interest Period, for delivery on the first day of such Interest Period for a period approximately equal to such Interest Period and in an amount equal or comparable to the Yen LIBOR Loan of Bank of America to which such Interest Period relates. The foregoing rate of interest shall be reserve adjusted by dividing Yen LIBOR by one minus the Yen LIBOR Reserve Percentage, with such quotient to be rounded upward to the nearest whole multiple of one-hundredth of one percent (0.01%). All references in this Agreement or other Loan Documents to Yen LIBOR shall mean and include the aforesaid reserve adjustment. "Telerate Page 3750" means the display designated as "Page 3750" (or such other page as may replace Page 3750) on the Associated Press-Dow Jones Telerate Service or such other service as may be nominated by the British Bankers' Association as the information vendor for the purpose of displaying British Bankers' Association interest settlement rates for Japanese Yen deposits or, in the absence of such availability, by reference to the average (rounded upwards, if necessary, to the nearest one-sixteenth of one percent (0.0625%)) of the rates at which three major banks designated by the Administrative Agent are offered Japanese Yen deposits at or about 11:00 A.M., London time, two Business Days prior to the beginning of such Interest Period in the interbank eurodollar market.

Yen LIBOR Loan means a Loan bearing interest, at all times during an Interest Period applicable to such Loan, at a fixed rate of interest determined by reference to Yen LIBOR.

Yen LIBOR Office means, with respect to any Lender, the office or offices of such Lender which shall be making or maintaining the Yen LIBOR Loans of such Lender hereunder. A Yen LIBOR Office of any Lender may be, at the option of such Lender, either a domestic or foreign office.

Yen LIBOR Reserve Percentage means, relative to any Yen LIBOR Loan for any Interest Period, the maximum reserve percentage (expressed as a decimal, rounded upward to the nearest 1/100th of 1%) in effect on the date Yen LIBOR for such Interest Period is determined under regulations issued from time to time by the FRB, the Japanese Ministry of Finance or the Bank of Japan (or any successor regulatory body) for determining the maximum reserve requirement (including any emergency, supplemental or other marginal reserve requirement) with respect to Eurocurrency funding (currently referred to as "Eurocurrency liabilities") having a term comparable to such Interest Period.

(a) Other Interpretive Provisions . The meanings of defined terms are equally applicable to the singular and plural forms of the defined terms.

(b) Section, clause, Schedule and Exhibit references are to this Agreement unless otherwise specified.

(c) (i) The term "including" is not limiting and means "including without limitation."

(ii) In the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including"; the words "to" and "until" each mean "to but excluding", and the word "through" means "to and including."

(d) Unless otherwise expressly provided herein, (i) references to agreements (including this Agreement) and other contractual instruments shall be deemed to include all subsequent amendments and other modifications thereto, but only to the extent such amendments and other modifications are not prohibited by the terms of any Loan Document, and (ii) references to any statute or regulation are to be construed as including all statutory and regulatory provisions consolidating, amending, replacing, supplementing or interpreting such statute or regulation.

(e) This Agreement and the other Loan Documents may use several different limitations, tests or measurements to regulate the same or similar matters. All such limitations, tests and measurements are cumulative and shall each be performed in accordance with their terms.

(f) This Agreement and the other Loan Documents are the result of negotiations among and have been reviewed by counsel to the Administrative Agent, the Company, the Lenders and the other parties thereto and are the products of all parties. Accordingly, they shall not be construed against the Administrative Agent or the Lenders merely because of the Administrative Agent's or Lenders' involvement in their preparation.

SECTION 2 COMMITMENTS OF THE BANKS; BORROWING, CONVERSION AND LETTER OF CREDIT PROCEDURES.

2.1 Commitments. On and subject to the terms and conditions of this Agreement, each of the Lenders, severally and for itself alone, agrees to make loans to, and to issue or participate in the issuance of letters of credit for the account of, the Company as follows:

2.1.1 Loans. Each Lender will make loans on a revolving basis ("Loans") from time to time before the Termination Date in such Lender's Percentage of such aggregate amounts as the Company may from time to time request from all Lenders; provided that the Total Outstandings will not at any time exceed the Commitment Amount.

2.1.2 L/C Commitment. (a) The Issuing Lenders will issue letters of credit, in each case containing such terms and conditions as are permitted by this Agreement and are reasonably satisfactory to the applicable Issuing Lender and the Company (each a "Letter of Credit"), at the request of and for the account of the Company or any Subsidiary from time to time before the Termination Date and (b) as more fully set forth in Section 2.3.5, each Lender agrees to purchase a participation in each such Letter of Credit; provided that the aggregate Stated Amount of all Letters of Credit shall not at any time exceed the lesser of (i) $5,000,000 and (ii) the excess, if any, of the Commitment Amount over the aggregate principal amount of all outstanding Loans.

2.2 Loan Procedures.

2.2.1 Various Types of Loans . Each Loan shall be either a Floating Rate Loan, a Yen LIBOR Loan or a Eurodollar Loan (each a "type" of Loan), as the Company shall specify in the related notice of borrowing or conversion pursuant to Section 2.2.2 or 2.2.3. Yen LIBOR Loans or Eurodollar Loans having the same Interest Period are sometimes called a "Group" or collectively "Groups". Floating Rate Loans, Yen LIBOR Loans and Eurodollar Loans may be outstanding at the same time; provided that (i) not more than five different Groups of Yen LIBOR Loans shall be outstanding at any one time, (ii) the aggregate principal amount of each Group of Yen LIBOR Loans shall at all times be at least ¥600,000,000 and an integral multiple of ¥100,000,000, (iii) not more than five different Groups of Eurodollar Loans shall be outstanding at any one time and (iv) the aggregate principal amount of each Group of Eurodollar Loans shall at all times be at least $5,000,000 and an integral multiple of $1,000,000. All borrowings, conversions and repayments of Loans shall be effected so that each Lender will have a pro rata share (according to its Percentage) of all types and Groups of Loans.

2.2.2 Borrowing Procedures. The Company shall give written or telephonic (followed promptly by written confirmation thereof) notice to the Administrative Agent of each proposed borrowing not later than (a) in the case of a Floating Rate borrowing, noon, New York time, on the proposed date of such borrowing, (b) in the case of a Yen LIBOR borrowing, 10:00 A.M., New York time, at least five Business Days prior to the proposed date of such borrowing, and (c) in the case of a Eurodollar borrowing, 10:00 A.M., New York time, at least three Business Days

prior to the proposed date of such borrowing. Each such notice shall be effective upon receipt by the Administrative Agent, shall be irrevocable, and shall specify the date, amount and type of borrowing and, in the case of a Yen LIBOR or Eurodollar borrowing, the initial Interest Period therefor. Promptly upon receipt of such notice, the Administrative Agent shall advise each Lender thereof. Not later than 2:00 p.m., New York time, on the date of a proposed borrowing, each Lender shall provide the Administrative Agent at the office specified by the Administrative Agent with (a) in the case of a Yen LIBOR borrowing, Yen in immediately available funds, or (b) in the case of a Floating Rate borrowing or a Eurodollar borrowing, Dollars in immediately available funds, in each case covering such Lender's Percentage of such borrowing and, so long as the Administrative Agent has not received written notice that the conditions precedent set forth in Section 11 with respect to such borrowing have not been satisfied, the Administrative Agent shall pay over the requested amount to the Company on the requested borrowing date. Each borrowing shall be on a Business Day. Each Floating Rate borrowing shall be in an aggregate amount of $1,000,000 or an integral multiple thereof. Each other borrowing shall be in the applicable amount required for a Group pursuant to Section 2.2.1.

2.2.3 Conversion and Continuation Procedures. (a) Subject to the provisions of Section 2.2.1, the Company may, upon irrevocable written notice to the Administrative Agent in accordance with clause (b) below:

(i) elect, as of any Business Day, to convert any outstanding Floating Rate Loan into a Eurodollar Loan or any outstanding Eurodollar Loan to a Floating Rate Loan; or

(ii) elect, as of the last day of the applicable Interest Period, to continue any Group of Yen LIBOR Loans or Eurodollar Loans having an Interest Period expiring on such day (or any part thereof in the applicable amount required for a Group pursuant to Section 2.2.1) for a new Interest Period.

(b) The Company shall give written or telephonic (followed promptly by written confirmation thereof) notice to the Administrative Agent of each proposed conversion or continuation not later than (i) in the case of conversion of Eurodollar Loans into Floating Rate Loans, 11:00 a.m., New York time, on the proposed date of such conversion, (ii) in the case of continuation of Yen LIBOR Loans, 11:00 a.m., New York time, at least five Business Days prior to the proposed date of such continuation, and (iii) in the case of a conversion of Floating Rate Loans into or continuation of Eurodollar Loans, 11:00 a.m., New York time, at least three Business Days prior to the proposed date of such conversion or continuation, specifying in each case:

(1) the proposed date of conversion or continuation;

(2) the aggregate amount and currency of the Loans to be converted or continued;

(3) the type of Loans resulting from the proposed conversion or continuation; and

(4) in the case of continuation of Yen LIBOR Loans or conversion into, or continuation of, Eurodollar Loans, the duration of the requested Interest Period therefor.

(c) If upon expiration of any Interest Period applicable to Yen LIBOR Loans, the Company has failed to select timely a new Interest Period to be applicable to such Yen LIBOR Loans, the Company shall be deemed to have elected to continue such Yen LIBOR Loans for a one-month Interest Period.

(d) If upon expiration of any Interest Period applicable to Eurodollar Loans, the Company has failed to select timely a new Interest Period to be applicable to such Eurodollar Loans, the Company shall be deemed to have elected to convert such Eurodollar Loans into Floating Rate Loans effective on the last day of such Interest Period.

(e) The Administrative Agent will promptly notify each Lender of its receipt of a notice of conversion or continuation pursuant to this Section 2.2.3 or, if no timely notice is provided by the Company, of the details of any automatic continuation or conversion.

(f) Unless the Required Lenders otherwise consent, during the existence of any Event of Default or Unmatured Event of Default, the Company may not elect to have a Floating Rate Loan converted into or continued as a Eurodollar Loan.

2.3 Letter of Credit Procedures.

2.3.1 L/C Applications. The Company shall give notice to the Administrative Agent and the applicable Issuing Lender of the proposed issuance of each Letter of Credit on a Business Day which is at least three Business Days (or such lesser number of days as the Administrative Agent and such Issuing Lender shall agree in any particular instance) prior to the proposed date of issuance of such Letter of Credit. Each such notice shall be accompanied by an L/C Application, duly executed by the Company (together with any Subsidiary for the account of which the related Letter of Credit is to be issued) and in all respects satisfactory to the Administrative Agent and the applicable Issuing Lender, together with such other documentation as the Administrative Agent or such Issuing Lender may reasonably request in support thereof, it being understood that each L/C Application shall specify, among other things, the date on which the proposed Letter of Credit is to be issued, whether such Letter of Credit is to be transferable in whole or in part and the expiration date of such Letter of Credit (which shall not be later than the Termination Date and shall not result in the aggregate Stated Amount of all Letters of Credit scheduled to be outstanding after any date on which the Commitment Amount is scheduled to be reduced pursuant to Section 6.1(d), plus the aggregate principal amount of all Yen LIBOR Loans and Eurodollar Loans having Interest Periods ending after such date, to exceed the Commitment Amount scheduled to be in effect at the close of business on such date). So long as the applicable Issuing Lender has not received written notice that the conditions precedent set forth

in Section 11 with respect to the issuance of such Letter of Credit have not been satisfied, such Issuing Lender shall issue such Letter of Credit on the requested issuance date. Each Issuing Lender shall promptly advise the Administrative Agent of the issuance of each Letter of Credit by such Issuing Lender and of any amendment thereto, extension thereof or event or circumstance changing the amount available for drawing thereunder.

2.3.2 Participations in Letters of Credit. Concurrently with the issuance of each Letter of Credit, the applicable Issuing Lender shall be deemed to have sold and transferred to each other Lender, and each other Lender shall be deemed irrevocably and unconditionally to have purchased and received from such Issuing Lender, without recourse or warranty, an undivided interest and participation, to the extent of such other Lender's Percentage, in such Letter of Credit and the Company's reimbursement obligations with respect thereto. For the purposes of this Agreement, the unparticipated portion of each Letter of Credit shall be deemed to be the applicable Issuing Lender's "participation" therein. Each Issuing Lender hereby agrees, upon request of the Administrative Agent or any Lender, to deliver to such Lender a list of all outstanding Letters of Credit issued by such Issuing Lender, together with such information related thereto as such Lender may reasonably request.

2.3.3 Reimbursement Obligations. The Company hereby unconditionally and irrevocably agrees to reimburse the applicable Issuing Lender for each payment or disbursement made by such Issuing Lender under any Letter of Credit honoring any demand for payment made by the beneficiary thereunder, in each case on the date that such payment or disbursement is made. Any amount not reimbursed on the date of such payment or disbursement shall bear interest from the date of such payment or disbursement to the date that such Issuing Lender is reimbursed by the Company therefor, payable on demand, at a rate per annum equal to the Base Rate from time to time in effect plus the Floating Rate Margin from time to time in effect plus, beginning on the third Business Day after receipt of notice from the Issuing Lender of such payment or disbursement, 2%. The applicable Issuing Lender shall notify the Company and the Administrative Agent whenever any demand for payment is made under any Letter of Credit by the beneficiary thereunder; provided, that the failure of such Issuing Lender to so notify the Company shall not affect the rights of such Issuing Lender or the Lenders in any manner whatsoever.

2.3.4 Limitation on Obligations of Issuing Lenders. In determining whether to pay under any Letter of Credit, no Issuing Lender shall have any obligation to the Company or any Lender other than to confirm that any documents required to be delivered under such Letter of Credit appear to have been delivered and appear to comply on their face with the requirements of such Letter of Credit. Any action taken or omitted by an Issuing Lender under or in connection with any Letter of Credit, if taken or omitted in the absence of gross negligence and willful misconduct, shall not impose upon such Issuing Lender any liability to the Company or any Lender and shall not reduce or impair the Company's reimbursement obligations set forth in Section 2.3.3 or the obligations of the Lenders pursuant to Section 2.3.5.

2.3.5 Funding by Lenders to Issuing Lenders. If an Issuing Lender makes any payment or disbursement under any Letter of Credit and the Company has not reimbursed such Issuing Lender in full for such payment or disbursement by noon, New York time, on the date of such payment or disbursement, or if any reimbursement received by such Issuing Lender from the Company is or must be returned or rescinded upon or during any bankruptcy or reorganization of the Company or otherwise, each other Lender shall be obligated to pay to the Administrative Agent for the account of such Issuing Lender, in full or partial payment of the purchase price of its participation in such Letter of Credit, its pro rata share (according to its Percentage) of such payment or disbursement (but no such payment shall diminish the obligations of the Company under Section 2.3.3), and upon notice from the applicable Issuing Lender, the Administrative Agent shall promptly notify each other Lender thereof. Each other Lender irrevocably and unconditionally agrees to so pay to the Administrative Agent in immediately available funds for the applicable Issuing Lender's account the amount of such other Lender's Percentage of such payment or disbursement. If and to the extent any Lender shall not have made such amount available to the Administrative Agent by 2:00 P.M., New York time, on the Business Day on which such Lender receives notice from the Administrative Agent of such payment or disbursement (it being understood that any such notice received after 1:00 P.M., New York time, on any Business Day shall be deemed to have been received on the next following Business Day), such Lender agrees to pay interest on such amount to the Administrative Agent for the applicable Issuing Lender's account forthwith on demand for each day from the date such amount was to have been delivered to the Administrative Agent to the date such amount is paid, at a rate per annum equal to (a) for the first three days after demand, the Federal Funds Rate from time to time in effect and (b) thereafter, the Base Rate from time to time in effect. Any Lender's failure to make available to the Administrative Agent its Percentage of any such payment or disbursement shall not relieve any other Lender of its obligation hereunder to make available to the Administrative Agent such other Lender's Percentage of such payment, but no Lender shall be responsible for the failure of any other Lender to make available to the Administrative Agent such other Lender's Percentage of any such payment or disbursement.

2.4 Commitments Several. The failure of any Lender to make a requested Loan on any date shall not relieve any other Lender of its obligation (if any) to make a Loan on such date, but no Lender shall be responsible for the failure of any other Lender to make any Loan to be made by such other Lender.

2.5 Certain Conditions. Notwithstanding any other provision of this Agreement, no Lender shall have an obligation to make any Loan, to permit the continuation of any Yen LIBOR Loan or to permit the continuation of or any conversion into any Eurodollar Loan, and no Issuing Lender shall have any obligation to issue any Letter of Credit, if an Event of Default or Unmatured Event of Default exists.

SECTION 3 NOTES EVIDENCING LOANS.

3.1 Notes. The Loans of each Lender shall be evidenced by a promissory note (each a "Note") payable to the order of such Lender substantially in the form set forth in Exhibit A.

3.2 Recordkeeping. Each Lender shall record in its records, or at its option on the schedule attached to its Note, the date and amount of each Loan made by such Lender, each repayment or conversion thereof and, in the case of each Yen LIBOR Loan or Eurodollar Loan, the dates on which each Interest Period for such Loan shall begin and end. The aggregate unpaid principal amount so recorded shall be rebuttable presumptive evidence of the principal amount owing and unpaid on such Note. The failure to so record any such amount or any error in so recording any such amount shall not, however, limit or otherwise affect the obligations of the Company hereunder or under any Note to repay the principal amount of the Loans evidenced by such Note together with all interest accruing thereon.

SECTION 4 INTEREST.

4.1 Interest Rates. The Company promises to pay interest on the unpaid principal amount of each Loan for the period commencing on the date of such Loan until such Loan is paid in full as follows:

(a) in the case of a Loan in Dollars, (i) at all times while such Loan is a Floating Rate Loan, at a rate per annum equal to the sum of the Base Rate from time to time in effect plus the Floating Rate Margin from time to time in effect; and (ii) at all times while such Loan is a Eurodollar Loan, at a rate per annum equal to the sum of the Eurodollar Rate (Reserve

Adjusted) applicable to each Interest Period for such Loan plus the Eurodollar/Yen LIBOR Margin from time to time in effect; and

(b) in the case of a Yen LIBOR Loan, at a rate per annum equal to the sum of the Yen LIBOR applicable to each Interest Period for such Loan plus the Eurodollar/Yen LIBOR Margin in effect;

provided that upon request of the Required Lenders at any time an Event of Default exists, the interest rate applicable to each Loan shall be increased by 2%.

4.2 Interest Payment Dates. Accrued interest on each Floating Rate Loan shall be payable in arrears on the last Business Day of each calendar quarter and at maturity. Accrued interest on each Yen LIBOR Loan and Eurodollar Loan shall be payable on the last day of each Interest Period relating to such Loan (and, in the case of a Yen LIBOR Loan or Eurodollar Loan with a six-month Interest Period, on the three-month anniversary of the first day of such Interest Period) and at maturity. After maturity, accrued interest on all Loans shall be payable on demand.

4.3 Setting and Notice of Rates. (a) The applicable Yen LIBOR for each Interest Period shall be determined by the Administrative Agent, and notice thereof shall be given by the Administrative Agent promptly to the Company and each Lender.

(b) The applicable Eurodollar Rate for each Interest Period shall be determined by the Administrative Agent, and notice thereof shall be given by the Administrative Agent promptly to the Company and each Lender.

(c) Each determination of the applicable Yen LIBOR or Eurodollar Rate by the Administrative Agent shall be conclusive and binding upon the parties hereto, in the absence of demonstrable error. The Administrative Agent shall, upon written request of the Company or any Lender, deliver to the Company or such Lender a statement showing the computations used by the Administrative Agent in determining any applicable Yen LIBOR or Eurodollar Rate hereunder.

4.4 Computation of Interest. All computations of interest for Floating Rate Loans when the Base Rate is determined by the Prime Rate shall be made on the basis of a year of 365 or 366 days, as the case may be, and for the actual number of days elapsed. All other computations of interest shall be made on the basis of a year of 360 days and for the actual number of days elapsed. The applicable interest rate for each Floating Rate Loan shall change simultaneously with each change in the Base Rate.

4.4 SECTION 5 FEES.

5.1 Commitment Fee. The Company agrees to pay to the Administrative Agent for the account of each Lender a commitment fee, for the period from the Signing Date to the Termination Date, at a rate per annum equal to the Commitment Fee Rate in effect from time to time of the actual amount of the unused Dollar Equivalent amount of such Lender's Percentage of the Commitment Amount as of the end of each day in such period. For purposes of calculating usage under this Section, the Commitment Amount shall be deemed used to the extent of the aggregate principal amount of all outstanding Loans plus the Stated Amount of all Letters of Credit. Such commitment fee shall be payable in arrears on the last Business Day of each calendar quarter and on the Termination Date for any period then ending for which such commitment fee shall not have theretofore been paid. The commitment fee shall be computed for the actual number of days elapsed on the basis of a year of 360 days.

5.2 Closing Fee. The Company agrees to pay to the Administrative Agent for the account of the Lenders pro rata according to their respective Percentages on the Closing Date a closing fee equal to $480,000 (less any portion of such fee previously paid to the Lenders by the Company).

5.3 Letter of Credit Fees. The Company agrees to pay to the Administrative Agent for the account of the Lenders pro rata according to their respective Percentages a letter of

credit fee for each standby Letter of Credit in an amount equal to the rate per annum in effect from time to time pursuant to Schedule 1.1 of the undrawn amount of such standby Letter of Credit (computed for the actual number of days elapsed on the basis of a year of 360 days); provided that upon request of the Required Lenders at any time an Event of Default exists, the rate applicable to each standby Letter of Credit shall be increased by 2%. Such letter of credit fee shall be payable in arrears on the last Business Day of each calendar quarter and on the Termination Date for the period from the date of the issuance of each standby Letter of Credit to the date such payment is due or, if earlier, the date on which such standby Letter of Credit expired or was terminated. After the Termination Date, such letter of credit fee shall be payable on demand.

(b) The Company agrees to pay to the Administrative Agent for the account of the Lenders pro rata according to their respective Percentages a letter of credit fee for each commercial Letter of Credit in an amount equal to the greater of 0.125% of the face amount of such Letter of Credit and $100. Such letter of credit fee shall be payable for each commercial Letter of Credit on the earlier of the last Business Day of the calendar quarter in which such Letter of Credit is issued and the Termination Date.

(c) The Company agrees to pay each Issuing Lender a fronting fee for each Letter of Credit issued by such Issuing Lender in an amount separately agreed to between the Company and such Issuing Lender.

(d) In addition, with respect to each Letter of Credit, the Company agrees to pay to the applicable Issuing Lender, for its own account, such fees and expenses as such Issuing Lender customarily requires in connection with the issuance, negotiation, processing and/or administration of letters of credit in similar situations.

5.4 Administrative Agents Fees. The Company agrees to pay to the Administrative Agent such administrative agent's fees as are mutually agreed to from time to time by the Company and the Administrative Agent.

SECTION 6 REDUCTION IN THE COMMITMENT AMOUNT; PREPAYMENTS.

6.1 Reductions in the Commitment Amount.

6.1.1 Voluntary Reductions of the Commitment Amount. The Company may from time to time on at least five Business Days' prior written notice received by the Administrative Agent (which shall promptly advise each Lender thereof) permanently reduce the Commitment Amount to an amount not less than the Total Outstandings. Any such reduction shall be in an amount not less than $5,000,000 or a higher integral multiple of $1,000,000. The Company may at any time on like notice terminate the Commitments upon payment in full of all Loans and all other obligations of the Company hereunder and cash collateralization in full, pursuant to documentation in form and substance reasonably satisfactory to the Administrative Agent, of all

obligations arising with respect to Letters of Credit. All reductions of the Commitment Amount shall reduce the amounts of the Commitments of the Lenders pro rata according to their respective Percentages.

6.1.2 Mandatory Reductions in the Commitment Amount. The Commitment Amount shall be reduced by $15,000,000 on each anniversary of the Signing Date.

6.2 Prepayments.

(a) Voluntary Prepayments. The Company may from time to time prepay the Loans in whole or in part; provided that the Company shall give the Administrative Agent (which shall promptly advise each Lender) notice thereof not later than 11:00 A.M., New York time, on the day of such prepayment (which shall be a Business Day), specifying the Loans to be prepaid and the date and amount of prepayment. Each partial prepayment of Floating Rate Loans and Eurodollar Loans shall be in an aggregate principal amount of $1,000,000 or an integral multiple thereof and each partial prepayment of Yen LIBOR Loans shall be in an aggregate principal amount of ¥100,000,000 or an integral multiple thereof. After giving effect to any partial prepayment, each borrowing of Yen LIBOR Loans and Eurodollar Loans shall be in the applicable amount required for a Group pursuant to Section 2.2.1.

(b) Mandatory Prepayments. On each date on which the Commitment Amount is reduced pursuant to Section 6.1.2,

the Company shall prepay Loans in the amount, if any, by which the Total Outstandings exceed the Commitments after giving effect to such reduction.

(c) All Prepayments. All prepayments shall be applied to prepay the Loans of the Banks pro rata according to their respective Percentages. Any prepayment of a Yen LIBOR Loan or Eurodollar Loan on a day other than the last day of an Interest Period therefor shall include interest on the principal amount being repaid and shall be subject to Section 8.4

SECTION 7 MAKING AND PRORATION OF PAYMENTS; SETOFF; TAXES.

7.1 Making of Payments. All payments of principal of or interest on the Notes, and of all fees, shall be made by the Company to the Administrative Agent in immediately available funds at the office specified by the Administrative Agent not later than 1:00 P.M., New York time, on the date due; and funds received after that hour shall be deemed to have been received by the Administrative Agent on the next following Business Day. The Administrative Agent shall promptly remit to each Lender its share of all such payments received in collected funds by the Administrative Agent for the account of such Lender.

All payments under Section 8.1 shall be made by the Company directly to the Lender entitled thereto.

7.2 Application of Certain Payments. Each payment of principal shall be applied to such Loans as the Company shall direct by notice to be received by the Administrative Agent on or before the date of such payment or, in the absence of such notice, as the Administrative Agent shall determine in its discretion. Concurrently with each remittance to any Lender of its share of any such payment, the Administrative Agent shall advise such Lender as to the application of such payment.

7.3 Due Date Extension. If any payment of principal or interest with respect to any of the Loans, or of any fees, falls due on a day which is not a Business Day, then such due date shall be extended to the immediately following Business Day (unless, in the case of a Yen LIBOR Loan or Eurodollar Loan, such immediately following Business Day is the first Business Day of a calendar month, in which case such date shall be the immediately preceding Business Day) and, in the case of principal, additional interest shall accrue and be payable for the period of any such extension.

7.4 Setoff. The Company agrees that the Administrative Agent and each Lender have all rights of set-off and bankers' lien provided by applicable law, and in addition thereto, the Company agrees that at any time any Event of Default exists, the Administrative Agent and each Lender may apply to the payment of any obligations of the Company hereunder, whether or not then due, any and all balances, credits, deposits, accounts or moneys of the Company then or thereafter with the Administrative Agent or such Lender.

7.5 Proration of Payments. If any Lender shall obtain any payment or other recovery (whether voluntary, involuntary, by application of offset or otherwise, but excluding any payment pursuant to Section 8.7 or 14.9) on account of principal of or interest on any Loan (or on account of its participation in any Letter of Credit) in excess of its pro rata share of payments and other recoveries obtained by all Lenders on account of principal of and interest on Loans (or such participation) then held by them, such Lender shall purchase from the other Lenders such participation in the Loans (or sub-participation in Letters of Credit) held by them as shall be necessary to cause such purchasing Lender to share the excess payment or other recovery ratably with each of them; provided that if all or any portion of the excess payment or other recovery is thereafter recovered from such purchasing Lender, the purchase shall be rescinded and the purchase price restored to the extent of such recovery.

7.6 Taxes. (a) All payments of principal of, and interest on, the Loans and all other amounts payable hereunder shall be made free and clear of and without deduction for any present or future income, excise, stamp or franchise taxes and other taxes, fees, duties, withholdings or other charges of any nature whatsoever imposed by any taxing authority, but excluding franchise taxes and taxes imposed on or measured by any Lender's net income or receipts (all non-excluded items being called "Taxes"). If any withholding or deduction from any payment to be made by the Company hereunder is required in respect of any Taxes pursuant to any applicable law, rule or regulation, then the Company will:

(i) pay directly to the relevant authority the full amount required to be so withheld or deducted;

(ii) promptly forward to the Administrative Agent an official receipt or other documentation satisfactory to the Administrative Agent evidencing such payment to such authority; and

(iii) (except to the extent such withholding or deduction would not be required if such Lender's Exemption Representation were true) pay to the Administrative Agent for the account of the Lenders such additional amount or amounts as is necessary to ensure that the net amount actually received by each Lender will equal the full amount such Lender would have received had no such withholding or deduction been required.

Moreover, if any Taxes are directly asserted against the Administrative Agent or any Lender with respect to any payment received by the Administrative Agent or such Lender hereunder, the Administrative Agent or such Lender may pay such Taxes and the Company will (except to the extent such Taxes are payable by a Lender and would not have been payable if such Lender's Exemption Representation were true) promptly pay such additional amounts (including any penalty, interest and expense) as is necessary in order that the net amount received by such Person after the payment of such Taxes (including any Taxes on such additional amount) shall equal the amount such Person would have received had such Taxes not been asserted.

(b) If the Company fails to pay any Taxes when due to the appropriate taxing authority or fails to remit to the Administrative Agent, for the account of the respective Lenders, the required receipts or other required documentary evidence, the Company shall indemnify the Lenders for any incremental Taxes, interest or penalties that may become payable by any Lender as a result of any such failure. For purposes of this Section 7.6, a distribution hereunder by the Administrative Agent or any Lender to or for the account of any Lender shall be deemed a payment by the Company.

(c) Each Lender represents and warrants (such Lender's "Exemption Representation") to the Company and the Administrative Agent that, as of the date of this Agreement (or, in the case of an Assignee, the date it becomes a party hereto), it is entitled to receive payments hereunder without any deduction or withholding for or on account of any Taxes imposed by the United States of America or any political subdivision or taxing authority thereof.

(d) Upon the request from time to time of the Company or the Administrative Agent, each Lender that is organized under the laws of a jurisdiction other than the United States of America shall execute and deliver to the Company and the Administrative Agent one or more (as the Company or the Administrative Agent may reasonably request) United States Internal Revenue Service Forms W-8ECI or W-8BEN or such other forms or documents, appropriately completed, as may be applicable to establish the extent, if any, to which a payment to such Lender is exempt from withholding or deduction of Taxes.

(e) If, and to the extent that, any Lender shall obtain a credit, relief or remission for, or repayment of, any Taxes indemnified or paid by the Company pursuant to this Section 7.6, such Lender agrees to promptly notify the Company thereof and thereupon enter into negotiations in good faith with the Company to determine the basis on which an equitable reimbursement of such Taxes can be made to the Company.

(f) All obligations of the Company and the Lenders under this Section 7.6 shall survive repayment of the Loans, cancellation of the Notes, cancellation or expiration of the Letters of Credit and any termination of this Agreement.

(g) Notwithstanding the foregoing provisions of this Section 7.6 if any Lender fails to notify the Company of any event or circumstance which will entitle such Lender to compensation pursuant to this Section 7.6 within 180 days after such Lender obtains knowledge of such event or circumstance, then such Lender shall not be entitled to compensation from the Company for any amount arising prior to the date which is 180 days before the date on which such Lender notifies the Company of such event or circumstance.

SECTION 8 INCREASED COSTS; SPECIAL PROVISIONS FOR YEN LIBOR LOANS AND EURODOLLAR LOANS.

8.1 Increased Costs. (a) If, after the date hereof, the adoption of any applicable law, rule or regulation, or any

change therein, or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender (or any Yen LIBOR Office or Eurodollar Office of such Lender) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency

(i) shall subject any Lender (or any Yen LIBOR Office or Eurodollar Office of such Lender) to any tax, duty or other charge with respect to its Yen LIBOR Loans or Eurodollar Loans, its Note or its obligation to make Yen LIBOR Loans or Eurodollar Loans, or shall change the basis of taxation of payments to any Lender of the principal of or interest on its Yen LIBOR Loans or Eurodollar Loans or any other amounts due under this Agreement in respect of its Yen LIBOR Loans or Eurodollar Loans or its obligation to make Yen LIBOR Loans or Eurodollar Loans (except for changes in the rate of tax on the overall net income of such Lender or its Yen LIBOR Office or Eurodollar Office imposed by the jurisdiction in which such Lender's principal executive office, Yen LIBOR Office or Eurodollar Office is located); or

(ii) shall impose, modify or deem applicable any reserve (including any reserve imposed by the FRB, but excluding any reserve included in the determination of interest rates pursuant to Section 4), special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by any Lender (or any Yen LIBOR Office or Eurodollar Office of such Lender); or

(iii) shall impose on any Lender (or its Yen LIBOR Office or Eurodollar Office) any other condition affecting its Yen LIBOR Loans or Eurodollar Loans, its Note or its obligation to make Yen LIBOR Loans or Eurodollar Loans;

and the result of any of the foregoing is to increase the cost to (or in the case of Regulation D of the FRB, to impose a cost on) such Lender (or any Yen LIBOR Office or Eurodollar Office of such Lender) of making or maintaining any Yen LIBOR Loan or Eurodollar Loan, or to reduce the amount of any sum received or receivable by such Lender (or its Yen LIBOR Office or Eurodollar Office) under this Agreement or under its Note with respect thereto, then within 10 days after demand by such Lender (which demand shall be accompanied by a statement setting forth the basis for such demand and a calculation of the amount thereof in reasonable detail, a copy of which shall be furnished to the Administrative Agent), the Company shall pay directly to such Lender such additional amount as will compensate such Lender for such increased cost or such reduction.

(b) If any Lender shall reasonably determine that the adoption or phase-in of any applicable law, rule or regulation regarding capital adequacy, or any change therein, or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender or any Person controlling such Lender with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on such Lender's or such controlling Person's capital as a consequence of such Lender's obligations hereunder or under any Letter of Credit to a level below that which such Lender or such controlling Person could have achieved but for such adoption, change or compliance (taking into consideration such Lender's or such controlling Person's policies with respect to capital adequacy) by an amount deemed by such Lender or such controlling Person to be material, then from time to time, within 10 days after demand by such Lender (which demand shall be accompanied by a statement setting forth the basis for such demand and a calculation of the amount thereof in reasonable detail, a copy of which shall be furnished to the Administrative Agent), the Company shall pay to such Lender such additional amount or amounts as will compensate such Lender or such controlling Person for such reduction.

(c) Notwithstanding the foregoing provisions of this Section 8.1, if any Lender fails to notify the Company of any event or circumstance which will entitle such Lender to compensation pursuant to this Section 8.1 within 180 days after such Lender obtains knowledge of such event or circumstance, then such Lender shall not be entitled to compensation from the Company for any amount arising prior to the date which is 180 days before the date on which such Lender notifies the Company of such event or circumstance.

8.2 Basis for Determining Interest Rate Inadequate or Unfair. If with respect to the relevant Loan for any Interest Period:

(a) deposits in Yen or Dollars, as applicable, in the relevant amounts are not being offered to the Administrative Agent in the interbank eurodollar market for such Interest Period, or the Administrative Agent otherwise reasonably determines (which determination shall be binding and conclusive on the Company) that by reason of circumstances affecting the interbank eurodollar market adequate and reasonable means do not exist for ascertaining the applicable Yen LIBOR or Eurodollar Rate; or

(b) Lenders having an aggregate Percentage of 40% or more advise the Administrative Agent that Yen LIBOR or the Eurodollar Rate (Reserve Adjusted) as determined by the Administrative Agent will not adequately and fairly reflect the cost to such Lenders of maintaining or funding Yen LIBOR Loans or Eurodollar Loans, as the case may be, for such Interest Period (taking into account any amount to which such Lenders may be entitled under Section 8.1) or that the making or funding of Yen LIBOR Loans or Eurodollar Loans has become impracticable as a result of an event occurring after the date of this Agreement which in the opinion of such Lenders materially affects such Loans;

then the Administrative Agent shall promptly notify the other parties thereof and, so long as such circumstances shall continue, (x) no Lender shall be under any obligation to make or convert into Eurodollar Loans or Yen LIBOR Loans, as applicable, (y) on the last day of the current Interest Period for each Yen LIBOR Loan, such Loan shall be repaid in full, and (z) on the last day of the current Interest Period for each Eurodollar Loan, such Loan shall (unless then repaid) automatically convert to a Floating Rate Loan.

8.3 Changes in Law Rendering Loans Unlawful. If any change in (including the adoption of any new) applicable laws or regulations, or any change in the interpretation of applicable laws or regulations by any governmental or other regulatory body charged with the administration thereof, should make it (or in the good faith judgment of any Lender cause a substantial question as to whether it is) unlawful for any Lender to make, maintain or fund Eurodollar Loans or Yen LIBOR Loans, then such Lender shall promptly notify the Company and the Administrative Agent and, so long as such circumstances shall continue:

(a) In the case of Eurodollar Loans, (i) such Lender shall have no obligation to make or convert into Eurodollar Loans (but shall make Floating Rate Loans concurrently with the making of or conversion into Eurodollar Loans by the Lenders which are not so affected, in each case in an amount equal to such Lender's pro rata share of all Eurodollar Loans which would be made or converted into at such time in the absence of such circumstances) and (ii) on the last day of the current Interest Period for each Eurodollar Loan of such Lender (or, in any event, on such earlier date as may be required by the relevant law, regulation or interpretation), such Eurodollar Loan shall, unless then repaid in full, automatically convert to a Floating Rate Loan. Each Floating Rate Loan made by a Lender which, but for the circumstances described in the foregoing sentence, would be a Eurodollar Loan (an "Affected Loan") shall remain outstanding for the

same period as the Group of Eurodollar Loans of which such Affected Loan would be a part absent such circumstances.

(b) In the case of Yen LIBOR Loans, (i) no Lender shall have any obligation to make or continue any Yen LIBOR Loans and (ii) on the last day of the current Interest Period for each borrowing of Yen LIBOR Loans, such Yen LIBOR Loans shall be paid in full.

8.4 Funding Losses. The Company hereby agrees that upon demand by any Lender (which demand shall be accompanied by a statement setting forth the basis for the amount being claimed, a copy of which shall be furnished to the Administrative Agent), the Company will indemnify such Lender against any net loss or expense which such Lender may sustain or incur (including any net loss or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund or maintain any Yen LIBOR Loan or Eurodollar Loan), as reasonably determined by such Lender, as a result of (a) any payment, prepayment or conversion of any Yen LIBOR Loan or Eurodollar Loan of such Lender on a date other than the last day of an Interest Period for such Loan (including any prepayment or conversion pursuant to Section 8.3) or (b) any failure of the Company to borrow, continue or convert any Loan on a date specified therefor in a notice of borrowing or conversion pursuant to this Agreement. For this purpose, all notices to the Administrative Agent pursuant to this Agreement shall be deemed to be irrevocable.

8.5 Right of Lenders to Fund through Other Offices. Each Lender may, if it so elects, fulfill its commitment as to any Yen LIBOR Loan or Eurodollar Loan by causing a foreign branch or affiliate of such Lender to make such Loan; provided that in such event for the purposes of this Agreement such Loan shall be deemed to have been made by such Lender and the

obligation of the Company to repay such Loan shall nevertheless be to such Lender and shall be deemed held by it, to the extent of such Loan, for the account of such branch or affiliate.

8.6 Discretion of Lenders as to Manner of Funding. Notwithstanding any provision of this Agreement to the contrary, each Lender shall be entitled to fund and maintain its funding of all or any part of its Loans in any manner it sees fit, it being understood, however, that for the purposes of this Agreement all determinations hereunder shall be made as if such Lender had actually funded and maintained each Yen LIBOR Loan and Eurodollar Loan during each Interest Period for such Loan through the purchase of deposits having a maturity corresponding to such Interest Period and bearing an interest rate equal to the Yen LIBOR (prior to adjustment for reserves) or the Eurodollar Rate for such Interest Period, as the case may be.

8.7 Mitigation of Circumstances; Replacement of Affected Lender. (a) Each Lender shall promptly notify the Company and the Administrative Agent of any event of which it has knowledge which will result in, and will use reasonable commercial efforts available to it (and not, in such Lender's good faith judgment, otherwise disadvantageous to such Lender) to mitigate or avoid, (i) any obligation by the Company to pay any amount pursuant to Section 7.6 or 8.1 or (ii) the occurrence of any circumstance of the nature described in Section 8.2 or 8.3

(and, if any Lender has given notice of any such event described in clause (i) or (ii) above and thereafter such event ceases to exist, such Lender shall promptly so notify the Company and the Administrative Agent). Without limiting the foregoing, each Lender will designate a different funding office if such designation will avoid (or reduce the cost to the Company of) any event described in clause (i) or (ii) of the preceding sentence and such designation will not, in such Lender's sole good faith judgment, be otherwise disadvantageous to such Lender.

(b) At any time any Lender is an Affected Lender, the Company may replace such Affected Lender as a party to this Agreement with one or more other banks or financial institutions reasonably satisfactory to the Administrative Agent (and upon notice from the Company such Affected Lender shall assign pursuant to an Assignment Agreement, and without recourse or warranty, its Commitment, its Loans, its Note, its participation in Letters of Credit, and all of its other rights and obligations hereunder to such replacement bank(s) or other financial institution(s) for a purchase price equal to the sum of the principal amount of the Loans so assigned, all accrued and unpaid interest thereon, its ratable share of all accrued and unpaid fees, any amounts payable under Section 8.4 as a result of such Lender receiving payment of any Yen LIBOR Loan or Eurodollar Loan prior to the end of an Interest Period therefor and all other obligations owed to such Affected Lender hereunder).

8.8 Conclusiveness of Statements; Survival of Provisions. Determinations and statements of any Lender pursuant to Section 8.1, 8.2, 8.3 or 8.4 shall be conclusive absent demonstrable error. Lenders may use reasonable averaging and attribution methods in determining compensation under Sections 8.1 and 8.4, and the provisions of such Sections shall survive repayment of the Loans, cancellation of the Notes, cancellation or expiration of the Letters of Credit and any termination of this Agreement.

SECTION 9 WARRANTIES.

To induce the Administrative Agent and the Lenders to enter into this Agreement and to induce the Lenders to make Loans and issue or purchase participations in Letters of Credit hereunder, the Company warrants to the Administrative Agent and the Lenders that:

9.1 Organization, etc. The Company is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, and is duly qualified as a foreign corporation and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Company has the corporate power and authority to own or hold under lease the properties it purports to own or hold under lease, to transact the business it transacts and proposes to transact, to execute and deliver this Agreement, the Collateral Documents to which it is a party and the Notes, and to perform the provisions hereof and thereof.

9.2 Authorization; No Conflict. This Agreement, the Notes and the Collateral Documents to which the Company is a party have been duly authorized by all necessary corporate action on the part of the Company, and this Agreement and each of the Collateral Documents to which it is a party constitutes, and upon execution and delivery thereof each Note will constitute, a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as such enforceability may be limited by (a) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally, and (b) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law). The execution, delivery and performance by the Company of this Agreement, the Notes and each other Loan Document to which it is a party will not (i) contravene, result in any breach of, or constitute a default under, or result in the creation of any Lien in respect of any property of the Company or any Subsidiary under, any indenture, mortgage, deed of trust, loan, note purchase or credit agreement, corporate charter or bylaws, or any other Material agreement, lease or instrument to which the Company or any Subsidiary is bound or by which the Company or any Subsidiary or any of their respective properties may be bound or affected, (ii) conflict with or result in a breach of any of the terms, conditions or provisions of any order, judgment, decree or ruling of any court, arbitrator or Governmental Authority applicable to the Company or any Subsidiary, or (iii) violate any provision of any statute or other rule or regulation of any Governmental Authority applicable to the Company or any Subsidiary.

9.3 Financial Condition. The audited consolidated financial statements of the Company and its Restricted Subsidiaries for the fiscal years ending December 31, 1998 and December 31, 1999 and the audited consolidated and consolidating financial statements of the Company and its Subsidiaries for the fiscal year ending December 31, 2000, copies of which in each case have been furnished prior to the Signing Date to each Lender which is a party hereto on the Signing Date (including in each case the related schedules and notes) fairly present in all material respects the consolidated financial position of the Company and the Restricted Subsidiaries as of the respective dates specified in such Schedule and the consolidated results of their operations and cash flows for the respective periods so specified and have been prepared in accordance with GAAP consistently applied throughout the periods involved except as set forth in the notes thereto (subject, in the case of any interim financial statements, to normal year-end adjustments).

9.4 No Material Adverse Change. Since December 31, 2000, except as disclosed in Schedule 9.4 and in publicly available SEC filings prior to the date hereof, there has been no Material adverse change in the financial condition, operations, assets, business, properties or prospects of the Company and its Subsidiaries taken as a whole.

9.5 Governmental Authorizations; etc. No consent, approval or authorization of, or registration, filing or declaration with, any Governmental Authority is required in connection with the execution, delivery or performance by the Company or any of its Restricted Subsidiaries of this Agreement or the other Loan Documents.

9.6 Title to Property; Leases. The Company and the Restricted Subsidiaries have good and sufficient title to their respective properties that individually or in the aggregate are Material, including all such properties reflected in the most recent audited balance sheet referred to in Section 9.4 or purported to have been acquired by the Company or any Restricted Subsidiary after said date (except as sold or otherwise disposed of in the ordinary course of business), in each case free and clear of Liens prohibited by this Agreement or the Collateral Documents. All leases that individually or in the aggregate are Material are valid and subsisting and are in full force and effect in all material respects.

9.7 Subsidiaries. (a) Schedule 9.7 contains (except as noted therein) complete and correct lists (i) of the Company's Subsidiaries, showing, as to each Subsidiary, the correct name thereof, the jurisdiction of its organization, the percentage of shares of each class of its capital stock or similar equity interests outstanding owned by the Company and each other Subsidiary and whether such Subsidiary is a Restricted Subsidiary or an Unrestricted Subsidiary, and whether such Subsidiary is a Material Subsidiary, (ii) of the Company's Affiliates, other than Subsidiaries, and (iii) of the Company's directors and senior officers.

(b) All of the outstanding shares of capital stock or similar equity interests of each Subsidiary shown in Schedule 9.7 as being owned by the Company and its Subsidiaries have been validly issued, are fully paid and nonassessable and are owned by the Company or another Subsidiary free and clear of any Lien (except for Permitted Liens, directors' qualifying shares, shares required to be owned by Persons pursuant to applicable foreign laws regarding foreign ownership, or as otherwise disclosed in Schedule 9.7).

(c) Each Subsidiary identified in Schedule 9.7 is a corporation or other legal entity duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, and is duly qualified as a foreign corporation or other

legal entity and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Each such Subsidiary has the corporate or other power and authority to own or hold under lease the properties it purports to own or hold under lease and to transact the business it transacts and proposes to transact.

(d) No Material Subsidiary, is a party to, or otherwise subject to any legal restriction or any agreement (other than this Agreement, the agreements listed on Schedule 9.7 and customary limitations imposed by corporate law statutes) restricting the ability of such Material Subsidiary to pay dividends out of profits or make any other similar distributions of profits to the Company or any of its Subsidiaries that owns outstanding shares of capital stock or similar equity interests of such Material Subsidiary.

9.8 Compliance with ERISA. (a) The Company and each ERISA Affiliate have operated and administered each Plan in compliance with all applicable laws except for such

instances of noncompliance as have not resulted in and could not reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any ERISA Affiliate has incurred any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans (as defined in Section 3 of ERISA), and no event, transaction or condition has occurred or exists that could reasonably be expected to result in the incurrence of any such liability by the Company or any ERISA Affiliate, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate, in either case pursuant to Title I or IV of ERISA or to such penalty or excise tax provisions or to Section 401(a)(29) or 412 of the Code, other than such liabilities or Liens as would not be, individually or in the aggregate, Material.

(b) Neither the Company nor any ERISA Affiliate maintains a "single employer plan" or a Multiemployer Plan that is subject to Title IV of ERISA.

(c) The Company and its ERISA Affiliates have not incurred withdrawal liabilities (and are not subject to contingent withdrawal liabilities) under Section 4201 or 4204 of ERISA in respect of Multiemployer Plans other than such liabilities that individually or in the aggregate are not material.

(d) The expected postretirement benefit obligation (determined as of the last day of the Company's most recently ended fiscal year in accordance with Financial Accounting Standards Board Statement No. 106, without regard to liabilities attributable to continuation coverage mandated by Section 4980B of the Code) of the Company and its Subsidiaries is not Material or has otherwise been disclosed in the most recent consolidated financial statements of the Company and its Subsidiaries referenced in Section 9.4 of this Agreement.

(e) The execution and delivery of this Agreement and the other Loan Documents and the making of Loans and issuance of Letters of Credit hereunder will not involve any transaction that is subject to the prohibitions of Section 406 of ERISA or in connection with which a tax could be imposed pursuant to Section 4975(c)(1)(A)-(D) of the Code.

9.9 Litigation; Observance of Agreements, Statutes and Orders. (a) Except as disclosed in Schedule 9.9, there are no actions, suits or proceedings pending or, to the knowledge of the Company, threatened against or affecting the Company or any Subsidiary or any property of the Company or any Subsidiary in any court or before any arbitrator of any kind or before or by any Governmental Authority that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

(b) Neither the Company nor any Restricted Subsidiary is in default under any term of any agreement or instrument to which it is a party or by which it is bound, or any order, judgment, decree or ruling of any court, arbitrator or Governmental Authority or is in violation of any applicable law, ordinance, rule or regulation (including Environmental Laws) of any

Governmental Authority, which default or violation, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

9.10 Other Statutes. Neither the Company nor any Restricted Subsidiary is subject to regulation under the Investment Company Act of 1940, the Public Utility Holding Company Act of 1935, the Interstate Commerce Act, or the Federal Power Act.

9.11 Licenses, Permits, etc. Except as disclosed in Schedule 9.11, (a) the Company and the Restricted Subsidiaries own or possess all licenses, permits, franchises, authorizations, patents, copyrights, service marks, trademarks and trade names, or rights thereto, that individually or in the aggregate are Material, without any known Material conflict with the rights of others, (b) to the best knowledge of the Company, no product of the Company infringes in any Material respect any license, permit, franchise, authorization, patent, copyright, service mark, trademark, trade name or other right owned by any other Person; and (c) to the best knowledge of the Company, there is no Material violation by any Person of any right of the Company or any Restricted Subsidiary with respect to any patent, copyright, service mark, trademark, trade name or other right owned or used by the Company or any Restricted Subsidiary.

9.12 Use of Proceeds; Margin Regulations. The Company will apply the proceeds of the Loans for general corporate purposes (including repurchases of stock of the Company); provided that no part of the proceeds from the making of Loans or issuance of Letters of Credit hereunder will be used, directly or indirectly, so as to involve the Company or any Lender in a violation of Regulation U of the FRB (12 CFR 221) or Regulation X of the FRB (12 CFR 224), or to involve any broker or dealer in a violation of Regulation T of the FRB (12 CFR 220). Margin stock does not constitute more than 5% of the value of the consolidated assets of the Company and its Subsidiaries and the Company does not have any present intention that margin stock will constitute more than 5% of the value of such assets. As used in this Section, the term "margin stock" shall have the meaning assigned to it in said Regulation U.

9.13 Taxes. The Company and its Subsidiaries have filed all tax returns that are required to have been filed in any jurisdiction (other than those tax returns which individually or collectively are not Material), and have paid all taxes shown to be due and payable on such returns and all other taxes and assessments levied upon them or their properties, assets, income or franchises, to the extent such taxes and assessments have become due and payable and before they have become delinquent, except for any taxes and assessments (i) the amount of which is not individually or in the aggregate Material, or (ii) the amount, applicability or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which the Company or a Subsidiary, as the case may be, has established adequate reserves in accordance with GAAP. The Company knows of no basis for any other tax or assessment that could reasonably be expected to have a Material Adverse Effect. The charges, accruals and reserves on the books of the Company and its Subsidiaries in respect of federal, state or other taxes for all fiscal periods are adequate in accordance with GAAP. The federal income tax liabilities of the Company and its Subsidiaries have been resolved with the Internal Revenue

Service and paid for all fiscal years up to and including the fiscal year ending on December 31, 1996.

9.14 Existing Indebtedness; Future Liens. (a) Except as described therein, Schedule 9.14 sets forth a complete and correct list of all outstanding Indebtedness, separately listed for each such item of Indebtedness of $2,000,000 or more, of the Company and the Restricted Subsidiaries as of the Signing Date.

(b) (i) Neither the Company nor any Restricted Subsidiary is in default in the payment of any principal or interest on any Indebtedness of the Company or such Restricted Subsidiary, and (ii) no event or condition exists with respect to any Indebtedness of the Company or any Restricted Subsidiary that would permit (or that with notice or the lapse of time, or both, would permit) one or more Persons to cause such Indebtedness to become due and payable before its stated maturity or before its regularly scheduled dates of payment, except for Indebtedness described in clauses (i) and (ii) which, in aggregate principal amount, does not exceed $5,000,000.

(c) Neither the Company nor any Restricted Subsidiary has agreed or consented to cause or permit in the future (upon the happening of a contingency or otherwise) any of its property, whether now owned or hereafter acquired, to be subject to a Lien not permitted by ection 10.12.

9.15 Environmental Matters. Neither the Company nor any of its Subsidiaries has knowledge of any claim or has

received any notice of any claim, and no proceeding has been instituted raising any claim against the Company or any of its Subsidiaries or any of their respective real properties now or formerly owned, leased or operated by any of them or other assets, alleging any damage to the environment or violation of any Environmental Laws, except, in each case, such as could not reasonably be expected to result in a Material Adverse Effect. Except as otherwise disclosed to the Lenders in writing,

(a) neither the Company nor any of its Subsidiaries has knowledge of any facts which would give rise to any claim, public or private, of violation of Environmental Laws or damage to the environment emanating from, occurring on or in any way related to real properties now or formerly owned, leased or operated by any of them or to other assets or their use, except, in each case, such as could not reasonably be expected to result in a Material Adverse Effect;

(b) neither the Company nor any of its Subsidiaries has stored any Hazardous Materials on real properties now or formerly owned, leased or operated by any of them in a manner contrary to any Environmental Laws and has not disposed of any Hazardous Materials in a manner contrary to any Environmental Laws, in each case in any manner that could reasonably be expected to result in a Material Adverse Effect; and

(c) all buildings on all real properties now owned, leased or operated by the Company or any of its Subsidiaries are in compliance with all applicable Environmental Laws, except where failure to comply could not reasonably be expected to result in a Material Adverse Effect.

9.16 Information. As of the Signing Date, the Closing Date and each other date on which the representation and warranty in this Section 9.16 is made, all information previously or contemporaneously furnished in writing by the Company or any Subsidiary to any Lender for purposes of or in connection with this Agreement and the transactions contemplated hereby is, taken as a whole, true and accurate in every material respect on the date as of which such information is dated or certified, and none of such information is incomplete by omitting to state any material fact necessary to make such information not misleading in light of the circumstances under which made (it being recognized by the Administrative Agent and the Lenders that (a) any projections and forecasts provided by the Company are based on good faith estimates and assumptions believed by the Company to be reasonable as of the date of the applicable projections or assumptions and that actual results during the period or periods covered by any such projections and forecasts will likely differ from projected or forecasted results and (b) any information provided by the Company or any Subsidiary with respect to any Person or assets acquired or to be acquired by the Company or any Subsidiary shall, for all periods prior to the date of such acquisition, be limited to the knowledge of the Company or the acquiring Subsidiary after reasonable inquiry).

SECTION 10 COVENANTS.

Until the expiration or termination of the Commitments and thereafter until all obligations of the Company hereunder and under the other Loan Documents are paid in full and all Letters of Credit have been terminated, the Company agrees that, unless at any time the Required Lenders shall otherwise expressly consent in writing, it will:

10.1 Reports, Certificates and Other Information. Furnish to the Administrative Agent (with sufficient copies to provide one to each Lender):

10.1.1 Audit Report. Promptly when available and in any event within 120 days (or if sooner, on the date consolidated statements are required to be delivered to any other creditor of the Company) after the end of each fiscal year of the Company, duplicate copies of, a consolidated and a consolidating balance sheet of the Company and its Subsidiaries, as at the end of such year, and consolidated and consolidating statements of income, changes in shareholders' equity and cash flows of the Company and its Subsidiaries, for such year, setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP, which consolidated financial statements shall be accompanied by an opinion thereon of independent certified public accountants of recognized national standing, which opinion shall state that such consolidated financial statements present fairly, in all material respects, the financial position of the companies being reported upon and their results of operations and cash flows and have been prepared in conformity with GAAP, and that the examination of such accountants in connection with such consolidated financial statements has

been made in accordance with generally accepted auditing standards, and that such audit provides a reasonable basis for such opinion in the circumstances, and which consolidating financial statements shall be certified by a Senior Financial Officer as fairly presenting, in all material respects, the financial position of the companies being reported on and their results of operations and cash flows, subject to changes resulting from year-end adjustments; provided that the delivery within the time period specified above of the Company's Annual Report on Form 10-K for such fiscal year (together with the Company's annual report to shareholders, if any, prepared pursuant to Rule 14a-3 under the Exchange Act) prepared in accordance with the requirements therefor and filed with the Securities and Exchange Commission shall be deemed to satisfy the requirements of this Section 10.1.1 to provide consolidated financial statements so long as such Annual Report on Form 10-K includes the consolidated financial statements identified in clauses (i) and (ii) above; provided further that such consolidating financial statements shall show the elimination of all Unrestricted Subsidiaries and the resultant consolidated financial statements of the Company and its Restricted Subsidiaries.

10.1.2 Quarterly Reports. Promptly when available and in any event within 60 days (or if sooner, on the date consolidated statements are required to be delivered to any other creditor of the Company) after the end of each quarterly fiscal period in each fiscal year of the Company (other than the last quarterly fiscal period of each such fiscal year), duplicate copies of a consolidated and a consolidating balance sheet of the Company and its Subsidiaries as at the end of such quarter, and consolidated and consolidating statements of income, changes in shareholders' equity and cash flows of the Company and its Subsidiaries, for such quarter and (in the case of the second and third quarters) for the portion of the fiscal year ending with such quarter, setting forth in each case in comparative form the figures for the corresponding periods in the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP applicable to quarterly financial statements generally, and certified by a Senior Financial Officer as fairly presenting, in all material respects, the financial position of the companies being reported on and their results of operations and cash flows, subject to changes resulting from year-end adjustments; provided that delivery within the time period specified above of copies of the Company's Quarterly Report on Form 10-Q prepared in compliance with the requirements therefor and filed with the Securities and Exchange Commission shall be deemed to satisfy the requirements of this Section 10.1.2 to provide consolidated financial statements so long as such Quarterly Report on Form 10-Q includes the consolidated financial statements identified in clauses (i) and (ii) above; provided further, that such consolidating financial statements shall show the elimination of all Unrestricted Subsidiaries and the resultant consolidated financial statements of the Company and its Restricted Subsidiaries;.

10.1.3 Compliance Certificates. Together with each set of financial statements delivered to a Lender pursuant to Sections 10.1.1 and 10.1.2, a certificate of a Senior Financial Officer setting forth (a) the information (including detailed calculations) required in order to establish whether the Company was in compliance with the requirements of Sections 10.10 and 10.11 during the quarterly or annual period covered by the statements then being furnished (including with respect to each such Section, where applicable, the calculations of the maximum or

minimum amount, ratio or percentage, as the case may be, permissible under the terms of such Sections, and the calculation of the amount, ratio or percentage then in existence) and (b) a statement that such officer has reviewed the relevant terms hereof and has made, or caused to be made, under his or her supervision, a review of the transactions and conditions of the Company and its Subsidiaries from the beginning of the quarterly or annual period covered by the statements then being furnished to the date of the certificate and that such review shall not have disclosed the existence during such period of any condition or event that constitutes an Event of Default or an Unmatured Event of Default or, if any such condition or event existed or exists (including any such event or condition resulting from the failure of the Company or any Subsidiary to comply with any Environmental Law), specifying the nature and period of existence thereof and what action the Company shall have taken or proposes to take with respect thereto.

10.1.4 SEC and Other Reports. Promptly upon their becoming available, one copy of (i) each financial statement, report, notice or proxy statement sent by the Company or any Subsidiary to public securities holders generally, and (ii) each regular or periodic report, each registration statement (without exhibits except as expressly requested by such Lender), and each prospectus and all amendments thereto filed by the Company or any Subsidiary with the Securities and Exchange Commission and of all press releases and other statements made available generally by the Company or any Material Domestic Subsidiary to the public concerning developments that are Material.

10.1.5 Notice of Default. Promptly, and in any event within five days, after a Responsible Officer becoming aware of the existence of any Event of Default or Unmatured Event of Default or that any Person has given any notice or taken any action with respect to a claimed default hereunder or that any Person has given any notice or taken any action with respect to a claimed default of the type referred to in Section 12.1.5, a written notice specifying the nature and period of existence

thereof and what action the Company is taking or proposes to take with respect thereto.

10.1.6 Notice of ERISA Matters. Promptly, and in any event within fifteen days after a Responsible Officer becoming aware of any of the following, a written notice setting forth the nature thereof and the action, if any, that the Company or an ERISA Affiliate proposes to take with respect thereto, with respect to any Plan, (i) any reportable event, as defined in Section 4043(b) of ERISA and the regulations thereunder, for which notice thereof has not been waived pursuant to such regulations as in effect on the date hereof, which could reasonably be expected to have a Material Adverse Effect, (ii) the taking by the PBGC of steps to institute, or the threatening by the PBGC of the institution of, proceedings under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or the receipt by the Company or any ERISA Affiliate of a notice from a Multiemployer Plan that such action has been taken by the PBGC with respect to such Multiemployer Plan, which could reasonably be expected to have a Material Adverse Effect, or (iii) any event, transaction or condition that could result in the incurrence of any liability by the Company or any ERISA Affiliate pursuant to Title I

or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or such penalty or excise tax provisions, if such liability or Lien, taken together with any other such liabilities or Liens then existing, could reasonably be expected to have a Material Adverse Effect.

10.1.7 Notices from Governmental Authority. Promptly, and in any event within 30 days of receipt thereof, copies of any notice to the Company or any Subsidiary from any federal or state Governmental Authority relating to any order, ruling, statute or other law or regulation that could reasonably be expected to have a Material Adverse Effect.

10.1.8 Management Reports. With reasonable promptness, such other data and information relating to the business, operations, affairs, financial condition, assets or properties of the Company or any of its Subsidiaries or relating to the ability of the Company to perform its obligations hereunder and under the other Loan Documents as from time to time may be reasonably requested by any Lender.

10.2 Inspections. Permit the representatives of each Lender to (a) if no Event of Default or Unmatured Event of Default then exists, at the expense of such Lender and upon reasonable prior notice to the Company, to visit the principal executive office of the Company, to discuss the affairs, finances and accounts of the Company and its Subsidiaries with the Company's officers, and (with the consent of the Company, which consent will not be unreasonably withheld) its independent public accountants, and (with the consent of the Company, which consent will not be unreasonably withheld) to visit the other offices and properties of the Company and each Restricted Subsidiary, all at such reasonable times during business hours and as often as may be reasonably requested in writing and (b) if an Event of Default or Unmatured Event of Default then exists, at the expense of the Company to visit and inspect any of the offices or properties of the Company or any Subsidiary, to examine all their respective books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers and independent public accountants (and by this provision the Company authorizes said accountants to discuss the affairs, finances and accounts of the Company and its Subsidiaries), all at such reasonable times and as often as may be requested.

10.3 Insurance. Maintain, and will cause each of the Restricted Subsidiaries to maintain, with financially sound and reputable insurers, insurance with respect to their respective properties and businesses against such casualties and contingencies, of such types, on such terms and in such amounts (including deductibles, co-insurance and self-insurance, if adequate reserves are maintained with respect thereto) as is customary in the case of entities of established reputations engaged in the same or a similar business and similarly situated.

10.4 Compliance with Laws. Comply, and cause each of its Subsidiaries to comply with all laws, ordinances or governmental rules or regulations to which each of them is subject,

including Environmental Laws, and will obtain and maintain in effect all licenses, certificates, permits, franchises and other governmental authorizations necessary to the ownership of their respective properties or to the conduct of their respective businesses, in each case to the extent necessary to ensure that non-compliance with such laws, ordinances or governmental

rules or regulations or failures to obtain or maintain in effect such licenses, certificates, permits, franchises and other governmental authorizations could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

10.5 Maintenance of Existence, etc. Preserve and keep in full force and effect its corporate existence. Subject to Section 10.13, the Company will at all times preserve and keep in full force and effect the corporate existence of each Restricted Subsidiary (unless merged into the Company or a Restricted Subsidiary) and all rights and franchises of the Company and the Restricted Subsidiaries unless, in the good faith judgment of the Company, the termination of or failure to preserve and keep in full force and effect such corporate existence, right or franchise could not, individually or in the aggregate, have a Material Adverse Effect.

10.6 Maintenance of Properties. Maintain and keep, and cause each of the Restricted Subsidiaries to maintain and keep, or cause to be maintained and kept, their respective properties in good repair, working order and condition (other than ordinary wear and tear), so that the business carried on in connection therewith may be properly conducted at all times; provided that this Section shall not prevent the Company or any Restricted Subsidiary from discontinuing the operation and the maintenance of any of its properties if such discontinuance is desirable in the conduct of its business and the Company has concluded that such discontinuance could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

10.7 Payment of Taxes and Claims. File, and cause each of its Subsidiaries to file all tax returns required to be filed in any jurisdiction and to pay and discharge all taxes shown to be due and payable on such returns and all other taxes, assessments, governmental charges, or levies imposed on them or any of their properties, assets, income or franchises, to the extent such taxes and assessments have become due and payable and before they have become delinquent and all claims for which sums have become due and payable that have or might become a Lien on properties or assets of the Company or any Subsidiary; provided that neither the Company nor any Subsidiary need pay any such tax or assessment or claims if (i) the amount, applicability or validity thereof is contested by the Company or such Subsidiary on a timely basis in good faith and in appropriate proceedings, and the Company or such Subsidiary has established adequate reserves therefor in accordance with GAAP on the books of the Company or such Subsidiary, or (ii) the nonpayment of all such taxes and assessments and claims in the aggregate could not reasonably be expected to have a Material Adverse Effect.

10.8 Security; Execution of Pledge Agreement and Subsidiary Guaranty. (a) Within five days after the Company or any of its Restricted Subsidiaries acquires a Material Foreign Subsidiary or within five days after the Company delivers consolidating financial statements pursuant to Section 10.1 showing that any of Company's existing Subsidiaries has become a

Material Foreign Subsidiary, cause the Pledged Securities of such Material Foreign Subsidiary to be pledged pursuant to a supplement to the Pledge Agreement (unless a pledge of such Pledged Securities (x) is legally unobtainable or (y) the consent of a Governmental Authority is required in order to obtain such pledge and such consent has not been obtained after the Company's commercially reasonable efforts to obtain such consent, and Company delivers an opinion of outside counsel, in form and substance reasonably satisfactory to the Administrative Agent and its counsel, to the effect that such pledge was not legally obtainable or such consent was not obtained). The Company shall promptly take all actions as may be necessary or desirable to give to the Collateral Agent, for the ratable benefit of the Lenders and the other Senior Secured Creditors, a valid and perfected first priority Lien on and security interest in the Pledged Securities of such Material Foreign Subsidiary and shall promptly deliver to the Collateral Agent (i) a supplement to the Pledge Agreement executed by each Pledgor of the Pledged Securities of such Material Foreign Subsidiary, (ii) a certificate executed by the secretary or an assistant secretary of each Pledgor as to (a) the incumbency and signatures of the officers of such Pledgor executing the supplement to the Pledge Agreement, and (b) the fact that the attached resolutions of the Board of Directors of such Pledgor authorizing the execution, delivery and performance of the supplement to the Pledge Agreement are in full force and effect and have not been modified or rescinded, (iii) at the request of the Administrative Agent, a favorable opinion of counsel, in form and substance reasonably satisfactory to the Administrative Agent and its counsel, as to (a) the due organization and good standing of such Pledgor, (b) the due authorization, execution and delivery by such Pledgor of the supplement to the Pledge Agreement, (c) the enforceability of the supplement to the Pledge Agreement, and (d) such other matters as the Required Lenders may reasonably request, all of the foregoing to be satisfactory in form and substance to the Administrative Agent and its counsel; provided that the opinion described in this clause (iii) may be given by the Company's in-house counsel and may contain reasonable assumptions, if necessary, relating to the fact that such counsel may not be admitted to practice law in the applicable jurisdiction, and (iv) such other assurances, certificates, documents, consents or opinions as the Required Lenders

reasonably may require.

(b) Within five days after the Company or any of its Restricted Subsidiaries acquires a Material Domestic Subsidiary or within five days after the Company delivers consolidating financial statements pursuant to Section 10.1 showing that any of Company's existing Subsidiaries has become a Material Domestic Subsidiary (but not later than the time when such Material Domestic Subsidiary provides a Guaranty or co-obligor agreement to the lenders party to any Significant Credit Facility) (x) cause such Material Domestic Subsidiary to execute and deliver to the Administrative Agent a counterpart of the Subsidiary Guaranty, and (y) if the lenders party to such Significant Credit Facility are not then party to the Collateral Agency and Intercreditor Agreement (either directly or through their agent) cause such lenders (either directly or through their agent) to become party to the Collateral Agency and Intercreditor Agreement. The Company shall promptly deliver to the Administrative Agent, together with such counterpart of the Subsidiary Guaranty (i) certified copies of such Material Domestic Subsidiary's Articles or Certificate of Incorporation, together with a good standing certificate from the Secretary of State of the jurisdiction of its incorporation, each to be dated a recent date prior to their delivery to the

Administrative Agent, (ii) a copy of such Material Domestic Subsidiary's Bylaws, certified by its corporate secretary or an assistant corporate secretary as of a recent date prior to their delivery to the Administrative Agent, (iii) a certificate executed by the secretary or an assistant secretary of such Material Domestic Subsidiary as to (a) the incumbency and signatures of the officers of such Material Domestic Subsidiary executing the counterpart of the Subsidiary Guaranty, and (b) the fact that the attached resolutions of the Board of Directors of such Material Domestic Subsidiary authorizing the execution, delivery and performance of the counterpart of the Subsidiary Guaranty are in full force and effect and have not been modified or rescinded, (iv) at the request of the Administrative Agent, a favorable opinion of counsel to the Company and such Material Domestic Subsidiary, in form and substance reasonably satisfactory to the Administrative Agent and its counsel, as to (a) the due organization and good standing of such Material Domestic Subsidiary, (b) the due authorization, execution and delivery by such Material Domestic Subsidiary of the counterpart of the Subsidiary Guaranty, (c) the enforceability of the counterpart of the Material Domestic Subsidiary, and (d) such other matters as the Required Lenders may reasonably request, all of the foregoing to be satisfactory in form and substance to the Administrative Agent and its counsel; provided, that the opinion described in clause (iv) above may be given by the Company's in-house counsel and may contain reasonable assumptions, if necessary, relating to the fact that counsel to the Company and such Material Domestic Subsidiary may not be admitted to practice law in the applicable jurisdiction, and (v) such other assurances, certificates, documents, consents or opinions as the Required Lenders reasonably may require.

10.9 Nature of the Business. Not, and not permit any Restricted Subsidiary, to engage in any business if, as a result, the general nature of the business of the Company and the Restricted Subsidiaries, taken as a whole, which would then be engaged in by the Company and the Restricted Subsidiaries would be substantially changed from the general nature of the business engaged in by the Company and the Restricted Subsidiaries, taken as a whole, on the Signing Date.

10.10 Financial Covenants.

10.10.1 Minimum Consolidated Net Worth. Not, at any time, permit Consolidated Net Worth to be less than the sum of (i) $271,935,200, (ii) an aggregate amount equal to 60% of Consolidated Net Income (but, in each case, only if a positive number) earned in (a) the six months ended December 31, 2000, and (b) each complete fiscal year thereafter, and (iii) 50% of the net proceeds realized by the Company and its Restricted Subsidiaries from the sale of Equity Securities subsequent to June 30, 2000, excluding issuances of Equity Securities upon exercise of employee stock options or rights under any employee benefit plans (excluding such exercise by any Person who owns greater than 5% of the Equity Securities of the Company), issuances of Equity Securities in connection with acquisitions by the Company and its Restricted Subsidiaries, and reissuances of up to $60,000,000 of treasury securities purchased by the Company after the Signing Date.

10.10.2 Minimum Fixed Charges Coverage. Not permit, as of the end of each fiscal quarter of the Company, the ratio of Consolidated Income Available for Fixed Charges to Fixed Charges, for the period consisting of such fiscal quarter and the preceding three fiscal quarters, to be less than 2.75 to 1.0.

10.11 Limitations on Indebtedness. (a) Not permit at any time (i) the Leverage Ratio to be greater than 1.85 to 1.0, or

(ii) Priority Indebtedness to exceed 13% of Consolidated Net Worth.

(b) Not, and not permit any Restricted Subsidiary to, incur, assume or create any Indebtedness under any Significant Credit Facility unless each of the lenders under such Significant Credit Facility immediately becomes a party to the Collateral Agency and Intercreditor Agreement.

10.12 Liens. Not, and not permit any of the Restricted Subsidiaries to directly or indirectly create, incur, assume or permit to exist (upon the happening of a contingency or otherwise) any Lien on or with respect to any property or asset (including any document or instrument in respect of goods or accounts receivable) of the Company or any Restricted Subsidiary, whether now owned or hereafter acquired, or any income or profits therefrom (unless the Company makes, or causes to be made, effective provision whereby the Notes will be equally and ratably secured with any and all other obligations thereby secured, such security to be pursuant to an agreement reasonably satisfactory to the Required Lenders and, in any such case, the Notes shall have the benefit, to the fullest extent that, and with such priority as, the Administrative Agent and the Lenders may be entitled under applicable law, of any equitable Lien on such property), except for the following (which are collectively referred to as "Permitted Liens"):

(a) Liens for taxes, assessments or other governmental charges which are not yet delinquent or that are being contested in good faith;

(b) Liens incidental to the conduct of business or the ownership of properties and assets (including landlords', carriers', warehousemen's, mechanics' materialmen's, and other similar Liens) and Liens to secure the performance of bids, tenders, leases or trade contracts, or to secure statutory obligations (including obligations under workers compensation, unemployment insurance and other social security legislation), surety or appeal bonds or other Liens incurred in the ordinary course of business and not in connection with the borrowing of money;

(c) Liens resulting from judgments, unless such judgments are not, within 60 days, discharged or stayed pending appeal, or shall not have been discharged within 60 days after the expiration of any such stay;

(d) Liens securing Indebtedness of a Restricted Subsidiary owed to the Company or to a Wholly-Owned Restricted Subsidiary;

(e) Liens in existence on the Signing Date and reflected in Schedule 10.12;

(f) minor survey exceptions and the like which do not Materially detract from the value of such property;

(g) leases, subleases, easements, rights of way, restrictions and other similar charges or encumbrances incidental to the ownership of property or assets or the ordinary conduct of the Company's or any of the Restricted Subsidiaries' businesses; provided that the aggregate of such Liens do not Materially detract from the value of such property;

(h) Liens (i) existing on property at the time of its acquisition or construction by the Company or a Restricted Subsidiary and not created in contemplation thereof; (ii) on property created contemporaneously with its acquisition or within 180 days of the acquisition or completion of construction or improvement thereof to secure the purchase price or cost of construction or improvement thereof, including such Liens arising under Capital Leases; or (iii) existing on property of a Person at the time such Person is acquired by, consolidated with, or merged into the Company or a Restricted Subsidiary and not created in contemplation thereof; provided that such Liens shall attach solely to the property acquired or constructed and the principal amount of the Indebtedness secured by the Lien shall not exceed the principal amount of such Indebtedness just prior to the time such Person is consolidated with or merged into the Company or a Restricted Subsidiary;

(i) Liens on receivables of the Company or a Restricted Subsidiary and the related assets of the type specified in clauses (i) through (iv) in the definition of "Permitted Securitization Program" in connection with any Permitted Securitization Program;

(j) Liens in favor of the Lenders and the other Senior Secured Creditors party to the Collateral Agency and Intercreditor Agreement in connection with the pledge of the Pledged Securities of each Material Foreign Subsidiary;

(k) banker's Liens and similar Liens (including set-off rights) in respect of bank deposits; provided that any such Liens held by parties to the Collateral Agency and Intercreditor Agreement will be governed by and subject to the Collateral Agency and Intercreditor Agreement;

(l) Liens in favor of customs and revenue authorities as a matter of law to secure payment of custom duties and in connection with the importation of goods in the ordinary course of the Company's and its Subsidiaries' business;

(m) any Lien renewing, extending or replacing Liens permitted by clauses (e), (h), and

(i) of this Section 10.12; provided that (i) the principal amount of the Indebtedness secured is neither increased nor the maturity thereof changed to an earlier date, (ii) such Lien is not extended to any other property, and (iii) immediately after such extension, renewal or refunding, no Event of Default or Unmatured Event of Default would exist; and

(n) other Liens securing Indebtedness not otherwise permitted by clauses (a) through (m) of this Section 10.12; provided that Priority Indebtedness shall not, at any time, exceed an amount equal to 13% of Consolidated Net Worth.

Any Lien originally incurred in compliance with clause (n) of this Section 10.12 may be renewed, extended or replaced so long as the conditions set forth in clauses (i), (ii) and (iii) of clause (m) of this Section 10.12 are satisfied.

10.13 Mergers, Consolidations, Sales. (a) Not, and not permit any Restricted Subsidiary to consolidate with or merge with any other Person unless immediately after giving effect to any consolidation or merger no Event of Default or Ummatured Event of Default would exist and:

(i) in the case of a consolidation or merger of a Restricted Subsidiary, (x) the Company or another Restricted Subsidiary is the surviving or continuing corporation, (y) the surviving or continuing corporation is or immediately becomes a Restricted Subsidiary, or (z) such consolidation or merger, if considered as the sale of the assets of such Restricted Subsidiary to such other Person, would be permitted by Section 10.11(b); and

(ii) in the case of a consolidation or merger of the Company, the successor corporation or surviving corporation which results from such consolidation or merger (the "surviving corporation"), if not the Company, (A) is a solvent United States corporation, (B) executes and delivers to each Lender its assumption of (x) the due and punctual payment of the principal of and premium, if any, and interest on the Loans, and (y) the due and punctual performance and observation of all of the covenants in this Agreement, the Collateral Documents and each other Loan Document to be performed or observed by the Company, and (C) furnishes to each Lender an opinion of counsel, reasonably satisfactory to the Required Lenders, to the effect that the instrument of assumption has been duly authorized, executed and delivered and constitutes the legal, valid and binding contract and agreement of the surviving corporation enforceable in accordance with its terms, except as enforcement of such terms may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the enforcement of creditors' rights generally and by general equitable principles.

(b) Not sell, lease (as lessor) or otherwise transfer all or substantially all of its assets in a single transaction or series of transactions to any Person unless immediately after giving effect thereto no Event of Default or Unmatured Event of Default would exist and:

(i) the successor corporation to which all or substantially all of the Company's assets have been sold, leased or transferred (the "successor corporation") is a solvent United States corporation, and

(ii) the successor corporation executes and delivers to each Lender its assumption of the due and punctual payment of the principal of and premium, if any, and interest on the Loans, and the due and punctual performance and observation of all of the covenants in this Agreement, the Collateral Documents and each other Loan Document to be performed or observed by the Company and shall furnish to the Administrative Agent an opinion of counsel, reasonably satisfactory to the Required Lenders, to the effect that the instrument of assumption has been duly authorized, executed and delivered and constitutes the

legal, valid and binding contract and agreement of such successor corporation enforceable in accordance with its terms, except as enforcement of such terms may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the enforcement of creditors' rights generally and by general equitable principles.

No such conveyance, transfer or lease of all or substantially all of the assets of the Company shall have the effect of releasing the Company or any successor corporation that shall theretofore have become such in the manner prescribed in this Section 10.13 from its liability under this Agreement or the other Loan Documents.

(c) Not, and not permit any Restricted Subsidiary to, sell, lease (as lessor), transfer, abandon or otherwise dispose of assets to any Person; provided that the foregoing restrictions do not apply to:

(i) the sale, lease, transfer or other disposition of assets of the Company to a Restricted Subsidiary or of a Restricted Subsidiary to the Company or another Restricted Subsidiary;

(ii) the sale in the ordinary course of business of inventory held for sale, or equipment, fixtures, supplies or materials that are no longer required in the operation of the business of the Company or any Restricted Subsidiary or are obsolete;

(iii) the sale of property of the Company or any Restricted Subsidiary and the Company's or any Restricted Subsidiary's subsequent lease, as lessee, of the same property, within 270 days following the acquisition or construction of such property;

(iv) the sale of assets of the Company or any Restricted Subsidiary for cash or other property to a Person or Persons (other than an Affiliate) if (A) such assets (valued at net book value) do not constitute a "substantial part" of the assets of the Company and the Restricted Subsidiaries, (B) in the opinion of a Responsible Officer of the Company, the sale is for fair value and is in the best interests of the Company, and (C) immediately after giving effect to the transaction, no Event of Default or Unmatured Event of Default would exist; or

EX-10 8 part2-creditagree.htm PART 2 - CREDIT AGREEMENT

PART 2
CREDIT AGREEMENT
dated as of May 10, 2001
among
MU SKIN ENTERPRISES, INC.
VARIOUS FINANCIAL INSTITUTIONS,
and
BANK OF AMERICA, N.A.
as Adminstrative Agent

(i) the successor corporation to which all or substantially all of the Company's assets have been sold, leased or transferred (the "successor corporation") is a solvent United States corporation, and

(ii) the successor corporation executes and delivers to each Lender its assumption of the due and punctual payment of the principal of and premium, if any, and interest on the Loans, and the due and punctual performance and observation of all of the covenants in this Agreement, the Collateral Documents and each other Loan Document to be performed or observed by the Company and shall furnish to the Administrative Agent an opinion of counsel, reasonably satisfactory to the Required Lenders, to the effect that the instrument of assumption has been duly authorized, executed and delivered and constitutes the legal, valid and binding contract and agreement of such successor corporation enforceable in accordance with its terms, except as enforcement of such terms may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the enforcement of creditors' rights generally and by general equitable principles.

No such conveyance, transfer or lease of all or substantially all of the assets of the Company shall have the effect of releasing the Company or any successor corporation that shall theretofore have become such in the manner prescribed in this Section 10.13 from its liability under this Agreement or the other Loan Documents.

(c) Not, and not permit any Restricted Subsidiary to, sell, lease (as lessor), transfer, abandon or otherwise dispose of assets to any Person; provided that the foregoing restrictions do not apply to:

(i) the sale, lease, transfer or other disposition of assets of the Company to a Restricted Subsidiary or of a Restricted Subsidiary to the Company or another Restricted Subsidiary;

(ii) the sale in the ordinary course of business of inventory held for sale, or equipment, fixtures, supplies or materials that are no longer required in the operation of the business of the Company or any Restricted Subsidiary or are obsolete;

(iii) the sale of property of the Company or any Restricted Subsidiary and the Company's or any Restricted Subsidiary's subsequent lease, as lessee, of the same property, within 270 days following the acquisition or construction of such property;

(iv) the sale of assets of the Company or any Restricted Subsidiary for cash or other property to a Person or Persons (other than an Affiliate) if (A) such assets (valued at net book value) do not constitute a "substantial part" of the assets of the Company and the Restricted Subsidiaries, (B) in the opinion of a Responsible Officer of the Company, the sale is for fair value and is in the best interests of the Company, and (C) immediately after

giving effect to the transaction, no Event of Default or Unmatured Event of Default would exist; or

(v) the sale of assets meeting the conditions set forth in clauses (B) and (C) of clause (iv) above, as long as the net proceeds from such sale in excess of a substantial part of the assets of the Company and the Restricted Subsidiaries are (x) applied within 270 days of the date of receipt to the acquisition of productive assets useful and intended to be used in the operation of the business of the Company or the Restricted Subsidiaries, or (y) used to repay any Indebtedness of the

Company or the Restricted Subsidiaries (other than Indebtedness that is in any manner subordinated in right of payment or security in any respect to Indebtedness hereunder, Indebtedness owing to the Company, any of its Subsidiaries or any Affiliate and Indebtedness in respect of any revolving credit or similar credit facility providing the Company or any of the Restricted Subsidiaries with the right to obtain loans or other extensions of credit from time to time, except to the extent that in connection with such payment of Indebtedness the availability of credit under such credit facility is permanently reduced not later than 270 days after the date of receipt of such proceeds by an amount not less than the amount of such proceeds applied to the payment of such Indebtedness).

(d) For purposes of Section 10.13(c), a sale of assets will be deemed to involve a "substantial part" of the assets of the Company and the Restricted Subsidiaries if the book value of such assets, together with all other assets sold during such fiscal year (except those assets sold pursuant to clauses (i) through (iii) of Section 10.13(c)), exceeds 10% of the Consolidated Total Assets of the Company and the Restricted Subsidiaries determined as of the end of the immediately preceding fiscal year.

(e) Not, and not permit any Restricted Subsidiary to, issue shares of stock (or any options or warrants to purchase stock or other Securities exchangeable for or convertible into stock) of any Restricted Subsidiary except (i) to the Company, (ii) to a Wholly-Owned Restricted Subsidiary, (iii) to any Restricted Subsidiary that owns equity in the Restricted Subsidiary issuing such equity, or (iv) with respect to a Restricted Subsidiary that is a partnership or joint venture, to any other Person who is a partner or equity owner if such issuance is made pursuant to the terms of the Joint Venture Agreement or Partnership Agreement entered into in connection with the formation of such partnership or joint venture; provided that Restricted Subsidiaries may issue directors' qualifying shares and shares required to be issued by any applicable foreign law regarding foreign ownership requirements. The Company will not, and will not permit any Restricted Subsidiary to sell, transfer or otherwise dispose of its interest in any stock (or any options or warrants to purchase stock or other Securities exchangeable for or convertible into stock) of any Restricted Subsidiary (except to the Company or a Wholly-Owned Restricted Subsidiary) unless such sale, transfer or disposition would be permitted under Section 10.11(c).

10.14 Transactions with Affiliates . Not, and not permit any Restricted Subsidiary to enter into, directly or indirectly, any Material transaction or Material group of related transactions

(including the purchase, lease, sale or exchange of properties of any kind or the rendering of any service) with any Affiliate (other than the Company or another Restricted Subsidiary), except as approved by a majority of the disinterested directors of the Company, and upon fair and reasonable terms no less favorable to the Company or such Restricted Subsidiary than would be obtainable in a comparable arm's-length transaction with a Person not an Affiliate; provided that the foregoing restrictions shall not apply to Standard Securitization Undertakings effected as part of a Permitted Securitization Program.

10.15 Restricted Payments . Not, and not permit any Restricted Subsidiary to, do any of the following if an Event of Default or Unmatured Event of Default exists or would exist immediately after giving effect thereto, (a) declare or pay any dividends, either in cash or property, on any shares of capital stock of any class of the Company or any Restricted Subsidiary (except (i) dividends or other distributions payable solely in shares of common stock, and (ii) dividends and distributions paid by a Restricted Subsidiary solely to the Company or a Wholly-Owned Restricted Subsidiary); (b) directly or indirectly, or through any Restricted Subsidiary, purchase, redeem or retire any shares of capital stock of any class of the Company or any Restricted Subsidiary or any warrants, rights or options to purchase or acquire any shares of capital stock of the Company or any Restricted Subsidiary; or (c) make any other payment or distribution, either directly or indirectly or through any Restricted Subsidiary, in respect of capital stock of any class of the Company or any Restricted Subsidiary (except payments and distributions made by a Restricted Subsidiary solely to the Company or a Wholly-Owned Restricted Subsidiary).

10.16 Limitation on Swap Agreements . Not, and not permit any Restricted Subsidiary to, have any obligations (contingent or otherwise) existing or arising under any Swap Agreement, unless such obligations are (or were) entered into by such Person in the ordinary course of business for the purpose of mitigating risks associated with liabilities, commitments or assets held by such Person, and not for purposes of speculation.

10.17 Limitation on Margin Stock . Not permit margin stock (as defined in Regulation U of the FRB (12 CFR 221)) to constitute 25% or more of the value of the assets of the Company and its Subsidiaries which are subject to any limitation on sale or pledge hereunder.

10.18 Designation of Restricted and Unrestricted Subsidiaries . At its option, designate in writing to the Administrative Agent any Unrestricted Subsidiary as a Restricted Subsidiary and may designate in writing to the Administrative Agent any Restricted Subsidiary as an Unrestricted Subsidiary; provided that (i) no such designation of a Restricted Subsidiary as an Unrestricted Subsidiary shall be effective unless (A) such designation is treated as a transfer under Section 10.13 and such designation is permitted by Section 10.13, and (B) such Subsidiary does not own any stock, other equity interest or Indebtedness of the Company or a Restricted Subsidiary; and (ii) no such designation shall be effective unless, immediately after giving effect thereto no Event of Default or Unmatured Event of Default would exist; provided, further, that any Subsidiary that has been designated as a Restricted Subsidiary or an Unrestricted Subsidiary

may not thereafter be redesignated as a Restricted Subsidiary or an Unrestricted Subsidiary, as the case may be, more than once; and provided, further, that no Securitization Entity shall be a Restricted Subsidiary unless designated as such by the Company. Notwithstanding anything to the contrary in this Agreement, upon any Unrestricted Subsidiary becoming a Material Subsidiary, it shall immediately be deemed to be a Restricted Subsidiary.

10.19 Existing Letters of Credit . (a) Use reasonable commercial efforts to terminate all Existing Letters of Credit (by replacing them with Letters of Credit or otherwise), other than the Existing Letters of Credit listed on Schedule 10.19, not later than May 31, 2001 and (b) not renew or extend any Existing Letter of Credit listed on Schedule 10.19.

SECTION 11 CONDITIONS OF LENDING, ETC.

The obligation of each Lender to make its Loans and of any Issuing Lender to issue Letters of Credit is subject to the following conditions precedent:

11.1 Initial Credit Extension . The obligation of each Lender to make its initial Loan or of any Issuing Lender to issue the initial Letter of Credit hereunder (whichever first occurs) is subject to the conditions precedence that (a) each of the conditions precedent specified in Section 11.2 shall have been satisfied and (b) the Administrative Agent shall have received (i) all amounts which are then due and payable pursuant to Section 5 and (to the extent billed) Section 14.5, (ii) evidence, satisfactory to the Administrative Agent that all obligations of the Company under the ABN Facility (other than obligations with respect to Existing Letters of Credit) have been (or concurrently with the initial credit extension hereunder will be) paid in full; and (iii) all of the following, each duly executed and dated the Closing Date (or such earlier date as shall be satisfactory to the Administrative Agent), in form and substance satisfactory to the Administrative Agent, and each (except for the Notes, of which only the originals shall be signed) in sufficient number of signed counterparts to provide one for each Lender:

11.1.1 Notes. The Notes.

11.1.2 Resolutions. Certified copies of resolutions of the Board of Directors of the Company authorizing or ratifying the execution, delivery and performance by the Company of this Agreement, the Notes and the other Loan Documents to which the Company is a party; and certified copies of resolutions of the Board of Directors of each Subsidiary authorizing or ratifying the execution, delivery and performance by such Subsidiary of each Loan Document to which such Subsidiary is a party.

11.1.3 Consents, etc. Certified copies of all documents evidencing any necessary corporate action, consents and governmental approvals (if any) required for the execution, delivery and performance by the Company and each Subsidiary of the documents referred to in this Section 11.

11.1.4 Incumbency and Signature Certificates . A certificate of the Secretary or an Assistant Secretary of the Company and each Subsidiary certifying the names of the officer or officers of such entity authorized to sign the Loan Documents to which such entity is a party, together with a sample of the true signature of each such officer (it being

understood that the Administrative Agent and each Lender may conclusively rely on each such certificate until formally advised by a like certificate of any changes therein).

11.1.5 Subsidiary Guaranty. The Subsidiary Guaranty executed by the Subsidiary Guarantors.

11.1.6 Pledge Agreement . Copies of all stock certificates, stock powers and other items delivered under the Pledge Agreement.

11.1.7 Subordination Agreement. The Subordination Agreement executed by the Company and the Material Subsidiaries.

11.1.8 Amendment to Collateral Agency and Intercreditor Agreement. An executed amendment to the Collateral Agency and Intercreditor Agreement substantially in the form of Exhibit E-2.

11.1.9 Opinion of Counsel for the Company and the Subsidiary Guarantors. The opinion of (i) Matthew Dorny, assistant general counsel of the Company and the Subsidiary Guarantors, and (ii) Shearman & Sterling, counsel to the Company and the Subsidiary Guarantors.

11.1.10 Closing Certificate . A certificate of the Chief Executive Officer, the President or any Vice President of the Company to the effect that (i) all representations and warranties of the Company and the Subsidiary Guarantors in this Agreement and the other Loan Documents are true and correct in all material respects on the Closing Date; and (ii) no Event of Default or Unmatured Event of Default exists or will result from the transactions contemplated to occur on the proposed Closing Date.

11.1.11 Other . Such other documents as the Administrative Agent or any Lender may reasonably request.

11.2 Conditions. The obligation (a) of each Lender to make each Loan and (b) of each Issuing Lender to issue each Letter of Credit is subject to the following further conditions precedent that:

11.2.1 Compliance with Warranties, No Default, etc. Both before and after giving effect to any borrowing and the issuance of any Letter of Credit (but, if any Event of Default of the nature referred to in Section 12.1.4 shall have occurred with respect to any other Indebtedness, without giving effect to the application, directly or indirectly, of the proceeds thereof) the following statements shall be true and correct:

(a) the representations and warranties of the Company and the Subsidiary Guarantors set forth in this Agreement and the other Loan Documents shall be true and correct in all material respects with the same effect as if then made (except to the extent stated to relate to an earlier date, in which case such representations and warranties shall be true and correct in all material respects as of such earlier date);

(b) except as disclosed by the Company to the Administrative Agent and the Lenders pursuant to Section 9.9,

(i) no litigation (including derivative actions), arbitration proceeding, labor controversy or governmental investigation or proceeding shall be pending or, to the knowledge of the Company, threatened against the Company or any of its Subsidiaries which might reasonably be expected to have a Material Adverse Effect or which purports to affect the legality, validity or enforceability of this Agreement, the Notes or any other Loan Document; and

(ii) no development shall have occurred in any litigation (including derivative actions), arbitration proceeding, labor controversy or governmental investigation or proceeding disclosed pursuant to Section 9.9 which might reasonably be expected to have a Material Adverse Effect; and

(c) no Event of Default or Unmatured Event of Default shall have then occurred and be continuing, and neither the Company nor any of its Subsidiaries shall be in violation of any law or governmental regulation or court order or decree where such violation or violations singly or in the aggregate might reasonably be expected to have a Material Adverse Effect.

11.2.2 Confirmatory Certificate. If requested by the Administrative Agent or any Lender (acting through the Administrative Agent), the Administrative Agent shall have received (in sufficient counterparts to provide one to each Lender) a certificate dated the date of such requested Loan or Letter of Credit and signed by a duly authorized representative of the Company as to the matters set out in Section 11.2.1 (it being understood that each request by the Company for the making of a Loan or the issuance of a Letter of Credit shall be deemed to constitute a warranty by the Company that the conditions precedent set forth in Section 11.2.1 will be satisfied at the time of the making of such Loan or the issuance of such Letter of Credit), together with such other documents as the Administrative Agent or any Lender (acting through the Administrative Agent) may reasonably request in support thereof.

SECTION 12 EVENTS OF DEFAULT AND THEIR EFFECT.

12.1 Events of Default. Each of the following shall constitute an Event of Default under this Agreement:

12.1.1 Non-Payment of the Loans, etc. Default in the payment of the principal of any Loan when the same becomes due and payable, whether at maturity or at a date fixed for prepayment or by declaration or otherwise; default and continuance thereof for five days after notice from the Administrative Agent, in the payment when due of any reimbursement obligation with respect to any Letter of Credit; or default in the payment of any interest on any Loan or any fee payable hereunder for more than five Business Days after the same becomes due and payable.

12.1.2 Non-Compliance with Section 10 . The Company defaults in the performance of or compliance with any term contained in Section 10.10, 10.11, 10.12, 10.13, 10.14, 10.15, 10.16 or 10.17.

12.1.3 Non-Compliance with Provisions of This Agreement. The Company default in the performance of or compliance with any term contained herein (other than those referred to in Sections 12.1.1 and 12.1.2) or in any other Loan Document and such default is not remedied within 30 days after the earlier of (i) a Responsible Officer obtaining actual knowledge of such default, and (ii) the Company or such Subsidiary receiving written notice of such default from any Lender (any such written notice to be identified as a "notice of default" and to refer specifically to this Section 12.1.3).

12.1.4 Default in Payment of Other Indebtedness . (a) The Company or any Restricted Subsidiary is in default (as principal or as guarantor or other surety) in the payment of any principal of or premium or make-whole amount or interest on any Indebtedness beyond any period of grace provided with respect thereto, or (b) the Company or any Restricted Subsidiary is in default for more than 20 Business Days in the performance of or compliance with any term of any evidence of any Indebtedness or of any mortgage, indenture or other agreement relating thereto or any other condition exists, and as a consequence of such default or condition (x) such Indebtedness has become, or has been declared (or one or more Persons are entitled to declare such Indebtedness to be) due and payable before its stated maturity or before its regularly scheduled dates of payment, or (y) one or more Persons have the right to require the Company or any Restricted Subsidiary to purchase or repay such Indebtedness, or (iii) as a consequence of the occurrence or continuation of any event or condition (other than the passage of time or the right of the holder of Indebtedness to convert such Indebtedness into equity interests), (x) the Company or any Restricted Subsidiary has become obligated to purchase or repay any Indebtedness before its regular maturity or before its regularly scheduled dates of payment, or (y) one or more Persons have exercised any right to require the Company or any Restricted Subsidiary to purchase or repay such Indebtedness; provided that the aggregate amount of all foregoing Indebtedness with respect to which a payment, performance or compliance default shall have occurred or a failure or other event causing or permitting the purchase or repayment by the Company or any Restricted Subsidiary shall have occurred exceeds $7,500,000.

12.1.5 Bankruptcy, Insolvency, etc. (a) The Company or any Material Subsidiary (i) is generally not paying, or admits in writing its inability to pay, its debts as they become due, (ii) files, or consents by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take

advantage of any bankruptcy, insolvency, reorganization, moratorium or other similar law of any jurisdiction, (iii) makes an assignment for the benefit of its creditors, (iv) consents to the appointment of a custodian, receiver, trustee or other officer

with similar powers with respect to it or with respect to any substantial part of its property, (v) is adjudicated as insolvent or to be liquidated, or (vi) takes corporate action for the purpose of any of the foregoing, or (b) a court or Governmental Authority of competent jurisdiction enters an order appointing, without consent by the Company or any Material Subsidiary, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or constituting an order for relief or approving a petition for relief or reorganization or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of the Company or any Material Subsidiary, or any such petition shall be filed against the Company or any Material Subsidiary and such petition shall not be dismissed within 60 days.

12.1.6 Warranties . Any representation or warranty made in writing by or on behalf of the Company or any Subsidiary Guarantor or by any officer of the Company or any Subsidiary Guarantor in this Agreement, any Loan Document or in any writing furnished in connection with the transactions contemplated hereby or thereby proves to have been false or incorrect in any material respect on the date as of which made.

12.1.7 Judgments. A final judgment or judgments for the payment of money aggregating in excess of $10,000,000 are rendered against one or more of the Company and any Restricted Subsidiary and such judgments are not, within 60 days after entry thereof, bonded, discharged or stayed pending appeal, or are not discharged within 60 days after the expiration of such stay.

12.1.8 Pension Plans. (i) Any Plan shall fail to satisfy the minimum funding standards of ERISA or the Code for any plan year or part thereof or a waiver of such standards or extension of any amortization period is sought or granted under Section 412 of the Code, (ii) a notice of intent to terminate any Plan shall have been or is reasonably expected to be filed with the PBGC or the PBGC shall have instituted proceedings under ERISA Section 4042 to terminate or appoint a trustee to administer any Plan or the PBGC shall have notified the Company or any ERISA Affiliate that a Plan may become a subject of any such proceedings, (iii) the aggregate "amount of unfunded benefit liabilities" (within the meaning of Section 4001(a)(18) of ERISA) under all Plans, determined in accordance with Title IV of ERISA, shall exceed 5% of Consolidated Net Worth as of the end of the most recently ended fiscal quarter of the Company, (iv) the Company or any ERISA Affiliate shall have incurred or is reasonably expected to incur any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, (v) the Company or any ERISA Affiliate withdraws from any Multiemployer Plan, or (vi) the Company or any of its Subsidiaries establishes or amends any employee welfare benefit plan that provides post-employment welfare benefits in a manner that would increase the liability of the Company or any of its Subsidiaries thereunder; and any such event or events described in clauses (i) through (vi) above, either individually or together with any other such event or events, could reasonably be expected to have a Material Adverse Effect.

As used in this Section 12.1.8, the terms "employee benefit plan" and "employee welfare benefit plan" shall have the respective meanings assigned to such terms in Section 3 of ERISA.

12.1.9 Invalidity of Guaranty, etc. The Subsidiary Guaranty ceases to be in full force and effect with respect to any Material Domestic Subsidiary, or any Material Domestic Subsidiary contests the validity thereof.

12.1.10 Invalidity of Collateral Documents, etc . The Pledge Agreement ceases to be in full force and effect with respect to any Material Foreign Subsidiary, any Pledgor contests the validity of the Pledge Agreement, or the Administrative Agent shall fail to have a valid, perfected and enforceable first priority security interest in the Pledged Securities.

12.1.11 Change of Control. A Change of Control shall occur.

12.2 Effect of Event of Default. If any Event of Default described in Section 12.1.5 shall occur, the Commitments (if they have not theretofore terminated) shall immediately terminate and the Notes and all other obligations hereunder shall become immediately due and payable and the Company shall become immediately obligated to deliver to the Administrative Agent cash collateral in an amount equal to the outstanding face amount of all Letters of Credit, all without presentment, demand, protest or notice of any kind; and, if any other Event of Default shall occur and be continuing, the Administrative Agent (upon written request of the Required Lenders) shall declare the Commitments (if they have not theretofore terminated) to be terminated and/or declare all Notes and all other obligations hereunder to be due and payable and/or demand that the Company immediately deliver to the Administrative Agent cash collateral in amount equal to the outstanding face amount of all Letters of Credit, whereupon the Commitments (if they have not theretofore terminated) shall immediately

terminate and/or all Notes and all other obligations hereunder shall become immediately due and payable and/or the Company shall immediately become obligated to deliver to the Administrative Agent cash collateral in an amount equal to the face amount of all Letters of Credit, all without presentment, demand, protest or notice of any kind. The Administrative Agent shall promptly advise the Company of any such declaration, but failure to do so shall not impair the effect of such declaration. Notwithstanding the foregoing, the effect as an Event of Default of any event described in Section 12.1.1 or Section 12.1.5 may be waived by the written concurrence of all of the Lenders, and the effect as an Event of Default of any other event described in this Section 12 may be waived by the written concurrence of the Required Lenders. Any cash collateral delivered hereunder shall be held by the Administrative Agent (without liability for interest thereon) and applied to obligations arising in connection with any drawing under a Letter of Credit (subject to the right thereto of any other creditor of the Company arising under the Collateral Agency or Intercreditor Agreement). After the expiration or termination of all Letters of Credit, such cash collateral shall be applied by the Administrative Agent to any remaining obligations hereunder and any excess shall be delivered to the Company or as a court of competent jurisdiction may elect.

SECTION 13 THE ADMINISTRATIVE AGENT.

13.1 Appointment and Authorization. (a) Each Lender hereby irrevocably (subject to Section 13.9) appoints, designates and authorizes the Administrative Agent to take such action on its behalf under the provisions of this Agreement and each other Loan Document and to exercise such powers and perform such duties as are expressly delegated to it by the terms of this Agreement or any other Loan Document, together with such powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary contained elsewhere in this Agreement or in any other Loan Document, the Administrative Agent shall not have any duties or responsibilities except those expressly set forth herein, nor shall the Administrative Agent have or be deemed to have any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against the Administrative Agent.

(b) Each Issuing Lender shall act on behalf of the Lenders with respect to any Letters of Credit issued by it and the documents associated therewith. Each Issuing Lender shall have all of the benefits and immunities (i) provided to the Administrative Agent in this Section 13 with respect to any acts taken or omissions suffered by such Issuing Lender in connection with Letters of Credit issued by it or proposed to be issued by it and the applications and agreements for letters of credit pertaining to such Letters of Credit as fully as if the term "Administrative Agent", as used in this Section 13, included such Issuing Lender with respect to such acts or omissions and (ii) as additionally provided in this Agreement with respect to the Issuing Lenders.

13.2 Delegation of Duties . The Administrative Agent may execute any of its duties under this Agreement or any other Loan Document by or through agents, employees or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agent or attorney-in-fact that it selects with reasonable care.

13.3 Liability of Administrative Agent. None of the Agent-Related Persons shall (i) be liable for any action taken or omitted to be taken by any of them under or in connection with this Agreement or any other Loan Document or the transactions contemplated hereby (except for its own gross negligence or willful misconduct), or (ii) be responsible in any manner to any of the Lenders for any recital, statement, representation or warranty made by the Company or any Subsidiary or Affiliate of the Company, or any officer thereof, contained in this Agreement or in any other Loan Document, or in any certificate, report, statement or other document referred to or provided for in, or received by the Administrative Agent under or in connection with, this Agreement or any other Loan Document, or the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document, or for any failure of the Company or any other party to any Loan Document to perform its obligations hereunder or thereunder. No Agent-Related Person shall be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of the Company or any of the Company's Subsidiaries or Affiliates.

13.4 Reliance by Administrative Agent. The Administrative Agent shall be entitled to rely, and shall be fully

protected in relying, upon any writing, resolution, notice, consent, certificate, affidavit, letter, telegram, facsimile, telex or telephone message, statement or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel (including counsel to the Company), independent accountants and other experts selected by the Administrative Agent. The Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first receive such advice or concurrence of the Required Lenders as it deems appropriate and, if it so requests, confirmation from the Lenders of their obligation to indemnify the Administrative Agent against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Loan Document in accordance with a request or consent of the Required Lenders and such request and any action taken or failure to act pursuant thereto shall be binding upon all of the Lenders.

13.5 Notice of Default. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Event of Default or Unmatured Event of Default except with respect to defaults in the payment of principal, interest and fees required to be paid to the Administrative Agent for the account of the Lenders, unless the Administrative Agent shall have received written notice from a Lender or the Company referring to this Agreement, describing such Event of Default or Unmatured Event of Default and stating that such notice is a "notice of default". The Administrative Agent will notify the Lenders of its receipt of any such notice. The Administrative Agent shall take such action with respect to such Event of Default or Unmatured Event of Default as may be requested by the Required Lenders in accordance with Section 12; provided, however, that unless and until the Administrative Agent has received any such request, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Event of Default or Unmatured Event of Default as it shall deem advisable or in the best interest of the Lenders.

13.6 Credit Decision. Each Lender acknowledges that none of the Agent-Related Persons has made any representation or warranty to it, and that no act by the Administrative Agent hereafter taken, including any review of the affairs of the Company and its Subsidiaries, shall be deemed to constitute any representation or warranty by any Agent-Related Person to any Lender. Each Lender represents to the Administrative Agent that it has, independently and without reliance upon any Agent-Related Person and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of the Company and its Subsidiaries, and all applicable bank regulatory laws relating to the transactions contemplated hereby, and made its own decision to enter into this Agreement and to extend credit to the Company hereunder. Each Lender also represents that it will, independently and without reliance upon any Agent-Related Person and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and

decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of the Company. Except for notices, reports and other documents expressly herein required to be furnished to the Lenders by the Administrative Agent, the Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, prospects, operations, property, financial or other condition or creditworthiness of the Company which may come into the possession of any of the Agent-Related Persons.

13.7 Indemnification. Whether or not the transactions contemplated hereby are consummated, the Lenders shall indemnify upon demand the Agent-Related Persons (to the extent not reimbursed by or on behalf of the Company and without limiting the obligation of the Company to do so), pro rata, from and against any and all Indemnified Liabilities; provided, however, that no Lender shall be liable for any payment to the Agent-Related Person of any portion of the Indemnified Liabilities resulting solely from such Person's gross negligence or willful misconduct. Without limitation of the foregoing, each Lender shall reimburse the Administrative Agent upon demand for its ratable share of any costs or out-of-pocket expenses (including reasonable fees of attorneys for the Administrative Agent (including the allocable costs of internal legal services and all disbursements of internal counsel)) incurred by the Administrative Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, any other Loan Document, or any document contemplated by or referred to herein, to the extent that the Administrative Agent is not reimbursed for such expenses by or on behalf of the Company. The undertaking in this Section shall survive repayment of the Loans, cancellation of the Notes, cancellation or expiration of the Letters of Credit, any foreclosure under, or any modification, release or discharge of, any or all of the Collateral Documents, any termination of this Agreement and the

resignation or replacement of the Administrative Agent.

For the purposes of this Section 13.7, "Indemnified Liabilities" shall mean: any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, charges, expenses and disbursements (including reasonable fees of attorneys for the Administrative Agent (including the allocable costs of internal legal services and all disbursements of internal counsel)) of any kind or nature whatsoever which may at any time (including at any time following repayment of the Loans and the termination, resignation or replacement of the Administrative Agent or the replacement of any Lender) be imposed on, incurred by or asserted against any Agent-Related Person in any way relating to or arising out of this Agreement or any document contemplated by or referred to herein, or the transactions contemplated hereby, or any action taken or omitted by any such Person under or in connection with any of the foregoing, including with respect to any investigation, litigation or proceeding (including (a) any case, action or proceeding before any court or other Governmental Authority relating to bankruptcy, reorganization, insolvency, liquidation, receivership, dissolution, winding-up or relief of debtors, or (b) any general assignment for the benefit of creditors, composition, marshalling of assets for creditors, or other, similar arrangement in respect of its creditors generally or any substantial

portion of its creditors; undertaken under U.S. federal, state or foreign law, including the Bankruptcy Code, and including any appellate proceeding) related to or arising out of this Agreement or the Commitments or the use of the proceeds thereof, whether or not any Agent-Related Person, any Lender or any of their respective officers, directors, employees, counsel, agents or attorneys-in-fact is a party thereto.

13.8 Administrative Agent in Individual Capacity. Bank of America and its Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, acquire equity interests in and generally engage in any kind of banking, trust, financial advisory, underwriting or other business with the Company and its Subsidiaries and Affiliates as though Bank of America were not the Administrative Agent, the Issuing Lender hereunder and without notice to or consent of the Lenders. The Lenders acknowledge that, pursuant to such activities, Bank of America or its Affiliates may receive information regarding the Company or its Affiliates (including information that may be subject to confidentiality obligations in favor of the Company or such Subsidiary) and acknowledge that the Administrative Agent shall be under no obligation to provide such information to them. With respect to their Loans, Bank of America and its Affiliates shall have the same rights and powers under this Agreement as any other Lender and may exercise the same as though Lender of America were not the Administrative Agent and the Issuing Lender, and the terms "Lender" and "Lenders" include Bank of America and its Affiliates, to the extent applicable, in their individual capacities.

13.9 Successor Administrative Agent . The Administrative Agent may, and at the request of the Required Lenders shall, resign as Administrative Agent upon 30 days' notice to the Lenders. If the Administrative Agent resigns under this Agreement, the Required Lenders shall, with (so long as no Event of Default exists) the consent of the Company (which shall not be unreasonably withheld or delayed), appoint from among the Lenders a successor administrative agent for the Lenders. If no successor administrative agent is appointed prior to the effective date of the resignation of the Administrative Agent, the Administrative Agent may appoint, after consulting with the Lenders and the Company, a successor administrative agent from among the Lenders. Upon the acceptance of its appointment as successor administrative agent hereunder, such successor administrative agent shall succeed to all the rights, powers and duties of the retiring Administrative Agent and the term "Administrative Agent" shall mean such successor administrative agent, and the retiring Administrative Agent's appointment, powers and duties as Administrative Agent shall be terminated. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Section 13 and Sections 14.6 and 14.13 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement. If no successor administrative agent has accepted appointment as Administrative Agent by the date which is 30 days following a retiring Administrative Agent's notice of resignation, the retiring Administrative Agent's resignation shall nevertheless thereupon become effective and the Lenders shall perform all of the duties of the Administrative Agent hereunder until such time, if any, as the Required Lenders appoint a successor administrative agent as provided for above. Notwithstanding the foregoing, however, Bank of America may not be removed as the Administrative Agent at the request of the Required Lenders unless Bank of America shall also simultaneously be replaced as an "Issuing Lender" hereunder pursuant to documentation in form and substance reasonably satisfactory to Bank of America.

13.10 Withholding Tax.

(a) If any Lender is a "foreign corporation, partnership or trust" within the meaning of the Code and such Lender claims exemption from, or a reduction of, U.S. withholding tax under Sections 1441 or 1442 of the Code, such Lender agrees to deliver to the Administrative Agent:

(i) if such Lender claims an exemption from, or a reduction of, withholding tax under a United States tax treaty, properly completed Internal Revenue Service ("IRS") Forms W-8ECI before the payment of any interest in the first calendar year and before the payment of any interest in each third succeeding calendar year during which interest may be paid under this Agreement;

(ii) if such Lender claims that interest paid under this Agreement is exempt from United States withholding tax because it is effectively connected with a United States trade or business of such Lender, two properly completed and executed copies of IRS Form W-8BEN before the payment of any interest is due in the first taxable year of such Lender and in each succeeding taxable year of such Lender during which interest may be paid under this Agreement, and IRS Form W-9; and

(iii) such other form or forms as may be required under the Code or other laws of the United States as a condition to exemption from, or reduction of, United States withholding tax.

Such Lender agrees to promptly notify the Administrative Agent of any change in circumstances which would modify or render invalid any claimed exemption or reduction.

(b) If any Lender claims exemption from, or reduction of, withholding tax under a United States tax treaty by providing IRS Form W-8ECI and such Lender sells, assigns, grants a participation in, or otherwise transfers all or part of the obligations of the Company to such Lender, such Lender agrees to notify the Administrative Agent of the percentage amount in which it is no longer the beneficial owner of such obligations of the Company hereunder. To the extent of such percentage amount, the Administrative Agent will treat such Lender's IRS Form W-8ECI as no longer valid.

(c) If any Lender claiming exemption from United States withholding tax by filing IRS Form W-8BEN with the Administrative Agent sells, assigns, grants a participation in, or otherwise transfers all or part of the obligations of the Company to such Lender hereunder, such Lender agrees to undertake sole responsibility for complying with the withholding tax requirements imposed by Sections 1441 and 1442 of the Code.

(d) If any Lender is entitled to a reduction in the applicable withholding tax, the Administrative Agent may withhold from any interest payment to such Lender an amount equivalent to the applicable withholding tax after taking into account such reduction. If the forms or other documentation required by clause (a) of this Section are not delivered to the Administrative Agent, then the Administrative Agent may withhold from any interest payment to such Lender not providing such forms or other documentation an amount equivalent to the applicable withholding tax.

(e) If the IRS or any other Governmental Authority of the United States or any other jurisdiction asserts a claim that the Administrative Agent did not properly withhold tax from amounts paid to or for the account of any Lender (because the appropriate form was not delivered or was not properly executed, or because such Lender failed to notify the Administrative Agent of a change in circumstances which rendered the exemption from, or reduction of, withholding tax ineffective, or for any other reason) such Lender shall indemnify the Administrative Agent fully for all amounts paid, directly or indirectly, by the Administrative Agent as tax or otherwise, including penalties and interest, and including any taxes imposed by any jurisdiction on the amounts payable to the Administrative Agent under this Section, together with all costs and expenses (including reasonable fees of attorneys for the Administrative Agent (including the allocable costs of internal legal services and all disbursements of internal counsel)). The obligation of the Lenders under this Section shall survive repayment of the Loans, cancellation of the Notes, cancellation or expiration of the Letters of Credit, any termination of this Agreement and the resignation or replacement of the Administrative Agent.

13.11 Collateral Matters. The Lenders irrevocably authorize the Administrative Agent, at its option and in its discretion, (a) to release any Lien on any property granted to or held by the Administrative Agent under any Collateral Document (i) upon termination of the Commitments and payment in full of all Loans and all other obligations of the

Company hereunder and the expiration or termination of all Letters of Credit; (ii) which is sold or to be sold or disposed of as part of or in connection with any disposition permitted hereunder; or (iii) subject to Section 14.1, if approved, authorized or ratified in writing by the Required Lenders; (b) to subordinate any Lien on any property granted to or held by the Administrative Agent under any Collateral Document to the holder of any Lien on such property which is permitted by Section 10.12(h); and (c) to release any Subsidiary from its obligations under the Guaranty if such entity ceases to be a Subsidiary as a result of a transaction permitted hereunder. Upon request by the Administrative Agent at any time, the Required Lenders will confirm in writing the Administrative Agent's authority to release or subordinate its interest in particular types or items of property, or to release any Subsidiary from its obligations under the Guaranty, pursuant to this Section 13.11.

13.12 Non-Receipt of Funds by the Administrative Agent . Unless the Company or a Lender, as the case may be, notifies the Administrative Agent prior to the date on which it is scheduled to make payment to the Administrative Agent of (a) in the case of a Lender, the proceeds of a Loan or (b) in the case of the Company, a payment of principal, interest or fees for the account of the Lenders, that it does not intend to make such payment, the Administrative Agent may assume that such payment has been made. The Administrative Agent may, but shall

not be obligated to, make the amount of such payment available to the intended recipient in reliance upon such assumption. If such Lender or the Company, as the case may be, has not in fact made such payment to the Administrative Agent, the recipient of such payment shall, on demand by the Administrative Agent, repay to the Administrative Agent the amount so made available together with interest thereon in respect of each day during the period commencing on the date such amount was so made available by the Administrative Agent until the date the Administrative Agent recovers such amount at a rate per annum equal to (i) in the case of payment by a Lender, the Federal Funds Rate for such day for the first three days and, thereafter, the interest rate applicable to the relevant Loan or (ii) in the case of payment by the Company, the interest rate applicable to the relevant Loan (or, to the extent permitted by applicable law (x) in the case of interest payable in Dollars and fees, the Base Rate plus the Floating Rate Margin, and (y) in the case of interest payable in Yen, the Administrative Agent's cost of funds, as reasonably determined by the Administrative Agent, plus the Eurodollar/Yen LIBOR Margin).

SECTION 14 GENERAL.

Waiver; Amendments. No delay on the part of the Administrative Agent or any Lender in the exercise of any right, power or remedy shall operate as a waiver thereof, nor shall any single or partial exercise by any of them of any right, power or remedy preclude other or further exercise thereof, or the exercise of any other right, power or remedy. No amendment, modification or waiver of, or consent with respect to, any provision of this Agreement or the Notes shall in any event be effective unless the same shall be in writing and signed and delivered by Lenders having an aggregate Percentage of not less than the aggregate Percentage expressly designated herein with respect thereto or, in the absence of such designation as to any provision of this Agreement or the Notes, by the Required Lenders, and then any such amendment, modification, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No amendment, modification, waiver or consent shall change the Percentage of any Lender without the consent of such Lender. No amendment, modification, waiver or consent shall (i) extend or increase the amount of the Commitments, (ii) extend the date for payment of any principal of or interest on the Loans or any fees payable hereunder, (iii) reduce the principal amount of any Loan, the rate of interest thereon or any fees payable hereunder, (iv) release any Subsidiary Guarantor from such Subsidiary Guarantor's obligations under the applicable Guaranty or all or substantially all of the collateral granted under the Collateral Documents or (v) reduce the aggregate Percentage required to effect an amendment, modification, waiver or consent without, in each case, the consent of all Lenders. No provisions of Section 13 or other provision of this Agreement affecting the Administrative Agent in its capacity as such shall be amended, modified or waived without the consent of the Administrative Agent. No provision of this Agreement relating to the rights or duties of an Issuing Lender in its capacity as such shall be amended, modified or waived without the consent of such Issuing Lender.

14.2 Confirmations. The Company and each Lender agree from time to time, upon written request received by it from the other, to confirm to the other in writing (with a copy of each such confirmation to the Administrative Agent) the aggregate unpaid principal amount of the Loans held by such Lender.

14.3 Notices. Except as otherwise provided in Sections 2.2, 2.4 and 4.3, all notices hereunder shall be in writing (including facsimile transmission) and shall be sent to the applicable party at its address shown on Schedule 14.3 or at such other address as such party may, by written notice received by the other parties, have designated as its address for such purpose. Notices sent by facsimile transmission shall be deemed to have been given when sent; notices sent by mail shall be deemed to have been given three Business Days after the date when sent by registered or certified mail, postage prepaid; and notices sent by hand delivery or overnight courier service shall be deemed to have been given when received. For purposes of Sections 2.2, 2.4 and 4.3, the Administrative Agent shall be entitled to rely on telephonic instructions from any person that the Administrative Agent in good faith believes is an authorized officer or employee of the Company, and the Company shall hold the Administrative Agent and each other Lender harmless from any loss, cost or expense resulting from any such reliance.

14.4 Computations. Where the character or amount of any asset or liability or item of income or expense is required to be determined, or any consolidation or other accounting computation is required to be made, for the purpose of this Agreement, such determination or calculation shall, to the extent applicable and except as otherwise specified in this Agreement, be made in accordance with GAAP, consistently applied; provided that if the Company notifies the Administrative Agent that the Company wishes to amend any covenant in Section 10 to eliminate or to take into account the effect of any change in GAAP on the operation of such covenant (or if the Administrative Agent notifies the Company that the Required Lenders wish to amend Section 10 for such purpose), then the Company's compliance with such covenant shall be determined on the basis of GAAP in effect immediately before the relevant change in GAAP became effective, until either such notice is withdrawn or such covenant is amended in a manner satisfactory to the Company and the Required Lenders.

14.5 Regulations U . Each Lender represents that it in good faith is not relying, either directly or indirectly, upon any margin stock as collateral security for the extension or maintenance by it of any credit provided for in this Agreement.

14.6 Costs, Expenses and Taxes. The Company agrees to pay on demand all reasonable out-of-pocket costs and expenses of the Administrative Agent (including the reasonable fees and charges of counsel for the Administrative Agent and of local counsel, if any, who may be retained by said counsel) in connection with the preparation, execution, delivery and administration of this Agreement, the other Loan Documents and all other documents provided for herein or delivered or to be delivered hereunder or in connection herewith (including any amendments, supplements or waivers to any Loan Documents), and all reasonable out-of-pocket costs and expenses (including reasonable attorneys' fees, court costs and other legal expenses and allocated costs of internal counsel) incurred by the Administrative Agent and each Lender after an Event of Default in connection with the enforcement of this Agreement, the other Loan

Documents or any such other documents. Each Lender agrees to reimburse the Administrative Agent for such Lender's pro rata share (based on its respective Percentage) of any such costs and expenses of the Administrative Agent not paid by the Company. In addition, the Company agrees to pay, and to save the Administrative Agent and the Lenders harmless from all liability for, (a) any stamp or other taxes (excluding income taxes and franchise taxes based on net income) which may be payable in connection with the execution and delivery of this Agreement, the borrowings hereunder, the issuance of the Notes or the execution and delivery of any other Loan Document or any other document provided for herein or delivered or to be delivered hereunder or in connection herewith and (b) any fees of the Company's auditors in connection with any reasonable exercise by the Administrative Agent and the Lenders of their rights pursuant to Section 10.2. All obligations provided for in this Section 14.6 shall survive repayment of the Loans, cancellation of the Notes, cancellation or expiration of the Letters of Credit and any termination of Agreement.

14.7 Subsidiary References. The provisions of this Agreement relating to Subsidiaries shall apply only during such times as the Company has one or more Subsidiaries.

14.8 Captions. Section captions used in this Agreement are for convenience only and shall not affect the construction of this Agreement.

14.9 Assignments; Participations.

14.9.1 Assignments . Any Lender may, with the prior written consents of the Company (so long as no Event of Default or Unmatured Event of Default exists) and the Administrative Agent (which consents shall not be unreasonably delayed or withheld and shall not be required in the case of an assignment by a Lender to one of its affiliates or to another

existing Lender), at any time assign and delegate to one or more commercial banks or other Persons (any Person to whom such an assignment and delegation is to be made being herein called an "Assignee"), all or any fraction of such Lender's Loans and Commitment (which assignment and delegation shall be of a constant, and not a varying, percentage of all the assigning Lender's Loans and Commitment) in a minimum aggregate amount equal to the lesser of (a) the amount of the assigning Lender's remaining Commitment and (ii) $2,500,000; provided that (i) no assignment and delegation may be made to any Person if, at the time of such assignment and delegation, the Company would be obligated to pay any greater amount under Section 7.6 or Section 8 to the Assignee than the Company is then obligated to pay to the assigning Lender under such Sections (and if any assignment is made in violation of the foregoing, the Company will not be required to pay the incremental amounts) and (ii) the Company and the Administrative Agent shall be entitled to continue to deal solely and directly with such Lender in connection with the interests so assigned and delegated to an Assignee until the date when all of the following conditions shall have been met:

(x) five Business Days (or such lesser period of time as the Administrative Agent and the assigning Lender shall agree) shall have passed after written notice of such assignment and delegation, together with payment instructions, addresses and related

information with respect to such Assignee, shall have been given to the Company and the Administrative Agent by such assigning Lender and the Assignee;

(y) the assigning Lender and the Assignee shall have executed and delivered to the Company and the Administrative Agent an assignment agreement substantially in the form of Exhibit D (an "Assignment Agreement"), together with any documents required to be delivered thereunder, which Assignment Agreement shall have been consented to by the Company and the Administrative Agent (to the extent applicable) and accepted by the Administrative Agent; and

(z) the assigning Lender or the Assignee shall have paid the Administrative Agent a processing fee of $3,500.

From and after the date on which the conditions described above have been met, (a) such Assignee shall be deemed automatically to have become a party hereto and, to the extent that rights and obligations hereunder have been assigned and delegated to such Assignee pursuant to such Assignment Agreement, shall have the rights and obligations of a Lender hereunder, and (b) the assigning Lender, to the extent that rights and obligations hereunder have been assigned and delegated by it pursuant to such Assignment Agreement, shall be released from its obligations hereunder. If the Assignee was not previously a party hereto, then within five Business Days after effectiveness of any Assignment Agreement, the Company shall execute and deliver to the Administrative Agent (for delivery to the Assignee) a new Note in favor of the Assignee. Any attempted assignment and delegation not made in accordance with this Section 14.9.1 shall be null and void.

Notwithstanding the foregoing provisions of this Section 14.9.1 or any other provision of this Agreement, any Lender may at any time assign all or any portion of its Loans and its Note to a Federal Reserve Bank (but no such assignment shall release any Lender from any of its obligations hereunder).

14.9.2 Participations . Any Lender may at any time sell to one or more commercial banks or other Persons participating interests in any Loan owing to such Lender, the Note held by such Lender, the Commitment of such Lender, the direct or participation interest of such Lender in any Letter of Credit or any other interest of such Lender hereunder (any Person purchasing any such participating interest being herein called a "Participant"); provided that any Lender selling any such participating interest shall give notice thereof to the Company. In the event of a sale by a Lender of a participating interest to a Participant, (x) such Lender shall remain the holder of its Note for all purposes of this Agreement, (y) the Company and the Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations hereunder and (z) all amounts payable by the Company shall be determined as if such Lender had not sold such participation and shall be paid directly to such Lender. No Participant shall have any direct or indirect voting rights hereunder except with respect to any of the events (excluding the events described in clause (v) thereof) described in the fourth sentence of Section 14.1, and each Lender agrees that no participation agreement which such Lender enters

into with any Participant shall grant such Participant any such rights. The Company agrees that if amounts outstanding under this Agreement and the Notes are due and payable (as a result of acceleration or otherwise), each Participant shall be deemed to have the right of setoff in respect of its participating interest in amounts owing under this Agreement, any Note and with respect to any Letter of Credit to the same extent as if the amount of its participating interest were owing directly to it as a Lender under this Agreement or such Note; provided that such right of setoff shall be subject to the obligation of each Participant to share with the Lenders, and the Lenders agree to share with each Participant, as provided in Section 7.5. The Company also agrees that each Participant shall be entitled to the benefits of Section 7.6 and Section 8 as if it were a Lender (provided that no Participant shall receive any greater compensation pursuant to Section 7.6 or Section 8 than would have been paid to the participating Lender if no participation had been sold).

14.10 Governing Law. This Agreement and each Note shall be a contract made under and governed by the internal laws of the State of New York. Whenever possible each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement. All obligations of the Company and rights of the Administrative Agent and the Lenders expressed herein or in any other Loan Document shall be in addition to and not in limitation of those provided by applicable law.

14.11 Counterparts. This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts and each such counterpart shall be deemed to be an original, but all such counterparts shall together constitute but one and the same Agreement.

14.12 Successors and Assigns. This Agreement shall be binding upon the Company, the Lenders and the Administrative Agent and their respective successors and assigns, and shall inure to the benefit of the Company, the Lenders and the Administrative Agent and the successors and assigns of the Lenders and the Administrative Agent.

14.13 Indemnification by the Company. In consideration of the execution and delivery of this Agreement by the Administrative Agent and the Lenders and the agreement to extend the Commitments provided hereunder, the Company hereby agrees to indemnify, exonerate and hold the Administrative Agent, each Lender, each of their respective Affiliates and each officer, director, employee and agent of any of the foregoing (each a "Lender Party") free and harmless from and against any and all actions, causes of action, suits, losses, liabilities, damages and expenses, including reasonable attorneys' fees and charges and, without duplication, allocated costs of staff counsel (collectively, for purposes of this Section 14.13, the "Indemnified Liabilities"), incurred by any Lender Party as a result of, or arising out of, or relating to (i) any tender offer, merger, purchase of stock, purchase of assets or other similar transaction financed or proposed to be financed in whole or in part, directly or indirectly, with the

proceeds of any Loan, (ii) the use, handling, release, emission, discharge, transportation, storage, treatment or disposal of any hazardous substance at any property owned, leased or operated by the Company or any Subsidiary, (iii) any violation of any Environmental Law with respect to conditions at any property owned, leased or operated by the Company or any Subsidiary or the operations conducted thereon, (iv) the investigation, cleanup or remediation of offsite locations at which the Company or any Subsidiary or their respective predecessors are alleged to have directly or indirectly disposed of hazardous substances or (v) the execution, delivery, performance or enforcement of this Agreement or any other Loan Document by any of the Lender Parties, except for any Indemnified Liabilities arising on account of any such Lender Party's gross negligence or willful misconduct. If and to the extent that the foregoing undertaking may be unenforceable for any reason, the Company hereby agrees to make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities which is permissible under applicable law. Nothing set forth above shall be construed to relieve any Lender Party from any obligation it may have under this Agreement.

(b) All obligations provided for in this Section 14.13 shall survive repayment of the Loans, cancellation of the Notes, cancellation or expiration of the Letters of Credit, any foreclosure under, or any modification, release or discharge of, any or all of the Collateral Documents and any termination of this Agreement.

14.14 Forum Selection and Consent to Jurisdiction. ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, SHALL BE BROUGHT AND MAINTAINED EXCLUSIVELY IN THE COURTS OF THE STATE OF NEW YORK OR IN THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK; PROVIDED, HOWEVER,

THAT ANY SUIT SEEKING ENFORCEMENT AGAINST ANY COLLATERAL OR OTHER PROPERTY MAY BE BROUGHT, AT THE ADMINISTRATIVE AGENT'S OPTION, IN THE COURTS OF ANY JURISDICTION WHERE SUCH COLLATERAL OR OTHER PROPERTY MAY BE FOUND. THE COMPANY HEREBY EXPRESSLY AND IRREVOCABLY SUBMITS TO THE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK AND OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK FOR THE PURPOSE OF ANY SUCH LITIGATION AS SET FORTH ABOVE. THE COMPANY FURTHER IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS BY REGISTERED MAIL, POSTAGE PREPAID, OR BY PERSONAL SERVICE WITHIN OR WITHOUT THE STATE OF NEW YORK. THE COMPANY HEREBY EXPRESSLY AND IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUCH LITIGATION BROUGHT IN ANY SUCH COURT REFERRED TO ABOVE AND ANY CLAIM THAT ANY SUCH LITIGATION HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. TO THE EXTENT THAT THE COMPANY HAS OR HEREAFTER MAY ACQUIRE ANY IMMUNITY FROM JURISDICTION OF ANY COURT OR FROM ANY LEGAL PROCESS (WHETHER THROUGH SERVICE OR NOTICE, ATTACHMENT PRIOR TO JUDGMENT, ATTACHMENT IN AID OF EXECUTION OR

OTHERWISE) WITH RESPECT TO ITSELF OR ITS PROPERTY, THE COMPANY HEREBY IRREVOCABLY WAIVES SUCH IMMUNITY IN RESPECT OF ITS OBLIGATIONS UNDER THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS.

14.15 Waiver of Jury Trial. EACH OF THE COMPANY, THE ADMINISTRATIVE AGENT AND EACH BANK HEREBY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER THIS AGREEMENT, ANY NOTE, ANY OTHER LOAN DOCUMENT AND ANY AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION HEREWITH OR THEREWITH OR ARISING FROM ANY BANKING RELATIONSHIP EXISTING IN CONNECTION WITH ANY OF THE FOREGOING, AND AGREES THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

14.16 Judgment Currency. If, for the purposes of obtaining judgment in any court, it is necessary to convert a sum due hereunder or any other Loan Document in one currency into another currency, the rate of exchange used shall be that at which in accordance with normal banking procedures the Administrative Agent could purchase the first currency with such other currency on the Business Day preceding that on which final judgment is given. The obligation of the Company in respect of any such sum due from it to the Administrative Agent hereunder or under any other Loan Document shall, notwithstanding any judgment in a currency (the "Judgment Currency") other than that in which such sum is denominated in accordance with the applicable provisions of this Agreement (the "Agreement Currency"), be discharged only to the extent that on the Business Day following receipt by the Administrative Agent of any sum adjudged to be so due in the Judgment Currency, the Administrative Agent may in accordance with normal banking procedures purchase the Agreement Currency with the Judgment Currency. If the amount of the Agreement Currency so purchased is less than the sum originally due to the Administrative Agent in the Agreement Currency, the Company agrees, as a separate obligation and notwithstanding any such judgment, to indemnify the Administrative Agent or the Person to whom such obligation was owing against such loss. If the amount of the Agreement Currency so purchased is greater than the sum originally due to the Administrative Agent in such currency, the Administrative Agent agrees to return the amount of any excess to the applicable Company (or to any other Person who may be entitled thereto under applicable law).

Delivered as of the day and year first above written.

NU SKIN ENTERPRISES, INC.

By:
Title:

BANK OF AMERICA, N.A., as Administrative

Agent

By:
Title:

BANK OF AMERICA, N.A., as Issuing Lender and as a Lender

By:
Title:

BANK ONE, UTAH, NA, as a Lender

By:
Title:

SCHEDULE 1.1

PRICING SCHEDULE

The Floating Rate Margin, the Eurodollar/Yen LIBOR Margin, the Commitment Fee Rate and the rate per annum applicable for Letter of Credit fees, respectively, shall be determined in accordance with the table below and the other provisions of this Schedule 1.1.

	Level I	Level II	Level III
Eurodollar/Yen LIBOR Margin and fee for standby Letters of Credit of Credit	1.50%	1.75%	2.00%
Floating Rate Margin	0.50%	0.75%	1.00%
Commitment Fee Rate	0.375%	0.500%	0.625%

Level I applies when the Leverage Ratio is less than 1.00 to 1.0.

Level II applies when the Leverage Ratio is equal to or greater than 1.00 to 1.0 but less than 1.50 to 1.0.

Level III applies when the Leverage Ratio is equal to or greater than 1.50 to 1.0.

Initially, the applicable Level shall be based on the Leverage Ratio as of March 31, 2001. The applicable Level shall be

adjusted, to the extent applicable, 45 days (or, in the case of the last quarterly fiscal period of any fiscal year, 90 days) after the end of each quarterly fiscal period, beginning with the quarterly fiscal period ending June 30, 2001, based on the Leverage Ratio as of the last day of such quarterly fiscal period; provided that if the Company fails to deliver the financial statements required by Section 10.1.1 or 10.1.2, as applicable, and the related certificate required by Section 10.1.3 by the 45th day (or, if applicable, the 90th day) after any quarterly fiscal period, Level III shall apply until such financial statements are delivered.

SCHEDULE 2.1

LENDERS AND PERCENTAGES

Bank	Amount of Commitment	Percentage
Bank of America, N.A.	$ 30,000,000	50%
Bank One, Utah, NA	$ 30,000,000	50%
TOTALS	$ 60,000,000	100%

SCHEDULE 14.3

ADDRESSES FOR NOTICES

NU SKIN ENTERPRISES, INC.

75 West Center Street
One Nu Skin PlazaM
Provo, Utah 54601
Attention: Brian Lords
Telephone: (801) 345-6014
Facsimile: (801) 345-6099

BANK OF AMERICA, N.A., as Administrative
Agent, Issuing Lender and Lender

231 South LaSalle Street
Chicago, Illinois 6069
Attention: Paula Z. Kramp
Telephone: (312) 828-3898
Facsimile: (312) 987-0303

BANK ONE, UTAH, NA,
as a Lender
80 West Broadway, Suite 200
Salt Lake City, Utah 84101
Attention: Mark F. Nelson

Telephone: (801) 481-5041
Facsimile: (801) 481-5351

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EX-10 9 amendment10-5.htm AMENDMENT TO COLLATERAL AGENCY AGREEMENT

FIRST AMENDMENT

THIS FIRST AMENDMENT dated as of May 10, 2001 (this "Amendment") amends the Collateral Agency and Intercreditor Agreement dated as of October 12, 2000 (the "Intercreditor Agreement") among STATE STREET BANK AND TRUST COMPANY OF CALIFORNIA, N.A., as Collateral Agent, THE PRUDENTIAL INSURANCE COMPANY OF AMERICA, as Senior Noteholder, and ABN AMRO BANK N.V., as Senior Lender. Unless otherwise defined herein, capitalized terms used herein have the respective meanings assigned to them in the Intercreditor Agreement.

WHEREAS, the parties hereto have entered into the Intercreditor Agreement with respect to certain obligations of Nu Skin Enterprises, Inc. and certain of its Subsidiaries; and

WHEREAS, in anticipation of Bank of America, N.A. and Bank One, NA becoming parties to the Intercreditor Agreement, the parties hereto desire to amend the Intercreditor Agreement as set forth below,

NOW, THEREFORE, for good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the parties hereto agree as follows:

SECTION 1 AMENDMENTS. The Intercreditor Agreement is amended as follows:

1.2 Recitals E and F are amended in their entirety to read as follows:

"E. The Company may enter into additional note purchase agreements and/or credit agreements with investors and/or lenders which become parties to this Agreement, may enter into one or more interest rate swaps or collars, foreign currency exchange agreements, equity swap agreements, commodity price protection agreements or interest rate, currency exchange, equity price or commodity price hedging arrangements (any such agreement or arrangement, a "**Hedging Agreement**") with persons or entities which become parties to this Agreement and may incur obligations ("**Cash Management** Obligations") in respect of overdrafts or related liabilities or in connection with treasury, depositary or cash management services, including in connection with automated clearing house transfers of funds, to persons or entities which become parties to this Agreement (any such investor, lender or other party, together with the lenders and other parties referred to in the next sentence, the "**Additional** Creditors"; and the obligations of the Company under any such agreement or arrangement or in respect of any such overdrafts or related liabilities or any such services, the "**Additional Company Obligations**"), and such Additional Company Obligations may be guaranteed by one or more of the Subsidiary Guarantors pursuant to one or more guaranties (the "**Additional Subsidiary Guaranties**"). In addition, one or more Subsidiary Guarantors may become direct obligors (in respect of loans, reimbursement obligations relating to Letters of Credit, Hedging Agreements and/or Cash Management Obligations) to persons or entities which become parties to this Agreement and therefore are Additional Creditors, and the obligations of such Subsidiary Guarantors to such lenders or other parties (the "**Direct Subsidiary Obligations**" and, together with the Additional Company Obligations, the "**Additional Obligations**") may be guaranteed by the Company and the other Subsidiary Guarantors.

F. The Bank Obligation Guaranty, the Note Obligation Guaranty, any Additional Subsidiary Guaranty and any Direct Subsidiary Obligation are hereinafter referred to as a "**Subsidiary Guaranty**." The Credit Documents, the Note Purchase Agreement and any additional credit agreement, note purchase agreement, Hedging Agreement or agreement relating to Cash Management Obligations entered into in favor of any Additional Creditor are hereinafter referred to, collectively, as the "**Senior Loan Documents**"."

1.3 Clause (b) of Section 1(a) is amended in its entirety to read as follows:

"(b) the Collateral Agent's receipt of a written notice that the unpaid principal amount of any of the Obligations has not been paid at the stated maturity thereof or has been declared to be then due and payable by the holder or holders thereof prior to the due date as a result of an event of default".

1.4 The first sentence of Section 3(b) is amended by deleting the following words:

"computed on the amount to be returned from the date of the recovery".

1.5 The first parenthetical clause in the second sentence of Section 3(b) is amended by deleting the word "involuntary" therein and substituting the word "involuntarily" therefor.

1.6 The last portion of the last sentence of Section 4(e), beginning with the word "Contingent", is amended in its entirety to read as follows:

"Contingent L/C Obligations or interest on such Obligations) for purposes of calculating distributions pursuant to Section 2(c)."

1.7 The third sentence of Section 5(a) is amended in its entirety to read as follows:

"For purposes of this Agreement, the term "**Required Creditors**" shall mean (a) the Required Lenders as defined in the Credit Agreement dated as of May 10, 2001 among the Company, various financial institutions and Bank of America, N.A., as Administrative Agent (as amended or otherwise modified from time to time, the "**Credit Agreement**"), and (b) Senior Noteholders holding a majority in principal amount of the Senior Noteholder Notes, each, in the case of both clause (a) and clause (b) above, voting as a class; provided that if at any time (i) the aggregate outstanding principal amount of Obligations (including the face amount of any undrawn Letters of Credit) owed to the Banks under and as defined in the Credit Agreement referred to in clause (a) above (the "**Banks**") or (ii) the aggregate outstanding principal amount of the Senior Notes represents, in either case, less than 10% of the sum of the aggregate amounts referred to in clauses (i) and (ii) above, then "**Required Creditors**" shall mean Benefitted Parties, considered as a single class, holding more than 50% of the sum of (A) the face amount of any undrawn Letters of Credit plus (B) the outstanding funded principal amount of the Obligations (it being understood that all amounts referred to in this sentence shall be determined by assuming that such amounts are denominated in U.S. Dollars based upon the Applicable Exchange Rate)."

SECTION 2 MISCELLANEOUS.

2.1 Continuing Effectiveness, etc. As herein amended, the Collateral Agency and Intercreditor Agreement shall remain in full force and effect and is hereby ratified and confirmed in all respects.

2.2 Counterparts. This Amendment may be executed in any number of counterparts and by the different parties on separate counterparts, and each such counterpart shall be deemed to be an original but all such counterparts shall together constitute one and the same Amendment.

2.3 Governing Law. This Amendment shall be governed by and construed in accordance with the law of the State of New York applicable to contracts made and performed entirely within such state.

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IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first set forth above.

STATE STREET BANK AND TRUST
COMPANY OF CALIFORNIA, N.A., as
Collateral Agent

By: /s/Stephen Rivero
Name: Stephen Rivero
Title: Vice President

THE PRUDENTIAL INSURANCE COMPANY

OF AMERICA, as Senior Noteholder

By: /s/ Joseph Y. Alouf
Name: Joseph Y. Alouf
Title: Senior Vice President

ABN AMRO BANK N.V., as Senior Lender

By: /s/Clay Jackson
Name: Clay Jackson
Title: Senior Vice President

By: /s/Gina M. Brusatori
Name: Gina M. Brusatori
Title: Senior Vice President

Each of the undersigned hereby acknowledges and consents to the foregoing First Amendment to the Collateral Agency and Intercreditor Agreement:

NU SKIN ENTERPRISES, INC.

By: /s/Corey B. Lindley
Name: Corey B. Lindley
Title: Vice President

NU SKIN INTERNATIONAL, INC.
NSE HONG KONG, INC.
NU SKIN TAIWAN, INC.
NU SKIN UNITED STATES, INC.

By: /s/Corey B. Lindley
Name: Corey B. Lindley
Title: Executive Vice President and Chief
Financial Officer

10-Q 1 q1-2001.html NU SKIN ENTERPRISES, INC. FIRST QUARTER REPORT

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)
|X| QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2001

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 April 30, 2001, 33,506,599 shares of the Company's Class A Common Stock, $.001 par value per share, and 50,069,955 shares of the Company's Class B Common Stock, $.001 par value per share, were outstanding.

2001 FORM 10-Q QUARTERLY REPORT - FIRST QUARTER

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Nu Skin, Pharmanex, Big Planet, Nu Skin 180° and LifePak are trademarks of Nu Skin Enterprises, Inc. or its subsidiaries.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	(Unaudited) March 31, 2001
ASSETS	
Current assets	
Cash and cash equivalents	$ 51,537
Accounts receivable	20,793
Related parties receivable	12,668
Inventories, net	79,164
Prepaid expenses and other	40,016
	204,178
Property and equipment, net	61,614
Other assets, net	301,310
Total assets	$ 567,102
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities	
Accounts payable	$ 14,816
Accrued expenses	60,541
Related parties payable	8,062
	83,419
Long-term debt	76,908
Other liabilities	41,239
Total liabilities	201,566
Stockholders' equity	
Class A common stock - 500,000,000 shares authorized, $.001 par value, 31,616,912 and 31,338,676 shares issued and outstanding	32
Class B common stock - 100,000,000 shares authorized, $.001 par value, 52,300,254 and 53,408,951 shares issued and outstanding	52
Additional paid-in capital	100,453
Retained earnings	315,071
Deferred compensation	(168)
Accumulated other comprehensive income	(49,904)
	365,536
Total liabilities and stockholders' equity	$ 567,102

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 March 31, 2001	T Mont Ma
Revenue	$ 210,259	$
Cost of sales	42,515	
Gross profit	167,744	
Operating expenses		
Distributor incentives	81,834	
Selling, general and administrative	72,898	
Total operating expenses	154,732	
Operating income	13,012	
Other income (expense), net	6,959	
Income before provision for income taxes	19,971	
Provision for income taxes	7,389	
Net income	$ 12,582	$
Net income per share (Note 2):		
Basic	$ .15	$
Diluted	$ .15	$
Dividends per share (Note 3)	$ .05	$
Weighted average common shares outstanding:		
Basic	84,092	
Diluted	84,934	

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

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

	Three Months Ended March 31, 2001
Cash flows from operating activities:	
Net income	$ 12,582
Adjustments to reconcile net income to net cash provided by (used in) operating activities:	
Depreciation and amortization	7,898
Amortization of deferred compensation	579
Changes in operating assets and liabilities:	
Accounts receivable	(2,602)
Related parties receivable	508
Inventories, net	2,851
Prepaid expenses and other	(4,481)
Other assets, net	3,288
Accounts payable	(1,021)
Accrued expenses	(13,658)
Related parties payable	(958)
Other liabilities	1,109
Net cash provided by (used in) operating activities	6,095
Cash flows from investing activities:	
Purchase of property and equipment	(4,569)
Payments for lease deposits	--
Receipt of refundable lease deposits	--
Net cash used in investing activities	(4,569)

Cash flows from financing activities:	
Exercise of distributor and employee stock options	24
Payments on long-term debt	--
Dividend	(3,969)
Repurchase of shares of common stock (Note 5)	(5,856)
Net cash used in financing activities	(9,801)
Effect of exchange rate changes on cash	(4,184)
Net decrease in cash and cash equivalents	(12,459)
Cash and cash equivalents, beginning of period	63,996
Cash and cash equivalents, end of period	$ 51,537

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

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Nu Skin Enterprises, Inc.
Notes to 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 telecommunications products and services. The Company distributes products throughout the world. The Company's operations are divided into four segments: North Asia, which consists of Japan and South Korea; North America, which consists of the United States and Canada; Southeast Asia, which consists of Australia, Hong Kong (including Macau), New Zealand, the PRC (China), the Philippines, Singapore, Taiwan and Thailand; and Other Markets, which consists of the Company's markets in Brazil, Europe, Guatemala and Mexico (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 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 March 31, 2001 and for the three-month period ended March 31, 2001. 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, 2000.

2. 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 give effect to all dilutive potential common shares that were outstanding during the periods presented.

3. DIVIDENDS PER SHARE

In February 2001, the board of directors authorized the Company to declare a quarterly cash dividend of $0.05 per share for all classes of common stock. This initial quarterly cash dividend of approximately $4.0 million was paid on March 28, 2001, to stockholders of record on March 12, 2001. Management believes that cash flows from operations will be sufficient to fund future dividend payments.

4. DERIVATIVE FINANCIAL INSTRUMENTS

The Company has adopted 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 adoption of SFAS 133 did not have a significant impact on the Company's consolidated financial statements.

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 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 certain intercompany loans of foreign currency are recorded as other income and expense in the consolidated statements of income.

At March 31, 2001 and December 31, 2000, the Company held forward contracts designated as foreign currency cash flow hedges with notional amounts totaling approximately $58.4 million and $28.9 million, respectively, to hedge foreign currency intercompany items. The net gain on foreign currency cash flow hedges recorded in current earnings was $1.6 million for the three-month period ended March 31, 2001. Prior to the adoption of SFAS 133, the Company held foreign currency forward contracts which were marked to market and recorded a net gain in other income of $1.1 million for the three-month period ended March 31, 2000. Those contracts held at March 31, 2001 have maturities through February 2002 and accordingly, all unrealized gains on foreign currency cash flow hedges included in other comprehensive income at March 31, 2001 will be recognized in current earnings over the next twelve-month period.

5. REPURCHASE OF COMMON STOCK

During the three-month periods ended March 31, 2001 and 2000, the Company repurchased approximately 847,000 and 287,000 shares, respectively, of Class A common stock for approximately $5.9 million and $2.4 million, respectively.

6. COMPREHENSIVE INCOME

The components of comprehensive income, net of related tax, for the three-month periods ended March 31, 2001 and 2000, were as follows (in thousands):

	Three Months Ended March 31, 2001	Mo Mar
Net income	$ 12,582	$
Other comprehensive income, net of tax:		
Foreign currency translation adjustments	(7,530)	
Net unrealized gain on foreign currency cash flow hedges	3,992	
Net gain reclassified into current earnings	(1,019)	
Comprehensive income	$ 8,025	$

7. SEGMENT INFORMATION

As described in Note 1, the Company's operations throughout the world are divided into four reportable segments: North Asia, Southeast Asia, North America 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 four segments is set forth below (in thousands):

	Three Months Ended March 31, 2001	Three Months Ended March 31, 2000
Revenue		
North Asia	$ 129,959	$ 140,373
Southeast Asia	65,659	76,721
North America	103,156	102,176
Other Markets	6,075	4,487
Eliminations	(94,590)	(110,132)
Totals	$ 210,259	$ 213,625
Operating Income		
North Asia	$ 10,489	$ 7,219
Southeast Asia	5,795	8,508
North America	(2,523)	9,361
Other Markets	(1,356)	(1,920)
Eliminations	607	(1,626)
Totals	$ 13,012	$ 21,542

	As of March 31, 2001	As of December 31, 2000
Total Assets		
North Asia	$ 70,580	$ 83,941
Southeast Asia	73,182	76,279
North America	466,044	471,221
Other Markets	13,100	13,039
Eliminations	(55,804)	(53,677)
Totals	$ 567,102	$ 590,803

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 $121,841 and $134,613 for the three-month periods ended March 31, 2001 and 2000, respectively. Revenue from the Company's operations in

Taiwan totaled $17,576 and $22,218 for the three-month periods ended March 31,

Nu Skin Enterprises, Inc.
Notes to Consolidated Financial Statements

2001 and 2000, respectively. Revenue from the Company's operations in the United States (which includes intercompany revenue) totaled $101,527 and $101,485 for the three-month periods ended March 31, 2001 and 2000, respectively.

Long-lived assets
Long-lived assets in Japan were $20,658 and $23,782 as of March 31, 2001 and December 31, 2000, respectively. Long-lived assets in Taiwan were $2,625 and $3,235 as of March 31, 2001 and December 31, 2000, respectively. Long-lived assets in the United States were $311,564 and $313,415 as of March 31, 2001 and December 31, 2000, respectively.

8. SUBSEQUENT EVENTS

On May 4, 2001, the Company entered into a $60.0 million revolving credit agreement (the "Revolving Credit Facility") with Bank of America, N.A. and Bank One, NA for which Bank of America, N.A. acted as agent. The proceeds may be used for working capital, capital expenditures and other purposes including repurchases of the Company's outstanding shares of Class A common stock. At the time of closing, there were no outstanding balances relating to the Revolving Credit Facility.

The Revolving Credit Facility bears interest at a rate equal to the London Inter-Bank Offer Rate (LIBOR) or the Japanese yen LIBOR, plus an applicable margin. The maturity date for the Revolving Credit Facility is three years from the borrowing date and will be reduced by $15.0 million on each of the first two anniversaries of the closing. The Revolving Credit Facility contains other terms and conditions and affirmative and negative financial covenants customary for credit facilities of this type.

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

2001 compared to 2000

Revenue decreased 1.5% to $210.3 million for the three-month period ended March 31, 2001 from $213.6 million for the same period in 2000. The decrease in revenue on a year-over-year basis was due primarily to a weakening in foreign currencies and was largely offset by constant currency revenue growth in each of the Company's operating regions combining for overall constant currency growth of approximately 6.0% as compared to the prior year.

Revenue in North Asia decreased 7.4% to $130.0 million for the three-month period ended March 31, 2001 from $140.4 million for the same period in 2000. This decrease in revenue was due to revenue in Japan decreasing 9.5% to $121.8 million for the three-month period ended March 31, 2001 from $134.6 million for the same period in 2000. This decrease is directly attributable to a 10.4% weakening in the Japanese yen. In local currency, revenue in Japan was constant in the first quarter of 2001 versus the same prior-year period, which benefited from a convention held in Japan during the prior-year period. The decline in revenue in Japan in U.S. dollar terms was partially offset by an increase in revenue in South Korea of 39.7% to $8.1 million for the three-month period ended March 31, 2001 from $5.8 million for the same period in 2000. In local currency terms, revenue in South Korea was 59.4% higher in the first quarter of 2001 versus the same prior-year period. The revenue increase in South Korea is primarily due to continued growth following significant new product launches including Pharmanex's weight management products and Nu Skin 180° skin therapy system in the second and third quarters of 2000.

Revenue in Southeast Asia remained nearly constant at $30.8 million for the three-month period ended March 31, 2001 from $30.4 million for the same period in 2000. Revenue results in Taiwan decreased 20.7% to $17.6 million for the three-month period ended March 31, 2001 from $22.2 million for the same prior-year period. In local currency, revenue in Taiwan declined 16.4% during the first quarter of 2001 versus the same prior-year period. 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. In addition, direct selling as a distribution channel has significantly penetrated the Taiwanese market. This decline in revenue in Taiwan of $4.6 million was offset by the opening of the market in Singapore late in 2000. The Company's business model for distributors encourages top leaders to assist in opening new markets. Management believes the decline in revenue in Taiwan was in part due to top leaders from that market focusing on Singapore in early 2001. Revenue in Singapore was $4.7 million during the first quarter of 2001.

Revenue in North America, consisting of the United States and Canada, increased 13.0% to $43.4 million for the three-month period ended March 31, 2001 from $38.4 million for the same period in 2000. This increase in revenue is due to a successful convention held in the United States in February 2001, which generated approximately $5.0 million in revenue in sales to international distributors attending the convention, as well as additional new business development revenue which provided an additional $5.0 million in revenue. Without the impact of this additional revenue, revenue in the North America region would have decreased approximately 13.0% during the first quarter of 2001 versus the same prior-year period, but only decreased approximately 2.0% on a sequential basis. Management believes that the Company's operations in the United States have been negatively impacted by distributor uncertainty relating to the Company's divisional strategies.

Revenue in the Company's other markets, which include its European, Latin American and Brazilian operations, increased 35.6% to $6.1 million for the three-month period ended March 31, 2001 from $4.5 million for the same period in 2000. This increase in revenue is due to a 42.0% increase in revenue in Europe in U.S. dollar terms. In local currency terms, revenue in Europe increased approximately 52.0% during the first quarter of 2001 versus the same prior-year period.

Gross profit as a percentage of revenue decreased to 79.8% for the three-month period ended March 31, 2001 from 83.9% for the same prior-year period. The decrease in the gross profit percentage resulted from the weakening of the Japanese yen and other currencies relative to the U.S. dollar, the increased revenue, which is expected to continue, relating to the new business development efforts recorded in the Big Planet division that carry a very low gross margin as well as logo merchandise sold as part of the first quarter U.S. convention which also have lower gross margins. The Company purchases a significant majority of goods in U.S. dollars and recognizes revenue in local currencies. Consequently, the Company is subject to exchange rate risks in its gross margins.

Distributor incentives as a percentage of revenue remained nearly constant at 38.9% for the three-month period ended March 31, 2001 compared to 38.8% for the same prior-year period. In the later part of 1999, the Company restructured a portion of its compensation plan for distributors, adding short-term, division-focused incentives, which increased compensation to the Company's entry-level distributors.

Selling, general and administrative expenses as a percentage of revenue decreased slightly to 34.7% the three-month period ended March 31, 2001 compared to 35.1% for the same prior-year period. In U.S. dollar terms, selling, general and administrative expenses decreased to $72.9 million for the three-month period ended March 31, 2001 compared to $75.0 million for the same period in the prior year. This decrease was due primarily to a weaker Japanese yen in 2001 as well as the Company's cost-saving initiatives such as lower headcount and occupancy costs. Offsetting these lower expenses were the costs incurred during the first quarter of 2001 for the Company's convention in the United States which added approximately $5.0 million in selling, general and administrative expenses.

Other income (expense), net increased $5.3 million for the three-month period ended March 31, 2001, compared to the same period in the prior year primarily as a result of the foreign currency gains resulting from a weaker Japanese yen in 2001.

Provision for income taxes decreased to $7.4 million for the three-month period ended March 31, 2001 from $8.4 million for the same prior-year period. This decrease is largely due to the decrease in operating income as compared to the same prior-year period, offset by an increase in the effective tax rate from 36.0% in the first quarter of 2000 to 37.0% in the first quarter of 2001.

Net income decreased to $12.6 million for the three-month period ended March 31, 2001 from $14.9 million for the same prior-year period. Net income decreased primarily because of the factors noted above in revenue and gross profit and was somewhat offset by the factors noted in selling, general and administrative, other income (expense), net and 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 comprise 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. The Company generated $6.1 million from operations during the three-month period ended March 31, 2001 compared to using $14.3 million during the same prior-year period. This increase in cash generated from operations in 2001 compared to the same prior-year period is primarily related to reduced cash

payments to vendors for purchases of inventory resulting from increased efficiencies in the Company's management of inventory as well as reduced foreign taxes paid in 2001 versus 2000.

As of March 31, 2001, working capital was $120.8 million compared to $122.8 million as of December 31, 2000. Cash and cash equivalents at March 31, 2001 and December 31, 2000 were $51.5 million and $64.0 million, respectively. The decrease in cash and cash equivalents is related primarily to stock repurchases of approximately $5.9 million and dividends paid in the first quarter of 2001 of approximately $4.0 million.

Capital expenditures, primarily for equipment, computer systems and software, office furniture and leasehold improvements, were $4.6 million for the three-month period ended March 31, 2001. In addition, the Company anticipates additional capital expenditures in 2001 of approximately $23.0 million to further enhance its infrastructure, including enhancements to computer systems and Internet related software in order to expand the Company's Internet capabilities.

In March 1998, the Company completed the acquisition of Nu Skin International, Inc. (the "NSI Acquisition"). Pursuant to the terms of the NSI Acquisition, Nu Skin International, Inc. ("NSI") and the Company are required to pay certain contingent payments if specific earnings growth targets are met. The Company and NSI did not meet specific earnings growth targets for the years ended December 31, 1999 and 2000. Contingent upon NSI and the Company meeting specific earnings growth targets during 2001, the Company may pay up to $75.0 million in cash over the next year to the stockholders of NSI. However, management believes it is unlikely that such contingency payments will be made.

On October 12, 2000, the Company refinanced the $87.1 million balance of its existing credit facility with the proceeds of a private placement of 9.7 billion Japanese yen of ten-year senior notes (the "Notes") to The Prudential Insurance Company of America. The Notes bear interest at an effective rate of 3.03% annually and become due October 2010 with principal payments beginning October 2004. As of March 31, 2001, the outstanding balance on the Notes remained at 9.7 billion Japanese yen, or $76.9 million.

During 2000, 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 March 31, 2001.

Since August 1998, the board of directors has authorized the Company to repurchase up to $50.0 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-month period ended March 31, 2001, the Company repurchased approximately 847,000 shares for an aggregate price of approximately $5.9 million. As of March 31, 2001, the Company had repurchased a total of approximately 5,022,000 shares for an aggregate price of approximately $45.9 million.

In February 2001, the board of directors authorized the Company to declare a quarterly cash dividend of $0.05 per share for all classes of common stock. This initial quarterly cash dividend of approximately $4.0 million was paid on March 28, 2001, to stockholders of record on March 12, 2001. Management believes that cash flows from operations will be sufficient to fund future dividend payments.

The Company had related party payables of $8.1 million and $9.0 million at March 31, 2001 and December 31, 2000, respectively. In addition, the Company had related party receivables of $12.7 million and $13.2 million, respectively, at those dates. These balances are largely related to the Big Planet Acquisition and the Nu Skin USA transactions completed during 1999.

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, the United States 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. Active distributors are those distributors who were resident in the countries in which the Company operated and purchased products during the three months ended as of the date indicated. An executive distributor is an active distributor who has achieved required personal and group sales volumes.

	As of March 31, 2001		As of March 31, 2000	
	Active(1)	Executive	Active(1)	Executive
North Asia	287,000	14,994	291,000	14,830
Southeast Asia	104,000	3,110	98,000	3,234
North America	52,000	2,506	56,000	2,972
Other	23,000	839	17,000	472
Total	466,000	21,449	462,000	21,508

(1) The Big Planet representatives do not necessarily place product orders with the Company for resale to retail customers. Big Planet representatives sign up retail customers for Internet, telecommunications and other services with the Company or its service providers for all products. Therefore, the active distributors for 2001 and 2000 do not include approximately 43,000 and 26,000 Big Planet representatives who have residual sales volume on a three month rolling basis, respectively, for service provided by the Company or its service providers.

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 through the use of foreign currency exchange contracts, through intercompany loans of foreign currency and through its Japanese yen denominated debt. 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 March 31, 2001, 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 March 31, 2001 as discussed in Note 4 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 represent a material potential loss in fair value, earnings or cash flows against such contracts. This potential loss does not consider the underlying foreign currency transaction or translation exposures of the Company.

Note Regarding Forward-Looking Statements

With the exception of historical facts, the statements contained in 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:

- the Company's belief that existing cash and cash flow from operations will be adequate to fund cash needs;
- the expectation that the Company will spend $23.0 million for capital expenditures during the remainder of 2001; and
- the anticipation that cash will be sufficient to pay future dividends.

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 not to place any undue reliance on such forward-looking statements, which reflect the Company's beliefs and expectations only as of the date of this report. The Company assumes no obligation to update or revise these forward-looking statements to reflect new events or circumstances or any changes in its beliefs or expectations. Important factors, risks and uncertainties that might cause actual results to differ from those anticipated include, but are not limited to, the following:

a. Because a substantial majority of the Company's sales are generated from the Asian regions, particularly from Japan and Taiwan, significant variations in operating results including revenue, gross margin and earnings from those expected could be caused by

- renewed or sustained weakness of Asian economies or consumer confidence, or

- weakening of foreign currencies, particularly the Japanese yen in light of current economic and political conditions in Japan.

b. Many of the initiatives and strategies that have helped stabilize revenue in Japan have only been recently introduced and there is still uncertainty concerning the long-term effect of these initiatives. There can be no assurance that such initiatives will continue to be successful or that planned initiatives will have a similar impact. In addition, there is a risk that the continued refinement and implementation of the Company's divisional strategy, Internet initiatives and promotions could create renewed confusion or uncertainty among distributors and not increase distributor productivity. In addition, costs associated with these initiatives, particularly the Internet and related technology initiatives, may be greater than anticipated.

c. The ability of the Company to retain its key and executive level distributors or to sponsor new executive distributors is critical to the Company's success. Because the Company's products are distributed exclusively through its distributors, the Company's 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.

d. Risks associated with the Company's new product offerings and initiatives planned for 2001and launched at its global convention, including:

- the risk that such products will not gain market acceptance or meet the Company's expectations,

- the risk that sales from such product offerings could reduce sales of existing products and not generate significant incremental revenue growth or help increase distributor numbers and productivity,

- technological problems could delay or adversely affect the Company's Interent and technology initiatives; and

- any legal or regulatory restrictions that might delay or prevent the Company from offering its new products into all of its markets or limit the ability of the Company to effectively market such products.

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 4 to the Financial Statements contained in Item 1 of Part I.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For information on the Company's legal proceedings reference is made to the Company's Annual

Report on Form 10-K for the year ended December 31, 2000.

The following is an update on legal proceedings involving Pharmanex v. Donna Shalala.

On April 2, 2001, the Company received notice that the district court had ruled in favor of the FDA. As a result of the decision, the Company has ceased selling Cholestin in the United States. The Company currently does not anticipate that the decision will impact the ability of the Company to sell Cholestin in foreign markets where such products are not currently restricted. The Company continues to evaluate its options relating to an appeal.

ITEM 2. CHANGES IN SECURITIES

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

Regulation S-K Number	Description
10.1	Service Agreement with Grant Pace

10.2 Defendants Nu Skin	Settlement Agreement Between Plaintiff Natalie Capone and International, Inc.

(b) Reports on Form 8-K. No current Reports on Form 8-K were filed during the quarter ended March 31, 2001.

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 15th day of May, 2001.

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 Service Agreement with Grant Pace

10.2 Settlement Agreement Between Plaintiff Natalie Capone and Defendants Nu Skin International, Inc.

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CONFORMED SUBMISSION TYPE:	10-K
PUBLIC DOCUMENT COUNT:	5
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COMPANY DATA:

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CENTRAL INDEX KEY:	0001021561
STANDARD INDUSTRIAL CLASSIFICATION:	WHOLESALE-DRUGS PROPRIETARIES & DRUGGISTS' SUNDRIES [5122]
IRS NUMBER:	870565309
STATE OF INCORPORATION:	DE
FISCAL YEAR END:	1231

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FORM TYPE:	10-K
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STREET 1:	75 WEST CENTER ST
CITY:	PROVO
STATE:	UT
ZIP:	84601
BUSINESS PHONE:	8013456100

MAIL ADDRESS:

STREET 1:	75 WEST CENTER ST
CITY:	PROVO
STATE:	UT
ZIP:	84606

FORMER COMPANY:
FORMER CONFORMED NAME: NU SKIN ASIA PACIFIC INC
DATE OF NAME CHANGE: 19960919
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<SEQUENCE>1
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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

[X] Annual report pursuant to Section 13 or 15(d) of the Securities
Exchange Act of 1934 for the fiscal year ended December 31, 2
000 or

[ ] Transition report pursuant to Section 13 or 15(d) of the Securities
Exchange Act of 1934.

NU SKIN ENTERPRISES, INC.

(Exact name of registrant as specified in its charter)

Delaware	001-12421	87-056
5309		
- ---	---	---
(State or other jurisdiction of incorporation)	(Commission File No.)	(IRS Employer Identification No.)

75 West Center Street
Provo, Utah 84601

--

(Address of principal executive offices, including zip code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of exchange on which registered
Class A Common Stock, $.001 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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 [ ]

Based on the closing sales price of the Class A Common Stock on the New York Stock Exchange on March 15, 2001, the aggregate market value of the voting stock (Class A and Class B Common Stock) held by non-affiliates of the Registrant was approximately $277,200,000. For purposes of this calculation, voting stock held by executive officers, directors, and stockholders holding more than 10% of the voting stock has been excluded.

As of March 15, 2001, 31,617,013 shares of the Registrant's Class A Common Stock, $.001 par value per share, and 52,542,925 shares of the Registrant's Class B Common Stock, $.001 par value per share, were outstanding.

Documents incorporated by reference. Portions of the Registrant's Annual Report

to Stockholders to be furnished to the stockholders of the Registrant pursuant to Rule 14a-3(b) in connection with Registrant's 2001 Annual Meeting of Stockholders are attached hereto as Exhibit 13 and are incorporated herein by reference into Parts II and IV of this Form. Portions of the Registrant's definitive Proxy Statement for the Registrant's 2001 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days after the Registrant's fiscal year end are incorporated by reference in Part III of this report.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

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FORWARD LOOKING STATEMENTS

THIS ANNUAL REPORT ON FORM 10-K, IN PARTICULAR "ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS," WHICH IS INCORPORATED BY REFERENCE TO THE COMPANY'S 2000 ANNUAL REPORT TO STOCKHOLDERS, AND "ITEM 1. BUSINESS," INCLUDE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. THESE STATEMENTS REPRESENT THE COMPANY'S EXPECTATIONS OR BELIEFS CONCERNING, AMONG OTHER THINGS, FUTURE REVENUE, EARNINGS, AND OTHER FINANCIAL RESULTS, NEW PRODUCTS, FUTURE OPERATIONS AND OPERATING RESULTS, AND FUTURE BUSINESS AND MARKET OPPORTUNITIES. THE COMPANY WISHES TO CAUTION AND ADVISE READERS THAT THESE STATEMENTS INVOLVE RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THE EXPECTATIONS AND BELIEFS CONTAINED HEREIN. FOR A SUMMARY OF CERTAIN RISKS RELATED TO THE COMPANY'S BUSINESS, SEE "ITEM 1. BUSINESS -- RISK FACTORS" BEGINNING ON PAGE 20.

Unless the context requires otherwise, references to the Company are to Nu Skin Enterprises, Inc. and its subsidiaries. In this Annual Report on Form 10-K, references to "dollars" and "$" are to United States dollars. Nu Skin,

Pharmanex, "6S Quality Process" and Big Planet are trademarks of th e Company.
The italicized product names used in this Annual Report on Form 10-K a re product
names and also, in certain cases, trademarks of the Company.

PART I

ITEM 1. BUSINESS

General

Nu Skin Enterprises ("Nu Skin Enterprises" or the "Compa ny") is a
leading, global direct selling company that develops and d istributes
premium-quality, innovative personal care and nutritional products. T he Company
also markets and distributes technology, Internet and telecomm unications
products and services. Nu Skin Enterprises is one of the largest dire ct selling
companies in the world and currently operates in more than 30 countries
throughout Asia, North and South America and Europe. The Company distr ibutes its
products exclusively through a network marketing system. The Company currently
has a network of approximately 475,000 active distributors located throughout
its markets that purchase products for resale to consumers and fo r personal
consumption.

Operating Divisions

Nu Skin Enterprises currently has three operating divisions: Nu Skin,
which offers personal care products; Pharmanex, which offers n utritional
products; and Big Planet, which offers technology, Inte rnet and
telecommunications products and services. Presented below are the dol lar amount
and percentage of revenue from the sale of Nu Skin products, Pharmane x products
and Big Planet products and services for each of the years ended De

cember 31,
1998, 1999 and 2000. This table should be read together with the i
nformation
presented in "Management's Discussion and Analysis of Financial Con
dition and
Results of Operations," contained in the Company's Annual
Report to
Stockholders, which is incorporated by reference into this Form 10-K
and which
discusses the costs associated with generating the aggregate revenue p
resented.

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Revenue by Product Category
(Dollar Amounts in Thousands)

Product Category	Year Ended December 31, 1998 $	%	Year Ended December 31, 1999 $	%	Year Ended December 31, 2000 $	%
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Nu Skin	$ 560,976	61.4%	$ 503,570	56.3%	$ 446,089	50.7%
Pharmanex	352,518	38.6	379,241	42.4	387,538	44.1
Big Planet (1)	--	--	11,438	1.3	46,131	5.2
Total	$ 913,494	100.0%	$ 894,249	100.0%	$ 879,758	100.0%

<FN>
(1) The Company acquired Big Planet in July 1999. Accordingly, the table above only reflects revenue for the period during which the Company owned Big Planet (i.e., from and after July 13, 1999). Big Planet's revenue for the year ended December 31, 1998 was $14.7 million and its revenue for the year ended December 31, 1999 was $21.8 million.
</FN>
</TABLE>

Nu Skin

Overview. Nu Skin is the Company's original product line and business opportunity and currently consists of premium-quality lines of over 100 personal care products. Nu Skin's strategy is to distribute high quality personal care products and treatments that utilize advanced, innovative formulas. For example, Nu Skin was one of the first companies to market topical applications of various vitamins including Vitamins A, C and E. Other examples include the Nu Skin 180(0) ANTI-AGING SKIN THERAPY system, a scientifically advanced skin care system designed to fight the signs of aging, and the recently introduced TRU FACE LINE CORRECTOR, an innovative product utilizing pro-collagen peptides that help soften moderate to deep lines around the mouth, eyes and forehead. Nu Skin seeks to take advantage of its educated distributor force to provide consumers with a high level of information and instruction about its products and guidelines for using them most effectively.

Nu Skin Products. Nu Skin's personal care products are divided into the following lines: face care, body care, hair care, an ethnobotanical product line, color cosmetics and speciality products. Nu Skin offers products individually and in comprehensive product sets that include a v

ariety of
products in each product line. The product sets are especially popu lar during
the opening phase of a new market, when distributors and consumers a re anxious
to purchase a variety of products, and during holiday and gift giving seasons in
each market.

The following is a brief description of each product line within t he Nu Skin
division:

Face Care. The face care line is Nu Skin's premier line of personal
care products and consists of over 40 different cleansers, moistur izers and
special treatments. Nu Skin's cleansers and moisturizers allow users to cleanse
thoroughly without causing dryness and to moisturize with effective h umectants.
Examples of products in this line include: REJUVENATING CREAM, a facial
moisturizer and one of Nu Skin's most popular personal care products; PH BALANCE
FACIAL TONER, a product combining aloe vera and other ingredients d esigned to
prepare the skin for effective moisturization; and a NUTRICENTIAL S line of
products that are fortified with topically applied nutrient building b locks.

Nu Skin's specialized treatment products utilize advanced fo rmulas and
ingredients designed for specific skin care conditions. Special treatment
products include the scientifically advanced NU SKIN 180(0) ANTI-A GING SKIN
THERAPY system of products. These products utilize elevated levels of lactic
acids to help fight the signs of aging for visible results in as earl y as seven
days. Specialty treatments include a variety of other products includi ng NU SKIN
WHITE, a line of pigment lighteners, and SKIN BRIGHTENING COMPLEX, which is
designed to lighten skin color and diminish the appearance of dis coloration

caused by sun exposure and aging.

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At its 2001 international convention, Nu Skin introduced 14 new products in its various product categories, including, TRU FACE LINE CORRECTOR and a NU SKIN GALVANIC SPA SYSTEM, which utilizes new patented technology to provide spa facial benefits in the home.

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

Hair Care. Nu Skin is introducing a new and improved hair care product line in 2001. New styling products were introduced at the Company's global convention and a new shampoo and conditioner line will be introduced in the next couple of months. Each hair care product is enriched with NUTRICENTIALS -- potent nutrients and environmental protectants designed to en

hance the appearance of the hair and to meet the needs of people with all types of hair and hair problems. The new hair care line consists of 13 shampoos, conditioners and styling products that utilize ingredients such as sunflower seed extracts, CEREGEN, an innovative wheat-based complex of conditioning molecules designed to enhance hair repair, and Quinoa, a protein staple. Nu Skin also offers a hair care line, KANURE, specifically designed and formulated for the Brazilian market to address the natural properties of dry and curly hair.

EPOCH Ethnobotanicals. Epoch is a line of ethnobotanical personal care products created in cooperation with well-known ethnobotanists. These products unite natural compounds used by indigenous cultures with advanced scientific ingredients. Examples of products in this line include: GLACIAL MARINE MUD, a revitalizing clay mask containing beneficial sea botanicals, FIREWALKER FOOT CREAM, created specifically to soothe and rejuvenate tired, aching feet; and EPOCH ANTISEPTIC HAND SANITIZER, a product containing lavender that disinfects hands. In 2001, this line was expanded to include ICEDANCER, a soothing gel that utilizes natural wild mint to help soothe aching legs, and RARE EARTHS MINERAL INFUSIONS, mineral and other natural infusions designed to enhance NU SKIN's GLACIAL MARINE MUD.

Color Cosmetics. Nu Skin's color cosmetics line, Nu Colour, consists of 13 talc-free products with over 150 SKU's including eye shadow, lipliner, lipsticks, mascara, blush and finishing powder, foundations and concealers.

Specialty Products. Nu Skin has licensed the right to sell NUTRIOL products in its direct selling channel. The NUTRIOL product line is manufactured

in Europe and consists of two hair care products that incorporate mucopolysaccharide, a proprietary ingredient. NUTRIOL products are designed to replenish hair with vital minerals and elements. Nu Skin also has an exclusive license to offer for sale in the direct selling channel a line of oral health care products under the trademark AP-24. AP-24 incorporates anti-plaque technology designed to help prevent plaque build-up 24 hours a day. The product line includes toothpaste, mouthwash and floss. In addition, Nu Skin offers fragrances, sun protection products and a line of sports care personal products.

Nu Skin Product Development. From the inception of the Company, Nu Skin's product philosophy has been: "All of the Good and None of the Bad." Nu Skin products are formulated to feature only quality, nurturing ingredients and to avoid shortcuts with unnecessary or unfriendly fillers. Nu Skin is also committed to continuously improving its evolving personal care product formulations to incorporate innovative and proven ingredients into its product line. Recent examples of Nu Skin's product development include the Nu Skin 180(0) ANTI-AGING SKIN THERAPY system, one of the first products to utilize elevated levels of alpha and beta hydroxy acids for topical application, and TRU FACE LINE CORRECTOR, an innovative product that incorporates pro-collagen peptides to help soften medium to deep lines around the mouth, eyes and forehead.

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For product development support in personal care, Nu Skin re

lies on an advisory board comprised of recognized authorities in various discip lines. Nu Skin also has entered into an agreement with Stanford Universit y Medical Center's Department of Dermatology for directed research and clinical trials of Nu Skin products or materials at the Nu Skin Center for Dermatological Research at Stanford University's School of Medicine. Nu Skin also utilizes its strategic relationships with vendors for access to directed research and develop ment work.

Nu Skin Sourcing and Production. In order to maintain hi gh product quality, Nu Skin acquires its ingredients and products from re liable and reputable suppliers that Nu Skin considers to be superior source s of such ingredients and products. For approximately eight years, Nu Skin ha s acquired ingredients and products from a supplier that currently ma nufactures approximately 50% of its personal care products. Nu Skin also ha s ongoing relationships with secondary and tertiary suppliers who supply the remaining products and ingredients. Nu Skin believes that in the event it is unable to source any products or ingredients from its major supplier it could produce or replace such products or substitute ingredients without great dif ficulty or significant increases in the cost of goods sold from its other seco ndary and tertiary suppliers.

Pharmanex

Overview. Pharmanex currently offers over 70 nutritional products. Pharmanex management believes that the nutritional supplement market is expanding globally because of changing dietary patterns, an in creasingly health-conscious population and a growing amount of scientific evidence

supporting the benefits of using vitamin and natural self-care products and supplements. Pharmanex also believes that its scientifically-substantiated nutritional supplements are particularly well-suited to network marketing because the average consumer is often uneducated or confused about nutritional supplements, particularly the importance of scientific substantiation. The direct selling channel can be a more effective method than traditional retailing channels to educate consumers about the benefits of nutritional supplements and to differentiate the quality and benefits of its products from those offered by competitors.

Pharmanex Products. Pharmanex's nutritional supplements currently include the LIFEPAK line of multivitamin, mineral and phytonutrient supplements and a line of self-care nutritional supplements. Pharmanex also offers nutritional products in the following lines: PHARMANEX BODY DESIGN weight management system and sports and fitness products, nutritious beverages and specialty products. Pharmanex has designed its nutritional products to promote healthy, active lifestyles and general well-being when used in conjunction with proper diet and exercise.

The following is a brief description of each of the nutritional product lines within the Pharmanex division:

Multivitamin/Mineral Supplements. This product line consists of various vitamin, mineral and antioxidant supplements, including LIFEPAK. The LIFEPAK family of products, the core Pharmanex nutritional supplement, is designed to provide a beneficial mix of nutrients including vitamins, minerals, antioxidants and phytonutrients, which are nutrient extracts from plants. The introduction of

LIFEPAK in the United States in 1992 and Japan in 1995 resulted in a significant increase in the Company's revenue. Management believes, based on publicly available data, that LIFEPAK constitutes one of the leading selling multi-vitamin and mineral suppements in the world. Sales of LIFEPAK accounted for approximately 17% of the Company's total revenue in 2000. Pharmanex currently sells LIFEPAK in 14 markets, including the United States, Japan and Taiwan. Pharmanex offers LIFEPAK in different formulations to meet the unique needs of adults generally, women, seniors, teenagers, children and pregnant women.

Self-Care Nutritional Supplements. Pharmanex currently offers a line of self-care natural nutritional supplements which are nutritional products designed to meet the personalized needs of the user in the following areas:

* Energy/Stamina
* Heart Health
* Antioxidant Protection

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* Relaxation
* Immune System Support
* Women's Health
* Special Needs

These self-care dietary supplements are designed to provide consumers with a specific, consistent level of the desired dosage of the important components of the supplement. In addition, Pharmanex implements quality control processes designed to enhance its ability to keep products free from contaminant

s.

The principal products in this line include CHOLESTIN, CORDYMAX CS-4, TEGREEN 97, BIOGINGKO 27/7 and BIO ST. JOHN'S. CHOLESTIN is a nutritional supplement derived from the fermentation of a strain of red yeast on rice substrate. A double-blind, placebo-controlled study conducted at the UCLA Center for Human Nutrition and published in the February 1999 issue of the American Journal of Clinical Nutrition demonstrated the effectiveness of CHOLESTIN in helping to promote healthy cholesterol levels already within the normal range. CORDYMAX CS-4 is a nutritional supplement designed to help reduce fatigue. Several clinical trials demonstrated that CORDYMAX CS-4 can help reduce fatigue. CORDYMAX CS-4 is offered as a stand-alone product and in a combination product with ST. JOHN'S WORT, a positive mood enhancer, distributed under the trademark BIO ST. JOHN'S. In addition, Pharmanex offers BIOGINKGO 27/7, a ginkgo biloba extract from a patented process that promotes blood circulation to the brain, arms and legs, and TEGREEN 97, a supplement that contains a concentrated level of decaffeinated green tea polyphenols, potent antioxidants found in green tea.

Pharmanex recently broadened its Pharmanex self-care line of products in order to provide simple solutions to complex health issues. This line of products includes: PROSTATE FORMULA, a product utilizing standardized saw palmetto extract, Pharmanex's proprietary TEGREEN 97 product and other powerful antioxidants; ENERGY FORMULA, a product combining three complementary ingredients, including standardized Rhodiola, in order to offer rapid results without the use of harmful stimulants; CARDIO FORMULA, a product utilizing a comprehensive and convenient formula to combine five benefit

s in one easy-to-take formula in order to promote good circulatory health, prevent free radical induced damage on LDL cholesterol and other aspects necessary to maintain a good cardiovascular system; and IMMUNE FORMULA, a product combining standardized echinacea, goldenseal and Vitamin C, as well as beta-sitosterol and Arabinogalactin AG.

Nutritious Beverages. As part of its mission to promote a healthy lifestyle and long-term wellness, Pharmanex's Nutri-Foods product line includes two nutritional drinks, SPLASH C with aloe vera, a healthy beverage providing significant amounts of Vitamins C and E as well as calcium in each serving, and APPEAL, a drink providing carbohydrates, proteins, chelated minerals, vitamins and fiber for energy.

Pharmanex Body Design. PHARMANEX BODY DESIGN was created by Pharmanex to capitalize on the weight management and sports fitness markets as well as to create a presence in the rapidly growing vanity market. The PHARMANEX BODY DESIGN system, when combined with regular exercise, is one of the few systems that has been clinically proven to reduce weight without the use of the stimulant ephedrine. PHARMANEX BODY DESIGN consists of the following four product lines:

* Nutrition Series: This line of products is intended to help consumers build a better body. Products in this line include PHARMANEX BODY DESIGN meal replacement high protein shakes, bars and soups.

* Lean Series: This line of products is designed for persons trying to lose weight. Products in this line include: CRAVE EASE, a product that utilizes a proprietary blend of ingredients including Glucosol to hel

p diminish
cravings for carbohydrates; fiber supplements marketed unde r the name
FIBRENET; METABOTRIM, a supplement designed to assist the body's metabolism
of food for maximum energy conversion; and DIENE-O-LEAN, a product
containing conjugated linoleic acid, which was shown in a recen t study to
significantly reduce body fat mass in a 12-week period.

* Workout Series: This product line is designed for those w ho want to
maximize their fitness levels and includes products such as OVE RDRIVE, a
sports supplement that features antioxidants, B vitamins an d chromium
chelate,

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CREATINE BLAST, which increases the availability of usable ene rgy in the
muscle, and PHARMANEX HIGH FIVE which provides nutritional s upport for
post-exercise muscle recovery.

* Image Series: The Image Series products are specially formulate d for both
men and women to provide nutrition that promotes outward be auty from
within. These products include HAIR FORMULA, designed to pr omote and
maintain healthy hair and VEIN FORMULA, designed to promote circu latory and
leg vein health.

Specialty Products. Pharmanex also offers a high-performance home water
filtration system in certain of its Asian markets including Japan a nd Taiwan.
The FOUNTAIN FRESH filtration system was designed by and is being ma nufactured

exclusively for the Company by CUNO Incorporated, a worldwide manufacturer of home and industrial filtration systems.

Pharmanex Product Development. Pharmanex is committed to providing high quality, standardized and substantiated nutritional supplements. This philosophy has led to Pharmanex's commitment to avoid stimulants and any ingredients that are reported to have any long-term addictive or harmful effects, even if the short-term effects may be desirable. Pharmanex believes that it is one of the few nutritional supplement companies in the United States that has a research and development program modeled after the pharmaceutical industry. Pharmanex believes that this research and development capability provides it with an important competitive advantage in the industry. Moreover, because a substantial portion of Pharmanex's research and development activities are conducted in the Peoples' Republic of China (the "PRC"), it believes that it is able to conduct quality research and development work as well as initial clinical trials in higher numbers due to the significantly lower cost than would be incurred if Pharmanex conducted comparable work in the United States.

Pharmanex utilizes its "6S Quality Process" in its development activities, which is designed to provide a precise, standardized, recommended dosage of each beneficial natural ingredient in every capsule. The 6S Quality Process generally involves the following steps:

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

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

* Structure. Determining the structural profile of natural compounds and active ingredients.

* Standardization. Standardizing the product to at least one biologically relevant active ingredient.

* Safety. Assessing safety from available research, and, where necessary, performing additional tests such as microbial tests and chemical analyses for toxins and heavy metals.

* Substantiation. Reviewing documented pre-clinical and clinical trials, and, where necessary and appropriate, initiating studies and clinical trials sponsored by Pharmanex.

Pharmanex employs approximately 50 scientists at its dedicated research and development center in Shanghai, the PRC, and at its Provo, Utah and San Francisco, California offices. Pharmanex is in the process of consolidating its U.S. based facilities in Provo, Utah. Pharmanex also has working relationships with 150 other independent scientists including an advisory board comprised of recognized authorities in various related disciplines. In addition, Pharmanex evaluates a significant number of product ideas presented to it by distributors and other outside sources. Pharmanex has established collaborative agreements with three prominent universities and research institutions in the PRC: Shanghai Medical University, Beijing Medical University and the Institute of Materia Medica. The staffs of these institutions include scientists with expertise in

natural product chemistry, biochemistry, pharmacology and clinical studies.
Pharmanex's research and development center in Shanghai coordinates and
validates Pharmanex's collaborative efforts with these institutions. Pharmanex
also currently has

collaborative research and clinical study programs with several major university
research centers in the United States, including UCLA, the Rippe Center for
Clinical Lifestyle Research, Columbia University, the University of Kansas, and
internationally with the University of Hong Kong School of Medicine. The
Company's research and development expenditures have increased substantially
following the acquisition of Pharmanex, but still do not represent a material
portion of the Company's selling, general and administrative expenses on a
consolidated basis.

Pharmanex Sourcing and Production. Substantially all of Pharmanex's
nutritional supplements and ingredients, including LIFEPAK, are produced or
provided by third-party suppliers that Pharmanex considers to be among the best
suppliers of such products and/or ingredients. Pharmanex currently relies on two
unaffiliated suppliers for approximately 50% of its nutritional supplements.
Pharmanex believes that, in the event it were unable to source any products or
ingredients from these suppliers or its other current suppliers other than as
described below, it could produce or replace such products or substitute
ingredients without great difficulty or significant increases in t

he cost of goods sold. Pharmanex also maintains an extraction and processing facility located in Huzhou, Zhejiang Province, in the PRC, where it currently produces the extracts for BIOGINKGO 27/7 and TEGREEN 97 products.

Pharmanex has contract cultivation areas in the PRC. Because some of Pharmanex's natural and botanical products such as BIO ST. JOHN'S and BIOGINKGO 27/7 come from crops that can only be harvested once a year, problems with such crops could limit Pharmanex's ability to produce such products. In addition, because these products can only be produced once a year, Pharmanex must rely on the accuracy of its estimates of product requirements in sourcing these products. If Pharmanex underestimates its product requirements, it may not be able to re-stock such product until the next growing season.

Big Planet

Overview. Big Planet's core strategy is to position itself on the leading edge of the latest technology trends surrounding the Internet revolution while utilizing the power of network marketing to introduce consumers to technology products designed to simplify and enhance their lives. The Company believes that technology, Internet and telecommunications products are highly compatible with its distribution system and that Big Planet provides a compelling business opportunity for technology-oriented entrepreneurs desiring to participate in the Internet revolution. Big Planet leverages the direct selling expertise of the Company's distributor force to provide high levels of service to its customers in a product area that is often confusing to consumers. Big Planet trains its distributors to educate consumers as needed to help them understand and take advantage of the latest technology products.

Big Planet's business model is based on a three-pronged strategy:

* Introducing convenient and simple-to-use devices to access the Internet and other communications channels.

* Connecting customers to communications channels through its world-class Internet service, unified messaging products, enhanced telecommunications products and other technology-related services; and

* Offering a destination, or Internet community, and merchant affiliations for its customers once they are online where they can conveniently shop and gain access to other services and information.

Big Planet Products. Big Planet's product offering is structured around its three-pronged objective of providing devices, connections and destinations. Big Planet has invested significantly in local infrastructure for its Internet and operation support facilities for hosting web pages and providing e-mail services. Big Planet also has entered into contractual relationships with several industry-leading technology companies, including Qwest Communications, SkyTel, Oracle, Cisco Systems, IBM, I-Link and other key vendors, to provide convenient and reliable technology, Internet and telecommunications products and services. Big Planet's distributors receive

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commissions based on Big Planet's gross margin on each sale of products or services, including monthly recurring service charges, or based on the

commission received by Big Planet with respect to products sold directly by third-party vendors to Big Planet's customers.

Devices. Big Planet currently offers a selection of simple Internet appliances to connect people to the Internet channel, including the IPHONE and the NEW INTERNET COMPUTER (NIC). The IPHONE is a technologically-advanced telephone that provides simple and convenient Internet access via a touch screen and pull-out keyboard and supports hypertext markup language ("HTML"). As an affordable alternative to the personal computer, the NIC, developed by Oracle and distributed by Big Planet, includes a keyboard, mouse, speakers, and an optional 15" SVGA monitor for getting online easily. Supporting popular plug-ins like Real Player, Java and Macromedia Flash Player, the NIC is just as Internet-capable as the traditional desktop computer.

Connections. Through the various devices offered by Big Planet, consumers can readily access Big Planet's wide range of connections, including Internet service, unified messaging, telecommunications products and other technology-related services.

Big Planet provides dial-up Internet access to its customers through a variety of separate access plans to cover the needs of a broad demographic group of consumers. Big Planet outsources Internet access through a nationwide backbone network of more than 6,500 local dial-up access sites, or "POPS," in cities throughout the United States. Big Planet currently has approximately 45,000 Internet service customers. The Internet service includes easy-to-use, reliable and competitively priced Internet access, electronic mail and content filtration for distributors and customers. In addition, Big Planet offers

broadband Internet service for an always-on connection to the Inte rnet. The
service allows for connections up to 50 times faster than a convention al dial-up
modem while enabling the user to perform advanced functions like We b hosting,
video conferencing, video streaming, virtual private networking and e -commerce.
Big Planet also provides a powerful, yet easy-to-use tool for cre ating and
maintaining sophisticated Web sites with optional e-commerce capabilit ies, which
is designed for small businesses, including Big Planet representatives .

Big Planet currently offers domestic and international long distance,
paging products and services and personal 800 numbers. Big Planet o ffers both
residential and business long distance services through its relation ship with
Qwest Communications and Netronix. Big Planet also offers enhanced
communications through I-Link's "V-Link" product, which provides enhanced
communications capabilities to customers including unified mes saging of
voicemail, e-mail and fax, and "find-me, follow me" features that allo w a single
phone call to ring to various different telephone devices such as ce ll, office
and home. Big Planet has also entered into agreements to offer wireless
telecommunications services through Encore Telecommunications, uti lizing the
Sprint PCS network. Big Planet also has a business relationship wi th SkyTel,
which allows Big Planet to sell SkyTel's prepaid paging products, including
SkyTel's Beepwear pager watch.

Destination and Merchant Affiliations. The Big Planet onli ne mall at
bpstore.com provides an online shopping environment to Big Planet di stributors
and their customers. The Big Planet Mall was initially opened in Sept ember 1998
and currently offers access to a wide selection of products and ser

vices from numerous different vendors in addition to Nu Skin and Pharmanex products. Big Planet has entered into agreements that link the Big Planet Mall to Web sites of over 200 online retailers such as OnlineOfficeSupplies.com, Dell, Borders.com, Outpost.com, Walmart.com and OfficeMax. Distributors earn commissions on purchases by their customers through the online mall and these affiliate sites. The Big Planet portal, my.bigplanet.com, completes the Internet community that Big Planet provides, offering customers various sources of information such as weather forecasts, stock quotes and other services.

Through an exclusive relationship with Planet Electric, an innovative company that develops technologically advanced battery systems, Big Planet provides environmentally friendly and efficient battery systems for cell phones and electric bicycles. The solar battery for wireless phones increases talk-time to more than 20 hours. Fully rechargeable, the lithium ion battery, developed by Planet Electric, features a vibrating call alert and unlimited standby time when the product is exposed to direct sunlight.

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The E-Bike, developed by Lee Iacocca's company, EV Global Motor Company, is an advanced new bicycle that incorporates a power-on-demand battery system for unassisted speeds up to 15 miles per hour, lightweight design and quick charging. Planet Electric plans to continue creating products using Planet Electric's patented battery technology for distribution by Big Planet.

Big Planet Product Development. Big Planet continues to identify and secure contractual relationships with various vendors and suppliers that will enable Big Planet to sell competitively-priced technology, Internet and telecommunications products and services through its distribution channel. In addition, Big Planet is committed to identifying and securing contractual relationships with various vendors and suppliers for a wide selection of products for sale through its online mall.

Big Planet Sourcing and Production. Big Planet has contractual relationships with leading technology companies such as Cisco Systems, Ikano, EMC Corporation and Sun Microsystems, which provide support for its ISP business. Except for its Web hosting and Big Planet Mall, substantially all of the services and products offered by Big Planet are contracted or sourced from unaffiliated third parties pursuant to contractual arrangements. For example, Big Planet has contracted with Qwest Communications to provide long distance phone services and Encore Telecommunications, LLC to provide wireless communications through the Sprint PCS network. By acting on an agency basis for these services, Big Planet is able to avoid the large capital deployment and investment that would be required to build the infrastructure necessary to provide such services. However, Big Planet's profit margins and its ability to deliver quality service at competitive prices depend upon its ability to negotiate and maintain favorable terms with such third-party providers.

Regional Profiles

For information on revenue for each of the geographic regions in which the Company operated for the years ended December 31, 1998, 1999

and 2000, reference is made to "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 19 to the consolidated financial statements contained in the 2000 Annual Report to Stockholders and in corporated herein by reference.

North Asia. The North Asia region currently consists of the Company's markets in Japan and South Korea. Japan is the Company's largest m arket with approximately $554 million in revenue in 2000. According to the World Federation of Direct Selling Associations, the direct selling channel in Japan generated sales of approximately $31 billion of goods and services in 1999, ma king Japan the largest direct selling market in the world. As of December 31, 2000, virtually all of Nu Skin's personal care products and nearly one -third of Pharmanex's nutritional supplements, including LifePak, the Company 's leading multi-vitamin and mineral supplement, were available in the Japanese market. In February 2000, the Company's introduced Pharmanex as a separate business opportunity in Japan. In addition, Big Planet branded dial-up Internet access is available to customers in Japan through the @nifty Internet service p rovided by Nifty Corporation, one of the largest Internet service providers in Ja pan. Under this arrangement, distributors receive commissions for each monthly su bscription fee paid by a customer that signs up for the "Big Planet powered by @nifty" account. Nu Skin currently offers the majority of its personal care pr oducts and Pharmanex currently offers approximately 20% of its nutritional supp lements in South Korea. The Company introduced the Pharmanex business opportu nity into South Korea in January 2000.

Southeast Asia. The Company's Southeast Asia region currentl

y consists
of the markets in Taiwan, Hong Kong, Singapore, Thailand, the Philipp ines, New
Zealand, Australia and a small retail operation in the People's R epublic of
China (the "PRC"). This region has been significantly affected by the Asian
economic recession, which has severely curtailed consumer spending. Taiwan is
the largest market in this region with revenue of $83 million in 2000 . Nu Skin
Taiwan is one of the largest direct selling companies in Taiwan. Ac cording to
the World Federation of Direct Selling Associations, the direct selli ng channel
in Taiwan generated approximately $1 billion in sales of goods and s ervices in
1999. Management believes that the direct selling industry in Taiwan contracted
in recent years due in part to the economic recession in the regi on and the
PRC's ban on direct selling where many Taiwanese distributors ha d hoped to
expand their businesses. Approximately

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2.8 million people, which is about 10% of the population of Ta iwan, are
estimated to participate in direct selling. Taiwan's government strictly
regulates direct selling activities. For example, Taiwan's gover nment has
enacted tax legislation aimed to ensure proper tax payments by distr ibutors on
product sales to consumers. As of December 31, 2000, Nu Skin offered m ost of its
personal care products and Pharmanex offered approximately one-h alf of its
nutritional products in Taiwan. Big Planet currently offers Internet service in
Taiwan through a third-party provider. In 2000, the Southeast Asia market was

further expanded with the opening of operations in Singapore in December 2000.

At the end of 1999 and throughout 2000, the Company opened 15 retail branch outlets in the PRC. Because direct sales activities that use non-employees are currently restricted in the PRC, Nu Skin has established the retail presence as part of the Company's development plans for the PRC. The Company plans to introduce its global distribution plan into the PRC at such time as the restrictions on direct selling are lifted. The PRC previously announced it would lift such restrictions upon admissions to the World Trade Organization, currently expected in 2003.

North America. The North America region consists of the Company's markets in the United States and Canada. According to the World Federation of Direct Selling Associations, the direct selling channel in the United States generated sales of approximately $25 billion of goods and services in 1999, making the United States the second largest direct selling market in the world. In 2000, the Company generated approximately $149 million in revenue in the United States. Substantially all of Nu Skin's personal care products and Pharmanex's nutritional supplements and all of Big Planet's products and services are available in the United States.

Other Markets. The Other Markets region currently consists of the markets in Europe, Central America and Brazil. The European markets first opened in 1995 with the opening of the United Kingdom, Belgium, the Netherlands, France and Germany. Since that initial opening, an additional ten markets have been opened in Europe. The majority of Nu Skin's personal care products are sold in Europe. Pharmanex also has introduced several of its products into

a limited number of the European markets. Big Planet currently does not offer any products in the European market. In November 1999, the Company opened the Brazilian market, which is the Company's first market in South America. According to the World Federation of Direct Selling Associations, the direct selling channel in Brazil generated sales of approximately $3 billion of goods and services in 1998 (prior to the recent currency devaluation), making Brazil the third largest direct selling market in the world. Approximately 25% of Nu Skin's personal care products have been introduced in Brazil, along with 15 locally produced products. Neither Big Planet nor Pharmanex has introduced any of its products in Brazil.

Distribution System

Overview of Distribution System. The foundation of the Company's sales philosophy and distribution system is network marketing. Distributors purchase products for resale to consumers and for personal consumption. Pursuant to the Company's Global Compensation Plan, the Company currently sells products exclusively through independent distributors who are not the Company's employees. Because of the nature of Big Planet's products and services, Big Planet distributors do not buy products for resale but act as independent sales representatives of Big Planet and receive a commission on sales through the Big Planet Mall or for the other services offered by Big Planet or its service providers directly to the customers. Big Planet does not pay commissions on the wholesale price but on the gross margins from sales of services and products.

The Company's network marketing program differs from many other network

marketing programs in several respects.

* The Global Compensation Plan is among the most financially rewarding plans offered to distributors by network marketing companies and can result in commissions to distributors aggregating up to 58% of a personal care or nutritional product's wholesale price. On a global basis, commissions have averaged approximately 39 to 42% of revenue from commissionable sales over the last eight years.

* The Company was among the first to allow distributors to be compensated for product sales of downline-sponsored distributors around the world, and the Company believes it was the first major network marketing company to allow distributors to be fully compensated for product sales of downline-sponsored distributors globally across all operating divisions.

* The Company's order and fulfillment systems eliminate the need for distributors to carry significant levels of inventory.

Network marketing is an effective vehicle to distribute the Company's products because:

* Consumers can learn about products in person from distributors, which the Company believes is more effective for premium-quality products than using television and print advertisements;

* Direct sales allow for actual product testing by potential customers;

* There is greater opportunity for distributor and customer testimonials; and

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

Direct selling as a distribution channel has been enhanced in the past decade by advancements in communications, including telecommunications and Internet connectivity, and the proliferation of the use of videos and other electronic devices. For this reason, the Company maintains an in-house staff of creative and video production personnel for timely and cost-effective production of sales materials.

The Company's revenue depends directly upon the number and productivity of its distributors. Growth in sales volume requires an increase in the productivity of distributors and/or growth in the total number of distributors. Over the last year, the Company has experienced a decline in the number of its distributors. The Company cannot assure stockholders that the productivity or number of distributors will be sustained at current levels or increased in the future. Furthermore, the Company estimates that, as of December 31, 2000, approximately 300 distributorships worldwide maintained Hawaiian Blue Diamond or Blue Diamond executive distributor levels, which are the Company's two highest executive distributor levels, and, together with their extensive downline networks, account for substantially all of the Company's revenue. Consequently, the loss of a high-level distributor, together with a group of leading distributors in such distributor's downline network, or the l

oss of a significant number of distributors for any reason, could harm the Company's business.

Sponsoring. The Company relies on its distributors to sponsor new distributors. While the Company provides, at cost, product samples, brochures, magazines and other sales materials, distributors are primarily responsible for educating new distributors with respect to products, the Global Compensation Plan and how to build a successful distributorship.

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

Sponsoring activities are not required of distributors. However, because of the financial incentives provided to those who succeed in building a distributor network that consumes and resells products, the Company believes that most of its distributors attempt, with varying degrees of effort and success, to sponsor additional distributors. Generally, distributors invite acquaintances to sales meetings in which they present the Company's products and explain the Global Compensation Plan. People are often attracted to become distributors after using the Company's products and becoming regular customers. Once a person becomes a distributor, he or she is able to purchase products directly from the Company at wholesale prices. The distributor is also entitled to sponsor other distributors in order to build a network of distrib

utors and
product users.

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

Global Compensation Plan. The Company believes that one of its key competitive advantages is the Company's Global Compensation Plan. Distributors receive higher levels of commissions as they advance under the Global Compensation Plan. The Global Compensation Plan is seamlessly integrated across all markets in which distributors sell products, allowing distributors to receive commissions for global product sales, rather than merely local product sales. The Company has also enhanced the Global Compensation Plan to allow distributors to develop a seamless global network of downline distributors across any or all of the product divisions. Management believes the Company was the first major network marketing company to allow distributors to be fully compensated for global sales of downline-sponsored distributors across separately-branded product divisions.

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

High Level of Distributor Incentives. Based upon management's knowledge of competitors' distributor compensation plans, management believes that the Global Compensation Plan is among the most financially rewarding plans offered to distributors by network marketing companies. Currently, there are two fundamental ways in which distributors can earn money:

* Through retail markups on Nu Skin and Pharmanex products purchased by distributors at wholesale, and

* Through a series of commissions on product sales.

Commissions on personal care and nutritional products can result in commissions aggregating up to 58% of a product's wholesale price. On a global basis, commissions have averaged approximately 39 to 42% of revenue from commissionable sales over the last eight years.

Big Planet pays commissions on the gross margins from sales of products and services. If products and services are purchased directly by distr

ibutors or customers from third parties which have contractual relationships with Big Planet, the commission is based on the total commission Big Planet receives from such third party with respect to such sales.

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

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

determining commissions, the number of levels of downline distributors included in an executive's group increases as the number of executive distributorships

directly below the executive increases.

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

As of the end of each of the years indicated below, the Company had the following number of executive distributors:

Region	1996	1997	1998	1999	2000
North Asia	14,844	16,654	17,311	14,601	14,968
Southeast Asia	6,199	5,642	5,091	3,419	3,044
North America	-	-	-	2,547	2,632
Other Markets	436	393	379	438	737
Total	21,479	22,689	22,781	21,005	21,381

Distributor Support. The Company is committed to providing high-level support services tailored to the needs of its distributors in each market. The Company attempts to meet the needs and build the loyalty of distributors by providing personalized distributor services, a support staff that assists distributors as they build networks of downline distributors and a liberal

product return policy. Because many distributors have only a limited number of hours each week to concentrate on their business, the Company believes that maximizing a distributor's efforts by providing effective distributor support has been and will continue to be important to the Company's success.

Through training meetings, annual conventions, distributor focus groups, regular telephone conference calls and other personal contacts with distributors, the Company seeks to understand and satisfy the needs of its distributors. The Company provides walk-in, telephonic and computerized product fulfillment and tracking services that result in user-friendly, timely product distribution. Several walk-in centers maintain meeting rooms which distributors may utilize in training and sponsoring activities. In addition, the Company is committed to evaluating new ideas in technology and services that it can provide to distributors, such as automatic product reordering. The Company currently utilizes voicemail, teleconferencing, fax and Internet services to provide Company and product information and ordering and to handle group and personal sales volume inquiries.

Technology and Internet Initiatives. The Company believes that the Internet has become an increasingly important business factor as more and more consumers purchase products over the Internet as opposed to traditional retail and direct sales channels. As a result, the Company has committed significant resources to enhancing its e-commerce capabilities and the abilities of its distributors to take advantage of the Internet. In Japan, the Company's largest market, the Company set up an Internet order process in 1999. Since the introduction of the service in September 1999, more than 60,000 Japanese

distributors have registered to use such service and more than 20% of all sales in Japan occur over the Internet. The Company maintains web sites in each of its major markets. In order to enhance its Internet and e-commerce capabilities and to allow distributors and retail customers to purchase products from all divisions in a single shopping experience, the Company began a new e-commerce project in the fall of 2000 for each of its divisions. The first step in this project was the launch of new, enhanced divisional web sites in the United States in the first quarter of 2001, which are built on BroadVision's one-to-one Enterprise E-Business Application platform. The next steps of the project include revamping the Japan web site and adding further functionality in the United States.

In 2000, the Company's Pharmanex division introduced an e-commerce initiative in the United States and Japan. This initiative allows distributors to acquire a personalized Pharmanex web site, which provides distributors the ability to channel customers to the personalized web site to gather information on Pharmanex

products and to purchase products. In Japan, over 20,000 personalized web sites have been purchased by distributors. Nu Skin plans to launch a similar initiative in 2001.

Rules Affecting Distributors. The Company's standard distributor agreement, policies and procedures and compensation plan containe

d in every
starter and/or introductory kit outline the scope of permissible d
istributor
marketing activities. The distributor rules and guidelines are d
esigned to
provide distributors with maximum flexibility and opportunity within
the bounds
of governmental regulations regarding network marketing and pruden
t business
policies and procedures. Distributors are independent contractor
s and are
expressly prohibited from representing themselves as agents or emplo
yees. The
Company requires distributors to present products and business opp
ortunities
ethically and professionally. Distributors further agree t
hat their
presentations to customers must be consistent with, and limited to, t
he product
claims and representations made in literature distributed by the Comp
any. Under
most regulations governing nutritional supplements, no medical cla
ims may be
made regarding the products, nor may distributors prescribe any
particular
product as suitable for any specific ailment. Even though sponsoring
activities
can be conducted in many countries, distributors may not conduct
marketing
activities outside of countries in which the Company currently conduct
s business
and further may not export for sale products from one country to anoth
er.

Distributors must represent to the Company that their
receipt of
commissions is based on retail sales and substantial personal sale
s efforts.
Exhibiting commission statements or checks is prohibited. The Com
pany must
produce or pre-approve all sales aids used by distributors such as v
ideotapes,
audiotapes, brochures, promotional clothing and other miscellaneous it
ems.

Distributors may not use any form of media advertising t
o promote
products. Products may be promoted only by personal contact or by

literature produced or approved by the Company. Generic business opportunity advertisements, without using the Company's name, may be placed in accordance with required guidelines in some countries. The Company's logos and names may not be permanently displayed at any location. Distributors may not use the Company's trademarks or other intellectual property without the Company's consent.

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

In order to qualify for commission bonuses, distributors must satisfy certain requirements that can vary between divisions. Some of these requirements include:

* Achieving at least 100 points, which is approximately $100, in personal sales volume,

* Documenting retail sales or customer connections to established levels of retail customers, and

* Selling and/or consuming at least 80% of personal sales volume.

The Company systematically reviews alleged reports of d istributor misbehavior. If the Company determines that a distributor has viola ted any of the distributor policies or procedures, the Company may term inate the distributor's rights completely. Alternatively, the Company may impose sanctions such as warnings, probation, withdrawal or denial of an award, sus pension of privileges of a distributorship, fines, withholding commissions until specified conditions are satisfied or other appropriate injunctive relief. A d istributor may voluntarily terminate his/her distributorship at any time.

Payment. Distributors generally pay for products prior to shipment. Accordingly, the Company carries minimal accounts receivable. Di stributors typically pay for products in cash, by wire transfer and by credit ca rd.

Cash, which represents a significant portion of all payments, is r eceived by order takers in the distribution centers when orders are personally pi cked up by a distributor.

Sales Aids. The Company provides an assortment of sale s aids to facilitate the sales of its products. In dollar terms, the largest sa les aid is the Company's starter kit which includes materials such as product brochures, training materials and order forms. Sales aids include videotapes, a udiotapes, brochures, promotional clothing and other miscellaneous items to h elp create consumer awareness of the Company and its products. Sales aids are pri

ced at the Company's approximate cost, and distributors do not receive commissions on purchases of sales aids.

Product Guarantees. The Company believes that it is among the most consumer-protective companies in the direct selling industry. For 30 days from the date of purchase, the Company's product return policy allows a retail purchaser to return any product to the distributor through whom the product was purchased for a full refund. After 30 days from the date of purchase, the return privilege is in the discretion of the distributor. Because distributors may return unused and resalable products to the Company for a refund of 90% of the purchase price for one year, they are encouraged to provide consumer refunds beyond 30 days. In addition, the Company's product return policy is an important tool used by distributors in developing a retail customer base. The Company's experience with actual product returns has averaged less than 5% of annual revenue through 2000. Because many of Big Planet's products and services are provided directly to consumers by third-party vendors, the same 30-day return privilege does not apply to products purchased by consumers from such vendors unless such vendors otherwise agree.

Competition

Nu Skin and Pharmanex Products. The markets for Nu Skin and Pharmanex products are large and intensely competitive. The Company competes directly with numerous companies that manufacture and market personal care and nutritional products in each of the Company's product categories and product lines. The Company competes with other companies in the personal care and nutritional products industry by emphasizing the innovation, value and premium-q

uality of its products and the convenience of the Company's distribution system. Many of the Company's competitors have much greater name recognition and financial resources than the Company. Moreover, large pharmaceutical companies are increasingly entering into the nutritional supplement market. In addition, personal care and nutritional products can be purchased in a wide variety of channels of distribution. While the Company believes that consumers appreciate the convenience of ordering products from home through a sales person or through a catalog, the buying habits of many consumers accustomed to purchasing products through traditional retail channels are difficult to change. The Company's product offerings in each product category are also relatively small compared to the wide variety of products offered by many other personal care and nutritional product companies. There cannot be any assurance that the Nu Skin's and Pharmanex's businesses and results of operations will not be harmed by market conditions and competition in the future.

Big Planet Products and Services. The markets for Big Planet's products and services are similarly large and intensely competitive. In addition, the Internet services and e-commerce markets are new and rapidly evolving. The Company expects the competition to intensify further in these markets in the future. Barriers to entry for e-commerce are relatively low as current and new competitors can launch new Web sites at relatively low costs. Big Planet's online shopping services also compete with other channels of distribution, including catalog sales and traditional retail sales. Many of Big Planet's competitors have much greater name recognition and financial resources than Big Planet. Many e-commerce companies have experienced financial difficu

lties over the past year as they struggle to demonstrate the ability to operate profitably under their existing business plans, that contemplate selling products at low or no margins to attract customers to the site. Big Planet may be at a disadvantage under these business models because it relies upon services and products provided by third parties and must rely on its ability to acquire quality and reliable services from vendors at prices that allow its distributors to sell services at competitive rates and still generate attractive commissions. Big Planet attempts to compete with other companies in this market through offering convenient access to a wide variety of technology, Internet and telecommunications services and products at competitive prices with a high level of customer service. There can

be no assurance that Big Planet's business and results of operations will not be harmed by the intense competition in the technology, Internet and telecommunications market.

Network Marketing Companies. The Company also competes with other direct selling organizations, some of which have a longer operating history and higher visibility, name recognition and financial resources. The leading network marketing company in the Company's existing markets is Amway Corporation and its affiliates. The Company competes for new distributors on the strength of its multiple business opportunities, product offerings, Global Compensation Plan,

management strength and appeal of the Company's international operat ions. The
Company anticipates the entry of many more direct selling organization s into the
marketplace as this distribution channel expands over the next several years and
as existing competitors expand into new markets. In order to su ccessfully
compete in this market and attract and retain distributors, the Com pany must
maintain the attractiveness of its business opportunities to its dis tributors.
There can be no assurance that the Company will be able to successfull y meet the
challenges posed by this increased competition.

Intellectual Property

The Company's major trademarks are registered in the United States and
in many other countries, and the Company considers its trademark pro tection to
be very important to its business. The major trademarks include the following:
Nu Skin, Pharmanex, Big Planet, "6S Quality Process"and LifePak. T he Company
generally registers its important trademarks in the United State s and each
market where the Company operates or has plans to operate. In addition , a number
of the Company's products are based on proprietary technolo gies and
formulations, some of which are patented. The Company relies on tr ade secret
protection to protect its proprietary formulas and know-how.

Government Regulation

Direct Selling Activities. Direct selling activities are re gulated by
various federal, state and local governmental agencies in the United States and
foreign countries. These laws and regulations are generally intended to prevent
fraudulent or deceptive schemes, often referred to as "pyramid," "mo ney games"
or "chain sales" schemes, that promise quick rewards for little or no effort,

require high entry costs, use high pressure recruiting methods and /or do not
involve legitimate products. The laws and regulations in the Company 's current
markets often:

* Impose cancellation/product return, inventory buy-backs and c ooling-off
rights for consumers and distributors;

* Require the Company or its distributors to register with go vernmental
agencies;

* Impose reporting requirements; and/or

* Impose upon the Company requirements, such as requiring distri butors to
maintain levels of retail sales to qualify to receive commis sions, to
ensure that distributors are being compensated for sales of pr oducts and
not for recruiting new distributors.

The extent and provisions of these laws, however, vary from country to country
and can impose significant restrictions and limitations on the Company's
business operations. For example, in South Korea, the Company canno t pay more
than 35% of its revenue to its distributors in any given month. In Ger many, the
German Commercial Code prohibits using direct salespersons t o promote
multi-level marketing arrangements by making the inducement to purchas e products
for resale illegal. Accordingly, the Company, through its German s ubsidiary,
sells products to consumers through a "commercial agent" rathe r than a
distributor. As a result, in Germany the Company is subject to potenti al tax and
social insurance liability as well as agency laws governing the term ination of
commercial agents. The European Commission is also currently moni toring the
direct sales industry which could lead to European Union level regulat ion in the

Company's markets in Europe.

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Based on the Company's research conducted in opening existing markets, the nature and scope of inquiries from government regulatory authorities, and the Company's history of operations in such markets to date, the Company believes that its method of distribution is in compliance in all material respects with the laws and regulations relating to direct selling activities of the countries in which the Company currently operates. The PRC currently has laws in place that prohibit the Company from conducting business in such market using the Company's existing business model. The PRC recently announced its intention to lift this temporary ban in 2003. There can be no assurance, however, that the Company will be allowed to conduct business in new markets or continue to conduct business in each of its existing markets. See "Risk Factors - -- Laws and regulations may prohibit or severely restrict our direct sales efforts and cause our sales and profitability to decline" for additional discussion of the regulatory environment for network marketing.

Regulation of Nu Skin and Pharmanex Products. Nu Skin's and Pharmanex's products and related promotional and marketing activities are subject to extensive governmental regulation by numerous domestic and foreign governmental agencies and authorities. These include the Food and Drug Administration (the "FDA"), the Federal Trade Commission (the "FTC"), the Consumer Product Safety Commission, and the United States Department of Agriculture in

the United States, State Attorneys General and other state regulatory agencies, and the Ministry of Health and Welfare in Japan.

The Company's markets have varied regulations concerning product formulation, labeling, packaging and importation. These laws and regulations often require the Company to, among other things:

* Reformulate products for a specific market to meet the specific product formulation laws of such country;

* Conform product labeling to the regulations in each country; and

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

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

Pharmanex's products are strictly regulated in the Company's markets. These markets have varied regulations that apply to and distinguish n

utritional health supplements from "drugs" or "pharmaceutical products." For example, the Company's products are regulated by the FDA of the United States under the Federal Food, Drug and Cosmetic Act. The Federal Food, Drug and Cosmetic Act has been amended several times with respect to nutritional supplements, most recently by the Nutrition Labeling and Education Act and the Dietary Supplement Health and Education Act. The Dietary Supplement Health and Education Act establishes rules for determining whether a product is a dietary supplement. Under this statute, dietary supplements are regulated more like foods than drugs, are not subject to the food additive provisions of the law, and are generally not required to obtain regulatory approval prior to being introduced to the market. None of this infringes, however, upon the FDA's power to remove an unsafe substance from the market. In the event a product, or an ingredient in a product, is classified as a drug or pharmaceutical product in any market, the Company will generally not be able to distribute such product in such market through the Company's distribution channel because of strict restrictions applicable to drug and pharmaceutical products. For example, certain of Pharmanex's nutritional products, such as BioGingko 27/7 and St. Johns Wort, may not be marketed through the direct sales channel in Taiwan and certain European markets, such as Germany and Austria, and Ginseng cannot be marketed in Mexico.

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Many of the Company's existing markets also regulate product

claims and advertising. These laws regulate the types of claims and representations that can be made regarding the efficacy of products, particularly dietary supplements. Accordingly, these regulations can limit the ability of the Company and its distributors to inform consumers of the full benefits of the Company's products. This can make it difficult to adequately distinguish the Company's quality products from lower-price products of poor quality that do not offer the same level of benefits. In Japan, the Company and its distributors are severely restricted in making any claims concerning the health benefits of the Company's nutritional supplements. In the United States, the Company is unable to make any claim that any of the Company's nutritional supplements will diagnose, cure, mitigate, treat or prevent disease. The Dietary Supplement Health and Education Act, however, permits substantiated, truthful and non-misleading statements of nutritional support to be made in labeling, such as statements describing general well being resulting from consumption of a dietary ingredient or the role of a nutrient or dietary ingredient in affecting or maintaining a structure or a function of the body. The FDA recently issued final regulations concerning these issues. One of the strategic purposes of the Company's acquisition of Pharmanex was to obtain additional resources to enhance the Company's ability to comply with these requirements in the Company's markets.

The FTC similarly requires that product claims be substantiated. In 1994, Nu Skin International, Inc., a current subsidiary of the Company ("Nu Skin International"), and three of its distributors entered into a consent decree with the FTC with respect to its investigation of product claims and distributor practices. As part of the settlement of this investigation,

Nu Skin International paid approximately $1.0 million to the FTC. In August 1997, Nu Skin International reached a settlement with the FTC with respect to product claims and its compliance with the 1994 consent decree, pursuant to which settlement Nu Skin International paid $1.5 million to the FTC.

The Company and its vendors are also subject to laws and regulations governing the manufacturing of the Company's products. For example, in the United States the FDA regulations establish Good Manufacturing Practices for foods and drugs. The FDA has also proposed detailed Good Manufacturing Practices for nutritional supplements. The dietary supplement industry is working closely with the FDA to ensure the implementation of such quality assurance processes in the near future.

To date, the Company has not experienced any difficulty maintaining its import licenses but has experienced complications regarding food and drug regulations for nutritional products. Many of the Company's products have required reformulation to comply with local requirements. In addition, in Europe there is no uniform legislation governing the manufacture and sale of nutritional products. Complex legislation governing the manufacturing and sale of nutritional products in this market has inhibited the Company's ability to gain quick access to this market for the Company's nutritional supplements. Recently, the Company has started to expand its nutritional product offering into more European markets by either reformulating existing products or developing new products to comply with local regulations.

Big Planet Regulation. Big Planet's telecommunications products and services are subject to varying degrees of telecommunications regulati

on in each
of the jurisdictions in the United States in which Big Planet operate
s. In the
United States, domestic telecommunications service and int
ernational
communications services in the United States are subject to the pro
visions of
the Communications Act, as amended by the Telecommunications Act of
1996, and
Federal Communications Commission (the "FCC") regulations and rul
es adopted
thereunder, as well as the applicable laws and regulations of th
e various
states. Big Planet currently offers long distance and cellular servic
es through
master agency relationships with third-party providers. Un
der such
relationships, the third parties are the regulated provider of such se
rvices and
Big Planet is not subject to the jurisdiction of state o
r federal
telecommunications regulatory bodies in connection with the offeri
ng of such
products and services. In the United States, Internet service pro
viders are
generally considered "enhanced service providers" and are exempt fr
om federal
and state regulations governing common carriers. Big Planet currentl
y provides
enhanced voice and data communication services as a result of i
ts recent
transaction with I-Link. Although these services are currently not re
gulated by
state or federal telecommunications agencies, the FCC is conducting
an inquiry
into the applicability of traditional telecommunications regulatio
ns to such
services. Currently, the I-Link services can be considered "enhanced
services"
exempt from federal and state regulations governing common
carriers.
Notwithstanding the foregoing, Big Planet is currently authorized
on both a
federal and state level (in substantially all 50 states) to provide t
raditional
long distance telecommunications service. To the extent Big Planet
elects to
become a reseller of long distance services or the provision of enhan

ced voice
and data communication services

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becomes subject to regulations, Big Planet may become subject to rules and regulations which may impose material burdens on Big Planet's operations or financial performance.

Big Planet has contracted with third party service providers in Japan and Taiwan to provide Internet services for distributors and their customers. Big Planet does not currently provide any other services in these markets. In overseas markets, telecommunications and Internet services would be subject to the regulatory regimes in each of the countries in which it seeks to conduct business. Local regulations range from permissive to restrictive, depending upon the country. Many overseas telecommunications markets are undergoing dramatic changes as a result of privatization and deregulation. Despite recent trends toward deregulation, some countries do not currently permit competition in the provision of public switched voice telecommunications services, which will limit Big Planet's and other similarly situated United States-based carriers' ability to provide telecommunications services in some markets.

Other Regulatory Issues. As a United States entity operating through subsidiaries in foreign jurisdictions, the Company is subject to foreign exchange control and transfer pricing laws that regulate the flow of funds between the Company's subsidiaries and the Company for product purchases,

management services and contractual obligations such as the payment of distributor commissions. The Company believes that it is operating in compliance with all applicable foreign exchange control and transfer pricing laws. However, there can be no assurance that the Company will continue to be found to be operating in compliance with foreign exchange control and transfer pricing laws, or that such laws will not be modified, which, as a result, may require changes in the Company's operating procedures.

As is the case with most companies that operate in the Company's product categories, the Company, from time to time, receives inquiries from government regulatory authorities regarding the nature of the Company's business and other issues such as compliance with local direct selling, customs, taxation, foreign exchange control, securities and other laws. In addition, the Company, from time to time, also receives inquiries from the FTC concerning its compliance with its consent decree with the FTC. Although to date none of these inquiries has resulted in a finding materially adverse to the Company, adverse publicity resulting from inquiries into the Company's operations by United States and state government agencies in the early 1990s, stemming in part from alleged inappropriate product and earnings claims by distributors, and in the mid 1990s resulting from adverse media attention in South Korea, harmed the Company's business and results of operations. Any findings adverse to the Company in these inquiries or any adverse publicity resulting from such inquiries could harm the Company's business and results of operations.

Based on the Company's experience and research and the nature and scope of inquiries from government regulatory authorities, the Company believes that

it is in material compliance with all regulations applicable to the Company.
Despite this belief, the Company could be found not to be in material compliance
with existing regulations as a result of, among other things, the considerable
interpretative and enforcement discretion given to regulators or misconduct by
independent distributors.

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

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it results in a final determination adverse to the Company, has the po tential to
create negative publicity, with detrimental effects on the motiv ation and
recruitment of distributors and, consequently, on the Company's sales and
earnings.

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Employees

As of December 31, 2000, the Company had approximately 3,500 full-time and part-time employees. None of the employees is represented by a union or other collective bargaining group. The Company believes its relationship with its employees is good, and does not currently foresee a shortage in qualified personnel needed to operate the Company's business.

Risk Factors

The Company faces a number of substantial risks. The following risks and information should be considered in connection with the other information contained in this filing. The Securities and Exchange Commission (the "SEC") has issued regulations which require these risk factors to be presented in first person narrative and other "plain English" styles required by the SEC. The purpose of these requirements is to make the risk factors easier to understand and more clear. Terms used in these risk factors such as "we," "us" and "our" refer to the Company.

If the number or productivity of independent distributors does not increase, our revenue will not increase.

To increase revenue, we must increase the number of and/or the productivity of our distributors. We can provide no assurances that distributor numbers will increase or remain constant or that productivity will increase. Over the past couple of years, we have experienced a decline in the number of our distributors. This trend may continue. Distributors may termin

ate their services at any time, and, like most direct selling companies, there is high turnover among distributors from year to year. We cannot accurately predict how the number and productivity of distributors may fluctuate because we primarily rely upon existing distributors to sponsor and train new distributors and to motivate new and existing distributors. Operating results could be adversely affected if our existing and new business opportunities and products do not generate sufficient economic incentive or interest to retain existing distributors and attract new distributors. The number and productivity of distributors also depend on several additional factors, including:

* Adverse publicity regarding us, our products, our distribution channel or our competitors;

* The public's perception of our products and their ingredients;

* The public's perception of our distributors and direct selling businesses in general; and

* General economic and business conditions.

In addition, we may face "saturation" or maturity levels in a given country or market. This is of particular concern in Taiwan, where industry sources have estimated that up to 10% of the population is already involved in some form of direct selling. The maturity of certain of our markets could also affect our ability to attract and retain distributors in those markets.

Adverse economic and political conditions in some Asian markets, particularly Japan, could harm our business.

Economic and political conditions in most Asian markets have been poor in recent years and may not improve or may worsen. In recent months,

there has been renewed concern about the economy, consumer confidence and the banking situation in Japan. In 1999 and 2000, our revenue and net income decreased in part because of economic conditions in these markets and stagnant consumer confidence. Continued or worsening economic and political conditions in Asia, particularly in Japan given that market's significance to our operations, could further reduce our revenue and net income.

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Currency exchange rate fluctuations could lower our revenue and net income.

We recognize most of our revenue in non-United States markets using local currencies. We purchase inventory primarily in the United States and in U.S. dollars. In preparing our financial statements, we translate revenue and expenses in these countries from their local currencies into U.S. dollars using weighted average exchange rates. We had favorable exchange rate movement in 2000 that helped to partially offset the local currency decline in revenue in Japan. However, the Yen has significantly weakened over the last couple of months and renewed concerns concerning the Japanese economy and problems related to Japanese banking and financial institutions have raised new concerns that the Japanese Yen could further weaken. Given the uncertainty of exchange rate fluctuations, however, we cannot estimate the effect these fluctuations may have upon future business, product pricing, results of operations or financial condition. However, because nearly all revenue is realized in local

currencies and the majority of cost of sales is denominated in U.S. dollars, gross profits will be positively affected by a weakening in the U.S. dollar and will be negatively affected by a strengthening of the U.S. dollar. Although we attempt to reduce exposure to short-term exchange rate fluctuations by using foreign currency exchange contracts, we cannot be certain these contracts or any other hedging activity will effectively reduce exchange rate exposure.

Failure of our Internet and other initiatives to create sustained distributor enthusiasm and incremental revenue growth would negatively impact our business.

In 2000, we introduced various Internet and other initiatives, particularly in Japan, in order to increase distributor sponsoring and help stabilize operations in those Asian markets. Although these initiatives helped stabilize revenue in Japan in the latter part of the year, there is still uncertainty regarding the long-term effects of such initiatives. There can be no assurance that such initiatives will continue to spur distributor sponsorship and activity or generate revenue growth on a sustained basis. These initiatives have only recently been introduced and are subject to various risks and uncertainties including:

* The risk that technical problems and any delays in deploying planned Internet and technological enhancements could reduce distributor enthusiasm, increase the costs of such initiatives and negatively impact our sales.

* The risk that our Internet initiatives may not lead to sustained benefits and increased sales for distributors, which could result in failure of such initiatives to generate sustained distributor activity.

* The risk that new product introductions and initiatives will adversely affect sales of other products and not generate incremental growth.

Failure of new products to gain distributor and market acceptance could harm our business.

A critical component of our business is our ability to develop new and innovative products that create enthusiasm among our distributor force. If we fail to introduce new products planned for introduction in 2001 or if we fail to keep our product offering innovative and on the leading edge, this could harm distributor productivity. In addition, if any new products fail to gain market acceptance, are restricted by regulatory requirements, or have quality problems, this would have an adverse affect on our operations. Factors that could affect our ability to continue to introduce new products include, among others, the loss of key research and development staff from our divisions, the termination of third party research and collaborative arrangements, proprietary protections of competitors that may limit our ability to offer comparable products and any failure to anticipate changes in consumer tastes and buying preferences.

Government inquiries, investigations and actions could harm our business.

From time to time we receive formal and informal inquiries from various government regulatory authorities about our business and our compliance with local laws and regulations. Any assertion or determination

that we or any of our distributors are not in compliance with existing laws or regulations could potentially harm our business. Even if governmental actions do not result in rulings or orders, they potentially could decrease distributor productivity and create negative publicity. Negative publicity could detrimentally affect our efforts to motivate and recruit new distributors and, consequently, reduce revenue and net income.

The loss of key high-level distributors could reduce our revenue.

Although we have approximately 475,000 active distributors, approximately 300 distributors currently occupy the highest levels under the Global Compensation Plan. These distributors, together with their extensive networks of downline-sponsored distributors, account for substantially all of our revenue. As a result, the loss of a high-level distributor or a group of leading distributors in such distributor's network of downline distributors could significantly reduce our revenue.

Laws and regulations may prohibit or severely restrict our direct sales efforts and cause our sales and profitability to decline.

Various government agencies throughout the world regulate direct sales practices, intending generally to prevent fraud. If we are unable to continue business in existing markets or commence operations in new markets because of such laws, our revenue and profitability will decline. The PRC currently has laws that prohibit us from conducting business in such market under our current distribution model. Other countries in which we currently do business could change their laws or regulations to negatively affect or prohibit

completely direct sales efforts. Additionally, government agencies and courts in the countries where we operate may use their powers and discretion in interpreting and applying laws in a manner that limits our ability to operate or otherwise harms our business. Also, if any governmental authority brings a regulatory enforcement action against us that interrupts our business, revenue and earnings would likely suffer. See "Government Regulation" for additional discussion of regulations and laws governing our direct sales practices.

Challenges by private parties could harm our business.

In the United States, the network marketing industry and regulatory authorities have generally relied on the implementation of distributor rules and policies designed to promote retail sales, to protect consumers and to prevent inappropriate activities, such as inventory loading, to distinguish between legitimate network marketing distribution plans and unlawful pyramid schemes. We have adopted rules and policies based on those the FTC found acceptable in reviewing the legality of Amway Corporation's marketing system. We have also developed our rules and policies based on negotiations and discussions with the Attorney Generals' offices in several states and the FTC, and based on industry standards required by domestic and global direct sales associations. Legal and regulatory requirements concerning network marketing systems, however, involve a high level of subjectivity, are inherently fact based and are subject to judicial interpretation. For example, in a 1996 case, Webster v. Omnitrition, the Ninth Circuit Court of Appeals ruled that the existence of rules patterned after the rules reviewed by the FTC in the Amway case do not establish as a matter of law that a network marketing system is legal. The court indi

cated that a company may need to introduce evidence that the rules and policies are enforced and actually serve to deter inventory loading and encourage retail sales in order to demonstrate that a particular network marketing system is lawful. The Ninth Circuit also raised questions and issues concerning the effectiveness of the rules at issue in that case and referred the case back to the trial court. These issues have not been definitively addressed by either a regulatory body or court since Webster v. Omnitrition. Because of the foregoing, we can provide no assurance that we would not be harmed by the application or interpretation of statutes or regulations governing network marketing.

Government regulation of products and services may restrict or inhibit introduction of these products in some markets and could harm our business.

We may be unable to introduce our products in some markets if we fail to obtain needed regulatory approvals, or if any product ingredients are prohibited. For example, the FDA is seeking to prohibit the marketing of our product Cholestin as a dietary supplement in the United States. If the FDA prevails, this would

adversely affect sales of Cholestin in its current form. In addition, regulations in Germany, Austria and Taiwan currently prevent us from marketing certain products such as St. John's Wort and BioGinkgo 27/7. In addition, some markets have restrictions on private competition and foreign own

ership of telecommunications products and services. The Internet is an emerging technology and market and, as such, new laws and regulations could be adopted to regulate such market and services that could affect our business. Failure to introduce products or delays in introducing products could reduce revenue and decrease profitability. Regulators also may prohibit us from making therapeutic claims about products despite research and independent studies supporting such claims. These product claim restrictions could lower sales of some of our products. See "Government Regulation" for more information about government regulation of our products and services.

Changes in tax laws or any inability to utilize foreign tax credits could harm our business.

We are subject to various domestic and foreign tax, foreign exchange, import duty and transfer price laws. These laws can be complex and subject to various interpretations. We are subject to various risks including:

* Changes in any such laws that result in higher taxes or duties, subject more of our income to taxation in higher tax-rate jurisdictions, subject our sales to point-of-sales or value-added taxes, or impose new or additional taxes.

* Any investigation or determination by regulatory authorities that we are not in compliance with such laws.

In addition, we have significant foreign tax credits that will expire over the next several years if they are not utilized. Although we currently anticipate we will be able to use these foreign tax credits, circumstances and other factors could impact our ability to use these credits, including any adverse

change in our business performance, our failure to generate sufficient U.S. based income, and any changes in tax laws. Any failure to utilize these credits could result in a charge to earnings.

Losing suppliers or rights to sell products could harm our business.

We currently acquire products and ingredients from a limited number of suppliers we consider to be among the best suppliers of products and ingredients. We also license the right to distribute some of our products from third parties. Losing any of these suppliers or licenses could restrict our ability to produce or distribute certain products and harm our sales as a result. We also obtain some of our botanical products from plants that can only be harvested once a year. As a result, problems growing a certain plant in a given year could limit our ability to produce a product with ingredients derived from that plant.

Our markets are intensely competitive, and market conditions and the strengths of competitors may harm our business.

The markets for our products are intensely competitive. We also compete with other network marketing companies for distributors. Results of operations may be harmed by market conditions and competition in the future. Many competitors have much greater name recognition and financial resources than we have, which may give them a competitive advantage. Also, we currently do not have significant patent or other proprietary protection, and competitors may introduce products with the same natural ingredients and herbs as we use in our products. For example, Cholestin, which is derived from the fermentation of red yeast on rice substrate, has received recent publicity. In respon

se to this publicity, competitors have introduced competing red yeast products. Because of restrictions under regulatory requirements concerning claims about dietary supplements, we may have a difficult time differentiating our products from competitors' products. Accordingly, as a result of these competing products entering the nutritional market, sales of Cholestin and other natural supplements could suffer. In addition the market for Big Planet's products is very price sensitive.

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If we fail to keep pace with Internet-related and other technological changes, our business may be harmed.

Direct selling companies are adapting their business models to integrate the Internet and other technological advances into their operations as more and more consumers purchase goods and services using the Internet instead of traditional retail and direct sales channels. The Internet and e-commerce markets are characterized by rapidly changing technology, evolving industry standards and frequent new services and enhancements to meet evolving customer demand. Big Planet's and our other e-commerce initiatives' future success will depend on our ability to adapt to rapidly changing technologies, to adapt services to evolving industry standards and to continually improve the performance, features and reliability of our services. Failure to adapt to such changes could harm our business. In addition, competition for qualified

information technology employees and contractors is strong because of the strong demand for their services. We have experienced in the past, and may experience in the future, difficulties in recruiting and retaining qualified informational technology personnel, which could harm our technology initiatives.

Adoption of new Internet and technological advances could require substantial expenditures.

The widespread adoption of new Internet, networking or telecommunications technologies or other technological changes could require substantial expenditures to modify or adapt services or infrastructure. Big Planet incurred operating losses of approximately $25.0 million, and we anticipate further operating losses over the next year. We can provide no assurances that we will be able to integrate the Internet into our business in a profitable manner or that we will be able to operate Big Planet profitably or effectively market its products and services through a network marketing system.

System failures could harm our business.

As Internet and other technology initiatives are integrated into our business, our success will depend on the efficient and uninterrupted operation of computer and communications hardware and software systems. These systems and operations are vulnerable to damage or interruption from fires, earthquakes, telecommunications failures and other events. They are also subject to break-ins, sabotage, intentional acts of vandalism and similar misconduct. Despite any precautions, the occurrence of a natural disaster or other unanticipated problems could result in interruptions in services and reduce our revenue and profits.

Big Planet may be liable for information disseminated through its Internet access service.

If Big Planet becomes liable for information provided by its users and carried on its Internet access service, Big Planet could be directly harmed and may be forced to implement new measures to reduce its exposure to this liability. The law relating to the liability of online services companies for information carried on or disseminated through their services is currently unsettled. Several private lawsuits currently are pending that seek to impose liability upon other online services companies. In addition, federal, state and foreign legislation has been proposed that imposes liability or prohibits the transmission over the Internet of different types of information.

Our e-commerce strategies and Big Planet's operations will depend on the development and maintenance of the Internet infrastructure.

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

bandwidth requirements, the

Internet infrastructure may be unable to support the demands placed on it. In addition, the performance of the Internet may be harmed by increased users or bandwidth requirements.

The holders of our Class B Common Stock control over 90% of the combined voting power, and third parties will be unable to gain control of our company through purchases of Class A Common Stock.

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

Common Stock.

Product liability claims exceeding product liability insurance coverage could harm our business.

We may be required to pay for losses or injuries caused by our products. If product liability insurance coverage fails to cover fully future product liability claims, we could be required to pay substantial monetary damages, which could harm our business. We currently maintain an insurance policy covering product liability claims with a $1.0 million per claim and $1.0 million annual aggregate limit and an umbrella policy of $40 million. Such insurance is subject to various exclusions and deductibles customary in the market which could limit coverage.

Shares eligible for future sale could affect the market price of our Class A common stock.

If our stockholders sell a substantial number of shares of Class A Common Stock in the public market, the market price of our Class A Common Stock could fall. Several of our principal stockholders hold a large number of shares of the outstanding Class A Common Stock and the Class B Common Stock that are convertible into Class A Common Stock. Some of the original stockholders who are no longer actively involved with the Company began selling shares on the open market in 2000 following the lapse of selling restrictions they were subject to. Additional sales by these stockholders or a decision by any of the other principal stockholders to aggressively sell shares could adversely affect the market for our stock.

Note Regarding Forward-Looking Statements. Certain statements made in this

filing under the caption "Business" are "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). In addition, when used in this Report the words or phrases "will likely result," "expects," "intends," "will continue," "is anticipated," "estimates," "projects," "management believes," "the Company believes" and similar expressions are intended to identify "forward-looking statements" within the meaning of the Exchange Act.

Forward-looking statements include plans and objectives of management for future operations, including plans and objectives relating to our products and our future economic performance in each country in which we operate and our financial results. These forward-looking statements involve risks and uncertainties and are based on certain assumptions that may not be realized. Actual results and outcomes may differ materially from those discussed or anticipated. The Company assumes no responsibility or obligation to update these statements to reflect any changes. The forward-looking statements and associated risks set forth herein relate to, among other things:

<PAGE>

* Nu Skin's plans to launch a new hair-care line in 2001;

* Nu Skin's belief that it could produce or source its personal care products from other suppliers without great difficulty;

* Pharmanex's belief that the nutritional market is expanding;

* Pharmanex's belief that it could replace its primary suppliers without

great difficulty;

* Planet Electric's plans to continue to create products using its technology for distributing by Big Planet;

* Plans for Internet initiatives;

* The Company's belief that it is in material compliance with applicable laws and regulations;

* Big Planet's plans to identify and secure contractual relationships with vendors and suppliers for the Big Planet Mall; and

* Plans to expand divisional web sites in the United States and Japan.

<PAGE>

ITEM 2. PROPERTIES

The Company generally leases its warehouse, office or distribution facilities in each geographic region in which the Company currently has operations. The Company believes that its existing and planned facilities are adequate for its current operations in e

ach of its existing markets. The following table summarizes, as of March 1, 2001, Nu Skin Enterprises' major leased office and distribution facilities.

Location	Function	Approximate Square Feet
Provo, Utah*	Distribution center	198,000
Provo, Utah*	Corporate offices	125,000
Los Angeles, California	Warehouse	30,000
Yokohama, Japan	Warehouse	40,000
Tokyo, Japan	Call center/distribution center	56,000
Tokyo, Japan	Central office/distribution center	28,000
Taipei, Taiwan	Central office/distribution center	35,000
Taoyuan, Taiwan	Warehouse/distribution center	46,000
Ontario, Canada	Office/warehouse	31,000
Venlo, Netherlands	Warehouse/offices	20,000

[FN]
*These facilities are leased from related parties.
</FN>

In connection with the acquisition of Pharmanex, the Company acquired a production facility located in Huzhou, Zhejiang Province, in the PRC. The design and construction of this extraction and purification facility was completed in October 1994 and on-line production began in November 1994.

ITEM 3. 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 (the "FDA") 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 court's statutory interpretation of a provision of DSHEA that excludes from the definition of dietary supplements an "article" that is approved as a drug which was not marketed as a dietary supplement prior to such approval. The Tenth Circuit Court of Appeals reversed the district court's 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 court's ruling regarding the interpretation of the relevant statute. Arguments were held before the district court in December 2000. On April 2, 2001, the Company received notice that the district court had ruled in favor of the FDA. The Company is currently reviewing and evaluating the decision and the alternatives available to the Company.

In March 1993, a class action lawsuit entitled Natalie Capone on behalf of Herself and All Others Similarly Situated v. Nu Skin Canada,

Inc., Nu Skin International, Inc., Blake Roney, et al., was filed against Nu Skin International and affiliated parties in federal district court in Utah alleging violations of the anti-fraud provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934, common

law fraud and violations of the Utah Consumer Sales Practices Act. The plaintiffs in the case also sought injunctive relief as well as disgorgement of profits and restitution to the plaintiffs of earnings, profits and other compensation. In February 2001, the Company and the plaintiff entered into a settlement agreement pursuant to which the previously certified class was decertified and a limited refund offer was proposed to a group of former Canadian distributors active in 1990 and 1991. The settlement and class decertification were approved by the court in March 2001.

In January 2000, a derivative lawsuit captioned Karen Kindt, on behalf of Nu Skin Enterprises, Inc. v. Blake Roney et. al was filed in the Court of Chancery in the State of Delaware in and for New Castle County against certain members of the Board of Directors alleging a breach of fiduciary duty and self-dealing in connection with the Company's acquisition of Nu Skin International in 1998, and the termination of the license agreements with Nu Skin USA, Inc

., and the acquisition of Big Planet in 1999. The Board of Directors a ppointed a special litigation committee to investigate the validi ty of the complaint. After an exhaustive and thorough review of the al legations, the special committee made a report to the Board of Directo rs. Based on the findings by the special committee, the Company ha s moved to dismiss the complaint. The motion is pending.

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

There were no matters submitted to a vote of the securit y holders during the fourth quarter of the fiscal year ended December 31, 2000.

PART II

ITEM 5. MARKET FOR REGISTRANTS COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The information required by Item 5 of Form 10-K is incorpora ted herein by reference from the information contained in the section captioned "Market for Registrant's Common Equity and Related S tockholder Matters" in the Company's 2000 Annual Report to Stockholders , sections of which are attached hereto as Exhibit 13.

ITEM 6. SELECTED FINANCIAL DATA

The information required by Item 6 of Form 10-K is incorpora ted herein by reference from the information contained in the section captioned "Selected Consolidated Financial Data" in the Company's 2 000 Annual Report to Stockholders, sections of which are attached hereto as Exhibit 13.

ITEM 7. MANAGEMENTS DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION A

ND

RESULTS OF OPERATIONS

The information required by Item 7 of Form 10-K is incorporated herein by reference from the information contained in the section captioned "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's 2000 Annual Report to Stockholders, sections of which are attached hereto as Exhibit 13.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by Item 7A of Form 10-K is incorporated herein by reference from the information contained in the section captioned "Management's Discussion and Analysis of Financial Condition and Results of Operations-Currency Risk and Exchange Rate Information" and Note 17 to the Consolidated Financial Statements in the Company's 2000 Annual Report to Stockholders, sections of which are attached hereto as Exhibit 13.

<PAGE>

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by Item 8 of Form 10-K is incorporated herein by reference to the Consolidated Financial Statements and the related notes set forth in the Company's 2000 Annual Report to Stockholders, sections of which are attached hereto as Exhibit 13.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING

AND

FINANCIAL DISCLOSURE

None.

PART III

The information required by Items 10, 11, 12, and 13 of Part III is hereby incorporated by reference to the Company's Definitive Proxy Statement filed or to be filed with the Securities and Exchange Commission not later than April 30, 2001.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) Documents filed as part of this Form 10-K:

1. Financial Statements (pursuant to Part II, Item 8) *

Report of Independent Accountants

Consolidated Balance Sheets at December 31, 1999 and 2000

Consolidated Statements of Income for the years ended December 31, 1998, 1999, and 2000

Consolidated Statements of Stockholders' Equity for the years ended December 31, 1998, 1999, and 2000

Consolidated Statements of Cash Flows for the years ended December 31, 1998, 1999, and 2000

Notes to Consolidated Financial Statements

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* Except as noted below, the foregoing are incorporat

ed by reference to the Company's Annual Report to Stockho lders, sections of which are attached hereto as Exhibit 13.

2. Financial Statement Schedules: Financial statement schedules have been omitted because they are not required or are not applicable, or because the required information i s shown in the financial statements or notes thereto.

3. Exhibits: The following Exhibits are filed with this Form 10-K:

<PAGE>

Exhibit Number	Exhibit Description
2.1	Stock Acquisition Agreement between Nu Skin Asia Pacific, Inc. and each of the persons on the signature pages thereof, dated February 27, 1998, incor porated by reference to Exhibit 2.1 of the Company's Ann ual Report on Form 10-K for the year ended December 31, 1997.
2.2	Agreement and Plan of Merger dated as of May 3, 1999 by and among Nu Skin Enterprises, Inc., NSC Sub , Inc. NSG Sub, Inc., NSM Sub, Inc., NFB Sub, Inc. , Nu Skin Canada, Inc., Nu Skin Guatemala, Inc., Nu Skin

in Mexico, Guatemala, S.A., Nu Skin Mexico, Inc., Nu Sk S.A. de C.V., Nu Family Benefits Insurance Brokerage, Inc. and certain stockholders, incorpo rated by reference to Exhibit 2.1 to the Company' s Current Report on Form 8-K filed on June 25, 1999.

2.3 Agreement and Plan of Merger and Reorganizat ion dated May 3, 1999 between and among the Company, Big Planet Holdings, Inc., Big Planet, Inc., Nu Skin USA, Inc., Richard W. King, Kevin V. Doman and Nathan W. Ricks, incorporated by reference to Exhibit 2. 1 to the Company's Current Report on Form 8-K filed o n July 28, 1999.

2.4 First Amendment to Agreement and Plan of Merger and Reorganization dated July 2, 1999 between and among the Company, Big Planet Holdings, Inc., Big Pla net, Inc., Maple Hills Investment, Inc. (formerly Nu Skin USA, Inc.), Richard W. King, Kevin V. Doman and Nathan W. Ricks, incorporated by reference to Exhibit 2.2 to the Company's Current Report on Form 8-K filed o n July 28, 1999.

3.1 Amended and Restated Certificate of Incorpo ration of the Company incorporated by reference to Exhi bit 3.1 to the Company's Registration Statement on Form S-1 (File No. 333-12073) (the "Form S-1").

d Restated reference Report on 30, 1998.

3.2 Certificate of Amendment to the Amended an Certificate of Incorporation incorporated by to Exhibit 3.1 of the Company's Quarterly Form 10-Q for the quarterly period ended June

d Relative Rights of tions and erence to Form 10-K

3.3 Certificate of Designation, Preferences an Participating, Optional, and Other Special Preferred Stock and Qualification, Limita Restrictions Thereof, incorporated by ref Exhibit 3.3 to the Company's Annual Report on for the year ended December 31, 1998.

corporated Form S-1.

3.4 Amended and Restated Bylaws of the Company in by reference to Exhibit 3.2 to the Company's

s a Common 4.1 to the

4.1 Specimen Form of Stock Certificate for Clas Stock incorporated by reference to Exhibit Company's Form S-1.

s B Common 4.2 to the

4.2 Specimen Form of Stock Certificate for Clas Stock incorporated by reference to Exhibit Company's Form S-1.

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10.1 Form of Indemnification Agreement to be enter and among the Company and certain of its off

icers and
it 10.1 to

directors incorporated by reference to Exhib
the Company's Form S-1.

91, by and
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rm S-1.

10.2 Employment Contract, dated December 12, 19
between Nu Skin Taiwan and John Chou incorp
reference to Exhibit 10.3 to the Company's Fo

nd between
orated by
rm S-1.

10.3 Employment Agreement, dated May 1, 1993, by a
Nu Skin Japan and Takashi Bamba incorp
reference to Exhibit 10.4 to the Company's Fo

10.4 Intentionally left blank.

any and M.
ibit 10.19

10.5 Option Agreement by and between the Comp
Truman Hunt incorporated by reference to Exh
to the Company's Form S-1.

Agreement
rated by
's Annual
ember 31,

10.6 Form of Amended and Restated Stockholders
dated as of November 28, 1997, incorpo
reference to Exhibit 10.25 to the Company
Report on Form 10-K for the year ended Dec
1997.

nt dated
n USA, and
and their
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10.7 Tax Sharing and Indemnification Agreeme
December 31, 1997, by and among NSI, Nu Ski
the shareholders of NSI and Nu Skin USA
successors and assigns, incorporated by re
Exhibit 10.37 to the Company's Annual Repo
10-K for the year ended December 31, 1998.

Agreement
nd Nu Skin
.38 to the
year ended

10.8 Assumption of Liabilities and Indemnification dated December 31, 1997, by and between NSI a USA, incorporated by reference to Exhibit 10 Company's Annual Report on Form 10-K for the December 31, 1998.

nd between
erence to
rt on Form

10.9 Employee Benefits Allocation Agreement by a NSI and Nu Skin USA, incorporated by ref Exhibit 10.39 to the Company's Annual Repo 10-K for the year ended December 31, 1998.

, between
orated by
's Annual
ember 31,

10.10 Warehouse Lease Agreement dated March 1996 NSI and Aspen Investments, Ltd., incorp reference to Exhibit 10.42 to the Company Report on Form 10-K for the year ended Dec 1998.

nd between
ference to
rt on Form

10.11 Lease Agreement dated January 27, 1995, by a NSI and Scrub Oak, Ltd., incorporated by re Exhibit 10.43 to the Company's Annual Repo 10-K for the year ended December 31, 1998.

, by and
reference
rt on Form

10.12 Sublease Agreement dated January 1, 1998 between NSI and Nu Skin USA, incorporated by to Exhibit 10.44 to the Company's Annual Repo 10-K for the year ended December 31, 1998.

October 1,

10.13 Warehouse Lease Agreement (Annex) dated 1993, by and between NSI and Aspen Investmen

ts, Ltd., incorporated by reference to Exhibit 10.
45 to the Company's Annual Report on Form 10-K for the
year ended December 31, 1998.

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10.14 Nu Skin Enterprises, Inc.'s Executive Bonus P
lan

10.15 Amendment in Total and Complete Restat
ement of Deferred Compensation Plan, incorporated by
reference to Exhibit 10.48 to the Company's Annual Repo
rt on Form 10-K for the year ended December 31, 1998.

10.16 Form of Deferred Compensation Plan (N
ew Form), incorporated by reference to Exhibit 10.
49 to the Company's Annual Report on Form 10-K for the
year ended December 31, 1998.

10.17 Amendment in Total and Complete Restateme
nt of NSI Compensation Trust, incorporated by ref
erence to Exhibit 10.50 to the Company's Annual Repo
rt on Form 10-K for the year ended December 31, 1998.

10.18 Asset Purchase Agreement by and among the Co
mpany, Nu Skin United States, Inc., and Nu Skin USA, d
ated as of March 8, 1999, incorporated by reference
to Exhibit 10.52 to the Company's Annual Report on For

m 10-K for

the year ended December 31, 1998.

nd Nu Skin

10.19 Termination Agreement by and between NSI a USA, dated as of March 8, 1999, incorp reference to Exhibit 10.53 to the Company Report on Form 10-K for the year ended Dec 1998.

orated by

's Annual

ember 31,

10.20 Indemnification Limitation Agreement by and Company, Nu Skin United States, Inc., NSI, Nu and the other parties who executed such incorporated by reference to Exhibit 10. Company's Annual Report on Form 10-K for the December 31, 1998.

among the

Skin USA,

agreement,

54 to the

year ended

10.21 Amendment No. 1 to Amended and Restated St Agreement dated as of November 28, 1997, in by reference to Exhibit 10.55 to the Company Report on Form 10-K for the year ended Dec 1998.

ockholders

corporated

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ember 31,

10.22 Amendment No. 2 to Amended and Restated St Agreement, incorporated by reference to Exh to the Company's Annual Report on Form 10 year ended December 31, 1999.

ockholders

ibit 10.31

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10.23 Note and Pledge Agreement between the Co William McGlashan Jr., incorporated by re Exhibit 10.1 of the Company's Quarterly Repo

mpany and

ference to

rt on Form

10-Q for the quarter ended June 30, 1999.

t between

10.24 Amended and Restated Employment Agreemen Pharmanex and William McGlashan Jr., incorp reference to Exhibit 10.2 to the Company's Report on Form 10-Q for the quarter ended 1999.

orated by

Quarterly

June 30,

<PAGE>

Limitation

10.25 First Amendment to Indemnification Agreement dated as of May 3, 1999 between Enterprises, Inc., Nu Skin USA, Inc., Stockholders of the acquired entities therein, incorporated by reference to exhib the Company's Current Report on Form 8-K fil 28, 1999.

Nu Skin

and the

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it 10.1 to

ed on July

ses, Inc.

10.26 Second Amended and Restated Nu Skin Enterpri 1996 Stock Incentive Plan (corrected incorporated by reference to Exhibit 10. Company's Annual Report on Form 10-K for the December 31, 1999.

version),

39 to the

year ended

Agreement

10.27 Mutual Release of Claims and Modification dated as of October 16, 1999 by and amon

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hibit 10.1

Enterprises and the Stockholder Represent
behalf of the former stockholders of Generati
Holdings, Inc., incorporated by reference
10.1 to the Company's Annual Report on For
the quarter ended September 30, 1999.

10.28 Service Agreement between Grant F. Pace
Company, incorporated by reference to exhibi
the Company's Annual Report on Form 10-K fo
ended December 31, 1999.

10.29 Base Form of Stock Option Agreement, incorp
reference to Exhibit 10.42 of the Company
Report on Form 10-K for the year ended Dec
1999.

10.30 Consulting Agreement between Max L. Pineg
Skin International, Inc., incorporated by re
Exhibit 10.43 of the Company's Annual Repo
10-K for the year ended December 31, 1999.

10.31 Assignment of Leasehold Improvements by a
Big Planet, Inc. and Maple Hills Investment d
July 13, 1999, incorporated by reference
10.44 to the Company's Annual Report on For
the year ended December 31, 1999.

10.32 Employment Agreement by and between Phar
Joseph Chang, incorporated by reference to Ex

-Q for the

to the Company's Quarterly Report on Form 10 quarter ended June 30, 2000.

and Grant

10.33 Promissory Note by and between the Company Pace, incorporated by reference to Exhibit 1

0.2 to the

Company's Quarterly Report on Form 10-Q for t

he quarter

ended June 30, 2000.

00, by and

10.34 Note Purchase Agreement dated October 12, 20 between the Company and The Prudential

Insurance

Company of America, incorporated by ref

erence to

Exhibit 10.1 to the Company's Quarterly Repo

rt on Form

10-Q for the quarter ended September 30, 2000

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, by and

10.35 Pledge Agreement dated October 12, 2000 between the Company and State Street Bank

and Trust

Company of California, N.A., acting in its c

apacity as

collateral agent, incorporated by reference

to Exhibit

10.2 to the Company's Quarterly Report on For

m 10-Q for

the quarter ended September 30, 2000.

<PAGE>

, 2000, by

10.36 Collateral Agency Agreement dated October 12 and between the Company, State Street Bank

and Trust

Company of California, N.A., as Collateral

Agent, and

the lenders and note holders party thereto, incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000.

13 1998 Annual Report to Stockholders (Only items incorporated by reference).

21.1 Subsidiaries of the Company.

23.1 Consent of PricewaterhouseCoopers LLP.

(b) The Company did not file any current reports on Form 8-K during the fourth quarter.

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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 March 30, 2001.

NU SKIN ENTERPRISES, INC.

By: /s/ Steven J. Lund

Steven J. Lund, President and Chief Executiv
e Officer

Pursuant to the requirements of the Securities Exchange Ac
t of 1934,
this report has been signed below by the following persons on beh
alf of the
Registrant and in the capacities indicated on March 30, 2001.

Signature	Capacity in Which Signed
/s/ Blake M. Roney Blake M. Roney	Chairman of the Board
/s/ Steven J. Lund Steven J. Lund	President, Chief Executive Officer, and Director (Principal Executive Officer)
/s/ Corey B. Lindley Corey B. Lindley	Executive Vice President and Chief Financial Officer (Principal Financial Officer and Accounting Officer)
/s/ Sandra N. Tillotson Sandra N. Tillotson	Senior Vice President, Director
/s/ Brooke B. Roney Brooke B. Roney	Senior Vice President, Director
/s/ Max L. Pinegar	

Max L. Pinegar	Senior Vice President, Director
/s/ Daniel W. Campbell	
Daniel W. Campbell	Director
/s/ E.J. "Jake" Garn	
E. J. "Jake" Garn	Director
/s/ Paula F. Hawkins	
Paula F. Hawkins	Director
/s/ Andrew D. Lipman	
Andrew D. Lipman	Director

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EXHIBIT INDEX

Exhibit Number	Exhibit Description
2.1	Stock Acquisition Agreement between Nu Skin Asi
a Pacific,	Inc. and each of the persons on the signature page
s thereof,	dated February 27, 1998, incorporated by ref
erence to	Exhibit 2.1 of the Company's Annual Report on For
m 10-K for	the year ended December 31, 1997.
2.2	Agreement and Plan of Merger dated as of May 3, 1
999 by and	among Nu Skin Enterprises, Inc., NSC Sub, Inc.
NSG Sub,	Inc., NSM Sub, Inc., NFB Sub, Inc., Nu Skin Canada
, Inc., Nu	Skin Guatemala, Inc., Nu Skin Guatemala, S.A.
, Nu Skin	Mexico, Inc., Nu Skin Mexico, S.A. de C.V.,
Nu Family	

ckholders, Company's	Benefits Insurance Brokerage, Inc. and certain sto incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed on June 25, 1999.
2.3 ted May 3, Holdings, d W. King, orated by Report on	Agreement and Plan of Merger and Reorganization da 1999 between and among the Company, Big Planet Inc., Big Planet, Inc., Nu Skin USA, Inc., Richar Kevin V. Doman and Nathan W. Ricks, incorp reference to Exhibit 2.1 to the Company's Current Form 8-K filed on July 28, 1999.
2.4 erger and among the nc., Maple), Richard porated by Report on	First Amendment to Agreement and Plan of M Reorganization dated July 2, 1999 between and Company, Big Planet Holdings, Inc., Big Planet, I Hills Investment, Inc. (formerly Nu Skin USA, Inc. W. King, Kevin V. Doman and Nathan W. Ricks, incor reference to Exhibit 2.2 to the Company's Current Form 8-K filed on July 28, 1999.
3.1 on of the 3.1 to the (File No.	Amended and Restated Certificate of Incorporati Company incorporated by reference to Exhibit Company's Registration Statement on Form S-1 333-12073) (the "Form S-1").
3.2 Restated ference to Form 10-Q	Certificate of Amendment to the Amended and Certificate of Incorporation incorporated by re Exhibit 3.1 of the Company's Quarterly Report on for the quarterly period ended June 30, 1998.

3.3 Certificate of Designation, Preferences and Relative Participating, Optional, and Other Special Rights of Preferred Stock and Qualification, Limitat ions and Restrictions Thereof, incorporated by reference to Exhibit 3.3 to the Company's Annual Report on Form 10-K fo r the year ended December 31, 1998.

3.4 Amended and Restated Bylaws of the Company incor porated by reference to Exhibit 3.2 to the Company's Form S-1 .

4.1 Specimen Form of Stock Certificate for Class a Co mmon Stock incorporated by reference to Exhibit 4.1 to the Company's Form S-1.

4.2 Specimen Form of Stock Certificate for Class B Co mmon Stock incorporated by reference to Exhibit 4.2 to the Company's Form S-1.

10.1 Form of Indemnification Agreement to be entered i nto by and among the Company and certain of its officers and directors incorporated by reference to Exhibit 10.1 to the Company's Form S-1.

10.2 Employment Contract, dated December 12, 1991, by a nd between Nu Skin Taiwan and John Chou incorporated by re ference to

Exhibit 10.3 to the Company's Form S-1.

10.3 Employment Agreement, dated May 1, 1993, by and between Nu Skin Japan and Takashi Bamba incorporated by reference to Exhibit 10.4 to the Company's Form S-1.

10.4 Intentionally left blank.

10.5 Option Agreement by and between the Company and M. Truman Hunt incorporated by reference to Exhibit 10.19 to the Company's Form S-1.

10.6 Form of Amended and Restated Stockholders Agreement dated as of November 28, 1997, incorporated by reference to Exhibit 10.25 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997.

10.7 Tax Sharing and Indemnification Agreement dated December 31, 1997, by and among NSI, Nu Skin USA, and the shareholders of NSI and Nu Skin USA and their successors and assigns, incorporated by reference to Exhibit 10.37 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998.

10.8 Assumption of Liabilities and Indemnification Agreement dated December 31, 1997, by and between NSI and Nu Skin USA, incorporated by reference to Exhibit 10.38 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998.

10.9 Employee Benefits Allocation Agreement by and between NSI

ibit 10.39	and Nu Skin USA, incorporated by reference to Exh
r the year	to the Company's Annual Report on Form 10-K fo
	ended December 31, 1998.
10.10	Warehouse Lease Agreement dated March 1996, betwe
en NSI and	Aspen Investments, Ltd., incorporated by ref
erence to	Exhibit 10.42 to the Company's Annual Report on
Form 10-K	for the year ended December 31, 1998.
10.11	Lease Agreement dated January 27, 1995, by and b
etween NSI	and Scrub Oak, Ltd., incorporated by reference
to Exhibit	10.43 to the Company's Annual Report on Form 10
-K for the	year ended December 31, 1998.
10.12	Sublease Agreement dated January 1, 1998, by a
nd between	NSI and Nu Skin USA, incorporated by reference
to Exhibit	10.44 to the Company's Annual Report on Form 10
-K for the	year ended December 31, 1998.
10.13	Warehouse Lease Agreement (Annex) dated October 1
, 1993, by	and between NSI and Aspen Investments, Ltd., incor
porated by	reference to Exhibit 10.45 to the Company's Annual
Report on	Form 10-K for the year ended December 31, 1998.
10.14	Nu Skin Enterprises, Inc.'s Executive Bonus Plan.
10.15	Amendment in Total and Complete Restatement of
Deferred	Compensation Plan, incorporated by reference
to Exhibit	10.48 to the Company's Annual Report on Form 10
-K for the	year ended December 31, 1998.

10.16 Form of Deferred Compensation Plan (New Form), inc
orporated by reference to Exhibit 10.49 to the Company's Ann
ual Report on Form 10-K for the year ended December 31, 1998.

10.17 Amendment in Total and Complete Restatement
of NSI Compensation Trust, incorporated by reference
to Exhibit 10.50 to the Company's Annual Report on Form 10
-K for the year ended December 31, 1998.

10.18 Asset Purchase Agreement by and among the Company
, Nu Skin United States, Inc., and Nu Skin USA, dated as o
f March 8, 1999, incorporated by reference to Exhibit 10
.52 to the Company's Annual Report on Form 10-K for the y
ear ended December 31, 1998.

10.19 Termination Agreement by and between NSI and Nu
Skin USA, dated as of March 8, 1999, incorporated by ref
erence to Exhibit 10.53 to the Company's Annual Report on
Form 10-K for the year ended December 31, 1998.

10.20 Indemnification Limitation Agreement by and
among the Company, Nu Skin United States, Inc., NSI, Nu Ski
n USA, and the other parties who executed such agreement, in
corporated by reference to Exhibit 10.54 to the Company's Ann
ual Report on Form 10-K for the year ended December 31, 1998.

10.21 Amendment No. 1 to Amended and Restated St
ockholders Agreement dated as of November 28, 1997, incorp
orated by reference to Exhibit 10.55 to the Company's Annual
Report on Form 10-K for the year ended December 31, 1998.

10.22 Amendment No. 2 to Amended and Restated St
ockholders Agreement, incorporated by reference to Exhibit 10
.32 to the Company's Annual Report on Form 10-K for the y
ear ended December 31, 1999.

10.23 Note and Pledge Agreement between the Company a
nd William McGlashan Jr., incorporated by reference to Exhib
it 10.1 of the Company's Quarterly Report on Form 10-Q for t
he quarter ended June 30, 1999.

10.24 Amended and Restated Employment Agreement between
Pharmanex and William McGlashan Jr., incorporated by re
ference to Exhibit 10.2 to the Company's Quarterly Report on
Form 10-Q for the quarter ended June 30, 1999.

10.25 First Amendment to Indemnification Limitation
Agreement dated as of May 3, 1999 between Nu Skin Enterpris
es, Inc., Nu Skin USA, Inc., and the Stockholders of the
acquired entities identified therein, incorporated by re
ference to exhibit 10.1 to the Company's Current Report o
n Form 8-K filed on July 28, 1999.

10.26 Second Amended and Restated Nu Skin Enterprises,
Inc. 1996 Stock Incentive Plan (corrected version), incor

porated by reference to Exhibit 10.39 to the Company's Annual Report on Form 10-K for the year ended December 31, 1999.

10.27 Mutual Release of Claims and Modification Agreem ent dated as of October 16, 1999 by and among Nu Skin Enter prises and the Stockholder Representatives on behalf of t he former stockholders of Generations Health Holding s, Inc., incorporated by reference to Exhibit 10.1 to the Company's Annual Report on Form 10-Q for the quarter ended September 30, 1999.

10.28 Amended and Restated Service Agreement between Grant F. Pace and the Company.

10.29 Base Form of Stock Option Agreement, incorp orated by reference to Exhibit 10.42 of the Company's Annual Report on Form 10-K for the year ended December 31, 1999.

10.30 Consulting Agreement between Max L. Pinegar a nd Nu Skin International, Inc., incorporated by reference to Exhibit 10.43 of the Company's Annual Report on Form 10 -K for the year ended December 31, 1999. 10.31 Assignment of Leasehold Improvements by and between Big Planet, Inc. and M aple Hills Investment dated as of July 13, 1999, incorp orated by reference to Exhibit 10.44 to the Company's Annual Report on Form 10-K for the year ended December 31, 1999.

<PAGE>

10.32	Employment Agreement by and between Pharmanex
and Joseph	Chang, incorporated by reference to Exhibit 1
0.1 to the	Company's Quarterly Report on Form 10-Q for th
e quarter	ended June 30, 2000.
10.33	Promissory Note by and between the Company and G
rant Pace,	incorporated by reference to Exhibit 10.2 to the
Company's	Quarterly Report on Form 10-Q for the quarter ende
d June 30,	2000.
10.34	Note Purchase Agreement dated October 12, 200
0, by and	between the Company and The Prudential Insurance
Company of	America, incorporated by reference to Exhibit 1
0.1 to the	Company's Quarterly Report on Form 10-Q for th
e quarter	ended September 30, 2000.
10.35	Pledge Agreement dated October 12, 2000, by and b
etween the	Company and State Street Bank and Trust C
ompany of	California, N.A., acting in its capacity as
collateral	agent, incorporated by reference to Exhibit 1
0.2 to the	Company's Quarterly Report on Form 10-Q for th
e quarter	ended September 30, 2000.
10.36	Collateral Agency Agreement dated October 12, 20
00, by and	between the Company, State Street Bank and Trust
Company of	California, N.A., as Collateral Agent, and the 1
enders and	

	note holders party thereto, incorporated by re
ference to	
	Exhibit 10.3 to the Company's Quarterly Report on
Form 10-Q	
	for the quarter ended September 30, 2000.
13	1998 Annual Report to Stockholders (Only items in
corporated	
	by reference).
21.1	Subsidiaries of the Company.
23.1	Consent of PricewaterhouseCoopers LLP.

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Nu Skin Enterprises Nu Skin Enterprises, Inc. 3
Exectuvie Annual Incentive Plan

July 2000

Purpose

Nu Skin Enterprises, Inc. ("Nu Skin") believes that sound compensation programs are essential to the retention, attraction and motivation of personnel . The purpose of the Plan is to focus employees on excellent, sustained performance that leads to long-term growth, profitability and stability.

Objectives

The objectives of the Annual Incentive Plan include:

* Focusing employees on the achievement of Nu Skin Enterprise business and strategic objectives;

* Enhancing operational efficiency and teamwork within each Division and across Divisions;

* Increasing Divisional revenue and NSE net income; and

* Attracting, retaining and motivating employees by emphasizing "pay for performance" compensation programs that offer competitive total compensation (base salary + incentives) opportunities upon achievement of:

  Company financial and strategic objectives; and

  Division and Individual objectives.

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Effective Plan Date, Duration and Performance Cycles

* Effective Plan Date The effective Plan date is July 1, 2000.

* Plan Duration

* From the effective Plan date of July 1, 2000;

* Until December 31, 2000; and renegotiated as needed

* Performance Cycles

The Plan has two performance cycles, a quarterly and an annual performance cycle. Each cycle is based on the specific results of the quarter or year. Employees are eligible to earn up to 12.5% of the Individual's earned incentive award at the end of each quarter and up to 50% of the award upon completion of the fiscal year.

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Target Incentive Award Opportunities

Annual Incentive Plan Participants have target award opportunities designed to reward superior corporate and Division performance and maintain externally competitive total cash compensation commensurate with NSE's performance:

* Participants' incentive awards will be based upon the areas of the Company in which they contribute and

* Participants are assigned a target incentive award opportunity expressed as a percentage of their base salary:

60% for the Chairman, CEO/President and Founding Senior Vice Presidents subject to review by ECC of named officers, bonus amount above 1 million placed in deferred compensation plan;

60% for Executive Vice President's

50% for Division Presidents and Country Managers

40% for Vice Presidents, Regional Vice Presidents and Division Senior Vice Presidents, Country Division Managers and Country Senior Management.

* All employees participate in the plan with both an NSE and Division component and payment is based on the performance of NSE as a whole and all Divisions; and

* Target incentive award levels are determined by the Individual's level of job responsibility reflecting that job's ability to impact NSE's financial performance, as well as competitive total compensation practices (base salary = incentives) for comparable jobs within organizations similar in size and scope.

The target award amount is not a guaranteed sum:

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* The actual incentive pay-out may be smaller or larger, depending on overall NSE and Division performance results.

PARTICIPANTS

Position	Participants
Chairman	Blake Roney
CEO/President	Steve Lund
Senior Vice Presidents - Founders	Brooke Roney, Sandie Tillotson, Keith Halls, Max Pinegar

Executive Vice Presidents	Corey Lindley, Truman Hunt
Division Presidents	Joe Chang, Grant Pace, Richard K ing
Corporate Vice Presidents	Brad Morris, Gary Garrett, Larry Macfarlane, Rich Hartvigsen , R. Brent Ririe, Claire Averett, M ark Adams, John Fralick
Division COOs	Robert Conlee, Sid Henderson, Scott Schwerdt
Division Vice Presidents	Lori Bush, Rob Young, Michael Cha ng, Luis Cerqueira, Joe Ford, Jack Pe terson, Bart Mangum, Brett Nelson
Regional Vice Presidents	Mike Smith, Mark Wolfert, Andrew Fan
Country President/Gen Mgr	John Chou, Takashi Bamba, Stewart McArthur, ST Han, Paul Hanson
Country Division Manager	David Sanar, Others To be named
Country Senior Management	To be named

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Performance Objectives

The Nu Skin Annual Incentive Plan pay-out formula is based upon the a chievement
of the following two sets of performance objectives:

* Critical Success Factors ("CSF's")

The performance objective of Corporate or Country Operating Profit is
weighted at 60%

The performance objective of Revenue is weighted at 40%

* Individual Objectives

Personal performance objectives for each participant are established prior to the start of the performance period. Some Individual objectives may stretch for the entire fiscal year.

Personal performance objectives should encompass other areas than strictly personal objectives, i.e. LOIs, Department performance etc. Performance levels for Individual objectives are negotiated with each supervisor.

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Performance Levels

* Threshold levels represent the minimum acceptable performance levels required for incentive pay-out in each category.

The NSE or Country Operating Profit threshold is 95%

The Revenue threshold is 90%

The Individual Goal threshold is 80%

Note: If any of the CSFs are below the threshold level at the end of the Plan performance cycle, no incentive will be paid.

* Target levels represent achievement of 100% of budgeted revenue and operating profit.

* Outstanding levels represent performance levels that exceed the target objectives.

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* Target Guidelines

  * Corporate Vice Presidents and Country Senior management that also support the Divisions participate in the plan with both a Corporate/Country and Division component based on the performance of the Corporation and all Divisions; and

  * Division employees must achieve at least 80% of their respective Division budgeted revenue prior to being eligible for any payment from the Corporate/Country portion under the incentive plan, however, in order to receive the Division revenue portion key revenue thresholds (90%) must first be met; and

  * Even if the Company/Country does not meet its overall financial Goals, the portion of the incentive award relating to the Division Revenue or Individual Goals will be paid where the Division achieves key revenue thresholds (90%), subject to the Company's/Country's overall ability to make such payment.

* Incentive Award Pay-Out Guidelines/Eligibility

  * Eligible participants at Executive Vice President level and above will be chosen by the Chairman and the CEO/President and approved by the Executive Compensation Committee. All other levels of participants will be chosen by the Executive Management Committee.

  * At achievement of 95% and 90% of the respective CSF, one-half of the cash incentive will be paid out. The pay-out amount is increased linearly up to full payment at 100% achievement of CSFs.

* At the Outstanding performance level, target cash incentives will be increased linearly with no cap;

<PAGE>

* All participants must be on the payroll at the time of the payment;

Participants must be actively employed (not on a leave-of-absence) a minimum of three months to participate in the plan. In addition, the award amount will be prorated in full month increments within the plan period based on the number of months actively employed.

* Participants will receive their awards, when earned, by separate check;

* Award payments shall be subject to any State and/or Federal tax withholdings; and

* Payments will be made within forty-five (45) days of each quarter-end and seventy-five (75) days from the fiscal year-end.

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Position	Total Target Incentive	Corporate Revenue Portion	NSE Op Profit Portion	Division Ind Revenue Portion
Chairman & the CEO/President	60%	40%	60%	0%
Senior Vice Presidents - Founders	60%	40%	60%	0%
Executive Vice Presidents	60%	30%	45%	0%

25%				
Division Presidents	50%	24%	36%	20%
20%				
Corporate Vice Presidents	40%	20%	30%	25%
25%				
Division COOs				
Division Vice Presidents	40%	10%	15%	50%
25%				

Position	Total Target Incentive	Corporate Revenue Portion	NSE Op Profit Portion	Divisio Revenue Portion
n Ind Portion				
Regional Vice Presidents	40%	30%	45%	0%
25%				
Country President/General Manager	50%	32%	48%	0%
20%				
Country Division Manager	40%	10%	15%	50%
25%				
Country Senior Management	40%	32%	48%	0%
20%				

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SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data as of December 31, 1997,

1998, 1999 and 2000 and for the years ended December 31, 1996, 1997, 1998, 1999
and 2000 have been derived from the audited consolidated financial statements.
The financial data as of December 31, 1996 is unaudited but, in management's
opinion, includes all necessary information to present fairly the information
included therein. The Company's consolidated financial statements for all
periods presented before December 31, 1998 have been combined and restated for
the acquisition of Nu Skin International, Inc. ("NSI") and certain other related
affiliates in March 1998 (the "NSI Acquisition").

<TABLE>
<CAPTION>

	Year Ended December 31,				
	1996	1997	1998	1999(2)	2000
	(U.S. dollars in thousands, except per share data)				
<S>	<C>	<C>	<C>	<C>	<C>
Income Statement Data:					
Revenue	$761,638	$953,422	$913,494	$894,249	$879,758
Cost of sales	171,187	191,218	188,457	151,681	149,342
Cost of sales-- amortization of inventory step-up	--	--	21,600	--	--
Gross profit	590,451	762,204	703,437	742,568	730,416
Operating expenses:					
Distributor incentives	282,588	362,195	331,448	346,951	345,259

Selling, general and administrative	168,706	201,880	202,150	265,770	294,744
Distributor stock expense	1,990	17,909	--	--	--
In-process research and development	--	--	13,600	--	--
Total operating expenses	453,284	581,984	547,198	612,721	640,003
Operating income	137,167	180,220	156,239	129,847	90,413
Other income (expense), net	10,771	8,973	13,599	(1,411)	5,993
Income before provision for income taxes and minority interest	147,938	189,193	169,838	128,436	96,406
Provision for income taxes	49,526	55,707	62,840	41,742	34,706
Minority interest (1)	13,700	14,993	3,081	--	--
Net income	$ 84,712	$118,493	$103,917	$ 86,694	$ 61,700
Net income per share:					
Basic	$ 1.07	$ 1.42	$ 1.22	$ 1.00	$ 0.72
Diluted	$ 1.02	$ 1.36	$ 1.19	$ 0.99	$ 0.72
Weighted average common shares outstanding (000s):					
Basic	79,194	83,331	84,894	87,081	85,401
Diluted	83,001	87,312	87,018	87,893	85,642

</TABLE>

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	As of December 31,

	1996	1997	1998	1999(2)	2000
			(U.S. dollars in thousands)		
<S>	<C>	<C>	<C>	<C>	<C>
Balance Sheet Data:					
Cash and cash equivalents	$214,823	$174,300	$188,827	$110,162	$ 63,996
Working capital	143,308	123,220	164,597	74,561	122,835
Total assets	380,482	405,004	606,433	643,215	590,803
Short-term notes payable to stockholders	71,487	19,457	--	--	--
Long-term notes payable to stockholders	--	116,743	--	--	--
Short-term debt	--	--	14,545	55,889	--
Long-term debt	--	--	138,734	89,419	84,884
Stockholders' equity	113,495	94,892	254,642	309,379	366,733

</TABLE>

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<TABLE>
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	As of December 31,				
	1996	1997	1998	1999	2000
<S>	<C>	<C>	<C>	<C>	<C>
Other Operating Data:					

Number of active distributors (3)(4)	397,000	448,000	470,000	494,000	475,000
Number of executive distributors	21,479	22,689	22,781	21,005	21,381

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[FN]

(1) Minority interest represents the ownership interests in NSI held by individuals prior to the NSI Acquisition in 1998 who are not immediate family members of the majority-interest holders. The Company purchased the minority interest as part of the NSI Acquisition.

(2) 1999 results include transactions during the year which are discussed in detail in Management's Discussion and Analysis of Financial Condition and Results of Operations.

(3) Active distributors are those distributors who were resident in the countries in which the Company operated and purchased products during the three months ended as of the date indicated. An executive distributor is an active distributor who has achieved required personal and group sales volumes. The increase in the number of active distributors in 1999 is primarily due to the inclusion of distributors formerly licensed to the Company's affiliate Nu Skin USA, Inc.

(4) The Big Planet representatives do not necessarily place product orders with the Company for resale to retail customers. Big Planet representatives sign up retail customers for Internet, telecommunications and other services with the Company or its service providers for all products. Therefore, the active distributors for 1999 and 2000 do not include approximately 29,000 and 40,000 Big Planet representatives who have residual sales volume on a

three month rolling basis, respectively, for service provi ded by the Company or its service providers.

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

The following discussion of the Company's financial condition a nd results of operations should be read in conjunction with the consolidated financial statements and the related notes thereto, which are included in t his Annual Report to Stockholders.

General

Nu Skin Enterprises, Inc. (the "Company") is a leading, glo bal direct selling company that develops and distributes premium-quality, innovative personal care products and nutritional supplements and techn ology and telecommunications products and services.

The Company's revenue depends upon the number and produc tivity of independent distributors who purchase products and sales materials from the Company in their local currency for resale to their customers or fo r personal use. The Company recognizes revenue when products are shipped and ti tle passes to these independent distributors. Revenue is net of returns, w hich have historically been less than 5.0% of gross sales. Distributor incentive s are paid to several levels of distributors on each product sale. The amo unt of the incentive varies depending on the purchaser's position within the Company's Global Distributor Compensation Plan. These incentives are clas sified as

operating expenses. The following table sets forth revenue information by region for the time periods indicated. This table should be reviewed in connection with the tables presented under "Results of Operations," which disclose distributor incentives and other costs associated with generating the aggregate revenue presented.

Region	Year Ended December 31, 1998	1999	2000
	(U.S. dollars in millions)		
North Asia	$ 665.5	$ 619.3	$ 585.4
North America	72.7	117.9	155.8
Southeast Asia	159.7	140.1	119.5
Other Markets	15.6	17.0	19.1
	$ 913.5	$ 894.3	$ 879.8

Revenue generated in North Asia represented 67% of total revenue generated during the year ended December 31, 2000. The Company's operations in Japan generated 95% of the North Asia revenue during the same period. Revenue generated in North America represented 18% of total revenue generated during the year ended December 31, 2000. The Company's operations in the United States generated 95% of the North America revenue during that period. Revenue from Southeast Asia operations represented 14% of total revenue generated during the year ended December 31, 2000. The Company's operations in Taiwan generated 70% of the Southeast Asia revenue during that period.

Cost of sales primarily consists of the cost of products purchased from third-party vendors (generally in U.S. dollars), the freight cost of shipping these products to distributors as well as import duties for such products. Additionally, cost of sales includes the cost of sales material

s sold to distributors at or near cost. Sales materials are generally purchased in local currencies. As the sales mix changes between product categories and sales materials, cost of sales and gross profit may fluctuate to some degree due primarily to the margin on each product line as well as varying import duty rates levied on imported product lines. In each of the Company's current markets, duties are generally higher on nutritional supplements than on personal care products. Also, as currency exchange rates fluctuate, the Company's gross margin will fluctuate.

Distributor incentives are the Company's most significant expense. Distributor incentives are paid to distributors on a monthly basis based upon their personal and group sales volumes as well as the group sales volumes of up to six levels of executive distributors in their downline sales organizations. These incentives are computed each month based on the sales volume and network of the Company's global distributor force. Small fluctuations occur in the amount of incentives paid as the network of distributors actively purchasing products changes from month to month. However, due to the size of the Company's distributor force of approximately 475,000 active distributors, the fluctuation in the overall payout is relatively small. The overall payout averages

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from 39% to 42% of global product sales. Sales materials and starter kits are not subject to distributor incentives. In addition, sales to the Company's North American private affiliates (the "North American Affiliates") were not subject to distributor incentives prior to being acquired by the Company

in 1999. Distributor incentives include the cost of computing and paying commissions as well as the cost of incentive programs for distributors including an annual trip for the Company's leading distributors. These additional costs average approximately 1% of revenue.

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

Provision for income taxes depends on the statutory tax rates in each of the countries in which the Company operates. For example, statutory tax rates are 16.0% in Hong Kong, 25.0% in Taiwan, 30.8% in South Korea and 46.3% in Japan. The Company is subject to taxation in the United States at a statutory corporate federal tax rate of 35.0%. However, the Company receives foreign tax credits in the United States for the amount of foreign taxes actually paid in a given period, which are utilized to reduce taxes in the United States to the extent allowed.

In March 1998, the Company completed the acquisition (the "NSI Acquisition") of the capital stock of Nu Skin International, Inc. ("NSI") and the Company's other previously privately-held affiliates in Europe, Australia and New Zealand (collectively the "Acquired Entities"). The NSI Acquisition was accounted for by the purchase method of accounting, except for that portion of the Acquired Entities under common control of a group of stockholders, which have been combined and restated in the Company's consolidated financial statements as if the Company and the Acquired Entities had been combi

ned during all periods presented. The Company allocated $43.6 million of the purchase price to goodwill, intellectual property and other intangible assets relating to the portion accounted for by the purchase method.

Minority interest represents the ownership interests in NSI held by individuals prior to the NSI Acquisition in 1998 who are not immediate family members of the majority-interest holders. The Company purchased the minority interest as part of the NSI Acquisition.

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

In March 1999, NSI terminated its distribution license and various other license agreements and other intercompany agreements with Nu Skin USA, Inc. ("Nu Skin USA") and paid Nu Skin USA a $10.0 million termination fee. Also, in March 1999, through a newly formed wholly-owned subsidiary, the Company acquired selected assets of Nu Skin USA in exchange for assuming various accounts payable of Nu Skin USA. In May 1999, the Company completed the acquisition of its affiliates in Canada, Mexico and Guatemala. In July 1999, the Company completed the acquisition (the "Big Planet Acquisition") of Big Planet, Inc. ("Big Planet").

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Results of Operations

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

<TABLE>
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	Year Ended December 31,		
	1998	1999	2000
	(U.S. dollars in millions)		
<S>	<C>	<C>	<C>
Revenue	$ 913.5	$ 894.3	$ 879.8
Cost of sales	188.5	151.7	149.4
Cost of sales -- amortization of inventory step-up	21.6	--	--
Gross profit	703.4	742.6	730.4
Operating expenses:			
Distributor incentives	331.4	347.0	345.3
Selling, general and administrative	202.2	265.8	294.7
In-process research and development	13.6	--	--
Total operating expenses	547.2	612.8	

640.0

Operating income	156.2	129.8
Other income (expense), net	13.6	(1.4)
Income before provision for income taxes and minority interest	169.8	128.4
Provision for income taxes	62.8	41.7
Minority interest	3.1	--
Net income	$ 103.9	$ 86.7

Unaudited supplemental data(1):

Income before pro forma provision for income taxes and minority interest	$ 169.8
Pro forma provision for income taxes	66.0
Pro forma minority interest	1.9
Pro forma net income	$ 101.9

</TABLE>

<TABLE>
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	Year Ended December 31,	
	1998	1999
<S>	<C>	<C>
Revenue	100.0%	100.0%
Cost of sales	20.6	17.0

Cost of sales-- amortization of inventory step-up	2.4	--	--
Gross profit	77.0	83.0	83.0
Operating expenses:			
Distributor incentives	36.3	38.8	39.2
Selling, general and administrative	22.1	29.7	33.5
In-process research and development	1.5	--	--
Total operating expenses	59.9	68.5	72.7
Operating income	17.1	14.5	10.3
Other income (expense), net	1.5	(.1)	.7
Income before provision for income taxes and minority interest	18.6	14.4	11.0
Provision for income taxes	6.9	4.7	4.0
Minority interest	.3	--	--
Net income	11.4%	9.7%	7.0%

Unaudited supplemental data(1):	
Income before pro forma provision for income taxes and minority interest	18.6%
Pro forma provision for income taxes	7.2
Pro forma minority interest	.2
Pro forma net income	11.2%

</TABLE>

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[FN]
(1) Reflects adjustment for federal and state income taxes as if the Company's subsidiaries had been taxed as C corporations rather than as S corporations for the year ended December 31, 1998.
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2000 Compared to 1999

Revenue in 2000 decreased 1.6% to $879.8 million from $894.3 million in 1999. The decrease in revenue was due to lower revenue results in Japan and Taiwan, which was partially offset by increased revenue in the United States from the operations of Big Planet, as discussed below. Fluctuations in foreign currency exchange rates positively impacted revenue for 2000 by approximately 4%.

Revenue in North Asia decreased 5.5% to $585.4 million compared to $619.3 million in 1999. This decrease in revenue was due to revenue in Japan decreasing 8.0% to $554.2 million in 2000 from $602.4 million in 1999. In local currency terms, revenue in Japan was 12.5% lower in 2000 versus the prior year. The decrease in revenue in Japan is largely due to continuing challenges with distributor productivity and competition faced by the Company in 1999 and early in the year 2000 as discussed in the 1999 to 1998 comparisons. In addition, economic uncertainty in Japan negatively impacted revenue. In 2000, the Company undertook several initiatives to help stabilize revenue in Japan, inc

luding the
launch of the Pharmanex business opportunity for distributors early in the year,
increased focus on its automatic delivery program and the launch of the
Pharmanex web site product (ePharmanex) late in the year and other initiatives.
The Company believes these initiatives helped stabilize revenue in the latter
half of this year as local currency revenue in Japan in the fourth quarter of
2000 increased slightly compared to the fourth quarter of 1999. The overall
decline in revenue in Japan in 2000 was somewhat offset by an increase in
revenue in South Korea of 84.6% to $31.2 million in 2000 from $16.9 million in
1999. The revenue increase in South Korea was primarily due to significant new
product launches in 2000 including Pharmanex's weight management products and Nu
Skin 180, as well as an overall increase in the number of executive level
distributors.

Revenue in Southeast Asia totaled $119.5 million for the year ended
December 31, 2000, down from revenue of $140.1 million for the year ended
December 31, 1999, a decrease of $20.6 million or 14.7%. This decline in revenue
was primarily a result of revenue in Taiwan decreasing 19.5% to $83.4 million in
2000 from $103.6 million in 1999. 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 economic concerns throughout Southeast Asia. In addition, direct
selling as a distribution channel has significantly penetrated the Taiwanese
market. The revenue decline in Southeast Asia was partially offset by the
opening of the market in Singapore which generated $1.0 million in revenue in
one month of operation in 2000. In addition, the revenue from the

Company's retail operations opened in China in 2000 was $1.2 million. Other markets in the region such as Hong Kong, Thailand, the Philippines, Australia and New Zealand were slightly down in 2000 versus 1999 due largely to economic uncertainty in the region as well as a negative foreign currency impact for the year.

Revenue in North America, consisting of the United States and Canada, increased 32.1% to $155.8 million in 2000, from $117.9 million in 1999. This increase in revenue is due to the inclusion of a full year of operations of Big Planet following its acquisition in July 1999 as well as a full year of operations of the Company's North America sales operations following the termination of the license agreements in March 1999. Revenue in the Big Planet division increased $32.9 million due to the timing of the acquisition as well as growth within Big Planet in the year 2000. In addition, revenue in North America, exclusive of Big Planet, increased by $5.0 million due to a full year of revenue from sales to distributors in North America during 2000, following the early 1999 acquisitions. Revenue in the United States decreased sequentially during the last two quarters of the year primarily as a result of the termination of Big Planet's iPhone giveaway and weaker than anticipated sales during the fourth quarter holiday season. The Company made the strategic decision to terminate the iPhone giveaway in order to improve operating profits. Management is optimistic that the Company's global convention in the first quarter of 2001, new product launches and other initiatives planned for the United States will help reverse this revenue trend in 2001.

Revenue in the Company's other markets, which include its European, Latin American and Brazilian operations, increased 12.6% to $19.1

million in 2000. This increase is largely due to a 35% increase in local currency revenue in Europe, more than making up for the negative currency impact experienced in Europe in 2000 from 1999.

<PAGE>

Gross profit as a percentage of revenue remained constant at 83.0% for the years ended December 31, 2000 and 1999. The Company's gross margin in 2000 was positively impacted by 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 currencies. Consequently, the Company is subject to exchange rate risks in its gross margins. This positive impact was offset by the overall growth in revenue from Big Planet in 2000, which includes revenue from lower margin technology products and services.

Distributor incentives as a percentage of revenue increased to 39.2% for the year ended December 31, 2000 from 38.8% for the year ended December 31, 1999. 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 has enhanced its compensation plan for distributors, adding short-term

incentives for emerging distributor leaders. This has led to a sligh t increase in distributor incentives.

Selling, general and administrative expenses as a percentage of revenue increased to 33.5% in 2000 from 29.7% in 1999. In U.S. dollar terms, selling, general and administrative expenses increased to $294.7 million in 2000 from $265.8 million in 1999. This increase of $28.9 million was due prima rily to an additional $18.3 million of selling, general and administrative expens es related to the assumed operations of Big Planet for a full year in 2000 co mpared to selling, general and administrative expenses from Big Planet foll owing its acquisition in mid-1999. In addition, the Company incurred an increm ental $6.7 million of overhead expenses during 2000 compared to 1999 for oper ations in North America following the acquisition of certain assets from Nu S kin USA in March 1999 and the North American Affiliates in May 1999. Selling, g eneral and administrative expenses also increased due to a stronger Japanese ye n in 2000. On a local currency basis, selling, general and administrative e xpenses in foreign markets declined slightly in 2000 from 1999, but due to a stronger Japanese yen, the U.S. dollar amount of such expenses increased by $4. 0 million.

Operating income decreased to $90.4 million for the year ended De cember 31, 2000 from $129.8 million in 1999. Operating income decreased due to t he revenue decreases noted above in "revenue" and the operating expense increase s noted in "distributor incentives" and "selling, general and administrative" abo ve.

Other income (expense), net increased $7.4 million for the year ended December 31, 2000 compared to the prior year primarily as a res ult of the

foreign currency gains resulting from favorable exchange rate fl uctuations between the U.S. dollar and the Japanese yen within the Company's currency hedging program. In addition, the Company's interest expense de creased by approximately $1.0 million relating to the Company's pay down of its long-term debt.

Provision for income taxes decreased to $34.7 million fo r the year ended December 31, 2000 from $41.7 million in 1999. This decrease is primarily related to lower income earned in 2000 versus 1999, which was somewhat offset by the lower effective tax rate of 32.5% in 1999 versus 36.0% in 2000. The lower effective tax rate in 1999 was due to the improved ability to utiliz e foreign tax credits as a result of the Company's global tax restructuring pla ns in that period.

Net income decreased to $61.7 million for the year ended De cember 31, 2000 from $86.7 million in 1999. Net income decreased primarily beca use of the factors noted above in "operating income," and was somewhat off set by the factors noted in "other income (expense), net" and "provision for inc ome taxes" above.

1999 Compared to 1998

Revenue decreased 2.1% to $894.3 million from $913.5 million for the years ended December 31, 1999 and 1998, respectively. The decrease in revenu e resulted primarily from a significant decline in local currency revenue in Jap an and was somewhat offset by favorable comparative exchange rates and the a ddition of revenue from Big

<PAGE>

Planet after the Big Planet Acquisition in July 1999 and the Company's operations in the United States after the termination of the Company's license agreement with Nu Skin USA in March 1999.

Revenue in North Asia, which consists of Japan and South Korea, decreased 6.9% to $619.3 million in 1999 from $665.5 million in 1998. This decline in revenue was a result of revenue in Japan decreasing $51.8 million or 7.9% to $602.4 million in 1999 from $654.2 million in the prior year. Revenue in Japan in U.S. dollar terms for 1999 benefited from a 12.7% increase in the strength of the Japanese yen relative to the U.S. dollar. In local currency, revenue in Japan decreased 19.7% in 1999 versus 1998. Sales activity in Japan was affected negatively during 1999 by distributor uncertainty concerning the implementation of the Company's divisional model and other issues associated with compensation plan requirements and the Company's effort to enforce distributor policies and procedures. In addition, competitive conditions and weakness in consumer confidence also significantly impacted revenue in Japan. The decline in revenue in Japan was somewhat offset by increases in revenue in South Korea.

Revenue in Southeast Asia, which consists of Taiwan, Thailand, Hong Kong, the Philippines, Australia and New Zealand, totaled $140.1 million for 1999, down from revenue of $159.7 million in 1998, a decrease of $19.6 million. This decline in revenue was primarily a result of revenue in Taiwan decreasing to $103.6 million in 1999 from $119.5 million in the prior year. During 1999, the Company's operations in Taiwan suffered the impact of a devastating earthquake, which occurred during the third quarter of 1999. In addition, ope

rations 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 People's Republic of China as well as economic concerns throughout Southeast Asia.

Revenue in North America, consisting of the United States and Canada, increased 62.2% to $117.9 million from $72.7 million for the years ended December 31, 1999 and 1998, respectively. This increase in revenue was primarily due to the additional revenue stream of $83.8 million 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, and the additional revenue of $11.4 million resulting from the Big Planet Acquisition, which occurred in July 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. Revenue in the Company's other markets, which include its European, Latin American and Brazilian operations, increased 9.0% to $17.0 million in 1999.

Gross profit as a percentage of revenue was 83.0% for the year ended December 31, 1999 compared to 77.0% for the year ended December 31, 1998. The increase in the gross profit as a percentage of revenue for 1999 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. In addition, in

1998, the Company recorded amortization of inventory step-up related to the NSI Acquisition of $21.6 million which did not recur in 1999. The Company's gross margin was negatively impacted by the Big Planet Acquisition, which includes the sale of lower margin technology products and services. 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.

Distributor incentives as a percentage of revenue increased to 38.8% for the year ended December 31, 1999 from 36.3% for the year ended December 31, 1998. The primary reason for the increase in 1999 was the termination of the Company's license agreement with Nu Skin USA which resulted in the Company beginning to sell products to distributors in the United States and paying the requisite commissions related to those sales. In addition, the Company has restructured its compensation plan, adding short-term, division-focused incentives, which increased compensation to the Company's entry-level distributors in the latter part of 1999.

Selling, general and administrative expenses as a percentage of revenue increased to 29.7% for the year ended December 31, 1999 from 22.1% for the year ended December 31, 1998. In U.S. dollar terms, selling, general and administrative expenses increased to $265.8 million for the year ended December 31, 1999 from $202.2 million in 1998. This increase was due to stronger foreign currencies in 1999, primarily the Japanese yen, which resulted in higher expenses of approximately $14.2 million in Japan. In addition, selling, general and administrative expenses

<PAGE>

increased due to $29.5 million in additional overhead expenses relating to the 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, an additional $14.9 million in 1999 of amortization expense resulting from the Company's acquisitions of NSI, Pharmanex and Big Planet, and an additional $14.1 million of selling, general and administrative expenses in foreign markets relating to the Big Planet Acquisition.

Operating income decreased to $129.8 million for the year ended December 31, 1999 from $156.2 million in 1998 and operating margin decreased to 14.5% for the year ended December 31, 1999 from 17.1% in 1998. Operating income and margin decreased due to the declines in local currency revenue in Japan and the increases in distributor incentives and selling, general and administrative expenses, which more than offset the improvements in gross margins and the expense recorded in 1998 relating to in-process research and development, which did not recur in 1999.

Other income decreased to an expense of $1.4 million for the year ended December 31, 1999 from income of $13.6 million in 1998. This decrease in other income was primarily due to the significant hedging gains recorded in 1998 from forward contracts and intercompany loans resulting from a stronger Japanese yen in relation to the U.S. dollar, which did not recur in 1999.

Provision for income taxes decreased to $41.7 million for the year ended

December 31, 1999 from $62.8 million in 1998. This decrease is due to a reduced effective tax rate from 37.0% in 1998 to 32.5% in 1999. This significant decrease in the effective tax rate in 1999 is related to the Company's ability to utilize foreign tax credits as a result of the Company's global tax planning. The pro forma provision for income taxes presents income taxes as if NSI and its affiliates had been taxed as C corporations rather than as S corporations for the year ended December 31, 1998.

Net income decreased to $86.7 million for the year ended December 31, 1999 from $103.9 million in 1998 and net income as a percentage of revenue decreased to 9.7% for the year ended December 31, 1999 from 11.4% in 1998. Net income decreased primarily because of the factors noted above in "operating income" and "other income (expense), net," and was somewhat 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 comprise 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. The Company generated $43.4 million from operations in 2000 compared to $30.3 million in 1999. This increase in cash generated from operations in 2000 compared to the same prior-year period primarily related to reduced foreign taxes paid in Japan as a result of the Company's global tax restructuring plans. The impact of the reduction in foreign taxes paid on cash generated from operations was somewhat offset by lower net income in 2000.

As of December 31, 2000, working capital was $122.8 million compared to $74.6 million as of December 31, 1999. Cash and cash equivalents at December 31, 2000 and 1999 were $64.0 million and $110.2 million, respectively. The decrease in cash and cash equivalents is related primarily to a debt payment of $55.7 million which occurred in March 2000. The increase in working capital is primarily related to the refinancing of the Company's existing credit facility, as described below, as well as the change noted above in cash and cash equivalents.

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Capital expenditures, primarily for equipment, computer systems and software, office furniture and leasehold improvements, were $23.0 million for the year ended December 31, 2000. In addition, the Company anticipates capital expenditures in 2001 of approximately $28.0 million to further enhance its infrastructure, including enhancements to computer systems and Intern

et 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 are required to pay certain contingent payments if specific earnings growth targets are met. The Company and NSI did not meet specific earnings growth targets for the years ended December 31, 1999 and 2000. Contingent upon NSI and the Company meeting specific earnings growth targets during 2001, the Company may pay up to $75.0 million in cash over the next year to the stockholders of NSI. However, management believes it is unlikely that such contingency payments will be made.

On October 12, 2000, the Company refinanced the $87.1 million balance of its existing credit facility with the proceeds of a private placement of $90.0 million of ten-year senior notes (the "Notes") to The Prudential Insurance Company of America. The Notes are denominated in Japanese yen. The Notes bear interest at an effective rate of 3.03% annually and become due October 2010 with principal payments beginning October 2004. The debt is classified as long-term in the consolidated financial statements as of December 31, 2000.

During 2000, 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 December 31, 2000.

Since August 1998, the board of directors has authorized the Company to repurchase up to $50.0 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 years ended December 31, 2000 and 1999, the Company repurchased approximately 1,893,000 and 1,364,000 shares for an aggregate price of approximately $12.8 million and $17.1 million, respectively. As of December 31, 2000, the Company had repurchased a total of approximately 4,175,000 shares for an aggregate price of approximately $40.0 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.

In February 2001, the board of directors authorized the Company to declare a quarterly cash dividend of $0.05 per share for all classes of common stock. This initial quarterly cash dividend will be paid on March 28, 2001, to stockholders of record on March 12, 2001. Management believes that cash flows from operations will be sufficient to fund this and future dividend payments.

The Company had related party payables of $9.0 million and $15.1 million at December 31, 2000 and 1999, respectively. In addition, the Company had related party receivables of $13.2 million and $16.4 million, respectively, at those dates. These balances are largely related to the Big Planet Acquisition and the Nu Skin USA transactions completed during 1999.

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, the United States and Europe is also generally negatively impacted during the month of August, which is in

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the Company's third quarter, when many individuals, including the Company's distributors, traditionally take vacations.

Distributor Information

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

<TABLE>
<CAPTION>

	As of December 31, 1998		As of December 31, 1999		As of December 31, 2000	
	Active	Executive	Active(1)	Executive	Active(1)	Executive
<S>	<C>	<C>	<C>	<C>	<C>	<C>
North Asia	331,000	17,311	311,000	14,601	301,000	14,968

North America	--	--	54,000	2,547	52,000	2,632
Southeast Asia	120,000	5,091	113,000	3,419	100,000	3,044
Other Markets	19,000	379	16,000	438	22,000	737
Total	470,000	22,781	494,000	21,005	475,000	21,381

</TABLE>

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[FN]

(1) The Big Planet representatives do not necessarily place product orders with the Company for resale to retail customers. Big Planet representatives sign up retail customers for Internet, telecommunications and other services with the Company or its service providers for all products. Therefore, the active distributors for 1999 and 2000 do not include approximately 29,000 and 40,000 Big Planet representatives who have residual sales volume on a three month rolling basis, respectively, for service provided by the Company or its service providers.

</FN>

Quarterly Results

The following table sets forth certain unaudited quarterly data for the periods shown.

<TABLE>
<CAPTION>

	1999				2000		
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quart	2nd	3rd 4th

er	Quarter	Quarter	Quarter					
--	-------	-------	-------	-------	-------	-------	-------	-----
				(U.S. dollars in millions, excep				
t per share amounts)								
<S>			<C>	<C>	<C>	<C>	<C>	
	<C>	<C>	<C>					
Revenue			$ 233.8	$ 211.3	$ 220.1	$ 229.1	$ 213	
.6	$ 227.0	$ 215.6	$ 223.6					
Gross profit			192.8	175.3	182.5	192.0	179	
.3	188.4	178.7	184.0					
Operating income			47.1	32.4	30.4	19.9	21	
.5	25.3	23.9	19.7					
Net income			30.8	22.0	21.1	12.8	14	
.9	15.7	15.0	16.2					
Net income per share:								
Basic			0.35	0.25	0.25	0.15	0.	
17	0.18	0.18	0.19					
Diluted			0.35	0.25	0.24	0.15	0.	
17	0.18	0.18	0.19					

</TABLE>

Currency Risk and Exchange Rate Information

A majority of the Company's revenue and many of the Company's ex
penses 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 ear
nings 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 Comp
any cannot
estimate the effect of these fluctuations on the Company's future
business,
product pricing, results of operations or financial condition. Howeve
r, because
a majority of the Company's revenue is realized in local currencie
s 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.

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The Company's foreign currency derivatives are comprised of over-the-counter forward contracts with major international financial institutions. As of December 31, 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 December 31, 2000 as discussed in Note 17 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 represent a material potential loss in fair value, earnings or cash flows against such contracts. This potential loss does not consider the underlying foreign currency transaction or translation exposures of the Company.

Following are the weighted average currency exchange rates of

US $1 into
local currency for each of the Company's international or foreign markets in
which revenue exceeded US $5.0 million for at least one of the quarter s listed:

<TABLE>
<CAPTION>

	1998				1999		2000			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Japan(1)	128.2	135.9	139.5	119.3	116.8	120.8	112.4	104.1	107.1	106.7
Taiwan	32.8	33.6	34.5	32.6	32.6	32.7	32.0	31.7	30.8	30.6
Hong Kong	7.7	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8
South Korea	1,585.7	1,392.6	1,327.0	1,278.9	1,197.6	1,189.4	1,195.2	1,170.9	1,124.8	1,115.6
							1,115.4	1,165.0		

</TABLE>

[FN]
(1) As of March 1, 2001 the exchange rate of US $1 into the Japanese yen was
approximately 117.0.
</FN>

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:

* the Company's belief that existing cash and cash flow from operations will be adequate to fund cash needs;

* management's belief that the Company's global convention and initiatives planned for the United States will help reverse the recent decline in revenue;

* the expectation that the Company will spend $28.0 million for capital expenditures in 2001;

* the belief that the Company is unlikely to pay any further contingent payments to the former NSI Stockholders; and

* the anticipation that cash will be sufficient to pay future dividends.

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 not to place any undue
reliance on such forward-looking statements, which reflect the Company's beliefs
and expectations only as of the date of this report. The Company assumes no
obligation to update or revise these forward-looking statements to reflect new
events or

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circumstances or any changes in its beliefs or expectations. Important factors,
risks and uncertainties that might cause actual results to differ from those
anticipated include, but are not limited to, the following:

(a) Because a substantial majority of the Company's sales are generated from
the Asian regions, particularly from Japan and Taiwan, significant
variations in operating results including revenue, gross margin and
earnings from those expected could be caused by

* renewed or sustained weakness of Asian economies or consumer
confidence, and

* weakening of foreign currencies, particularly the Japanese yen, and
any inability to implement forward contracts and other hedging
strategies to manage foreign currency risk.

(b) There can be no assurances that the business initiatives and strategies
that have helped stabilize revenue in Japan during the end of 2000 will
stabilize operations or renew growth on a sustained basis or will have a
similar effect in other markets such as Taiwan. Many of the i

nitiatives have only been recently introduced and there is still uncertainty concerning the long-term effect of these initiatives. In addition, there is a risk that the continued refinement and implementation of the Company's divisional strategy, Internet initiatives and promotions could create renewed confusion or uncertainty among distributors and not increase distributor productivity.

(c) Risks and uncertainties associated with the Company's e-commerce initiatives. These risks include:

* uncertainty concerning the degree to which such initiatives will increase and sustain levels of distributor interest, activity or retention or generate incremental revenue growth, and

* the risk of technological problems or development issues that could interrupt or delay such initiatives and impede distributor enthusiasm or increase the costs of such initiatives.

(d) 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 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.

(e) Risks associated with the Company's new product offerings planned for 2001 and launched at its global convention, including:

* the risk that such products will not gain market acceptance or meet the Company's expectations as a result of increased competition,

* the risk that sales from such product offerings could reduce sales of existing products and not generate significant incremental revenue growth or help increase distributor numbers and productivity, and

* any legal or regulatory restrictions that might delay or prevent the Company from offering its new products into all of its markets or limit the ability of the Company to effectively market such products.

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(f) The Company's operations could also be affected by the following risks:

* adverse business or political conditions, continued competitive pressure,

* the maturity of the direct sales channel in certain of the Company's markets,

* 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, or changes in U.S. or foreign tax regulations), and

* the Company's reliance on outside manufacturers.

<PAGE>

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

<TABLE>
<CAPTION>

	December 31, 1999	2000
<S>	<C>	<C>
ASSETS		
Current assets		
Cash and cash equivalents	$ 110,162	$ 63,996
Accounts receivable	18,160	18,191
Related parties receivable	16,424	13,176
Inventories, net	85,751	82,015
Prepaid expenses and other	52,388	44,513
	282,885	221,891
Property and equipment, net	57,948	60,562
Other assets, net	302,382	308,350
Total assets	$ 643,215	$

590,803

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LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities		
Accounts payable	$ 22,685	$ 15,837
Accrued expenses	114,691	74,199
Related parties payable	15,059	9,020
Current portion of long-term debt	55,889	--
	----------	---------
	208,324	99,056
Long-term debt, less current portion	89,419	84,884
Other liabilities	36,093	40,130
	----------	---------
Total liabilities	333,836	224,070
	----------	---------
Commitments and contingencies (Notes 12 and 20)		
Stockholders' equity		
Class A common stock - 500,000,000 shares authorized, $.001 par value, 32,002,158 and 31,338,676 shares issued and outstanding	32	31
Class B common stock - 100,000,000 shares authorized, $.001 par value, 54,606,905 and 53,408,951 shares issued and outstanding	55	54
Additional paid-in capital	119,652	106,284
Accumulated other comprehensive income	(48,220)	(45,347)
Retained earnings	244,758	306,458
Deferred compensation	(6,898)	

(747)

309,379

366,733

Total liabilities and stockholders' equity $ 643,215 $ 590,803

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</TABLE>

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

<PAGE>

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

<TABLE>
<CAPTION>

	Year Ended December 31,		
	1999	2000	1998
<S>	<C>	<C>	<C>
Revenue	$ 894,249	$ 879,758	$ 913,494
Cost of sales	151,681	149,342	188,457
Cost of sales-amortization of inventory step-up (Note 3)	--	--	21,600

Gross profit	742,568	730,416	703,437
Operating expenses:			
Distributor incentives	346,951	345,259	331,448
Selling, general and administrative	265,770	294,744	202,150
In-process research and development (Note 4)	--	--	13,600
Total operating expenses	612,721	640,003	547,198
Operating income	129,847	90,413	156,239
Other income (expense), net	(1,411)	5,993	13,599
Income before provision for income taxes and minority interest	128,436	96,406	169,838
Provision for income taxes (Note 15)	41,742	34,706	62,840
Minority interest	--	--	3,081
Net income	$ 86,694	$ 61,700	$ 103,917
Net income per share (Note 2):			
Basic	$ 1.00	$ 0.72	$ 1.22
Diluted	$ 0.99	$ 0.72	$ 1.19

Weighted average common shares outstanding (000s):		
Basic		84,894
87,081	85,401	
Diluted		87,018
87,893	85,642	

Unaudited pro forma data (Note 15):	
Income before pro forma provision for income taxes and minority interest	$ 169,838
Pro forma provision for income taxes	65,998
Pro forma minority interest	1,947
Pro forma net income	$ 101,893
Pro forma net income per share:	
Basic	$ 1.20
Diluted	$ 1.17

</TABLE>

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

<PAGE>

Nu Skin Enterprises, Inc.
Consolidated Statements of Stockholders' Equity
(U.S. dollars in thousands, except share amounts)

<TABLE>
<CAPTION>

Additional Paid-In Capital	Accumulated Other Comprehensive Income	Retained Earnings	Preferred Stock Deferred Compensation	Class A Common Stock	Total Stockholders' Equity	Class B Common Stock
<S>			<C>		<C>	<C>

<C>	<C>	<C>	<C>	<C>			
Balance at January 1, 1998				$ 2	$ 12	$ 70	
$ 115,053	$ (28,578)	$ 17,788	$ (9,455)	$ 94,892			
Net income				--	--	--	
--	--	103,917	--	103,917			
Foreign currency translation adjustments				--	--	--	
--	(15,026)	--	--	(15,026)			
Total comprehensive income					88,891		
Repurchase of 917,000 shares of				--	--	--	
(10,549)	--	--	--	(10,549)			
Class A common stock (Note 13)							
Amortization of deferred compensation				--	--	--	
--	--	--	3,626	3,626			
Issuance of notes payable to stockholders				--	--	--	
--	--	(24,413)	--	(24,413)			
Purchase of Acquired Entities and							
termination of S corporation status				1	--	--	
(22,144)	--	60,772	--	38,629			
Purchase of Pharmanex (Note 4)				--	4	--	
78,710	--	--	(859)	77,855			
Exercise of distributor and							
employee stock options				--	--	--	
1,961	--	--	--	1,961			
Conversion of preferred stock (Note 3)				(3)	3	--	
--	--	--	--	--			
Conversion of shares from Class							
B to Class A				--	15	(15)	
--	--	--	--	--			
Contingent payments to							
stockholders (Note 7)				--	--	--	
(16,250)	--	--	--	(16,250)			
Balance at December 31, 1998				--	34	55	
146,781	(43,604)	158,064	(6,688)	254,642			
Net income				--	--	--	
--	--	86,694	--	86,694			
Foreign currency translation adjustments				--	--	--	
--	(4,616)	--	--	(4,616)			
Total comprehensive income					82,078		

Repurchase of 1,985,000 shares of Class A common stock (Note 13)	(26,860)	--	--	--	--	(2)	(26,862)
Amortization of deferred compensation	--	--	--	3,692	--	--	3,692
Termination of Nu Skin USA license fee (Note 5)	(6,444)	--	--	(650)	--	--	(7,094)
Issuance of employee stock awards and options	3,252	--	--	(3,252)	--	--	--
Exercise of distributor and employee stock options	2,923	--	--	--	--	--	2,923
Balance at December 31, 1999	119,652	(48,220)	244,758	(6,898)	--	32	309,379
Net income	--	--	61,700	--	--	--	61,700
Foreign currency translation adjustments	--	2,873	--	--	--	--	2,873
Total comprehensive income							64,573
Repurchase of 1,893,000 shares of Class A common stock (Note 13)	(12,763)	--	--	--	--	(1)	(12,765)
Amortization of deferred compensation	--	--	--	5,252	--	--	5,252
Exercise of distributor and employee stock options	294	--	--	--	--	--	294
Forfeiture of employee stock awards and options	(899)	--	--	899	--	--	--
Balance at December 31, 2000	$ 106,284	$ (45,347)	$306,458	$ (747)	$ --	$ 31	$ 366,733

</TABLE>

The accompanying notes are an integral part of these consolidated financial

statements.

<PAGE>

Nu Skin Enterprises, Inc.
Consolidated Statements of Cash Flows
(U.S. dollars in thousands)

<TABLE>
<CAPTION>

Year Ended December 31,			
1998	1999	2000	1998
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net income	$ 86,694	$ 61,700	$ 103,917
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	29,515	32,350	15,768
Amortization of deferred compensation	3,692	5,252	3,626
Amortization of inventory step-up	--	--	21,600
Write-off of in-process research and development	--	--	13,600
Income applicable to minority interest	--	--	3,081
Changes in operating assets and liabilities:			
Accounts receivable	(3,776)	(31)	(900)
Related parties receivable	(4,441)	3,248	1,215
Inventories, net	(2,133)	3,736	(3,556)
Prepaid expenses and other	1,033	7,875	(7,248)

Other assets, net	(4,100)	(57,169)	(21,400)
Accounts payable	(8,767)	4,068	(6,848)
Accrued expense	(8,973)	(40,868)	(40,492)
Related parties payable	(10,703)	448	(6,039)
Other liabilities	--	13,236	4,037
Net cash provided by operating activities	118,560	30,299	43,388
Cash flows from investing activities:			
Purchase of property and equipment	(18,320)	(29,719)	(23,030)
Purchase of Pharmanex, net of cash acquired (Note 4)	(28,750)	--	--
Purchase of Big Planet, net of cash acquired (Note 6)	--	(13,571)	--
Payments for lease deposits	(633)	(2,206)	(195)
Receipt of refundable lease deposits	1,650	1,508	255
Net cash used in investing activities	(46,053)	(43,988)	(22,970)
Cash flows from financing activities:			
Payments on long-term debt	(41,634)	(14,545)	(142,821)
Termination of Nu Skin USA license fee (Note 5)	--	(10,000)	--
Payment to stockholders under the NSI Acquisition	--	(25,000)	--
Proceeds from long-term debt	181,538	--	90,000
Repurchase of shares of common stock	(10,549)	(26,862)	(12,765)

Exercise of distributor and employee stock options	1,961	2,923	294
Payment to stockholders for notes payable (Note 7)	(180,000)	--	--
Net cash used in financing activities	(48,684)	(73,484)	(65,292)
Effect of exchange rate changes on cash	(9,296)	8,508	(1,292)
Net increase (decrease) in cash and cash equivalents	14,527	(78,665)	(46,166)
Cash and cash equivalents, beginning of period	174,300	188,827	110,162
Cash and cash equivalents, end of period	$ 188,827	$ 110,162	$ 63,996

</TABLE>

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

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Nu Skin Enterprises, Inc.
Notes to Consolidated Financial Statements

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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 telecommunications products and services. The Company distributes products throughout the world. The Company's operations are divided into four segments: North Asia, which consists of Japan and South Korea; North America, which consists of the United States and Canada; Southeast Asia, which consists of Australia, Hong Kong (including Macau), New Zealand, the PRC (China), the Philippines, Singapore, Taiwan and Thailand; and Other Markets, which consists of the Company's markets in Brazil, Europe, Guatemala and Mexico (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.

As discussed in Note 3, the Company completed the NSI Acquisition on March 26, 1998. Prior to the NSI Acquisition, each of the acquired entities elected to be treated as an S corporation.

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

As discussed in Note 5, on March 8, 1999, Nu Skin International, Inc. ("NSI") a subsidiary of the Company, 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 6, 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.

2. Summary of Significant Accounting Policies

Consolidation

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

Use of estimates

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

Cash and cash equivalents

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

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Nu Skin Enterprises, Inc.
Notes to Consolidated Financial Statements
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Inventories

Inventories consist primarily of merchandise purchased for resale and are stated at the lower of cost, using the first-in, first-out method, or market. The Company had reserves for obsolete inventory totaling $13,600,000, $7,200,000 and $2,800,000 as of December 31, 1998, 1999 and 2000, respectively.

Property and equipment

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

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

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

Other assets

Other assets consist primarily of deferred tax assets, deposits for noncancelable operating leases, distribution rights, goodwill and long-term intangibles acquired in the NSI Acquisition (Note 3), the Pharmanex Acquisition (Note 4) and the Big Planet Acquisition (Note 6). The goodwill and intangible assets and distribution rights asset are being amortized on a straight-line basis over their estimated useful lives ranging from 4 to 20 years. The Company assesses the recoverability of long-lived assets by determining whether the

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

Revenue recognition

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

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. The implementation of SAB 101 did
not significantly impact the Company's revenue recognition policies.

Research and development

The Company's research and development activities are conducted primarily
through its Pharmanex division. Research and development costs are expensed as
incurred.

Income taxes

The Company has adopted Statement of Financial Accounting Standards No. 109
("SFAS 109"), Accounting for Income Taxes. Under SFAS 109, the liability method
is used in accounting for income taxes. Under this method, deferred tax assets
and liabilities are determined based on the differences between financial

reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

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Nu Skin Enterprises, Inc.
Notes to Consolidated Financial Statements
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Net income per share

The Company computes earnings per share under Statement of Financial Accounting Standards No. 128 ("SFAS 128"), Earnings per Share. SFAS 128 specifies the computation, presentation and disclosure requirements for earnings per share data. SFAS 128 also requires the presentation of both basic and diluted earnings per share data for entities with complex capital structures. Diluted earnings per share data gives effect to all dilutive potential common shares that were outstanding during the periods presented.

Foreign currency translation

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

historical exchange rates. The resulting foreign currency t ranslation adjustments are recorded as a separate component of stockholders' equ ity in the consolidated balance sheets, and transaction gains and losses are i ncluded in other income and expense in the consolidated financial statements.

Fair value of financial instruments

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

Stock-based compensation

The Company measures compensation expense for its stock-based employee compensation plans using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25 ("APB 25"), Accounting for Stock Issued to Employees, and provides pro forma disclosures of net income and net income per share as if the fair value based method prescribed by Statement of Financial Accounting Standards No. 123 ("SFAS 123"), Accounting for S tock-Based Compensation, had been applied in measuring compensation expense (Note 14).

Reporting comprehensive income

The Company has adopted Statement of Financial Accounting Standar ds No. 130 ("SFAS 130"), Reporting Comprehensive Income. Comprehensive income is defined as the change in equity of a business enterprise during a period from tr ansactions and other events and circumstances from nonowner sources, and it in

cludes all
changes in equity during a period except those resulting from inves tments by
owners and distributions to owners.

Accounting for derivative instruments and hedging activities

In June 1998, the Financial Accounting Standards Board issued St atement of
Financial Accounting Standards No. 133 ("SFAS 133"), Accounting for Derivative
Instruments and Hedging Activities. The statement requires com panies to
recognize all derivatives as either assets or liabilities, with the i nstruments
measured at fair value. Changes in the fair value of derivatives ar e recorded
each period in current earnings or other comprehensive income, depend ing on the
intended use of the derivative and its resulting designation. The st atement 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 does not
anticipate that the adoption of SFAS 133 will have a significant imp act on its
consolidated financial statements.

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Nu Skin Enterprises, Inc.
Notes to Consolidated Financial Statements
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3. Acquisition of NSI and Certain Affiliates

On March 26, 1998, the Company completed the acquisition (the "NSI
Acquisition") of the capital stock of NSI, NSI affiliates in Euro pe, South
America, Australia and New Zealand and certain other NSI affili ates (the
"Acquired Entities") for $70.0 million in preferred stock and long-t

erm notes
payable to the stockholders of the Acquired Entities (the "NSI Stoc kholders")
totaling approximately $6.2 million. In addition, contingent upon N SI and the
Company meeting specific earnings growth targets, the Company agreed to pay up
to $100.0 million in cash during the subsequent four year period to the NSI
Stockholders. The Company and NSI met specific earnings growth targe ts in 1998
resulting in a contingent payment to the NSI Stockholders of $25.0 mil lion. The
Company and NSI did not meet specific earnings growth targets for the years
ended December 31, 1999 and 2000. Contingent upon NSI and the Compan y meeting
specific earnings growth targets during 2001, the Company may pay u p to $75.0
million in cash over the next year to the NSI Stockholders. However, management
believes it is unlikely that such contingency payments will be made. 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 Enti ties. Any
additional contingent consideration paid over the next year, if an y, will be
accounted for in a similar manner. Also, as part of the NSI Acquisi tion, the
Acquired Entities' S corporation status was terminated, and the Acquired
Entities declared distributions to the stockholders that included all of the
Acquired Entities' previously earned and undistributed taxable S c orporation
earnings (the "S Distribution Notes"). The S Distribution Notes assum ed as part
of the NSI Acquisition totaled approximately $171.3 million and, in addition,
the Company incurred acquisition costs totaling $3.0 million. The net assets
acquired totaling $90.4 million include net deferred tax liabilities totaling
$7.4 million recorded upon the conversion of the Acquired Entities f

rom S to C
corporations.

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

For the portion of the NSI Acquisition accounted for by the purchase
method, the Company recorded inventory step-up of $21.6 million and intangible
assets of $34.8 million. During 1998, the inventory step-up was fully amortized
and the Company recorded amortization of intangible assets tota ling $1.6
million, $2.6 million and $2.5 million during 1998, 1999 and 2000, res pectively.

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

In connection with the restatement of the Company's consolidated financial
statements for 1997, the portion of the NSI Acquisition and the resulting
Preferred Stock issued to the common control group is reflected as if such stock
had been issued on the date of the Company's incorporation on Septembe

r 4, 1996.
On May 5, 1998, the stockholders of the Company approved the automatic conversion of the Preferred Stock issued in the NSI Acquisition into 2,978,159 shares of Class A common stock.

4. Acquisition of Pharmanex, Inc.

On October 16, 1998, the Company completed the acquisition of privately-held Generation Health Holdings, Inc., the parent company of Pharmanex, Inc. (the "Pharmanex Acquisition"), for $77.6 million, which consisted of approximately 3.6 million shares of the Company's Class A common stock, including approximately 261,000 shares issuable upon exercise of options assumed by the Company (Note 14). Also, as part of the Pharmanex Acquisition,

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the Company assumed approximately $34.0 million in liabilities, the majority of which was settled in cash in connection with the closing, and incurred acquisition costs totaling $1.3 million.

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

During 1998, the in-process research and development amount was fully written off and the Company recorded amortization of intangible assets totaling $1.3 million, $6.9 million and $7.2 million during 1998, 1999 and 2000, respectively. The Company recorded amortization of inventory step up of $0.4 million and $3.3 million during 1998 and 1999, respectively.

5. 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 various accounts payable of Nu Skin USA.

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.

6. 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. The Company recorded amortization on the intangible assets relating to the Big Planet Acquisition of $1.1 million and $2.3 million during 1999 and 2000, respectively. Big Planet incurred operating losses of approximately $25.0 million for the year ended December 31, 2000.

7. Related Party Transactions

Scope of related party activity

Prior to the acquisition of certain assets of Nu Skin USA (see Note 5) and the acquisition of the North American Affiliates in 1999, the Company had transactions with these affiliated entities. The transactions with these entities were as follows: (1) The Company sold products and marketing materials. (2) The Company collected trademark royalty fees from these entities on products bearing NSI trademarks that are not purchased from NSI. (3) The Company entered into a distribution agreement with each independent distributor. (4) The Company collected license fees from these entities for the right to use the distributors, and for the right to use the Company's distribution system and other related intangibles. (5) The Company operates a global commission plan whereby distributors' commissions are determined by aggregate worldwide purchases made by downline distributors. Thus, commissions on purchases from the Company earned by distributors located in geographic areas outside those held by the Company were remitted to the Company, which then forwarded these commissions to the distributors. (6) The Company collected fees for management and support services provided to these entities.