SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

FOR ANNUAL AND TRANSITION REPORTS
PURSUANT TO SECTIONS 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

(Mark One)
|X| ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1997

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from _____ to _____

Commission file number 001-12421

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

Delaware	87-0565309
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
75 West Center Street, Provo, Utah	84601
(Address of Principal Executive Offices)	(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 Each Exchange on Which Registered
Class A Common Stock	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

(Title of Class)

(Title of Class)

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
--- ---

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 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.

As of March 5, 1998, the aggregate market value of the voting stock (Class A and Class B Common Stock) held by non-affiliates of the Company was $648,847,604. For purposes of this calculation, voting stock held by officers, directors, and corporate affiliates has been excluded.

As of March 5, 1998, 11,830,104 shares of the Company's Class A Common Stock, $.001 par value per share, 70,280,759 shares of the Company's Class B Common Stock, $.001 par value per share, and no shares of the Company's Preferred Stock, $.001 par value per share, were outstanding.

Portions of the Company's 1997 Annual Report (the "1997 Annual Report") to security holders to be furnished to the Securities and Exchange Commission (the "Commission") pursuant to Rule 14a-3(b) in connection with Registrant's 1998 Annual Meeting of Stockholders scheduled to be held on or about May 5, 1998 (the "1998 Annual Meeting"), are attached hereto as Exhibit 13, and are incorporated herein by reference into Parts II and IV of this Annual Report on Form 10-K (this "Report").

Portions of the Company's Definitive Proxy Statement (the "Proxy Statement") to be filed with the Commission pursuant to Regulation 14A in connection with the 1998 Annual Meeting are incorporated herein by reference into Part III of this Report.

Certain Exhibits filed with the Company's Registration Statement on Form S-1 (Registration No. 333-12073), as amended on Post Effective Amendment No. 1 to the Company's Registration Statement filed on September 3, 1997 (Registration No. 333-12073), and Company's Annual Report on Form 10-K for the year ended December 31, 1996 are incorporated herein by reference into Part IV of this

Report.

NU SKIN ASIA PACIFIC, INC.

1997 FORM 10-K ANNUAL REPORT

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PART I

ITEM 1. BUSINESS

General

Nu Skin Asia Pacific, Inc. ("Nu Skin Asia Pacific" or the "Company"), is a network marketing company involved in the distribution and sale of premium quality, innovative personal care and nutritional products. The Company is the exclusive distribution vehicle for Nu Skin International, Inc. ("NSI") in the countries of Japan, Taiwan, Hong Kong (including Macau), South Korea, Thailand and the Philippines, where the Company currently has operations, and in Indonesia, Malaysia, the People's Republic of China ("PRC"), Indonesia, Singapore and Vietnam, where Nu Skin operations have not commenced. The Company's products are specifically designed for the network marketing distribution channel. The Company markets its personal care products under the trademark "Nu Skin" and its nutritional products under the trademark "Interior Design Nutritionals" ("IDN"). The Nu Skin personal care product lines include facial care, body care, hair care and color cosmetics, as well as specialty products such as sun protection, oral hygiene and fragrances. The IDN product lines include nutritional supplements, weight management products and nutritious snacks, sports nutrition products, health solutions and botanical supplements.

The Company was incorporated in Delaware on September 4, 1996. On November 20, 1996, the stockholders (the "Original Stockholders") of Nu Skin Japan Company, Limited ("Nu Skin Japan"), Nu Skin Taiwan, Inc. ("Nu Skin Taiwan"), Nu Skin Hong Kong, Inc. ("Nu Skin Hong Kong"), Nu Skin Korea, Inc. ("Nu Skin Korea") and Nu Skin Personal Care (Thailand), Inc. ("Nu Skin Thailand") (together the "Original Subsidiaries") contributed their shares of capital stock to the capital of the Company in a transaction (the "Reorganization ") intended to qualify under Section 351 of the Internal Revenue Code of 1986, as amended (the "Code"), in exchange for shares of the Company's Class B Common Stock, par value $.001 per share (the "Class B Common Stock"). As a result of the Reorganization, each of the Original Subsidiaries became a wholly-owned subsidiary of the Company. Unless otherwise noted, references to "Nu Skin Asia Pacific" or the "Company" mean Nu Skin Asia Pacific, Inc., including the Subsidiaries. The "Subsidiaries" means Nu Skin Japan, Nu Skin Taiwan, Nu Skin Hong Kong, Nu Skin Korea, Nu Skin Thailand, and Nu Skin Philippines, Inc. ("Nu Skin Philippines") collectively. Until September 30, 1994, the Company's fiscal year ended on September 30 of each year. As of October 1, 1994, the Company changed its fiscal year end to December 31 of each year, beginning with the fiscal year ended December 31, 1995.

In November 1996, the Company and certain Original Stockholders sold a total of 10,465,000 shares of the Company's Class A Common Stock, par value $.001 per share (the "Class A Common Stock" and together with the Class B Common Stock the "Common Stock"), in underwritten public offerings (the "Underwritten Offerings"). In addition, in December 1996, the Company, NSI and certain of NSI's affiliates offered to qualifying NSI independent distributors and employees, in non-underwritten offerings (the "Rule 415 Offerings", and together with the Underwritten Offerings, the "Offerings") certain options and shares of Class A Common Stock pursuant to Rule 415 under the Securities Act of 1933, as amended (the "1933 Act").

NSI, founded in 1984 and based in Provo, Utah, is engaged in selling personal care and nutritional products and, together with its affiliates, comprises one of the largest network marketing organizations in the world. NSI provides a high level of support services to the Company, including product development, marketing and other managerial support services. Since distributor agreements are entered into between NSI and distributors, all of the distributors who generate revenue for the Company are distributors of NSI who are licensed to the Company pursuant to agreements between NSI and the Company's Subsidiaries. On February 27, 1998, the Company entered into a Stock Acquisition Agreement with the Stockholders of NSI and certain affiliates of NSI to acquire all of the capital stock of NSI and certain affiliates of NSI. See "Recent Developments."

Nu Skin(R), Interior Design Nutritionals(TM), IDN(R), a logo consisting of an image of a gold fountain with the words "Nu Skin" below it, and a logo consisting of the stylized letters "IDN" in black and red are trademarks of NSI which are licensed to the Company. The italicized product names used in this Annual Report on Form 10-K are product names and also, in certain cases, trademarks and are the property of NSI. All other tradenames and trademarks appearing in this Annual Report on Form 10-K are the property of their respective holders.

In this Annual Report on Form 10-K, references to "dollars" and "$" are to United States dollars, and the terms "United States" and "U.S." mean the United States of America, its states, territories, possessions and all areas subject to its jurisdiction. References to "yen" and "(Y)" are to Japanese yen, and references to "won" are to South Korean won. References to "baht" are to Thai baht. References, if any, to the "NT$" are to New Taiwanese dollars and references, if any, to the "HK$" are to Hong Kong dollars.

Note Regarding Forward-Looking Statements

Certain statements made herein under the captions "Business-Country Profiles," and "Risk Factors," are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Reform 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 Reform Act.

Forward-looking statements include plans and objectives of management for future operations, including plans and objectives relating to the products and the future economic performance of each country in which the Company operates and financial results of the Company. 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 forward-looking statements and associated risks set forth herein relate to the: (i) proposed NSI Acquisition, (ii) expansion of the Company's market share in its current markets; (iii) Company's entrance into new markets (iv) development of new products and new product lines tailored to appeal to the particular needs of consumers in specific markets; (v) stimulation of product sales by introducing new products; (vi) opening of new offices, walk-in distribution centers and distributor support centers in certain markets; (vii) promotion of distributor growth, retention and leadership through local initiatives; (viii) upgrading of the Company's technological resources to support distributors; (ix) obtaining of regulatory approvals for certain products, including LifePak; (x) stimulation of product purchases by inactive distributors through direct mail campaigns; (xi) retention of the Company's earnings for use in the operation and expansion of the Company's business; (xii) development of brand awareness and loyalty; (xiii) enhancing of the Company's Global Compensation Plan; (xiv) diversifying of the Company's revenue base and markets, (xv) seeking of cost reductions from vendors; and (vxi) establishment of local manufacturing.

All forward-looking statements are subject to known and unknown risks and uncertainties, including those discussed under the caption "Risk Factors" herein, that could cause actual results to differ materially from historical results and those presently anticipated or projected. The Company wishes to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. The Company wishes to further advise readers that the important factors listed under the caption "Risk Factors" could affect the Company's financial performance and could cause the Company's actual results for future periods to differ materially from any views or statements expressed with respect to future periods. Important factors and risks that might cause such differences include, but are not limited to (a) factors related to the Company's reliance upon independent distributors of NSI, (b) fluctuations in foreign currency values relative to the U.S. dollar, (c) adverse economic and business conditions in the Company's markets, especially South Korea and Thailand, (d) the possibility the proposed NSI Acquisition may not be consummated, (e) the potential effects of adverse publicity, including adverse publicity regarding the Company and other direct selling companies in South Korea and the Company's other markets, (f) the potential negative impact of distributor actions, (g) seasonal and cyclical trends, (h) variations in operating results, (i) government regulation of direct selling activities in the PRC, Malaysia and other existing and future markets, (j) government regulation of products and marketing, (k) import restrictions, (l) other regulatory issues, including regulatory action against the Company or its distributors in any of the Company's markets and particularly in South Korea, (m) the Company's reliance on certain distributors, (n) the potential divergence of interests between distributors and the Company, (o) management of the Company's growth, (p) the effects on operations of the NSI distributor equity program, (q) the introduction of the Scion product line in the Philippines and Aloe-mx in Japan, (r) market acceptance in South Korea and other markets of LifePak and LifePak Trim, the Company's core IDN nutritional supplements, (s) the acceptance of new distributor walk-in centers in Japan, Thailand and Taiwan, (t) acceptance of modifications to the Company's sales compensation plan in the Philippines, (u) the Company's ability to renegotiate or adjust vendor relationships, (v) the Company's ability to establish local manufacturing capability, (w) risks inherent in the importation, regulation and sale of personal care and nutritional products in the Company's markets, (x) the Company's ability to successfully enter new markets such as Poland and Brazil and introduce new products in addition to

those already referenced above, (y) the Company's ability to manage growth and deal with the possible adverse effect on the Company of the change in the status of Hong Kong, (z) the potential conflicts of interest between the Company and NSI, (aa) control of the Company by the Original Stockholders, (bb) the anti-takeover effects of dual classes of common stock, (cc) the Company's reliance on and the concentration of outside manufacturers, (dd) the Company's reliance on the operations of and dividends and distributions from the Subsidiaries, (ee) taxation and transfer pricing issues, (ff) the potential increase in distributor compensation expense, (gg) product liability issues, and (hh) competition in the Company's existing and future markets.

In light of the significant uncertainties inherent in forward-looking statements, the inclusion of any such statement should not be regarded as a representation by the Company or any other person that the objectives or plans of the Company will be achieved. The Company disclaims any obligation or intent to update any such factors or forward-looking statements to reflect future events or developments. See "Risk Factors."

Recent Developments

On February 27, 1998, the Company entered into a Stock Acquisition Agreement (the "Acquisition Agreement") with the stockholders of NSI and certain affiliates of NSI (the "NSI Stockholders") to acquire (the "NSI Acquisition") all of the capital stock of NSI and certain affiliates of NSI (the "Acquired Entities"). The consideration to be paid by the Company to the NSI Stockholders will consist of shares of Series A Preferred Stock, par value $.001 per share, of the Company (the "Series A Preferred Stock") in an amount determined as set forth below, the assumption of the Acquired Entities' S Distribution Notes (as defined below) payable to the NSI Stockholders in the amount of approximately $180 million (taking into account the Acquired Entities' S Distribution Notes as of December 31, 1997 and as of the closing date of the NSI Acquisition) and, contingent upon NSI and the Company meeting certain earnings growth targets, up to $25 million in cash per year over the next four years. In addition, the Acquisition Agreement provides that if the Acquired Entities' S Distribution Notes do not equal or exceed $180 million, the Company will pay each NSI Stockholder in cash or in the form of promissory notes the difference between (i) $180 million and (ii) the aggregate principal amount of the Acquired Entities' S Distribution Notes multiplied by each NSI Stockholder's proportional ownership interest in the outstanding capital stock of NSI. The Acquisition Agreement provides that the number of shares of Series A Preferred Stock to be delivered to the NSI Stockholders shall be determined by dividing $70 million by the average closing price of the Class A Common Stock for the 20 consecutive trading days ending five trading days prior to the closing of the NSI Acquisition.

Collectively, the NSI Stockholders and their affiliates own beneficially all of the outstanding shares of the Class B Common Stock. In addition, several of the NSI Stockholders are directors and/or executive officers of the Company.

Effective as of December 31, 1997, NSI contributed certain assets relating to the right to distribute NSI products in the United States to Nu Skin USA, Inc. ("Nu Skin USA"), a newly created corporation wholly owned by the NSI Stockholders, in exchange for all of the common stock of Nu Skin USA. The Nu Skin USA common stock was then distributed to the NSI Stockholders. In addition, effective as of December 31, 1997, NSI and the other Acquired Entities declared distributions to their then existing stockholders (consisting solely of the NSI Stockholders) that included all of such Acquired Entities' previously earned and undistributed S corporation earnings through such date (the "Acquired Entities' S Corporation Distribution"). As of December 31, 1997, such Acquired Entities' aggregate undistributed S corporation earnings were approximately $136.2 million. The Acquired Entities' S Corporation Distribution was distributed in the form of promissory notes due December 31, 2004 and bearing interest at 8.0 % per annum (the "Acquired Entities' S Distribution Notes"). The Acquired Entities' S Corporation Distribution Notes are held entirely by the NSI Stockholders. In addition, the Acquired Entities will declare distributions to then existing stockholders that include all of such Acquired Entities' previously earned and undistributed S corporation earnings through the date of closing of the NSI Acquisition. As discussed above, the obligation to repay the Acquired Entities' S Distribution Notes to the NSI Stockholders will be assumed by the Company in connection with the NSI Acquisition.

The Acquired Entities consist of NSI, Nu Skin International Management Group, Inc., ("NSIMG") and the NSI affiliates operating in Europe, Australia and New Zealand, including Nu Skin Europe, Inc.; Nu Skin U.K., Ltd.(domesticated

in Delaware under the name Nu Skin U.K., Inc.); Nu Skin Germany, GmbH (domesticated in Delaware under the name Nu Skin Germany, Inc.); Nu Skin France, SARL (domesticated in Delaware under the name Nu Skin France, Inc.); Nu Skin Netherlands, B.V. (domesticated in Delaware under the name Nu Skin Netherlands, Inc.); Nu Skin Italy, (SRL) (domesticated in Delaware under the name Nu Skin Italy, Inc.); Nu Skin Spain, S.L. (domesticated in Delaware under the name Nu Skin Spain, Inc.); Nu Skin Belgium, N.V. (domesticated in Delaware under the name Nu Skin Belgium, Inc.); Nu Skin Personal Care Australia, Inc.; Nu Skin New Zealand, Inc.; Nu Skin Brazil, Ltda. (domesticated in Delaware under the name Nu Skin Brazil, Inc.); Nu Skin Argentina, Inc.; Nu Skin Chile, S.A. (domesticated in Delaware under the name Nu Skin Chile, Inc.); Nu Skin Poland Spa. (domesticated in Delaware under the name Nu Skin Poland, Inc.); and Cedar Meadows, L.C. The NSI Stockholders continue to own as private entities the NSI affiliates operating in the United States, Canada, Mexico, Guatemala and Puerto Rico, including Nu Skin USA, Inc.; Nu Skin Canada, Inc.; Nu Skin Mexico S.A. de C.V. (domesticated in Delaware under the name Nu Skin Mexico, Inc.); Nu Skin Guatemala, S.A. (domesticated in Delaware under the name Nu Skin Guatemala, Inc.); and Nu Skin Puerto Rico, Inc. (collectively, the "Retained Entities").

The following chart illustrates the organizational structure of the Company and the Retained Entities immediately after the NSI Acquisition.

[Organizational Chart]

Through its acquisition of NSI, the Company will obtain ownership and control of the Nu Skin trademarks and tradenames, the Nu Skin Global Compensation Plan, distributor lists and related intellectual property and know-how (collectively, the "Intellectual Property"). The Company, through NSI, intends to continue to license the Intellectual Property and, through NSIMG, intends to continue to provide management support services to the Acquired Entities on substantially the same terms as existed prior to the NSI Acquisition. In connection with the NSI Acquisition, the Company anticipates, through NSI and NSIMG, entering into new agreements with Nu Skin USA, Inc. and revised agreements with the other Retained Entities on terms substantially similar to its agreements with the Acquired Entities, pursuant to which NSI will continue to license the Intellectual Property and the exclusive right to sell Nu Skin personal care and nutritional products in the United States, Canada, Mexico, Guatemala and Puerto Rico to the Retained Entities and NSIMG will continue to provide management support services to the Retained Entities.

Upon completion of the NSI Acquisition, the Company and its subsidiaries will own and distribute Nu Skin products in 18 markets worldwide. The Company will also hold the rights to all future Nu Skin markets.

Country Profiles

The following table sets forth the Company's revenue and the total number of active distributors for each of the countries in which the Company operated for the years ended December 31, 1995, 1996 and 1997. This table should be reviewed in connection with the information presented under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations," incorporated herein by reference to the Company's 1997 Annual Report, sections of which are filed herewith as Exhibit 13, which discusses the costs associated with generating the aggregate revenue presented. The Company did not commence operations in the Philippines until February 1998.

	Year Ended December 31,		
COUNTRY	1995	1996	1997
	(dollars in thousands)		
Revenue:			
Japan	$ 231,540	$ 380,044	$ 599,375
Taiwan	105,415	154,564	168,568
South Korea(1)	--	--	74,207
Thailand(2)	--	--	22,834
Hong Kong	17,046	17,037	21,267

	Year Ended December 31,		
	1995	1996	1997
Active Distributors(3)(4):			
Japan	147,000	215,000	297,000
Taiwan	75,000	91,000	86,000
South Korea(1)	--	57,000	21,000
Thailand(2)	--	--	11,000
Hong Kong	14,000	14,000	15,000
Total	236,000	377,000	430,000

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(1) The Company commenced operations in South Korea in February 1996.

(2) The Company commenced operations in Thailand in March 1997. (3) The term "Active Distributors" includes only those distributors who purchased products from the Company during the three months ended as of the date indicated.
(4) Numbers are rounded to the nearest thousand.

The following table sets forth certain estimated economic and demographic data in each of the Company's markets for the years presented. Although the Company believes that the following table provides a useful basis for evaluating the relative size and growth of the economies and populations of the countries in which the Company operates, no assurance can be given that economic or population data in a particular country will indicate what the Company's results of operations will be in that country. In addition, the following data does not reflect the economic decline that commenced in certain of the Company's markets in 1997. The listed data was not available from the referenced source as of March 5, 1998.

Country	1996 Population (in millions)	1996 GDP (in billions of $)	1996 GDP per capita (in $)	Real GDP Growth 1996/1995 (%)
Japan	125.5	$4,575.2	$36,456	3.6%
Taiwan	21.5	270.5	12,583	5.6
South Korea	45.3	497.6	10,984	6.9
Hong Kong	6.3	158.7	25,108	4.6
Thailand	61.8	185.0	2,993	6.7
Philippines	72.0	83.2	1,156	5.5

Source: World Information Services; Country Data Forecasts, March 1997.

Japan. The Company, through its subsidiary Nu Skin Japan, commenced operations in Japan in April 1993. According to the World Federation of Direct Selling Associations ("WFDSA"), the direct selling channel in Japan generated sales of approximately $30 billion of goods and services in 1996, making Japan the largest direct selling market in the world. Management believes that as many as six million people are involved in direct selling businesses in Japan. Direct selling is well-understood in Japan and is governed by detailed government regulation. See "Risk Factors--Government Regulation of Direct Selling Activities" and "--Government Regulation of Products and Marketing; Import Restrictions."

A great deal of the Company's success to date can be directly attributed to the growth of its Japanese business in recent years. Significant revenue was recognized from the outset of the Company's operations in Japan due to the immediate attention given to the market by leading NSI distributors from around the world. Japan has continued to post strong financial results for the Company, with revenue increasing by approximately 58% in U.S. dollars and 75% in local currency for 1997 compared to 1996 and by approximately 64% in U.S. dollars and 90% in local currency for 1996 compared to 1995. Management believes that the increase from 1996 to 1997 was primarily the result of the growth in executive distributors in Japan during this period and the increasing demand for IDN products, which accounted for 38% of revenue for the period. Furthermore, given the size of the direct selling market, management believes that there is still significant opportunity for revenue growth in this market. However, a variety of factors including, without limitation, economic conditions in Asia generally and Japan specifically may hinder revenue growth. As of December 31, 1997, Nu Skin Japan offered 68 of the 90 Nu Skin personal care products and 15 of the 40 IDN products, including LifePak and LifePak Trim, the core IDN nutritional supplements. Nu Skin Japan also offered 4 popular skin lightening products, 7 additional face care products, and Aloe-mx, an Aloe vera-based nutritional drink designed specifically for Japanese consumers.

In support of the Company's growth strategy, Nu Skin Japan intends to (i) focus on internal country development by supporting the recently opened Fukuoka walk-in center and considering opening offices in additional Japanese cities, thereby increasing consumer awareness and enhancing the Company's image, (ii) expand development capacity to develop more products that are particularly suited to the Japanese market, (iii) continue to expand the current product offerings in Japan to include additional Nu Skin personal care and IDN products, (iv) enhance corporate support of distributors by upgrading information technology resources, (v) expand warehousing and distribution support facilities, and (vi) continue to build brand name recognition through sponsorship from time to time of major events such as the NBA Supergames in 1997 and the Nippon Yacht Squadron in the America's Cup 2000 Regatta.

Taiwan. The Company, through its subsidiary Nu Skin Taiwan, commenced operations in Taiwan in January 1992. According to the WFDSA, the direct selling channel in Taiwan generated approximately $1.7 billion in sales of goods and

services in 1996, of which approximately 43% were nutritional products. Approximately two million people (approximately 10% of the population) are estimated to be involved in direct selling. Because a large percentage of its population is involved in direct selling activities, the Taiwan government regulates direct selling activities to a significant extent. For example, the Taiwan government has enacted tax legislation aimed at ensuring proper tax payments by distributors on their transactions with end consumers. See "Risk Factors--Government Regulations of Direct Selling Activities" and "--Government Regulation of Products and Marketing; Import Restrictions."

Revenue growth in Taiwan has averaged 41% per year since the commencement of operations in 1992. The Company believes that the 1997 increase in sales was primarily due to (i) the opening of walk-in centers in various Taiwanese cities, (ii) increased distributor training and recognition, and (iii) increased product offerings. The Company believes that Nu Skin Taiwan was the largest direct selling company in Taiwan in 1997. As of December 31, 1997, Nu Skin Taiwan offered 72 of the 90 Nu Skin personal care products and 11 of the 40 IDN products.

In support of the Company's growth strategy, Nu Skin Taiwan intends to (i) capitalize on the size of the nutritional supplements market by locally sourcing LifePak to more competitively price this core IDN product and expanding the current product offerings in Taiwan to include additional Nu Skin personal care and IDN products, (ii) focus more resources on product development specifically for the Taiwan market, and (iii) enhance corporate support of distributors by upgrading information technology resources.

Hong Kong. The Company, through its subsidiary Nu Skin Hong Kong, commenced operations in Hong Kong in September 1991. According to the WFDSA, the direct selling channel in Hong King generated approximately $78 million in sales of goods and services in 1995. Hong Kong represents an important market in the structure of the Asian region because it serves as the location of the Company's regional office and is an important base of operations for many of the Company's most successful distributors, whose downline distributor networks extend into other Asian markets. As of December 31, 1997, Nu Skin Hong Kong offered 86 of the 90 Nu Skin personal care products and 18 of the 40 IDN products.

Hong Kong became a Special Administrative Region (SAR) of the PRC effective July 1, 1997. Although the Company has not perceived any material impact resulting from the integration, further integration of the Hong Kong economy and political system with the economy and political system of the PRC could have an impact on the Company's business in Hong Kong. See "Risk Factors--Possible Adverse Effect on the Company of the Change in the Status of Hong Kong."

In February 1995, Macau, a Portuguese colony scheduled to become an SAR of the PRC in 1999, was opened as a new market. Revenue figures for Macau are combined with those of Hong Kong. Macau represents the smallest of the Company's markets in population with just under 500,000 residents. The Company's Macau office operates under the direction of Nu Skin Hong Kong.

In support of the Company's growth strategy, Nu Skin Hong Kong intends to (i) promote distributor growth, retention and leadership development through local initiatives, (ii) capitalize on the size of the nutritional supplements market by promoting the premium LifePak nutritional supplement, (iii) expanding the current product offerings in Hong Kong to include additional Nu Skin personal care and IDN products, and (iv) stimulate purchases from inactive distributors through direct mail campaigns.

South Korea. The Company, through its subsidiary Nu Skin Korea, commenced operations in South Korea in February 1996. According to the WFDSA, the direct selling channel in South Korea generated approximately $1.8 billion in sales of goods and services in 1996. South Korea's direct sales legislation, which went into effect in July 1995, requires companies to comply with numerous provisions, such as local registration, reporting of certain operating results and dissemination to distributors of certain information regarding the laws. Nu Skin Korea was among the first foreign-owned firms to register and begin operations under the new direct selling legislation. See "Risk Factors--Government Regulations of Direct Selling Activities" and "--Government Regulation of Products and Marketing; Import Restrictions."

Management believes that Nu Skin Korea was one of the largest direct sellers in the country during this time period. As of December 31, 1997, Nu Skin Korea offered 52 of the 90 Nu Skin personal care products and 1 of the 40 IDN

products. Additionally, Nu Skin Korea offered various shades of Nu Colour MoistureShade Liquid Finish designed specifically for Korean consumers.

The Company had sales in South Korea of approximately $122 million and $74 million for 1996 and 1997, respectively. The Company believes that the revenue decline in South Korea during the second half of 1997, although partially reflective of the business cycle experienced by the Company in other new markets, was primarily the result of other factors specific to South Korea. These other factors include a general collapse of the South Korean economy, volatility in the South Korean won and activities by the South Korean government and campaigns by a coalition of consumer protection and trade organizations against producers of luxury and foreign goods, in general, and certain network marketing companies, in particular, that resulted in negative media attention. Management believes that the media attention has negatively impacted the business environment generally. See "--Potential Effects of Adverse Publicity." Additionally, the recent economic decline in South Korea has resulted in reduced consumer spending on foreign goods. Further, the devaluation of the Korean won has suppressed reported U.S. dollar revenues.

In support of the Company's growth strategy, Nu Skin Korea intends to (i) engage in the local manufacturing of certain products to alleviate concerns about the high level of goods being imported into South Korea by the Company, (ii) engage in targeted promotional and public relations activities designed to address concerns regarding the current business environment for direct selling companies, (iii) promote the development of local distributor leadership, including focused training efforts, compensation plan modifications and the introduction of distributor productivity programs, and (iv) build the local distributor support infrastructure.

Thailand. The Company, through its subsidiary, Nu Skin Thailand, commenced operations in Thailand on March 13, 1997. According to the WFDSA, direct sales in 1996 totaled $800 million in Thailand, making it the fourteenth largest direct selling market worldwide. The Company's opening in Thailand was supported by more than 200 of NSI's highest ranking distributors, many of whom are from Taiwan and other Asian markets. As of December 31, 1997, Nu Skin Thailand offered 31 of the 90 Nu Skin personal care products and none of the IDN products. Initial revenue growth in the first half of 1997 slowed dramatically in the second half of 1997 due primarily to economic turmoil in Thailand which led to a significant devaluation of the Thai baht and a general slowdown in consumer spending for foreign goods.

In Thailand, the Company intends to (i) systematically introduce additional Nu Skin personal care products including locally sourced products at a value price, (ii) promote the Company's brand image through public relations efforts, including the endorsement of Nu Skin personal care products by the 1995-1996 Miss Thailand, and (iii) train new distributors in the most effective methods of marketing the Company's products and in becoming effective leaders within NSI's global distributor compensation plan (the "Global Compensation Plan") framework.

Philippines. The Company, through its subsidiary Nu Skin Philippines, commenced operations in the Philippines on February 4, 1998. The opening was supported by over 150 of NSI's highest ranking distributors. Nu Skin Philippines currently offers 26 of the 90 personal care products, none of the IDN products and 11 personal care products that are manufactured in the Philippines under the brand name Scion. The locally produced Scion personal care product line is priced to appeal to a broader demographic segment of the population than Nu Skin premium products. The Company intends to focus on establishing a stable distributor base prior to implementing product line enhancements. In addition, the Company also has implemented an enhancement to the Global Compensation Plan to provide greater incentives for distributors at low executive levels in this country with relatively low per capita income.

New Market Opportunities

The Company has developed a low cost, disciplined approach to opening new markets. Each market opening is preceded by a thorough analysis of economic and political conditions, regulatory standards and other business, tax and legal issues. Prior to a market opening, the Company's management team, in conjunction with NSI support personnel, local legal counsel and tax advisors, works to obtain all necessary regulatory approvals and establish facilities capable of meeting distributor needs. This approach, combined with the Global Compensation Plan which motivates distributors to sponsor and train other distributors to sell products in new markets, has enabled the Company to quickly and successfully open new markets.

The Company has the right to be the exclusive distributor of NSI products in Indonesia, Malaysia, the PRC, Singapore and Vietnam. The Company believes that these countries collectively represent significant markets for future expansion; however, no assurance can be given that Nu Skin operations will ever be commenced in these counties. Generally, the Company, as a matter of policy, does not announce the timing of its opening of new markets.

There are, however, significant risks and uncertainties associated with the Company's expansion into these countries. The regulatory and political climate in these potential markets is such that a replication of the Company's current operating structure cannot be guaranteed. For example, Malaysia has governmental guidelines that have the effect of limiting foreign ownership of direct selling companies operating in Malaysia to no more than 30%. In addition, because the Company's personal care and nutritional product lines are generally positioned as premium product lines, the market potential for the Company's product lines in relatively less developed countries, such as the PRC and Vietnam, remains to be determined. Modifications to each product line may be needed to accommodate the market conditions in each country, while maintaining the integrity of the Company's products. No assurance can be given that the Company will be able to obtain necessary regulatory approvals to commence operations in these new markets, or that, once such approvals are obtained, the Company and NSI, upon which the Company is largely dependent for product development assistance, will be able to successfully reformulate Nu Skin personal care and IDN product lines in any of the Company's new markets to attract local consumers. Given existing regulatory environments and economic conditions, the Company's entrance into Singapore and Vietnam is not anticipated in the short to mid-term. See "Risk Factors--Entering New Markets" and "--Government Regulation of Products and Marketing; Import Restrictions."

The following table sets forth certain estimated economic and demographic data in each of the countries for which the Company has an exclusive license but in which the Company has not commenced Nu Skin operations. Although the Company believes that the following table provides a useful basis for evaluating the relative size and growth of the economies and populations of the countries in which the Company intends to operate, no assurance can be given that economic or population data in a particular country will indicate what the Company's results of operations, if any, will be in that country.

Country	1996 Population (in millions)	1996 GDP (in billions of $)	1996 GDP per capita (in $)	Real GDP Growth 1996/1995 (%)
Indonesia	197.4	$224.5	$1,137	7.8%
Malaysia	20.5	97.2	4,751	8.2
PRC	1,236.0	808.2	654	9.7
Singapore	3.0	93.2	30,771	7.0
Vietnam	76.3	26.1	342	9.3

Source: World Information Services; Country Data Forecasts, March 1997.

Indonesia. Although historically not open to foreign investment opportunities, in the mid 1990's, Indonesia experienced an emphasis on deregulation and private enterprise and an average annual growth in GDP of 6% from 1985 to 1994. The Indonesian Direct Selling Association reports that there are 750,000 participants in direct selling in the country. During the latter part of 1997, Indonesia experienced a significant devaluation in its local currency and significant economic turmoil. Due to these recent factors, management believes that immediate expansion into this market is not in the Company's best interest.

Malaysia. According to the WFDSA, more than $760 million in goods and services were sold through the direct selling channel in Malaysia in 1996. There are currently numerous direct selling companies operating in Malaysia. In October 1995, the Company's business permit applications were denied by the Malaysian government as the result of activities by certain NSI distributors before required government approvals could be secured. See "Risk Factors--Potential Negative Impact of Distributor Actions" and "--Potential Effects of Adverse Publicity." Management is continuing to evaluate the time frame in which it will reapproach the Malaysian market.

PRC. With the PRC's large population and the Company's success in the neighboring and Chinese-speaking countries of Hong Kong and Taiwan, management believes that the PRC may be an attractive market for the Company. However, the PRC has proven to be a particularly difficult market for foreign corporations due to its extensive government regulation and historical political tenets, and no assurance can be given that the Company will be able to establish operations in the PRC. The Company believes that entering the PRC may require the successful establishment of a joint venture enterprise with a Chinese partner and the establishment of a local manufacturing presence. These initiatives would likely require a significant investment over time by the Company. The Company believes that the PRC national regulatory agency responsible for direct selling periodically reviews the regulation of multi-level marketing. Management is aware of recent media reports in the PRC reporting an increasing desire on the part of senior government officers to curtail or even abolish direct selling and multi-level marketing activities. These views may lead to changes in applicable regulations. The Company believes that PRC regulators are currently not issuing direct selling or multi-level marketing licenses and may take action restricting currently licensed direct selling businesses. The Company is actively working on these and other issues including joint ventures and potential marketing alternatives related to possible Nu Skin operations in the PRC. It is not known when or whether the Company will be able to implement in the PRC business models consistent with those used by the Company in other markets. The Company will likely have to apply for licenses on a province by province basis, and the repatriation of the Company's profits will be subject to restrictions on currency conversion and the fluctuations of the government controlled exchange rate. In addition, because distribution systems in the PRC are greatly fragmented, the Company may be forced to use business models significantly different from those used by the Company in more developed countries. The lack of a comprehensive legal system, the uncertainties of enforcement of existing legislation and laws, and potential revisions of existing laws could have an adverse effect on the Company's proposed business in the PRC. See "Risk Factors--Entering New Markets."

Singapore. In Singapore, relatively high levels of GDP per capita indicate that the country enjoys strong consumer buying power and a dynamic market structure similar to, yet smaller than, Hong Kong. Although direct selling activities are permitted, currently network marketing is not allowed in Singapore. Accordingly, the Company's entrance into Singapore is not anticipated in the short to mid-term. See "--Government Regulation--Regulation of Products and Marketing; Import Restrictions."

Vietnam. The Company believes that there is little or no direct selling activity in Vietnam. However, the country is moving towards a market-based economy and has recently adopted a freely convertible currency. The Company anticipates that the increase in free enterprise will help to develop the direct selling channel. However, given existing regulatory, environmental and economic conditions, the Company's entrance into Vietnam is not anticipated in the short to mid-term.

Southeast Asian and South Korean Economic Crisis

During 1997, economic and in some cases political conditions in Southeast Asia and South Korea continued to decline. The region currently labors under declining stock and currency markets, mounting bad bank debt, bankruptcies involving some of its largest business enterprises, excess capacity, decreasing demand for foreign goods and political unrest. These conditions are most significantly reflected in the Company's operating results in South Korea and Thailand. The Company has announced initiatives in each of its existing markets to promote and sustain growth. These initiatives include increasing the local production of products, supplementary product offerings with more moderately priced goods, and enhancing the sales compensation plan to provide for greater commission payouts at lower qualifying levels. No assurances can be given that these initiatives will be successful. See " --Country Profiles" herein and "Management's Discussion and Analysis of Financial Condition and Results of Operations-- Outlook" incorporated herein by reference to the Company's 1997 Annual Report, sections of which are filed herewith as Exhibit 13.

Distribution System

Overview of Distribution System. The foundation of the Company's sales philosophy and distribution system is network marketing. Under most network marketing systems, distributors purchase products for retail sale and personal consumption. Pursuant to the Global Compensation Plan, products are sold exclusively to or through independent distributors

who are not employees of the Company or NSI. Distributors contract directly with NSI, and NSI makes such distributors available to the Company through Licensing and Sales Agreements. See "--Relationship with NSI."

Network marketing is an effective vehicle to distribute the Company's products because (i) a consumer can be educated about a product in person by a distributor, which is more direct than the use of television and print advertisements; (ii) direct sales allow for actual product testing by a potential consumer; (iii) the impact of distributor and consumer testimonials is enhanced; and (iv) as compared to other distribution methods, distributors can give customers higher levels of service and attention, by, among other things, delivering products directly to a consumer and following up on sales to ensure proper product usage and customer satisfaction, and to encourage repeat purchases. Under most network marketing systems, independent distributors purchase products for resale and for personal consumption.

Direct selling as a distribution channel has been enhanced in the past decade due to advancements in communications, including telecommunications, and the proliferation of the use of videos and fax machines. Direct selling companies can now produce high quality videos for use in product education, demonstrations and sponsoring sessions that project a desired image for the Company and the product line. Management believes that high quality sales aids play an important role in the success of distributor efforts. For this reason, NSI maintains an in-house staff of video production personnel and video and audio cassette duplication equipment for timely and cost-effective production of sales materials. These facilities and expertise are available for the Company's use. Management is committed to fully utilizing current and future technological advances to continue enhancing the effectiveness of direct selling.

NSI's network marketing program differs from many other network marketing programs in several respects. First, the Global Compensation Plan allows NSI distributors to develop a seamless global network of downline distributors. Second, NSI's order and fulfillment systems eliminate the need for distributors to carry significant levels of inventory. Third, 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 product's wholesale price. On a global basis, commissions have averaged approximately 42% of revenue from commissionable sales over the last eight years. Because the Company licenses the right to use the Global Compensation Plan from NSI, the structure of the plan, including commission rates, is largely under the control of NSI. See "Risk Factors--Increase in Distributor Compensation Expense."

The Company's revenue is directly dependent upon the efforts of distributors. Growth in sales volume requires an increase in the productivity of distributors and/or growth in the total number of distributors. Because the distributors have contracted directly with NSI, the Company primarily relies on NSI to enforce distributor policies and procedures. There can be no assurance that the productivity or number of distributors will be sustained at current levels or increased in the future. See "Risk Factors--Reliance Upon Independent Distributors of NSI." Furthermore, the Company estimates that, as of December 31, 1997, approximately 300 distributorships worldwide comprised NSI's Hawaiian Blue Diamond and Blue Diamond executive distributor levels, which are NSI'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 such a high-level distributor or another key distributor, together with a group of leading distributors in such distributor's downline network, or the loss of a significant number of distributors for any reason, could adversely affect the Company's results of operations. See "Risk Factors--Reliance on Certain Distributors; Potential Divergence of Interests between Distributors and the Company."

Sponsoring. The Company relies solely on NSI 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 whom a distributor sponsors are referred to as "downline" or "sponsored" distributors. If downline distributors also sponsor, they create additional levels in the structure, but their downline distributors remain part of the same downline network

as their original sponsoring distributor. See "Risk Factors--Reliance on Certain Distributors; Potential Divergence of Interests between Distributors and the Company."

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 friends, family members and acquaintances to sales meetings where Company products are presented and where the Global Compensation Plan is explained. People are often attracted to become distributors after using Company products and becoming regular retail customers. Once a person becomes a distributor, he or she is able to purchase products directly from the Company at wholesale prices for resale to consumers or for personal consumption. The distributor is also entitled to sponsor other distributors in order to build a network of distributors and product users.

A potential distributor must enter into a standard distributor agreement with NSI which obligates the distributor to abide by NSI's policies and procedures. Additionally, in all 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 Japan, Taiwan, Hong Kong and the Philippines, distributors are also required to purchase a starter kit, which includes NSI's policies and procedures, for between $55 and $85, which essentially represents the cost of producing the starter kit. In South Korea and Thailand, distributors are not required to purchase a starter kit.

Global Compensation Plan. Management believes that one of the Company's key competitive advantages is the Global Compensation Plan, which it licenses from NSI. 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 Nu Skin personal care and IDN products are sold, which allows distributors to receive commissions for global product sales, rather than merely local product sales. This seamless integration means that the Company's distributor base has global reach and that the knowledge and experience resident in current distributors can be used to build distributor leadership in new markets. Outside of the Company's markets, NSI currently has affiliated operations in the U.S., the United Kingdom, Puerto Rico, Canada, Australia, New Zealand, Ireland, Germany, France, the Netherlands, Belgium, Italy, Spain, Austria, Portugal, Mexico and Guatemala. Allowing distributors to receive commissions at the same rate for sales in foreign countries as for sales in their home country is a significant benefit to distributors because they 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 the Company's major competitors. Under the Global Compensation Plan, a distributor is paid consolidated monthly commissions in the distributor's home country, in local currency, for product sales in that distributor's global downline distributor network. Current and future distributor lists have been licensed by NSI to the Company pursuant to Licensing and Sales Agreements. See "--Relationship with NSI."

The Global Compensation Plan allows an individual the opportunity to develop a business, the success of which is based upon that individual's level of commitment, time, enthusiasm, personal skills, contacts, and motivation. For many, a distributorship is a very small business, in which products may be purchased primarily for personal consumption and for resale to relatively few customers. For others, a distributorship becomes a full-time occupation.

High Level of Distributor Incentives. Based upon its knowledge of network marketing distributor compensation plans, the Company believes that the Global Compensation Plan is among the most financially rewarding plans offered to distributors by network marketing companies. There are two fundamental ways in which distributors can earn money: (i) through retail markups, for which the Company recommends a range from 43% to 60%; and (ii) through a series of commissions on product sales, which can result in commissions to distributors aggregating up to 58% of such product's wholesale price. On a global basis, however, commissions have averaged approximately 42% of revenue from commissionable sales over the last eight years. See "Risk Factors--Increase in Distributor Compensation Expense."

Each product 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, 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 submit a qualifying letter of intent and achieve specified personal and group sales volumes for a four-month period of time. To maintain executive status, a distributor must generally also maintain specified personal and group sales volumes each month. An executive's commissions increase substantially as multiple downline distributors achieve executive status. In determining commissions, the number of levels of downline distributors that can be included in an executive's group increases as the number of executive distributorship directly below the executive increases.

As of the dates indicated below, the Company had the following number of executive distributors.

Total Number of Executive Distributors

	As of December 31,				
Executive Distributors	1993	1994	1995	1996	1997
Japan	2,459	3,613	4,017	10,169	15,756
Taiwan	1,170	2,093	3,014	5,098	4,342
South Korea	--	--	--	4,675	898
Thailand	--	--	--	--	308
Hong Kong	275	377	519	541	641
Total	3,907	6,083	7,550	20,483	21,945

On a monthly basis, the Company and NSI evaluate requests for exceptions to the Global Compensation Plan. While the general policy is to discourage exceptions, management 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 NSI.

Distributor Support. The Company is committed to providing high level support services tailored to the needs of its distributors in each market. The Company meets the needs and builds the loyalty of its distributors with personalized distributor service, a support staff that assists distributors as they build networks of downline distributors, and a liberal product return policy. Because many distributors have only a limited number of hours each week to concentrate on their Nu Skin business, management believes that maximizing a distributor's efforts through effective support of each distributor has been and will continue to be important to the success of the Company.

Through training meetings, annual conventions, distributor focus groups, regular telephone conference calls and personal contacts with distributors, the Company seeks to understand and satisfy the needs of each distributor. The Company provides walk-in, telephonic and computerized product fulfillment and tracking services that result in user-friendly, timely product distribution. In addition, the Company is committed to evaluating new ideas in technology and services, such as automatic product reordering, that the Company can provide to distributors. The Company currently utilizes voicemail, teleconferencing and fax services. Global Internet access (including Company and product information, ordering abilities and group and personal sales volume inquiries) is anticipated to be provided to distributors in the future. Each walk-in center maintains meeting rooms which distributors may utilize in training and sponsoring activities.

Rules Affecting Distributors. NSI's standard distributor agreement, policies and procedures, and compensation plan contained in every starter and/or introductory kit outline the scope of permissible distributor marketing activities. The Company's distributor rules and guidelines are designed to provide distributors with maximum flexibility and opportunity within the bounds of governmental regulations regarding network marketing. Distributors are independent contractors and are thus prohibited from representing themselves as agents or employees of NSI or the Company. Distributors are obligated to present the Company's products and business opportunity ethically and professionally. Distributors agree that the presentation of the Company's business opportunity must be consistent with, and limited to, the product claims

and representations made in literature distributed by the Company. No medical claims may be made regarding the products, nor may distributors prescribe any particular product as suitable for any specific ailment. Even though sponsoring activities can be conducted in many countries, distributors are prohibited from conducting marketing activities outside of countries in which NSI and the Company conduct business and are not allowed to export products from one country to another. See "Risk Factors--Potential Negative Impact of Distributor Actions."

Distributors must represent that the receipt of commissions is based on substantial efforts. Exhibiting commission statements or checks is prohibited. Sales aids such as videotapes, promotional clothing, pens, stationary and other miscellaneous items must be produced or pre-approved by the Company or NSI.

Distributors may not use any form of media advertising to promote products. Products may be promoted only by personal contact or by literature produced or approved by the Company. Generic business opportunity advertisements (without using either the Company or the NSI names) may be placed in accordance with certain guidelines in some countries. NSI logos and names may not be permanently displayed on physical premises. Distributors may not use NSI trademarks or other intellectual property of NSI without NSI's consent.

Products may not be sold, and the business opportunity may not be promoted, in traditional retail environments such as food markets, pharmacies and drugstores. Nor may business be conducted at conventions, trade shows, flea markets, swap meets, and similar events. Distributors who own or are employed by a service-related business such as a doctor's office, hair salon, or health club, may make products available to regular customers as long as products are not displayed visibly to the general public in such a way as to attract the general public into the establishment to purchase products.

Generally, distributors can receive commission bonuses only if, on a monthly basis (i) the distributor achieves at least 100 points (approximately U.S. $100) in personal sales volume, (ii) the distributor documents retail sales to at least five retail customers, (iii) the distributor sells and/or consumes at least 80% of personal sales volume, and (iv) the distributor is not in default of any material policies or procedures.

NSI systematically reviews alleged reports of distributor misbehavior. If NSI determines that a distributor has violated any of the distributor policies or procedures, it may either terminate the distributor's rights completely or impose sanctions such as warnings, probation, withdrawal or denial of an award, suspension of privileges of a distributorship, fines or penalties, withholding commissions until specified conditions are satisfied, or other appropriate injunctive relief. Distributor terminations based on violations of NSI's policies and procedures have aggregated less than 1% of the Company's distributor force since inception. Distributors may voluntarily terminate their distributorship at any time.

Payment. Distributors generally pay for products prior to shipment. Accordingly, the Company carries no accounts receivable from distributors. Distributors typically pay for products in cash, by wire transfer, and by credit cards. Cash, which represents a large portion of all payments, is received by order takers in the distribution center when orders are personally picked up by a distributor.

Product Summary

The Company offers products in two distinct categories: personal care products, marketed under the trademark "Nu Skin," and nutritional products, marketed under the trademark "Interior Design Nutritionals" (IDN). The Company is entitled to distribute NSI products in specified Asian countries pursuant to a Regional Distribution Agreement. See "--Relationship with NSI" and "Risk Factors--Relationship with and Reliance on NSI; Potential Conflicts of Interest." NSI markets 90 different personal care and 40 different nutritional products, of which 85 and 24, respectively, were available in at least one of the Company's current markets as of December 31, 1997. Nearly all products sold by the Company are purchased from NSI, with the exception of a line of 11 personal care products which are produced locally in Japan as well as a line of 11 personal care products which are produced locally in the Philippines. In addition to products, the Company

offers a variety of sales aids, including items such as starter kits, introductory kits, brochures, product catalogs, videotape and personal care accessories. See "Risk Factors--Product Liability."

The following chart indicates how many of the Nu Skin personal care and IDN products were available as of December 31, 1997, in each of the Company's current markets.

Nu Skin Personal Care and IDN Product Offerings

Product Categories/Product Lines	Total Products Offered by NSI	Products Offered: Japan	Taiwan	Hong Kong	South Korea	Thailand
Nu Skin Personal Care:						
Facial Care	20	14(1)	13	18	13	10
Body Care	12	10	9	12	9	9
Hair Care	14	13	13	14	12	10
Color Cosmetics	13	13	13	13	8(2)	-
Specialty	31	18	24	29	10	2
Total	90	68	72	86	52	31
Nutritional Supplements	17	7	4	4	1	-
Nutritious and Healthy Snacks	7	3	4	6	-	-
Sports and Fitness Nutritional Products	1	-	-	-	-	-
Health Solutions	3	-	-	-	-	-
Botanical Supplements	8	4	3	8	-	-
Total	40	15	11	18	1	-

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(1) In Japan, the Company also sells 11 locally sourced personal care products.
(2) In South Korea, the Company also sells one locally sourced color cosmetic product.

Presented below are the dollar amount and percentage of revenue of each of the two product categories and other sales aid revenue for the years ended December 31, 1995, 1996 and 1997.

Revenue by Product Category

Product Category	Year Ended December 31, 1995 $	%	Year Ended December 31, 1996 $	%	Year Ended December 31, 1997 $	%
Nu Skin Personal care	$ 303,387	84.6%	$ 493,609	72.8%	$ 569,156	63.9%
IDN	23,959	6.7	138,593	20.4	272,402	30.6
Sales aids	31,263	8.7	46,394	6.8	48,990	5.5
Total	$ 358,609	100.0%	$ 678,596	100.0%	$ 890,548	100.0%

Nu Skin Personal Care Products

The Company's current Nu Skin personal care products category is divided into the following lines: facial care, body care, hair care and color cosmetics, as well as specialty products, such as sun protection, oral hygiene and fragrances. Each of the Subsidiaries markets a variety of the 90 personal care products currently offered by NSI. The Company also offers product sets that include a variety of products in each product line as well as small, sample-size packages to facilitate product sampling by potential consumers. The product sets are especially popular during the opening phase of a new country, where distributors and consumers are anxious to purchase a variety of products, and during holiday and gift giving seasons in each market. The Company anticipates the introduction of additional personal care products into each market, based on the likelihood of the particular product's success in the market as well as applicable regulatory approvals. See "Risk Factors--Government Regulation of Products and Marketing; Import Restrictions."

The Nu Skin personal care products offered in Taiwan and Hong Kong are substantially the same formulations of the products offered by NSI in the U.S. In Japan and South Korea, however, most of the products have been reformulated to satisfy certain regulatory requirements with respect to product ingredients and preservatives and to meet the preferences of Japanese and South Korean consumers.

The following is a brief description of each line within the personal care product category offered by the Company as of December 31, 1997:

Facial Care. The goal of the facial care line is to allow users to cleanse thoroughly without causing dryness and to moisturize with effective humectants that allow the skin to attract and retain vital water. The Company's facial care line currently consists of 20 different products: Cleansing Lotion, Facial Scrub, Exfoliant Scrub, Facial Cleansing Bar, Clay Pack, pH Balance Facial Toner, NaPCA Moisturizer, Rejuvenating Cream, Celltrex (called Hylatrex in Japan and South Korea), Intensive Eye Complex, HPX Hydrating Gel, Face Lift and Activator (two formulas for sensitive and normal skin), Jungamals Lip Balm, Clarifex Cleansing Scrub, Clarifex Mud, Alpha Extra Face, Nu Colour Eye Makeup Remover, MHA Revitalizing Lotion, MHA Revitalizing Lotion with SPF 15 and Interim MHA Diminishing Gel. In addition, Nu Skin Japan also offers a line of four popular skin lightening products and seven additional facial care products designed particularly for Japanese consumers.

Body Care. The Company's line of body care products relies on premium quality ingredients to cleanse and condition skin. The cleansers are uniquely formulated without soap, and the moisturizers contain light but effective humectants and emollients. The Company's body care line currently consists of 12 products: Antibacterial Body Cleansing Gel, Liquid Body Lufra, Body Smoother, Hand Lotion, NaPCA Moisture Mist, Body Bar, Body Cleansing Gel, Enhancer, Jungamals Crazy Crocodile Cleaner, Alpha Extra Body, MHA Revitalzing Body Lotion and Dermatic Effects Body Contouring Lotion.

Hair Care. The Company's hair care line, HairFitness, is designed to meet the needs of people with all types of hair and hair problems. Focusing on the condition of the scalp and its impact on hair quality, the Company's hair care products use water-soluble conditioners like panthenol to reduce build-up on the scalp and to promote healthy hair. HairFitness includes 12 products featuring ceregen, a revolutionary wheat hydrocolloid complex of conditioning molecules that have been shown to have dramatic hair repair and moisture control aspects: 3 in 1 Shampoo, Moisturizing Shampoo, Balancing Shampoo, Vital Shampoo, Deep Clarifying Shampoo, Glacial Therapy, Weightless Conditioner, Luxurious Conditioner, Conditioning Detangler Spray, Styling Gel, Holding Spray and Mousse (Styling Foam). The Company also carries Dermanator Shampoo and Jungamals Tiger Tangle Tamer Shampoo.

Color Cosmetics. In the latter part of 1995, the Company introduced Nu Colour, a new line of color cosmetics, in Hong Kong, Taiwan and Japan. Nu Colour was introduced in South Korea during 1997. The Nu Colour line consists of 13 products with 105 SKU's including MoistureShade Liquid Finish (10), MoistureShade Pressed Powder (8), Blush (9), Eye Shadow (10), Mascara (2), Eyeliner (7), Lip Liner (10), Lipstick (32), DraMATTEics Lip Pencils (6), Lip Gloss, Creme Concealer (5), Finishing Powder and Brow Pencil (4).

Specialty Products. Epoch is a unique line of ethnobotanical personal care products created in cooperation with well known ethnobotanists. These products, which unite natural compounds used by indigenous cultures with advanced scientific ingredients, include Glacial Marine Mud, Deodorant with Citrisomes, Polishing Bar, LeafClean Hand Wash, Everglide Foaming Shave Gel, Desert Breeze Aftershave, Post Shave Lotion for Women, Infusions Herbal Bath, Emulsions and Firewalker Foot Cream. Epoch was launched in August 1996 in Hong Kong, in October 1996 in Taiwan, in February 1997 in Japan and in December 1997 in South Korea and Thailand. Nu Skin Korea and Nu Skin Thailand currently offer only one Epoch product, Glacial Marine Mud. Glacial Marine Mud is exclusively licensed to NSI for sale in the direct selling channel.

Nutriol, a line of products exclusively licensed to NSI for sale in the direct selling channel and manufactured in Europe, consists of five products: Nutriol Hair Fitness Preparation, Nutriol Shampoo, Nutriol Mascara, Nutriol Nail and Nutriol Eyelash. Nutriol represents a product designed to replenish the hair's vital minerals and elements. Each Nutriol product uses mucopolysaccharide, a patented ingredient.

The Company's line of Sunright products is designed to provide a variety of sun screen protection with non-irritating and non-greasy products. The sun protection line includes a sun preparation product that prepares the skin for the drying impact of the sun, five sun screen alternatives with various levels of SPF, and a sun screen lip balm. In the Asian market, the Company's sun care line is currently available in Hong Kong, Japan, Taiwan, South Korea and Thailand. At present, Sunright Lip Balm is not available in Japan. Currently, Sunright Prime Pre & Part Sun Moisturizer and Sunright Lip Balm are not available in Taiwan and South Korea. Nu Skin Thailand currently offers only one Sunright product.

AP-24, a line of oral health care products which incorporates anti-plaque technology designed to help prevent plaque build-up 24 hours a day, is exclusively licensed to the Company, together with the associated trademark, for sale in the direct selling channel under the trademark AP-24. This product line includes AP-24 Anti-Plaque Toothpaste, AP-24 Anti-Plaque Mouthwash, AP-24 Triple Action Dental Floss, AP-24 Anti-Plaque Breath Spray and the recently introduced AP-24 Whitening Flouride Toothpaste. These products are currently available in Hong Kong and Taiwan. The AP-24 oral health care products for kids are designed to make oral care fun for children and includes Jungamal's Tough Tusk Toothpaste and Jungamal's Fluffy Flamingo Floss.

The Company offers a men's and a women's fragrance under the Nu Skin trademark Safiro. The Company also offers a Nail Care Kit.

Product Sets. The Company currently offers product sets that include a sampling of products from a given product line. These package configurations are intended to encourage increased product trials.

Interior Design Nutritionals

The IDN product category is comprised of 40 products in the following lines: nutritional supplements, nutritious and healthy snacks, sports and fitness nutritional products, health solutions and botanical supplements. IDN is designed to promote healthy, active lifestyles and general well-being through proper diet, exercise and nutrition. Although less developed in the Asian market than the Nu Skin personal care category, each of the Subsidiaries, except Nu Skin Thailand, markets a variety of the IDN products offered by NSI. Nu Skin Korea currently offers only one IDN product, LifePak. In the United States, the IDN division is an official licensee of the U.S. Olympic Committee. In South Korea, LifePak is the official nutritional supplement of the Korean Olympic Committee

The Company believes that the nutritional supplement market is expanding in Asia because of changing dietary patterns, a health-conscious population and reports supporting the benefits of using vitamin and mineral nutritional supplements. This product line is particularly well suited to network marketing because the average consumer is often uneducated regarding nutritional products. The Company believes that network marketing is a more efficient method than traditional retailing channels in educating consumers regarding the benefits of nutritional products. Because of the numerous over-the-counter vitamin and mineral supplements in Asia, the Company believes that individual attention and testimonials by distributors will provide information and comfort to a potential consumer.

IDN products generally require reformulation to satisfy the strict regulatory requirements of each Asian market. While each product's concept and positioning are generally the same, regulatory differences between U.S. and Asian markets result in some product ingredient differences. See "Risk Factors--Government Regulation of Products and Marketing." In addition, Asian preferences and regulations favor tablets instead of gel caps, which are typically used in the U.S.

The following is a brief description of each of the IDN product lines:

Nutritional Supplements. LifePak and LifePak Trim, the core IDN nutritional supplements, are designed to provide an optimum mix of nutrients including vitamins, minerals, antioxidants and phytonutrients (natural chemical extracts from plants). The introduction of LifePak in Japan in October 1995 resulted in a significant increase in revenue and currently represents approximately 24% of the Company's revenue in Japan. LifePak was launched in Taiwan, Hong Kong and South Korea in October 1996, January 1997 and August 1997, respectively.

Additional nutritional supplements include: Vitox, which incorporates beta carotene and other important vitamins for overall health; Metabotrim, which provides B vitamins and chromium chelate; Optimum Omega, a pure source of omega 3 fatty acids; Image HNS, an all-around vitamin and antioxidant supplement; and Optigar Q, a blend of co-enzyme Q10 and deodorized garlic. The Company also offers FibreNet, FibreNet Plus and Diene-O-Lean as a part of its nutritional supplement offerings. The IDN Masters Wellness Supplement provides nutrition specifically for an aging generation. Jungamals Children's Chewables combine natural flavors and colors and contain a unique blend of antioxidants, chelated minerals, and vitamins specifically tailored for children. NutriFi contains four grams of soluble and insoluble fibers per serving in a powder that can be added to liquids and foods to supplement the recommended daily amounts of fiber.

As an enhancement to the core IDN nutritional supplements, LifePak and LifePak Trim, NSI introduced LifePak Women and LifePak Prime. These products address the more specific nutritional needs of women and the aging generation. Also launched by NSI were Life Essentials, a lower cost, more general nutritional supplement, and Nightime Complex with Melatonin, a sleep aid. The Company is currently evaluating the feasibility of introducing these nutritional supplements into its markets.

Nutritious and Healthy Snacks. As part of the Company's mission to promote a healthy lifestyle and long-term wellness, IDN includes Fiberry Fat-Free Snack Bars and Appeal Lite, a nutritional drink containing chelated minerals and vitamins. The Company also offers Breakbars and Pocket Fuel, nutritious snacks which provide carbohydrates, protein and fiber. In addition, the Company offers a number of other nutritional drinks. Splash C with juice crystals is a healthy beverage providing significant doses of vitamins C and E as well as calcium in each serving. Real fruit juice crystals are added to create orange or lemon flavor. Aloe-mx, a nutritional aloe vera beverage drink, was specifically produced for the Japanese market and introduced in October of 1997.

Sports and Fitness Nutritional Products. To cater to health conscious individuals with active lifestyles, the IDN Sports Nutrition System offers a comprehensive, flexible program for individuals who desire to optimize performance on an individual basis. The system includes LifePak, OverDrive, a sports supplement licensed by the U.S. Olympic Committee that features antioxidants, B vitamins and chromium chelate, GlycoBar energy bars, and SportaLyte performance drink to help supply the necessary carbohydrates, electrolytes and chelated minerals to optimize performance. Amino Build is a low fat high protein drink mix that is designed to replace nutrients before and after workouts. ProGRAM-16 protein bars are designed to provide nutritional support for individuals seeking optimal performance during high-intensity effort.

Health Solutions. IDN products include customized supplementation addressing the specialized interests of health conscious individuals. These supplements include Cartilage Formula which contains an advanced blend of glucosamine to help maintain normal structure and function of healthy joints, Eye Formula which contains significant levels of beta-carotene, vitamins C and E to help maintain the normal structure and function of healthy eyes, and St. John's Wart Complex which provides a balanced formula to support general health and emotional well-being.

Botanical Supplements. Botanical supplements are designed for those who seek the benefits of natural herb and plant extracts. These supplements include Botanagar, Botanavox, Botanaflor, Botanazyme, BotanaEase, BotanaGuard, Botanavive and Botaname. Each supplement addresses a range of issues, including: alertness, digestive maintenance, dietary health support, regular sleep habits, weight management and antioxidant support.

Sales Aids

The Company provides an assortment of sales aids to facilitate the sales of its products. Sales aids include videotapes, promotional clothing, pens, stationery, business cards, brushes, combs, cotton pads, tissues, and other miscellaneous items to help create consumer awareness of the Company and its products. Sales aids are priced at the Company's approximate cost and are not commissionable items (i.e., 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 product return policy is a material aspect of the success of distributors in developing a retail customer base. The Company's experience with actual product returns has averaged less than 3.5% of annual revenue through 1997.

Product Development and Production

Product Development Philosophy. The Company is committed to building its brand name and distributor and customer loyalty by selling premium quality, innovative personal care and nutritional products that appeal to broad markets. This commitment is illustrated by the Company's personal care products slogan "All of the Good and None of the Bad" and its nutritional products slogan "Adding Life to Years." The Company's product philosophy is to combine the best of science and nature and to include in each of its products the highest quality ingredients. For example, Nu Skin personal care products do not contain soaps and other harsh cleansers that can dry and irritate skin, undesirable oils such as lanolin, elements known to be irritating and pore clogging, volatile alcohols such as ethyl alcohol, and conditioning agents that leave heavy residues. This philosophy has led to the Company being one of the only personal care companies in Japan to disclose every ingredient to consumers. This philosophy has also led to the Company's commitment to avoid any ingredients in nutritional supplements that are reported to have any long-term addictive or harmful effects, even if short-term effects may be desirable. Independent distributors need to have confidence that they are distributing the best products available in order to have a sense of pride in their association with the Company and to have products that are distinguishable from "off the shelf" products. NSI and the Company are committed to developing and providing quality products that can be sold at an attractive retail price and allow the Company to maintain reasonable profit margins.

NSI is also committed to constantly improving its evolving product formulations to incorporate innovative and proven ingredients into its product line. Whereas many consumer product companies develop a formula and stay with that formula for years, and sometimes decades, NSI believes that it must stay current with product and ingredient evolution to maintain its reputation for innovation to retain distributor and consumer attention and enthusiasm. For this reason, NSI continuously evaluates its entire line of products for possible enhancements and improvements.

In addition, the Company believes that timely and strategic product introductions are critical to maintaining the growth of independent distribution channels. Distributors become enthusiastic about new products and are generally excited to share new products with their customer base. An expanding product line helps to attract new distributors and generate additional revenues.

NSI maintains a laboratory and a staff of approximately 90 individuals involved in product development. NSI also relies on an advisory board comprised of recognized authorities in various disciplines. In addition, NSI and the Company evaluate a significant number of product ideas that are presented by distributors and other outside sources. NSI believes that strategic relationships with certain vendors also provide important access to innovative product concepts. The Company will continue to develop products tailored to appeal to the particular needs of the Company's markets.

Historically, one of the reasons for the success of the Nu Skin personal care product lines has been their gender neutral positioning. This product positioning substantially expands the size of the traditional skin and hair care market. NSI's IDN product lines have historically been positioned to be age neutral. However, with a substantial distributor and user base established, the Company believes that it can further increase its market share in both the personal care and the nutritional products categories by introducing age and gender specific products, additional vitamin products targeted to seniors, and personal care products targeted to either men or women.

Production. Although the Company is investigating the possibility of manufacturing certain products within specific markets, virtually all of the Company's products are currently sourced through NSI and are produced by manufacturers unaffiliated with NSI. The Company currently has little or no direct contact with these manufacturers. The Company's profit margins and its ability to deliver its existing products on a timely basis are dependent upon the ability of NSI's outside manufacturers to continue to supply products in a timely and cost-efficient manner. Furthermore, the Company's ability to enter new markets and sustain satisfactory levels of sales in each market is dependent in part upon the ability of suitable outside manufacturers to reformulate existing products, if necessary to comply with local regulations or market environments, for introduction into such markets. Finally, the development of additional new products in the future will likewise be dependent in part on the services of suitable outside manufacturers.

The Company currently acquires products or ingredients from sole suppliers or suppliers that are considered by the Company to be the superior suppliers of such ingredients. The Company believes that, in the event it is unable to source any products or ingredients from its current suppliers, the Company could produce such products or replace such products or substitute ingredients without great difficulty or prohibitive increases in the cost of goods sold. However, there can be no assurance that the loss of such a supplier would not have a material adverse effect on the Company's business and results of operations.

With respect to products purchased by the Company from NSI, NSI currently relies on two unaffiliated manufacturers to produce approximately 70% and 80% of its personal care and nutritional products, respectively. NSI has a written contract with the primary supplier of the Company's personal care products that expires at the end of 2000. An extension to such contract is currently being negotiated. NSI does not currently have a written contract with the primary supplier of the Company's nutritional products. The Company believes that in the event NSI's relationship with any of its key manufacturers is terminated, NSI will be able to find suitable replacement manufacturers. However, there can be no assurance that the loss of either manufacturer would not have a material adverse effect on the Company's business and results of operations. See "Risk Factors--Reliance on and Concentration of Outside Manufacturers."

Relationship With NSI

As of March 5, 1997, approximately 98% of the combined voting power of the outstanding shares of Common Stock was held by the shareholders of NSI and their affiliates. As a result, when acting as stockholders of the Company, these shareholders of NSI and their affiliates will consider the short-term and long-term impact of all stockholder decisions on the consolidated financial results of NSI and the Company. See "Risk Factors--Relationships with and Reliance on NSI; Potential Conflicts of Interest." In addition, the Company has entered into distribution, trademark/tradename license, licensing and sales, and management services agreements (the "Operating Agreements") with NSI and NSIMG, summary descriptions of which are set forth below. Such summaries are qualified in their entirety by reference to the Operating Agreements in effect and as they may be amended from time to time. In the future the Company may enter into amendments to the Operating Agreements or additional agreements with NSI or NSIMG. The Company is almost completely dependent on the Operating Agreements to conduct its business, and in the event NSI is unable or unwilling to perform its obligations under the Operating Agreements, or terminates the Operating Agreements as provided therein, the Company's business and results of operations will be adversely affected. See "Risk Factors--Relationship with and Reliance on NSI; Potential Conflicts of Interest."

The South Korean Operating Agreements differ in various minor ways from the Company's other Operating Agreements. With the exception of the minor modification of certain terms, the Operating Agreements described below will remain in effect following consummation of the NSI Acquisition.

Distribution Agreements. The Company has entered into a regional distribution agreement (the "Regional Distribution Agreement") with NSI, through Nu Skin Hong Kong, pursuant to which NSI has granted to the Company the exclusive right to sell and distribute Nu Skin personal care and IDN products and sales aids in the Company's markets. Nu Skin Japan, Nu Skin Taiwan, Nu Skin Korea, Nu Skin Thailand and Nu Skin Philippines have each entered into wholesale distribution agreements (the "Wholesale Distribution Agreements") with Nu Skin Hong Kong, pursuant to which each such Subsidiary has been granted the right to sell and distribute Nu Skin personal care and IDN products in its respective country. The

following discussion summarizes the terms of the Regional Distribution Agreement and the Wholesale Distribution Agreements for each of the Subsidiaries, other than the Wholesale Distribution Agreement for Nu Skin Korea, which is discussed below.

The Company has the right to purchase any Nu Skin personal care or IDN products, subject to unavailability due to local regulatory requirements. See "--Government Regulation." Purchases are made by submission of a purchase order to NSI, which NSI must accept unless it has insufficient inventory to fill the order. In determining whether it has sufficient inventory to fill a given order, NSI is required to treat the Company on a parity basis with its other affiliates.

The prices for products are governed by a price schedule which is subject to change by NSI from time to time upon at least 30 days advance notice. NSI pays ordinary freight and the Company pays handling, excise taxes and customs duties on the products the Company orders. In order to assist NSI in planning its inventory and pricing, the Company is required to provide NSI with certain business plans and reports of its sales and prices to independent distributors.

The Company, through its subsidiary Nu Skin Hong Kong, purchases virtually all of its products from NSI. Nu Skin Hong Kong pays for its purchases from NSI under the Regional Distribution Agreement in U.S. dollars, while the other Subsidiaries pay for their purchases from Nu Skin Hong Kong under the Wholesale Distribution Agreements in their local currency. Nu Skin Hong Kong therefore bears significant currency exchange risk as a result of purchases from NSI on behalf of the other Subsidiaries. See "Risk Factors--Currency Risks."

The Company is responsible for paying for and obtaining government approvals and registrations necessary for importation of Nu Skin personal care and IDN products into its markets. In addition, the Company is responsible for obtaining any government approvals, including any filings and notifications, necessary for the effectiveness of the Regional Distribution Agreement and the Wholesale Distribution Agreements or for the parties performance thereunder. See "Risk Factors--Government Regulation of Products and Marketing; Import Restrictions."

NSI is generally responsible for paying for the research, development and testing of the products sold to the Company, including any product reformulations needed to comply with local regulatory requirements. NSI warrants as to the merchantability of, and its title to, such products. NSI has further indemnified the Company from losses and liability relating to claims arising out of alleged or actual defects in the design, manufacture or content of its products. NSI is required to maintain insurance covering claims arising from the use of its products and to cause each Subsidiary to be a named insured on such insurance policy. See "Risk Factors--Product Liability."

The Company is prohibited from selling Nu Skin personal care and IDN products outside of the countries for which it has an exclusive distribution license, except that the Company may sell certain Nu Skin personal care and IDN products to NSI affiliates in Australia and New Zealand. In addition, the Company is prohibited from selling products which directly or indirectly compete with Nu Skin personal care and IDN products in any country without NSI's prior consent, which consent will not be unreasonably withheld or delayed. The Company may sell non-competing products without restriction.

The Company may manufacture products which do not compete with Nu Skin personal care and IDN products without restriction but may not manufacture products which compete directly or indirectly with Nu Skin personal care and IDN products without NSI's prior consent, which consent will not be unreasonably withheld or delayed. Any products manufactured by the Company carrying an NSI trademark will be subject to the Trademark/Tradename License Agreements with NSI described below and will require the payment to NSI of certain royalties as set forth therein. If NSI discontinues a product that the Company would like to continue to sell, the Company may elect to manufacture the product itself or through a third party manufacturer unless NSI has a competing product. In this event, NSI has agreed to license the product formulation and any associated trademarks and tradenames to the Company pursuant to the Trademark/Tradename License Agreements described below.

When the Company determines to commence operations using its business model in Indonesia, Malaysia, the PRC, Singapore or Vietnam, NSI has agreed under the Regional Distribution Agreement to enter into new Trademark/Tradename License Agreements and Licensing and Sales Agreements substantially similar to those described below.

Trademark/Tradename License Agreements. The following discussion summarizes the terms of the Trademark/Tradename License Agreements for each of the Subsidiaries. Pursuant to the Trademark/Tradename License Agreements, NSI has granted to each Subsidiary an exclusive license to use in its market the Nu Skin and IDN trademarks, the individual product trademarks used on Nu Skin personal care and IDN products and any NSI tradenames. Each of the Subsidiaries may thus use the licensed trademarks and tradenames on products and commercial materials not purchased from NSI, including locally sourced products and commercial materials and products and commercial materials manufactured by such Subsidiary and may grant a sub-license, with the consent of NSI, for the licensed trademarks and tradenames in its market. In addition, each Subsidiary has the right to export such products and commercial materials into other Company markets with NSI's consent, which consent shall not be unreasonably withheld or delayed.

The Company pays a royalty to NSI for use of the licensed trademarks and tradenames on products, starter and introductory kits and commercial materials not purchased from NSI, including locally sourced products and commercial materials and products and commercial materials manufactured by the Company. The royalty is paid monthly and is equal to 5% of the Company's revenues from such products and commercial materials for such month generally and a total of 8% where NSI owns the formula or has exclusive rights in the subject market for such products or commercial materials.

NSI is responsible for securing and maintaining trademark registrations in the territory covered by each Trademark/Tradename Agreement. NSI has agreed to take such actions as the Company may reasonably request to protect its and the Company's rights to the licensed trademarks from infringement and related claims and has indemnified the Company from losses and liability resulting from such claims.

Licensing and Sales Agreements. Currently, all distributor agreements are entered into between the distributor and NSI rather than with the Company. Therefore, the Company does not own the distributor lists or the distribution system, the Global Compensation Plan, copyrights and related intangibles. Consequently, each of the Subsidiaries has entered into a Licensing and Sales Agreement with NSI. The following discussion summarizes the terms of the Licensing and Sales Agreement for each of the Subsidiaries, other than the Licensing and Sales Agreement for Nu Skin Korea where the intercompany agreements are modified to comply with local regulations.

The Licensing and Sales Agreements include a license to the Company to use the distributor lists, the Global Compensation Plan, know how, distributor system and related intellectual property exclusively in its markets. The Company pays a license fee to NSI of 4% of the Company's revenue from product sales (excluding starter and introductory kits) to NSI distributors for the use of such licensed property. The Company may not grant a sublicense for the licensed property.

The Company is required to use the Global Compensation Plan to distribute any products, except as NSI may agree to modify the plan in accordance with local requirements. The Company must comply with all policies implemented by NSI under the Global Compensation Plan. This is necessary to ensure global consistency in NSI's operations. The Company must also employ all NSI policies relating to commissions payable to, and other relationships with, NSI distributors.

The Company and the Subsidiaries are contractually obligated to pay a distributor commission expense of 42% of commissionable product sales. The Licensing and Sales Agreements provide that the Company is to satisfy this obligation by paying commissions owed to local distributors. In the event that these commissions exceed 42% of commissionable product sales, the Company is entitled to receive the difference from NSI. In the event that the commissions paid are lower than 42%, the Company must pay the difference to NSI. Under this formulation, the Company's total commission expense is fixed at 42% of commissionable product sales in each country. The 42% figure has been set on the basis of NSI's experience over the past eight years which indicates that actual commissions paid in a given year together with the cost of administering the Global Compensation Plan average approximately 42% of commissionable product sales for such year. In the event that actual commissions payable to distributors from sales in the Company's markets vary from these historical results, whether as a result of changes in distributor behavior or changes to the Global Compensation Plan or in the event that NSI's cost of administering the Global Compensation Plan increases or decreases, the Licensing and Sales Agreements provide that the settlement of distributor commission expense between the Company and NSI may be modified to more accurately reflect actual results. See "Risk Factors--Potential Increase in Distributor Compensation Expense."

In addition to payments to local distributors, the Company is generally responsible for distributor support and relations within Japan, Taiwan, Hong Kong, South Korea, Thailand and the Philippines. The Company has agreed to use its best efforts to support the development of NSI's distributor network in its markets by purchasing starter or introductory kits from NSI and selling them to potential NSI distributors.

NSI has agreed to take such actions as the Company may reasonably request to protect its and the Company's rights to the property licensed under the Licensing and Sales Agreements from infringement and related claims and has indemnified the Company from losses and liability resulting from such claims. Both NSI and the Company are required to maintain insurance coverage adequate to insure their assets and financial stability. NSI is responsible for ensuring that the property licensed under the Licensing and Sales Agreements complies with local laws and regulations, including direct selling laws. See "Risk Factors--Government Regulation of Direct Selling Activities."

Management Services Agreements. The following discussion summarizes the terms of the Management Services Agreements which each of the Subsidiaries have entered into with NSIMG. Pursuant to the Management Services Agreements, NSIMG has agreed to provide a variety of management and support services to each Subsidiary. These services include management, legal, financial, marketing and distributor support/training, public relations, international expansion, human resources, strategic planning, product development and operations administration services. Most of NSI's senior management personnel and most employees who deal with international issues are employees of NSIMG.

Generally, the management and support services are provided by employees of NSI and NSIMG acting through NSIMG either (i) on a temporary basis in a specific consulting role or (ii) on a full-time basis in a management position in the country in which the services are required. The Management Services Agreements do not cover the services of many of the Company's executive officers. See "Management--Executive Compensation."

General Provisions. The Operating Agreements are each for a term ending on December 31, 2016, and, after December 31, 2001, will be subject to renegotiation in the event that members of the families of, or trusts or foundations established by or for the benefit of the Original Stockholders on a combined basis no longer beneficially own a majority of the combined voting power of the outstanding shares of common stock of the Company or of NSI. Each Operating Agreement is subject to termination by either party in the event of: (i) a material breach by the other party which remains uncured for a period of 60 days after notice thereof; (ii) the bankruptcy or insolvency of the other party; or (iii) entry of a judgment by a court of competent jurisdiction against the other party in excess of $25,000,000. Each Operating Agreement to which NSI is a party and each Operating Agreement to which NSIMG is a party is further subject to termination by NSI or NSIMG, respectively, upon 30 days notice in the event of a change of control of the Subsidiary party thereto and by such Subsidiary upon 30 days notice in the event of a change of control of NSI or NSIMG, respectively. Each Operating Agreement provides that neither party may assign its rights thereunder without the consent of the other party. Each Operating Agreement is governed by Utah law. Any dispute arising under an Operating Agreement is to be settled by arbitration conducted in Utah in accordance with the applicable rules of the American Arbitration Association, as supplemented by the commercial arbitration procedures for international commercial arbitration.

Mutual Indemnification Agreement. The Company and NSI have entered into a mutual indemnification agreement pursuant to which NSI has agreed to indemnify the Company for certain claims, losses and liabilities relating to the operations of the Subsidiaries prior to the Reorganization and the Company has agreed to indemnify NSI for certain claims, losses and liabilities relating to the operations of the Subsidiaries after the Reorganization.

Competition

Personal Care and Nutritional Products. The markets for personal care and nutritional products are large and intensely competitive. The Company competes directly with 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 value and premium quality of the Company's 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. 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 can be no assurance that the Company's business and results of operations will not be affected materially by market conditions and competition in the future.

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 basis of the Global Compensation Plan and its premium quality products. Management envisions the entry of many more direct selling organizations into the marketplace as this channel of distribution expands over the next several years. The Company has been advised that certain large, well-financed corporations are planning to launch direct selling enterprises which will compete with the Company in certain of its product lines. There can be no assurance that the Company will be able to successfully meet the challenges posed by this increased competition. See "Risk Factors--Competition."

Government Regulation

Direct Selling Activities. Direct selling activities are regulated by various governmental agencies. These laws and regulations are generally intended to prevent fraudulent or deceptive schemes, often referred to as "pyramid" 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. In Japan, the Company's distribution system is regulated under the "Door-to-Door" Sales Law, which requires the submission of specific information concerning the Company's business and products and which provides certain cancellation and cooling-off rights for consumers and new distributors. In Taiwan, the Fair Trade Law (and the Enforcement Rules and Supervisory Regulations of Multi-Level Sales) requires the Company to comply with registration procedures and also provides distributors with certain rights regarding cooling-off periods and product returns. The Company also complies with South Korea's strict Door-to-Door Sales Act, which requires, among other things, the regular reporting of revenue, the registration of distributors together with the issuance of a registration card, and the maintaining of a current distributor registry. This law also limits the amount of sponsoring bonuses that a registered multi-level marketing company can pay to its distributors to 35% of revenue in a given month. In Thailand and the Philippines, currently there are no laws (other than general fair trade laws) directly regulating direct selling or multi-level marketing activities. See "Risk Factors--Potential Effects of Adverse Publicity" and "--Government Regulation of Direct Selling Activities."

Based on research conducted in opening its existing markets (including assistance from local counsel), 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. Even though management believes that laws governing direct selling are generally becoming more permissive in certain Asian countries, many countries, including Singapore, one of the Company's potential markets, currently have laws in place that would prohibit the Company and NSI from conducting business in such markets. There can be no assurance that the Company will be allowed to conduct business in each of the new markets or continue to conduct business in each of its existing markets licensed from NSI. See "Risk Factors--Entering New Markets."

Regulation of Products and Marketing. The Company and NSI are subject to or affected by extensive governmental regulations not specifically addressed to network marketing. Such regulations govern, among other things, (i) product formulation, labeling, packaging and importation, (ii) product claims and advertising, whether made by the Company, NSI or NSI distributors, (iii) fair trade and distributor practices, (iv) taxes, transfer pricing and similar regulations that affect foreign taxable income and customs duties, and (v) regulations governing foreign companies generally.

The Japanese MOHW requires the Company to possess an import business license and to register each personal care product imported into Japan. Packaging and labeling requirements are also specified. The Company has had to reformulate many products to satisfy MOHW regulations. In Japan, nutritional foods, drugs and quasi-drugs are all strictly regulated. The chief concern involves the types of claims and representations that can be made regarding the efficacy of nutritional products. The Company's successful introduction of IDN nutritional supplements in Japan was achieved by utilizing the combined efforts of NSI's technical staff as well as external consultants.

In Taiwan, all "medicated" cosmetic and pharmaceutical products require registration. Non-medicated cosmetic products, such as shampoo and hair conditioner, require no registration.

In Hong Kong, cosmetic products not classified as "drugs" nor as "pharmaceutical products" are not subject to statutory registrations, packaging and labeling requirements apart from the Trade Descriptions Ordinance. In Macau, "pharmaceutical" products are strictly regulated; general products are not subject to registration requirements.

In South Korea, the Company is subject to and has obtained the mandatory certificate of confirmation as a qualified importer of cosmetics under the Pharmaceutical Affairs Law as well as additional product approvals for each of the 45 categories of cosmetic products which it imports. Each new cosmetic product undergoes a 60-day post-customs inspection where, in addition to compliance with ingredient requirements, each product is inspected for compliance with South Korean labeling requirements.

In Thailand, personal care products are regulated by the Food and Drug Association, and all of the initial Nu Skin personal care products to be introduced in Thailand have qualified for simplified registration procedures under Thai law.

In the Philippines, personal care products are regulated by the Bureau of Food and Drug, and all of the initial NSI personal care products to be introduced in the Philippines have qualified for simplified registration procedures under Philippine law.

Regulation of Potential Markets. Each of the proposed new markets will present additional unique difficulties and challenges. The PRC, for example, has proven to be a particularly difficult market for foreign corporations due to its extensive government regulation and the historical political tenets, and no assurance can be given that the Company will be able to establish operations in the PRC. The Company believes that entering the PRC may require the successful establishment of a joint venture enterprise with a Chinese partner and the establishment of a local manufacturing presence. These initiatives would likely require a significant investment over time by the Company. The Company believes that the PRC national regulatory agency responsible for direct selling periodically reviews the regulation of multi-level marketing. Management is aware of recent media reports in the PRC reporting an increasing desire on the part of senior government officers to curtail or even abolish direct selling and multi-level marketing activities. These views may lead to changes in applicable regulations. The Company believes that PRC regulators are currently not issuing direct selling or multi-level marketing licenses and may take action restricting currently licensed direct selling businesses. The Company is actively working on these and other issues including joint ventures and potential marketing alternatives related to possible Nu Skin operations in the PRC. It is not known when or whether the Company will be able to implement in the PRC business models consistent with those used by the Company in other markets. The Company will likely have to apply for licenses on a province by province basis, and the repatriation of the Company's profits will be subject to restrictions on currency conversion and the fluctuations of the government controlled exchange rate. In addition, because distribution systems in the PRC are greatly fragmented, the Company may be forced to use business models significantly different from those used by the Company in more developed countries. The lack of a comprehensive legal system, the uncertainties of enforcement of existing legislation and laws, and potential revisions of existing laws could have an adverse effect on the Company's proposed business in the PRC. See "Risk Factors--Entering New Markets."

The other potential new markets also present significant regulatory, political and economic obstacles to the Company. In Singapore, for example, network marketing is currently illegal and is not permitted under any circumstances. Although the Company believes that this restriction will eventually be relaxed or repealed, no assurance can be given that such regulation will not remain in place and that the Company will not be permanently prevented from initiating sales in

Singapore. In addition, Malaysia has governmental guidelines that have the effect of limiting foreign ownership of direct selling companies operating in Malaysia to no more than 30%. There can be no assurance that the Company will be able to properly structure Malaysian operations to comply with this policy. In October of 1995, the Company's business permit applications were denied by the Malaysian government as a result of activities by certain NSI distributors. Therefore, the Company believes that although significant opportunities exist to expand its operations into new markets, there can be no assurance that these or other difficulties will not prevent the Company from realizing the benefits of this opportunity.

Other Regulatory Issues. As a U.S. 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 Subsidiaries and the Company as well as the flow of funds to NSI for product purchases, management services, and contractual obligations such as the payment of distributor commissions. In South Korea, in particular, the Company has come under the scrutiny of regulators because of the manner in which the Company and Nu Skin Korea implement the Global Compensation Plan. Pursuant to the Global Compensation Plan, Nu Skin Korea currently pays commissions to distributors in South Korea on both their local and foreign product sales. Similarly, commissions on product sales in South Korea by other distributors are paid by their local NSI affiliate. The Company believes that it operates 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 which operate in the Company's product segment, NSI and the Company have from time to time received inquiries from various government regulatory authorities regarding the nature of their businesses and other issues such as compliance with local direct selling, customs, taxation, foreign exchange control, securities and other laws. Although to date none of these inquiries has resulted in a finding materially adverse to the Company or NSI, adverse publicity resulting from inquiries into NSI's operations by certain government agencies in the early 1990's, stemming in part out of inappropriate product and earnings claims by distributors, materially adversely affected NSI's business and results of operations. There can be no assurance that the Company or NSI will not face similar inquiries in the future, which, either as a result of findings adverse to the Company or NSI or as a result of adverse publicity resulting from the instigation of such inquiries, could have a material adverse effect on the Company's business and results of operations. See "Risk Factors--Potential Effects of Adverse Publicity."

The Subsidiaries are periodically subject to reviews and audits by various governmental agencies, particularly in new markets, where the Company has experienced high rates of growth. In early 1997, the South Korean Ministry of Trade, Industry and Energy commenced an examination of the largest foreign and domestic owned network marketing companies in South Korea, including Nu Skin Korea. The purposes of the examination were stated to be to monitor how companies are operating and to audit current business practices. In addition, Nu Skin Korea has been subject to an audit by the South Korean Customs Service. Management believes that this audit was precipitated largely as a result of Nu Skin Korea's rapid growth and its position as the largest importer of cosmetics and personal care products in South Korea as well as by recent South Korean trade imbalances. The Customs Service has reviewed a broad range of issues relating to the operations of Nu Skin Korea, with a focus on reviewing customs valuation issues and intercompany payments.

The Customs Service resolved certain issues related to its audit without imposing sanctions. The intercompany payment issue was referred to various other government agencies, which have also recently concluded their reviews and found no wrong-doing and imposed no fines, sanctions or other restrictions. The import valuation issues, which management considers to be routine in light of the Company's extensive import and export activities, were referred to the valuation division of the Customs Service. See "Risk Factors--Potential Negative Impact of Distributor Actions." Management believes that other major importers of cosmetic products and foreign-owned direct selling companies have also been the focus of regulatory reviews by South Korean authorities.

Businesses which are more than 50% owned by non-citizens are not permitted to operate in Thailand unless they have an Alien Business Permit, which is frequently difficult to obtain. The Company is currently operating under the Treaty of Amity and Economic Relations between Thailand and the United States (the "Treaty of Amity"). Under the Treaty of Amity,

an Alien Business Permit is not required if a Thailand business is owned by an entity organized in the United States, a majority of whose owners are U.S. citizens or entities. From time to time, it has been reported that certain Thailand government officials have considered supporting the termination of the Treaty of Amity. The Company could face particular difficulties in continuing operations in Thailand if the Treaty of Amity were terminated and the Company were forced to obtain an Alien Business Permit.

Based on the Company's and NSI's experience and research (including assistance from counsel) and the nature and scope of inquiries from government regulatory authorities, the Company and NSI believe that they are in material compliance with all regulations applicable to them. Despite this belief, either the Company or NSI 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. In 1994, NSI and three of its distributors entered into a consent decree with the Federal Trade Commission (the "FTC") with respect to its investigation of certain product claims and distributor practices, pursuant to which NSI paid approximately $1 million to settle the FTC investigation. In August 1997, NSI reached a settlement with the FTC with respect to certain product claims and its compliance with the 1994 consent decree, pursuant to which settlement NSI paid $1.5 million to the FTC. During 1997, NSI also voluntarily agreed to recall and rewrite virtually all of its sales and marketing materials to address FTC concerns. In February 1998, the State of Pennsylvania filed a lawsuit against NSI and one of its affiliates Big Planet, Inc., alleging violations of Pennsylvania law. In early March 1998, NSI and Big Planet agreed to suspend for 30 days all sales and recruitment efforts related to Big Planet's potential electricity marketing program. Big Planet also volunteered certain other restrictions on its business. NSI's primary business of distributing personal care and nutritional products was unaffected by the lawsuit. These events were reported in certain media.

Any assertion or determination that either the Company, NSI or any NSI distributors are not in compliance with existing laws or regulations could have a material adverse effect on the Company's business and results of operations. In addition, in any country or jurisdiction, the adoption of new laws or regulations or changes in the interpretation of existing laws or regulations could generate negative publicity and/or have a material adverse effect on the Company's business and results of operations. The Company cannot determine the effect, if any, that future governmental regulations or administrative orders may have on the Company's business and results of operations. Moreover, 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 or NSI, 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. See "Risk Factors--Potential Effects of Adverse Publicity" and "--Entering New Markets."

Employees

As of December 31, 1997, the Company had approximately 1,000 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 business. Each Subsidiary is directed by an experienced manager.

Risk Factors

There are certain significant risks facing the Company, many of which are substantial in nature. Stockholders and prospective stockholders in the Company should consider carefully the following risks and information in conjunction with the other information contained herein. The risk factors relate to the Company's business prior to the contemplated NSI Acquisition. Certain of these factors may be impacted by the proposed NSI Acquisition; however, no assurance can be given that the NSI Acquisition will be consummated. See "Recent Developments."

Reliance Upon Independent Distributors of NSI. The Company distributes its products exclusively through independent distributors who have contracted directly with NSI to become distributors. Consequently, the Company does

not contract directly with distributors but licenses its distribution system and distributor force from NSI. Distributor agreements with NSI are voluntarily terminable by distributors at any time. The Company's revenue is directly dependent upon the efforts of these independent distributors, and any growth in future sales volume will require an increase in the productivity of these distributors and/or growth in the total number of distributors. As is typical in the direct selling industry, there is turnover in distributors from year to year, which requires the sponsoring and training of new distributors by existing distributors to maintain or increase the overall distributor force and motivate new and existing distributors. The Company experiences seasonal decreases in distributor sponsoring and product sales in some of the countries in which the Company operates because of local holidays and customary vacation periods. The size of the distribution force can also be particularly impacted by general economic and business conditions and a number of intangible factors such as adverse publicity regarding the Company or NSI, or the public's perception of the Company's products, product ingredients, NSI's distributors or direct selling businesses in general. Historically, the Company has experienced periodic fluctuations in the level of distributor sponsorship (as measured by distributor applications). However, because of the number of factors that impact the sponsoring of new distributors, and the fact that the Company has little control over the level of sponsorship of new distributors, the Company cannot predict the timing or degree of those fluctuations. There can be no assurance that the number or productivity of the Company's distributors will be sustained at current levels or increased in the future. In addition, the number of distributors as a percentage of the population in a given country or market could theoretically reach levels that become difficult to exceed due to the finite number of persons inclined to pursue a direct selling business opportunity. This is of particular concern in Taiwan, where industry sources have estimated that up to 10% of the population is already involved in some form of direct selling.

Since distributor agreements are entered into between NSI and distributors, all of the distributors who generate revenue for the Company are distributors of NSI. See "--Relationship with and Reliance on NSI; Potential Conflicts of Interest." Because distributors are independent contractors of NSI, neither NSI nor the Company is in a position to provide the same level of direction, motivation and oversight as either would with respect to its own employees. The Company relies on NSI to enforce distributors policies and procedures. Although NSI has a compliance department responsible for the enforcement of the policies and procedures that govern distributor conduct, it can be difficult to enforce these policies and procedures because of the large number of distributors and their independent status, as well as the impact of regulations in certain countries that limit the ability of NSI and the Company to monitor and control the sales practices of distributors.

Currency Risks. The Company's foreign-derived sales and selling, general and administrative expenses are converted to U.S. dollars for reporting purposes. Consequently, the Company's reported earnings are significantly impacted by changes in currency exchange rates, generally increasing with a weakening dollar and decreasing with a strengthening dollar. In addition, the Company purchases inventory from NSI in U.S. dollars and assumes currency exchange rate risk with respect to such purchases. Local currency in Japan, Taiwan, Hong Kong, South Korea, Thailand and the Philippines is generally used to settle non-inventory transactions with NSI. Given the uncertainty of the extent of exchange rate fluctuations, the Company cannot estimate the effect of these fluctuations on its future business, product pricing, results of operations or financial condition. However, because nearly all of the Company's revenue is realized in local currencies and the majority of its 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 believes that a variety of complex factors impact the value of local currencies relative to the U.S. dollar including, without limitation, interest rates, monetary policies, political environments, and relative economic strengths. The Company has been subject to exceptionally high volatility in currency exchange rates in certain markets during 1997. In order to partially offset the anticipated effect of these currency fluctuations, the Company implemented a price increase on certain of its products of between 5% and 9% on average in 1997. There can be no assurance that future currency fluctuations will not result in similar concerns or adversely affect the performance of the price of the Class A Common Stock. Although the Company tries to reduce its exposure to fluctuations in foreign exchange rates by using hedging transactions, such transactions may not entirely offset the impact of currency fluctuations. Accordingly, in the face of a strengthening of the U.S. dollar, the Company's earnings will be adversely affected. The Company does not use hedging transactions for trading or speculative purposes. See "Management's Discussion and Analysis of Financial

Condition and Results of Operations," incorporated herein by reference to the Company's 1997 Annual Report, sections of which are filed herewith as Exhibit 13--Currency Fluctuation and Exchange Rate Information."

Risks Related to the Proposed NSI Acquisition. The Company believes that the proposed NSI Acquisition will offer opportunities for long-term efficiencies in operations that should positively affect future results of the combined operations of the Company and the Acquired Entities. However, no assurances can be given whether or when such efficiencies will be realized. In addition, the combined companies will be more complex and diverse than the Company individually, and the combination and continued operation of their distinct business operations will present difficult challenges for the Company's management due to the increased time and resources required in the management effort. While management and the Board of Directors of the Company believe that the combination can be effected in a manner which will increase the value of the Company and the Acquired Entities, no assurance can given that such realization of value will be achieved. See "Management's Discussion and Analysis of Financial Condition and Results of Operations," incorporated herein by reference to the Company's 1997 Annual Report, sections of which are filed herewith as Exhibit 13.

Although the parties to the NSI Acquisition have entered into definitive agreements, the closing of the NSI Acquisition is subject to the timely satisfaction of certain conditions contained in the Acquisition Agreement. Although the Company currently expects that such closing conditions will be satisfied or waived, there can be no assurance that the closing of the NSI Acquisition will occur. Such conditions include, among others, the receipt of an opinion from the Company's independent public accountants with respect to certain tax matters of the NSI Acquisition, the receipt of all necessary consents and approvals from governmental officials and other third parties and the absence of any material adverse change in the business or operations of the Acquired Entities.

Potential Effects of Adverse Publicity. The size of the distribution force and the results of the Company's operations can be particularly impacted by adverse publicity regarding the Company or NSI, or their competitors, including publicity regarding the legality of network marketing, the quality of the Company's products and product ingredients or those of its competitors, regulatory investigations of the Company or the Company's competitors and their products, distributor actions and the public's perception of NSI's distributors and direct selling businesses generally.

In 1991 and 1992, NSI was the subject of investigations by various regulatory agencies of eight states. All of the investigations were concluded satisfactorily. However, the publicity associated with the investigations resulted in a material adverse impact on NSI's results of operations. The denial by the Malaysian government in 1995 of the Company's business permit applications due to distributor actions resulted in adverse publicity for the Company. See"--Potential Negative Impact of Distributor Actions." In South Korea, publicity generated by a coalition of consumer groups targeted at a competitor of the Company negatively impacted the Company's operations in 1997. In addition, the South Korean government and certain consumer and trade organizations have expressed concerns which have attracted media attention regarding South Korean consumption of luxury and foreign products, in general. The Company believes that the adverse publicity resulting from these claims and media campaigns has adversely affected and may continue to adversely affect the direct selling industry and the Company's South Korean operations. See "--Seasonality and Cyclicality; Variations in Operating Results." The State of Pennsylvania recently filed an action against NSI for alleged violations of Pennsylvania law relating to activities of Nu Skin distributors promoting a business called Big Planet. The filing of the action precipitated certain negative media coverage just may have an impact on the operations of the Company and its affiliates. There can be no assurance that the Company will not be subject to adverse publicity in the future as a result of regulatory investigations or actions, whether of the Company or its competitors, distributor actions, actions of competitors or other factors, or that such adverse publicity will not have a material adverse effect on the Company's business or results of operations. See "--Government Regulation of Direct Selling Activities," "--Government Regulation of Products and Marketing; Import Restrictions," "--Other Regulatory Issues" and "--Entering New Markets."

Potential Negative Impact of Distributor Actions. Distributor actions can negatively impact the Company and its products. From time to time, the Company receives inquiries from regulatory agencies precipitated by distributor actions. For example, in October 1995, the Company's business permit applications were denied by the Malaysian government as the result of activities by certain NSI distributors before required government approvals could be secured. NSI subsequently

terminated the distributorship rights of some of the distributors involved and elected to withdraw from the Malaysian market for a period of time. The denial by the Malaysian government of the Company's business permit applications resulted in adverse publicity for the Company. See "--Other Regulatory Issues." Distributor activities in other countries in which the Company has not commenced operations may similarly result in an inability to secure, or delay in securing required regulatory and business permits. See "Business--New Market Opportunities." In addition, the publicity which can result from a variety of potential distributor activities such as inappropriate earnings claims, product representations or improper importation of Nu Skin products from other markets, can make the sponsoring and retaining of distributors more difficult, thereby negatively impacting sales. See "--Potential Effects of Adverse Publicity." Furthermore, the Company's business and results of operations could be adversely affected if NSI terminates a significant number of distributors or certain distributors who play a key role in the Company's distribution system. There can be no assurance that these or other distributor actions will not have a material adverse effect on the Company's business or results of operations. The recent action filed by the State of Pennsylvania against the Company resulted from improper distributor actions. See "--Potential Effects of Adverse Publicity."

Seasonality and Cyclicality; Variations in Operating Results. While neither seasonal nor cyclical variations have materially affected the Company's results of operations to date, the Company believes that its rapid growth may have overshadowed these factors. Accordingly, there can be no assurance that seasonal or cyclical variations will not materially adversely affect the Company's results of operations in the future.

The direct selling industry in Asia is impacted by certain seasonal trends such as major cultural events and vacation patterns. For example, sales are generally affected by local New Year celebrations in Japan, Taiwan, Hong Kong, South Korea and Thailand, which occur in the Company's first quarter. Management believes that direct selling in Japan is also generally negatively impacted during August, when many individuals traditionally take vacations.

Generally, the Company has experienced rapid revenue growth in each new market from the commencement of operations. In Japan, Taiwan and Hong Kong, the initial rapid revenue growth was followed by a short period of stable or declining revenue followed by renewed growth fueled by new product introductions, an increase in the number of active distributors and increased distributor productivity. The Company's operations in South Korea experienced a significant decline in 1997 which was due in part to a business cycle common to new markets opened by the Company but which was due primarily to general economic turmoil and adverse business conditions. See "--Potential Effects of Adverse Publicity." An additional factor which the Company believes has contributed to revenue decline in South Korea is the focus of key distributors on other recently-opened markets, including Thailand.

In addition, the Company may experience variations in its results of operations, on a quarterly basis as new products are introduced and new markets are opened. There can be no assurance that current revenue and productivity trends will be maintained in any of these markets or that future results of operations will follow historical performance.

Government Regulation of Direct Selling Activities. Direct selling activities are regulated by various governmental agencies. These laws and regulations are generally intended to prevent fraudulent or deceptive schemes, often referred to as "pyramid" 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. In Japan, the Company's distribution system is regulated under the "Door-to-Door" Sales Law, which requires the submission of specific information concerning the Company's business and products and which provides certain cancellation and cooling-off rights for consumers and new distributors. Management has been advised by counsel that in some respects Japanese laws are becoming more restrictive with respect to direct selling in Japan. In Taiwan, the Fair Trade Law (and the Enforcement Rules and Supervisory Regulations of Multi-Level Sales) requires the Company to comply with registration procedures and also provides distributors with certain rights regarding cooling-off periods and product returns. The Company also complies with South Korea's strict Door-to-Door Sales Act, which requires, among other things, the regular reporting of revenue, the registration of distributors together with the issuance of a registration card, and the maintaining of a current distributor registry. This law also limits the amount of commissions that a registered multi-level marketing company can

pay to its distributors to 35% of revenue in a given month. In Thailand and the Philippines, general fair trade laws impact direct selling and multi-level marketing activities.

Based on research conducted in opening its existing markets (including assistance from local counsel), 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 all of the countries in which the Company currently operates. Many countries, however, including Singapore, one of the Company's potential markets, currently have laws in place that would prohibit the Company and NSI from conducting business in such markets. There can be no assurance that the Company will be allowed to conduct business in each of the new markets or continue to conduct business in each of its existing markets licensed from NSI. See "--Entering New Markets."

Government Regulation of Products and Marketing; Import Restrictions. The Company and NSI are subject to or affected by extensive governmental regulations not specifically addressed to network marketing. Such regulations govern, among other things, (i) product formulation, labeling, packaging and importation, (ii) product claims and advertising, whether made by the Company, NSI or NSI distributors, (iii) fair trade and distributor practices, (iv) taxes, transfer pricing and similar regulations that affect foreign taxable income and customs duties, and (v) regulations governing foreign companies generally.

With the exception of a small percentage of revenues in Japan, virtually all of the Company's sales historically have been derived from products purchased from NSI. All of those products historically have been imported into the countries in which they were ultimately sold. The countries in which the Company currently conducts business impose various legal restrictions on imports. In Japan, the Japanese Ministry of Health and Welfare ("MOHW") requires the Company to possess an import business license and to register each personal care product imported into the country. Packaging and labeling requirements are also specified. The Company has had to reformulate many products to satisfy MOHW regulations. In Japan, nutritional foods, drugs and quasi-drugs are all strictly regulated. The chief concern involves the types of claims and representations that can be made regarding the efficacy of nutritional products. In Taiwan, all "medicated" cosmetic and pharmaceutical products require registration. In Hong Kong and Macau, "pharmaceutical" products are strictly regulated. In South Korea, the Company is subject to and has obtained the mandatory certificate of confirmation as a qualified importer of cosmetics under the Pharmaceutical Affairs Law as well as additional product approvals for each of the 45 categories of cosmetic products which it imports. Each new cosmetic product undergoes a 60-day post-customs inspection during which, in addition to compliance with ingredient requirements, each product is inspected for compliance with South Korean labeling requirements. In Thailand, personal care products are regulated by the Food and Drug Association and the Ministry of Public Health and all of the Nu Skin personal care products introduced in this market have qualified for simplified approval procedures under Thai law. In the Philippines, Nu Skin products are regulated by the Bureau of Food and Drug and all products introduced in this market have been registered. There can be no assurance that these or other applicable regulations will not prevent the Company from introducing new products into its markets or require the reformulation of existing products.

The Company has not experienced any difficulty maintaining its import licenses but has experienced complications regarding health and safety and food and drug regulations for nutritional products. Many products require reformulation to comply with local requirements. In addition, new regulations could be adopted or any of the existing regulations could be changed at any time in a manner that could have a material adverse effect on the Company's business and results of operations. Duties on imports are a component of national trade and economic policy and could be changed in a manner that would be materially adverse to the Company's sales and its competitive position compared to locally-produced goods, in particular in countries such as Taiwan, where the Company's products are already subject to high customs duties. In addition, import restrictions in certain countries and jurisdictions limit the Company's ability to import products from NSI. In some jurisdictions, such as the PRC, regulators may prevent the importation of Nu Skin and IDN products altogether. Present or future health and safety or food and drug regulations could delay or prevent the introduction of new products into a given country or marketplace or suspend or prohibit the sale of existing products in such country or marketplace.

Other Regulatory Issues. As a U.S. 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 Subsidiaries and the Company, as well as the flow of funds to NSI for product purchases, management services and contractual obligations such as payment of distributor commissions. The Company believes that it operates in compliance with all applicable customs, 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 customs, 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 network marketing companies, NSI and the Company have from time to time received inquiries from various government regulatory authorities regarding the nature of their business and other issues such as compliance with local business opportunity and securities laws. Although to date none of these inquiries has resulted in a finding materially adverse to the Company or NSI, adverse publicity resulting from inquiries into NSI operations by certain government agencies in the early 1990's, stemming in part out of inappropriate product and earnings claims by distributors, materially adversely affected NSI's business and results of operations. There can be no assurance that the Company or NSI will not face similar inquiries in the future which, either as a result of findings adverse to the Company or NSI or as a result of adverse publicity resulting from the instigation of such inquiries, could have a material adverse effect on the Company's business and results of operations. See "--Potential Effects of Adverse Publicity."

The Subsidiaries are periodically subject to reviews and audits by various governmental agencies, particularly in new markets, where the Company has experienced high rates of growth. Recently, the South Korean Ministry of Trade, Industry and Energy commenced an examination of the largest foreign and domestic owned network marketing companies in South Korea, including Nu Skin Korea. The purposes of the examination were stated to be to monitor how companies are operating and to audit current business practices. In addition, Nu Skin Korea has been subject to an audit by the South Korean Customs Service. Management believes that this audit was precipitated largely as a result of Nu Skin Korea's rapid growth and its position as the largest importer of cosmetics and personal care products in South Korea as well as by recent South Korean trade imbalances. The Customs Service reviewed a broad range of issues relating to the operations of Nu Skin Korea, with a focus on reviewing customs valuation issues and intercompany payments. Recently, the Customs Service has resolved certain issues related to its audit without imposing sanctions. The intercompany payment issue was referred to various other government agencies which have also recently concluded their reviews and found no wrong-doing and imposed no fines, sanctions or other restrictions. The import valuation issues, which management considers to be routine in light of the Company's extensive import and export activities, were referred to the valuation division of the Customs Service. The Company continues to believe that its actions have been in compliance in all material respects with relevant regulations. See "--Potential Negative Impact of Distributor Actions." Management believes that other major importers of cosmetic products are also the focus of regulatory reviews by South Korean authorities.

Businesses which are more than 50% owned by non-citizens are not permitted to operate in Thailand unless they have an Alien Business Permit, which is frequently difficult to obtain. The Company is currently operating under the Treaty of Amity and Economic Relations between Thailand and the United States (the "Treaty of Amity"). Under the Treaty of Amity, an Alien Business Permit is not required if a Thailand business is owned by an entity organized in the United States, a majority of whose owners are U.S. citizens or entities. From time to time, it has been reported that certain Thailand government officials have considered supporting the termination of the Treaty of Amity. There can be no assurance that, if the Treaty of Amity were terminated, the Company would be able to obtain an Alien Business Permit and continue operations in Thailand.

Based on the Company's and NSI's experience and research (including assistance from counsel) 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, either the Company or NSI 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. In 1994, NSI and three of its distributors entered into a consent decree with the United States Federal Trade Commission (the "FTC") with respect to its investigation of certain product claims and distributor practices, pursuant to which NSI paid approximately $1 million to settle the FTC

investigation. In August 1997, NSI reached a settlement with the FTC with respect to certain product claims and its compliance with the 1994 consent decree pursuant to which settlement NSI paid $1.5 million to the FTC. In connection with the August 1997 settlement, NSI also voluntarily agreed to recall and rewrite virtually all of its sales and marketing materials to address FTC concerns. In February 1998, the State of Pennsylvania filed a lawsuit against NSI and one of its affiliates Big Planet, Inc., alleging violations of Pennsylvania law. In early March 1998, NSI and Big Planet agreed to suspend for 30 days all sales and recruitment efforts related to Big Planet's potential electricity marketing program. Big Planet also volunteered certain other restrictions on its business. NSI's primary business of distributing personal care and nutritional products was unaffected by the lawsuit. These events were reported in certain media.

Even though neither the Company nor the Subsidiaries has encountered similar regulatory concerns, there can be no assurances that the Company and the Subsidiaries will not be subject to similar inquiries and regulatory investigations or disputes and the effects of any adverse publicity resulting therefrom. Any assertion or determination that either the Company, NSI or any NSI distributors are not in compliance with existing laws or regulations could potentially have a material adverse effect on the Company's business and results of operations. In addition, in any country or jurisdiction, the adoption of new laws or regulations or changes in the interpretation of existing laws or regulations could generate negative publicity and/or have a material adverse effect on the Company's business and results of operations. The Company cannot determine the effect, if any, that future governmental regulations or administrative orders may have on the Company's business and results of operations. Moreover, 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 or NSI, 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. See "--Potential Effects of Adverse Publicity," "--Entering New Markets" and "Business--Government Regulation--Regulation of Products and Marketing."

Reliance on Certain Distributors; Potential Divergence of Interests between Distributors and the Company. The Global Compensation Plan allows distributors to sponsor new distributors. The sponsoring of new distributors creates multiple distributor levels in the network marketing structure. Sponsored distributors are referred to as "downline" distributors within the sponsoring distributor's "downline network." If downline distributors also sponsor new distributors, additional levels of downline distributors are created, with the new downline distributors also becoming part of the original sponsor's "downline network." As a result of this network marketing distribution system, distributors develop relationships with other distributors, both within their own countries and internationally. The Company believes that its revenue is generated from thousands of distributor networks. However, the Company estimates that, as of December 31, 1997, approximately 300 distributorships worldwide comprised NSI's two highest executive distributor levels (Hawaiian Blue Diamond and Blue Diamond distributors). These distributorships have developed extensive downline networks which consist of thousands of sub-networks. Together with such networks, these distributorships account for substantially all of the Company's revenue. Consequently, the loss of such a high-level distributor or another key distributor together with a group of leading distributors in such distributor's downline network, or the loss of a significant number of distributors for any reason, could adversely affect sales of the Company's products, impair the Company's ability to attract new distributors and adversely impact earnings.

Under the Global Compensation Plan, a distributor receives commissions based on products sold by the distributor and by participants in the distributor's worldwide downline network, regardless of the country in which such participants are located. The Company, on the other hand, receives revenues based almost exclusively on sales of products to distributors within the Company's markets. So, for example, if a distributor located in Japan sponsors a distributor in Europe, the Japanese distributor could receive commissions based on the sales made by the European distributor, but the Company would not receive any revenue since the products would have been sold outside of the Company's markets. The interests of the Company and distributors therefore diverge somewhat in that the Company's primary objective is to maximize the amount of products sold within the Company's markets, while the distributors' objective is to maximize the amount of products sold by the participants in the distributors' worldwide downline networks. The Company and NSI have observed that the commencement of operations in a new country tends to distract the attention of distributors from the established markets for a period of time while key distributors begin to build their downline networks within the new country. NSI is

currently contemplating opening operations in additional countries outside of the Company's markets. To the extent distributors focus their energies on establishing downline networks in these new countries, and decrease their focus on building organizations within the Company's markets, the Company's business and results of operations could be adversely affected. Furthermore, the Company itself is currently contemplating opening new markets. In the event distributors focus on these new markets, sales in existing markets might be adversely affected. There can be no assurance that these new markets will develop or that any increase in sales in new markets will not be more than offset by a decrease in sales in the Company's existing markets.

Entering New Markets. As part of its growth strategy, the Company has acquired from NSI the right to act as NSI's exclusive distribution vehicle in Indonesia, Malaysia, the PRC, Singapore and Vietnam. The Company has undertaken reviews of the laws and regulations to which its operations would be subject in Indonesia, Malaysia, the PRC, Singapore and Vietnam. Given existing regulatory environments and economic conditions, the Company's entrance into Singapore and Vietnam is not anticipated in the short to mid-term. The regulatory and political climate in the other countries for which the Company has the right to act as NSI's exclusive distributor is such that a replication of the Company's current operating structure cannot be guaranteed. Because the Company's personal care and nutritional product lines are positioned as premium product lines, the market potential for the Company's product lines in relatively less developed countries, such as the PRC and Vietnam, remains to be determined. Modifications to each product line may be needed to accommodate the market conditions in each country, while maintaining the integrity of the Company's products. No assurance can be given that the Company will be able to obtain necessary regulatory approvals to commence operations in these new markets, or that, once such approvals are obtained, the Company and NSI, upon which the Company is largely dependent for product development assistance, will be able to successfully reformulate Nu Skin personal care and IDN product lines in any of the Company's new markets to attract local consumers.

Each of the proposed new markets will present additional unique difficulties and challenges. The PRC, for example, has proven to be a particularly difficult market for foreign corporations due to its extensive government regulation and historical political tenets, and no assurance can be given that the Company will be able to establish operations in the PRC. The Company believes that entering the PRC may require the successful establishment of a joint venture enterprise with a Chinese partner and the establishment of a local manufacturing presence. These initiatives would likely require a significant investment over time by the Company. The Company believes that the PRC national regulatory agency responsible for direct selling periodically reviews the regulation of multi-level marketing. Management is aware of recent media reports in the PRC reporting an increasing desire on the part of senior government officers to curtail or even abolish direct selling and multi-level marketing activities. These views may lead to changes in applicable regulations. The Company believes that PRC regulators are currently not issuing direct selling or multi-level marketing licenses and may take action restricting currently licensed direct selling businesses. The Company is actively working on these and other issues including joint ventures and potential marketing alternatives related to possible Nu Skin operations in the PRC. It is not known when or whether the Company will be able to implement in the PRC business models consistent with those used by the Company in other markets. The Company will likely have to apply for licenses on a province by province basis, and the repatriation of the Company's profits will be subject to restrictions on currency conversion and the fluctuations of the government controlled exchange rate. In addition, because distribution systems in the PRC are greatly fragmented, the Company may be forced to use business models significantly different from those used by the Company in more developed countries. The lack of a comprehensive legal system, the uncertainties of enforcement of existing legislation and laws, and potential revisions of existing laws could have an adverse effect on the Company's proposed business in the PRC.

The other potential new markets also present significant regulatory, political and economic obstacles to the Company. In Singapore, for example, network marketing is currently illegal and is not permitted under any circumstances. Although the Company believes that this restriction will eventually be relaxed or repealed, no assurance can be given that such regulation will not remain in place and that the Company will not be permanently prevented from initiating sales in Singapore. In addition, Malaysia has governmental guidelines that have the effect of limiting foreign ownership of direct selling companies operating in Malaysia to no more than 30%. There can be no assurance that the Company will be able to properly structure Malaysian operations to comply with this policy. In October of 1995, the Company's business permit applications were denied by the Malaysian government as a result of activities by certain NSI distributors. Therefore,

the Company believes that although significant opportunities exist to expand its operations into new markets, there can be no assurance that these or other difficulties will not prevent the Company from realizing the benefits of this opportunity.

Managing Growth. The Company has experienced rapid growth since operations in Hong Kong commenced in 1991. The management challenges imposed by this growth include entry into new markets, growth in the number of employees and distributors, expansion of facilities necessary to accommodate growth and additions and modifications to the Company's product lines. To manage these changes effectively, the Company may be required to hire additional management and operations personnel and to improve its operational, financial and management systems.

Possible Adverse Effect on the Company of the Change in the Status of Hong Kong. The Company has offices and a portion of its operations in Hong Kong. Effective July 1, 1997, the exercise of sovereignty over Hong Kong was transferred from the Government of the United Kingdom of Great Britain and Northern Ireland (the "United Kingdom"), to the government of the PRC pursuant to the Sino-British Joint Declaration on the Question of Hong Kong (the "Joint Declaration"), and Hong Kong became a Special Administrative Region (SAR) of the PRC. The Joint Declaration provided for Hong Kong to be under the authority of the government of the PRC but Hong Kong will enjoy a high degree of autonomy except in foreign and defense affairs, and that Hong Kong be vested with executive, legislative and independent judicial power. The Joint Declaration also provides that the current social and economic systems in Hong Kong will remain unchanged for 50 years after June 30, 1997 and that Hong Kong will retain the status of an international financial center. Although sales in Hong Kong accounted for less than 5% of the Company's revenues for the year ended December 31, 1997, Hong Kong serves as the location for the Company's regional offices and an important base of operations for many of the Company's most successful distributors whose downline distributor networks extend into other Asian markets. Any adverse effect on the social, political or economic systems in Hong Kong resulting from this transfer could have a material adverse effect on the Company's business and results of operations. Although the Company does not anticipate any material adverse change in the business environment in Hong Kong resulting from the 1997 transfer of sovereignty, the Company has formulated contingency plans to transfer the Company's regional office to another jurisdiction in the event that the Hong Kong business environment is so affected.

Relationship with and Reliance on NSI; Potential Conflicts of Interest. NSI has ownership and control of the NSI trademarks, tradenames, the Global Compensation Plan, distributor lists and related intellectual property and know-how (collectively, the "Licensed Property"), and licenses to the Company rights to use the Licensed Property in certain markets. NSI and its affiliates currently operate in 17 countries, excluding the countries in which the Company currently operates, and will continue to market and sell Nu Skin personal care and IDN nutritional products in these countries, as well as in additional countries outside of the Company's markets, through the network marketing channel. Thus, the Company cannot use the NSI trademarks to expand into other markets for which the Company does not currently have a license without first obtaining additional licenses or other rights from NSI. There can be no assurance that NSI will make any additional markets available to the Company or that the terms of any new licenses from NSI will be acceptable to the Company. See "--Recent Developments."

NSI has licensed to the Company, through the Subsidiaries, rights to distribute Nu Skin and IDN products and to use the Licensed Property in the Company's markets, and NSIMG, an affiliate of NSI, will provide management support services to the Company and the Subsidiaries, pursuant to distribution, trademark/tradename license, licensing and sales, and management services agreements (the "Operating Agreements"). The Company relies on NSI for research, development, testing, labeling and regulatory compliance for products sold to the Company under the distribution agreements, and virtually all of the Company's revenues are derived from products and sales aids purchased from NSI pursuant to these agreements. NSIMG provides the Company with a variety of management and consulting services, including, but not limited to, management, legal, financial, marketing and distributor support/training, public relations, international expansion, human resources, strategic planning, product development and operations administration services. Each of the Operating Agreements (other than the distribution, trademark/tradename license and licensing and sales agreements for Nu Skin Korea, which have shorter terms), is for a term ending December 31, 2016, and is subject to renegotiation after December 31, 2001, in the event that the Original Stockholders and their affiliates, on a combined basis, no longer beneficially own a majority of the combined voting power of the outstanding shares of Common Stock of the Company or of the common stock of NSI. The Company is almost completely dependent on the Operating Agreements to conduct its business, and in the event NSI is unable

or unwilling to perform its obligations under the Operating Agreements, or terminates the Operating Agreements as provided therein, the Company's business and results of operations will be adversely affected. See "Business--Relationship with NSI" and "Recent Developments."

After consummation of the Offerings and the NSI Acquisition, approximately 98% of the combined voting power of the outstanding shares of Common Stock will be held by the Original Stockholders and certain of their affiliates. Consequently, the Original Stockholders and certain of their affiliates will have the ability, acting in concert, to elect all directors of the Company and approve any action requiring approval by a majority of the stockholders of the Company. Certain of the Original Stockholders also own 100% of the outstanding shares of NSI. As a result of this ownership, and if the NSI Acquisition is not consummated, the Original Stockholders who are also shareholders of NSI will consider the short-term and the long-term impact of all stockholder decisions on the consolidated financial results of NSI and the Company. See "--Control by Existing Stockholders; Anti-Takeover Effects of Dual Classes of Common Stock."

The Operating Agreements were approved by the Board of Directors of the Company, which was, except with respect to the approval of the Operating Agreements with Nu Skin Thailand, composed entirely of individuals who were also officers and shareholders of NSI at the time of approval. The Operating Agreements with Nu Skin Thailand and Nu Skin Philippines were approved by a majority of the disinterested directors of the Company. In addition, some of the executive officers of the Company are also executive officers of NSI. It is expected that a number of the Company's executive officers will continue to spend a portion of their time on the affairs of NSI, for which they will continue to receive compensation from NSI.

In view of the substantial relationships between the Company and NSI, conflicts of interest may exist or arise with respect to existing and future business dealings, including, without limitation, the relative commitment of time and energy by the executive officers to the respective businesses of the Company and NSI, potential acquisitions of businesses or properties, the issuance of additional securities, the election of new or additional directors and the payment of dividends by the Company. There can be no assurance that any conflicts of interest will be resolved in favor of the Company. Under Delaware and Utah law, a person who is a director of both the Company and NSI owes fiduciary duties to both corporations and their respective shareholders. As a result, persons who are directors of both the Company and NSI are required to exercise their fiduciary duties in light of what they believe to be best for each of the companies and its shareholders.

Control by Existing Stockholders; Anti-Takeover Effect of Dual Classes of Common Stock. Because of the relationship between the Company and NSI, management elected to structure the capitalization of the Company in such a manner as to minimize the possibility of a change in control of the Company without the consent of the Original Stockholders. Consequently, the shares of Class B Common Stock enjoy ten to one voting privileges over the shares of Class A Common Stock until the outstanding shares of Class B Common Stock constitute less than 10% of the total outstanding shares of Common Stock. After consummation of the Offerings, and the NSI Acquisition, the Original Stockholders and certain of their affiliates will collectively own 100% of the outstanding shares of the Class B Common Stock, representing approximately 98% of the combined voting power of the outstanding shares of Common Stock. Accordingly, the Original Stockholders and certain of their affiliates, acting fully or partially in concert, will have the ability to control the election of the Board of Directors of the Company and thus the direction and future operations of the Company without the supporting vote of any other stockholder of the Company, including decisions regarding acquisitions and other business opportunities, the declaration of dividends and the issuance of additional shares of Class A Common Stock and other securities. NSI is a privately-held company, all of the shares of which are owned prior to consummation of the NSI Acquisition by certain of the Original Stockholders. As long as the shareholders of NSI prior to consummation of the NSI Acquisition are majority stockholders of the Company, assuming they act in concert, third parties will not be able to obtain control of the Company through purchases of shares of Class A Common Stock.

Adverse Impact on Company Income Due to Distributor Option Program. Prior to the Underwritten Offerings, the Original Stockholders converted 1,605,000 shares of Class B Common Stock to Class A Common Stock and contributed such shares of Class A Common Stock to the Company. The Company granted to NSI options to purchase such shares of Class A Common Stock (the "Distributor Options"), and NSI offered these options to qualifying distributors of NSI. The Exercise Price

for each Distributor Option is $5.75, which is 25% of the initial price per share to the public of the Class A Common Stock in the Underwritten Offerings. The Distributor Options vested December 31,1997. The shares of Class A Common Stock underlying the Distributor Options have been registered pursuant to Rule 415 under the 1933 Act.

The Company incurred a total pre-tax non-cash compensation expense of $19.9 million in connection with the grant of the Distributor Options. This non-cash compensation expense resulted in a corresponding impact on net income and net income per share.

Reliance on and Concentration of Outside Manufacturers. Virtually all the Company's products are sourced through NSI and are produced by manufacturers unaffiliated with NSI. The Company currently has little or no direct contact with these manufacturers. The Company's profit margins and its ability to deliver its existing products on a timely basis are dependent upon the ability of NSI's outside manufacturers to continue to supply products in a timely and cost-efficient manner. Furthermore, the Company's ability to enter new markets and sustain satisfactory levels of sales in each market is dependent in part upon the ability of suitable outside manufacturers to reformulate existing products, if necessary to comply with local regulations or market environments, for introduction into such markets. Finally, the development of additional new products in the future will likewise be dependent in part on the services of suitable outside manufacturers.

The Company currently acquires products or ingredients from sole suppliers or suppliers that are considered by the Company to be the superior suppliers of such ingredients. The Company believes that, in the event it is unable to source any products or ingredients from its current suppliers, the Company could produce such products or replace such products or substitute ingredients without great difficulty or prohibitive increases in the cost of goods sold. However, there can be no assurance that the loss of such a supplier would not have a material adverse effect on the Company's business and results of operations.

With respect to sales to the Company, NSI currently relies on two unaffiliated manufacturers to produce approximately 70% and 80% of its personal care and nutritional products, respectively. NSI has a written agreement with the primary supplier of the Company's personal care products that expires at the end of 2000. An extension to such contract is currently being negotiated. NSI does not currently have a written contract with the primary supplier of the Company's nutritional products. The Company believes that in the event that NSI's relationship with any of its key manufacturers is terminated, NSI will be able to find suitable replacement manufacturers. However, there can be no assurance that the loss of either manufacturer would not have a material adverse effect on the Company's business and results of operations.

Reliance on Operations of and Dividends and Distributions from Subsidiaries. The Company is a holding company without operations of its own or significant assets other than ownership of 100% of the capital stock of each of the Subsidiaries. Accordingly, an important source of the Company's income will be dividends and other distributions from the Subsidiaries. Each of the Subsidiaries has its operations in a country other than the United States, the country in which the Company is organized. In addition, each of the Subsidiaries receives its revenues in the local currency of the country or jurisdiction in which it is situated. As a consequence, the Company's ability to obtain dividends or other distributions is subject to, among other things, restrictions on dividends under applicable local laws and regulations, and foreign currency exchange regulations of the country or jurisdictions in which the Subsidiaries operate. The Subsidiaries' ability to pay dividends or make other distributions to the Company is also subject to their having sufficient funds from their operations legally available for the payment of such dividends or distributions that are not needed to fund their operations, obligations or other business plans. Because the Company will be a stockholder of each of the Subsidiaries, the Company's claims as such will generally rank junior to all other creditors of and claims against the Subsidiaries. In the event of a Subsidiary's liquidation, there may not be assets sufficient for the Company to recoup its investment in such Subsidiary.

Taxation Risks and Transfer Pricing. The Company is subject to taxation in the United States, where it is incorporated, at a statutory corporate federal tax rate of 35.0% plus any applicable state income taxes. In addition, each Subsidiary is subject to taxation in the country in which it operates, currently ranging from a statutory tax rate of 57.9% in Japan to 16.5% in Hong Kong. The Company is eligible to receive foreign tax credits in the U.S. for the amount of foreign

taxes actually paid in a given period. In the event that the Company's operations in high tax jurisdictions such as Japan grow disproportionately to the rest of the Company's operations, the Company will be unable to fully utilize its foreign tax credits in the U.S., which could, accordingly, result in the Company paying a higher overall effective tax rate on its worldwide operations.

Because the Subsidiaries operate outside of the United States, the Company is subject to the jurisdiction of numerous foreign tax authorities. In addition to closely monitoring the Subsidiaries' locally based income, these tax authorities regulate and restrict various corporate transactions, including intercompany transfers. The Company believes that the tax authorities in Japan and South Korea are particularly active in challenging the tax structures of foreign corporations and their intercompany transfers. The Company is currently undergoing a customs audit in South Korea. See "--Government Regulation of Products and Marketing; Import Restrictions" and "--Other Regulatory Issues." Although the Company believes that its tax and transfer pricing structures are in compliance in all material respects with the laws of every jurisdiction in which it operates, no assurance can be given that these structures will not be challenged by foreign tax authorities or that such challenges or any required changes in such structures will not have a material adverse effect on the Company's business or results of operations.

Increase in Distributor Compensation Expense. Under the Licensing and Sales Agreements (the "Licensing and Sales Agreements") between each of the Subsidiaries and NSI, the Company, through its Subsidiaries, is contractually obligated to pay a distributor commission expense of 42% of commissionable product sales (with the exception of South Korea where, due to government regulations, the Company uses a formula based upon a maximum payout of 35% of commissionable product sales). The Licensing and Sales Agreements provide that the Company is to satisfy this obligation by paying commissions owed to local distributors. In the event that these commissions exceed 42% of commissionable product sales, the Company is entitled to receive the difference from NSI. In the event that the commissions paid are lower than 42%, the Company must pay the difference to NSI. Under this formulation, the Company's total commission expense is fixed at 42% of commissionable product sales in each country (except for South Korea). The 42% figure has been set on the basis of NSI's experience over the past eight years during which period actual commissions paid in a given year together with the cost of administering the Global Compensation Plan have ranged between 41% and 43% of commissionable product sales for such year (averaging approximately 42%). In the event that actual commissions payable to distributors from sales in the Company's markets vary from these historical results, whether as a result of changes in distributor behavior or changes to the Global Compensation Plan or in the event that NSI's cost of administering the Global Compensation Plan increases or decreases, the Licensing and Sales Agreements provide that the intercompany settlement figure may be modified to more accurately reflect actual results. This could result in the Company becoming obligated to make greater settlement payments to NSI under the Licensing and Sales Agreements. Such additional payments could adversely affect the Company's results of operations. Because the Company licenses the right to use the Global Compensation Plan from NSI, the structure of the plan, including commission rates, is under the control of NSI.

Product Liability. The Company may be subject, under applicable laws and regulations, to liability for loss or injury caused by its products. The Company's Subsidiaries are currently covered for product liability claims to the extent of and under insurance programs maintained by NSI for their benefit and for the benefit of its affiliates purchasing NSI products. Accordingly, NSI maintains a policy covering product liability claims for itself and its affiliates with a $1 million per claim and $1 million annual aggregate limit and an umbrella policy with a $40 million per claim and $40 million annual aggregate limit. Although the Company has not been the subject of material product liability claims and the laws and regulations providing for such liability in the Company's markets appear to have been seldom utilized, no assurance can be given that the Company may not be exposed to future product liability claims, and, if any such claims are successful, there can be no assurance that the Company will be adequately covered by insurance or have sufficient resources to pay such claims. The Company does not currently maintain its own product liability policy.

Competition. The markets for personal care and nutritional products are large and intensely competitive. The Company competes directly with companies that manufacture and market personal care and nutritional products in each of the Company's product lines. The Company competes with other companies in the personal care and nutritional products industry by emphasizing the value and premium quality of the Company's 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. 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 can be no assurance that the Company's business and results of operations will not be affected materially by market conditions and competition in the future.

The Company also competes with other direct selling organizations, some of which have longer operating histories 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 basis of the Global Compensation Plan and its premium quality products. Management envisions the entry of many more direct selling organizations into the marketplace as this channel of distribution expands over the next several years. The Company has been advised that certain large, well-financed corporations are planning to launch direct selling enterprises which will compete with the Company in certain of its product lines. There can be no assurance that the Company will be able to successfully meet the challenges posed by this increased competition.

The Company competes for the time, attention and commitment of its independent distributor force. Given that the pool of individuals interested in the business opportunities presented by direct selling tends to be limited in each market, the potential pool of distributors for the Company's products is reduced to the extent other network marketing companies successfully recruit these individuals into their businesses. Although management believes that the Company offers an attractive business opportunity, there can be no assurance that other network marketing companies will not be able to recruit the Company's existing distributors or deplete the pool of potential distributors in a given market.

Operations Outside the United States. The Company's revenues and most of its expenses are recognized primarily outside of the United States. Therefore, the Company is subject to transfer pricing regulations and foreign exchange control, taxation, customs and other laws. The Company's operations may be materially and adversely affected by economic, political and social conditions in the countries in which it operates. A change in policies by any government in the Company's markets could adversely affect the Company and its operations through, among other things, changes in laws, rules or regulations, or the interpretation thereof, confiscatory taxation, restrictions on currency conversion, currency repatriation or imports, or the expropriation of private enterprises. Although the general trend in these countries has been toward more open markets and trade policies and the fostering of private business and economic activity, no assurance can be given that the governments in these countries will continue to pursue such policies or that such policies will not be significantly altered in future periods. This could be especially true in the event of a change in leadership, social or political disruption or upheaval, or unforeseen circumstances affecting economic, political or social conditions or policies. The Company is aware of news releases in South Korea, for example, reporting comments by political figures proposing restrictions on foreign direct sellers designed to protect the market share of local companies. There can be no assurance that such activities, or other similar activities in the Company's markets, will not result in passage of legislation or the enactment of policies which could materially adversely affect the Company's operations in these markets. In addition, the Company's ability to expand its operations into the new markets for which it has received an exclusive license to distribute NSI products will directly depend on its ability to secure the requisite government approvals and comply with the local government regulations in each of those countries. The Company has in the past experienced difficulties in obtaining such approvals as a result of certain actions taken by its distributors, and no assurance can be given that these or similar problems will not prevent the Company from commencing operations in those countries. See "--Entering New Markets."

Anti-Takeover Effects of Certain Charter, Contractual and Statutory Provisions. The Board of Directors is authorized, subject to certain limitations, to issue without further consent of the stockholders up to 25,000,000 shares of preferred stock with rights, preferences and privileges designated by the Board of Directors. In addition, the Company's Certificate of Incorporation requires the approval of 66 2/3% of the outstanding voting power of the Class A

Common Stock and the Class B Common Stock to authorize or approve certain change of control transactions. See "Description of Capital Stock--Common Stock--Voting Rights" and "--Mergers and Other Business Combinations." The Company's Certificate of Incorporation and Bylaws also contain certain provisions that limit the ability to call special meetings of stockholders and the ability of stockholders to bring business before or to nominate directors at a meeting of stockholders. See "Description of Capital Stock--Other Charter and Bylaw Provisions." Pursuant to the 1996 Stock Incentive Plan, in the event of certain change of control transactions the Board of Directors has the right, under certain circumstances, to accelerate the vesting of options and the expiration of any restriction periods on stock awards. Finally, the Operating Agreements with NSI and NSIMG are subject to renegotiation after December 31, 2001 upon a change of control of the Company. Any of these actions, provisions or requirements could have the effect of delaying, deferring or preventing a change of control of the Company. See "Business--Relationship with NSI--General Provisions" and "Recent Developments."

The Company is subject to the provisions of Section 203 of the General Corporation Law of the State of Delaware (the "Anti-Takeover Law") regulating corporate takeovers. The Anti-Takeover Law prevents certain Delaware corporations, including those whose securities are listed on the New York Stock Exchange, from engaging, under certain circumstances, in a "business combination" (which includes a merger of more than 10% of the corporations' assets) with an "interested stockholder" (a stockholder who, together with affiliates and associates, within the prior three years owned 15% or more of the corporation's outstanding voting stock) for three years following the date that such stockholder became an "interested stockholder," unless the "business combination" or "interested stockholder" is approved in a prescribed manner. A Delaware corporation may "opt out" of the Anti-Takeover Law with an express provision in its original certificate of incorporation or an express provision in its certificate of incorporation or bylaws resulting from a stockholders' amendment approved by at least a majority of the outstanding voting shares. The Company has not "opted out" of the provisions of the Anti-Takeover Law.

Absence of Dividends. The Company does not anticipate that any dividends will be declared on its Common Stock in the immediate future. The Company intends from time to time to re-evaluate this policy based on its net income and its alternative uses for retained earnings, if any. Any future declaration of dividends will be subject to the discretion of the Board of Directors of the Company and subject to certain limitations under the General Corporation Law of the State of Delaware. The timing, amount and form of dividends, if any, will depend, among other things, on the Company's results of operations, financial condition, cash requirements and other factors deemed relevant by the Board of Directors of the Company. There can be no assurance regarding the timing or payment of any future dividends by the Company. It is anticipated that any dividends, if declared, will be paid in U.S. dollars. The Company, as a holding company, will be dependent on the earnings and cash flow of, and dividends and distributions from, the Subsidiaries to pay any cash dividends or distributions on the Class A Common Stock that may be authorized by the Board of Directors of the Company. See "--Reliance on Operations of and Dividends and Distributions from Subsidiaries."

ITEM 2. PROPERTIES

In each of its current markets, the Company has established a central office for the local administrative staff directed by a general manager. These offices also have a training room for distributor and employee use and an adjoining distribution center where distributors can place, pay for, and pick up orders. In Japan, Taiwan, and South Korea additional pick up centers have been added to provide better service to distributors and meet the increasing demand for product. In Hong Kong, the Company maintains a distributor business center where established distributors can use office space for training and sponsoring activities at cost.

In addition to the Company's corporate headquarters in Provo, Utah, the following table summarizes, as of March 5, 1998, the Company's leased office and distribution facilities in each country where the Company currently has operations.

Location	Function	Approximate Square Feet
Tokyo, Japan	Central office/distribution center	44,000
Osaka, Japan	Distribution center/office	14,000
Fukuoka, Japan	Warehouse/distribution center	12,000
Taipei, Taiwan	Central office/distribution center	26,000
Kaohsiung, Taiwan	Distribution center/office	10,000
Taichung, Taiwan	Distribution center/office	17,000
Nankan, Taiwan	Warehouse/distribution center	37,000
Tainan, Taiwan	Warehouse/distribution center	8,000
Causeway Bay, Hong Kong	Central office/distribution center/distributor business center/regional office	19,000
Tsing Yi, Hong Kong	Warehouse	10,000
Macau	Distribution center/office	2,000
Seoul, South Korea	Central office/distribution center	30,000
Seoul, South Korea	Distribution center	7,000
Kyungki-Do, South Korea	Warehouse	16,000
Pusan, South Korea	Distribution center	10,000
Bangkok, Thailand	Central office/distribution center	13,000
Bangkok, Thailand	Warehouse/distribution center	10,000
Chiang Mai, Thailand	Distribution center	6,000
Manila, Philippines	Central office/distribution center	10,000
Manila, Philippines	Distribution center	5,000

ITEM 3. LEGAL PROCEEDINGS

The Company is not a party to any litigation or other legal proceedings which are expected to have a material adverse effect on its financial condition or results of operations, nor are any such proceedings known to be contemplated.

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

There were no matters submitted to a vote of the security holders during the fourth quarter of the fiscal year ended December 31, 1997.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The information required by Item 5 of Form 10-K is incorporated herein by reference from the information contained in the section captioned "Common Stock" in the Company's 1997 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 incorporated herein by reference from the information contained in the section captioned "Selected Financial Data" in the Company's 1997 Annual Report to Stockholders, sections of which are attached hereto as Exhibit 13.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND 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 1997 Annual Report to Stockholders, sections of which are attached hereto as Exhibit 13.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by Item 8 of Form 10-K is incorporated herein by reference from the information contained in the section captioned "Financial Statements and Supplementary Data" in the Company's 1997 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

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

(a) Identification of Directors. The information under the captions "Directors and Executive Officers of the Company" and "Election of Directors" appearing in the Proxy Statement to be filed on or about March 31, 1998 is incorporated herein by reference.

(b) Identification of Executive Officers. The information under the caption "Directors and Executive Officers of the Company" appearing in the Proxy Statement to be filed on or about March 31, 1998 is incorporated herein by reference.

(c) Compliance with Section 16(a) of the Exchange Act. The information under the caption "Compliance With Section 16(a) of the Securities Exchange Act of 1934", appearing in the Proxy Statement to be filed on or about March 31, 1998 is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information under the heading "Executive Compensation" appearing in the Proxy Statement to be filed on or about March 31, 1998 is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information under the headings "Security Ownership of Certain Beneficial Owners and Management" appearing in the Proxy Statement to be filed on or about March 31, 1998 is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information under the headings "Directors and Executive Officers of the Company", "Election of Directors" and "Certain Relationships and Transactions", appearing in the Proxy Statement to be filed on or about March 31, 1998 is incorporated herein by reference.

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, 1996 and 1997

Consolidated Statements of Income for the years ended December 31, 1995, 1996 and 1997

Consolidated Statements of Stockholders' Equity for the years ended December 31, 1995, 1996 and 1997

Consolidated Statements of Cash Flows for the years ended December 31, 1995, 1996 and 1997

Notes to Consolidated Financial Statements

2. Financial Statement Schedules: Financial statement schedules have been omitted because they are not required or are not applicable, or because the required information is shown in the financial statements or notes thereto.

3(a) ExhibitThe following Exhibits are filed with this Form 10-K:

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.

3.1 Amended and Restated Certificate of Incorporation of the Company incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-1 (File No. 333-12073) (the "Form S-1").

3.2 Amended and Restated Bylaws of the Company incorporated by reference to Exhibit 3.2 to the Company's Form S-1.

4.1 Specimen Form of Stock Certificate for Class a Common 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 Common Stock incorporated by reference to Exhibit 4.2 to the Company's Form S-1.

10.1 Form of Indemnification Agreement to be entered into 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 Form of Stockholders' Agreement by and among the initial stockholders of the Company incorporated by reference to Exhibit 10.2 to the Company's Form S-1.

10.3 Employment Contract, dated December 12, 1991, by and between Nu Skin Taiwan and John Chou incorporated by reference to Exhibit 10.3 to the Company's Form S-1.

10.4 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.

10.5 Service Agreement, dated January 1, 1996, by and between Nu Skin Korea and Sung-Tae Han incorporated by reference to Exhibit 10.5 to the Company's Form S-1.

10.6 Form of Purchase and Sale Agreement between Nu Skin Hong Kong and NSI incorporated by reference to Exhibit 10.6 to the Company's Form S-1.

10.7 Form of Licensing and Sales Agreement between NSI and each Subsidiary (other than Nu Skin Korea) incorporated by reference to Exhibit 10.7 to the Company's Form S-1.

10.8 Form of Regional Distribution Agreement between NSI and Nu Skin Hong Kong incorporated by reference to Exhibit 10.8 to the Company's Form S-1.

10.9 Form of Wholesale Distribution Agreement between NSI and each Subsidiary (other than Nu Skin Hong Kong incorporated by reference to Exhibit 10.9 to the Company's Form S-1.

10.10 Form of Trademark/Tradename License Agreement between NSI and each Subsidiary incorporated by reference to Exhibit 10.10 to the Company's Form S-1.

10.11 Form of Management Services Agreement between NSIMG and each subsidiary incorporated by reference to Exhibit 10.11 to the Company's Form S-1.

10.12 Form of Licensing and Sales Agreement between NSI and Nu Skin Korea incorporated by reference to Exhibit 10.12 to the Company's Form S-1.

10.13 Form of Independent Distributor Agreement by and between NSI and Independent Distributors in Hong Kong/Macau incorporated by reference to Exhibit 10.13 to the Company's Form S-1.

10.14 Form of Independent Distributor Agreement by and between NSI and Independent Distributor Agreement by and between NSI and Independent Distributors in Japan.

10.15 Form of Independent Distributor Agreement by and between NSI and Independent Distributors in South Korea incorporated by reference to Exhibit 10.15 to the Company.

10.16 Form of Independent Distributor Agreement by and between NSI and Independent Distributors in Taiwan incorporated by reference to Exhibit 10.16 to the Company.

10.17 Nu Skin Asia Pacific, Inc. 1996 Stock Incentive Plan incorporated by reference to Exhibit 10.17 to the Company's Form S-1.

10.18 Form of bonus Incentive Plan for Subsidiary Presidents incorporated by reference to Exhibit 10.18 to the Company's Form S-1.

10.19 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.

10.20 Form of Mutual Indemnification Agreement by and between the Company and NSI.

10.21 Manufacturing Sublicense Agreement, dated July 27, 1995, by and between NSI and Nu Skin Japan incorporated by reference to Exhibit 10.21 to the Company's Form S-1.

10.22 1996 Option Agreement by and between the Company and NSI incorporated by reference to Exhibit 10.22 to the Company's Form S-1.

10.23 Form of Addendum to Amended and Restated Licensing and Sales Agreement incorporated by reference to Exhibit 10.23 to the Company's Form S-1.

10.24 Form of Administrative Services Agreement incorporated by reference to Exhibit 10.24 to the Company's Form S-1.

10.25 Form of Amended and Restated Stockholders Agreement dated as of November 28, 1997.

10.26 Demand Promissory Note in the original principal amount of $5,000,000 dated December 10, 1997 from Nedra Roney payable to Nu Skin Asia Pacific, Inc.

10.27 Stock Pledge Agreement between Nu Skin Asia Pacific, Inc. and Nedra Roney dated as of December 10, 1997.

10.28 Stock Purchase Agreement dated as of December 10, 1997 between Nu Skin Asia Pacific, Inc. and Kirk V. Roney and Melanie R. Roney.

10.29 Stock Purchase Agreement dated as of December 10, 1997 between Nu Skin Asia Pacific, Inc. and Rick A. Roney and certain affiliates.

10.30 Stock Purchase Agreement dated as of December 10, 1997 between Nu Skin Asia Pacific, Inc. and Burke F. Roney.

10.31 Stock Purchase Agreement dated December 10, 1997 between Nu Skin Asia Pacific, Inc. and Park R. Roney.

10.32 Stock Purchase Agreement dated December 10, 1997 between Nu Skin Asia Pacific, Inc. and The MAR Trust.

13. 1997 Annual Report to Stockholders (Only items incorporated by reference).

21.1 Subsidiaries of the Company.

27. Financial Data Schedule.

(b)The Company did not file a Current Report on Form 8-K during the last quarter of the period covered by this report.

(c)The exhibits required by Item 601 of Regulation S-K are set forth in (a)3 above.

(d)The financial statement schedules required by Regulation S-K are set forth in (a)2 above.

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 13th day of March, 1998.

NU SKIN ASIA PACIFIC, INC.

By: /s/ Steven J. Lund
Steven J. Lund
Its: Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Blake M. Roney Blake M. Roney	Chairman of the Board of Directors	March 13, 1998
/s/ Steven J. Lund Steven J. Lund	President and Chief Executive Officer and Director (Principal Executive Officer)	March 13, 1998
/s/ Corey B. Lindley Corey B. Lindley	Chief Financial Officer (Principal Financial and Accounting Officer)	March 13, 1998
/s/ Sandra N. Tillotson Sandra N. Tillotson	Director	March 13, 1998
/s/ Brooke B. Roney Brooke B. Roney	Director	March 13, 1998
/s/ Keith R. Halls Keith R. Halls	Director	March 13, 1998
/s/ E.J. "Jake" Garn E.J. "Jake" Garn	Director	March 13, 1998
/s/ Paula Hawkins Paula Hawkins	Director	March 13, 1998
/s/ Daniel W. Campbell Daniel W. Campbell	Director	March 13, 1998

NU SKIN ASIA PACIFIC, INC.

EXHIBITS
TO
ANNUAL REPORT
ON
FORM 10-K
FOR THE YEAR ENDED
DECEMBER 31, 1997

Exhibit Number	Exhibit Description
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13. 1997 Annual Report to Stockholders (Only items incorporated by reference).

21.1 Subsidiaries of the Company.

27. Financial Data Schedule.

STOCK ACQUISITION AGREEMENT, dated as of February 27, 1998, among NU SKIN ASIA PACIFIC, INC., a Delaware corporation ("NSAP" or the "Company") and each of the persons listed on the signature pages hereof (each, a "Stockholder" and collectively, the "Stockholders").

W I T N E S S E T H:

WHEREAS, Nu Skin International, Inc., a Utah corporation ("NSI"), has contributed certain assets (the "Contributed Assets") to Nu Skin USA, Inc. ("Nu Skin USA"), a Delaware corporation, in exchange for common stock of Nu Skin USA and NSI has distributed all of such outstanding common stock of Nu Skin USA to the Stockholders, pursuant to a contribution and distribution agreement, dated as of December 31, 1997 (the "NSI Contribution and Distribution Agreement"), between NSI and Nu Skin USA;

WHEREAS, Nu Skin USA and NSI intended that the contribution of Contributed Assets and distribution of all of the outstanding common stock of Nu Skin USA pursuant to the NSI Contribution and Distribution Agreement qualify as a reorganization and distribution under Sections 368(a)(1)(D) and 355 of the Internal Revenue Code of 1986, as amended (the "Code");

WHEREAS, pursuant to the NSI Contribution and Distribution Agreement, NSI has entered into a tax-sharing agreement with Nu Skin USA (the "NSI Tax Sharing and Indemnification Agreement") and an indemnity agreement with Nu Skin USA (the "NSI Indemnity Agreement") in respect of the Contributed Assets;

WHEREAS, effective December 31, 1997, the Acquired Entities (as defined) have declared distributions to the Stockholders in an aggregate amount of approximately $155 million which comprise all of the Acquired Entities' previously earned and undistributed S corporation earnings and such distribution was distributed in the form of promissory notes due December 31, 2004 bearing interest at 8% per annum (the "Original S Distribution Notes") and the Acquired Entities have agreed to pay the accrued interest on the Original S Distribution Notes from their date of issuance until the Closing Date (as defined).

WHEREAS, immediately prior to the Closing Date, the Acquired Entities will declare distributions to the Stockholders which comprise all of the Acquired Entities' earned and undistributed S corporation earnings during the period from January 1, 1997 until the Closing Date which will be distributed in the form of additional promissory notes due December 31, 2004 bearing interest at 8% per annum (the "1998 S Distribution Notes" and together with the Original S Distribution Notes, the "S Distribution Notes");

WHEREAS, the parties have agreed that the aggregate principal amount of the Original S Distribution Notes and the 1998 S Distribution Notes shall not exceed $180 million;

WHEREAS, the Stockholders are, as of the date of this Agreement, the record and beneficial owners of all of the issued and outstanding shares of common stock of each of NSI, Nu Skin Europe, Inc., a Delaware corporation; Nu Skin U.K., Ltd., a United Kingdom corporation, domesticated in Delaware under the name Nu Skin U.K., Inc.; Nu Skin Germany, GmbH, a German corporation, domesticated in Delaware under the name Nu Skin Germany, Inc.; New Skin France, SARL, a French corporation, domesticated in Delaware under the name Nu Skin France, Inc.; Nu Skin Netherlands, B.V., a Netherlands corporation, domesticated in Delaware under the name Nu Skin Netherlands, Inc.; Nu Skin Italy, (SRL.), an Italian corporation, domesticated in Delaware under the name Nu Skin Italy, Inc.; Nu Skin Spain, S.L., a Spanish corporation, domesticated in Delaware under the name Nu Skin Spain, Inc.; Nu Skin Belgium, N.V., a Belgium corporation, domesticated in Delaware under the name Nu Skin Belgium, Inc.; Nu Skin Personal Care Australia, Inc., a Utah corporation; Nu Skin New Zealand, Inc., a Utah corporation; Nu Skin Brazil, Ltda., a Brazilian corporation, domesticated in Delaware under the name Nu Skin Brazil, Inc.; Nu Skin Argentina, Inc., a Utah corporation; Nu Skin Chile, S.A., a Chilean corporation, domesticated in Delaware under the name Nu Skin Chile, Inc.; Nu Skin Poland Spa., a Polish Corporation, domesticated in Delaware under the name Nu Skin Poland, Inc.; Nu Skin International Management Group, Inc., a Utah corporation; and Cedar Meadows, L.C. (each, an "Acquired Entity" and collectively the "Acquired Entities");

WHEREAS, the aggregate number of authorized, issued and outstanding shares of common stock of each Acquired Entity (collectively, the "Nu Skin Shares") and the number of Nu Skin Shares owned individually by each Stockholder are as set forth on Schedule A hereto;

WHEREAS, NSAP wishes to acquire the Nu Skin Shares (the "Stock Acquisitions") and the Stockholders wish to transfer the Nu Skin Shares in exchange for, and in consideration for, the indirect assumption by NSAP of the Acquired Entities' obligations under the S Distribution Notes, the Contingent Payment (as defined herein) and the newly issued shares (the "Series A Preferred Shares") of preferred stock, $0.001 par value per share (the "Series A Preferred Stock") of NSAP, upon the terms and subject to the conditions set forth herein;

WHEREAS, the parties hereto intend that the Stock Acquisitions contemplated by this Agreement shall qualify as part purchase and part in a manner similar to pooling for financial reporting purposes;

WHEREAS, the parties hereto intend that the Stock Acquisitions contemplated by this Agreement shall, in part, qualify for United States federal income tax purposes as tax-free exchanges under Section 351 of the Code and that any cash or notes distributed by NSAP to make up a shortfall in the S Distribution Notes or under NSAP's Contingent Payment obligations hereunder will

be taxed as ordinary income;

WHEREAS, the special committee of the Board of Directors (the "Special Committee") of NSAP has received an opinion from its financial advisor, Donaldson, Lufkin & Jenrette, that the consideration to be paid by NSAP for the Nu Skin Shares pursuant to the transactions contemplated hereunder is fair, from a financial point of view, to NSAP; and

WHEREAS, the Board of Directors of NSAP has delegated its power to approve this Agreement and the transactions contemplated hereunder to the Special Committee and the Special Committee has approved this Agreement and the transactions contemplated hereunder;

NOW, THEREFORE, in consideration of the premises and the mutual agreements and covenants hereinafter set forth, NSAP and the Stockholders hereby agree as follows: ARTICLE I

DEFINITIONS

SECTION 1.01. Certain Defined Terms. As used in this Agreement, the following terms shall have the following meanings:

"Acquired Entities" has the meaning specified in the recitals to this Agreement.

"Acquisition Documents" has the meaning specified in Section 8.01.

"Action" means any claim, action, suit, arbitration, inquiry, proceeding or investigation by or before any Governmental Authority.

"Actual NSAP Cumulative EBITDA" has the meaning specified in Section 2.04(a).

"Actual NSI Cumulative EBITDA" has the meaning specified in Section 2.04(a).

"Affiliate" means, with respect to any specified Person, any other Person that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, such specified Person.

"Agreement" or "this Agreement" means this Stock Acquisition Agreement, dated as of February 27, 1998, between the Stockholders and NSAP (including the Exhibits hereto and the Disclosure Schedule) and all amendments hereto made in accordance with the provisions of Section 11.09.

"Assets" has the meaning specified in Section 3.18.

"Average NSAP Common Stock Price at Closing" has the meaning specified in Section 2.03(a).

"Big Planet Option" has the meaning specified in Section 7.02(i).

"Business" means the business of marketing and distributing of Nu Skin products, managing the Nu Skin Global Compensation Plan, licensing of the right to use the Nu Skin trade names, products and Distributor Lists, providing management services to local Nu Skin entities, developing new formulas and ingredients for Nu Skin products and all other businesses which prior to the date hereof have been conducted by the Acquired Entities.

"Business Day" means any day that is not a Saturday, a Sunday or other day on which banks are required or authorized by law to be closed in the City of New York.

"Certificate of Designation" has the meaning specified in Section 2.09(a).

"Closing" has the meaning specified in Section 2.05.

"Closing Balance Sheet" means the unaudited balance sheet (including the related notes and schedules thereto) of the Acquired Entities, to be prepared pursuant to Section 2.08(a) and to be dated as of the Closing Date.

"Closing Date" has the meaning specified in Section 2.05.

"Code" means the Internal Revenue Code of 1986, as amended through the date hereof.

"Common Stock Redemption Price" has the meaning specified in Section 2.09(b).

"Contingent Payment" has the meaning specified in Section 2.04(a).

"Contingent Payment Date" has the meaning specified in Section 2.04(a).

"Contingent Payment Report" has the meaning specified in Section 2.04(f).

"Contingent Payment Years" has the meaning specified in Section 2.04(a).

"Contributed Assets" has the meaning specified in the recitals to this Agreement.

"Control" (including the terms "controlled by" and "under common control with"), with respect to the relationship between or among two or more Persons, means the possession, directly or indirectly or as trustee or executor, of the power to direct or cause the direction of

the affairs or management of a Person, whether through the ownership of voting securities, as trustee or executor, by contract or otherwise, including, without limitation, the ownership, directly or indirectly, of securities having the power to elect a majority of the board of directors or similar body governing the affairs of such Person.

"Designated Amount" has the meaning specified in Section 8.02(b).

"Disclosure Schedule" means the Disclosure Schedule attached hereto, dated as of the date hereof, and forming a part of this Agreement.

"Distributors" means the independent distributors who have entered into distribution agreements with NSI for the sale and distribution of Nu Skin products.

"Distributor Lists" means the list of the Acquired Entities independent distributors who operate under the Nu Skin Global Compensation Plan.

"Downward Adjustment" has the meaning specified in Section 2.08(c)(i).

"EBITDA" has the meaning specified in Section 2.04(e).

"Encumbrance" means any security interest, pledge, mortgage, lien (including, without limitation, environmental and tax liens), charge, encumbrance, adverse claim, preferential arrangement or restriction of any kind, including, without limitation, any restriction on the use, voting, transfer, receipt of income or other exercise of any attributes of ownership.

"Environment" means surface waters, ground waters, surface water sediment, soil, subsurface strata and ambient air.

"Environmental Claims" means any and all actions, suits, demands, demand letters, claims, liens, notices of non-compliance or violation, notices of liability or potential liability, investigations, proceedings, consent orders or consent agreements relating in any way to any Environmental Law, any Environmental Permit or any Hazardous Material or arising from any alleged injury or threat of injury to health, safety or the Environment.

"Environmental Law" means any Law, now or hereafter in effect and as amended, and any judicial or administrative interpretation thereof, including any judicial or administrative order, consent decree or judgment, relating to pollution or protection of the Environment, health or safety or to the use, handling, transportation, treatment, storage, disposal, release or discharge of Hazardous Materials.

"Environmental Permit" means any permit, approval, identification number, license or other authorization required to operate the Business or the Real Property under any applicable Environmental Law.

"ERISA" has the meaning specified in Section 3.20(a).

"Financial Statements" has the meaning specified in Section 3.07(a).

"Foreign Government Scheme or Arrangement" has the meaning specified in Section 3.20(f).

"Foreign Plan" has the meaning specified in Section 3.20(f).

"Governmental Authority" means any United States federal, state or local or any foreign government, governmental, regulatory or administrative authority, agency or commission or any court, tribunal, or judicial or arbitral body.

"Governmental Order" means any order, writ, judgment, injunction, decree, stipulation, determination or award entered by or with any Governmental Authority.

"Hazardous Materials" means (a) petroleum and petroleum products, by-products or breakdown products, radioactive materials, asbestos-containing materials and polychlorinated biphenyls, and (b) any other chemicals, materials or substances regulated as toxic or hazardous or as a pollutant, contaminant or waste under any applicable Environmental Law.

"HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder.

"Indebtedness" means, with respect to any Person, (a) all indebtedness of such Person, whether or not contingent, for borrowed money, (b) all obligations of such Person for the deferred purchase price of property or services, (c) all obligations of such Person evidenced by notes, bonds, debentures or other similar instruments, (d) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (e) all obligations of such Person as lessee under leases that have been or should be, in accordance with U.S. GAAP, recorded as capital leases, (f) all obligations, contingent or otherwise, of such Person under acceptance, letter of credit or similar facilities, (g) all obligations of such Person to purchase, redeem, retire, defease or otherwise acquire for value any capital stock of such Person or any warrants, rights or options to acquire such capital stock, valued, in the case of redeemable preferred stock, at the greater of its voluntary or involuntary liquidation preference plus

accrued and unpaid dividends, (h) all Indebtedness of others referred to in clauses (a) through (f) above guaranteed directly or indirectly in any manner by such Person, or in effect guaranteed directly or indirectly by such Person through an agreement (i) to pay or purchase such Indebtedness or to advance or supply funds for the payment or purchase of such Indebtedness, (ii) to purchase, sell or lease (as lessee or lessor) property, or to purchase or sell services, primarily for the purpose of enabling the debtor to make payment of such Indebtedness or to assure the holder of such Indebtedness against loss, (iii) to supply funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether such property is received or such services are rendered) or (iv) otherwise to assure a creditor against loss, and (i) all Indebtedness referred to in clauses (a) through (f) above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Encumbrance on property (including, without limitation, accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Indebtedness.

"Indemnified Party" has the meaning specified in Section 8.02(a).

"Independent Accounting Firm" has the meaning specified in Section 2.08(b).

"Intellectual Property" means (a) inventions, whether or not patentable, whether or not reduced to practice, and whether or not yet made the subject of a pending patent application or applications, (b) ideas and conceptions of potentially patentable subject matter, including, without limitation, any patent disclosures, whether or not reduced to practice and whether or not yet made the subject of a pending patent application or applications, (c) national (including the United States) and multinational statutory invention registrations, patents, patent registrations and patent applications (including all reissues, divisions, continuations, continuations-in-part, extensions and reexaminations) and all rights therein provided by international treaties or conventions and all improvements to the inventions disclosed in each such registration, patent or application, (d) trademarks, service marks, trade dress, logos, trade names and corporate names, whether or not registered, including all common law rights, and registrations and applications for registration thereof, including, but not limited to, all marks registered in the United States Patent and Trademark Office, the Trademark Offices of the States and Territories of the United States of America, and the Trademark Offices of other nations throughout the world, and all rights therein provided by international treaties or conventions, (e) copyrights (registered or otherwise) and registrations and applications for registration thereof, and all rights therein provided by international treaties or conventions, (f) moral rights (includin-g, without limitation, rights of paternity and integrity), and waivers of such rights by others, (g) computer software, including, without limitation, source code, operating systems and specifications, data, data bases, files, documentation and other materials related thereto, data and documentation, (h) trade secrets and confidential, technical and business information (including ideas, formulas, compositions, inventions, and conceptions of inventions whether patentable or unpatentable and

whether or not reduced to practice), (i) whether or not confidential, technology (including know-how and show-how), manufacturing and production processes and techniques, research and development information, drawings, specifications, designs, plans, proposals, technical data, copyrightable works, financial, marketing and business data, pricing and cost information, business and marketing plans and Distributor Lists and supplier lists and information, (j) copies and tangible embodiments of all the foregoing, in whatever form or medium, (k) all rights to obtain and rights to apply for patents, and to register trademarks and copyrights, (l) all rights to the Nu Skin Global Compensation Plan and Distributor Lists and (m) all rights to sue or recover and retain damages and costs and attorneys' fees for present and past infringement of any of the foregoing.

"Inventories" means all inventory, merchandise, sales materials, finished goods, and raw materials, packaging, supplies and other personal property related to the Business maintained, held or stored by or for the Acquired Entities on the Closing Date and any prepaid deposits for any of the same.

"IRS" means the Internal Revenue Service of the United States.

"Law" means any federal, state, local or foreign statute, law, ordinance, regulation, rule, code, order, other requirement or rule of law.

"Leased Real Property" means the real property leased by the Acquired Entities, as tenant, together with, to the extent leased by the Acquired Entities, all buildings and other structures, facilities or improvements currently or hereafter located thereon, all fixtures, systems, equipment and items of personal property of the Acquired Entities attached or appurtenant thereto, and all easements, licenses, rights and appurtenances relating to the foregoing.

"Liabilities" means any and all debts, liabilities and obligations, whether accrued or fixed, absolute or contingent, matured or unmatured or determined or determinable, including, without limitation, those arising under any Law (including, without limitation, any Environmental Law), Action or Governmental Order and those arising under any contract, agreement, arrangement, commitment or undertaking.

"Licensed Intellectual Property" means all Intellectual Property licensed or sublicensed to the Acquired Entities from a third party.

"Loss" has the meaning specified in Section 8.02(a).

"Material Adverse Effect" means any circumstance, change in, or effect on the Business or the Acquired Entities that, individually or in the aggregate with any other circumstances, changes in, or effects on, the Business or the Acquired Entities: (a) is, or could

be, materially adverse to the business, operations, assets or Liabilities, employee relationships, Distributor or supplier relationships, prospects, results of operations or the condition (financial or otherwise) of the Acquired Entities or (b) could adversely affect the ability of NSAP or the Acquired Entities to operate or conduct the Business in the manner in which it is currently operated or conducted by the Stockholders and the Acquired Entities.

"Material Contracts" has the meaning specified in Section 3.14(a).

"Maximum Contingent Payment Amount" has the meaning specified in Section 2.04(a).

"Minimum Target NSAP Cumulative EBITDA" has the meaning specified in Section 2.04(a).

"Minimum Target NSI Cumulative EBITDA" has the meaning specified in Section 2.04(a).

"1998 S Distribution Notes" has the meaning specified in the recitals to this Agreement.

"Notice of Redemption" has the meaning specified in Section 2.09(c).

"NSAP" has the meaning specified in the recitals to this Agreement.

"NSAP's Accountants" means Price Waterhouse L.L.P., independent accountants of NSAP.

"NSAP Common Stock" has the meaning specified in Section 2.03(a).

"Nu Skin Global Compensation Plan" means the global distributor compensation plan developed by NSI which compensates Distributors for product sales in all of the countries where NSI and its affiliates operate.

"Nu Skin Names" has the meaning specified in Section 5.04.

"Nu Skin Shares" has the meaning specified in the recitals to this Agreement.

"Nu Skin Share Certificates" has the meaning specified in Section 2.01.

"Nu Skin USA" has the meaning specified in the recitals to this Agreement.

"NSI" has the meaning specified in the recitals to this Agreement.

"NSI Contribution and Distribution Agreement" has the meaning specified in the recitals to this Agreement.

"NSI Indemnity Agreement" has the meaning specified in the recitals to this Agreement.

"NSI Shares" means the common stock of Nu Skin International, Inc., par value $.001 per share, to be delivered to NSAP in connection with this Agreement.

"NSI Tax Sharing and Indemnification Agreement" has the meaning specified in the recitals to this Agreement.

"Original S Distribution Notes" has the meaning specified in the recitals to this Agreement.

"Owned Intellectual Property" means all Intellectual Property in and to which the Acquired Entities hold, or have a right to hold, right, title and interest.

"Owned Real Property" means the real property owned by the Acquired Entities, together with all buildings and other structures, facilities or improvements currently or hereafter located thereon, all fixtures, systems, equipment and items of personal property of the Acquired Entities attached or appurtenant thereto and all easements, licenses, rights and appurtenances relating to the foregoing.

"Permits" has the meaning specified in Section 3.13.

"Permitted Encumbrances" means such of the following as to which no enforcement, collection, execution, levy or foreclosure proceeding shall have been commenced: (a) liens for taxes, assessments and governmental charges or levies not yet due and payable which are not in excess of the amount accrued therefor on the Reference Balance Sheet (b) Encumbrances imposed by law, such as materialmen's, mechanics', carriers', workmen's and repairmen's liens and other similar liens arising in the ordinary course of business securing obligations that (i) are not overdue for a period of more than 30 days and (ii) are not in excess of $10,000 in the case of a single property or $100,000 in the aggregate at any time; (c) pledges or deposits to secure obligations under workers' compensation laws or similar legislation or to secure public or statutory obligations; and (d) minor survey exceptions, reciprocal easement agreements and other customary encumbrances on title to real property that (i) were not incurred in connection with any Indebtedness, (ii) do not render title to the property encumbered thereby unmarketable and (iii) do not, individually or in the aggregate, materially adversely affect the value or use of such property for its current and anticipated purposes.

"Person" means any individual, partnership, firm, corporation, association, trust, unincorporated organization or other entity, as well as any syndicate or group that would be deemed to be a person under Section 13(d)(3) of the Securities Exchange Act of 1934, as amended.

"Plans" has the meaning specified in Section 3.20(a).

"Real Property" means the Leased Real Property and the Owned Real Property.

"Redemption Date" has the meaning specified in Section 2.09(c).

"Reference Balance Sheet" means the unaudited combined balance sheet (including the related notes and schedules thereto) of the Acquired Entities, dated as of December 31, 1997, a copy of which is set forth in Section 3.07(a) of the Disclosure Schedule.

"Reference Balance Sheet Date" means December 31, 1997.

"Regulations" means the Treasury Regulations (including Temporary Regulations) promulgated by the United States Department of Treasury with respect to the Code or other federal tax statutes.

"Release" means disposing, discharging, injecting, spilling, leaking, leaching, dumping, emitting, escaping, emptying, seeping, placing and the like into or upon any land or water or air or otherwise entering into the Environment.

"Remedial Action" means any investigation, assessment, monitoring, treatment, excavation, removal, remediation or cleanup of Hazardous Materials in the Environment.

"Retained Entities" means Nu Skin USA, Nu Skin Mexico S.A. de C.V., a Mexican corporation, domesticated in Delaware under the name Nu Skin Mexico, Inc., Nu Skin Guatemala, S.A., a Guatemalan corporation, domesticated in Delaware under the name Nu Skin Guatemala, Inc., Nu Skin Canada, Inc., Nu Skin Puerto Rico, Inc., Scrub Oak, Ltd., Aspen Investments, Ltd., Global Airwaves, Inc. and Mountain Pictures.

"S Distribution Notes" has the meaning specified in the recitals to this Agreement.

"Series A Preferred Stock" has the meaning specified in the recitals to this Agreement.

"Series A Preferred Shares" has the meaning specified in the recitals to this Agreement.

"Series A Preferred Share Certificates" has the meaning specified in Section 2.02.

"Special Committee" has the meaning specified in the recitals to this Agreement.

"Stock Acquisitions" has the meaning specified in the recitals to this Agreement.

"Stockholders" has the meaning specified in the recitals to this Agreement.

"Stockholders' Accountants" means Grant Thornton LLP, independent accountants of the Stockholders.

"Stockholders' Contingent Payment Notice" has the meaning specified in Section 2.04(g).

"Stockholders' Escrow Agreement" has the meaning specified in Section 8.04.

"Stockholders' Representative" has the meaning specified in Section 2.12.

"Tangible Personal Property" has the meaning specified in Section 3.17(a).

"Tax" or "Taxes" means any and all taxes, fees, levies, duties, tariffs, imposts, and other charges of any kind (together with any and all interest, penalties, additions to tax and additional amounts imposed with respect thereto) imposed by any government or taxing authority, including, without limitation: taxes or other charges on or with respect to income, franchises, windfall or other profits, gross receipts, property, sales, use, capital stock, payroll, employment, social security, workers' compensation, unemployment compensation, or net worth; taxes or other charges in the nature of excise, withholding, ad valorem, stamp, transfer, value added, or gains taxes; license, registration and documentation fees; and customs duties, tariffs, and similar charges.

"Third Party Claims" has the meaning specified in Section 8.02(c).

"Upward Adjustment" has the meaning specified in Section 2.08(c)(ii).

"U.S. GAAP" means United States generally accepted accounting principles and practices as in effect from time to time and applied consistently throughout the periods involved.

"Vendors" means any and all vendors who are unaffiliated with the Stockholders or the Acquired Entities and who supply raw materials, components, spare parts, supplies, goods, merchandise or services to the Acquired Entities.

ARTICLE II

ACQUISITION AND TRANSFER

SECTION 2.01. Acquisition and Transfer of Nu Skin Shares. Upon the terms and subject to the conditions of this Agreement, at the Closing (as defined) each Stockholder shall assign, transfer, convey and deliver to NSAP and NSAP shall acquire and accept for delivery from each Stockholder the number of Nu Skin Shares as set forth beside such Stockholder's name on Schedule A hereto under the heading "Nu Skin Shares to be Acquired" and deliver one or more certificates representing such Nu Skin Shares (the "Nu Skin Share Certificates") to NSAP as provided in Section 2.06 below.

SECTION 2.02. Consideration for Transfer of Nu Skin Shares. As consideration for the transfer of Nu Skin Shares by the Stockholders, NSAP shall, upon the terms and subject to the conditions of this Agreement (i) indirectly assume, by virtue of the Stock Acquisitions, the obligations of the Acquired Entities, including those reflected by the S Distribution Notes, subject to the other provisions of this Agreement; provided, however, that in no event shall the aggregate principal amount of the S Distribution Notes which shall be indirectly assumed by NSAP exceed $180 million, (ii) to the extent the S Distribution Notes do not, in aggregate principal amount, equal or exceed $180 million, issue to each Stockholder, in cash or in the form of promissory notes, the difference between (x) $180,000,000 and (y) the aggregate principal amount of the S Distribution Notes, multiplied by each Stockholder's proportional ownership interest in the NSI Shares (iii) issue to each Stockholder the number of NSAP's Series A Preferred Shares as calculated pursuant to Section 2.03 and deliver one or more certificates representing such Series A Preferred Shares (the "Series A Preferred Share Certificates") to the Stockholders as provided in Section 2.07 below and (iv) make certain Contingent Payments (as defined) to the Stockholders subject to the terms and conditions described in Section 2.04. The consideration for the transfer of Nu Skin Shares by each Stockholder to NSAP as described in this Section 2.02 shall be deemed to be in full satisfaction of all rights pertaining to such Nu Skin Shares, subject to any adjustments made pursuant to Section 2.08.

SECTION 2.03. Calculation of Aggregate Number of Series A Preferred Shares. (a) Subject to Section 2.08, each Stockholder shall receive such number of the Series A Preferred Shares as shall be calculated by dividing (x) U.S. $70,000,000 by (y) the average of the closing price per share of NSAP Class A Common Stock (the "NSAP Common Stock") reported on the New York Stock Exchange for the 20 consecutive trading days ending on the trading day that is five trading days prior to the Closing Date (the "Average NSAP Common Stock Price at Closing") multiplied by their proportional interest in the NSI Shares.

(b) Series A Preferred Share Certificates for fractional interests in Series A Preferred Shares shall not be issued, and to the extent that a Stockholder would receive a fraction

of a Series A Preferred Share (after determining the aggregate number of Series A Preferred Shares which such Stockholder would be entitled to receive hereunder), such Stockholder shall receive the highest integral number of Series A Preferred Shares to which such Stockholder would be entitled to pursuant to Section 2.03(a) hereof. In lieu of any fraction of a Series A Preferred Share, such Stockholder shall receive the cash value of any such fraction which shall be determined to the nearest cent ($0.01) by multiplying the Average NSAP Common Stock Price at Closing by such fraction. Any such cash payment shall be paid to the Stockholders on the Closing Date.

SECTION 2.04. Contingent Payments. (a) If (and only if) NSAP, on a consolidated basis, and NSI achieve certain yearly cumulative EBITDA targets for any of the four fiscal years ended December 31, 1998, 1999, 2000 and 2001 (the "Contingent Payment Years"), measured annually, NSAP shall pay to the Stockholders, by April 1, or as soon thereafter as practicable, in the following year (the "Contingent Payment Date"), an additional contingent payment amount (the "Contingent Payment") determined as provided in Section 2.04(d) below which shall not exceed the maximum Contingent Payment amount (the "Maximum Cumulative Contingent Payment Amount") for each such year as set forth in the table in Section 2.04(c) below. Contingent Payments will be payable to the Stockholders with respect to any particular Contingent Payment Year only if (i) the actual cumulative EBITDA of NSAP (the "Actual NSAP Cumulative EBITDA") during such Contingent Payment Year meets or exceeds the minimum target cumulative EBITDA of NSAP (the "Minimum Target NSAP Cumulative EBITDA") for such year as set forth in the table in Section 2.04(b) below, (ii) the actual cumulative EBITDA of NSI (the "Actual NSI Cumulative EBITDA") during such Contingent Payment Year meets or exceeds the minimum target cumulative target EBITDA for NSI (the "Minimum Target NSI Cumulative EBITDA") for such year as set forth in the table in Section 2.04(b) below and (iii) NSI or NSAP have actual current or accumulated earnings and profits for tax purposes as defined in Section 316 of the Code in such year (but in no event shall the Contingent Payment payable to the Stockholders with respect to any Contingent Payment Year exceed the amount of such earnings and profits). Notwithstanding the foregoing, in no event shall the aggregate amount of all Contingent Payments payable over the four Contingent Payment Years exceed $100,000,000.

(b) The parties agree and confirm that the NSAP Cumulative EBITDA Targets for the years indicated below are as follows:

Year	Minimum Target NSAP Cumulative EBITDA
1998	$ 222,480,000
1999	$ 462,758,000
2000	$ 722,259,000
2001	$1,002,520,000

(c) The parties agree and confirm that the NSI Cumulative EBITDA Targets and the Maximum Cumulative Contingent Payment Amounts for each the years indicated below are as follows:

Year	Minimum Target NSI Cumulative EBITDA	Maximum Target NSI Cumulative EBITDA	Maximum Cumulative Contingent Payment Amount
1998	$ 59,400,000	$ 64,800,000	up to $ 25,000,000
1999	$124,740,000	$142,560,000	up to $ 50,000,000
2000	$196,614,000	$235,872,000	up to $ 75,000,000
2001	$275,675,000	$347,846,000	up to $100,000,000

(d) If the foregoing conditions are met, the Contingent Payment payable to the Stockholders for each of the Contingent Payment Years shall be based upon the following formulae, subject to the limitations set forth in this Section 2.04:

(i) Contingent Payment Year 1998:

$$\$8{,}250{,}000 + \left[\frac{(\text{Actual NSI Cumulative EBITDA} - 59{,}400{,}000) \times \$16{,}750{,}000}{\$5{,}400{,}000}\right]$$

(ii) Contingent Payment Year 1999:

$$\$16{,}500{,}000 + \left[\frac{(\text{Actual NSI Cumulative EBITDA} - \$124{,}740{,}000) \times \$33{,}500{,}000}{\$17{,}820{,}000}\right] - \text{Contingent Payments made for 1998}$$

(iii) Contingent Payment Year 2000:

$$\$24{,}750{,}000 + \left[\frac{(\text{Actual NSI Cumulative EBITDA} - \$196{,}614{,}000) \times \$50{,}250{,}000}{\$39{,}258{,}000}\right] - \text{Contingent Payments made for 1998 and 1999}$$

(iv) Contingent Payment Year 2001:

$$\$33{,}000{,}000 + \left[\frac{(\text{Actual NSI Cumulative EBITDA} - \$275{,}675{,}000) \times \$67{,}000{,}000}{\$72{,}171{,}000}\right] - \text{Contingent Payments made for 1998, 1999 and 2000}$$

NSAP shall cause the Contingent Payment earned in any Contingent Payment Year, if any, to be paid on the Contingent Payment Date to the Stockholders by wire transfer in immediately available funds to an account to be designated in writing by the Stockholder at least two Business

Days prior to the Contingent Payment Date and in amounts to each Stockholder in proportion to their respective ownership percentage of the Nu Skin Shares.

(e) For purposes of this Section 2.04, The term "EBITDA" shall mean (i) for the purpose of calculating the EBITDA of NSAP in respect of any Contingent Payment Year, NSAP's earnings before income taxes, depreciation and amortization, and before taking into account any extraordinary one-time or non-recurring adjustments, and (ii) for the purpose of calculating the EBITDA of NSI in respect of any Contingent Payment Year, NSI's earnings before income taxes, depreciation and amortization, as such may be calculated using methodologies and principles similar to those employed by NSI in connection with conducting its operations and reporting its financial results for 1997; by way of illustration, but not limitation, such methodologies and principles shall include NSI bearing any Distributor commissions in excess of 42% of commissionable product sales, maintaining gross margins of below 60% from sales of products to Nu Skin affiliates and allocating selling, general and administrative expenses in a manner similar to those employed during 1997 (taking into account such personnel modifications as shall be reasonable and necessary under the circumstances). In addition to the foregoing, the parties hereby agree that the NSI and NSAP EBITDA targets specified in Sections 2.04(b), 2.04(c) and 2.04(d) shall be calculated on a pro forma basis assuming for purposes of these calculations that the Closing had occurred on December 31, 1997.

(f) Within 60 days after December 31 of each Contingent Payment Year, or as soon thereafter as practicable, NSAP will obtain from Price Waterhouse LLP (or such other firm of independent certified public accountants as shall at the time be retained to audit the books and accounts of NSAP) a written Contingent Payment Agreed Upon Procedures Report (the "Contingent Payment Report") setting forth the EBITDA of NSAP and NSI for such year and stating that such EBITDA numbers were determined in accordance with Section 2.04(e) and setting forth the computation of the Contingent Payment, if any, due on the Contingent Payment Date, and stating that the amount of such Contingent Payment has been determined in accordance with the provisions of this Section 2.04. NSAP shall deliver a copy of such Contingent Payment Report to the Stockholders within five days of the receipt of such report.

(g) If the Stockholders wish to dispute the amount of any Contingent Payment due then, within 20 days of the receipt of the Contingent Payment Report, the Stockholders' Representative must deliver to NSAP written notice (the "Stockholders' Contingent Payment Notice") stating the dollar amount of the Contingent Payment in dispute for the Contingent Payment Year and setting forth, in reasonable detail, the basis for such dispute. The failure of the Stockholders' Representative to deliver the Stockholders' Contingent Payment Notice within the specified time period shall be deemed to constitute acceptance by the Stockholders of the information and calculations set forth in the Contingent Payment Report for such Contingent Payment Year. The Stockholders may dispute amounts reflected on the Contingent Payment Report only on the basis that the amounts were not arrived at in accordance with the terms of this Agreement.

(h) In the event that the Stockholders dispute the amount of the Contingent Payment for any Contingent Payment Year, NSAP and the Stockholders shall attempt to reconcile their differences and any resolution by them as to any disputed amount shall be final, binding and conclusive on the parties hereto. If NSAP and the Stockholders are unable to reach a resolution within 15 Business Days of the delivery by the Stockholders' Representative of the Stockholders' Contingent Payment Notice indicating a dispute, NSAP and the Stockholders' Representative shall submit the items remaining in dispute for resolution to such independent accounting firm of national reputation as may be mutually acceptable to NSAP and the Stockholders' Representative, which shall, within 90 Business Days of such submission, report in writing to NSAP and the Stockholders as to the resolution of such dispute, and such report shall be final, binding and conclusive on NSAP and the Stockholders. The fees and disbursements of the independent accounting firm shall be allocated between the Stockholders and NSAP in the same proportion that the aggregate amount of the disputed items submitted to the independent accounting firm which are unsuccessfully disputed by each party (as determined by the independent accounting firm) bears to the total amount of disputed items so submitted.

SECTION 2.05. Closing. The acquisition and delivery of the Nu Skin Shares contemplated by this Agreement shall take place at a closing (the "Closing") to be held at the offices of NSAP, One Nu Skin Plaza, 75 West Center, Provo, Utah at 10:00 A.M. Mountain Standard Time on the later to occur of (i) March 20, 1998 and (ii) the fifth Business Day following the later to occur of (A) expiration or termination of all applicable waiting periods under the HSR Act and (B) satisfaction or waiver of all other conditions to the obligations of the parties set forth in Article VII, or at such other place or at such other time or on such other date as the Stockholders and NSAP may mutually agree upon in writing (the day on which the Closing takes place being the "Closing Date").

SECTION 2.06. Closing Deliveries by the Stockholders. At the Closing, the Stockholders shall deliver or cause to be delivered to NSAP:

(a) the Nu Skin Share Certificates evidencing the Nu Skin Shares duly endorsed in blank, or accompanied by stock powers duly executed in blank, in form satisfactory to NSAP and with all required stock transfer tax stamps affixed;

(b) a receipt for the Series A Preferred Shares;

(c) a true and complete copy of the NSI Contribution and Distribution Agreement, the NSI Tax Sharing and Indemnification Agreement and the NSI Indemnity Agreement;

(d) a true and complete copy of the intercompany agreements between NSI and the Retained Entities;

(e) a true and complete copy of the Stockholders' Escrow Agreement; and

(f) the opinions, certificates and other documents required to be delivered pursuant to Section 7.02.

SECTION 2.07. Closing Deliveries by NSAP. At the Closing, NSAP shall deliver to the Stockholders:

(a) the Series A Preferred Share Certificates, registered in the name of each Stockholder and representing the Series A Preferred Shares to be issued to such Stockholder, which shall be in substantially the form of Exhibit A attached hereto;

(b) cash in the amount of any fractional share amount due each Stockholder, if any;

(c) cash or promissory notes in the amount, if any, determined in accordance with Section 2.02; and

(d) the opinions, certificates and other documents required to be delivered pursuant to Section 7.01.

SECTION 2.08. Adjustment of Consideration for Nu Skin Shares. The parties hereto agree that combined net asset value of the Acquired Entities reflected on the Reference Balance Sheet shall be not less than $83.7 million (excluding the aggregate principal amount of the S Distribution Notes). In the event the actual net asset value (the "Actual Net Asset Value") reflected on the Reference Balance Sheet is reduced after the date hereof below $83.7 million as a result of adjustments made in connection with the audit of the Reference Balance Sheet by the Stockholders' accountants, the parties agree that Series A Preferred Shares payable to the Stockholders hereunder shall be reduced on a pro rata basis by an amount equal to $83.7 million less the Actual Net Asset Value divided by the Average NSAP Common Stock Price at Closing. In addition to the foregoing, the consideration to be paid to the Stockholders for the Nu Skin Shares shall be subject to adjustment after the Closing as follows:

(a) Closing Balance Sheet. As promptly as practicable, but in any event within ninety calendar days following the Closing Date, the Stockholders shall deliver to NSAP the Closing Balance Sheet, which shall fairly present the combined financial position of the Acquired Entities at the Closing Date in conformity with U.S. GAAP applied on a basis consistent with the preparation of the Reference Balance Sheet. Subject to Section 2.08(b) below, the Closing Balance Sheet delivered by the Stockholders to NSAP shall be deemed to be and shall be final, binding and conclusive on the parties hereto.

(b) Disputes. NSAP may dispute any amounts reflected on the Closing Balance Sheet to the extent the net effect of such disputed amounts in the aggregate would affect the Net Asset reflected on the Closing Balance Sheet by more than $1,000,000, but only on the basis that the amounts reflected on the Closing Balance Sheet were not arrived at in accordance with U.S. GAAP applied on a basis consistent with the preparation of the Reference Balance Sheet; provided, however, that NSAP shall have notified the Stockholders' Representative in writing of each disputed item, specifying the amount thereof in dispute and setting forth, in reasonable detail, the basis for such dispute, within 30 Business Days of the Stockholders' delivery of the Closing Balance Sheet to NSAP. In the event of such a dispute, the Stockholders' Accountants and NSAP's Accountants shall attempt to reconcile their differences, and any resolution by them as to any disputed amounts shall be final, binding and conclusive on the parties hereto. If the Stockholders' Accountants and NSAP's Accountants are unable to reach a resolution with such effect within twenty Business Days after receipt by NSAP and NSAP's Accountants of the Stockholders' Representative's written notice of dispute, the Stockholders' Accountants and NSAP shall submit the items remaining in dispute for resolution to an independent accounting firm of international reputation mutually acceptable to NSAP and the Stockholders (the "Independent Accounting Firm"), which shall, within 90 Business Days after such submission, determine and report to NSAP and the Stockholders upon such remaining disputed items, and such report shall be final, binding and conclusive on the Stockholders and NSAP. The fees and disbursements of the Independent Accounting Firm shall be allocated between the Stockholders and NSAP in the same proportion that the aggregate amount of such remaining disputed items so submitted to the Independent Accounting Firm that is unsuccessfully disputed by each such party (as finally determined by the Independent Accounting Firm) bears to the total amount of such remaining disputed items so submitted. In acting under this Agreement, NSAP's Accountants, the Stockholders' Accountants and the Independent Accounting Firm shall be entitled to the privileges and immunities of arbitrators.

(c) Adjustment of Consideration. The Closing Balance Sheet shall be deemed final for the purposes of this Section 2.08 upon the earlier of (A) the failure of NSAP to notify the Stockholders' Representative of a dispute within 30 Business Days of the Stockholders' delivery of the Closing Balance Sheet to NSAP, (B) the resolution of all disputes, pursuant to Section 2.08(b), by NSAP's Accountants and the Stockholders' Accountants and (C) the resolution of all disputes, pursuant to Section 2.08(b), by the Independent Accounting Firm. Within 10 Business Days after the Closing Balance Sheet being deemed final, an adjustment to the consideration given to the Stockholders for the Nu Skin Shares shall be made as follows:

(i) in the event that the net asset value reflected on the Reference Balance Sheet exceeds the net asset value reflected on the Closing Balance Sheet, then the consideration issued to the Stockholders for the Nu Skin Shares shall be adjusted downward in an amount equal to such excess (the "Downward Adjustment"). NSAP shall deliver written notice to each Stockholder specifying each Stockholder's pro rata share of such Downward Adjustment, and each Stockholder shall, within 10 Business Days of his receipt of such

notice remit to NSAP the number of shares of NSAP Common Stock equal to his pro rata share of such Downward Adjustment to be calculated by dividing the Downward Adjustment by the average of the closing price per share of NSAP Common Stock on the New York Stock Exchange for the 20 consecutive trading days ending on the date five days prior to the date of such remittance; and

(ii) in the event that the net asset value reflected on the Closing Balance Sheet exceeds the net asset value reflected on the Reference Balance Sheet, then the consideration issued to the Stockholders for the Nu Skin Shares shall be adjusted upward in an amount equal to such excess (the "Upward Adjustment") and NSAP shall, within 10 Business Days of such determination, pay the Upward Adjustment by issuing to the Stockholders NSAP Common Stock in an amount to be calculated by dividing the Upward Adjustment by the Average NSAP Common Stock Price at Closing. Each Stockholder will receive a pro rata number of such shares of NSAP Common Stock that is in proportion to the number of NSI Shares originally transferred by such Stockholder pursuant to Section 2.01.

SECTION 2.09. Conversion and Optional Redemption of Series A Preferred Stock/Common Stock. (a) The Series A Preferred Shares shall, subject to the approval of the Stockholders of NSAP, be converted into NSAP Common Stock in accordance with, and subject to, the terms and conditions set forth in the certificate of designation (the "Certificate of Designation") to be filed with the Secretary of State of the State of Delaware in respect of such Series A Preferred Shares, substantially in the form of Exhibit B hereto. NSAP shall use its best efforts to obtain such approval from its Stockholders at its Annual Meeting of Stockholders to be held in April 1998. If the conversion of the Preferred Shares into NSAP Common Stock has not been approved by September 30, 1998, then at any time thereafter, NSAP shall have the right, exercisable at its sole discretion, to redeem the Series A Preferred Shares issued to each Stockholder, in whole but not in part, in the manner and upon the terms and conditions set forth in the Certificate of Designation.

(b) In the event that the Series A Preferred Shares are converted into NSAP Common Stock in accordance with, and subject to, the terms and conditions set forth in the Certificate of Designation, NSAP shall have the right to redeem such NSAP Common Stock, in whole but not in part, at the following redemption price (the "Common Stock Redemption Price") based on the Average NSAP Common Stock Price at Closing during the 12-month periods beginning on the date the Series A Preferred Shares are converted into NSAP Common Stock for each of the years set forth below:

Year	Common Stock Redemption Price
1998	100%
1999	120%
2000	140%
2001	160%
2002	180%
2003	200%

NSAP's right of redemption shall commence immediately following the issuance of such NSAP Common Stock and shall expire on the sixth anniversary of the date the Series A Preferred Shares were converted into NSAP Common Stock. Notwithstanding the foregoing, NSAP's right to redeem the NSAP Common Stock issued to the Stockholders is conditioned upon (i) the Common Stock Redemption Price being no more than 100% of the average of the closing price per share of NSAP Common Stock on the New York Stock Exchange for the 20 consecutive trading days ending on the trading date that is five trading days prior to the date of such redemption and (ii) NSAP receiving the written consent of at least two-thirds (2/3) of the independent members of its Board of Directors. Payments by NSAP to the Stockholders under this Section 2.09(b) shall be made by check or wire transfer in immediately available funds to an account specified in writing to NSAP by each such Stockholder no later than two Business Days after the Redemption Date; provided, however, that in no event shall the failure by a Stockholder to specify such an account relieve NSAP of its payment obligation under this Section 2.09(b).

(c) In the event that NSAP elects to exercise its right of redemption under Sections 2.09(a) or 2.09(b), NSAP shall deliver to each Stockholder a written notice (the "Notice of Redemption") which specifies the number of Series A Preferred Shares or NSAP Common Stock, as the case may be, to be redeemed from such Stockholder, the Common Stock Redemption Price or the redemption price for the Preferred Shares, as applicable, and the date of such redemption (the "Redemption Date"), which shall be not less than 20 days after the date on which such Notice of Redemption is given. On the Redemption Date, the Stockholders shall each deliver the specified number of Series A Preferred Shares or the NSAP Common Stock, as the case may be, to NSAP against payment of the amount due to such Stockholders pursuant to Sections 2.09(a) and 2.09(b) above.

SECTION 2.10. Tax Free Transaction. The parties intend that the Stock Acquisitions contemplated by this Agreement qualify, in part, for United States federal income tax purposes as tax-free exchanges under Section 351 of the Code.

SECTION 2.11. Termination of "S" Corporation Status. As a result of the Stock Acquisitions, the Acquired Entities will cease to qualify as "S" corporations within the meaning of Section 1361(a) of the Code and will become "C" corporations within the meaning of Section

1361(a)(2) of the Code, which will join in filing consolidated federal income tax returns with NSAP as the common parent.

SECTION 2.12. Appointment of Stockholders' Representative. The Stockholders hereby appoint each of Keith R. Halls and Steven J. Lund (each such person, whether acting singly or in concert, and any successor or successors being the "Stockholders' Representative") as their legal representative and Attorney-in-Fact (i) to do any and all things and execute all documents and papers, in each Stockholder's name, place and stead, in any way such Stockholder could do if personally present, in connection with this Agreement and the transactions contemplated hereby, including, without limitation, to (i) amend, cancel or extend, or waive the terms of this Agreement, the Stockholders' Escrow Agreement or any other ancillary documents or agreements prepared in connection with this Agreement, (ii) provide the notices of dispute and adjustments to the consideration pursuant to Section 2.08, (iii) accept and deliver shares, promissory notes or cash in the amount of any fractional share amount due to each Stockholder, on behalf of such Stockholders, (iv) act on behalf of the Stockholders with respect to claims (including the settlement thereof) made by NSAP or the Stockholders for indemnification pursuant to Articles VIII and X and with respect to any actions to be taken by the Stockholders pursuant to the terms of the Stockholders' Escrow Agreement and (vi) accept, on behalf of the Stockholders, all notices required to be delivered to the Stockholders under this Agreement. In the event that one or both of the Stockholders' Representatives becomes unable or unwilling to continue in his capacity as Stockholders' Representative, the Stockholders shall appoint a successor Stockholders' Representative by written notice to NSAP. All references herein to "Stockholders' Representative" shall include any such successor Stockholders' Representative. The Stockholders hereby consent to the taking of any and all actions and the making of any decisions required or permitted to be taken by the Stockholders' Representative under this Agreement or the Stockholders' Escrow Agreement. The Stockholders shall be bound by all actions taken by the Stockholders' Representative in his capacity thereof. NSAP shall be entitled to rely, as being binding upon each of the Stockholders, any document or other paper believed by it to be the genuine and correct and to have been signed or sent by the Stockholders' Representative, and NSAP shall not be liable to the Stockholders for any action taken or omitted to be taken by it in such reliance. Copies of any notice given by NSAP to the Stockholders' Representative shall be provided to each of those persons specified in Section 11.02.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE STOCKHOLDERS

As an inducement to NSAP to enter into this Agreement, the Stockholders hereby represent and warrant to NSAP as follows:

SECTION 3.01. Organization, Authority and Qualification of the Acquired Entities; Execution and Delivery. (a) Each of the Acquired Entities (i) is a corporation duly organized, validly existing and in good standing under the laws of its respective jurisdictions of incorporation (both foreign and domestic, as the case may be) (ii) has all the necessary power and authority to own, operate or lease the properties and assets now owned, operated or leased by such Acquired Entity and to carry on the business as it has been and is currently conducted by such Acquired Entity.

(b) Each of the Acquired Entities is duly licensed or qualified to do business and is in good standing in each jurisdiction in which the properties owned or leased by it or the operation of its business makes such licensing or qualification necessary or desirable, except where the failure to be so licensed or qualified would not result in a Material Adverse Effect on such Acquired Entity. Section 3.01(b) of the Disclosure Schedule sets forth all of the jurisdictions in which each Acquired Entity is so licensed or qualified.

(c) All corporate actions taken by the Acquired Entities have been duly authorized, and the Acquired Entities have not taken any action that in any respect conflicts with, constitutes a default under or results in a violation of any provision of their respective Certificates of Incorporation or By-laws (or similar organizational documents). True and correct copies of the Certificates of Incorporation and By-laws (or similar organizational documents) of the Acquired Entities, each as in effect on the date hereof, have been delivered by the Stockholders to NSAP.

SECTION 3.02. Due Execution and Delivery by the Stockholders. This Agreement has been duly executed and delivered by each of the Stockholders, and (assuming due authorization, execution and delivery by NSAP) this Agreement constitutes a legal, valid and binding obligation of the Stockholders enforceable against the Stockholders in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency or other similar laws affecting the enforcement of creditors' rights generally and except that the availability of equitable remedies, including specific performance, is subject to the discretion of the court before which any proceeding therefor may be brought.

SECTION 3.03. Capital Stock of Acquired Entities; Stockholders' Ownership of Nu Skin Shares. (a) The authorized capital stock of each of the Acquired Entities is as set forth on Schedule A attached hereto. As of the date hereof, all of the Nu Skin Shares are validly issued, fully paid and nonassessable and none of the issued and outstanding Nu Skin Shares was issued in violation of any preemptive rights. Except as set forth in this Agreement, there are no options, warrants, convertible securities or other rights, agreements, arrangements or commitments of any character relating to the capital stock of the Acquired Entities or obligating the Stockholders or the Acquired Entities to issue or sell any shares of capital stock of, or any other interest in, such Acquired Entities. There are no outstanding contractual obligations of any of the Acquired Entities to repurchase, redeem or otherwise acquire any of their respective shares or to provide

funds to, or make any investment (in the form of a loan, capital contribution or otherwise) in, any other Person.

(b) As of the date hereof, each Stockholder is, and as of the Closing Date each Stockholder shall be, the record and beneficial owner of and have good and valid title to such Stockholder's respective Nu Skin Shares as set forth on Schedule A hereto as being owned by such Stockholder, free and clear of all Encumbrances (except as provided in the Stockholders Agreement or restrictions on transfer imposed by applicable securities laws). Upon consummation of the transactions contemplated by this Agreement and registration of the Nu Skin Shares in the name of NSAP, NSAP will own all the issued and outstanding capital stock of the Acquired Entities free and clear of all Encumbrances. Upon consummation of the transactions contemplated by this Agreement, the Nu Skin Shares will be fully paid and nonassessable. There are no voting trusts, stockholder agreements, proxies or other agreements or understandings in effect with respect to the voting or transfer of any of the Nu Skin Shares, except for those voting trusts, stockholder agreements, proxies or other agreements whose terms do not and will not prevent the consummation of the Stock Acquisition or the transactions described herein or whose terms shall have been amended or modified so as to not prevent the consummation of the Stock Acquisition or the transactions described herein.

(c) The stock registers of the Acquired Entities accurately record: (i) the name and address of each Person owning the respective shares of such Acquired Entities and (ii) the certificate number of each certificate evidencing shares issued by such Acquired Entities, the number of shares evidenced by each such certificate, the date of issuance thereof and, in the case of cancellation, the date of cancellation.

SECTION 3.04. Corporate Books and Records. The minute books of the Acquired Entities contain accurate records of all meetings and accurately reflect all other actions taken by the stockholders, Boards of Directors and all committees of the Boards of Directors of such Acquired Entities. Complete and accurate copies of all such minute books and of the stock registers of the Acquired Entities have been provided by the Stockholders to NSAP.

SECTION 3.05. No Conflict. Assuming that all consents, approvals, authorizations and other actions described in Section 3.06 have been obtained and all filings and notifications listed in Section 3.06 of the Disclosure Schedule have been made, the execution, delivery and performance of this Agreement by the Stockholders and the consummation of the transactions contemplated herein in the manner contemplated hereby do not and will not (a) violate, conflict with or result in the breach of any provision of the charter or by-laws (or similar organizational documents) of any Acquired Entity, (b) conflict with or violate (or cause an event which could have a Material Adverse Effect as a result of) any Law or Governmental Order applicable to the Stockholders, any Acquired Entity, or any of their respective assets, properties or businesses, or (c) conflict with, result in any breach of, constitute a default (or event which with the giving of

notice or lapse of time, or both, would become a default) under, require any consent under, or give to others any rights of termination, amendment, acceleration, suspension, revocation or cancellation of, or result in the creation of any Encumbrance on any of the Nu Skin Shares or on any of the assets or properties of the Stockholders or any Acquired Entity pursuant to, any note, bond, mortgage or indenture, contract, agreement, lease, sublease, license, permit, franchise or other instrument or arrangement to which the Stockholders or the Acquired Entities are a party or by which any of the Nu Skin Shares or any of such assets or properties are bound or affected. Except as set forth in Section 3.05 of the Disclosure Schedule, no material amounts will become payable by any Acquired Entity to any former or current directors or officers of any Acquired Entity as a result of or in connection with the transactions contemplated by this Agreement.

SECTION 3.06. Governmental Consents and Approvals. The execution, delivery and performance of this Agreement by the Stockholders does not and will not require any consent, approval, authorization or other order of, action by, filing with or notification to any Governmental Authority or third party, except (a) as described in Section 3.06 of the Disclosure Schedule and (b) the notification requirements of the HSR Act.

SECTION 3.07. Financial Information, Books and Records, Projections and Operating Data. (a) True and complete copies of (i) the audited combined balance sheet of the Acquired Entities for each of the three fiscal years ended as of December 31, 1997, and the related audited statement of income, retained earnings, stockholders' equity and changes in financial position of the Acquired Entities, together with all related notes and schedules thereto, accompanied by the reports thereon of the Stockholders' Accountants, and (ii) the unaudited Reference Balance Sheet (collectively referred to herein as the "Financial Statements") have been delivered (or, in the case of the audited balance sheet and statement, will be delivered when available) by the Stockholders to NSAP. The Financial Statements, (including the Reference Balance Sheet) (i) were prepared in accordance with the books of account and other financial records of the Acquired Entities, (ii) present fairly the combined financial condition and results of operations of such Acquired Entities as of the dates thereof or for the periods covered thereby, (iii) have been prepared in accordance with U.S. GAAP applied on a basis consistent with the past practices of such Acquired Entities and (iv) include all adjustments (consisting only of normal recurring accruals) that are necessary for a fair presentation of the financial condition of such Acquired Entities and the results of the operations of such Acquired Entities as of the dates thereof or for the periods covered thereby.

(b) The books of account and other financial records of each Acquired Entity: (i) reflect all items of income and expense and all assets and Liabilities required to be reflected therein in accordance with U.S. GAAP applied on a basis consistent with the past practices of such Acquired Entity, (ii) are in all material respects complete and correct, and do not contain or reflect any material inaccuracies or discrepancies and (iii) have been maintained in accordance with good business and accounting practices.

SECTION 3.08. No Undisclosed Liabilities. There are no Liabilities of the Acquired Entities, other than Liabilities (i) reflected and reserved against on the Reference Balance Sheet, (ii) disclosed in Section 3.08 of the Disclosure Schedule or (iii) incurred since the date of this Agreement in the ordinary course of the business, consistent with the past practice, of the Acquired Entities and which do not and will not have a Material Adverse Effect on such Acquired Entities. Reserves are reflected on the Reference Balance Sheet against all Liabilities of the Acquired Entities in amounts that have been established on a basis consistent with the past practices of the Acquired Entities and in accordance with U.S. GAAP.

SECTION 3.09. Acquired Assets. Except as disclosed in Section 3.09 of the Disclosure Schedule, each asset of the Acquired Entities (including, without limitation, the benefit of any licenses, leases or other agreements or arrangements) acquired since the Reference Balance Sheet Date has been acquired for consideration not more than the fair market value of such asset at the date of such acquisition.

SECTION 3.10. Conduct in the Ordinary Course; Absence of Certain Changes, Events and Conditions. Since the Reference Balance Sheet Date, except as disclosed in Section 3.10 of the Disclosure Schedule, the business of each Acquired Entity has been conducted in the ordinary course and consistent with past practice. As amplification and not limitation of the foregoing, except as disclosed in Section 3.10 of the Disclosure Schedule, since the Reference Balance Sheet Date, each Acquired Entity has not:

(i) permitted or allowed any of the assets or properties (whether tangible or intangible) of the Acquired Entity to be subjected to any Encumbrance, other than Permitted Encumbrances and Encumbrances that will be released at or prior to the Closing;

(ii) except in the ordinary course of business consistent with past practice, discharged or otherwise obtained the release of any Encumbrance or paid or otherwise discharged any Liability, other than current liabilities reflected on the Reference Balance Sheet and current liabilities incurred in the ordinary course of business consistent with past practice since the Reference Balance Sheet Date;

(iii) made any loan to, guaranteed any Indebtedness of or otherwise incurred any Indebtedness on behalf of any Person;

(iv) failed to pay any creditor any amount owed to such creditor when due;

(v) redeemed any of the capital stock or declared, made or paid any dividends or distributions (whether in cash, securities or other property) to the holders of capital stock of the Acquired Entity;

(vi) made any material changes in the customary methods of operations of the Acquired Entity, including, without limitation, practices and policies relating to manufacturing, purchasing, Inventories, marketing, selling and pricing;

(vii) made any capital expenditure or commitment for any capital expenditure in excess of $100,000 individually or $250,000 in the aggregate, other than as described in Section 3.10 of the Disclosure Schedule;

(viii) sold, transferred, leased, subleased, licensed or otherwise disposed of any properties or assets, real, personal or mixed (including, without limitation, leasehold interests and intangible assets), other than the sale of Inventories in the ordinary course of business consistent with past practice;

(ix) issued or sold any capital stock, notes, bonds or other securities, or any option, warrant or other right to acquire the same, of, or any other interest in, the Acquired Entity;

(x) written down or written up (or failed to write down or write up in accordance with U.S. GAAP consistent with past practice) the value of any Inventories or receivables or revalued any assets of the Acquired Entity other than in the ordinary course of business consistent with past practice and in accordance with U.S. GAAP;

(xi) amended, terminated, canceled or compromised any material claims of the Acquired Entity or waived any other rights of substantial value to the Acquired Entity;

(xii) failed to maintain the Assets held by it in accordance with good business practice and in good operating condition and repair;

(xiii) allowed any Permit or Environmental Permit that was issued or relates to the Acquired Entity or otherwise relates to any Asset to lapse or terminate or failed to renew any such Permit or Environmental Permit or any insurance policy that is scheduled to terminate or expire within 45 calendar days of the Closing Date;

(xiv) incurred any Indebtedness, excluding purchases of products from NSI, in excess of $100,000 individually or $250,000 in the aggregate;

(xv) disclosed any secret or confidential Intellectual Property (except by way of issuance of a patent or to professional advisors) or permitted to lapse or go abandoned any Intellectual Property (or any registration or grant thereof or any application relating thereto) to which, or under which, the Acquired Entity has any right, title, interest or license;

(xvi) made any express or deemed election or settled or compromised any Liability, with respect to Taxes of the Acquired Entity;

(xvii) suffered any casualty loss or damage with respect to any of the Assets which in the aggregate have a replacement cost of more than $250,000, whether or not such loss or damage shall have been covered by insurance;

(xviii) suffered any Material Adverse Effect; or

(xix) agreed, whether in writing or otherwise, to take any of the actions specified in this Section 3.10 or granted any options to purchase, rights of first refusal, rights of first offer or any other similar rights or commitments with respect to any of the actions specified in this Section 3.10, except as expressly contemplated by this Agreement.

SECTION 3.11. Litigation. Except as set forth in Section 3.11 of the Disclosure Schedule (which, with respect to each Action disclosed therein, sets forth: the parties, nature of the proceeding, date and method commenced, amount of damages or other relief sought and, if applicable, paid or granted), there are no Actions by or against any Acquired Entity (or by or against the Stockholders or any Affiliate thereof and relating to any Acquired Entity), or affecting any of the Assets, pending before any Governmental Authority (or, to the best knowledge of the Stockholders after due inquiry, threatened to be brought by or before any Governmental Authority). None of the matters disclosed in Section 3.11 of the Disclosure Schedule has or has had a Material Adverse Effect or could affect the legality, validity or enforceability of this Agreement or the consummation of the transactions contemplated hereby. Except as set forth in Section 3.11 of the Disclosure Schedule, none of the Assets of any Acquired Entity is subject to any Governmental Order (nor, to the best knowledge of the Stockholders after due inquiry, are there any such Governmental Orders threatened to be imposed by any Governmental Authority) which has or has had a Material Adverse Effect.

SECTION 3.12 Compliance with Laws. Except as set forth in Section 3.12 of the Disclosure Schedule, each Acquired Entity has, at all times since its formation, conducted and continues to conduct its business in accordance with all Laws and Governmental Orders applicable to such Acquired Entity or any of the Assets or the Business, and such Acquired Entity is not in violation of any such Law or Governmental Order.

SECTION 3.13. Environmental and Safety Matters. Except as disclosed in Section 3.13 of the Disclosure Schedule, each of the Acquired Entities is in compliance with all applicable Environmental Laws and with the provisions of all federal, state, local and foreign laws relating to pollution, protection of the environment or occupational safety and health applicable to it or to the Real Property or to the use, operation or occupancy thereof (collectively, the "Permits"). None of the Acquired Entities has engaged in any activity in

material violation of any applicable Environmental Law or provision of any federal, state or local law relating to pollution, protection of the environment or occupational safety and health. None of the Acquired Entities have any material liability, absolute or contingent, under any applicable Environmental Law or federal, state or local law relating to pollution, protection of the environment or occupational safety and health.

SECTION 3.14. Material Contracts. (a) the following contracts and agreements (including, without limitation, oral and informal arrangements) of each Acquired Entity (together with all contracts, agreements, leases and subleases concerning the management or operation of any Real Property (including, without limitation, brokerage contracts) described in Section 3.16 of this Agreement) to which such Acquired Entity is a party and all agreements relating to Intellectual Property described in Section 3.15 of this Agreement, are herein referred to as the "Material Contracts"):

(i) each contract and agreement for the purchase of Inventory, spare parts, other materials or personal property with any supplier or for the furnishing of services to any Acquired Entity under the terms of which such Acquired Entity: (A) is likely to pay or otherwise give consideration of more than $250,000 in the aggregate during the calendar year ending December 31, 1998, (B) is likely to pay or otherwise give consideration of more than $500,000 in the aggregate over the remaining term of such contract or (C) cannot be canceled by the Acquired Entity without penalty or further payment and without more than 30 days' notice;

(ii) each contract and agreement for the sale of Inventory or other personal property or for the furnishing of services by the Acquired Entity which: (A) is likely to involve consideration of more than $250,000 in the aggregate during the calendar year ending December 31, 1998, (B) is likely to involve consideration of more than $500,000 in the aggregate over the remaining term of the contract or (C) cannot be canceled by the Acquired Entity without penalty or further payment and without more than 30 days' notice;

(iii) all broker, Distributor, dealer, manufacturer's representative, franchise, agency, sales promotion, market research, marketing consulting and advertising contracts and agreements to which any Acquired Entity is a party;

(iv) all management contracts and contracts with independent contractors or consultants (or similar arrangements) to which any Acquired Entity is a party and which are not cancelable without penalty or further payment and without more than 30 days' notice;

(v) all contracts and agreements relating to Indebtedness of any Acquired Entity ;

(vi) all contracts and agreements with any Governmental Authority to which any Acquired Entity is a party;

(vii) all contracts and agreements that limit or purport to limit the ability of any Acquired Entity to compete in any line of business or with any Person or in any geographic area or during any period of time;

(viii) all contracts and agreements providing for benefits under any Plan of any Acquired Entity; and

(ix) all other contracts and agreements whether or not made in the ordinary course of business, which are material to any Acquired Entity.

For purposes of this Section 3.14 and Sections 3.15 and 3.16, the term "lease" shall include any and all leases, subleases, sale/leaseback agreements or similar arrangements.

(b) Except as disclosed in Section 3.14(b) of the Disclosure Schedule, each Material Contract: (i) is valid and binding on the respective parties thereto and is in full force and effect and (ii) as a result of the consummation of the transactions contemplated by this Agreement, except to the extent that any consents set forth in Section 3.06 of the Disclosure Schedule are not obtained, shall not be terminated or result in a penalty or other adverse consequence. None of the Acquired Entities are in breach of, or default under, any Material Contract.

(c) Except as disclosed in Section 3.14(c) of the Disclosure Schedule, no other party to any Material Contract is in breach thereof or default thereunder.

(d) Except as disclosed in Section 3.14(d) of the Disclosure Schedule, there is no contract, agreement or other arrangement granting any Person any preferential right to purchase, other than in the ordinary course of business consistent with past practice, any of the properties or assets of any of the Acquired Entities.

SECTION 3.15. Intellectual Property. (a) Except as otherwise described in Section 3.15(a)(i) of the Disclosure Schedule, in each case where a registration or patent or application for registration or patent is held by assignment, the assignment has been duly recorded with the State, national or foreign Trademark Office from which the original registration issued or before which the application for registration is pending. Except as disclosed in Section 3.15(a)(ii) of the Disclosure Schedule, to the best of the Stockholders' knowledge the rights of the Acquired Entities in or to such Intellectual Property do not conflict with or infringe on the rights of any other Person, and neither the Stockholders nor any of the Acquired Entities have received any claim or written notice from any Person, to such effect.

(b) Except as disclosed in Section 3.15(b) of the Disclosure Schedule: (i) all the Owned Intellectual Property is owned by the Acquired Entities free and clear of any Encumbrance and (ii) no Actions have been made or asserted or are pending (nor, to the best knowledge of the Stockholders after due inquiry, has any such Action been threatened) against the Acquired Entities either (A) based upon or challenging or seeking to deny or restrict the use by such Acquired Entities of any of the Owned Intellectual Property or (B) alleging that any services provided, or products manufactured or sold by the Acquired Entities are being provided, manufactured or sold in violation of any patents or trademarks, or any other rights of any Person. To the best knowledge of the Stockholders after due inquiry, no Person is using any patents, copyrights, trademarks, service marks, trade names, trade secrets or similar property that are confusingly similar to the Owned Intellectual Property or that infringe upon the Owned Intellectual Property or upon the rights of the Acquired Entities therein. Except as disclosed in Section 3.15(b) of the Disclosure Schedule, neither the Stockholders nor the Acquired Entities have granted any license or other right to any other Person with respect to the Owned Intellectual Property. The consummation of the transactions contemplated by this Agreement will not result in the termination or impairment of any of the Owned Intellectual Property.

(c) With respect to all Licensed Intellectual Property and Owned Intellectual Property, the registered user provisions of all nations requiring such registrations have been complied with.

(d) The Stockholders have all the licenses and sublicenses for Licensed Intellectual Property used in the operation of the Business and any and all ancillary documents pertaining thereto (including, but not limited to, all amendments, consents and evidence of commencement dates and expiration dates). With respect to each of such licenses and sublicenses:

(i) such license or sublicense, together with all ancillary documents referenced in the first sentence of this Section 3.15(d), is valid and binding and in full force and effect and represents the entire agreement between the respective licensor and licensee with respect to the subject matter of such license or sublicense;

(ii) except as otherwise set forth in Section 3.15(d)(ii) of the Disclosure Schedule, such license or sublicense will not cease to be valid and binding and in full force and effect on terms identical to those currently in effect as a result of the consummation of the transactions contemplated by this Agreement, nor will the consummation of the transactions contemplated by this Agreement constitute a breach or default under such license or sublicense or otherwise give the licensor or sublicensor a right to terminate such license or sublicense;

(iii) except as otherwise disclosed in Section 3.15(d)(iii) of the Disclosure Schedule, with respect to each such license or sublicense: (A) neither the Stockholders

nor any Acquired Entity has received any notice of termination or cancellation under such license or sublicense and no licensor or sublicensor has any right of termination or cancellation under such license or sublicense except in connection with the default of an Acquired Entity thereunder, (B) neither the Stockholders nor any Acquired Entity has received any notice of a breach or default under such license or sublicense, which breach or default has not been cured, and (C) neither the Stockholders nor any Acquired Entity has granted to any other Person any rights, adverse or otherwise, under such license or sublicense;

(iv) neither the Stockholders nor any Acquired Entity, nor (to the best knowledge of the Stockholders after due inquiry) any other party to such license or sublicense is in breach or default in any material respect, and, to the best knowledge of the Stockholders after due inquiry, no event has occurred that, with notice or lapse of time would constitute such a breach or default or permit termination, modification or acceleration under such license or sublicense;

(v) no Actions have been made or asserted or are pending (nor, to the best knowledge of the Stockholders after due inquiry, has any such Action been threatened) against any Acquired Entity either (A) based upon or challenging or seeking to deny or restrict the use by such Acquired Entity of any of the Licensed Intellectual Property or (B) alleging that any Licensed Intellectual Property is being licensed, sublicensed or used in violation of any patents or trademarks, or any other rights of any Person; and

(vi) to the best knowledge of the Stockholders after due inquiry, no Person is using any patents, copyrights, trademarks, service marks, trade names, trade secrets or similar property that are confusingly similar to the Licensed Intellectual Property or that infringe upon the Licensed Intellectual Property or upon the rights of any Acquired Entity therein.

(e) Except as set forth in Section 3.15(e) of the Disclosure Schedule, the Stockholders are not aware of any reason that would prevent any pending applications to register trademarks, service marks or copyrights or any pending patent applications from being granted.

(f) The Intellectual Property described in this Section 3.15 of this Agreement constitutes all the Intellectual Property used or held or intended to be used by any Acquired Entity or forming a part of, used, held or intended to be used in, and all such Intellectual Property necessary in the conduct of, the Business of the Acquired Entities and there are no other items of Intellectual Property that are material to any Acquired Entity.

SECTION 3.16. Real Property. (a) Section 3.16(a)(i) of the Disclosure Schedule lists: the street address of each parcel of Owned Real Property. Section 3.16(a)(ii) of the

Disclosure Schedule lists the street address of each parcel of Leased Real Property, the identity of the lessor and lessee thereof and the lease agreement applicable thereto.

(b) Except as described in Section 3.16(b) of the Disclosure Schedule, there is no material violation of any Law (including, without limitation, any building, planning or zoning law) relating to any of the Real Property. The Acquired Entities are in peaceful and undisturbed possession of each parcel of Real Property and there are no contractual or legal restrictions that preclude or restrict the ability to use the premises for the purposes for which they are currently being used. All existing water, sewer, steam, gas, electricity, telephone and other utilities required for the construction, use, occupancy, operation and maintenance of the Real Property are adequate for the conduct of the business of the Acquired Entities as it has been and currently is conducted. There are no material latent defects or material adverse physical conditions affecting the Real Property or any of the facilities, buildings, structures, erections, improvements, fixtures, fixed assets and personalty of a permanent nature annexed, affixed or attached to, located on or forming part of the Real Property.

(c) The Stockholders have, or have caused to be, delivered to NSAP true and complete copies of all leases and subleases listed in Section 3.16(a)(ii) of the Disclosure Schedule and any and all ancillary documents pertaining thereto (including, but not limited to, all amendments, consents for alterations and documents recording variations and evidence of commencement dates and expiration dates). With respect to each of such leases and subleases:

(i) such lease or sublease is legal, valid, binding, enforceable and in full force and effect and represents the entire agreement between the respective landlord and tenant with respect to such property;

(ii) except as otherwise set forth in Section 3.16(c) of the Disclosure Schedule, such lease or sublease will not cease to be legal, valid, binding, enforceable and in full force and effect on terms identical to those currently in effect as a result of the consummation of the transactions contemplated by this Agreement, nor will the consummation of the transactions contemplated by this Agreement constitute a breach or default under such lease or sublease or otherwise give the landlord a right to terminate such lease or sublease; and

(iii) none of the Acquired Entities nor (to the best knowledge of the Stockholders) any other party to such lease or sublease, is in breach or default in any material respect, and, to the best knowledge of the Stockholders, no event has occurred that, with notice or lapse of time would constitute such a breach or default or permit termination, modification or acceleration under such lease or sublease.

(d) There are no condemnation proceedings or eminent domain proceedings of any kind pending or, to the best knowledge of the Stockholders, threatened against the Real Property of the Acquired Entities.

(e) All the Real Property of the Acquired Entities is occupied under a valid and current certificate of occupancy or similar permit, the transactions contemplated by this Agreement will not require the issuance of any new or amended certificate of occupancy and, to the best knowledge of the Stockholders, there are no facts that would prevent the Real Property from being occupied by the Acquired Entities after the Closing in the same manner as occupied by the Acquired Entities immediately prior to the Closing.

(f) All improvements on the Real Property constructed by or on behalf of the Acquired Entities, or to the best knowledge of the Stockholders, constructed by or on behalf of any other Person were constructed in compliance with all applicable Laws (including, but not limited to, any building, planning or zoning Laws) affecting such Real Property.

(g) No improvements on the Real Property and none of the current uses and conditions thereof violate any applicable deed restrictions or other applicable covenants, restrictions, agreements, existing site plan approvals, zoning or subdivision regulations or urban redevelopment plans as modified by any duly issued variances, and no permits, licenses or certificates pertaining to the ownership or operation of all improvements on the Real Property, other than those which are transferable with the Real Property, are required by any Governmental Authority having jurisdiction over the Real Property.

(h) The Acquired Entities have the full right to exercise any renewal options contained in the leases and subleases pertaining to the Leased Real Property on the terms and conditions contained therein and upon due exercise would be entitled to enjoy the use of each Leased Real Property for the full term of such renewal options.

SECTION 3.17. Tangible Personal Property. (a) The Stockholders have, or have caused to be, delivered to NSAP true and complete copies of all leases and subleases for machinery, equipment, tools, supplies, furniture, fixtures, personalty, vehicles, rolling stock and other tangible personal property (the "Tangible Personal Property") used by the Acquired Entities or owned or leased by the Acquired Entities and any and all material ancillary documents pertaining thereto (including, but not limited to, all amendments, consents and evidence of commencement dates and expiration dates). With respect to each of such leases and subleases:

(i) such lease or sublease, together with all ancillary documents delivered pursuant to the first sentence of this Section 3.17, is legal, valid, binding, enforceable and in full force and effect and represents the entire agreement between the respective lessor and lessee with respect to such property;

(ii) except as set forth in Section 3.17 of the Disclosure Schedule, such lease or sublease will not cease to be legal, valid, binding, enforceable and in full force and effect on terms identical to those currently in effect as a result of the consummation of the transactions contemplated by this Agreement, nor will the consummation of the transactions contemplated by this Agreement constitute a breach or default under such lease or sublease or otherwise give the lessor a right to terminate such lease or sublease; and

(iii) none of the Acquired Entities nor (to the best knowledge of the Stockholders) any other party to such lease or sublease, is in breach or default in any material respect, and, to the best knowledge of the Stockholders, no event has occurred that, with notice or lapse of time would constitute such a breach or default or permit termination, modification or acceleration under such lease or sublease.

(b) The Acquired Entities have the full right to exercise any renewal options contained in the leases and subleases pertaining to the Tangible Personal Property on the terms and conditions contained therein and upon due exercise would be entitled to enjoy the use of each item of leased Tangible Personal Property for the full term of such renewal options.

SECTION 3.18. Assets. (a) Except as disclosed in Section 3.18 of the Disclosure Schedule, the Acquired Entities own, lease or have the legal right to use all the properties and assets, including, without limitation, the Owned Intellectual Property, the Licensed Intellectual Property, the Real Property and the Tangible Personal Property, used or intended to be used in the conduct of the respective businesses of the Acquired Entities or otherwise owned, leased or used by the Acquired Entities and, with respect to contract rights, are parties to and enjoy the right to the benefits of all contracts, agreements and other arrangements used or intended to be used by such Acquired Entities in or relating to the conduct of their respective businesses (all such properties, assets and contract rights being the "Assets"). The Acquired Entities have good and marketable title to, or, in the case of leased or subleased Assets, valid and subsisting leasehold interests in, all the Assets, free and clear of all Encumbrances, except (i) as disclosed in Section 3.13, 3.14, 3.15, 3.16 or 3.17 of the Disclosure Schedule and (ii) Permitted Encumbrances.

(b) The Assets constitute all the properties, assets and rights forming a part of, used, held or intended to be used in, and all such properties, assets and rights as are necessary in the conduct of, the Businesses of the Acquired Entities. At all times since the Reference Balance Sheet Date, the Acquired Entities have caused the Assets to be maintained in accordance with good business practice, and all the Assets are in good operating condition and repair and are suitable for the purposes for which they are used and intended.

(c) Following the consummation of the transactions contemplated by this Agreement, the Acquired Entities will continue to own, pursuant to good and marketable title, or lease, under valid and subsisting leases, or otherwise retain its respective interest in the

Assets without incurring any penalty or other adverse consequence, including, without limitation, any increase in rentals, royalties, or licenses or other fees imposed as a result of, or arising from, the consummation of the transactions contemplated by this Agreement. Immediately following the Closing, the Acquired Entities shall own and possess all documents, books, records, agreements and financial data of any sort used by them in the conduct of their business or otherwise.

SECTION 3.19. Suppliers. Listed in Section 3.19 of the Disclosure Schedule are the names and addresses of all the third party suppliers from which the Acquired Entities ordered raw materials, supplies, merchandise and other goods for the Acquired Entities. Except as disclosed in Section 3.19 of the Disclosure Schedule, neither the Stockholders nor the Acquired Entities has received any notice or has any reason to believe that any such supplier will not sell raw materials, supplies, merchandise and other goods to the Acquired Entities at any time after the Closing Date on terms and conditions substantially similar to those used in its current sales to the Acquired Entities subject only to general and customary price increases.

SECTION 3.20. Employee Benefit Matters. (a) Compliance with Applicable Law. Each of (i) the employee benefit plans (as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and all bonus, stock option, stock purchase, restricted stock, incentive, deferred compensation, retiree medical or life insurance, supplemental retirement, severance or other benefit plans, programs or arrangements, and all employment, termination, severance or other contracts or agreements, whether legally enforceable or not, to which any Acquired Entity is a party, with respect to which any Acquired Entity has any obligation or which are maintained, contributed to or sponsored by any Acquired Entity for the benefit of any current or former employee, officer or director of any Acquired Entity, (ii) each employee benefit plan for which any Acquired Entity could incur liability under Section 4069 of ERISA in the event such plan has been or were to be terminated, (iii) any plan in respect of which any Acquired Entity could incur liability under Section 4212(c) of ERISA and (iv) any contracts, arrangements or understandings between the Stockholders or any of the Acquired Entities and any employee of any Acquired Entity, including, without limitation, any contracts, arrangements or understandings relating to the sale of any Acquired Entity (collectively, the "Plans") is now and always has been operated in all material respects in accordance with the requirements of all applicable Law, including, without limitation, ERISA and the Code, and all persons who participate in the operation of such Plans and all Plan "fiduciaries" (within the meaning of Section 3(21) of ERISA) have always acted in all material respects in accordance with the provisions of all applicable Law, including, without limitation, ERISA and the Code. The Acquired Entities have performed all obligations required to be performed by them under, are not in any respect in default under or in violation of, and have no knowledge of any default or violation by any party to, any Plan. No legal action, suit or claim is pending or threatened with respect to any Plan (other than claims for benefits in the ordinary course) and no fact or event exists that could give rise to any such action, suit or claim.

(b) Qualification of Certain Plans. Each Plan which is intended to be qualified under Section 401(a) of the Code or Section 401(k) of the Code has received a favorable determination letter from the IRS that it is so qualified and each trust established in connection with any Plan which is intended to be exempt from federal income taxation under Section 501(a) of the Code has received a determination letter from the IRS that it is so exempt, and, to the knowledge of each Acquired Entity, no fact or event has occurred since the date of such determination letter from the IRS to adversely affect the qualified status of any such Plan or the exempt status of any such trust. Each trust maintained or contributed to by any Acquired Entity which is intended to be qualified as a voluntary employees' beneficiary association and which is intended to be exempt from federal income taxation under Section 501(c)(9) of the Code has received a favorable determination letter from the IRS that it is so qualified and so exempt, and no fact or event has occurred since the date of such determination by the IRS to adversely affect such qualified or exempt status.

(c) Plan Contributions and Funding. All contributions, premiums or payments required to be made with respect to any Plan have been made on or before their due dates. All such contributions have been fully deducted for income tax purposes and no such deduction has been challenged or disallowed by any government entity and, to the knowledge of each Acquired Entity, no fact or event exists which could give rise to any such challenge or disallowance. No Acquired Entity maintains or contributes to nor has it ever maintained or contributed to a Plan which is subject to Title IV of ERISA.

(d) Americans With Disability Act. Except as set forth in Section 3.20(d) of the Disclosure Schedule, the Acquired Entities are, where applicable, in compliance with the requirements of the Americans With Disabilities Act.

(e) WARN Act. The Acquired Entities are, where applicable, in compliance with the requirements of the Workers Adjustment and Retraining Notification Act ("WARN") and have no liabilities pursuant to WARN.

(f) Foreign Plans. With respect to any scheme or arrangement mandated by a government other than the United States (a "Foreign Government Scheme or Arrangement") and with respect to each Plan that is not subject to United States law (a "Foreign Plan"):

(i) any employer and employee contributions required by law or by the terms of any Foreign Government Scheme or Arrangement or any Foreign Plan have been made, or, if applicable, accrued, in accordance with the country-specific accounting practices;

(ii) the fair market value of the assets of each funded Foreign Plan, the liability of each insurer for any Foreign Plan funded through insurance or the book reserve established for any Foreign Plan, together with any accrued contributions, is sufficient to

procure or provide for the accrued benefit obligations, as of the date hereof, with respect to all current and former participants in such Foreign Plan according to the actuarial assumptions and valuations most recently used to determine employer contributions to such Foreign Plan; and

(iii) each Foreign Plan required to be registered has been registered and has been maintained in good standing with applicable regulatory authorities.

SECTION 3.21. Labor Matters. Except as set forth in Section 3.21 of the Disclosure Schedule, (a) the Acquired Entities are currently, and have at all times since their formation been, in compliance with all applicable Laws relating to the employment of labor, including those related to wages, hours, collective bargaining and the payment and withholding of taxes and other sums as required by the appropriate Governmental Authority and have withheld and paid to the appropriate Governmental Authority or are holding for payment not yet due to such Governmental Authority all amounts required to be withheld from employees of the Acquired Entities and are not liable for any arrears of wages, taxes, penalties or other sums for failure to comply with any of the foregoing; (b) the Acquired Entities have paid in full to all their respective employees or adequately accrued for in accordance with U.S. GAAP all wages, salaries, commissions, bonuses, benefits and other compensation due to or on behalf of such employees; (c) there is no claim with respect to payment of wages, salary or overtime pay that has been asserted or is now pending or threatened before any Governmental Authority with respect to any Persons currently or formerly employed by any Acquired Entity; (d) there is no charge or proceeding with respect to a violation of any occupational safety or health standards that has been asserted or is now pending or threatened with respect to any Acquired Entity; (e) there is no charge of discrimination in employment or employment practices, for any reason, including, without limitation, age, gender, race, religion or other legally protected category, which has been asserted or is now pending or threatened before the United States Equal Employment Opportunity Commission, or any other Governmental Authority in any jurisdiction in which any Acquired Entity has employed or currently employs any Person; and (f) to the best knowledge of the Stockholders and the Acquired Entities no basis exists for asserting any claims pursuant to subsections (a) - (e) above..

SECTION 3.22. Taxes (a) (i) All returns and reports in respect of Taxes required to be filed with respect to the Acquired Entities have been timely filed; (ii) all Taxes required to be shown on such returns and reports or otherwise due have been timely paid; (iii) all such returns and reports (insofar as they relate to the activities or income of the Acquired Entities) are true, correct and complete in all material respects; (iv) no adjustment relating to such returns has been proposed formally or informally by any Tax authority and, to the best knowledge of the Stockholders and the Acquired Entities, no basis exists for any such adjustment; (v) there are no pending or, to the best knowledge of the Stockholders, threatened actions or proceedings for the assessment or collection of Taxes against the Acquired Entities or; (vi) no consent under Section 341(f) of the Code has been filed with respect to the Acquired Entities; (vii) there are no

Tax liens on any assets of the Acquired Entities; (viii) neither the Stockholders nor any Affiliate of the Stockholders is a party to any agreement or arrangement that would result, separately or in the aggregate, in the payment of any "excess parachute payments" within the meaning of Section 280G of the Code; (ix) no acceleration of the vesting schedule for any property that is substantially unvested within the meaning of the regulations under Section 83 of the Code will occur in connection with the transactions contemplated by this Agreement; (x) no Acquired Entity has been at any time a member of any partnership or joint venture or the holder of a beneficial interest in any trust for any period for which the statute of limitations for any Tax has not expired; (xii) no Acquired Entity has been a United States real property holding corporation within the meaning of Section 897(c)(2) of the Code during the applicable period specified in Section 897(c)(1)(A)(ii) of the Code; and (xiii) no Acquired Entity is subject to any accumulated earnings tax penalty or personal holding company tax.

(b) Except as disclosed with reasonable specificity in Section 3.22 of the Disclosure Schedule: (i) there are no outstanding waivers or agreements extending the statute of limitations for any period with respect to any Tax to which any Acquired Entity may be subject; (ii) no Acquired Entity (A) has or is projected to have an amount includible in its income for the current taxable year under Section 951 of the Code, (B) has been a passive foreign investment company within the meaning of Section 1296 of the Code, (C) has an unrecaptured overall foreign loss within the meaning of Section 904(f) of the Code or (D) has participated in or cooperated with an international boycott within the meaning of Section 999 of the Code; (iii) no Acquired Entity has any (A) income reportable for a period ending after the Closing Date but attributable to a transaction (e.g., an installment sale) occurring in or a change in accounting method made for a period ending on or prior to the Closing Date which resulted in a deferred reporting of income from such transaction or from such change in accounting method (other than a deferred intercompany transaction), or (B) deferred gain or loss arising out of any deferred intercompany transaction; (iv) there are no requests for information currently outstanding that could affect the Taxes of any Acquired Entity; (v) there are no proposed reassessments of any property owned by any Acquired Entity or other proposals that could increase the amount of any Tax to which any Acquired Entity would be subject; (vi) no Acquired Entity is obligated under any agreement with respect to industrial development bonds or similar obligations, with respect to which the excludibility from gross income of the holder for federal income tax purposes could be affected by the transactions contemplated hereunder; and (vii) no power of attorney that is currently in force has been granted with respect to any matter relating to Taxes that could affect any Acquired Entity.

(c) For purposes of determining whether the conditions to Closing have been satisfied (but not for purposes of the Stockholders' indemnification of NSAP pursuant to Section 10.01(a)), the representations in Section 3.22(a) shall apply only with respect to items which could have a Material Adverse Effect on the Acquired Entities.

(d) On the Reference Balance Sheet, reserves and allowances have been provided, and on the Closing Balance Sheet reserves and allowances will be provided, in each case adequate to satisfy all Liabilities for Taxes relating to the Acquired Entities for periods through the Closing Date (without regard to the materiality thereof).

SECTION 3.23. Insurance. (a) With respect to each insurance policy (including policies providing property, casualty, liability, workers' compensation, and bond and surety arrangements) under which the Acquired Entities have been an insured, a named insured or otherwise the principal beneficiary of coverage at any time within the past 12 months): (i) the policy is legal, valid, binding and enforceable in accordance with its terms and, except for policies that have expired under their terms in the ordinary course, is in full force and effect; (ii) no Acquired Entity is in breach or default (including any breach or default with respect to the payment of premiums or the giving of notice), and no event has occurred which, with notice or the lapse of time, would constitute such a breach or default under the policy; and (iii) no party to the policy has repudiated, or given notice of an intent to repudiate, any provision thereof.

(b) No insurance policy covering the Acquired Entities will cease to be legal, valid, binding, enforceable in accordance with its terms and in full force and effect on terms identical to those in effect as of the date hereof as a result of the consummation of the transactions contemplated by this Agreement.

SECTION 3.24. Nu Skin USA Intercompany Agreements. The intercompany agreements entered into between NSI and Nu Skin USA are in full force and effect, are similar in form to those intercompany agreements described in Section 5.09 of this Agreement and provide, among other things, that Nu Skin USA has the right to sell Nu Skin personal care and nutritional products in the United States.

SECTION 3.25. Full Disclosure. (a) The Stockholders are not aware of any facts pertaining to any of the Acquired Entities which are reasonably likely to have a Material Adverse Effect on any of the Acquired Entities and which have not been disclosed in this Agreement, the Disclosure Schedule or the Financial Statements.

(b) No representation or warranty of the Stockholders in this Agreement, nor any statement or certificate furnished or to be furnished to NSAP pursuant to this Agreement, or in connection with the transactions contemplated by this Agreement, contains or will contain any untrue statement of a material fact, or omits or will omit to state a material fact necessary to make the statements contained herein or therein not misleading.

SECTION 3.26. Brokers. Except for Donaldson, Lufkin & Jenrette and Merrill Lynch & Co., no broker, finder or investment banker is entitled to any brokerage, finder's or other fee or

commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of the Stockholders.

SECTION 3.27. Securities Laws. The Stockholders acknowledge that the Preferred Shares have not been registered under the Securities Act of 1933, as amended (the "Act"), and cannot be resold unless they are registered under the Act or unless an exemption from registration is available. The Stockholders are acquiring the Preferred Shares for themselves for investment purposes only and not with a view toward distribution.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF NSAP

As an inducement to the Stockholders to enter into this Agreement, NSAP hereby represents and warrants to the Stockholders as follows:

SECTION 4.01. Organization and Authority of NSAP; Series A Preferred Stock Issuance. NSAP is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has all necessary corporate power and authority to enter into this Agreement, to carry out its obligations hereunder and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by NSAP, the performance by NSAP of its obligations hereunder and the consummation by NSAP of the transactions contemplated hereby have been duly authorized by all requisite action on the part of NSAP. This Agreement has been duly executed and delivered by NSAP, and (assuming due authorization, execution and delivery by the Stockholders) this Agreement constitutes a legal, valid and binding obligation of NSAP enforceable against NSAP in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency or other similar laws affecting the enforcement of creditors' rights generally and except that the availability of equitable remedies, including specific performance, is subject to the discretion of the court before which any proceeding therefor may be brought. The Series A Cumulative Preferred Stock has been duly authorized and when the Series A Preferred Shares are duly executed and delivered in accordance with this Agreement, such Series A Preferred Shares will have been validly issued, fully paid and nonassessable and all corporate action required to be taken for the authorization, issuance and delivery of such Series A Preferred Shares has been, or by the Closing will have been taken. Upon conversion of the Series A Preferred Shares, if applicable, in accordance with and subject to the terms of the Certificate of Designation, the Nu Skin Common Stock issued to the Stockholders will be duly and validly issued, fully paid and nonassessable, free and clear of all Encumbrances, except as provided for in this Agreement or in the Certificate of Designation.

SECTION 4.02. No Conflict. Assuming compliance with the notification requirements of the HSR Act and the making and obtaining of all filings, notifications, consents, approvals, authorizations and other actions referred to in Section 4.03, except as may result from any facts or circumstances relating solely to the Stockholders, the execution, delivery and performance of this Agreement by NSAP do not and will not (a) violate, conflict with or result in the breach of any provision of the Certificate of Incorporation or By-laws of NSAP, (b) conflict with or violate any Law or Governmental Order applicable to NSAP or (c) conflict with, or result in any breach of, constitute a default (or event which with the giving of notice or lapse or time, or both, would become a default) under, require any consent under, or give to others any rights of termination, amendment, acceleration, suspension, revocation, or cancellation of, or result in the creation of any Encumbrance on any of the assets or properties of NSAP pursuant to, any note, bond, mortgage or indenture, contract, agreement, lease, sublease, license, permit, franchise or other instrument or arrangement to which NSAP is a party or by which any of such assets or properties are bound or affected which would have a material adverse effect on the ability of NSAP to consummate the transactions contemplated by this Agreement.

SECTION 4.03. Governmental Consents and Approvals. The execution, delivery and performance of this Agreement by NSAP do not require any consent, approval, authorization or other order of, action by, filing with, or notification to, any Governmental Authority, except (a) as described in a writing given to the Stockholders by NSAP on the date of this Agreement and (b) the notification requirements of the HSR Act.

SECTION 4.04. Investment Purpose. NSAP is acquiring the Nu Skin Shares solely for the purpose of investment and not with a view to, or for offer or sale in connection with, any distribution thereof.

SECTION 4.05. Litigation. Except as disclosed in a writing given to the Stockholders by NSAP on the date of this Agreement, no claim, action, proceeding or investigation is pending or, to the best knowledge of NSAP, threatened, which seeks to delay or prevent the consummation of, or which would be reasonably likely to materially adversely affect NSAP's ability to consummate, the transactions contemplated by this Agreement.

SECTION 4.06. Absence of Certain Changes. Except as reported in NSAP's forms, reports, statements and other documents required to be filed with (i) the Securities Exchange Commission including, without limitation, (A) all Annual Reports on Form 10-K, (B) all Quarterly Reports on Form 10-Q, (C) all proxy statements relating to meetings of the stockholders, (D) all Current Reports on Form 8-K, (E) all other reports and registration statements and (F) all amendments to all such reports and registration statements and (ii) all forms, reports, statements and other documents required to be filed with any other applicable federal or state regulatory authorities, NSAP is not aware of any facts pertaining to NSAP which are reasonably likely to have a Material Adverse Effect on NSAP.

SECTION 4.07. Opinion of Financial Advisor to Special Committee. The Special Committee of the Board of Directors of NSAP has received an opinion from its financial advisor, Donaldson, Lufkin & Jenrette, dated the date of this Agreement, to the effect that, as of such date, the consideration to be paid by NSAP for the Nu Skin Shares is fair to NSAP from a financial point of view.

SECTION 4.08. Brokers. Except for Donaldson, Lufkin & Jenrette and Merrill Lynch & Co., no broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of NSAP. NSAP shall be solely responsible for payment of the fees and expenses of Donaldson, Lufkin & Jenrette and Merrill Lynch & Co.

ARTICLE V

ADDITIONAL AGREEMENTS

SECTION 5.01. Conduct of Business Prior to the Closing. (a) The Stockholders covenant and agree that, except as described in Section 5.01(a) of the Disclosure Schedule, between the date hereof and the time of the Closing, they shall cause the Acquired Entities to conduct their businesses in the ordinary course and consistent with such Acquired Entities' prior practices. Without limiting the generality of the foregoing, except as described in Section 5.01(a) of the Disclosure Schedule, the Stockholders shall cause the Acquired Entities to (i) continue their advertising and promotional activities, and pricing and purchasing policies, in accordance with past practice; (ii) use their best efforts to (A) preserve intact their business organizations, (B) keep available to NSAP the services of the employees of the Acquired Entities, (C) continue in full force and effect without material modification all existing policies or binders of insurance currently maintained in respect of the Acquired Entities and (D) preserve their current relationships with their Distributors, suppliers and other persons with which they have significant business relationships; and (iii) not engage in any practice, take any action, fail to take any action or enter into any transaction which could cause any representation or warranty of the Stockholders to be untrue or result in a breach of any covenant made by the Stockholders in this Agreement.

(b) Except as described in Section 5.01(b) of the Disclosure Schedule, the Stockholders covenant and agree that, prior to the Closing, without the prior written consent of NSAP, none of the Acquired Entities will do any of the things enumerated in the second sentence of Section 3.10 (including, without limitation, clauses (i) through (xviii) thereof).

(c) For the period from the date hereof through the time of the Closing, the Stockholders covenant and agree to cause the Acquired Entities to maintain the level, mix and

quality of the Inventories consistent with those generally maintained by the Acquired Entities prior to the date hereof.

SECTION 5.02. Confidentiality. The Stockholders agree to, and shall cause their agents, representatives and Affiliates to: (i) treat and hold as confidential (and not disclose or provide access to any Person to) all information relating to trade secrets (including, but not limited to, information relating to the Nu Skin Global Compensation Plan), processes, patent and trademark applications, product development, price, Distributor and supplier lists, pricing and marketing plans, policies and strategies, operations methods, product development techniques, business acquisition plans, new personnel acquisition plans and all other confidential information with respect to the Acquired Entities, (ii) in the event that the Stockholders or any such agent, representative, Affiliate, employee, officer or director becomes legally compelled to disclose any such information, provide NSAP with prompt written notice of such requirement so that NSAP or the Acquired Entities may seek a protective order or other remedy or waive compliance with this Section 5.02 and (iii) in the event that such protective order or other remedy is not obtained, or NSAP waives compliance with this Section 5.02 furnish only that portion of such confidential information which is legally required to be provided and exercise its best efforts to obtain assurances that confidential treatment will be accorded such information. The Stockholders agree and acknowledge that remedies at law for any breach of their obligations under this Section 5.02 are inadequate and that in addition thereto NSAP shall be entitled to seek equitable relief, including injunction and specific performance, in the event of any such breach.

SECTION 5.03. Regulatory and Other Authorizations; Notices and Consents. (a) The Stockholders shall use their best efforts to obtain (or cause the Acquired Entities to obtain) all authorizations, consents, orders and approvals of all Governmental Authorities and officials that may be or become necessary for its execution and delivery of, and the performance of its obligations pursuant to, this Agreement and will cooperate fully with NSAP in promptly seeking to obtain all such authorizations, consents, orders and approvals. Each party hereto agrees to make an appropriate filing, if necessary, pursuant to the HSR Act with respect to the transactions contemplated by this Agreement within five Business Days of the date hereof and to supply as promptly as practicable to the appropriate Governmental Authorities any additional information and documentary material that may be requested pursuant to the HSR Act.

(b) The Stockholders shall or shall cause the Acquired Entities to give promptly such notices to third parties and use their best efforts to obtain such third party consents and estoppel certificates as NSAP may in its sole and absolute discretion deem necessary or desirable in connection with the transactions contemplated by this Agreement.

(c) NSAP shall cooperate and use all reasonable efforts to assist the Stockholders in giving such notices and obtaining such consents and estoppel certificates; provided, however, that NSAP shall have no obligation to give any guarantee or other consideration

of any nature in connection with any such notice, consent or estoppel certificate or to consent to any change in the terms of any agreement or arrangement which NSAP in its sole and absolute discretion may deem adverse to the interests of NSAP or the Acquired Entities.

(d) The Stockholders know of no reason why all the consents, approvals and authorizations necessary for the consummation of the transactions contemplated hereby will not be received.

(e) The Stockholders and NSAP agree that, in the event any consent, approval or authorization necessary or desirable to preserve for the Acquired Entities any right or benefit under any lease, license, contract, commitment or other agreement or arrangement to which any Acquired Entity is a party is not obtained prior to the Closing, the Stockholders will, subsequent to the Closing, cooperate with NSAP and such Acquired Entity in attempting to obtain such consent, approval or authorization as promptly thereafter as practicable. If such consent, approval or authorization cannot be obtained, the Stockholders shall use their best efforts to provide the Acquired Entity with the rights and benefits of the affected lease, license, contract, commitment or other agreement or arrangement for the term of such lease, license, contract or other agreement or arrangement, and, if the Stockholders provide such rights and benefits, the Acquired Entity shall assume the obligations and burdens thereunder.

SECTION 5.04. Use of Intellectual Property. The Stockholders acknowledge that from and after the Closing, the names "Nu Skin", "Interior Design Nutritional", "IDN", all product names incorporating or relying on the foregoing names and all similar or related names, marks and logos (all of such names, marks and logos being the "Nu Skin Names") shall be owned by NSI, that neither the Stockholders nor any of their Affiliates shall have any rights in the Nu Skin Names, except for those provided in the trademark/trade name licensing agreements currently in place between NSI and Nu Skin Guatemala, Inc., Nu Skin Guatemala, S.A., Nu Skin Mexico, Inc., Nu Skin Mexico S.A. de C.V., Nu Skin Puerto Rico, Inc., Nu Skin Canada, Inc. and Nu Skin USA, and that neither the Stockholders nor any of its Affiliates will contest the ownership or validity of any rights of NSAP or the Acquired Entities in or to the Nu Skin Names.

SECTION 5.05. Release of Indemnity Obligations. The Stockholders covenant and agree, on or prior to the Closing, to execute and deliver to the Acquired Entities, for the benefit of the Acquired Entities, a general release and discharge, substantially in the form of Exhibit C attached hereto, releasing and discharging the Acquired Entities from any and all obligations, excluding those set forth in Section 5.05 of the Disclosure Schedule, to indemnify the Stockholders or otherwise hold it harmless pursuant to any agreement or other arrangement entered into prior to the Closing.

SECTION 5.06. No Actions Inconsistent with Tax Free Status. NSAP and the Stockholders will not take any action with respect to the capital stock, assets or liabilities of

the Acquired Entities or with respect to the Series A Preferred Shares that would cause the Stock Acquisitions to fail to qualify as exchanges under Section 351 of the Code. NSAP agrees to deliver to Price Waterhouse L.L.P. effective as of the Closing Date, a certificate substantially in compliance with IRS published guidelines advance ruling guidelines, with customary exceptions and modifications thereto, to enable such firm to deliver the opinion contemplated by Section 7.01 hereof.

SECTION 5.07. Negotiations to Acquire Retained Entities. After the Closing, if NSAP's Board of Directors decides that it is interested in acquiring the Retained Entities, the parties agree to engage in good faith negotiations to determine a fair purchase price for the Retained Entities. If the parties are unable to agree upon the purchase price for the Retained Entities, neither party will be obligated to consummate the sale.

SECTION 5.08. Modification of Stockholders' Salaries. The Stockholders agree that from and after the Closing, the salaries received by the Stockholders for services rendered by them to the Acquired Entities will be (i) modified to be commensurate with their duties, (ii) in the aggregate of a size commensurate with those previously agreed to by the parties to this Agreement and (iii) equivalent to those paid by public companies of similar size, and operating in the same industry, as NSAP and the Acquired Entities.

SECTION 5.09. Intercompany Agreements. Prior to the Closing the Stockholders shall cause NSI to enter into new intercompany agreements (including distribution agreements, trademark/trade name license agreements, licensing and sales agreements and management services agreements) with the Retained Entities on terms and conditions substantially similar to those currently in place between NSI and the subsidiaries of NSAP.

SECTION 5.10. Further Action. Each of the parties hereto shall use all reasonable efforts to take, or cause to be taken, all appropriate action, do or cause to be done all things necessary, proper or advisable under applicable Law, and execute and deliver such documents and other papers, as may be required to carry out the provisions of this Agreement and consummate and make effective the transactions contemplated by this Agreement.

SECTION 5.11. Non-Competition. (a) Except as contemplated by this Agreement and the Intercompany Agreements and except as set forth in Section 5.11 of the Disclosure Schedule, for a period of five (5) years after the Closing (the "Restricted Period"), the Stockholders shall not engage, directly or indirectly, in any business anywhere in the world that is engaged in multi-level marketing or direct sales or manufactures, produces or supplies products of the kind manufactured, produced or supplied by the Company or the Acquired Entities as of the Closing Date or, without the prior written consent of the Company, directly or indirectly, own an interest in, manage, operate, join, control, lend money or render financial or other assistance to or participate in or be connected with, as an officer, employee, partner, stockholder, consultant or

otherwise, any Person that competes with the Company or the Acquired Entities for distributors to engage in multi-level marketing or direct sales or in manufacturing, producing or supplying products of the kind manufactured, produced or supplied by the Company or the Acquired Entities as of the Closing; provided, however, that, for the purposes of this Section 5.11, ownership of securities of any competitor which are listed on any national securities exchange or traded actively in the national over-the-counter market shall not be deemed to be in violation of this Section 5.11 so long as the Person owning such securities has no other connection or relationship with such competitor.

(b) As a separate and independent covenant, the Stockholders agree with the Company that, for a period of five (5) years following the Closing, except as contemplated by this Agreement and the Intercompany Agreements, the Stockholders will not in any way, directly or indirectly, for the purpose of conducting or engaging in any multi-level marketing or direct sales business or business that manufactures, produces or supplies products of the kind manufactured, produced or supplied by the Company or the Acquired Entities as of the Closing, call upon, solicit, advise or otherwise do, or attempt to do, business with any Distributors of the Company or the Acquired Entities, or take away or interfere or attempt to interfere with any custom, trade, business or patronage of the Company or the Acquired Entities, or interfere with or attempt to interfere with any officers, assistant manager level or higher employees, representatives or agents of the Company or the Acquired Entities, or induce or attempt to induce any of them to leave the employ of the Company or the Acquired Entities or violate the terms of their contracts, or any employment arrangements, with the Company or the Acquired Entities.

(c) The Restricted Period shall be extended by the length of any period during which the Stockholders are in breach of the terms of this Section 5.11.

(d) The Stockholders acknowledge that the covenants of the Stockholders set forth in this Section 5.11 are an essential element of this Agreement and that, but for the agreement of the Stockholders to comply with these covenants, the Company would not have entered into this Agreement. The Stockholders acknowledge that this Section 5.11 constitutes an independent covenant and shall not be affected by performance or nonperformance of any other provision of this Agreement by the Company. The Stockholders have independently consulted with their counsel and after such consultation agree that the covenants set forth in this Section 5.11 are reasonable and proper.

SECTION 5.12. Continuation of Business During Contingent Payment Years. NSAP covenants and agrees that during the Contingent Payment Years, except as otherwise agreed by the Stockholders' Representative, it will not institute or take actions that prevent NSI from conducting and expanding business in the ordinary course, consistent with NSI's past practices, if it reasonably believes such actions would have a Material Adverse Effect on NSI's ability to achieve the cumulative EBITDA numbers that would permit the payment of the Maximum Contingent

Payment Amount; provided, however, nothing contained in this Section 5.12 shall prevent the officers and directors of the Company from taking any action which they reasonably believe to be necessary in order to operate within the confines of the Business Judgement Rule as the same may be in effect from time to time.

SECTION 5.13. Retention of Sufficient NSAP Common Stock. In the event that the Series A Preferred Shares are converted into NSAP Common Stock in accordance with the Certificate of Designation, the Stockholders covenant and agree to retain title to and interest in a sufficient number of shares of NSAP Common Stock to satisfy their redemption obligations pursuant to Section 2.09(b).

ARTICLE VI

EMPLOYEE MATTERS

SECTION 6.01. Continuation of Benefits. The parties hereto agree that (i) to the extent permitted by Law, all employees of the Acquired Entities shall continue to participate after the Closing in the same Plans in which such employees participated prior to the Closing and (ii) the parties hereto agree to cooperate in taking all necessary actions to effect such continuity.

ARTICLE VII

CONDITIONS TO CLOSING

SECTION 7.01. Conditions to Obligations of the Stockholders. The obligations of the Stockholders to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment, at or prior to the Closing, of each of the following conditions:

(a) Representations, Warranties and Covenants. The representations and warranties of NSAP contained in this Agreement shall have been true and correct when made and shall be true and correct in all material respects as of the Closing, with the same force and effect as if made as of the Closing Date, other than such representations and warranties as are made as of another date, which shall be true and correct as of such date (provided, however, that if any portion of any representation or warranty is already qualified by materiality, for purposes of determining whether this Section 7.01(a) has been satisfied with respect to such portion of such representation or warranty, such portion of such representation or warranty as so qualified must be true and correct in all respects), and the covenants and agreements contained in this Agreement to be complied with by NSAP on or before the Closing shall have been complied with in all material

respects, and the Stockholders shall have received a certificate from NSAP to such effect signed by a duly authorized officer thereof;

(b) HSR Act. Any waiting period (and any extension thereof) under the HSR Act applicable to the purchase of the Nu Skin Shares contemplated hereby shall have expired or shall have been terminated;

(c) No Proceeding or Litigation. No Action shall have been commenced by or before any Governmental Authority against any of the Stockholders, the Acquired Entities or NSAP, seeking to restrain or materially and adversely alter the transactions contemplated by this Agreement which, in the reasonable, good faith determination of the Stockholders' Representative, is likely to render it impossible or unlawful to consummate such transactions or which could have a Material Adverse Effect or otherwise render inadvisable, in the reasonable, good faith determination of the Stockholders' Representative, the consummation of the transactions contemplated hereby; provided, however, that the provisions of this Section 7.01(c) shall not apply if the Stockholders have directly or indirectly solicited or encouraged any such Action;

(d) Tax Opinion. The Stockholders, Nu Skin USA and NSAP shall have received a tax opinion of Price Waterhouse L.L.P. to the effect that the transactions contemplated by the NSI Contribution and Distribution Agreement constitute a reorganization under Sections 368(a)(1)(D) and 355 of the Code and the transactions contemplated by this Agreement shall qualify, in part, as tax free exchanges under Section 351 of the Code; and

(e) No Material Adverse Effect. No event or events shall have occurred, or be reasonably likely to occur, which, individually or in the aggregate, have, or could have, a Material Adverse Effect.

SECTION 7.02. Conditions to Obligations of NSAP. The obligations of NSAP to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment, at or prior to the Closing, of each of the following conditions:

(a) Representations, Warranties and Covenants. The representations and warranties of the Stockholders contained in this Agreement shall have been true and correct when made and shall be true and correct in all material respects as of the Closing, with the same force and effect as if made as of the Closing Date, other than such representations and warranties as are made as of another date, which shall be true and correct as of such date (provided, however, that if any portion of any representation or warranty is already qualified by materiality, for purposes of determining whether this Section 7.02(a) has been satisfied with respect to such portion of such representation or warranty, such portion of such representation or warranty as so qualified must be true and correct in all respects), and the covenants and agreements contained in this Agreement to be complied with by the Stockholders on or before the Closing shall have been complied with in

all material respects, and NSAP shall have received a certificate of the Stockholders to such effect signed by a duly authorized representative of such individuals;

(b) HSR Act. Any waiting period (and any extension thereof) under the HSR Act applicable to the purchase of the Nu Skin Shares contemplated hereby shall have expired or shall have been terminated;

(c) No Proceeding or Litigation. No Action shall have been commenced or threatened by or before any Governmental Authority against any of the Stockholders, the Acquired Entities or NSAP, seeking to restrain or materially and adversely alter the transactions contemplated by this Agreement which NSAP believes, pursuant to its reasonable, good faith determination, is likely to render it impossible or unlawful to consummate such transactions or which could have a Material Adverse Effect or otherwise render inadvisable, in the reasonable, good faith determination of NSAP, the consummation of the transactions contemplated by this Agreement; provided, however, that the provisions of this Section 7.02(c) shall not apply if NSAP has directly or indirectly solicited or encouraged any such Action;

(d) Consents and Approvals. NSAP and the Stockholders shall have received, each in form and substance satisfactory to NSAP in its sole and absolute discretion, all authorizations, consents, orders and approvals of all Governmental Authorities and officials and all third party consents and estoppel certificates which NSAP in its sole and absolute discretion deems necessary or desirable for the consummation of the transactions contemplated by this Agreement;

(e) Good Standing; Qualification to Do Business. NSAP shall have received good standing certificates (and the equivalent foreign governmental certification) for the Acquired Entities from the secretary of state (or equivalent domestic or foreign governmental office or agency) of each jurisdiction in which each such entity is incorporated or organized and from the secretary of state or equivalent authority in each other jurisdiction in which the properties owned or leased by any of the Acquired Entities, or the operation of its business in such jurisdiction, requires the Acquired Entities to qualify to do business as a foreign corporation;

(f) Release of Indemnity Obligations. NSAP shall have received the general release and discharge from the Stockholders referred to in Section 5.05;

(g) No Material Adverse Effect. No event or events shall have occurred, or be reasonably likely to occur, which, individually or in the aggregate, have, or could have, a Material Adverse Effect;

(h) NSI Tax Sharing and Indemnification Agreement, NSI Indemnity Agreement. NSAP shall have received a true and correct copy of the NSI Tax Sharing and Indemnification

Agreement and NSI Indemnity Agreement entered into in connection with the NSI Contribution and Distribution Agreement;

(i) Option Agreement to Purchase Big Planet. NSI shall have entered into an option agreement pursuant to which NSI shall have been granted the option to acquire Big Planet, Inc. (the "Big Planet Option") at an option price based upon the fair market value of Big Planet, Inc. at the time of purchase less ten percent. The Big Planet Option shall become exercisable at any time during the period commencing six months after Big Planet begins to provide products and/or services and terminate two years thereafter;

(j) Stockholders' Escrow Agreement. NSAP shall have received a true and correct copy of the Stockholders' Escrow Agreement entered into pursuant to Section 8.04 of this Agreement, substantially in the form of Exhibit D attached hereto.

ARTICLE VIII

INDEMNIFICATION

SECTION 8.01. Survival of Representations and Warranties. The representations and warranties of the Stockholders contained in this Agreement, the indemnification provisions of this Article VIII and all statements contained in this Agreement, the Exhibits to this Agreement, the Disclosure Schedule and any certificate, Financial Statement, Interim Financial Statement or report or other document delivered pursuant to this Agreement or in connection with the transactions contemplated by this Agreement (collectively, the "Acquisition Documents"), shall survive the Closing until the fourth anniversary of the Closing Date; provided, however, that the representations and warranties and indemnification provisions relating to tax matters shall survive as provided in Section 10.05. Neither the period of survival nor the liability of the Stockholders with respect to the Stockholders' representations and warranties shall be reduced by any investigation made at any time by or on behalf of NSAP. If written notice of a claim has been given prior to the expiration of the applicable representations and warranties by NSAP to the Stockholders, then the relevant representations and warranties shall survive as to such claim, until such claim has been finally resolved.

SECTION 8.02. Indemnification by the Stockholders. (a) NSAP, its Affiliates and their successors and assigns, and the officers, directors, employees and agents of NSAP, its Affiliates and their successors and assigns (each an "Indemnified Party") shall be indemnified and held harmless by the Stockholders for any and all Liabilities, losses, damages, claims, costs and expenses, interest, awards, judgments and penalties (including, without limitation, attorneys' and consultants' fees and expenses) actually suffered or incurred by them (including, without limitation, any Action brought or otherwise initiated by any of them) (hereinafter a "Loss"), arising out of or resulting from:

(i) the breach of any representation or warranty made by the Stockholders contained in the Acquisition Documents; or

(ii) the breach of any covenant or agreement by the Stockholders contained in the Acquisition Documents; or

(iii) Liabilities of the Acquired Entities not reflected on the Reference Balance Sheet, whether arising before or after the Closing Date, arising from or relating to the ownership or actions or inactions of the Acquired Entities or the conduct of their respective businesses prior to the Closing; or

(iv) any and all Losses suffered or incurred by NSAP or the Acquired Entities by reason of or in connection with any claim or cause of action of any third party to the extent arising out of any action, inaction, event, condition, liability or obligation of the Stockholders occurring or existing prior to the Closing;

(v) any and all Losses suffered or incurred by NSAP as a result of the failure of the Stockholders or the Acquired Companies to obtain prior to the Closing the consent of all third-parties who are parties to contracts with the Acquired Companies, the terms of which such contracts require the consent of such third-parties to the transactions contemplated by this Agreement; or

(vi) (A) any and all Remedial Actions after the Closing relating to any Release of Hazardous Materials into the Environment or on or about the Real Property prior to the Closing to the extent any such Remedial Action is required under any Environmental Law or by any Governmental Authority or is necessary to prevent or abate a significant risk to human health or the environment; (B) any and all Environmental Claims arising at any time that relate to the business or the operation of the Acquired Entities prior to the Closing; or (C) any and all noncompliances with or violations of any applicable Environmental Law or Environmental Permit by the Acquired Entities prior to the Closing.

(b) Except for Losses arising out of a breach of the representations contained in Section 3.03, no claim may be made against the Stockholders for indemnification pursuant to this Section 8.02 with respect to an individual claim of liability or damage, unless, and then only to the extent that, the aggregate of all such Losses of the Indemnified Parties exceeds $1,000,000 (the "Designated Amount"). The indemnification obligations under this Section 8.02 (excluding those arising out of a breach of the representations contained in Section 3.03) shall be effective only until (i) the dollar amount paid in respect of Losses indemnified against under this Section 8.02 aggregates to an amount equal to $150,000,000, or (ii) the indemnification assets identified in Section 8.04 are exhausted, whichever occurs first. To the extent that the Stockholders' undertakings set forth in this Section 8.02 may be unenforceable, the Stockholders shall

contribute the maximum amount that they are permitted to contribute under applicable law to the payment and satisfaction of all Losses incurred by NSAP or the Acquired Entities.

(c) An Indemnified Party shall give the Stockholders notice of any matter which an Indemnified Party has determined has given or could give rise to a right of indemnification under this Agreement, within 60 days of such determination, stating the amount of the Loss, if known, and method of computation thereof, and containing a reference to the provisions of this Agreement in respect of which such right of indemnification is claimed or arises. To the extent an Indemnified Party is making a claim against the Preferred Shares or NSAP Common Stock held pursuant to the Escrow Agreement, the Indemnified Party shall provide the notice contemplated by Section 6(b) of the Escrow Agreement. The obligations and Liabilities of the Stockholders under this Article VIII with respect to Losses arising from claims of any third party which are subject to the indemnification provided for in this Article VIII ("Third Party Claims") shall be governed by and contingent upon the following additional terms and conditions: if an Indemnified Party shall receive notice of any Third Party Claim, the Indemnified Party shall give the Stockholders notice of such Third Party Claim within 30 days of the receipt by the Indemnified Party of such notice; provided, however, that the failure to provide such notice shall not release the Stockholders from any of its obligations under this Article VIII except to the extent the Stockholders are materially prejudiced by such failure and shall not relieve the Stockholders from any other obligation or Liability that they may have to any Indemnified Party otherwise than under this Article VIII. If the Stockholders acknowledge in writing their obligation to indemnify the Indemnified Party hereunder against any Losses that may result from such Third Party Claim, then the Stockholders shall be entitled to assume and control the defense of such Third Party Claim at their expense and through counsel of their choice if they give notice of their intention to do so to the Indemnified Party within five days of the receipt of such notice from the Indemnified Party; provided, however, that if there exists or is reasonably likely to exist a conflict of interest that would make it inappropriate in the judgment of the Indemnified Party, in its sole and absolute discretion, for the same counsel to represent both the Indemnified Party and the Stockholders, then the Indemnified Party shall be entitled to retain its own counsel, in each jurisdiction for which the Indemnified Party determines counsel is required, at the expense of the Stockholders. In the event the Stockholders exercise the right to undertake any such defense against any such Third Party Claim as provided above, the Indemnified Party shall cooperate with the Stockholders in such defense and make available to the Stockholders, at the Stockholders' expense, all witnesses, pertinent records, materials and information in the Indemnified Party's possession or under the Indemnified Party's control relating thereto as is reasonably required by the Stockholders. Similarly, in the event the Indemnified Party is, directly or indirectly, conducting the defense against any such Third Party Claim, the Stockholders shall cooperate with the Indemnified Party in such defense and make available to the Indemnified Party, at the Stockholders' expense, all such witnesses, records, materials and information in the Stockholders' possession or under the Stockholders' control relating thereto as is reasonably required by the Indemnified Party. No such Third Party Claim may be settled by the Stockholders without the prior written consent of the Indemnified Party.

SECTION 8.03. Tax Matters Anything in this Article VIII (except for the specific reference to Tax matters in Section 8.01) to the contrary notwithstanding, the rights and obligations of the parties with respect to indemnification for any and all Tax matters shall be governed by Article X.

SECTION 8.04. Satisfaction of Indemnification Claims. Any amounts owed by the Stockholders to an Indemnified Party pursuant to this Article VIII will be paid by the Stockholders, on a joint and several basis (except for liabilities arising from a violation of the representations contained in Section 3.03 or the covenants contained in Section 5.11, which such liabilities shall be borne by each Stockholder individually), from the following assets in the following order: (i) by reducing the Contingent Payments (if any) payable to the Stockholders under the terms of this Agreement, (ii) by payments made by the Retained Entities to NSAP and (iii) by the Stockholders' remittance to NSAP of NSAP Common Stock or the Series A Preferred Shares (valued at a price per share equal to the average of the Closing price per share of NSAP Common Stock on the New York Stock Exchange for the 20 consecutive trading days ending 5 days prior to the date of such remittance) previously issued to them under this Agreement or acquired otherwise and held pursuant to the Stockholders' Escrow Agreement (as defined); provided, however, that all claims shall be satisfied against these assets in the order in which they are enumerated above in that no Indemnified Party may make a claim against any of the assets enumerated in clause (ii) or (iii) until the assets enumerated in the preceding clause or clauses, as the case may be, shall have been exhausted. To satisfy any amounts due under subsection (iii) of the immediately preceding sentence, the Stockholders hereby agree to enter into an escrow agreement (the "Stockholders' Escrow Agreement") with NSAP pursuant to which the Stockholders will collectively, according to their percentage ownership interest in the NSI Shares, place an aggregate amount of NSAP Common Stock equal to U.S. $70,000,000 (to be calculated according the Average NSAP Common Stock Price at Closing) into an escrow account and that such NSAP Common Stock may not be sold or otherwise transferred by the Stockholders prior to the expiration of the indemnification provisions under Article VIII of this Agreement.

ARTICLE IX

TERMINATION AND WAIVER

SECTION 9.01. Termination. This Agreement may be terminated at any time prior to the Closing:

(a) by NSAP if, between the date hereof and the time scheduled for the Closing: (i) an event or condition occurs that has resulted in or that may be expected to result in a Material Adverse Effect, (ii) any material representation or warranty of the Stockholders contained in this Agreement shall not have been true and correct when made, (iii) the Stockholders shall not have complied with any material covenant or agreement to be complied with by it and contained in this Agreement; or (iv) any of the Stockholders or the Acquired Entities make a

general assignment for the benefit of creditors, or any proceeding shall be instituted by or against the Stockholders or the Acquired Entities seeking to adjudicate any of them a bankrupt or insolvent, or seeking liquidation, winding up or reorganization, arrangement, adjustment, protection, relief or composition of their debts under any Law relating to bankruptcy, insolvency or reorganization; or

(b) by the Stockholders if, between the date hereof and the time scheduled for the Closing: (i) an event or condition occurs that has resulted in or that may be expected to result in a Material Adverse Effect, (ii) any material representation or warranty of NSAP contained in this Agreement shall not have been true and correct when made, (iii) NSAP shall not have complied with any material covenant or agreement to be complied with by it and contained in this Agreement; or (iv) NSAP makes a general assignment for the benefit of creditors, or any proceeding shall be instituted by or against NSAP seeking liquidation, winding up or reorganization, arrangement, adjustment, protection, relief or composition of its debts under any Law relating to bankruptcy, insolvency or reorganization; or

(c) by either the Stockholders or NSAP if the Closing shall not have occurred by June 30, 1998; provided, however, that the right to terminate this Agreement under this Section 9.01(b) shall not be available to any party whose failure to fulfill any obligation under this Agreement shall have been the cause of, or shall have resulted in, the failure of the Closing to occur on or prior to such date; or

(d) by either NSAP or the Stockholders in the event that any Governmental Authority shall have issued an order, decree or ruling or taken any other action restraining, enjoining or otherwise prohibiting the transactions contemplated by this Agreement and such order, decree, ruling or other action shall have become final and nonappealable; or

(e) by the mutual written consent of the Stockholders and NSAP.

SECTION 9.02. Effect of Termination. In the event of termination of this Agreement as provided in Section 9.01, this Agreement shall forthwith become void and there shall be no liability on the part of either party hereto except as set forth in Sections 5.02, 9.02(b) and 10.01.

SECTION 9.03. Waiver. Either NSAP or the Stockholders, through the Stockholders' Representative, may (a) extend the time for the performance of any of the obligations or other acts of the other party, (b) waive any inaccuracies in the representations and warranties of the other party contained herein or in any document delivered by the other party pursuant hereto or (c) waive compliance with any of the agreements or conditions of the other party contained herein. Any such extension or waiver shall be valid only if set forth in an instrument in writing signed by the party to be bound thereby. Any waiver of any term or condition shall not be construed as a waiver of any subsequent breach or a subsequent waiver of the same term or condition, or a waiver of any

other term or condition, of this Agreement. The failure of any party to assert any of its rights hereunder shall not constitute a waiver of any of such rights.

ARTICLE X

TAX MATTERS

SECTION 10.01. Indemnity. (a) The Stockholders agree to indemnify and hold harmless NSAP and the Acquired Entities against the following Taxes and, except as otherwise provided in Section 10.02, against any loss, damage, liability or expense, including reasonable fees for attorneys and other outside consultants, incurred in contesting or otherwise in connection with any such Taxes: (i) Taxes imposed on the Acquired Entities with respect to taxable periods of such Person ending on or before the Closing Date; (ii) with respect to taxable periods beginning before the Closing Date and ending after the Closing Date, Taxes imposed on the Acquired Entities which are allocable, pursuant to Section 10.01(b), to the portion of such period ending on the Closing Date; (iii) Taxes imposed on any member of any affiliated group with which any of the Acquired Entities file or have filed a Return on a consolidated or combined basis for a taxable period ending on or before the Closing Date and (iv) Taxes imposed on NSAP or the Acquired Entities as a result of any breach of warranty or misrepresentation under Section 3.22. NSAP shall be responsible for (and will indemnify and hold the Stockholders harmless from) Taxes and associated expenses not allocated to the Stockholders pursuant to the first sentence hereof.

(b) In the case of Taxes that are payable with respect to a taxable period that begins before the Closing Date and ends after the Closing Date, the portion of any such Tax that is allocable to the portion of the period ending on the Closing Date shall be:

(i) in the case of Taxes that are either (x) based upon or related to income or receipts, or (y) imposed in connection with any sale or other transfer or assignment of property (real or personal, tangible or intangible) (other than conveyances pursuant to this Agreement, as provided under Section 10.04), deemed equal to the amount which would be payable if the taxable year ended with the Closing Date; and

(ii) in the case of Taxes imposed on a periodic basis with respect to the assets of the Acquired Entities, or otherwise measured by the level of any item, deemed to be the amount of such Taxes for the entire period (or, in the case of such Taxes determined on an arrears basis, the amount of such Taxes for the immediately preceding period), multiplied by a fraction the numerator of which is the number of calendar days in the period ending on the Closing Date and the denominator of which is the number of calendar days in the entire period.

SECTION 10.02. Contests. (a) After the Closing, NSAP shall promptly notify the Stockholders in writing of any written notice of a proposed assessment or claim in an audit or administrative or judicial proceeding with respect to Taxes of NSAP or of any of the Acquired Entities which, if determined adversely to the taxpayer, would be grounds for indemnification under this Article X; provided, however, that a failure to give such notice will not affect NSAP's right to indemnification under this Article X except to the extent, if any, that, but for such failure, the Stockholders could have avoided all or a portion of the Tax liability in question.

(b) In the case of an audit or administrative or judicial proceeding with respect to Taxes that relates to periods ending on or before the Closing Date, provided that the Stockholders acknowledge in writing their liability under this Agreement to hold NSAP and the Acquired Entity harmless against the full amount of any adjustment which may be made as a result of such audit or proceeding that relates to periods ending on or before the Closing Date (or, in the case of any taxable year that includes the Closing Date, against an adjustment allocable under Section 10.01(b) to the portion of such year ending on or before the Closing Date), the Stockholders shall have the right at their expense to participate in and control the conduct of such audit or proceeding but only to the extent that such audit or proceeding relates solely to a potential adjustment for which the Stockholders have acknowledged their liability; NSAP also may participate in any such audit or proceeding and, if the Stockholders do not assume the defense of any such audit or proceeding, NSAP may defend the same in such manner as it may deem appropriate, including, but not limited to, settling such audit or proceeding after giving five days' prior written notice to the Stockholders setting forth the terms and conditions of settlement. In the event that issues relating to a potential adjustment for which the Stockholders have acknowledged their liability are required to be dealt with in the same proceeding as separate issues relating to a potential adjustment for which NSAP would be liable, NSAP shall have the right, at its expense, to control the audit or proceeding with respect to the latter issues.

(c) With respect to issues relating to a potential adjustment for which both the Stockholders (as evidenced by its acknowledgment under this Section 10.02) and NSAP or the Acquired Entities could be liable, (i) each party may participate in the audit or proceeding, and (ii) the audit or proceeding shall be controlled by that party which would bear the burden of the greater portion of the sum of the adjustment and any corresponding adjustments that may reasonably be anticipated for future Tax periods. The principle set forth in the immediately preceding sentence shall govern also for purposes of deciding any issue that must be decided jointly (including, without limitation, choice of judicial forum) in situations in which separate issues are otherwise controlled under this Article X by NSAP and the Stockholders.

(d) Neither NSAP nor the Stockholders shall enter into any compromise or agree to settle any claim pursuant to any Tax audit or proceeding which would adversely affect the other party for such year or a subsequent year without the written consent of the other party, which consent may not be unreasonably withheld. NSAP and the Stockholders agree to cooperate, and NSAP

agrees to cause the Acquired Entities to cooperate, in the defense against or compromise of any claim in any audit or proceeding.

SECTION 10.03. Time of Payment. Payment by the Stockholders of any amounts due under this Article X in respect of Taxes shall be made (i) at least three Business Days before the due date of the applicable estimated or final Return required to be filed by NSAP on which is required to be reported income for a period ending after the Closing Date for which the Stockholders are responsible under Sections 10.01(a) and 10.01(b) without regard to whether the Return shows overall net income or loss for such period, and (ii) within three Business Days following an agreement between the Stockholders and NSAP that an indemnity amount is payable, an assessment of a Tax by a taxing authority, or a "determination" as defined in Section 1313(a) of the Code. If liability under this Article X is in respect of costs or expenses other than Taxes, payment by the Stockholders of any amounts due under this Article X shall be made within five Business Days after the date when the Stockholders have been notified by NSAP that the Stockholders have a liability for a determinable amount under this Article X and are provided with calculations or other materials supporting such liability.

SECTION 10.04. Conveyance Taxes. The Stockholders shall be liable for and shall hold NSAP harmless against any real property transfer or gains, sales, use, transfer, value added, stock transfer, and stamp taxes, any transfer, recording, registration, and other fees, and any similar Taxes which become payable in connection with the transactions contemplated by this Agreement, and shall file such applications and documents as shall permit any such Tax to be assessed and paid on or prior to the Closing Date in accordance with any available pre-sale filing procedure. NSAP shall execute and deliver all instruments and certificates necessary to enable the Stockholders to comply with the foregoing.

SECTION 10.05. Tax Benefits. NSAP and the Acquired Entities shall, upon actual realization, refund to the Stockholders any Tax benefit which they realize for a period or portion thereof beginning after the Closing Date (a "Post-Closing Date Tax Benefit") that arose in connection with any underlying adjustment that resulted in a payment by the Stockholders to, or on behalf of, NSAP or the Acquired Entities under Section 10.01 or a payment made by the Stockholders to any Tax authority (such as a timing adjustment resulting in a Tax deduction for the Acquired Entities for a period after the Closing Date), provided that such payment shall not exceed the related payment actually made by the Stockholders. A Post-Closing Date Tax Benefit will be considered to be actually realized for purposes of this Section 10.05 at the time that it is reflected on a Return of NSAP or the Acquired Entities, provided, however, that if NSAP and the Acquired Entities make a payment to the Stockholders for such a Post-Closing Date Tax Benefit that is disallowed or reduced (or NSAP or the Acquired Entities do not actually realize such Post-Closing Date Tax Benefit), then the Stockholders shall refund such payment to NSAP and the Acquired Entities plus interest at the rate for Tax underpayments prescribed in Section 6621(a)(2) of the Code and similar provision under state or local law.

SECTION 10.06. Miscellaneous. (a) The Stockholders and NSAP agree to treat all payments made by either of them to or for the benefit of the other (including any payments to the Acquired Entities) under this Article X, under other indemnity provisions of this Agreement and for any misrepresentations or breaches of warranties or covenants as adjustments to the Purchase Price or as capital contributions for Tax purposes and that such treatment shall govern for purposes hereof except to the extent that the Laws of a particular jurisdiction provide otherwise, in which case such payments shall be made in an amount sufficient to indemnify the relevant party on an after-Tax basis.

(b) Notwithstanding any provision in this Agreement to the contrary, the obligations of the Stockholders to indemnify and hold harmless NSAP and the Acquired Entities pursuant to this Article X, and the representations and warranties contained in Section 3.22, shall terminate at the close of business on the 120th day following the expiration of the applicable statute of limitations with respect to the Tax liabilities in question (giving effect to any waiver, mitigation or extension thereof).

(c) From and after the date of this Agreement, the Stockholders shall not without the prior written consent of NSAP (which may, in its sole and absolute discretion, withhold such consent) make, or cause or permit to be made, any Tax election that would affect the Acquired Entities.

(d) NSAP and the Stockholders shall each be entitled to recover professional fees and related costs that they may reasonably incur to enforce the provisions of this Article X.

ARTICLE XI

GENERAL PROVISIONS

SECTION 11.01. Expenses. Except as otherwise specified in this Agreement, all costs and expenses, including, without limitation, fees and disbursements of counsel, financial advisors and accountants, incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such costs and expenses, whether or not the Closing shall have occurred.

SECTION 11.02. Notices. All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given or made (and shall be deemed to have been duly given or made upon receipt) by delivery in person, by courier service, by cable, by telecopy, by telegram, by telex or by registered or certified mail (postage prepaid, return receipt requested) to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section 11.02):

(a) if to the Stockholders:

to the Stockholders' Representative

Nu Skin International, Inc.
One Nu Skin Plaza
75 West Center
Provo, Utah 84601
Telecopy: (801) 345-1000
Attention: Steven J. Lund and Keith R. Halls

with a copy to:

Holland & Hart LLP
215 South State Street, Suite 500
Salt Lake City, UT 84111-2346
Telecopy: (801) 364-9124
Attention: P. Christian Anderson, Esq.

(b) if to NSAP:

Nu Skin Asia Pacific, Inc.
One Nu Skin Plaza
75 West Center
Provo, Utah 84601
Telecopy: (801) 345-1000
Attention: M. Truman Hunt, Esq.

with a copy to:

Shearman & Sterling
555 California Street
San Francisco, California 94104
Telecopy: 415-616-1199
Attention: Kevin P. Kennedy, Esq.

Notices given to the Stockholders' Representative pursuant to this Section 11.02 shall de deemed to be the delivery of notice to each of the Stockholders.

SECTION 11.03. Public Announcements. Neither the Stockholders nor the Acquired Entities shall make, or cause to be made, any press release or public announcement in respect of this Agreement or the transactions contemplated hereby or otherwise communicate with any news

media without the prior consent of NSAP and the parties shall cooperate as to the timing and contents of any such press release or public announcement.

SECTION 11.04. Headings. The descriptive headings contained in this Agreement are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement.

SECTION 11.05. Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any Law or public policy, all other terms and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner in order that the transactions contemplated hereby are consummated as originally contemplated to the greatest extent possible.

SECTION 11.06. Entire Agreement. This Agreement constitutes the entire agreement of the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and undertakings, both written and oral, between the Stockholders and NSAP with respect to the subject matter hereof.

SECTION 11.07. Assignment. This Agreement may not be assigned by operation of law or otherwise without the express written consent of the Stockholders and NSAP (which consent may be granted or withheld in the sole discretion of the Stockholders or NSAP); provided, however, that NSAP may assign this Agreement to an Affiliate of NSAP without the consent of the Stockholders; provided further, however that no such assignment shall release NSAP from its payment and performance obligations herewith.

SECTION 11.08. No Third Party Beneficiaries. Except for the provisions of Article IX relating to Indemnified Parties, this Agreement shall be binding upon and inure solely to the benefit of the parties hereto and their permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other Person any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

SECTION 11.09. Amendment. This Agreement may not be amended or modified except by an instrument in writing signed by, or on behalf of, a majority in interest of the Stockholders and NSAP.

SECTION 11.10. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF UTAH, EXCLUDING (TO THE GREATEST EXTENT PERMISSIBLE BY LAW) ANY RULE OF LAW THAT WOULD CAUSE THE APPLICATION OF THE LAWS OF ANY JURISDICTION OTHER THAN THE STATE OF UTAH.

SECTION 11.11. Counterparts. This Agreement may be executed in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement.

SECTION 11.12. Specific Performance. The parties hereto agree that irreparable damage would occur in the event any provision of this Agreement was not performed in accordance with the terms hereof and that the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy at law or equity.

IN WITNESS WHEREOF, the Stockholders and NSAP have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

STOCKHOLDERS:

Blake M. Roney

Nedra Dee Roney

Sandie N. Tillotson

Craig Bryson

Craig S. Tillotson

Steven J. Lund

Brooke R. Roney

Kirk V. Roney

Keith R. Halls

NU SKIN ASIA PACIFIC, INC.

By:
Name:
Title:

SCHEDULE A

EXHIBIT A

FORM OF SERIES A PREFERRED SHARE CERTIFICATE

EXHIBIT B

FORM OF CERTIFICATE OF DESIGNATION

EXHIBIT C

FORM OF GENERAL RELEASE AND DISCHARGE

EXHIBIT D

FORM OF STOCKHOLDERS' ESCROW AGREEMENT

EXECUTION COPY

STOCK ACQUISITION AGREEMENT

Between

NU SKIN ASIA PACIFIC, INC.

and

EACH OF THE PERSONS LISTED ON THE SIGNATURE PAGES HEREOF

Dated as of February 27, 1998

DISCLOSURE SCHEDULE

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FORM OF GENERAL RELEASE AND DISCHARGE
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EXHIBIT 10.25

AMENDED AND RESTATED STOCKHOLDERS AGREEMENT

This Amended and Restated Stockholders Agreement (this "Agreement"), is entered into as of November 28, 1997 by and among the persons and entities listed on the signature pages of this Agreement (individually, an "Initial Stockholder" and collectively, the "Initial Stockholders"), and Nu Skin Asia Pacific, Inc., a corporation organized under the laws of the State of Delaware (the "Company").

RECITALS

A. WHEREAS, the Initial Stockholders own shares of the Class B Common Stock, $0.001 par value per share ("Class B Common Stock"), of the Company, which shares of Class B Common Stock are convertible at any time on a one-for-one basis into shares of the Company's Class A Common Stock, $0.001 par value per share ("Class A Common Stock") (the shares of the Company's Class A Common Stock and Class B Common Stock held at any time during the term of this Agreement by any of the Initial Stockholders, whether now owned or hereafter acquired, are collectively referred to hereinafter as the "Shares");

B. WHEREAS, the Initial Stockholders entered into that certain Stockholders Agreement dated as of November 20, 1996 and subsequently entered into that certain Amendment to Stockholders Agreement dated as of May 29, 1997 (collectively referred to hereinafter as the "Original Stockholders Agreement"); and

C. WHEREAS, the Initial Stockholders desire to amend and restate in its entirety the Original Stockholders Agreement as provided below;

NOW THEREFORE, in consideration of the premises and the mutual agreements set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. DEFINITIONS. For purposes of this Agreement, the following terms shall have the following meanings:

1.1 "Agreement" shall have the meaning given such term in the introductory paragraph of this Agreement.

1.2 "Attorney-in-Fact" shall have the meaning given such term in Section 5.3 hereof except as such term is otherwise used in Section 3.2.2 hereof.

1.3 "Class A Common Stock" shall have the meaning given such term in Recital A hereof.

1.4 "Class B Common Stock" shall have the meaning given such term in Recital A hereof.

1.5 "Company" shall have the meaning given such term in the introductory paragraph of this Agreement.

1.6 "Cure Notice" shall have the meaning given such term in Section 3.2.1 hereof.

1.7 "Demand Request" shall have the meaning given such term in Section 9.3 hereof.

1.8 "Equity Incentive Shares" shall have the meaning given such term in Section 5.1 hereof. 1.9 "Exercise Notice" shall have the meaning given such term in Section 4.2.3 hereof.

1.10 "Extended Lock-up Period" shall have the meaning given such term in Section 2.2 hereof.

1.11 "Fair Market Value" shall be the average closing price of the Company's Class A Common Stock as reported on the New York Stock Exchange for the 20 trading days immediately prior to the date of the closing of the stock repurchase transaction described in Section 2.4 hereof or the date of a margin call or event of default as described in Section 3.2.1 hereof.

1.12 "Fixed CRT Stockholder" shall have the meaning given such term in Section 2.3.4.

1.13 "Initial Lock-up Period" shall have the meaning given such term in Section 2.2 hereof.

1.14 "Initial Stockholders" or "Initial Stockholder" shall have the meaning given such terms in the introductory paragraph of this Agreement.

1.15 "Institution" shall have the meaning given such term in Section 3.2.1 hereof.

1.16 "Involuntary Transfer" shall have the meaning given such term

in Section 4.1 hereof.

1.17 "LLG&M" shall have the meaning given such term in Section 7.3 hereof.

1.18 "Makers" shall have the meaning given such term in Section 10 hereof.

1.19 "Merrill" shall have the meaning given such term in Section 2.3.2.

1.20 "NSI" shall have the meaning given such term in Section 2.2 hereof.

1.21 "NSI Acquisition" shall have the meaning given such term in Section 2.2 hereof.

1.22 "Notice Period" shall have the meaning given such term in Section 4.2.3 hereof.

1.23 "Offer Notice" shall have the meaning given such term in Section 4.2.2 hereof.

1.24 "Offered Shares" shall have the meaning given such term in Section 4.2.1 hereof.

1.25 "Offering Stockholder" shall have the meaning given such term in Section 4.2.1 hereof.

1.26 "Original Stockholders Agreement" shall have the meaning given such term in Recital B hereof.

1.27 "Pledge" or any derivation of such term shall have the meaning given such term in Section 3.2.1 hereof.

1.28 "Purchase Periods" shall have the meaning given such term in Section 4.2.4 hereof.

1.29 "Purchasing Stockholder" shall have the meaning given such term in Section 4.2.3 hereof.

1.30 "Restricted Stock" shall have the meaning given such term in Section 9.1 hereof.

1.31 "Restricted Resale Period" shall have the meaning given such term in Section 2.3 hereof.

1.32 "Right of First Offer" shall have the meaning given such term in Section 4.2.1 hereof.

1.33 "Rule 144 Allotment" shall have the meaning given such term in Section 2.3 hereof.

1.34 "SEC" shall have the meaning given such term in Section 9.3 hereof.

1.35 "Securities Act" shall have the meaning given such term in Section 3.1 hereof.

1.36 "Selling Expenses" shall have the meaning given such term in Section 9.6 hereof.

1.37 "Shares" shall have the meaning given such term in Recital A hereof.

1.38 "Share Repurchase" shall have the meaning given such term in Section 2.4 hereof.

1.39 "Stockholder" or "Stockholders" shall mean the following persons and entities: (i) each Initial Stockholder and his, her or its assignees hereunder and his, her or its respective estate, guardian, conservator, committee, trustee, manager, partner or officer and his, or her spouse; (ii) each person or entity that becomes a party hereto pursuant to Section 3.3 below; (iii) each descendant of each Initial Stockholder and his, her or its respective estate, guardian, conservator, committee, trustee, manager, partner or officer; and (iv) each Stockholder Controlled Entity.

1.40 "Stockholder Controlled Entity" shall mean the following entities: (i) any not-for-profit corporation of which an Initial Stockholder or his or her descendants can elect at least eighty percent (80%) of its board of directors; (ii) any other corporation if at least eighty percent (80%) of the value of its outstanding equity is owned by an Initial Stockholder or his or her descendants; (iii) any partnership if at least eighty percent (80%) of the value of its partnership interests is owned by an Initial Stockholder or his or her descendants or spouse; (iv) any limited liability company or similar company if at least eighty percent (80%) of the value of such company is owned by an Initial Stockholder or his or her descendants or spouse; and (v) any trust if an Initial Stockholder is a settlor, trustee or beneficiary of the trust.

1.41 "Transfer" or any other derivation of such term shall have the meaning given such term in Section 2.1 hereof.

2. RESTRICTIONS ON TRANSFER; LOCK-UP; STOCK REPURCHASE.

2.1 Restriction on Transfers. Each of the Stockholders hereby agrees that he, she or it shall not sell, assign, give, bequeath, transfer, distribute, pledge, hypothecate or otherwise encumber, convey or dispose of (collectively, "Transfer") any of the Shares owned by him, her or it (whether now owned or hereafter acquired) except as otherwise allowed by this Agreement. Any attempted or purported Transfer of any Shares by any Stockholder in violation or contravention of the terms of this Agreement shall be void. The Company shall, and shall instruct its transfer agent to, reject and refuse to transfer on its books any Shares that may have been Transferred in violation or contravention of any of the provisions of this Agreement and shall not recognize any person, estate, executor, administrator, firm, association, corporation or entity holding any of the Shares as being a stockholder of the Company, and any such person, estate, executor, administrator, firm, association, corporation or entity shall not have any rights as a stockholder of the Company. In addition to any other remedies available to the parties to this Agreement either at law, in equity or pursuant to this Agreement, no dividends shall be paid on, nor any distribution made on, any Shares that are Transferred in violation or breach of this Agreement.

2.2 Lock-up Agreement. Notwithstanding any provision of this Agreement to the contrary, except for Transfers pursuant to Sections 3 and 5, from and after the date hereof each Initial Stockholder will not, without the prior written consent of the Company, jointly or individually, Transfer, offer, make any short sale of, contract to sell, lend, grant any option for the purchase of, or otherwise dispose of, directly or indirectly, any Shares owned of record or beneficially by such Initial Stockholder on the date hereof until November 28, 1998 (the "Initial Lock-up Period"). In the event the Company, on or before November 28, 1998, effects a registered underwritten secondary offering of Shares generating proceeds to the Stockholders offering Shares therein (before deduction of underwriting discounts or commissions) of at least $200,000,000, allocated among the Stockholders participating in such underwritten secondary offering in accordance with the "Participation Percentages" listed on Schedule "A" attached hereto, or acquires all of the outstanding capital stock or substantially all of the assets of Nu Skin International, Inc. ("NSI") in a single transaction or series of transactions for aggregate value including at least $100,000,000 in cash to the NSI Stockholders and on terms approved by a majority of the members of the NSI Board of Directors and by a majority of the votes entitled to be cast by the NSI shareholders in connection with such transaction or series of transactions (the "NSI Acquisition"), the lock-up agreement described in this Section 2.2 shall automatically be extended until one year following the closing date of the first to occur of (i) such underwritten secondary public offering or (ii) the NSI Acquisition (the "Extended Lock-up Period").

2.3 Post Lock-up Selling Restrictions. Except as otherwise provided herein, for one year following the last to expire of (i) the Initial Lock-up Period, and (ii) the Extended Lock-up Period (the "Restricted Resale Period"), all sales of Shares in a public resale pursuant to Section 4(1) of the Securities Act or Rule 144 promulgated thereunder or pursuant to any other exempt transaction under the Securities Act, shall not exceed in any calendar quarter the Stockholder's specified Rule 144 Allotment (as defined below). Each Stockholder's Rule 144 Allotment shall be determined by multiplying (x) the percentage listed next to the Stockholder's name on Schedule A attached hereto under the heading "Percent Allocation of Total Rule 144 Volume" by (y) the average weekly trading volume for the Company's Class A shares on the New York Stock Exchange during the calendar quater immediately preceding any transfer permitted during the Restricted Resale Period (the "Rule 144 Allotment"). In no event, however, shall any Stockholder's Rule 144 Allotment, when aggregated with the Rule 144 Allotment of all such Stockholder's Stockholder Controlled Entities, be less than 20,000 shares per calendar quarter, with the exception of those Stockholders identified on Schedule B, whose Rule 144 Allotment is established in Section 2.3.5 below.

2.3.1 Within the first ten days of each calendar quarter during the term hereof, the Company will provide to each Stockholder a schedule listing such Stockholder's Rule 144 Allotment for such calendar quarter. All Stockholders desiring to sell Shares pursuant to Rule 144 during the Restricted Resale Period shall give the Company's Secretary written notice of such Stockholder's intention to sell no less than five business days prior to the proposed transaction date.

2.3.2 Unless otherwise agreed by Stockholders holding at least forty percent (40%) of the Shares subject to this Agreement, all dispositions under Rule 144 shall be made exclusively through the Provo, Utah office or a specific office in New York City (designated by the Company) of Merrill Lynch & Co. ("Merrill"). If a Stockholder determines that Merrill's commission rate for dispositions of Shares pursuant to Rule 144 is unreasonable in light of all relevant facts, such Stockholder may effect sales of Shares pursuant to Rule 144 through another market-maker if approved in advance in writing by fifty percent (50%) of the Shares subject to this Agreement. Nevertheless, if Shares are sold under Rule 144 by an Institution who has received Shares through foreclosure of a loan to a Stockholder or in satisfaction of a margin call, and the Company has not exercised its right to purchase such Shares, such Institution shall be entitled to sell such Shares through a market-maker of its choice.

2.3.3 If any Stockholder elects to sell in any calendar quarter in a single transaction or series of transactions more than twenty-five percent (25%) of his Rule 144 Allotment for such quarter, Merrill shall be given at least four weeks to effect such transactions to minimize the impact on the market caused by such selling.

2.3.4 Each Stockholder that is a Fixed Charitable Trust, as listed on Schedule C attached hereto (the "Fixed CRT Stockholders"), agrees to use cash currently held by such Stockholder to make the required minimum distributions to beneficiaries. Each Fixed CRT Stockholder further agrees to participate in and sell Shares through a registered secondary offering of Shares following the date hereof to the extent possible and necessary to infuse additional cash into each Fixed CRT Stockholder sufficient to make cash distributions to beneficiaries prior to the expiration of the Restricted Resale Period. In the event there is no registered secondary offering until expiration of the Restricted Resale Period, each Fixed CRT Stockholder agrees to distribute Shares in lieu of cash to the minimum extent required to the beneficiaries of such trust. With respect to Stockholders who are also recipients of Shares distributed by Fixed CRT Stockholders, the Rule 144 Allotment as defined above in Section 2.3 shall be increased by that number of Shares required to be sold to satisfy any income tax liability incurred by the recipient of the Shares as a result of the distribution of such Shares from the Fixed CRT Stockholder. All Stockholders agree not to transfer any Shares to a fixed charitable trust until after the expiration of the Restricted Resale Period.

2.3.5 Notwithstanding anything herein to the contrary, the Rule 144 Allotment for any calendar quarter for those Stockholders listed on Schedule B attached hereto shall be equal to five percent (5%) of the Shares held by such Stockholder on the date hereof.

2.3.6 Notwithstanding anything herein to the contrary, in the event the Company notifies Stockholders of its intent to file a registration statement under the Securities Act for the public distribution of securities, on either a primary or secondary basis, the Stockholders agree not to effect any sales of Shares under Section 4(1) or Rule 144 of the Securities Act during a period commencing on the date of such notice and ending ninety days after the effectiveness of the registration statement.

2.3.7 For purposes of calculating the Rule 144 volume limitations applicable to Stockholders following the Restricted Resale Period, each Stockholder agrees to be subject, following the Restricted Resale Period, to the volume limitations of Rule 144(e) (or any successor rule) notwithstanding the applicability of Rule 144(k) to such Stockholder.

2.4 Share Repurchase. Notwithstanding anything herein to the contrary, the Initial Stockholders acknowledge and agree that the Company shall repurchase Shares from certain Initial Stockholders and various donees of certain Initial Stockholders in a transaction scheduled to close simultaneously with the effectiveness of this Agreement (the "Share Repurchase"). The Share Repurchase shall be effected with those persons or entities listed on Schedule D attached hereto with respect to the number of Shares set forth opposite the name of each person or entity (unless modified by the Company in an agreement with the person or entity with whom the Share Repurchase is to be effected). The terms, structure and conditions of the Share Repurchase shall be confirmed in written instruments and documents required by the Company.

3. PERMITTED TRANSFERS. Notwithstanding anything herein to the contrary, the Stockholders shall be permitted to Transfer Shares as provided in this Section 3 and in Sections 4 and 5 of this Agreement and as otherwise agreed to in writing by the Company and the holders of a majority of the Shares.

3.1 Public Sales, Private Resales, Gifts, Bequests and Distributions. Subject to the terms and conditions of this Agreement, any Stockholder may Transfer shares of Class A Common Stock (i) pursuant to a widely distributed public offering of shares of Class A Common Stock registered by the Company under the Securities Act of 1933, as amended (the "Securities Act"), pursuant to the rights granted in Section 9 hereof; (ii) pursuant to an exempt private resale transaction, (iii) to Initial Stockholders and spouses of Initial Stockholders or to Stockholder Controlled Entities by sale, gift or bequest; and (iv) by distribution from a Stockholder Controlled Entity that is a trust to one or more beneficiaries thereof who are Stockholders.

3.2 Pledges to Institutions.

3.2.1 Any Stockholder may grant a lien or security interest in, pledge, hypothecate or encumber (collectively, a "Pledge") any Shares, other than the Equity Incentive Shares beneficially owned by him, her or it to a nationally or internationally recognized financial or lending institution with assets of not less than $10,000,000,000 (an "Institution"); provided, however, that (i) no Stockholder shall Pledge Shares to secure loans exceeding in the aggregate the amounts set forth next to such Stockholder's name on Schedule E attached hereto under the heading "Indebtedness Limit"; (ii) each Stockholder is required to give the Secretary of the Company five day's prior written notice that he, she or it intends to Pledge Shares to an Institution pursuant to this Section 3.2.1; (iii) the Institution must agree in writing at or prior to the time such Pledge is made that the Company shall have the right to satisfy any margin call or cure any event of default by a Stockholder in connection with a loan by purchasing any or all Shares Pledged at a price equal to fifty percent (50%) (except as otherwise noted on Schedule E) of the Fair Market Value of the Shares subject to the Pledge on the date of the margin call or event of default; (iv) the Institution must agree in writing at or prior to any Pledge that it will give written notice to the Company of any event of default or margin call with respect to a Pledge at the same time notice is given to the Stockholder who Pledged the Shares and that it will give the Company five business days to cure the default or satisfy the margin call by purchasing any or all Shares Pledged at a price equal to fifty percent (50%) (except as otherwise noted on Schedule E) of the Fair Market Value of the Shares subject to the Pledge on the date of the margin call or event of default; (v) the Institution must agree in writing at or prior to the time of such Pledge that the Company may elect to satisfy

any margin call or cure any event of default with respect to any Pledge by (a) giving written notice (the "Cure Notice") to the Institution of the Company's election to satisfy any margin call or cure any event of default and listing in such Cure Notice the number of Shares to be purchased by the Company from the Institution and (b) paying to the Institution by wire transfer the purchase price for the Shares to be purchased by the Company; (vi) the Institution must agree in writing at or prior to the Pledge that upon the receipt of the Cure Notice and the payment for the Shares to be purchased, the purchased Shares shall be immediately transferred and conveyed to the Company as indicated in the Cure Notice; (vii) the Institution must agree in writing at or prior to the time such Pledge is made that, in the event the amount paid by the Company for Shares subject to the Pledge upon the occurrence of margin call or event of default shall exceed the amount of the indebtedness due to the Institution, the excess funds shall be paid by the Institution to the Stockholder who pledged such Shares; and (viii) the Institution must acknowledge to the Company in writing prior to the time the Pledge is made that it is aware of this Agreement and agrees to be bound by the terms hereof. If both the Company and the Stockholders who Pledged the Shares give notice of their election or intent to cure the event of default or satisfy any margin call, the first of them to make payment of the required amounts to the Institution shall be deemed to have cured the event of default or satisfied the margin call, as applicable. The parties hereto agree that the right given to the Company in this Section 3.2.1 to purchase Shares in the event of a default or margin call with respect to a Pledge will be exercisable only to satisfy a margin call or an event of default under a Pledge, with no such right being exercisable in any other event. Notwithstanding anything herein to the contrary, the loan to Nedra D. Roney of $5,000,000 made by the Company contemporaneously herewith shall not be prohibited by this Agreement and said $5,000,000 amount shall not count against the Indebtedness Limit of $20,000,000 for Nedra D. Roney listed in Schedule E.

3.2.2 Power of Attorney. Each Stockholder hereby appoints and constitutes each of Blake M. Roney and Steven J. Lund, with full power of substitution, as attorneys-in-fact to act in their name, place and stead, to transfer and convey to the Company all Shares purchased by the Company pursuant to Section 3.2.1 and to execute and deliver all stock powers, endorse all stock certificates and execute and deliver any and all instruments, documents and agreements necessary to transfer all Shares purchased by the Company pursuant to Section 3.2.1. The foregoing power of attorney is coupled with an interest and is irrevocable. Each Stockholder agrees to indemnify and hold the Company and Messrs. Blake M. Roney and Steven J. Lund, or their appointees, harmless from and against any and all liabilities, claims, damages and expenses (including attorney's fees, expert and court costs) incurred by the Company or Messrs. Blake M. Roney or Steven J. Lund, or their appointees, in connection with the exercise by the Company of its rights under Section 3.2.1 and the performance by Messrs. Blake M. Roney and Steven J. Lund, or their appointees, of their duties and responsibilities as attorneys-in-fact under this Section 3.2.2.

3.3 Application of Agreement to Shares After Transfers. All the provisions of this Agreement shall apply to all of the Shares of the Company owned beneficially or of record by a person or entity at the time he, she or it is or becomes a party hereto or that may be issued hereafter or thereafter to a Stockholder as a result of any additional issuance, purchase, exchange or reclassification of Shares, corporate reorganization or any other form of recapitalization, consolidation, merger, share split or share dividend or that are acquired by a Stockholder in any other manner except by means of a purchase on the open market. Unless the Company and the holders of a majority of the Shares shall agree otherwise in writing, all Shares that are Transferred in accordance with Section 3 hereof, other than (i) Transfers pursuant to a widely distributed public offering, (ii) transfers pursuant to Rule 144, as provided by this Agreement, (iii) Transfers by Institutions to satisfy a margin call or upon an event of default, and (iv) except as provided in Section 3.4, Transfers pursuant to an exempt private resale transaction, shall be subject to the terms, obligations, conditions and restrictions set forth in this Agreement, and any person or entity to whom or to which such Shares have been Transferred shall automatically become a party to this Agreement upon such Transfer and shall be subject

to the provisions of this Agreement without the need for such person to sign this Agreement or the other parties hereto to re-execute this Agreement or otherwise acknowledge such person as a party hereto. All persons to whom Shares are Transferred pursuant to this Agreement, by taking receipt of the Transferred Shares, agree to be bound by all of the terms and conditions of this Agreement including, without limitation, the terms and conditions of Sections 2.2 and 2.3 hereof. As a condition to any Transfer of Shares pursuant to this Agreement, the Company may (but shall not be obligated to) require any transferee to execute and deliver a copy of this Agreement and any other documentation necessary, in the Company's judgment, in connection with such transferee becoming a party to this Agreement. Unless the Company and the holders of a majority of the Shares otherwise agree in writing, any person to whom Shares are Transferred other than pursuant to a registered public resale or sales under Rule 144 or sales by Institutions in connection with the foreclosure of a Pledge shall receive and be subject to his, her or its pro rata portion of the Transferring Stockholder's Rule 144 Allotment, and the Transferring Stockholder's Rule 144 Allotment shall be reduced by such pro rata portion effective immediately upon such Transfer. If the person or entity to whom Shares have been Transferred refuses to execute and deliver to the Company any such documentation or fails to acknowledge or abide by the terms of this Agreement, the Company may invalidate the Transfer and refuse to acknowledge the person or entity as a stockholder of the Company. If, and as often as, there is any change in the Shares, by way of a stock split, stock dividend, combination or reclassification, or through a merger, consolidation, reorganization or recapitalization, or by any other means, appropriate adjustment shall be made in the provisions of this Agreement so that the rights and privileges granted hereby shall continue with respect to the Shares as so changed.

3.4 Application of Agreement to Transferees in Private Resale Transactions. Unless the Company and the Stockholders owning of record a majority of the Shares otherwise agree in writing, any person to whom Shares are transferred in an exempt private resale transaction shall (i) receive and be subject to his, her or its pro rata portion of the Transferring Stockholder's 144 Allotment and the Transferring Stockholder's Rule 144 Allotment shall be reduced by such pro rata portion effective immediately upon such Transfer, and (ii) any Transfer pursuant to Rule 144 by him, her or it shall be aggregated with all Transfers by the Transferring Stockholder pursuant to Rule 144 for purposes of calculating the volume limitation applicable to both him, her or it and such Transferring Stockholder under Rule 144.

4. INVOLUNTARY TRANSFERS.

4.1 By Operation of Law. If Shares owned of record or beneficially by a Stockholder are Transferred by operation of law to any person or entity other than a Stockholder, including, without limitation, to the bankruptcy estate or to the trustee in bankruptcy of a Stockholder or to a purchaser at any creditor's or judicial sale or for the benefit of creditors of a Stockholder (but not including (a) any Transfer to the Company or pursuant to a foreclosure of a Pledge by an Institution or the Company, (b) any Transfer to the guardian, conservator or committee of an incompetent Stockholder, (c) any Transfer in a bankruptcy proceeding of Shares that are Pledged to an Institution or the Company, or (d) any Transfer upon the death of a Stockholder), (an "Involuntary Transfer") then, in each such case, such Stockholder shall be deemed to have offered all of his, her or its Shares to all Stockholders who are then parties to this Agreement prior to such Involuntary Transfer in the manner described in Section 4.2 hereof. The Company shall notify the appropriate Stockholders of the occurrence of such Involuntary Transfer as soon as practicable after it is notified of the same.

4.2 Right of First Offer.

4.2.1 All Involuntary Transfers pursuant to Section 4.1 above shall be subject to this Section 4.2. The Stockholder who owns the Shares subject to the Involuntary Transfer (the "Offering Stockholder") shall be deemed, prior to the Involuntary Transfer, to have offered the Shares subject to the

Involuntary Transfer (the "Offered Shares") to all Stockholders who are then parties to this Agreement as provided below (the "Right of First Offer").

4.2.2 The Offering Stockholder shall give written notice (an "Offer Notice") of the proposed Involuntary Transfer to all Stockholders who then are parties to this Agreement and to the Secretary of the Company setting forth, in reasonable detail, the facts and circumstances of such proposed Involuntary Transfer, the number of Offered Shares, the proposed date of consummation of such proposed Involuntary Transfer (if known), and any other material terms and conditions of the proposed Transfer to the extent then known.

4.2.3 Each Stockholder who is then a party to this Agreement shall then have the irrevocable right, exercisable within thirty (30) days after the Offer Notice is given in accordance with the requirements of Section 4.2.2 hereof (the "Notice Period"), to purchase all (but not part) of his, her or its share (as determined below) of the Offered Shares at a price per Share equal to the lesser of (i) the price proposed to be paid in any bankruptcy, creditor's or judicial sale or (ii) the closing sale price per share of the Company's Class A Common Stock on the last trading day (as reported on the New York Stock Exchange) prior to the date of purchase multiplied by a factor of .50 (50%). Each Offering Stockholder shall pay his, her or its own commissions and advisory fees in connection with any sale of Shares pursuant to this Section 4.2. Each Stockholder who is a party to this Agreement may exercise his, her or its Right of First Offer by delivering to the Offering Stockholder in care of the Secretary of the Company a notice of such exercise (the "Exercise Notice") within the Notice Period. Each Stockholder who elects to purchase Offered Shares pursuant to this Section 4.2 shall be entitled to purchase an equal portion of such Offered Shares with all other Stockholders who also elect to purchase such Offered Shares hereunder.

4.2.4 The closing of the purchase and sale of the Offered Shares shall occur on a date not later than fifteen days after the expiration of the Notice Period (or such later date as is the earliest date on which the purchase may be completed in compliance with all applicable laws, rules and regulations) (the "Purchase Period"), and at the time and place provided for in the Offer Notice. In the event any of the Purchasing Stockholders is unable to close his, her or its purchase of the Offered Shares within the Purchase Period, the remaining Purchasing Stockholder(s) shall have the right to purchase its or their pro rata portion (determined by multiplying the Offered Shares that cannot be so purchased by a fraction, the numerator of which is the Offered Shares that cannot be so purchased and the denominator of which is the Offered Shares being purchased by the remaining Purchasing Stockholders) of such Purchasing Stockholder's Offered Shares, provided the sale of such Offered Shares can be effected within the Purchase Period. The determination of any prorations under Section 4.2 shall be made by the Company and shall be final and binding on the Stockholders.

5. AGREEMENT TO FUND EQUITY INCENTIVE PROGRAMS.

5.1 Each Initial Stockholder hereby covenants and agrees for the period between the date hereof and ending December 31, 1999 to make available to the Company or its designees up to six percent (6%) of each such Initial Stockholder's shares of Class B Common Stock owned immediately following the Reorganization (the "Equity Incentive Shares"), for the purpose of funding any distributor or employee equity incentive program or programs sponsored by the Company or NSI or their affiliates. Any Transfer of shares of Class B Common Stock by the Initial Stockholders for this purpose shall be made pro rata by the Stockholders in accordance with their ownership interests in the Company immediately following the Reorganization and the determination of such proration by the Company's Secretary shall be conclusive and binding on the Initial Stockholders. The Shares already contributed by the Initial Stockholders in connection with the Company's initial public offering shall be counted towards the above referenced six percent (6%) figure.

5.2 The Company shall give to all Stockholders who then are parties to this Agreement thirty (30) days written notice of a proposed Transfer of Equity Incentive Shares under Section 5.1 above to the Company or NSI or any of their affiliates setting forth, in reasonable detail, the Company's intent to make such proposed Transfer, the number of Shares to be Transferred, the proposed date of consummation of such Transfer (if known) and any other material terms and conditions of the proposed Transfer to the extent then known. The portion of the Equity Incentive Shares to be transferred will then be transferred at the end of such thirty (30) day period by the attorneys-in-fact identified in Section 5.3 hereof.

5.3 In connection with the agreement of the Stockholders to participate in the funding of any distributor or employee equity incentive program or programs sponsored by the Company or NSI, as set forth in Section 5 hereof, each of the Stockholders hereby makes, constitutes and appoints each of Keith R. Halls and his successors, and M. Truman Hunt and his successors, with power of substitution, the true and lawful attorney-in-fact of the Stockholder (each said person or his successors being hereinafter referred to as the "Attorney-in-Fact"), with full power and authority to act in the name and on behalf of the Stockholder for the following purposes:

5.3.1 to Transfer the Equity Incentive Shares to NSI, any affiliate of NSI, or the Company;

5.3.2 to endorse, transfer and deliver certificates for the Equity Incentive Shares to or on the order of the appropriate party, and to give such orders and instructions as the Attorney-in-Fact may in his, her or its sole discretion determine with respect to (i) the transfer of the Equity Incentive Shares on the books of the Company in order to effect such Transfer (including the names in which new certificates for the Equity Incentive Shares are to be issued and the denominations thereof), (ii) the delivery to or for the account of the appropriate party of the certificates for the Equity Incentive Shares against receipt in the name of the Stockholders of the purchase price to be paid therefor, if any, and (iii) the remittance to the Stockholders of the proceeds, if any, after payment of expenses hereinafter described, from the Transfer of the Equity Incentive Shares; if requested by or on behalf of the Stockholders, funds to be remitted to the Stockholders shall be remitted by wire transfer (in accordance with instructions provided by or on behalf of the Stockholders) promptly upon such funds becoming available for transfer;

5.3.3 if necessary, to endorse (in blank or otherwise) on behalf of the Stockholders the certificate or certificates representing the Equity Incentive Shares or a stock power or powers attached to such certificate or certificates;

5.3.4 to incur any necessary or appropriate expense in connection with the Transfer of the Equity Incentive Shares; and

5.3.5 to otherwise take all actions, including the execution and delivery of all documents, deemed advisable by each Attorney-in-Fact in his sole discretion, with respect to the Transfer of the Equity Incentive Shares as fully as the Stockholders could if the Stockholders were present and acting.

Each Attorney-in-Fact shall be entitled to act and rely upon any written statement, request, notice or instruction from any of the Initial Stockholders, not only as to the authorization, validity and effectiveness thereof, but also as to the truth and acceptability of information therein contained. The parties to this Agreement agree to indemnify and hold harmless each Attorney-in-Fact from and against any and all losses, liabilities, damages or expenses (including reasonable attorney's fees and court costs) incurred by either of them arising out of or in connection with their acting as an attorney-in-fact under the foregoing power of attorney, as well as any and all costs and expenses of defending against any claim of liability in the premises. Each Attorney-in-Fact may consult with counsel of his choice (who may be counsel for the Company) and each

Attorney-in-Fact shall have full and complete authorization and protection for any action taken or suffered by them hereunder in good faith and in accordance with the opinion of such counsel.

6. CONTRIBUTION OF DIVIDENDS. In the event that a majority in interest of the Initial Stockholders who are also shareholders of NSI shall so decide and shall notify all of such Initial Stockholders and the Company in writing, any dividends (net of any taxes payable thereon) on the Shares to be paid by the Company to such Initial Stockholders shall be contributed to NSI pro rata based upon each such Initial Stockholder's ownership of shares of NSI common stock. Notice of such contribution of dividends must be made in accordance with Section 12.2 hereof at least ten business days before the payment of such dividends by the Company to the Initial Stockholders. In its sole discretion, the Company may, upon receipt of notice of such contribution of dividends, pay such dividends directly to NSI. In the discretion of a majority in interest of the Initial Stockholders who are also shareholders of NSI, the above-referenced dividend payments may be made to NSI in cash or by any of such Initial Stockholder's tender to NSI of shares of NSI common stock. For purposes of calculating the value of shares of NSI common stock Transferred hereunder, the value of each share of NSI common stock shall be determined by multiplying NSI's net income for the four (4) most recently completed quarters prior to the calculation date (as reported on NSI's financial statements prepared in accordance with generally accepted accounting principles) by a factor of three and one-half (3.5) and dividing such figure by the total number of shares of NSI common stock then outstanding.

7. WAIVERS AND TERMINATION.

7.1 Effect of Agreement. This Agreement amends and restates in its entirety the Original Stockholders Agreement and is effective as of the date hereof. From and after the date hereof, the Original Stockholders Agreement shall be replaced in its entirety by this Agreement.

7.2 Waivers. All waivers made and agreed to by the Initial Stockholders in the Original Stockholders Agreement are hereby ratified, approved and remade in this Agreement as if set forth herein in their entirety. In addition, each Initial Stockholder hereby irrevocably waives any and all known or unknown claims and rights, whether direct or indirect, fixed or contingent, that such Initial Stockholder may now have or that may hereafter arise against the Company or any of its affiliates, NSI or any of its affiliates, or any of their respective officers, directors, stockholders, employees, agents or advisors arising out of the negotiation, documentation or operation of the Original Stockholders Agreement or any other agreement among any of the Initial Stockholders and the Company existing prior to the Original Stockholders Agreement or arising out of the negotiation and documentation of this Agreement.

7.3 Acknowledgment of Representation. Each of the Initial Stockholders represents and warrants to the Company and each of the other Initial Stockholders that each Initial Stockholder was or had the opportunity to be represented by legal counsel and other advisors selected by such Initial Stockholder in connection with the Original Stockholders Agreement and has been represented by legal counsel and other advisors selected by such Initial Stockholder in connection with this Agreement. Each of the Initial Stockholders has reviewed this Agreement with his, her or its legal counsel and other advisors and understands the terms and conditions hereof. Each Initial Stockholder understands, acknowledges and confirms that M. Truman Hunt and the law firm of LeBoeuf, Lamb, Greene & MacRae, L.L.P. ("LLG&M") have represented only the Company in connection with the Original Stockholders Agreement and this Agreement and did not and do not act as legal counsel for any of the Initial Stockholders in connection with the Original Stockholders Agreement or this Agreement. As previously acknowledged and agreed to by the Initial Stockholders, the representation by LLG&M of certain of the Initial Stockholders in connection with the Company's initial public offering was limited solely to negotiating the representations and warranties and the limitations on the indemnification and contribution obligations of certain of the Initial Stockholders under the U.S. and International Purchase Agreements executed by such Initial Stockholders in connection with the Company's

initial public offering and negotiating the delivery mechanisms for the Shares. The Initial Stockholders hereby confirm their waiver of any conflict of interest that may exist as a result of the limited representation by LLG&M of certain Initial Stockholders as described above and the concurrent representation by LLG&M of the Company. The Initial Stockholders further confirm their consent to the prior limited representation by LLG&M of those Initial Stockholders who signed the U.S. and International Purchase Agreements entered into in connection with the Company's initial public offering.

8. LEGENDS ON CERTIFICATES.

8.1 Legends on Certificates. All Shares now or hereafter owned by the Stockholders shall be subject to the provisions of this Agreement and the certificates representing such Shares shall bear the following legends:

> THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR ANY STATE SECURITIES LAWS. THEY MAY NOT BE SOLD, ASSIGNED, PLEDGED OR OTHERWISE TRANSFERRED FOR VALUE UNLESS THEY ARE REGISTERED UNDER THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS OR UNLESS THE CORPORATION RECEIVES AN OPINION OF COUNSEL SATISFACTORY TO IT, OR OTHERWISE SATISFIES ITSELF, THAT AN EXEMPTION FROM REGISTRATION IS AVAILABLE.
>
> THE SALE, ASSIGNMENT, GIFT, BEQUEST, TRANSFER, DISTRIBUTION, PLEDGE, HYPOTHECATION OR OTHER ENCUMBRANCE OR DISPOSITION OF THE SHARES REPRESENTED BY THIS CERTIFICATE IS RESTRICTED BY AND MAY BE MADE ONLY IN ACCORDANCE WITH THE TERMS OF AN AMENDED AND RESTATED STOCKHOLDERS AGREEMENT AMONG CERTAIN INDIVIDUALS AND PERSONS REFERRED TO IN SUCH AMENDED AND RESTATED STOCKHOLDERS AGREEMENT, A COPY OF WHICH MAY BE EXAMINED AT THE OFFICE OF THE CORPORATION.

8.2 Deposit of Certificates. Each Initial Stockholder hereby agrees to deposit and leave on deposit with the Secretary of the Company or his designee until December 31, 1999 all certificates representing Shares, including, without limitation, the Equity Incentive Shares, and all certificates representing additional Shares that may be used under Section 5 above for additional distributor and employee equity incentive plans.

9. REGISTRATION RIGHTS. The Company hereby covenants and agrees as follows:

9.1 Definitions. For purposes of this Section 9, the following terms have the following meanings:

"Restricted Stock" shall mean all Shares held by the Initial Stockholders listed on Schedule "A" under the caption "Name of Stockholder" excluding Shares (i) that have been registered under the

Securities Act pursuant to an effective registration statement filed thereunder and disposed of in accordance with such registration statement, and (ii) that have been publicly sold pursuant to Rule 144, (iii) that have been Transferred by Institutions to satisfy a margin call or event of default as provided in Section 3.2.1 and (iv) that have been Transferred pursuant to an exempt private resale transaction.

"Selling Expenses" shall mean the expenses described in Section 9.6 below.

9.2 Incidental Registration. If the Company at any time proposes to register any of its securities under the Securities Act for sale to the public, whether for its own account or for the account of other security holders or both (except with respect to registration statements on Form S-4, Form S-8 or another Form not available for registering the Restricted Stock for sale to the public and except with respect to any public offering if the net proceeds of such public offering will be paid directly or indirectly to any Initial Stockholders in connection with such public offering or a related transaction), each such time it will give written notice to all holders hereunder of outstanding Restricted Stock of its intention so to do. Upon the written request of any such holder, received by the Company within 10 days following the date of the Company's registration notice, to register such holder's Restricted Stock, the Company will use its best efforts to cause such Restricted Stock to be included in the registration statement proposed to be filed by the Company. The holders of Restricted Stock to be registered pursuant to this Section 9.2 shall execute such documentation (including any underwriting or purchase agreement) as may be reasonably necessary to effect the registration and sale of the Restricted Stock proposed to be included in such registration upon the exercise of the "piggyback" or "incidental" registration rights described in this Section 9.2. Except as provided below, the number of shares of Restricted Stock that may be requested to be registered upon exercise of "piggyback" or "incidental" registration rights may be reduced (pro rata among the requesting holders of all such Restricted Stock based upon the number of shares of Restricted Stock requested to be registered by such holders) if and to the extent that the Company or the managing underwriter shall be of the opinion that such inclusion would adversely affect the marketing of the securities to be sold by the Company therein. No such reduction shall be made with respect to any securities offered by the Company for its own account. Notwithstanding the foregoing provisions, the Company may postpone any such registration or withdraw any registration statement referred to in this Section 9.2 for any reason without thereby incurring any liability to the holders of Restricted Stock.

9.3 Demand Registration. Provided by November 28, 1998 (i) the Company has not effected a registered secondary offering or registered secondary offerings yielding aggregate gross proceeds (before underwriting discounts and commissions) of at least $200,000,000 to the holders of Restricted Stock, or (ii) the Company has not consummated the NSI Acquisition, from and after November 28, 1998 until the earlier of (a) November 28, 2000, or (b) the holders of Restricted Stock have received, as a group, an aggregate of $200,000,000 of gross offering proceeds (before underwriting discounts and commissions) pursuant to registered public offerings effected prior to November 28, 2000, or (c) consummation of the NSI Acquisition after November 28, 1998, or (d) two registration statements have been declared effective and the related offerings have closed pursuant to the exercise of demand registration rights under this Section 9.3, if the Company shall receive a written request from Initial Stockholders who collectively hold forty percent (40%) or more of the voting power of the Shares of Restricted Stock then outstanding (a "Demand Request") that the Company effect a registration under the Securities Act, the Company will, within 10 days of receipt of that Demand Request, give written notice of the Demand Request to all holders of Restricted Stock and shall within 120 days after its receipt of the Demand Request, file with the Securities and Exchange Commission ("SEC") a registration statement on a Form deemed appropriate by the Company and its counsel registering up to $200,000,000 of the Company's Class A Common Stock allocated among the holders of Restricted Stock in accordance with the percentages listed on Schedule "A" under the caption "Participation Percentage." The Company shall use its commercially reasonable best efforts to cause such registration statement to become effective.

9.4 Restrictions on Registration Rights.

9.4.1 In the event of a registration of any shares of Restricted Stock under the Securities Act pursuant to Sections 9.2 or 9.3 hereof, the maximum number of shares that each holder of Restricted Stock is entitled to have registered in each such registration shall be equal to the product of (i) the aggregate number of shares of Restricted Stock to be registered and (ii) a fraction, the numerator of which shall be the percentage set forth opposite such holder's name on Schedule "A" attached hereto under the caption "Participation Percentage," and the denominator of which shall be the sum of all of such percentages for all holders of Restricted Stock electing to exercise their registration rights pursuant to Sections 9.2 or 9.3 hereof. To the extent a holder of Restricted Stock elects not to participate in any registered offering pursuant to this Section 9, the "Participation Percentages" of the holders of Restricted Stock participating in such registered offering will be adjusted pro rata.

9.4.2 The right of each holder of Restricted Stock to participate in registrations of Restricted Stock pursuant to Section 9.2 shall terminate upon (i) receipt by such holder pursuant to any registered public offerings, of the amount listed next to such holder's name on Schedule "E" hereto under the caption "Gross Offering Proceeds," or (ii) the date such holder is no longer a record owner of shares of Restricted Stock.

9.4.3 The Company shall not be obligated to effect a registration pursuant to Section 9.3 if at the time it receives a Demand Request (i) the Company's investment banker advises against a registered offering in light of market conditions and other relevant factors, or (ii) the Company would be required to prepare any financial statements other than those it customarily prepares or (iii) the Company determines in its reasonable judgment that the registration and offering would interfere with any material financing, acquisition, transaction, corporate reorganization or material corporate transaction or development involving the Company that is pending or contemplated at the time and promptly gives Initial Stockholders written notice of that determination (in which case the Company shall have the right to defer such filing for a period of not more than 180 days after receipt of the Demand Request), or (iv) the Company has effected a registration pursuant to Section 9.3 within 12 months prior to such Demand Request. Any registration statement filed pursuant to a Demand Request may include other securities of the Company for its own account or securities held by past or present employees, officers or directors of the Company or persons or entities who, by virtue of agreements with the Company are entitled to include their securities in any such registration.

9.4.4. If the holders of Restricted Stock desire to distribute Restricted Stock pursuant to a Demand Request by means of an underwritten public offering, they shall so advise the Company as part of the Demand Request. If the Company approves that request, the Company and a majority in interest of the holders of Restricted Stock making such Demand Request shall jointly approve (such approval not to be unreasonably withheld) an investment banking firm or firms as underwriter or underwriters of the requested registration. The right of any holder of Restricted Stock to registration pursuant to Section 9.3 shall be conditioned upon that Initial Stockholder's participation in the underwriting and the inclusion of that Initial Stockholder's Restricted Stock in the underwriting to the extent provided in this Section 9. The holders of Restricted Stock shall (together with the Company and other persons proposing to distribute securities through such underwriting) enter into an underwriting agreement in customary form with the representative of the underwriter or underwriters selected by the Company for such underwriting, but the Company shall not be required to pay any commission or underwriting discount to any underwriter with respect to the sale of Restricted Stock. If the representative of the underwriters determines that a limitation on the number of shares to be underwritten is required in order to effect the underwriting in an orderly manner, the number of shares of Restricted Stock that may be included in the registration and underwriting shall be reduced in accordance

with the underwriter's recommendations and the remaining shares of Restricted Stock to be registered shall be allocated among the holders of Restricted Stock in accordance with the formula set forth in Section 9.4.1.

9.4.5 In connection with any registration statement filed pursuant to Sections 9.2 or 9.3 above, each of the holders of Restricted Stock agrees, if requested by the Company or an underwriter in connection with such registration, not to sell or otherwise transfer or dispose of any Shares or any derivative security relating to any Shares held by such holder of Restricted during the 180 day period following the date of any registration statement prepared and filed under the Securities Act pursuant to Sections 9.2 or 9.3 above. If requested by the underwriters, the holders of Restricted Stock shall execute a separate agreement to the foregoing effect. The Company may impose stop transfer instructions with respect to all Shares or related derivative securities subject to the foregoing restriction until the end of said 180 day period. The Company shall use its commercially reasonable best efforts to cause such registration statement to become effective. In the event a registered offering is initiated pursuant to Section 9.3 and subsequently closes, the holders of Restricted Stock participating in such registered offering may not effect sales of Shares pursuant to Section 4(1) or Rule 144 under the Securities Act for six months year following the closing date of such registered offering.

9.4.6 No holder of Restricted Stock shall have any right to take any action to restrain, enjoin or otherwise delay any registration as the result of any controversy that may arise with respect to the interpretation or implementation of this Agreement. The rights granted under Sections 9.2 and 9.3 are not transferable by the holders of Restricted Stock.

9.4.7 As a condition to the Company's obligations under this Section 9 to cause a registration statement to be filed or Restricted Stock to be included in a registration statement, each holder of Restricted Stock shall provide such information and execute such documents as may reasonably be required in connection with such registration by the Company or any underwriter. In addition, no holder of Restricted Stock may participate in any registration under this Section 9 which is underwritten unless such holder of Restricted Stock agrees to sell his, her or its securities on the basis provided in any such underwriting arrangements and completes and executes all questionnaires, powers of attorney, indemnities, contribution agreements, underwriting agreements, or other documents required under the terms of such underwriting arrangements.

9.5 Registration Procedures. If and whenever the Company is required by the provisions of Sections 9.2 or 9.3 above to use its commercially reasonable best efforts to effect the registration of any Restricted Stock under the Securities Act, the Company will, as expeditiously as possible:

9.5.1 prepare and file with the SEC on a registration statement (which, in the case of an underwritten public offering pursuant to Sections 9.2 or 9.3 above, shall be on Form S-1, Form S-3 or such other Form of general applicability satisfactory to the managing underwriter selected) with respect to such securities and use its commercially reasonable best efforts to cause such registration statement to become and remain effective for the period of the distribution contemplated thereby (determined as hereinafter provided);

9.5.2 prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective for the period specified in Section 9.5.1 above and comply with the provisions of the Securities Act with respect to the disposition of all Restricted Stock covered by such registration statement in accordance with the intended method of disposition set forth in such registration statement for such period;

9.5.3 furnish to each holder of Restricted Stock covered by such registration statement and to each underwriter such number of copies of the registration statement and the printed prospectus included therein (including each preliminary prospectus) as such persons or entities reasonably may request in order to facilitate the public sale or other disposition of the Restricted Stock covered by such registration statement; and

9.5.4 in connection with each registration hereunder, the holders of Restricted Stock participating in such registration will furnish to the Company in writing such information with respect to themselves and the proposed distribution by them as reasonably shall be necessary in order to effect the transaction and assure compliance with all applicable federal and state securities or "blue sky" laws, as well as any documentation customarily required by underwriters of such transactions.

9.6 Expenses. All expenses incurred in connection with a registration pursuant to Sections 9.2 or 9.3 above in which shares of capital stock of the Company are to be offered by the Company in addition to shares of Restricted Stock to be offered by the holders of Restricted Stock, or any of them (excluding underwriters' discounts and commissions), including, without limitation, all registration and filing fees, printing expenses, fees and disbursements of counsel and independent public accountants for the Company, fees and expenses (including counsel fees) incurred in connection with state securities or "blue sky" laws, fees of the National Association of Securities Dealers, Inc., transfer taxes, fees of transfer agents and registrars, costs of insurance and the reasonable fees and disbursements of one counsel for all of the participating holders of Restricted Stock (which counsel fees and disbursements shall not exceed $15,000) shall be borne by the Company (collectively "Selling Expenses"); provided, however, that if one or more participating holders of Restricted Stock shall withdraw his, her, its or their request for registration pursuant to Sections 9.2 or 9.3 hereof, the Company shall not be required to pay such withdrawing holder's or holders' pro rata portion or portions of the costs or the pro rata portion of fees and disbursements of counsel payable on behalf of the participating holders of Restricted Stock in connection with such registration (and such portion of such costs, fees or disbursement shall be paid by the withdrawing holders on a pro rata basis). Notwithstanding the foregoing, all of the expenses incurred in connection with a registration pursuant to Sections 9.2 or 9.3 above solely of shares of Restricted Stock, including, without limitation, all the expenses referenced above in this Section 9.6, shall be paid by the participating holders of the Restricted Stock registered in connection with any such registration.

10.SATISFACTION OF INSTALLMENT NOTES. The Initial Stockholders acknowledge that certain of them are holders of installment notes issued by certain other Initial Stockholders in connection with purchases of Shares. The Initial Stockholders who are the makers of such installment notes (the "Makers") may satisfy such installment notes using Shares provided the Initial Stockholders who are the holders of such installment notes will not incur liability under Section 16(b) of the Securities Exchange Act of 1934, as amended, as the result of their receipt of such Shares.

11.TERMINATION. The rights and obligations under this Agreement shall terminate automatically with respect to each Stockholder upon the earliest to occur of (a) the execution of a written instrument to that effect by the Company and each Stockholder who then owns Shares, (b) the merger or consolidation of the Company with a corporation or other entity upon consummation of which all Stockholders immediately thereafter own in the aggregate less than twenty-five percent (25%) of the total voting power of the surviving or resulting corporation, and (c) the Transfer of Shares by any Stockholder that causes all Stockholders immediately after such Transfer to own in the aggregate less than ten percent (10%) of the total voting power of the Company.

12.GENERAL PROVISIONS.

12.1 Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Utah.

12.2 Notices. Any notices and other communications given pursuant to this Agreement shall be in writing and shall be effective upon delivery by hand or on the fifth (5th) day after deposit in the mail if sent by certified or registered mail (postage prepaid and return receipt requested) or on the next business day if sent by a nationally recognized overnight courier service (appropriately marked for overnight delivery) or upon transmission if sent by facsimile (with immediate electronic confirmation of receipt in a manner customary for communications of such type). Notices are to be addressed as follows:

If to the Company:

Nu Skin Asia Pacific, Inc.
75 West Center Street,
Suite 900
Provo, Utah 84601
Attention: Steven J. Lund, President
Telecopy: (801) 345-5999

If to a Stockholder, to the address of the Stockholder as indicated in the Company's records.

All notices to a party hereto shall be deemed to have been duly given for all purposes under this Agreement if given to such party in accordance with the first sentence of this Section 12.2 until notice is given pursuant to this Section 12.2 of a different address from the address provided above or, in the case of any person or entity that hereafter becomes a Stockholder, the address specified by such person or entity provided in any documentation provided pursuant to this Agreement, or (b) after notice has been given pursuant to this Section 12.2 of a different address, the address specified in such notice. No notices hereunder shall be required to be given to any Stockholder that hereafter becomes a Stockholder until notice of such Stockholder becoming a Stockholder is given to the Company and to each Stockholder pursuant to this Section 12.2.

12.3 Headings. The headings of the various Sections of this Agreement have been inserted for convenience only and shall not be deemed to be part of this Agreement.

12.4 Binding Effect. This Agreement will be binding upon and inure to the benefit of the Company, its successors and assigns and to the Stockholders and their respective permitted heirs, personal representatives, successors and assigns. In particular, this Agreement may be assigned to any successor to the Company's interest in connection with the NSI Acquisition without further approval of any party and shall thereafter remain in full force and effect.

12.5 No Oral Change. This Agreement may not be changed orally, but may only be changed by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification or discharge is sought.

12.6 Entire Understanding. This Agreement sets forth the entire agreement and understanding of the parties hereto in respect of the subject matter hereof and the transactions contemplated hereby and supersedes all prior written and oral agreements, arrangements and understandings relating to the subject matter hereof. The above Recitals and all Schedules and Exhibits attached hereto are deemed to be incorporated herein by reference.

12.7 Remedies.

12.7.1 The parties hereto acknowledge that money damages are not an adequate remedy for violations of this Agreement and that any party may, in such party's sole discretion, apply to any court of competent jurisdiction for specific performance or injunctive relief or such other relief as such court may deem just and proper in order to enforce this Agreement or prevent any violation hereof and, to the extent permitted by applicable law, each party hereto waives any objection to the imposition of such relief.

12.7.2 All rights, powers and remedies provided under this Agreement or otherwise available in respect hereof, whether at law or in equity, shall be cumulative and not alternative, and the exercise or beginning of the exercise of any thereof by any party hereto shall not preclude the simultaneous or later exercise of any other such right, power or remedy by such party.

12.8 Counterparts. This Agreement may be executed by facsimile and in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument. Each counterpart may consist of a number of copies each signed by less than all, but together signed by all, of the parties hereto.

12.9 Consent of Company. Whenever the consent of the Company is required herein, such consent may only be given by the Company if and when approved by a majority of the Company's then disinterested directors.

[SIGNATURES BEGIN ON FOLLOWING PAGE]

SIGNATURE PAGE OF AMENDED AND RESTATED STOCKHOLDERS AGREEMENT

IN WITNESS WHEREOF, this Agreement has been signed as of the date first above written.

NU SKIN ASIA PACIFIC, INC.,
a Delaware Corporation

By: _____
Its: _____

Blake M. Roney, individually

THE ALL R'S TRUST

By: _____
Steven J. Lund
Its: Trustee

THE B & N RONEY TRUST

By: _____
Steven J. Lund
Its: Trustee

THE WFA TRUST

By: _____
Steven J. Lund
Its: Trustee

BNASIA, LTD.

By: _____
Blake M. Roney
Its: General Partner

By: _____
Nancy L. Roney
Its: General Partner

THE BLAKE M. AND NANCY L. RONEY FOUNDATION

By: _____
Blake M. Roney
Its: Trustee

By: _____
Nancy L. Roney
Its: Trustee

B & N RHINO COMPANY, L.C.

By: _____
Craig F. McCullough
Its: Manager

Nedra D. Roney, individually

Rick A. Roney, individually

Burke F. Roney, individually

Park R. Roney, individually

THE MAR TRUST

By: _____
Keith R. Halls
Its: Trustee

THE NR TRUST

By: _____
Keith R. Halls
Its: Trustee

THE NEDRA RONEY FOUNDATION

By: _____
Nedra D. Roney
Its: Trustee

By: _____
Evan A. Schmutz
Its: Trustee

THE NEDRA RONEY FIXED CHARITABLE TRUST

By: _____
Keith R. Halls
Its: Trustee

By: _____
Evan A. Schmutz
Its: Independent Trustee

NR RHINO COMPANY, L.C.

By: _____
Craig F. McCullough
Its: Manager

Sandra N. Tillotson, individually

THE SNT TRUST

By: _____
Lee M. Brower
Its: Trustee

THE DVNM TRUST

By: _____
Lee M. Brower
Its: Trustee

THE CWN TRUST

By: _____
Lee M. Brower
Its: Trustee

THE DPN TRUST

By: _____
Craig S. Tillotson
Its: Trustee

By: _____

Lee M. Brower
Its: Trustee

THE GNT TRUST

By: _____
Craig S. Tillotson
Its: Trustee

By: _____
Lee M. Brower
Its: Trustee

THE LMB TRUST

By: _____
Gregory N. Barrick
Its: Trustee

THE SANDRA N. TILLOTSON FOUNDATION

By: _____
Sandra N. Tillotson
Its: Trustee

By: _____
Lee M. Brower
Its: Trustee

THE SANDRA N. TILLOTSON FIXED CHARITABLE TRUST

By: _____
Sandra N. Tillotson
Its: Trustee

By: _____
L. S. McCullough
Its: Independent Trustee

SNT RHINO COMPANY, L.C.

By: _____
Craig S. Tillotson
Its: Manager

Steven J. Lund, individually

SKASIA, LTD.

By: _____
Steven J. Lund
Its: General Partner

By: _____
Kalleen Lund
Its: General Partner

THE S AND K LUND TRUST

By: _____
Blake M. Roney
Its: Trustee

THE STEVEN J. AND KALLEEN LUND FOUNDATION

By: _____
Steven J. Lund
Its: Trustee

By: _____
Kalleen Lund
Its: Trustee

THE STEVEN AND KALLEEN LUND FIXED CHARITABLE TRUST

By: _____
Steven J. Lund
Its: Trustee

By: _____
Kalleen Lund
Its: Trustee

By: _____
L. S. McCullough
Its: Independent Trustee

S & K RHINO COMPANY, L.C.

By: _____
Craig F. McCullough
Its: Manager

Brooke B. Roney, individually

BDASIA, LTD.

By: _____
Brooke B. Roney
Its: General Partner

By: _____
Denice R. Roney
Its: General Partner

THE B AND D RONEY TRUST

By: _____
Blake M. Roney
Its: Trustee

THE BROOKE BRENNAN AND DENICE RENEE RONEY FOUNDATION

By: _____
Brooke B. Roney
Its: Trustee

By: _____
Denice R. Roney
Its: Trustee

Kirk V. Roney, individually

KMASIA, LTD.

By: _____
Kirk V. Roney
Its: General Partner

By: _____
Melanie K. Roney
Its: General Partner

THE K AND M RONEY TRUST

By: _____
Rick A. Roney
Its: Trustee

THE KIRK V. AND MELANIE K. RONEY FOUNDATION

By: _____
Kirk V. Roney
Its: Trustee

By: _____
Melanie K. Roney
Its: Trustee

THE KIRK AND MELANIE RONEY FIXED CHARITABLE TRUST

By: _____
Kirk V. Roney
Its: Trustee

By: _____
Melanie K. Roney
Its: Trustee

By: _____
L. S. McCullough
Its: Trustee

K & M RHINO COMPANY, L.C.

By: _____
Craig F. McCullough
Its: Manager

Keith R. Halls, individually

KAASIA, LTD.

By: _____
Keith R. Halls
Its: General Partner

By: _____
Anna Lisa Halls
Its: General Partner

THE K AND A HALLS TRUST

By: _____
Michael L. Halls
Its: Trustee

THE HALLS FAMILY TRUST

By: _____
Michael L. Halls
Its: Trustee

THE KEITH AND ANNA LISA HALLS FIXED CHARITABLE TRUST

By: _____
Keith R. Halls
Its: Trustee

By: _____
Anna Lisa Halls
Its: Trustee

By: _____
L. S. McCullough
Its: Independent Trustee

THE KEITH RAY AND ANNA LISA MASSARO HALLS FOUNDATION

By: _____
Keith R. Halls
Its: Trustee

By: _____
Anna Lisa Halls
Its: Trustee

K & A RHINO COMPANY, L.C.

By: _____
Craig F. McCullough
Its: Manager

Craig S. Tillotson, individually

THE CST TRUST

By: _____
Sandra N. Tillotson
Its: Trustee

THE JS TRUST

By: _____
Lee M. Brower
Its: Trustee

THE JT TRUST

By: _____
Lee M. Brower
Its: Trustee

THE CB TRUST

By: _____
Lee M. Brower
Its: Trustee

THE CM TRUST

By: _____
Lee M. Brower
Its: Trustee

THE BCT TRUST

By: _____
Lee M. Brower
Its: Trustee

THE ST TRUST

By: _____
Lee M. Brower
Its: Trustee

THE NJR TRUST

By: _____
Lee M. Brower
Its: Trustee

THE RLS TRUST

By: _____
Lee M. Brower
Its: Trustee

THE RBZ TRUST

By: _____
Lee M. Brower
Its: Trustee

THE LB TRUST

By: _____
Gregory N. Barrick
Its: Trustee

THE CRAIG S. TILLOTSON FOUNDATION

By: _____
Craig S. Tillotson
Its: Trustee

By: _____
Lee M. Brower
Its: Trustee

THE CRAIG S. TILLOTSON FIXED CHARITABLE TRUST

By: _____
Craig S. Tillotson
Its: Trustee

By: _____
Lee M. Brower
Its: Independent Trustee

CST RHINO COMPANY, L.C.

By: _____
Sandra N. Tillotson
Its: Manager

R. Craig Bryson, individually

RCKASIA, LTD.

By: _____
R. Craig Bryson
Its: General Partner

By: _____
Kathleen D. Bryson
Its: General Partner

THE C AND K TRUST

By: _____
Steven J. Lund
Its: Trustee

THE BRYSON FOUNDATION

By: _____
R. Craig Bryson
Its: Trustee

By: _____
Kathleen D. Bryson
Its: Trustee

THE BRYSON FIXED CHARITABLE TRUST

By: _____
R. Craig Bryson
Its: Trustee

By: _____
Kathleen D. Bryson
Its: Trustee

By: _____
Robert L. Stayner
Its: Independent Trustee

CKB RHINO COMPANY, L.C.

By: _____
Keith R. Halls
Its: Manager

THE RICK AND KIMBERLY RONEY VARIABLE CHARITABLE REMAINDER UNITRUST

By: _____
James Blaylock
Its: Trustee

THE RICK AND KIMBERLY RONEY FIXED CHARITABLE UNITRUST

By: _____
Rick A. Roney
Its: Trustee

By: _____
Kimberly Roney
Its: Trustee

SCHEDULE "A"

NAME OF STOCKHOLDER	PARTICIPATION PERCENTAGE	PERCENT ALLOCATION OF TOTAL RULE 144 VOLUME
Blake M. Roney and his spouse and all of his Stockholder Controlled Entities and defective trusts, considered together as a group	15.3%	15.3%
Nedra D. Roney and her spouse and all of her Stockholder Controlled Entities and defective trusts, considered together as a group	13.86%	13.86%
Sandra N. Tillotson and her spouse and all of her Stockholder Controlled Entities and defective trusts, considered together as a group	12.28%	12.28%
Craig S. Tillotson and his spouse and all of his Stockholder Controlled Entities and defective trusts, considered together as a group	9.2%	9.2%
R. Craig Bryson and his spouse and all of his Stockholder Controlled Entities and defective trusts, considered together as a group	9.2%	9.2%
Steven J. Lund and his spouse and all of his Stockholder Controlled Entities and defective trusts, considered together as a group	7.72%	7.72%
Brooke B. Roney and his spouse and all of his Stockholder Controlled Entities and defective trusts, considered together as a group	7.72%	7.72%
Kirk V. Roney and his spouse and all of his Stockholder Controlled Entities and defective trusts, considered together as a group	7.72%	7.72%
Keith R. Halls and his spouse and all of his Stockholder Controlled Entities and defective trusts, considered together as a group	4.65%	4.65%
Rick A. Roney and his spouse and all of his Stockholder Controlled Entities and defective trusts, considered together as a group	3.86%	3.86%
Burke F. Roney and his spouse and all of his Stockholder Controlled Entities and defective trusts, considered together as a group	3.86%	3.86%
Park R. Roney and his spouse and all of his Stockholder Controlled Entities and defective trusts, considered together as a group	3.86%	3.86%
Mark A. Roney and his spouse and all of his Stockholder Controlled Entities and defective trusts, considered together as a group	1.00%	1.00%

[CONTINUED ON FOLLOWING PAGE]

EXAMPLES

If the average weekly trading volume for the last calendar quarter were 400,000 shares, the total number of Shares that could be sold by the Initial Stockholders as a group pursuant to Section 4(1), Rule 144 thereunder or any other exempt transaction in the subsequent calendar quarter would be 400,000. After multiplying the Percent Allocation of Total Rule 144 Volume by the 400,000 Shares, the following Rule 144 Allotments would be achieved:

NAME OF SHAREHOLDER(1)	RULE 144 ALLOTMENT(1)
Blake B. Roney	61,200
Nedra D. Roney	55,440
Sandra N. Tillotson	49,120
R. Craig Bryson	36,800
Craig S. Tillotson	36,800
Steven J. Lund	30,880
Brooke B. Roney	30,880
Kirk V. Roney	30,880
Keith R. Halls	20,000
Rick D. Roney	20,000
Burke F. Roney	20,000
Park R. Roney	20,000
Mark A. Roney	20,000

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(1) Includes the spouse and all Stockholder Controlled Entities and defective trusts of the listed individuals respectively considered with them as a group and, in the case of Mark A. Roney, the trust for which he is a beneficiary. Notwithstanding anything herein to the contrary, each listed Stockholder, together with his or her spouse, Stockholder Controlled Entities and defective trusts considered together as a group, will be entitled to a minimum Rule 144 Allotment per calendar quarter of 20,000 Shares. Consequently, each of Keith R. Halls, Rick D. Roney, Burke F. Roney, Park R. Roney and Mark A. Roney considered together with their respective spouses, Stockholder Controlled Entities and defective trusts, are entitled to a minimum Rule 144 Allotment of 20,000 Shares per calendar quarter, even though their respective Rule 144 Allotments would have been 18,600, 15,400, 15,400, 15,400 and 4,000 had their respective "Participation Percentages" been strictly applied in the absence of such minimum.

SCHEDULE "B"

NAME OF STOCKHOLDER The LMB Trust The LB Trust The CWN Trust The DPN Trust The GNT Trust The JS Trust The JT Trust The CB Trust The CM Trust The BCT Trust The ST Trust The NJR Trust The RLS Trust The RBZ Trust

SCHEDULE "C"

NAME OF STOCKHOLDER

The Nedra Roney Fixed Charitable Trust

The Sandra N. Tillotson Fixed Charitable Trust

The Steven and Kalleen Lund Fixed Charitable Trust

The Kirk and Melanie Roney Fixed Charitable Trust

The Keith and Anna Lisa Halls Fixed Charitable Trust

The Craig S. Tillotson Fixed Charitable Trust

The Bryson Fixed Charitable Trust

SCHEDULE "D"

NAME OF STOCKHOLDER	NUMBER OF SHARES TO BE REPURCHASED
Kirk V. Roney	281,615
Melanie K. Roney	281,614
Rick A. Roney	214,286
Burke F. Roney	214,286
Park R. Roney	285,714
THE MAR TRUST	71,429
The Corporation of the President of The Church of Jesus Christ of Latter-Day Saints(1)	342,673
The United Way(1)	714
The Foundation of Seacological Conservation(1)	5,000

- ----------

(1) Shares were gifted to the listed entity by various individual and/or Foundation Initial Stockholders

SCHEDULE "E"

NAME OF STOCKHOLDER(1)	INDEBTEDNESS LIMIT	GROSS OFFERING PROCEEDS
Blake M. Roney	$ 15 million	$50,000,000
Nedra D. Roney	$ 20 million	$50,000,000
Sandra N. Tillotson	$ 8 million	$40,000,000
Craig S. Tillotson	$ 5 million	$25,000,000
R. Craig Bryson	$ 5 million	$25,000,000
Steven J. Lund	$ 4 million	$20,000,000
Brooke B. Roney	$ 4 million	$20,000,000
Kirk V. Roney	$ 4 million	$20,000,000
Keith R. Halls	$2.5 million	$10,000,000
Rick A. Roney	$2.5 million	$10,000,000
Burke F. Roney	$3.5 million	$10,000,000
Park R. Roney	$3.5 million	$10,000,000

- ----------

(1) As used in this Schedule A, the term "Stockholder" shall include the listed individual and the listed individual's spouse and all of such individual's Stockholder Controlled Entities and defective trusts considered together. Therefore, the Indebtedness Limit amount and the Gross Offering proceeds amount shall apply in the aggregate to the listed individual and to such individual's spouse, Stockholder Controlled Entities and defective trusts considered together as a group.

EXHIBIT 10.26

DEMAND PROMISSORY NOTE

$5,000,000.00 Salt Lake City, Utah December 10, 1997

FOR VALUE RECEIVED, on demand, the undersigned, Nedra D. Roney ("Maker"), hereby promises to pay to Nu Skin Asia Pacific, Inc., a Delaware corporation ("Payee"), or order, in the manner hereinafter provided, the original principal amount of Five Million and No/100 Dollars ($5,000,000.00) plus per annum interest on such original principal amount at the statutory rate on the date hereof under the Internal Revenue Code of 1986, as amended (such original principal amount and interest accrued or accruing thereon being referred to herein collectively as the "Note Amount). This Demand Promissory Note is secured by a Stock Pledge Agreement of even date herewith by and between Maker and Payee (the "Pledge Agreement") encumbering certain of Maker's property.

Subject to the terms of this Demand Promissory Note, Maker may, without premium or penalty, at any time and from time to time, prepay all or any portion of the Note Amount. Unless previously paid in full by Maker, the entire unpaid principal balance and all accrued interest thereon constituting the Note Amount shall be due and payable to Payee, or order, without notice or demand on December 31, 2000 (the "Maturity Date").

All payments of principal and interest under this Demand Promissory Note shall be made in lawful money of the United States of America or, with the consent of Payee, in shares of Payee's Class B common stock, $.001 par value per share ("Class B Common Stock"), at 75 West Center Street, Provo, Utah 84601, Attention:
Chief Financial Officer, or at such other place in the United States of America as Payee shall designate to Maker in writing. Payments in lawful money of the United States of America shall be made by certified or bank cashier's check, or by wire transfer of immediately available funds to an account designated by Payee to Maker in writing. Payments of principal made in shares of Class B Common Stock shall be made from the shares of Class B Common Stock pledged by Maker to Payee pursuant to the Pledge Agreement and shall be valued, for purposes of such repayment, at Fourteen and 31/100 Dollars ($14.31) per share. The number of shares pledged by Maker to Payee under the Pledge Agreement shall be reduced by the amount of any principal payment made using shares of Class B Common Stock. Payments of accrued interest hereunder using shares of Class B Common Stock shall be made with shares of Class B Common Stock owned by the Maker other than shares of Class B Common Stock subject to the Pledge Agreement.

Payee shall not demand payment under this Demand Promissory Note if such demand would cause Maker to sell any equity securities of Payee and any profit realized by Maker from such sale to inure to and be recoverable by Payee, as the issuer of such equity securities, under Section 16(b) of the Securities Exchange Act of 1934, as amended.

The occurrence of any one or more of the following events with respect to Maker shall constitute an event of default under this Demand Promissory Note ("Event of Default"):

(a) If Maker shall fail to pay the Note Amount in full upon demand or, if payment is not demanded prior to the Maturity Date, if Maker shall fail to pay the Note Amount in full by the Maturity Date.

(b) If, pursuant to or within the meaning of the United States Bankruptcy Code or any other federal or state law relating to insolvency or relief of debtors (a "Bankruptcy Law"), Maker shall

(i) commence a voluntary case or proceeding, (ii) consent to the entry of an order for relief against her in an involuntary case, (iii) consent to the appointment of a trustee, receiver, assignee, liquidator or similar official, (iv) make an assignment for the benefit of her creditors, or (v) admit in writing her inability to pay her debts as they become due.

(c) If a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that (i) is for relief against Maker in an involuntary case, (ii) appoints a trustee, receiver, assignee, liquidator or similar official for Maker or substantially all of Maker's properties, or (iii) orders the liquidation of Maker, and in each case the order or decree is not dismissed within 120 days.

(d) If Maker shall fail to perform any other obligation or comply with any other covenant contained in this Demand Promissory Note or in the Pledge Agreement, or any representation or warranty of Maker contained herein or therein shall prove to have been false or misleading as of the time when made.

Maker shall notify Payee in writing within five (5) days after the occurrence of any Event of Default of which Maker acquires knowledge.

Upon the occurrence of any Event of Default (unless all Events of Default have been cured or waived by Payee), Payee may, at its option, (a) by written notice to Maker, declare the entire unpaid principal balance of all accrued interest included in the Note Amount immediately due and payable regardless of any prior forbearance, and (b) exercise any and all rights and remedies available to it under applicable law, or in equity, including, without limitation, the right to collect from Maker all sums due under this Demand Promissory Note and all rights available to Payee under the Pledge Agreement. Maker shall pay all reasonable costs and expenses incurred by or on behalf of Payee in connection with Payee's exercise of any or all of its rights and remedies under this Demand Promissory Note, including, without limitation, reasonable attorneys' fees and court costs. All such fees, costs and expenses shall be deemed to be part of the Note Amount and shall be secured by the Pledge Agreement.

Payee shall have the right to sell, assign or otherwise transfer, either in part or in its entirety, any interest or right under this Demand Promissory Note to any individual or entity without Maker's consent and without notice. This Demand Promissory Note shall inure to the benefit of Payee, its successors, assigns, transferees, conveyees or purchasers.

The rights and remedies of Payee under this Demand Promissory Note shall be cumulative and not alternative. No waiver by Payee of any right or remedy under this Demand Promissory Note shall be effective unless in a writing signed by Payee. Neither the failure nor any delay in exercising any right, power or privilege under this Demand Promissory Note will operate as a waiver of such right, power or privilege, and no single or partial exercise of any such right, power or privilege by Payee will preclude any other or further exercise of such right, power or privilege or the exercise of any other right, power or privilege. To the maximum extent permitted by applicable law, (a) no claim or right of Payee arising out of this Demand Promissory Note can be discharged by Payee, in whole or in part, by a waiver or renunciation of the claim or right unless in a writing signed by Payee, (b) no waiver that may be given by Payee will be applicable except in the specific instance for which it is given, and (c) no notice to or demand on Maker will be deemed to be a waiver of any obligation of Maker or of the right of Payee to take further action without notice or demand as provided in this Demand Promissory Note.

All notices, requests, demands, claims and other communications hereunder shall be in writing. Any notice, request, demand, claim or other communication hereunder shall be deemed duly given two (2) business days after being sent by registered or certified mail, return receipt requested, postage prepaid, and addressed to the intended recipient as set forth below:

Addresses for notices:

If to Maker:

Nedra D. Roney
250 Pine Edge Lane
Wilson, Wyoming
Telephone: (307) 734-6627
Facsimile: (307) 734-2680

If to Payee:

Nu Skin Asia Pacific, Inc.
75 West Center Street
Provo, Utah 84601
Attention: M. Truman Hunt
Telephone: (801) 345-5060
Facsimile: (801) 345-3099

Any party may send any notice, request, demand, claim or other communication hereunder to the intended recipient at the address set forth above using any other means (including personal delivery, expedited courier, messenger service, telecopy, ordinary mail or electronic mail). Any party may change the address to which notices, requests, demands, claims and other communications hereunder are to be delivered by giving the other party notice in the manner herein set forth.

Any provision of this Demand Promissory Note that is prohibited or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of the prohibition or unenforceability without invalidating the remaining provisions of this Demand Promissory Note or affecting the validity or enforceability of the prohibited or unenforceable provision in any other jurisdiction.

The Maker and all sureties, guarantors and endorsers hereof severally waive diligence, protest, demand, presentment for payment, dishonor, notice of protest, and notice of non-payment of this Demand Promissory Note, and agree that this Demand Promissory Note and any payment due or to become due hereunder may be extended, modified, amended or renewed from time to time by the Payee hereof without previous demand or notice. The Maker agrees to pay the entire Note Amount and all of Payee's costs of collection, if any, without set-off, counterclaim or any deduction whatsoever.

This demand Promissory Note shall be governed by and construed in accordance with the internal laws of the State of Utah. All rights and obligations of the parties hereto shall be in addition to and not in limitation of those provided by applicable law. The parties hereto consent to the exclusive jurisdiction of the courts of the State of Utah and the federal courts within the State of Utah for the resolution of any dispute arising in connection

with this Demand Promissory Note.

IN WITNESS WHEREOF, the undersigned has executed this Demand Promissory Note as of the date first set forth above.

NEDRA D. RONEY

EXHIBIT 10.27

STOCK PLEDGE AGREEMENT

THIS STOCK PLEDGE AGREEMENT (the "Pledge Agreement") is entered into as of this tenth day of December, 1997, by and between Nu Skin Asia Pacific, Inc., a Delaware corporation, and any of its successors, assigns, transferees, conveyees or purchasers (the "Secured Party"), and Nedra D. Roney (the "Pledgor").

RECITALS

WHEREAS, the Secured Party has agreed to make a loan to the Pledgor of Five Million and No/100 Dollars ($5,000,000.00) (the "Loan"), and the Pledgor has agreed to deliver to the Secured Party a promissory note, substantially in the form attached hereto as Exhibit "A", in the amount of Five Million and No/100 Dollars ($5,000,000.00) (the "Promissory Note");

WHEREAS, the Secured Party is willing to make the Loan only upon receiving adequate security therefor, including, but not limited to, a pledge of shares of the Secured Party's Class B common stock, par value $.001 per share (the "Class B Common Stock"), by the Pledgor to the Secured Party as collateral to secure the Pledgor's obligations under the Promissory Note; and

WHEREAS, in consideration of the Loan, the Pledgor desires to pledge shares of Class B Common Stock owned by her as security for her obligations under the Promissory Note.

NOW, THEREFORE, in consideration of the premises set forth above, the mutual covenants and agreements set forth hereinbelow, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. GRANT OF SECURITY INTEREST. The Pledgor hereby pledges to the Secured Party and hereby grants to the Secured Party a security interest (the "Security Interest") in all of the Pledgor's right, title and interest in and to the following collateral (collectively, the "Collateral"):

(a) the Three Hundred Forty-Nine Thousand Four Hundred and Six (349,406) shares of Class B Common Stock that are evidenced by or included in the stock certificates described on Exhibit "B" attached hereto, together with any substitutes therefor (the "Pledged Shares");

(b) all dividends, cash, options, 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 and all of the Pledged Shares; and

(c) all proceeds, products, rents and profits of or from any and all of the foregoing.

2. SECURITY FOR PROMISSORY NOTE. This Pledge Agreement secures, and the Collateral is collateral security for, the prompt payment of the Promissory Note when due or otherwise payable and the performance in full of all obligations of the Pledgor as set forth in such Promissory Note (collectively, the "Pledgor's Obligations").

3. DELIVERY OF PLEDGED SHARES. Upon execution of this Pledge Agreement, the Pledgor shall promptly deliver and transfer possession of the original certificate(s) representing the Pledged Shares (the

"Certificates") to the Secured Party to be held by the Secured Party, or its appointed agent for and on behalf of the Secured Party, until termination of this Pledge Agreement or disposition of the Collateral as provided herein. The Certificates shall be accompanied by duly executed assignments on stock powers in blank, substantially in the form attached hereto as Exhibit "C". The Pledgor shall perform all acts as the Secured Party may reasonably request so as to perfect and maintain a valid security interest for the Secured Party in the Collateral.

4. NO ASSUMPTION. Notwithstanding any of the foregoing provisions, this Pledge Agreement shall not in any way be deemed to obligate the Secured Party, any purchaser at any foreclosure sale under this Pledge Agreement, or any other person or entity to assume any of the Pledgor's Obligations or any other liability or obligation under this Pledge Agreement or the Promissory Note unless the Secured Party, such purchaser or such other person or entity otherwise expressly agrees in writing to assume any or all of the Pledgor's Obligations or any such other liability or obligation. In the event of foreclosure by the Secured Party, the Pledgor shall remain bound and obligated to perform the Pledgor's Obligations and all other obligations of the Pledgor under this Pledge Agreement and the Promissory Note, and neither the Secured Party nor any other person or entity shall be deemed to have assumed any of the Pledgor's Obligations or any such other obligation, except as provided in this Section 4.

5. VOTING OF PLEDGED SHARES. Unless an Event of Default (as that term is defined in Section 11 below) has occurred and is continuing:

(a) The Pledgor shall be entitled to exercise any and all voting

and other rights pertaining to all or any part of the Pledged Shares for any purpose not inconsistent with the terms of this Pledge Agreement.

(b) The Secured Party or any agent of the Secured Party shall execute and deliver, or cause to be executed and delivered, to the Pledgor all proxies and other instruments reasonably requested by the Pledgor in writing for the purpose of enabling the Pledgor to exercise the voting and other rights that she is entitled to exercise pursuant to this Section 5.

6. REPRESENTATIONS AND WARRANTIES. The Pledgor represents and warrants that:

(a) The Pledgor is the owner of the Pledged Shares and, with respect to any Collateral to be acquired by the Pledgor on the Pledged Shares, will be the owner of such Collateral, in each case free and clear of any liens or encumbrances, except for the liens created by this Pledge Agreement. No effective financing statement or other document or instrument similar in effect covering all or any part of the Collateral is on file in any recording or filing office, except such as may have been recorded or filed in favor of the Secured Party relating to this Pledge Agreement.

(b) The execution and delivery of this Pledge Agreement and the delivery of the Certificates to the Secured Party create a valid and perfected first priority lien on and security interest in the Collateral, enforceable against all third parties and securing the performance of the Pledgor's Obligations, and all filings and other actions necessary or desirable to perfect and protect such liens and security interests have been duly made or taken by the Pledgor.

(c) All of the Certificates, instruments and other documents constituting, evidencing or representing Collateral shall be promptly delivered to the Secured Party upon execution of this Pledge Agreement.

(d) The Pledged Shares are duly authorized, validly issued, fully paid and non-assessable.

(e) Other than the Stockholders Agreement, dated as of November 20, 1996 and as amended as of May 29, 1997 and further amended and restated as of November __, 1997, by and among the Initial Stockholders, as defined therein, and Nu Skin Asia Pacific, Inc., there is no agreement or arrangement restricting the transfer of the Pledged Shares or the transfer of any other Collateral, except as provided in this Pledge Agreement.

(f) There is no suit, proceeding or other legal action or proceeding against the Pledgor or the Certificates that involves or affects, or that may involve or affect, any of the Collateral.

7. COVENANTS OF PLEDGOR.

(a) Affirmative Covenants. So long as any of the Pledgor's Obligations shall remain unpaid or unperformed, the Pledgor shall do the following at the Pledgor's own cost and expense:

(i) mark conspicuously each Certificate evidencing or representing any of the Pledged Shares, and at the request of the Secured Party, each of the Pledgor's records pertaining to the Pledged Shares or the Certificates, with a legend, in form and substance satisfactory to the Secured Party, indicating that the Certificate is subject to the Security Interest granted to the Secured Party by this Pledge Agreement;

(ii) deliver to the Secured Party promptly upon receipt all notes, certificates, instruments and other documents constituting, evidencing or representing any of the Collateral, duly endorsed or accompanied by instruments of transfer or assignment on stock powers duly executed in blank, in each case with signatures guaranteed and otherwise in form and substance satisfactory to the Secured Party;

(iii) execute and file such financing or continuation statements, and such amendments to those statements, and such other documents, instruments or notices, as may be necessary or desirable, or as the Secured Party may request, in order to perfect and preserve the pledges, liens and the Security Interest granted or purported to be granted to the Secured Party by this Pledge Agreement;

(iv) promptly notify the Secured Party in writing of any lien or claim made or asserted against any of the Collateral and take all steps necessary or proper, or, in the judgment of the Secured Party, advisable, to preserve all of the Secured Party's rights in the Collateral;

(v) furnish to the Secured Party from time to time written statements and schedules further identifying and describing the Collateral and other reports in connection with the Collateral requested by the Secured Party, all in reasonable detail;

(vi) advise the Secured Party promptly, in sufficient written detail, of any substantial change in the Collateral, and of the occurrence of any event that could materially and adversely affect the value of the Collateral or the validity or priority of the liens and the Security Interest granted to the Secured Party by this Pledge Agreement;

(vii) comply with all rules and regulations of each governmental body or agency and all decisions, rulings, orders and awards of each arbitrator applicable to the Collateral or any part of the Collateral or to the Pledgor;

(viii)promptly pay and discharge before they become delinquent, all taxes assessed, levied or imposed upon or relating to, and all claims against the Collateral (or any part of the Collateral) or the Pledgor, if the failure to so pay could adversely affect the value of the Collateral or the validity or priority of the liens or the Security Interest granted to the Secured Party by this Pledge Agreement, except those contested in good faith and for which adequate reserves are maintained;

(ix) permit representatives of the Secured Party at any time during normal business hours to inspect and make abstracts from the Pledgor's records relating to the Collateral;

(x) perform and observe all of the terms and provisions of the Collateral to be performed or observed by the Pledgor, except as otherwise provided by applicable law;

(xi) subject to Section 10 below, collect all amounts due or to become due to the Pledgor under the Collateral and otherwise enforce her rights under and in respect of the Collateral;

(xii) furnish to the Secured Party promptly upon receipt copies of all notices, requests and other documents or instruments received by the Pledgor under or in respect of the Collateral (or any part of the Collateral) and from time to time (A) furnish to the Secured Party the information and reports regarding those obligations requested by the Secured Party and (B) at the request of the Secured Party, make the demands and requests for information or action that the Pledgor is entitled to make under the Collateral;

(xiii)notify the Secured Party of any change in the Pledgor's name within ten (10) days of such change; and

(xiv) give the Secured Party fifteen (15) days prior written notice of any change in the Pledgor's chief place of business, chief executive office or residence, or the office where the Pledgor keeps her records regarding the Collateral.

(xv) Pledgor agrees that in the event any amounts are paid by Pledgor to the Secured Party pursuant to this Pledge Agreement or the Promissory Note, Pledgor's liability hereunder and thereunder shall continue in full force and effect in the event that all or any part of any such payment is thereafter recovered as a preference or fraudulent transfer under any applicable bankruptcy or insolvency law.

(b) Negative Covenants. So long as any of the Pledgor's Obligations shall remain unpaid or unperformed, the Pledgor shall not do any of the following without the prior written approval of the Secured Party:

(i) transfer any of the Collateral, whether by operation of law or otherwise;

(ii) create, incur, assume or suffer to exist any lien on or in respect of any of the Collateral, except pursuant to this Pledge Agreement or the Promissory Note;

(iii) use, store or keep any of the Collateral or records relating to the Collateral in any location other than those expressly permitted by this Pledge Agreement; or

(iv) take any action in connection with any of the Collateral that could materially and adversely affect the value of the Collateral (or any part thereof) or the validity or priority of the liens or the Security Interest granted to the Secured Party by this Pledge Agreement.

(v) Pledgor shall not challenge or institute any proceedings, or allow the institution of any proceedings, to challenge the validity, binding effect or enforceability of this Pledge Agreement.

8. GRANT OF POWER OF ATTORNEY. The Pledgor and her respective successors and assigns hereby irrevocably constitute and appoint each of M. Truman Hunt and Keith R. Halls, and their respective successors, as the Pledgor's true and lawful attorney-in-fact, to act in the name, place and stead of the Pledgor, with full power of substitution, after the occurrence and during the continuation of an Event of Default, to take any action and to make, execute, convert to, swear to, acknowledge, record and file any financing statements, certificates, documents or instruments of any character or nature that the Secured Party may deem necessary or desirable fully to carry out the provisions of this Pledge Agreement, including, without limitation:

(a) to ask, demand, collect, sue for, recover, compound, receive and give acquittance and receipts for monies due and to become due under or in respect of the Collateral;

(b) to receive, endorse and collect all documents or instruments made payable to the Pledgor representing any payment of profits, dividends or any other distribution in respect of the Collateral;

(c) to file any claims or take any action or institute any proceedings that the Secured Party may deem necessary or desirable for the collection of any of the Collateral or otherwise to enforce the rights of the Secured Party with respect to any of the Collateral;

(d) to do, at the Secured Party's option and the Pledgor's sole cost and expense, at any time or from time to time, all acts and things that the Secured Party deems reasonably necessary or convenient to protect, preserve or realize upon the Collateral (or any part thereof) and the Secured Party's liens or security interest therein in order to effect the intent of this Pledge Agreement, all as fully and effectively as Pledgor might do; and

(e) to transfer the Collateral and related stock certificates to the Secured Party and transfer the Collateral on the stock records of the Secured Party to the Secured Party.

The power of attorney granted herein is coupled with an interest and is irrevocable.

9. SECURED PARTY MAY PERFORM. If the Pledgor fails to perform any agreement contained herein, the Secured Party may itself perform, or cause the performance of, such agreement, and all costs and expenses of the Secured Party incurred in connection therewith shall promptly be payable to the Secured Party by the Pledgor under Section 12 below.

10. STANDARD OF CARE.

(a) The powers conferred on the Secured Party hereunder are solely to protect its interests in the Collateral and shall not impose any duty upon it to exercise any such powers. Except for the exercise of reasonable care in the custody of the Collateral in its possession and the accounting for any monies actually received by it hereunder, the Secured Party shall have no duty as to the Collateral or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to the Collateral. The Secured Party shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in its possession if such Collateral is accorded treatment substantially equal to that accorded by the Secured Party to its own property of a similar nature.

(b) Whenever this Pledge Agreement or any other document, instrument or agreement contemplated hereby provides that the Secured Party is permitted or required to make a decision in the "discretion" or the "sole discretion" (or other similar terms) of the Secured Party, the Secured Party shall be entitled to consider only such interests and factors as it desires, and the Secured Party shall have no duty or obligation to give any consideration to any interest of or factors affecting the Pledgor or any other person or entity.

11. REMEDIES.

(a) In the event of a default in the payment or performance of any of the Pledgor's Obligations or upon the occurrence of any event of default under or breach of any representation, warranty or covenant in this Pledge Agreement or any event of default under the Promissory Note (each an "Event of Default"), in the sole discretion of the Secured Party, without demand or notice, all or any part of any indebtedness evidenced by the Promissory Note shall become immediately due and payable. Upon the occurrence of an Event of Default, the Secured Party may exercise all rights to which it is entitled under this Pledge Agreement or which are otherwise available to it and exercise all the rights and remedies of a secured party upon default under the Uniform Commercial Code as in effect in any relevant jurisdiction (the "UCC") (whether or not the UCC applies to the affected Collateral). Without limiting the generality of the foregoing, the Secured Party may immediately transfer into or register in its name instruments, certificates or documents evidencing or constituting all or part of the Collateral without notice to the Pledgor and immediately apply the Collateral against the Pledgor's Obligations and the Secured Party's costs of collection using a value of $14.31 per share until the Pledger's Obligations and the Secured Party's costs of collection are satisfied in full, notwithstanding any rights Pledgor may have under the UCC. Without limiting any of the foregoing, the Secured Party may in its sole discretion, without notice, demand for performance or other demand, or advertisement (all of each such notices, demands or advertisement are hereby expressly waived) collect, receive, appropriate and realize upon the Collateral and/or sell, assign, grant an option or options to purchase or otherwise dispose of the Collateral or any part thereof in one or more parcels at public or private sale, at or on any exchange or broker's board or at any of the Secured Party's offices or elsewhere, for cash, on credit or for future delivery without assumption of credit risk, free of any claims or rights, at such time or times and at such price or prices and upon such other terms and conditions as the Secured Party may deem commercially reasonable, irrespective of the impact of any such sales on the market price of the Collateral. The Secured Party may be the purchaser of any or all of the Collateral at any such sale at a value of $14.31 per share and the Secured Party, for itself or on behalf of any other person or entity, shall be entitled, for the purpose of bidding and making settlement or payment of the purchase price for all or any part of the Collateral sold at any such sale, to use and apply any of the Pledgor's Obligations at a price of $14.31 per share as a credit on account of the purchase price for any Collateral payable by the Secured Party at such sale. Each purchaser

at any such sale shall hold the property sold absolutely free from any claim or right on the part of the Pledgor, and the Pledgor hereby waives all rights of redemption, stay and appraisal that the Pledgor now has or may at any time in the future have under any rule of equity, law or statute now existing or hereafter enacted. The Pledgor agrees that, to the extent notice of sale shall be required by applicable law, at least ten (10) days notice to the Pledgor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Secured Party shall not be obligated to make any sale of the Collateral regardless of whether notice of sale has been given. The Secured Party may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor in the notice thereof, and such sale may, without further notice, be made at the time and place to which it was so adjourned. The Pledgor hereby waives any and all rights and claims against the Secured Party arising because of the $14.31 per share value to be used by the Secured Party in applying the Collateral against the Pledgor's Obligations and related costs of collection or because the price at which any of the Collateral may have been sold at a private sale was less than the price that might have been obtained at a public sale, even if the Secured Party accepts the first offer received and does not offer such Collateral to more than one offeree. Without limiting the generality of the foregoing, the Secured Party may at any time appropriate and apply (directly or by way of set-off) to the payment of the Pledgor's Obligations all amounts representing dividends or distributions then or thereafter in the possession of the Secured Party.

(b) The Pledgor recognizes that, by reason of certain prohibitions contained in the Securities Act of 1933, as amended (the "Securities Act"), and applicable state securities laws, rules and regulations, the Secured Party may be compelled, with respect to any sale of all or any part of the Collateral conducted without prior registration or qualification of such Collateral under the Securities Act and such state securities laws, rules and regulations, to limit purchases to those persons or entities who will agree, among other things, to acquire the Collateral for their own account, for investment and not with a view to the distribution or resale thereof. The Pledgor acknowledges that any such private sales may be at prices and on terms and conditions less favorable than those obtainable through a public sale without such restrictions (including, without limitation, a public offering made pursuant to a registration statement filed under the Securities Act) and, notwithstanding such circumstances, the Pledgor agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner and that the Secured Party shall have no obligation to engage in public sales and shall have no obligation to delay the sale of any of the Collateral for the period of time necessary to permit the Pledgor to register any of the Pledged Shares that constitute a portion of the Collateral or any other item of Collateral for a form of public sale requiring registration under the Securities Act or under applicable state securities laws, rules and regulations, even if the Pledgor would, or should, agree to so register those Pledged Shares or other items of Collateral.

12. APPLICATION OF PROCEEDS. Except as expressly provided elsewhere in this Pledge Agreement, all proceeds received by the Secured Party in respect of any sale of, collection from, or other realization upon all or any part of the Collateral may, in the sole discretion of the Secured Party, be held by the Secured Party as Collateral for, or then, or at any other time thereafter, be applied in full or in part by the Secured Party against, the Pledgor's Obligations in the following order of priority:

(a) to pay or reimburse in full the costs and expenses of such sale, collection or other realization, including, without limitation, reasonable compensation to the Secured Party and its agents and counsel, and all other costs, expenses, obligations and other liabilities incurred or paid by the Secured Party in connection therewith, and all amounts for which the Secured Party is entitled to indemnification hereunder and all advances made by the Secured Party hereunder for the account of the Pledgor, and to the payment of

all costs and expenses paid or incurred by the Secured Party in connection with the exercise of any right or remedy hereunder, all in accordance with this Section 12;

(b) to pay all other obligations and thereafter in such order as the Secured Party shall elect; and

(c) to pay to or upon the order of the Pledgor, or to whomsoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct, the balance of the proceeds.

13. INDEMNITY AND EXPENSES.

(a) The Pledgor shall indemnify the Secured Party and its Related Persons (as that term is defined below) (individually, an "Indemnified Person" and, collectively, the "Indemnified Persons") against all losses, costs, expenses (including attorneys' fees and expenses), judgments, fines, amounts paid in settlement and other liabilities incurred, suffered or paid by the Indemnified Persons (collectively, "Indemnified Expenses") in connection with any threatened, pending or completed claim, action, suit, complaint, investigation, inquiry or other proceeding, whether civil, criminal, administrative or investigative, that is or was brought or threatened against any Indemnified Person by reason of or in connection with actions taken or omitted to be taken by one or more Indemnified Persons in the performance of the exercise of the rights and powers or performance of the obligations of the Secured Party under this Pledge Agreement or otherwise in connection with this Pledge Agreement, except that the Pledgor shall have no liability under this Section 13 with respect to any Indemnified Expenses to the extent the liability results from the fraud or willful misconduct of the Indemnified Person, as determined by a final judgment or final adjudication. For purposes of this Pledge Agreement, the term "Related Persons" means, with respect to any person, any other person that directly or indirectly controls or is controlled by or is under common control with the specified person and the direct or indirect controlling persons, principals, partners, trustees, stockholders, officers, directors, employees, independent contractors and agents for or of any of the foregoing and the attorneys-in-fact referenced in Section 8 hereof.

(b) To the fullest extent permitted by applicable law, the Pledgor shall, from time to time, advance Indemnified Expenses to an Indemnified Person prior to the final disposition of the action upon receipt by the Pledgor of an undertaking by or on behalf of the Indemnified Person to repay such amount if it shall be determined that the Indemnified Person is not entitled to be indemnified as authorized in this Section 13.

(c) The Pledgor shall pay to the Secured Party upon demand the amount of any and all costs and expenses, including, without limitation, the reasonable fees and expenses of its counsel and of any experts and agents, that the Secured Party may incur in connection with (i) the administration of this Pledge Agreement or the Promissory Note, (ii) the custody or preservation of, or the sale of, collection from, or other realization upon, any of the Collateral, (iii) the exercise or enforcement of any of the rights of the Secured Party hereunder or under the Promissory Note, or (iv) the failure by the Pledgor to perform or observe any of the provisions hereof or of the Promissory Note.

14. WAIVERS BY PLEDGOR, ETC.

(a) The Pledgor agrees that the Pledgor's Obligations hereunder are irrevocable, absolute, independent and unconditional and shall not be affected by any circumstance that constitutes a legal or equitable

discharge of a guarantor or surety other than indefeasible payment in full of the Pledgor's Obligations. In furtherance of the foregoing and without limiting the generality thereof, the Pledgor agrees as follows:

(i) The Secured Party, for itself or on behalf of any other person or entity, may from time to time, without notice or demand and without affecting the validity or enforceability of this Pledge Agreement and without giving rise to any limitation, impairment or discharge of the Pledgor's liability or obligations hereunder, (A) create, increase, renew, extend, accelerate or otherwise change the time, place, manner or terms of payment of the Pledgor's Obligations, (B) settle, compromise, release or discharge, or accept or refuse any offer of performance with respect to, or substitutions for, the Pledgor's Obligations or any agreement relating thereto and/or subordinate the payment of the same to the payment of any other obligation, (C) request and accept guaranties of any of the Pledgor's Obligations and take and hold other security for the payment of the Pledgor's Obligations, (D) release, exchange, compromise, subordinate or modify, with or without consideration, any other security for payment of the Pledgor's Obligations, any guaranties of the Pledgor's Obligations, or any other obligation of any person or entity with respect to the Pledgor's Obligations, (E) enforce and apply any other security now or hereafter held by or for the benefit of the Secured Party or any other person or entity in respect of the Pledgor's Obligations and direct the order or manner of sale thereof, or the exercise of any other right or remedy that the Secured Party or any other person or entity, may have against any such security, as the Secured Party in its sole discretion may determine consistent with the terms of any applicable security agreement, including, without limitation, application of the Collateral against and in satisfaction the Pledgor's Obligations valuing the Collateral at $14.00 per share, foreclosure on any such security pursuant to one or more judicial or nonjudicial sales, whether or not every aspect of any such sale is commercially reasonable, and even though such action operates to impair or extinguish any right of reimbursement or subrogation or other right or remedy of the Pledgor against another party or any other security for the Pledgor's Obligations (and the Pledgor expressly acknowledges that such exercise of a right or remedy that impairs or extinguishes the Pledgor's right of reimbursement or subrogation would create a possible defense by the Pledgor against any liability hereunder, but the Pledgor expressly and knowingly waives any such defense), and (F) exercise any other rights available to the Secured Party or any other person or entity under the Promissory Note, at law or in equity; and

(ii) this Pledge Agreement and the obligations of the Pledgor hereunder shall be valid and enforceable and shall not be subject to any limitation, impairment or discharge for any reason (other than indefeasible payment and performance in full of the Pledgor's Obligations), including, without limitation, the occurrence of any of the following, whether or not the Pledgor shall have had notice or knowledge of any of them: (A) any failure to assert or enforce or any agreement not to assert or enforce, or the stay or enjoining, by order of court, by operation of law or otherwise, of the exercise or enforcement of, any claim or demand or any right, power or remedy with respect to the Pledgor's Obligations or any agreement relating thereto, or with respect to any guaranty of or other security for the payment of the Pledgor's Obligations, (B) any waiver, amendment or modification of, or any consent to departure from, any of the terms or provisions (including, without limitation, provisions relating to events of default) of the Promissory Note, this Pledge Agreement or any agreement, document or instrument executed pursuant hereto or thereto, or of any guaranty or other security for the Pledgor's Obligations, (C) the Pledgor's Obligations, or any agreement relating thereto, at any time being found to be illegal, invalid or unenforceable in any respect, (D) the application of payments received from any source to the payment of indebtedness other than the Pledgor's Obligations, even though the Secured Party or any other person or entity might have elected to apply such payment to any part or all of the Pledgor's Obligations, (E) any failure to perfect or continue perfection of a security interest in any other collateral that secures any of the Pledgor's Obligations, (F) any defenses, set-offs or counterclaims that the related obligor may allege or assert against the Secured Party in respect of the Pledgor's Obligations,

including, without limitation, failure of consideration, breach of warranty, payment, statute of frauds, statute of limitations, accord and satisfaction, and usury, and (G) any other act, thing or omission, or delay to do any other act or thing, that may or might in any manner or to any extent vary the risk of the Pledgor obligors in respect of the Pledgor's Obligations.

(b) The Pledgor hereby waives for the benefit of the Secured Party:

(i) any right to require the Secured Party, as a condition of payment or performance by the Pledgor, to (A) proceed against any guarantor of the Pledgor or any other person or entity, (B) proceed against or exhaust any other security held from any guarantor of the Pledgor's Obligations or any other person or entity, (C) proceed against or have resort to any balance of any deposit account or credit on the books of the Secured Party or any other person or entity, or (D) pursue any other remedy in the power of the Secured Party or any other person or entity whatsoever;

(ii) any defense arising by reason of the incapacity, lack of authority or any disability or other defense, including, without limitation, any defense based on or arising out of the lack of validity or the unenforceability of the Pledgor's Obligations or any agreement or instrument relating thereto or by reason of the cessation of the liability;

(iii) any defense based upon any statute or rule of law that provides that the obligation of a surety must be neither larger in amount nor in other respects more burdensome than that of the principal;

(iv) any defense based upon the errors or omissions of the Secured Party or any other person or entity in the administration of the Pledgor's Obligations, except behavior that amounts to fraud or wilful misconduct;

(v) (A) any principles or provisions of law, statutory or otherwise, that are or might be in conflict with the terms of this Pledge Agreement and any legal or equitable discharge of the Pledgor's Obligations hereunder, (B) the benefit of any statute of limitations affecting the Pledgor's liability hereunder or the enforcement hereof, (C) any rights to set-offs, recoupments and counterclaims, and (D) promptness, diligence and any requirement that the Secured Party or any other person or entity protect, secure, perfect or insure any other lien or security interest or any property subject thereto;

(vi) notices, demands, presentments, protests, notices of protest, notices of dishonor and notices of any action or inaction, notices of default under the Promissory Note or any agreement or instrument related thereto, notices of any renewal, extension or modification of the Pledgor's Obligations or any agreement related thereto, notices of any extension of credit to the Pledgor and notices of any of the matters referred to in Section 14(b)(v) above and any right to consent to any thereof; and

(vii) to the fullest extent permitted by applicable law, any defenses or benefits that may be derived from or afforded by law that limit the liability of or exonerate guarantors or sureties in general, or that may conflict with the terms of this Pledge Agreement.

15. CONTINUING SECURITY INTEREST; TRANSFER OF OBLIGATIONS.

(a) This Pledge Agreement shall create a continuing security interest in the Collateral and shall (i) remain in full force and effect until the indefeasible payment and performance in full of the Pledgor's

Obligations, (ii) be binding upon the Pledgor and her successors and assigns, and (iii) inure, together with the rights and remedies of the Secured Party hereunder, to the benefit of the Secured Party and its successors, assigns, transferees, conveyees and purchasers. Without limiting the generality of the foregoing clause (iii), the Secured Party may assign or otherwise transfer totally to another person or entity all or any part of the Secured Party's right, title and interest in the Pledgor's Obligations, and such other person or entity shall thereupon become vested with all the benefits in respect thereof granted to the Secured Party herein or otherwise.

(b) Upon the indefeasible payment and performance in full of the Pledgor's Obligations, the liens and the Security Interest granted hereby shall terminate and all rights to the Collateral shall revert to the Pledgor. Upon any such termination, the Secured Party shall, at the Pledgor's expense, execute and deliver to the Pledgor such documents and instruments as the Pledgor shall reasonably request to evidence such termination.

16. FAILURE OR INDULGENCE NOT WAIVER; REMEDIES CUMULATIVE. No failure or delay on the part of the Secured Party in the exercise of any power, right or privilege hereunder shall impair such power, right or privilege or be construed to be a waiver of any default or acquiescence therein, nor shall any single or partial exercise of any such power, right or privilege preclude any other or further exercise thereof or of any other power, right or privilege. All rights and remedies existing under this Pledge Agreement are cumulative to, and not exclusive of, any rights or remedies otherwise available.

17. COSTS AND EXPENSES. Pledgor shall on the date hereof pay all costs and expenses of the Secured Party in connection with the preparation and negotiation of this Pledge Agreement and the Promissory Note. The Pledgor shall pay all costs and expenses, including, without limitation, reasonable attorneys' fees and expenses, incurred by or on behalf of the Secured Party in the enforcement of this Pledge Agreement and the Promissory Note.

18. NOTICES. All notices, requests, demands, claims and other communications hereunder shall be in writing. Any notice, request, demand, claim or other communication hereunder shall be deemed duly given two (2) business days after being sent by registered or certified mail, return receipt requested, postage prepaid, and addressed to the intended recipient as set forth below:

- If to the Pledgor:

  Nedra D. Roney
  250 Pine Edge Lane
  Wilson, Wyoming
  Telephone: (307) 734-6627
  Facsimile: (307) 734-2680

- If to the Secured Party:

  Nu Skin Asia Pacific, Inc.
  75 West Center Street
  Provo, Utah 84601
  Attention: M. Truman Hunt
  Telephone: (801) 345-5060

Facsimile: (801) 345-3099

Any party may send any notice, request, demand, claim or other communication hereunder to the intended recipient at the address set forth above using any other means (including personal delivery, expedited courier, messenger service, telecopy, ordinary mail or electronic mail). Any party may change the address to which notices, requests, demands, claims and other communications hereunder are to be delivered by giving the other party notice in the manner herein set forth.

19. NO WAIVERS; REMEDIES; SPECIFIC PERFORMANCE.

(a) No failure or delay by any party in exercising any right, power or privilege under this Pledge Agreement shall operate as a waiver of the right, power or privilege. A single or partial exercise of any right, power or privilege shall not preclude any other or further exercise of the right, power or privilege or the exercise of any other right, power or privilege hereunder. The rights and remedies provided in this Pledge Agreement shall be cumulative and not exclusive of any rights or remedies provided by applicable law.

(b) In view of the uniqueness of the transactions contemplated hereby, the parties agree that the Secured Party would not have an adequate remedy at law for money damages in the event that this Pledge Agreement is not performed by the Pledgor in accordance with its terms, and therefore the parties agree that the Secured Party shall be entitled to specific enforcement of the terms of this Pledge Agreement in addition to any other remedy to which it may be entitled, at law or in equity.

20. AMENDMENTS, ETC. No amendment, modification, termination or waiver of any provision of this Pledge Agreement, and no consent to any departure by a party to this Pledge Agreement from any provision hereof, shall be effective unless it shall be in writing and signed and delivered by the other parties to this Pledge Agreement, and then it shall be effective only in the specific instance and for the specific purpose for which it is given.

21. SUCCESSORS AND ASSIGNS.

(a) As further provided in Section 15, the Secured Party may assign or transfer its rights and delegate its obligations under this Pledge Agreement; such assignee or transferee shall accept those rights and assume those obligations for the benefit of the Secured Party in writing in form reasonably satisfactory to the Pledgor. Thereafter, without any further action by any person or entity, all references in this Pledge Agreement to "Secured Party", and all comparable references, shall be deemed to be references to the assignee or transferee, but the Pledgor shall not be released from any obligation or liability under this Pledge Agreement.

(b) Except as provided in Section 21(a) above, no party may assign or transfer its rights under this Pledge Agreement. Any delegation in contravention of this Section 21(b) shall be void ab initio and shall not relieve the delegating party of any duty or obligation under this Pledge Agreement.

(c) The provisions of this Pledge Agreement shall be binding upon and inure to the benefit of the parties to this Pledge Agreement and their respective successors and permitted assigns, transferees, conveyees and purchasers.

22. GOVERNING LAW. This Pledge Agreement shall be governed by and construed in accordance with the internal laws of the State of Utah. All rights and obligations of the parties hereto shall be in addition to and not in limitation of those provided by applicable law.

23. COUNTERPARTS; EFFECTIVENESS. This Pledge Agreement may be signed in any number of counterparts, each of which shall be deemed to be an original, with the same effect as if all signatures were on the same instrument.

24. SEVERABILITY OF PROVISIONS. Any provision of this Pledge Agreement that is prohibited or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of the prohibition or unenforceability without invalidating the remaining provisions of this Pledge Agreement or affecting the validity or enforceability of the prohibited or unenforceable provision in any other jurisdiction.

25. HEADINGS AND REFERENCES. Section headings in this Pledge Agreement are included herein for convenience of reference only and do not constitute a part of this Pledge Agreement for any other purpose. References to parties and Sections in this Pledge Agreement are references to the parties to or the Sections of this Pledge Agreement, as the case may be, unless the context shall require otherwise.

26. ENTIRE AGREEMENT. Except as otherwise specifically provided in this Section 26, this Pledge Agreement and the documents and instruments referenced herein embody the entire agreement and understanding of the respective parties and supersedes all prior agreements and understandings with respect to the subject matter of those documents. The Pledgor and the Secured Party shall remain subject to the Promissory Note in accordance with the terms thereof.

27. SURVIVAL. Except as otherwise specifically provided in this Pledge Agreement, each representation, warranty or covenant contained herein or made pursuant to this Pledge Agreement shall survive the execution of this Pledge Agreement and shall remain in full force and effect, notwithstanding any investigation or notice to the contrary or any waiver by any other party of a related condition precedent to the performance by such other party of an obligation under this Pledge Agreement.

28. EXCLUSIVE JURISDICTION. Each of the Pledgor and the Secured Party (a) agrees that any legal action with respect to this Pledge Agreement shall be brought exclusively in the courts of the State of Utah or in the United States District Court for the District of Utah, (b) accepts for itself and in respect of its property, generally and unconditionally, the jurisdiction of those courts, and (c) irrevocably waives any objection, including, without limitation, any objection to the laying of venue or based on the grounds of forum non conveniens, that it may now or hereafter have to the bringing of any legal action in those jurisdictions; provided, however, that each of the Pledgor and the Secured Party may assert in a legal action in any other jurisdiction or venue each mandatory defense, third party claim or similar claim that, if not so asserted in such action, may not be asserted in an original legal action in the courts referred to in clause (a) of this Section 28.

29. WAIVER OF JURY TRIAL. Each party waives any right to a trial by jury in any action to enforce or defend any right under this Pledge Agreement or any amendment, instrument, document or agreement delivered, or that in the future may be delivered, in connection with this Pledge Agreement, and agrees that any action shall be tried before a court and not before a jury.

30. NON RECOURSE AGAINST SECURED PARTY CONTROLLING PERSONS. No recourse under this Pledge Agreement shall be had against any "controlling person" (within the meaning of

Section 20 of the Exchange Act) of the Secured Party or the shareholders, directors, officers, employees, agents and affiliates of the Secured Party or such controlling persons, whether by the enforcement of any assessment or by any legal or equitable proceeding, or by virtue of any rule or regulation, it being expressly agreed and acknowledged that no personal liability whatsoever shall attach to, be imposed on or otherwise be incurred by such controlling person, shareholder, director, officer, employee, agent or affiliate, as such, for any obligations of the Secured Party under this Pledge Agreement or the Promissory Note or for any claim based on, in respect of or by reason of, such obligations or their creation.

31. SPOUSAL CONSENT. The Pledgor's spouse shall execute and deliver the Spousal Consent form substantially in the form attached hereto as Exhibit "D". Such executed form shall be delivered to the Secured Party on the date hereof.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the undersigned have executed this Pledge Agreement as of the date first above written.

THE PLEDGOR:	THE SECURED PARTY:
NEDRA D. RONEY	NU SKIN ASIA PACIFIC, INC.
_____	By: _____
	Its: _____

EXHIBIT "A"

[Insert form of Promissory Note]

EXHIBIT "B"

DESCRIPTION OF PLEDGED SHARES OF CLASS B COMMON STOCK OF NU SKIN ASIA PACIFIC, INC.

Name of Stockholder	Certificate No.	No. of Shares Subject to Certificate
Nedra D. Roney	NSB 0137	13,913,895.30

Total Pledged Shares included in Certificate No. NSB 0137:		349,406
		==========

EXHIBIT "C"

STOCK POWER AND ASSIGNMENT

FOR VALUE RECEIVED and pursuant to that certain Stock Pledge Agreement dated as of December __, 1997 by and between Nedra D. Roney and Nu Skin Asia Pacific, Inc., the undersigned, effective immediately upon default by the undersigned under said Stock Pledge Agreement and the Demand Promissory Note secured thereby, and without the necessity of any notice to the undersigned or any further action on the part of the undersigned or Nu Skin Asia Pacific, Inc., hereby sells, assigns and transfers unto Nu Skin Asia Pacific, Inc., a Delaware corporation, 349,406 shares of Class B common stock, $.001 par value per share, of Nu Skin Asia Pacific, Inc. standing in the undersigned's name on the books of said corporation, represented by Certificate No. NSB 0137 delivered herewith, and does hereby irrevocably constitute the Secretary of said corporation as attorney-in-fact, with full power of substitution, to transfer said stock on the books of said corporation.

Dated: December 5, 1997

NEDRA D. RONEY

EXHIBIT 10.28

STOCK PURCHASE AGREEMENT

This Stock Purchase Agreement (the "Agreement") is entered into as of December 10, 1997 by and among the stockholders listed on Schedule I attached hereto (individually, a "Seller" and collectively, the "Sellers") and Nu Skin Asia Pacific, Inc., a Delaware corporation (the "Purchaser").

WHEREAS, the Sellers desire to sell to the Purchaser and the Purchaser desires to purchase from the Sellers an aggregate of Five Hundred Sixty-Three Thousand Two Hundred Twenty-Nine (563,229) shares of the Class B Common Stock, par value $.001 per share of the Purchaser (the "Purchase Shares") upon the terms and conditions set forth below;

NOW THEREFORE, in consideration of the premises and the mutual covenants and undertakings contained herein, and subject to and on the terms and conditions herein set forth, the parties hereto hereby agree as follows:

1. PURCHASE AND SALE OF SHARES.

1.1 Purchase and Sale. Subject to the terms and conditions set forth herein, each Seller agrees to sell to the Purchaser the number of Purchase Shares set forth opposite such Seller's name on Schedule I hereto, and the Purchaser agrees to purchase all such shares from the Sellers at the Closing (as hereinafter defined) for $14.31 per share (the "Purchase Price Per Share"), which represents an aggregate Purchase Price of $8,059,809.99. The Purchaser shall purchase no less than all of the Purchase Shares pursuant to this Agreement.

1.2 Closing. The Closing of the purchase and sale of the Purchase Shares (the "Closing") will be held at the office of the Purchaser at such time and on such date as may be agreed upon by the Sellers and the Purchaser provided, that, the Closing shall not occur later than March 31, 1998 and further provided that the obligation of the Purchaser to purchase the Purchase Shares shall be subject to the conditions that the representations and warranties of the Sellers as set forth herein shall be true and correct as of the Closing and that the Purchaser shall have received a certificate signed by each Seller to that effect. The Closing for each Seller may occur on a different date from other Sellers.

1.3 Delivery and Payment At the Closing (i) each Seller shall deliver to the Purchaser a certificate or certificates representing the number of Purchase Shares set forth opposite such Seller's name on Schedule I hereto, properly endorsed or accompanied by stock powers properly endorsed for transfer, accompanied by payment of any applicable stock transfer taxes with respect to such Purchase Shares together with a Substitute Form W-9 in the form attached hereto as Schedule II; (ii) the Purchaser shall deliver to each Seller as payment for the Purchase Shares sold by such Seller cash in an amount equal to the product of the Purchase Price Per Share multiplied by the number of Purchase Shares sold by such Seller, which amount is set forth opposite such Seller's name on Schedule I hereto; and (iii) the Purchaser and each Seller shall execute and deliver, each to the other, such other documents and instruments as may reasonably be required in order to effect the Closing and transfer the Purchase Shares to the Purchaser. At Closing, each of the Sellers will pay his or her pro rata share of the costs related to the transactions described herein. Additionally, the Sellers shall pay all taxes payable in connection with the transaction contemplated herein and the Purchaser may, if required by law, withhold such taxes from the Purchase Price per share payable to the Sellers. The Sellers will execute all forms and documents necessary to effect such withholding.

2. REPRESENTATIONS AND WARRANTIES OF THE SELLERS. Each of the Sellers hereby severally represents and warrants to the Purchaser as of the date hereof and as of the Closing as follows:

2.1 Existence and Authority. Each Seller has the capacity and authority (without the joinder of any other individual or entity), to execute and deliver, and to perform his or her obligations under, this Agreement and all other agreements, certificates and documents executed or delivered, or to be executed or delivered, by such Seller in connection herewith (individually, with this Agreement, the "Seller's Documents" and collectively, with this Agreement, the "Sellers' Documents").

2.2 No Conflict. The execution and delivery of the Seller's Documents do not, and the consummation of the transactions contemplated hereby and thereby, will not, violate, conflict with, result in a breach of, constitute a default under or require any notice, consent, approval or order under (i) any agreement, certificate, indenture or other instrument to which the Seller is a party, or by which the Seller or any of his or her assets may be bound, or (ii) any statute, rule, regulation or other provision of law, any order, judgment, decree, arbitration award or other direction of or stipulation with a court or other tribunal, or any governmental permits, registration, license or authorization applicable to the Seller or any of his or her assets; nor will such execution, delivery and consummation result in the creation of any liens, pledges, security interests, encumbrances, charges or claims of any kind whatsoever upon any asset of the Seller.

2.3 Validity. This Agreement has been duly executed and delivered by the Seller, and the Seller's Documents are (or when executed and delivered will be) legal, valid and binding obligations of the Seller who is a party hereto and thereto, enforceable against such Seller in accordance with their respective terms, except as the enforceability thereof may be limited by any applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other laws affecting the enforcement of creditors' rights generally, and by general principles of equity.

2.4 Title and Conveyance. The Seller has the full right, power and authority to sell, assign, transfer and deliver the Purchase Shares to be sold by such Seller as provided herein, and such delivery will convey to the Purchaser lawful, valid, good and marketable title to such Purchase Shares, free and clear of any and all liens, pledges, security interests, options, encumbrances, charges, agreements or claims of any kind whatsoever.

2.5 Informed Decision. The Seller is in possession of all reports and documents filed by the Purchaser with the Securities and Exchange Commission and has reviewed such filings and such other information regarding the Purchaser and its business and business plan as the Seller deems relevant to make an informed decision to sell the Purchase Shares to the Purchaser. The Seller with his or her legal, tax and financial advisors has investigated the Purchaser and its business and has negotiated the transaction contemplated herein and has independently determined to sell the Purchase Shares to the Purchaser on the terms described herein. The Seller alone or with the assistance of his or her legal, tax and financial advisors is knowledgeable and experienced in financial and business matters and is capable of making an informed decision to sell the Purchase Shares to the Purchaser. The Seller acknowledges and agrees that the Purchaser has not solicited the acquisition of the Purchase Shares; rather the transaction contemplated herein was solicited by the Seller. No representation is being or has been made by the Purchaser or its advisors to the Seller regarding the tax or other effects to the Sellers of the transactions contemplated herein. The transactions contemplated herein are not being effected through a broker or dealer or on or through any exchange.

2.6 Litigation. There are no actions, suits, proceedings, claims or governmental investigations pending or, to the best knowledge of the Seller, threatened against the Seller. The Seller is not subject or a party to any order, judgment, decree, arbitration award or other direction of or stipulation with any court or other tribunal, or in violation of any statute, rule, regulation or other provision of law, or any governmental permit, registration, license or authorization, and the Seller knows of no reasonable basis for a claim that such a violation exists.

3. REPRESENTATIONS AND WARRANTIES OF THE PURCHASER. The Purchaser hereby represents and warrants as follows:

3.1 Existence and Authority. The Purchaser (i) is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, (ii) has all requisite corporate power to execute and deliver, and to perform its obligations under, this Agreement; and (iii) has taken all necessary corporate action to authorize the execution and delivery, and performance of its obligations under, this Agreement.

3.2 No Conflict. The execution and delivery of this Agreement do not, and the consummation of the transactions contemplated hereby will not, violate, conflict with, result in a breach of, constitute a default under or require any notice, consent, approval or order under (i) any provision of the Purchaser's Certificate of Incorporation or Bylaws, (ii) any agreement, indenture or other instrument to which the Purchaser is a party or by which the Purchaser or its assets may be bound or (iii) any statute, rule, regulation or other provision of law, any order, judgment, decree, arbitration award or other direction of or stipulation with a court or other tribunal, or any governmental permit, registration, license or authorization applicable to the Purchaser.

3.3 Validity. This Agreement has been duly executed and delivered by the Purchaser and is a legal, valid and binding obligation of the Purchaser, enforceable against the Purchaser in accordance with its terms, except as the enforceability thereof may be limited by any applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other laws affecting the enforcement of creditors' rights generally, and by general principles of equity.

4. INDEMNIFICATION. The Sellers jointly and severally agree (i) to indemnify and hold harmless the Purchaser and its affiliates and their respective directors, officers, employees, agents and controlling persons (the Purchaser and each such person being an "Indemnified Party") from and against any and all losses, claims, damages and liabilities, joint or several, to which such Indemnified Party may become subject under any applicable federal or state law or otherwise, relating to or arising out of any breach, nonperformance or the violation (including but not limited to the failure of any of the representations and warranties of the Sellers set forth in Section 2 hereof to be true and correct as of the applicable date) by any Seller or any provision of the Seller's Documents and (ii) to reimburse any Indemnified party for all expenses (including but not limited to counsel fees and expenses) as they are incurred in connection with the investigation of, preparation for or defense of any pending or threatened claim or any action or proceeding arising therefrom, whether or not such Indemnified Party is a party and whether or not such claim, action or proceeding is initiated or brought by or on behalf of the Sellers. The Sellers will not be liable under the foregoing indemnification provision to the extent that any loss, claim, damage, liability or expense is found in a final judgment by a court to have resulted from the Purchaser's bad faith or gross negligence.

5. MISCELLANEOUS.

5.1 Specific Performance. The parties acknowledge that money damages are not an adequate remedy for violations of this Agreement and that any party may, in its sole discretion, apply to a court of competent jurisdiction for specific performance or injunctive or such other relief as such court may deem just and proper in order to enforce this Agreement or prevent any violation hereof and, to the extent permitted by applicable law, each party waives any objection to the imposition of such relief.

5.2 Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided, that no party

may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the consent of each other party hereto.

5.3 No Third-Party Beneficiaries. No provision of this Agreement is intended to confer upon any person or entity other than the parties hereto any rights or remedies hereunder, except for the indemnification provisions contained in Section 4, which provisions may be enforced by the parties to be indemnified thereunder.

5.4 Survival. The provisions of Section 4 and the representations and warranties of the Sellers set forth in Section 2 hereof shall survive the Closing. Except as provided in the immediately preceding sentence, the covenants, agreements, representations and warranties of the parties hereto contained in this Agreement shall not survive the Closing; provided, that the covenants and agreements that, by their terms, are to have effect or be performed after the Closing date shall survive in accordance with their terms.

5.5 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Utah without regard to the laws that might otherwise govern under applicable principles of conflicts of laws.

5.6 Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one and the same instrument. Each counterpart may consist of a number of copies each signed by less than all, but together signed by all, the parties hereto.

5.7 Further Assurances. The Sellers agree to execute and deliver to the Company all documents and instructions necessary to effect the transaction contemplated herein.

IN WITNESS WHEREOF, the undersigned have duly executed this Agreement as of the date first above written.

NU SKIN ASIA PACIFIC, INC.

By: _____
Its: _____

Kirk V. Roney

Melanie K. Roney

SCHEDULE I

Name of Stockholder	Number of Purchase Shares	Aggregate Purchase Price
Kirk V. Roney	281,615	
Melanie K. Roney	281,614	

SCHEDULE II

Each Seller is required to give the Purchaser his or her social security number or the employer identification number of the record owner of shares of Class B Common Stock tendered pursuant to this Agreement.

		Social Security Number or Employer Identification Number
Substitute Form W-9	Part 1: Please provide your TIN in the box at right and certify by signing and dating below	_____
Department of the Treasury Internal Revenue Service Payor's Request for Taxpayer's Identification Number (TIN)	Part 3: Certification. 1. Under penalties of perjury, I certify that the information provided on this form is true, correct and complete. 2. Under penalties of perjury, I certify that I am not subject to backup withholding because: (a) I am exempt from backup withholding, (b) I have not been notified that I am subject to backup withholding as a result of my failure to report all interest or dividends, or (c) the Internal Revenue Service has notified me that I am no longer subject to backup withholding.	Part 2: Awaiting TIN

The Internal Revenue Service does not require your consent to any provision of this document other than the certifications required to avoid backup withholding.

SIGNATURE_____ DATE _____

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Each Seller is required to give the Purchaser his or her social security number or the employer identification number of the record owner of shares of Class B Common Stock tendered pursuant to this Agreement.

		Social Security Number or Employer Identification Number
Substitute Form W-9	Part 1: Please provide your TIN in the box at right and certify by signing and dating below	_____
Department of the Treasury Internal Revenue Service Payor's Request for Taxpayer's Identification Number (TIN)	Part 3: Certification. 1. Under penalties of perjury, I certify that the information provided on this form is true, correct and complete. 2. Under penalties of perjury, I certify that I am not subject to backup withholding because: (a) I am exempt from backup withholding, (b) I have not been notified that I am subject to backup withholding as a result of my failure to report all interest or dividends, or (c) the Internal Revenue Service has notified me that I am no longer subject to backup withholding.	Part 2: Awaiting TIN

The Internal Revenue Service does not require your consent to any provision of this document other than the certifications required to avoid backup withholding.

SIGNATURE_____ DATE _____

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EXHIBIT 10.29

STOCK PURCHASE AGREEMENT

This Stock Purchase Agreement (the "Agreement") is entered into as of December 10, 1997 by and among the stockholders listed on Schedule I attached hereto (individually, a "Seller" and collectively, the "Sellers") and Nu Skin Asia Pacific, Inc., a Delaware corporation (the "Purchaser").

WHEREAS, the Sellers desire to sell to the Purchaser and the Purchaser desires to purchase from the Sellers an aggregate of Two Hundred Fourteen Thousand Two Hundred Eighty-Six (214,286) shares of the Class B Common Stock, par value $.001 per share of the Purchaser, and all shares of the Class A Common Stock, par value $.001 per share of the Purchaser, into which the Class B Common Stock is or is deemed to be converted in connection with any transaction contemplated herein or related hereto (the "Purchase Shares") upon the terms and conditions set forth below;

NOW THEREFORE, in consideration of the premises and the mutual covenants and undertakings contained herein, and subject to and on the terms and conditions herein set forth, the parties hereto hereby agree as follows:

1. PURCHASE AND SALE OF SHARES.

1.1 Purchase and Sale. Subject to the terms and conditions set forth herein, each Seller agrees to sell to the Purchaser the number of Purchase Shares set forth opposite such Seller's name on Schedule I hereto, and the Purchaser agrees to purchase all such shares from the Sellers at the Closing (as hereinafter defined) for $14.31 per share (the "Purchase Price Per Share"), which represents an aggregate Purchase Price of $3,066,432.66. The Purchaser shall purchase no less than all of the Purchase Shares pursuant to this Agreement.

1.2 Closing. The Closing of the purchase and sale of the Purchase Shares (the "Closing") will be held at the office of the Purchaser at such time and on such date as may be agreed upon by the Sellers and the Purchaser provided, that, the Closing shall not occur later than March 31, 1998 and further provided that the obligation of the Purchaser to purchase the Purchase Shares shall be subject to the conditions that the representations and warranties of the Sellers as set forth herein shall be true and correct as of the Closing and that the Purchaser shall have received a certificate signed by each Seller to that effect. The Closing for each Seller may occur on a different date from other Sellers.

1.3 Delivery and Payment At the Closing (i) each Seller shall deliver to the Purchaser a certificate or certificates representing the number of Purchase Shares set forth opposite such Seller's name on Schedule I hereto, properly endorsed or accompanied by stock powers properly endorsed for transfer, accompanied by payment of any applicable stock transfer taxes with respect to such Purchase Shares together with a Substitute Form W-9 in the form attached hereto as Schedule II; (ii) the Purchaser shall deliver to each Seller as payment for the Purchase Shares sold by such Seller cash in an amount equal to the product of the Purchase Price Per Share multiplied by the number of Purchase Shares sold by such Seller, which amount is set forth opposite such Seller's name on Schedule I hereto; and (iii) the Purchaser and each Seller shall execute and deliver, each to the other, such other documents and instruments as may reasonably be required in order to effect the Closing and transfer the Purchase Shares to the Purchaser. At Closing, each of the Sellers will pay his or its pro rata share of the costs related to the transactions described herein. Additionally, the Sellers shall pay all taxes payable in connection with the transaction contemplated herein and the Purchaser may, if required by law,

withhold such taxes from the Purchase Price per share payable to the Sellers. The Sellers will execute all forms and documents necessary to effect such withholding.

2. REPRESENTATIONS AND WARRANTIES OF THE SELLERS. Each of the Sellers hereby severally represents and warrants to the Purchaser as of the date hereof and as of the Closing as follows:

2.1 Existence and Authority. Each Seller who is an individual has the capacity and authority (without the joinder of any other individual or entity), and each Seller who or which is a trustee has the full right, power and authority under the relevant trust agreement (a true, correct and complete copy of which has been delivered to the Purchaser), to execute and deliver, and to perform his or its obligations under, this Agreement and all other agreements, certificates and documents executed or delivered, or to be executed or delivered, by such Seller in connection herewith (individually, with this Agreement, the "Seller's Documents" and collectively, with this Agreement, the "Sellers' Documents"), and each Seller who or which is a trustee has taken all necessary action to authorize, on behalf of the trust, the execution and delivery of, and performance of its obligations under, the Sellers' Documents.

2.2 No Conflict. The execution and delivery of the Seller's Documents do not, and the consummation of the transactions contemplated hereby and thereby, will not, violate, conflict with, result in a breach of, constitute a default under or require any notice, consent, approval or order under (i) any agreement, certificate, indenture or other instrument to which the Seller is a party, or by which the Seller or any of his or its assets may be bound, or (ii) any statute, rule, regulation or other provision of law, any order, judgment, decree, arbitration award or other direction of or stipulation with a court or other tribunal, or any governmental permits, registration, license or

authorization applicable to the Seller or any of his or its assets; nor will such execution, delivery and consummation result in the creation of any liens, pledges, security interests, encumbrances, charges or claims of any kind whatsoever upon any asset of the Seller.

2.3 Validity. This Agreement has been duly executed and delivered by the Seller, and the Seller's Documents are (or when executed and delivered will be) legal, valid and binding obligations of the Seller who is a party hereto and thereto, enforceable against such Seller in accordance with their respective terms, except as the enforceability thereof may be limited by any applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other laws affecting the enforcement of creditors' rights generally, and by general principles of equity.

2.4 Title and Conveyance. The Seller has the full right, power and authority to sell, assign, transfer and deliver the Purchase Shares to be sold by such Seller as provided herein, and such delivery will convey to the Purchaser lawful, valid, good and marketable title to such Purchase Shares, free and clear of any and all liens, pledges, security interests, options, encumbrances, charges, agreements or claims of any kind whatsoever.

2.5 Informed Decision. The Seller is in possession of all reports and documents filed by the Purchaser with the Securities and Exchange Commission and has reviewed such filings and such other information regarding the Purchaser and its business and business plan as the Seller deems relevant to make an informed decision to sell the Purchase Shares to the Purchaser. The Seller with his or its legal, tax and financial advisors has investigated the Purchaser and its business and has negotiated the transaction contemplated herein and has independently determined to sell the Purchase Shares to the Purchaser on the terms described herein. The Seller alone or with the assistance of his or its legal, tax and financial advisors is knowledgeable and experienced in financial and business matters and is capable of making an informed decision to sell the Purchase Shares to the Purchaser. The Seller acknowledges and agrees that the Purchaser has not solicited the acquisition of the Purchase Shares; rather the transaction contemplated herein was solicited by the Seller. No representation is being or has been made by the Purchaser or its advisors to the Seller regarding the tax or other effects to the Sellers of the transactions contemplated herein. The transactions contemplated herein are not being effected through a broker or dealer or on or through any exchange.

2.6 Litigation. There are no actions, suits, proceedings, claims or governmental investigations pending or, to the best knowledge of the Seller, threatened against the Seller. The Seller is not subject or a party to any order, judgment, decree, arbitration award or other direction of or stipulation with any court or other tribunal, or in violation of any statute, rule, regulation or other provision of law, or any governmental permit, registration, license or authorization, and the Seller knows of no reasonable basis for a claim that such a violation exists.

3. REPRESENTATIONS AND WARRANTIES OF THE PURCHASER. The Purchaser hereby represents and warrants as follows:

3.1 Existence and Authority. The Purchaser (i) is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, (ii) has all requisite corporate power to execute and deliver, and to perform its obligations under, this Agreement; and (iii) has taken all necessary corporate action to authorize the execution and delivery, and performance of its obligations under, this Agreement.

3.2 No Conflict. The execution and delivery of this Agreement do not, and the consummation of the transactions contemplated hereby will not, violate, conflict with, result in a breach of, constitute a default under or require any notice, consent, approval or order under (i) any provision of the Purchaser's Certificate of Incorporation or Bylaws, (ii) any agreement, indenture or other instrument to which the Purchaser is a party or by which the Purchaser or its assets may be bound or (iii) any statute, rule, regulation or other provision of law, any order, judgment, decree, arbitration award or other direction of or stipulation with a court or other tribunal, or any governmental permit, registration, license or authorization applicable to the Purchaser.

3.3 Validity. This Agreement has been duly executed and delivered by the Purchaser and is a legal, valid and binding obligation of the Purchaser, enforceable against the Purchaser in accordance with its terms, except as the enforceability thereof may be limited by any applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other laws affecting the enforcement of creditors' rights generally, and by general principles of equity.

4. INDEMNIFICATION. The Sellers jointly and severally agree (i) to indemnify and hold harmless the Purchaser and its affiliates and their respective directors, officers, employees, agents and controlling persons (the Purchaser and each such person being an "Indemnified Party") from and against any and all losses, claims, damages and liabilities, joint or several, to which such Indemnified Party may become subject under any applicable federal or state law or otherwise, relating to or arising out of any breach, nonperformance or the violation (including but not limited to the failure of any of the representations and warranties of the Sellers set forth in Section 2 hereof to be true and correct as of the applicable date) by any Seller or any provision of the Seller's Documents and (ii) to reimburse any Indemnified party for all expenses (including but not limited to counsel fees and expenses) as they are incurred in connection with the investigation of, preparation for or defense of any pending or threatened claim or any action or proceeding arising therefrom, whether or not such Indemnified Party is a party and whether or not such claim, action or proceeding is initiated or brought by or on behalf of the Sellers. The Sellers will not be liable under the foregoing indemnification provision to the extent that any loss, claim, damage, liability or expense is found in a final judgment by a court to have resulted from the Purchaser's bad faith or gross negligence.

5. MISCELLANEOUS.

5.1 Specific Performance. The parties acknowledge that money damages are not an adequate remedy for violations of this Agreement and that any party may, in its sole discretion, apply to a court of competent jurisdiction for specific performance or injunctive or such other relief as such court may deem just and proper in order to enforce this Agreement or prevent any violation hereof and, to the extent permitted by applicable law, each party waives any objection to the imposition of such relief.

5.2 Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided, that no party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the consent of each other party hereto.

5.3 No Third-Party Beneficiaries. No provision of this Agreement is intended to confer upon any person or entity other than the parties hereto any rights or remedies hereunder, except for the indemnification provisions contained in Section 4, which provisions may be enforced by the parties to be indemnified thereunder.

5.4 Survival. The provisions of Section 4 and the representations and warranties of the Sellers set forth in Section 2 hereof shall survive the Closing. Except as provided in the immediately preceding sentence, the covenants, agreements, representations and warranties of the parties hereto contained in this Agreement shall not survive the Closing; provided, that the covenants and agreements that, by their terms, are to have effect or be performed after the Closing date shall survive in accordance with their terms.

5.5 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Utah without regard to the laws that might otherwise govern under applicable principles of conflicts of laws.

5.6 Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one and the same instrument. Each counterpart may consist of a number of copies each signed by less than all, but together signed by all, the parties hereto.

5.7 Further Assurances. The Sellers agree to execute and deliver to the Company all documents and instructions necessary to effect the transaction contemplated herein.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the undersigned have duly executed this Agreement as of the date first above written.

NU SKIN ASIA PACIFIC, INC.

By: _____
Its: _____ Rick A. Roney

THE RICK AND KIMBERLY RONEY
VARIABLE CHARITABLE REMAINDER
UNITRUST

By:_____
James Blaylock
Its:Trustee

THE RICK AND KIMBERLY RONEY
FIXED CHARITABLE UNITRUST

By:_____
Rick A. Roney
Its:Trustee

By:_____
Kimberly Roney
Its:Trustee

SCHEDULE I

Name of Stockholder	Number of Purchase Shares	Aggregate Purchase Price
Rick A. Roney	107,143	
The Rick and Kimberly Roney Variable Charitable Remainder Unitrust	35,714	
The Rick and Kimberly Roney Fixed Charitable Remainder Unitrust	71,429	

SCHEDULE II

Each Seller is required to give the Purchaser his or her social security number or the employer identification number of the record owner of shares of Class B Common Stock tendered pursuant to this Agreement.

		Social Security Number or Employer Identification Number
Substitute Form W-9	Part 1: Please provide your TIN in the box at right and certify by signing and dating below	_____
Department of the Treasury Internal Revenue Service Payor's Request for Taxpayer's Identification Number (TIN)	Part 3: Certification. 1. Under penalties of perjury, I certify that the information provided on this form is true, correct and complete. 2. Under penalties of perjury, I certify that I am not subject to backup withholding because: (a) I am exempt from backup withholding, (b) I have not been notified that I am subject to backup withholding as a result of my failure to report all interest or dividends, or (c) the Internal Revenue Service has notified me that I am no longer subject to backup withholding.	Part 2: Awaiting TIN

The Internal Revenue Service does not require your consent to any provision of this document other than the certifications required to avoid backup withholding.

SIGNATURE_____ DATE _____

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Each Seller is required to give the Purchaser his or her social security number or the employer identification number of the record owner of shares of Class B Common Stock tendered pursuant to this Agreement.

Substitute Form W-9	Part 1: Please provide your TIN in the box at right and certify by signing and dating below	Social Security Number or Employer Identification Number _____
Department of the Treasury Internal Revenue Service Payor's Request for Taxpayer's Identification Number (TIN)	Part 3: Certification. 1. Under penalties of perjury, I certify that the information provided on this form is true, correct and complete. 2. Under penalties of perjury, I certify that I am not subject to backup withholding because: (a) I am exempt from backup withholding, (b) I have not been notified that I am subject to backup withholding as a result of my failure to report all interest or dividends, or (c) the Internal Revenue Service has notified me that I am no longer subject to backup withholding.	Part 2: Awaiting TIN

The Internal Revenue Service does not require your consent to any provision of this document other than the certifications required to avoid backup withholding.

SIGNATURE_____ DATE _____

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Each Seller is required to give the Purchaser his or her social security number or the employer identification number of the record owner of shares of Class B Common Stock tendered pursuant to this Agreement.

		Social Security Number or Employer Identification Number
Substitute Form W-9	Part 1: Please provide your TIN in the box at right and certify by signing and dating below	_____
Department of the Treasury Internal Revenue Service Payor's Request for Taxpayer's Identification Number (TIN)	Part 3: Certification. 1. Under penalties of perjury, I certify that the information provided on this form is true, correct and complete. 2. Under penalties of perjury, I certify that I am not subject to backup withholding because: (a) I am exempt from backup withholding, (b) I have not been notified that I am subject to backup withholding as a result of my failure to report all interest or dividends, or (c) the Internal Revenue Service has notified me that I am no longer subject to backup withholding.	Part 2: Awaiting TIN

The Internal Revenue Service does not require your consent to any provision of this document other than the certifications required to avoid backup withholding.

SIGNATURE_____ DATE _____

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EXHIBIT 10.30

STOCK PURCHASE AGREEMENT

This Stock Purchase Agreement (the "Agreement") is entered into as of December 10, 1997 by and between Burke F. Roney (the "Seller") and Nu Skin Asia Pacific, Inc., a Delaware corporation (the "Purchaser").

WHEREAS, the Seller desires to sell to the Purchaser and the Purchaser desires to purchase from the Seller an aggregate of Two Hundred Fourteen Thousand Two Hundred Eighty-Six (214,286) shares of the Class B Common Stock, par value $.001 per share of the Purchaser (the "Purchase Shares") upon the terms and conditions set forth below;

NOW THEREFORE, in consideration of the premises and the mutual covenants and undertakings contained herein, and subject to and on the terms and conditions herein set forth, the parties hereto hereby agree as follows:

1. PURCHASE AND SALE OF SHARES.

1.1 Purchase and Sale. Subject to the terms and conditions set forth herein, the Seller agrees to sell to the Purchaser, and the Purchaser agrees to purchase from the Seller, the Purchase Shares at the Closing (as hereinafter defined) for $14.31 per share (the "Purchase Price Per Share"), which represents an aggregate Purchase Price of $3,066,432.66. The Purchaser shall purchase no less than all of the Purchase Shares pursuant to this Agreement.

1.2 Closing. The Closing of the purchase and sale of the Purchase Shares (the "Closing") will be held at the office of the Purchaser at such time and on such date as may be agreed upon by the Seller and the Purchaser provided, that, the Closing shall not occur later than March 31, 1998 and further provided that the obligation of the Purchaser to purchase the Purchase Shares shall be subject to the conditions that the representations and warranties of the Seller as set forth herein shall be true and correct as of the Closing and that the Purchaser shall have received a certificate signed by the Seller to that effect.

1.3 Delivery and Payment At the Closing (i) the Seller shall deliver to the Purchaser a certificate or certificates representing the Purchase Shares, properly endorsed or accompanied by stock powers properly endorsed for transfer, accompanied by payment of any applicable stock transfer taxes with respect to such Purchase Shares together with a Substitute Form W-9 in the form attached hereto as Schedule I; (ii) the Purchaser shall deliver to the Seller as payment for the Purchase Shares sold by the Seller cash in an amount equal to the product of the Purchase Price Per Share multiplied by the number of Purchase Shares sold by the Seller; and (iii) the Purchaser and the Seller shall execute and deliver, each to the other, such other documents and instruments as may reasonably be required in order to effect the Closing and transfer the Purchase Shares to the Purchaser. At Closing, the Seller will pay the costs related to the transactions described herein. Additionally, the Seller shall pay all taxes payable in connection with the transaction contemplated herein and the Purchaser may, if required by law, withhold such taxes from the Purchase Price per share payable to the Seller. The Seller will execute all forms and documents necessary to effect such withholding.

2. REPRESENTATIONS AND WARRANTIES OF THE SELLERS. The Seller hereby represents and warrants to the Purchaser as of the date hereof and as of the Closing as follows:

2.1 Existence and Authority. The Seller has the capacity and authority (without the joinder of any other individual or entity), to execute and deliver, and to perform his obligations under, this Agreement and all other agreements, certificates and documents executed or delivered, or to be executed or delivered, by the Seller in connection herewith (individually, with this Agreement, the "Seller's Documents").

2.2 No Conflict. The execution and delivery of the Seller's Documents do not, and the consummation of the transactions contemplated hereby and thereby, will not, violate, conflict with, result in a

breach of, constitute a default under or require any notice, consent, approval or order under (i) any agreement, certificate, indenture or other instrument to which the Seller is a party, or by which the Seller or any of his assets may be bound, or (ii) any statute, rule, regulation or other provision of law, any order, judgment, decree, arbitration award or other direction of or stipulation with a court or other tribunal, or any governmental permits, registration, license or authorization applicable to the Seller or any of his assets; nor will such execution, delivery and consummation result in the creation of any liens, pledges, security interests, encumbrances, charges or claims of any kind whatsoever upon any asset of the Seller.

2.3 Validity. This Agreement has been duly executed and delivered by the Seller, and the Seller's Documents are (or when executed and delivered will be) legal, valid and binding obligations of the Seller who is a party hereto and thereto, enforceable against the Seller in accordance with their respective terms, except as the enforceability thereof may be limited by any applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other laws affecting the enforcement of creditors' rights generally, and by general principles of equity.

2.4 Title and Conveyance. The Seller has the full right, power and authority to sell, assign, transfer and deliver the Purchase Shares to be sold by the Seller as provided herein, and such delivery will convey to the Purchaser lawful, valid, good and marketable title to such Purchase Shares, free and clear of any and all liens, pledges, security interests, options, encumbrances, charges, agreements or claims of any kind whatsoever.

2.5 Informed Decision. The Seller is in possession of all reports and documents filed by the Purchaser with the Securities and Exchange Commission and has reviewed such filings and such other information regarding the Purchaser and its business and business plan as the Seller deems relevant to make an informed decision to sell the Purchase Shares to the Purchaser. The Seller with his legal, tax and financial advisors has investigated the Purchaser and its business and has negotiated the transaction contemplated herein and has independently determined to sell the Purchase Shares to the Purchaser on the terms described herein. The Seller alone or with the assistance of his legal, tax and financial advisors is knowledgeable and experienced in financial and business matters and is capable of making an informed decision to sell the Purchase Shares to the Purchaser. The Seller acknowledges and agrees that the Purchaser has not solicited the acquisition of the Purchase Shares; rather the transaction contemplated herein was solicited by the Seller. No representation is being or has been made by the Purchaser or its advisors to the Seller regarding the tax or other effects to the Seller of the transactions contemplated herein. The transactions contemplated herein are not being effected through a broker or dealer or on or through any exchange.

2.6 Litigation. There are no actions, suits, proceedings, claims or governmental investigations pending or, to the best knowledge of the Seller, threatened against the Seller. The Seller is not subject or a party to any order, judgment, decree, arbitration award or other direction of or stipulation with any court or other tribunal, or in violation of any statute, rule, regulation or other provision of law, or any governmental permit, registration, license or authorization, and the Seller knows of no reasonable basis for a claim that such a violation exists.

3. REPRESENTATIONS AND WARRANTIES OF THE PURCHASER. The Purchaser hereby represents and warrants as follows:

3.1 Existence and Authority. The Purchaser (i) is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, (ii) has all requisite corporate power to execute and deliver, and to perform its obligations under, this Agreement; and (iii) has taken all necessary corporate action to authorize the execution and delivery, and performance of its obligations under, this Agreement.

3.2 No Conflict. The execution and delivery of this Agreement do not, and the consummation of the transactions contemplated hereby will not, violate, conflict with, result in a breach of, constitute a default under or require any notice, consent, approval or order under (i) any provision of the Purchaser's Certificate of Incorporation or Bylaws, (ii) any agreement, indenture or other instrument to which the Purchaser is a party or by which the Purchaser or its assets may be bound or (iii) any statute, rule, regulation or other provision of law, any order, judgment, decree, arbitration award or other direction of or stipulation with a court or other tribunal, or any governmental permit, registration, license or authorization applicable to the Purchaser.

3.3 Validity. This Agreement has been duly executed and delivered by the Purchaser and is a legal, valid and binding obligation of the Purchaser, enforceable against the Purchaser in accordance with its terms, except as the enforceability thereof may be limited by any applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other laws affecting the enforcement of creditors' rights generally, and by general principles of equity.

4. INDEMNIFICATION. The Seller agrees (i) to indemnify and hold harmless the Purchaser and its affiliates and their respective directors, officers, employees, agents and controlling persons (the Purchaser and each such person being an "Indemnified Party") from and against any and all losses, claims, damages and liabilities, joint or several, to which such Indemnified Party may become subject under any applicable federal or state law or otherwise, relating to or arising out of any breach, nonperformance or the violation (including but not limited to the failure of any of the representations and warranties of the Seller set forth in Section 2 hereof to be true and correct as of the applicable date) by the Seller or any provision of the Seller's Documents and (ii) to reimburse any Indemnified party for all expenses (including but not limited to counsel fees and expenses) as they are incurred in connection with the investigation of, preparation for or defense of any pending or threatened claim or any action or proceeding arising therefrom, whether or not such Indemnified Party is a party and whether or not such claim, action or proceeding is initiated or brought by or on behalf of the Seller. The Seller will not be liable under the foregoing indemnification provision to the extent that any loss, claim, damage, liability or expense is found in a final judgment by a court to have resulted from the Purchaser's bad faith or gross negligence.

5. MISCELLANEOUS.

5.1 Specific Performance. The parties acknowledge that money damages are not an adequate remedy for violations of this Agreement and that any party may, in its sole discretion, apply to a court of competent jurisdiction for specific performance or injunctive or such other relief as such court may deem just and proper in order to enforce this Agreement or prevent any violation hereof and, to the extent permitted by applicable law, each party waives any objection to the imposition of such relief.

5.2 Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided, that no party

may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the consent of each other party hereto.

5.3 No Third-Party Beneficiaries. No provision of this Agreement is intended to confer upon any person or entity other than the parties hereto any rights or remedies hereunder, except for the indemnification provisions contained in Section 4, which provisions may be enforced by the parties to be indemnified thereunder.

5.4 Survival. The provisions of Section 4 and the representations and warranties of the Sellers set forth in Section 2 hereof shall survive the Closing. Except as provided in the immediately preceding sentence, the covenants, agreements, representations and warranties of the parties hereto contained in this Agreement shall not survive the Closing; provided, that the covenants and agreements that, by their terms, are to have effect or be performed after the Closing date shall survive in accordance with their terms.

5.5 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Utah without regard to the laws that might otherwise govern under applicable principles of conflicts of laws.

5.6 Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one and the same instrument. Each counterpart may consist of a number of copies each signed by less than all, but together signed by all, the parties hereto.

5.7 Further Assurances. The Sellers agree to execute and deliver to the Company all documents and instructions necessary to effect the transaction contemplated herein.

IN WITNESS WHEREOF, the undersigned have duly executed this Agreement as of the date first above written.

NU SKIN ASIA PACIFIC, INC.

By: _____
Its: _____ Burke F. Roney

SCHEDULE I

Each Seller is required to give the Purchaser his or her social security number or the employer identification number of the record owner of shares of Class B Common Stock tendered pursuant to this Agreement.

		Social Security Number or Employer Identification Number
Substitute Form W-9	Part 1: Please provide your TIN in the box at right and certify by signing and dating below	_____
Department of the Treasury Internal Revenue Service Payor's Request for Taxpayer's Identification Number (TIN)	Part 3: Certification. 1. Under penalties of perjury, I certify that the information provided on this form is true, correct and complete. 2. Under penalties of perjury, I certify that I am not subject to backup withholding because: (a) I am exempt from backup withholding, (b) I have not been notified that I am subject to backup withholding as a result of my failure to report all interest or dividends, or (c) the Internal Revenue Service has notified me that I am no longer subject to backup withholding.	Part 2: Awaiting TIN

The Internal Revenue Service does not require your consent to any provision of this document other than the certifications required to avoid backup withholding.

SIGNATURE_____ DATE _____

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EXHIBIT 10.31

STOCK PURCHASE AGREEMENT

This Stock Purchase Agreement (the "Agreement") is entered into as of December 10, 1997 by and between Park R. Roney (the "Seller") and Nu Skin Asia Pacific, Inc., a Delaware corporation (the "Purchaser").

WHEREAS, the Seller desires to sell to the Purchaser and the Purchaser desires to purchase from the Sellers up to Twenty Thousand Nine Hundred Sixty-Four (20,964) shares of the Class B Common Stock, par value $.001 per share of the Purchaser (the "Purchase Shares") upon the terms and conditions set forth below;

NOW THEREFORE, in consideration of the premises and the mutual covenants and undertakings contained herein, and subject to and on the terms and conditions herein set forth, the parties hereto hereby agree as follows:

1. PURCHASE AND SALE OF SHARES.

1.1 Purchase and Sale. Subject to the terms and conditions set forth herein, the Seller agrees to sell to the Purchaser, and the Purchaser agrees to purchase from the Seller, the Purchase Shares at the Closing (as hereinafter defined) for $14.31 per share (the "Purchase Price Per Share"), which represents an aggregate Purchase Price of $299,994.84.

1.2 Closing. Each closing of the purchase and sale of any of the Purchase Shares (the "Closing") will be held at the office of the Purchaser in such increments, at such times and on such dates as may be agreed upon by the Seller and the Purchaser provided, that, the final Closing shall not occur later than March 31, 1998 and further provided that the obligation of the Purchaser to purchase the Purchase Shares shall be subject to the conditions that the representations and warranties of the Seller as set forth herein shall be true and correct as of each Closing and that the Purchaser shall have received a certificate signed by the Seller to that effect.

1.3 Delivery and Payment At each Closing (i) the Seller shall deliver to the Purchaser a certificate or certificates representing the number of Purchase Shares, properly endorsed or accompanied by stock powers properly endorsed for transfer, accompanied by payment of any applicable stock transfer taxes with respect to such Purchase Shares together with a Substitute Form W-9 in the form attached hereto as Schedule I; (ii) the Purchaser shall deliver to the Seller as payment for the Purchase Shares sold by the Seller cash in an amount equal to the product of the Purchase Price Per Share multiplied by the number of Purchase Shares sold by such Seller; and (iii) the Purchaser and the Seller shall execute and deliver, each to the other, such other documents and instruments as may reasonably be required in order to effect each Closing and transfer the Purchase Shares to the Purchaser. At each Closing, the Seller will pay the costs related to the transactions described herein. Additionally, the Seller shall pay all taxes payable in connection with the transaction contemplated herein and the Purchaser may, if required by law, withhold such taxes from the Purchase Price per share payable to the Seller. The Seller will execute all forms and documents necessary to effect such withholding.

2. REPRESENTATIONS AND WARRANTIES OF THE SELLERS. The Seller hereby represents and warrants to the Purchaser as of the date hereof and as of the Closing as follows:

2.1 Existence and Authority. The Seller has the capacity and authority (without the joinder of any other individual or entity), to execute and deliver, and to perform his obligations under, this

Agreement and all other agreements, certificates and documents executed or delivered, or to be executed or delivered, by the Seller in connection herewith (individually, with this Agreement, the "Seller's Documents").

2.2 No Conflict. The execution and delivery of the Seller's Documents do not, and the consummation of the transactions contemplated hereby and thereby, will not, violate, conflict with, result in a breach of, constitute a default under or require any notice, consent, approval or order under (i) any agreement, certificate, indenture or other instrument to which the Seller is a party, or by which the Seller or any of his assets may be bound, or (ii) any statute, rule, regulation or other provision of law, any order, judgment, decree, arbitration award or other direction of or stipulation with a court or other tribunal, or any governmental permits, registration, license or authorization applicable to the Seller or any of his assets; nor will such execution, delivery and consummation result in the creation of any liens, pledges, security interests, encumbrances, charges or claims of any kind whatsoever upon any asset of the Seller.

2.3 Validity. This Agreement has been duly executed and delivered by the Seller, and the Seller's Documents are (or when executed and delivered will be) legal, valid and binding obligations of the Seller, enforceable against the Seller in accordance with their respective terms, except as the enforceability thereof may be limited by any applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other laws affecting the enforcement of creditors' rights generally, and by general principles of equity.

2.4 Title and Conveyance. The Seller has the full right, power and authority to sell, assign, transfer and deliver the Purchase Shares to be sold by such Seller as provided herein, and such delivery will convey to the Purchaser lawful, valid, good and marketable title to such Purchase Shares, free

and clear of any and all liens, pledges, security interests, options, encumbrances, charges, agreements or claims of any kind whatsoever.

2.5 Informed Decision. The Seller is in possession of all reports and documents filed by the Purchaser with the Securities and Exchange Commission and has reviewed such filings and such other information regarding the Purchaser and its business and business plan as the Seller deems relevant to make an informed decision to sell the Purchase Shares to the Purchaser. The Seller with his legal, tax and financial advisors has investigated the Purchaser and its business and has negotiated the transaction contemplated herein and has independently determined to sell the Purchase Shares to the Purchaser on the terms described herein. The Seller alone or with the assistance of his legal, tax and financial advisors is knowledgeable and experienced in financial and business matters and is capable of making an informed decision to sell the Purchase Shares to the Purchaser. The Seller acknowledges and agrees that the Purchaser has not solicited the acquisition of the Purchase Shares; rather the transaction contemplated herein was solicited by the Seller. No representation is being or has been made by the Purchaser or its advisors to the Seller regarding the tax or other effects to the Sellers of the transactions contemplated herein. The transactions contemplated herein are not being effected through a broker or dealer or on or through any exchange.

2.6 Litigation. There are no actions, suits, proceedings, claims or governmental investigations pending or, to the best knowledge of the Seller, threatened against the Seller. The Seller is not subject or a party to any order, judgment, decree, arbitration award or other direction of or stipulation with any court or other tribunal, or in violation of any statute, rule, regulation or other provision of law, or any governmental permit, registration, license or authorization, and the Seller knows of no reasonable basis for a claim that such a violation exists.

3. REPRESENTATIONS AND WARRANTIES OF THE PURCHASER. The Purchaser hereby represents and warrants as follows:

3.1 Existence and Authority. The Purchaser (i) is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, (ii) has all requisite corporate power to execute and deliver, and to perform its obligations under, this Agreement; and (iii) has taken all necessary corporate action to authorize the execution and delivery, and performance of its obligations under, this Agreement.

3.2 No Conflict. The execution and delivery of this Agreement do not, and the consummation of the transactions contemplated hereby will not, violate, conflict with, result in a breach of, constitute a default under or require any notice, consent, approval or order under (i) any provision of the Purchaser's Certificate of Incorporation or Bylaws, (ii) any agreement, indenture or other instrument to which the Purchaser is a party or by which the Purchaser or its assets may be bound or (iii) any statute, rule, regulation or other provision of law, any order, judgment, decree, arbitration award or other direction of or stipulation with a court or other tribunal, or any governmental permit, registration, license or authorization applicable to the Purchaser.

3.3 Validity. This Agreement has been duly executed and delivered by the Purchaser and is a legal, valid and binding obligation of the Purchaser, enforceable against the Purchaser in accordance with its terms, except as the enforceability thereof may be limited by any applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other laws affecting the enforcement of creditors' rights generally, and by general principles of equity.

4. INDEMNIFICATION. The Seller agrees (i) to indemnify and hold harmless the Purchaser and its affiliates and their respective directors, officers, employees, agents and controlling persons (the Purchaser and each such person being an "Indemnified Party") from and against any and all losses, claims, damages and liabilities, joint or several, to which such Indemnified Party may become subject under any applicable federal or state law or otherwise, relating to or arising out of any breach, nonperformance or the violation (including but not limited to the failure of any of the representations and warranties of the Seller set forth in Section 2 hereof to be true and correct as of the applicable date) by the Seller or any provision of the Seller's Documents and (ii) to reimburse any Indemnified party for all expenses (including but not limited to counsel fees and expenses) as they are incurred in connection with the investigation of, preparation for or defense of any pending or threatened claim or any action or proceeding arising therefrom, whether or not such Indemnified Party is a party and whether or not such claim, action or proceeding is initiated or brought by or on behalf of the Seller. The Seller will not be liable under the foregoing indemnification provision to the extent that any loss, claim, damage, liability or expense is found in a final judgment by a court to have resulted from the Purchaser's bad faith or gross negligence.

5. MISCELLANEOUS.

5.1 Specific Performance. The parties acknowledge that money damages are not an adequate remedy for violations of this Agreement and that any party may, in its sole discretion, apply to a court of competent jurisdiction for specific performance or injunctive or such other relief as such court may deem just and proper in order to enforce this Agreement or prevent any violation hereof and, to the extent permitted by applicable law, each party waives any objection to the imposition of such relief.

5.2 Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided, that no party

may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the consent of each other party hereto.

5.3 No Third-Party Beneficiaries. No provision of this Agreement is intended to confer upon any person or entity other than the parties hereto any rights or remedies hereunder, except for the indemnification provisions contained in Section 4, which provisions may be enforced by the parties to be indemnified thereunder.

5.4 Survival. The provisions of Section 4 and the representations and warranties of the Seller set forth in Section 2 hereof shall survive the Closing. Except as provided in the immediately preceding sentence, the covenants, agreements, representations and warranties of the parties hereto contained in this Agreement shall not survive the Closing; provided, that the covenants and agreements that, by their terms, are to have effect or be performed after the Closing date shall survive in accordance with their terms.

5.5 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Utah without regard to the laws that might otherwise govern under applicable principles of conflicts of laws.

5.6 Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one and the same instrument. Each counterpart may consist of a number of copies each signed by less than all, but together signed by all, the parties hereto.

5.7 Further Assurances. The Seller agrees to execute and deliver to the Company all documents and instructions necessary to effect the transaction contemplated herein.

IN WITNESS WHEREOF, the undersigned have duly executed this Agreement as of the date first above written.

NU SKIN ASIA PACIFIC, INC.

By: _____
Park R. Roney

SCHEDULE I

Each Seller is required to give the Purchaser his or her social security number or the employer identification number of the record owner of shares of Class B Common Stock tendered pursuant to this Agreement.

Substitute Form W-9	Part 1: Please provide your TIN in the box at right and certify by signing and dating below	Social Security Number or Employer Identification Number _____
Department of the Treasury Internal Revenue Service Payor's Request for Taxpayer's Identification Number (TIN)	Part 3: Certification. 1. Under penalties of perjury, I certify that the information provided on this form is true, correct and complete. 2. Under penalties of perjury, I certify that I am not subject to backup withholding because: (a) I am exempt from backup withholding, (b) I have not been notified that I am subject to backup withholding as a result of my failure to report all interest or dividends, or (c) the Internal Revenue Service has notified me that I am no longer subject to backup withholding.	Part 2: Awaiting TIN

The Internal Revenue Service does not require your consent to any provision of this document other than the certifications required to avoid backup withholding.

SIGNATURE_____ DATE _____

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STOCK PURCHASE AGREEMENT

This Stock Purchase Agreement (the "Agreement") is entered into as of December 10, 1997 by and between The MAR Trust (the "Seller") and Nu Skin Asia Pacific, Inc., a Delaware corporation (the "Purchaser").

WHEREAS, the Seller desires to sell to the Purchaser and the Purchaser desires to purchase from the Seller an aggregate of Fifty-Four Thousand Seven Hundred Sixty-Four (54,764) shares of the Class B Common Stock, par value $.001 per share of the Purchaser (the "Purchase Shares") upon the terms and conditions set forth below;

NOW THEREFORE, in consideration of the premises and the mutual covenants and undertakings contained herein, and subject to and on the terms and conditions herein set forth, the parties hereto hereby agree as follows:

1. PURCHASE AND SALE OF SHARES.

1.1 Purchase and Sale. Subject to the terms and conditions set forth herein, the Seller agrees to sell to the Purchaser, and the Purchaser agrees to purchase from the Seller, the Purchase Shares at the Closing (as hereinafter defined) for $14.31 per share (the "Purchase Price Per Share"), which represents an aggregate Purchase Price of $783,672.84. The Purchaser shall purchase no less than all of the Purchase Shares pursuant to this Agreement.

1.2 Closing. The Closing of the purchase and sale of the Purchase Shares (the "Closing") will be held at the office of the Purchaser at such time and on such date as may be agreed upon by the Seller and the Purchaser provided, that, the Closing shall not occur later than March 31, 1998 and further provided that the obligation of the Purchaser to purchase the Purchase Shares shall be subject to the conditions that the representations and warranties of the Seller as set forth herein shall be true and correct as of the Closing and that the Purchaser shall have received a certificate signed by the Seller to that effect.

1.3 Delivery and Payment. At the Closing (i) the Seller shall deliver to the Purchaser a certificate or certificates representing the Purchase Shares, properly endorsed or accompanied by stock powers properly endorsed for transfer, accompanied by payment of any applicable stock transfer taxes with respect to such Purchase Shares together with a Substitute Form W-9 in the form attached hereto as Schedule I; (ii) the Purchaser shall deliver to the Seller as payment for the Purchase Shares sold by the Seller cash in an amount equal to the product of the Purchase Price Per Share multiplied by the number of Purchase Shares sold by the Seller; and (iii) the Purchaser and the Seller shall execute and deliver, each to the other, such other documents and instruments as may reasonably be required in order to effect the Closing and transfer the Purchase Shares to the Purchaser. At Closing, the Seller will pay the costs related to the transactions described herein. Additionally, the Seller shall pay all taxes payable in connection with the transaction contemplated herein and the Purchaser may, if required by law, withhold such taxes from the Purchase Price per share payable to the Seller. The Seller will execute all forms and documents necessary to effect such withholding.

2. REPRESENTATIONS AND WARRANTIES OF THE SELLERS. The Seller hereby represents and warrants to the Purchaser as of the date hereof and as of the Closing as follows:

2.1 Existence and Authority. The Seller has the full right, power and authority under the relevant trust agreement (a true, correct and complete copy of which has been delivered to the Purchaser), to

execute and deliver, and to perform its obligations under, this Agreement and all other agreements, certificates and documents executed or delivered, or to be executed or delivered, by the Seller in connection herewith (individually, with this Agreement, the "Seller's Documents"), and the trustee has taken all necessary action to authorize, on behalf of the trust, the execution and delivery of, and performance of its obligations under, the Seller's Documents.

2.2 No Conflict. The execution and delivery of the Seller's Documents do not, and the consummation of the transactions contemplated hereby and thereby, will not, violate, conflict with, result in a breach of, constitute a default under or require any notice, consent, approval or order under (i) any agreement, certificate, indenture or other instrument to which the Seller is a party, or by which the Seller or any of its assets may be bound, or (ii) any statute, rule, regulation or other provision of law, any order, judgment, decree, arbitration award or other direction of or stipulation with a court or other tribunal, or any governmental permits, registration, license or authorization applicable to the Seller or any of its assets; nor will such execution, delivery and consummation result in the creation of any liens, pledges, security interests, encumbrances, charges or claims of any kind whatsoever upon any asset of the Seller.

2.3 Validity. This Agreement has been duly executed and delivered by the Seller, and the Seller's Documents are (or when executed and delivered will be) legal, valid and binding obligations of the Seller who is a party hereto and thereto, enforceable against such Seller in accordance with their respective terms, except as the enforceability thereof may be limited by any applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other laws affecting the enforcement of creditors' rights generally, and by general principles of equity.

2.4 Title and Conveyance. The Seller has the full right, power and

authority to sell, assign, transfer and deliver the Purchase Shares to be sold by such Seller as provided herein, and such delivery will convey to the Purchaser lawful, valid, good and marketable title to the Purchase Shares, free and clear of any and all liens, pledges, security interests, options, encumbrances, charges, agreements or claims of any kind whatsoever.

2.5 Informed Decision. The Seller is in possession of all reports and documents filed by the Purchaser with the Securities and Exchange Commission and has reviewed such filings and such other information regarding the Purchaser and its business and business plan as the Seller deems relevant to make an informed decision to sell the Purchase Shares to the Purchaser. The Seller with its legal, tax and financial advisors has investigated the Purchaser and its business and has negotiated the transaction contemplated herein and has independently determined to sell the Purchase Shares to the Purchaser on the terms described herein. The Seller alone or with the assistance of its legal, tax and financial advisors is knowledgeable and experienced in financial and business matters and is capable of making an informed decision to sell the Purchase Shares to the Purchaser. The Seller acknowledges and agrees that the Purchaser has not solicited the acquisition of the Purchase Shares; rather the transaction contemplated herein was solicited by the Seller. No representation is being or has been made by the Purchaser or its advisors to the Seller regarding the tax or other effects to the Seller of the transactions contemplated herein. The transactions contemplated herein are not being effected through a broker or dealer or on or through any exchange.

2.6 Litigation. There are no actions, suits, proceedings, claims or governmental investigations pending or, to the best knowledge of the Seller, threatened against the Seller. The Seller is not subject or a party to any order, judgment, decree, arbitration award or other direction of or stipulation with any court or other tribunal, or in violation of any statute, rule, regulation or other provision of law, or any governmental permit, registration, license or authorization, and the Seller knows of no reasonable basis for a claim that such a violation exists.

3. REPRESENTATIONS AND WARRANTIES OF THE PURCHASER. The Purchaser hereby represents and warrants as follows:

3.1 Existence and Authority. The Purchaser (i) is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, (ii) has all requisite corporate power to execute and deliver, and to perform its obligations under, this Agreement; and (iii) has taken all necessary corporate action to authorize the execution and delivery, and performance of its obligations under, this Agreement.

3.2 No Conflict. The execution and delivery of this Agreement do not, and the consummation of the transactions contemplated hereby will not, violate, conflict with, result in a breach of, constitute a default under or require any notice, consent, approval or order under (i) any provision of the Purchaser's Certificate of Incorporation or Bylaws, (ii) any agreement, indenture or other instrument to which the Purchaser is a party or by which the Purchaser or its assets may be bound or (iii) any statute, rule, regulation or other provision of law, any order, judgment, decree, arbitration award or other direction of or stipulation with a court or other tribunal, or any governmental permit, registration, license or authorization applicable to the Purchaser.

3.3 Validity. This Agreement has been duly executed and delivered by the Purchaser and is a legal, valid and binding obligation of the Purchaser, enforceable against the Purchaser in accordance with its terms, except as the enforceability thereof may be limited by any applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other laws affecting the enforcement of creditors' rights generally, and by general principles of equity.

4. INDEMNIFICATION. The Seller agrees (i) to indemnify and hold harmless the Purchaser and its affiliates and their respective directors, officers, employees, agents and controlling persons (the Purchaser and each such person being an "Indemnified Party") from and against any and all losses, claims, damages and liabilities, joint or several, to which such Indemnified Party may become subject under any applicable federal or state law or otherwise, relating to or arising out of any breach, nonperformance or the violation (including but not limited to the failure of any of the representations and warranties of the Seller set forth in Section 2 hereof to be true and correct as of the applicable date) by the Seller or any provision of the Seller's Documents and (ii) to reimburse any Indemnified party for all expenses (including but not limited to counsel fees and expenses) as they are incurred in connection with the investigation of, preparation for or defense of any pending or threatened claim or any action or proceeding arising therefrom, whether or not such Indemnified Party is a party and whether or not such claim, action or proceeding is initiated or brought by or on behalf of the Seller. The Seller will not be liable under the foregoing indemnification provision to the extent that any loss, claim, damage, liability or expense is found in a final judgment by a court to have resulted from the Purchaser's bad faith or gross negligence.

5. MISCELLANEOUS.

5.1 Specific Performance. The parties acknowledge that money damages are not an adequate remedy for violations of this Agreement and that any party may, in its sole discretion, apply to a court of competent jurisdiction for specific performance or injunctive or such other relief as such court may deem just and proper in order to enforce this Agreement or prevent any violation hereof and, to the extent permitted by applicable law, each party waives any objection to the imposition of such relief.

5.2 Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided, that no party

may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the consent of each other party hereto.

5.3 No Third-Party Beneficiaries. No provision of this Agreement is intended to confer upon any person or entity other than the parties hereto any rights or remedies hereunder, except for the indemnification provisions contained in Section 4, which provisions may be enforced by the parties to be indemnified thereunder.

5.4 Survival. The provisions of Section 4 and the representations and warranties of the Seller set forth in Section 2 hereof shall survive the Closing. Except as provided in the immediately preceding sentence, the covenants, agreements, representations and warranties of the parties hereto contained in this Agreement shall not survive the Closing; provided, that the covenants and agreements that, by their terms, are to have effect or be performed after the Closing date shall survive in accordance with their terms.

5.5 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Utah without regard to the laws that might otherwise govern under applicable principles of conflicts of laws.

5.6 Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one and the same instrument. Each counterpart may consist of a number of copies each signed by less than all, but together signed by all, the parties hereto.

5.7 Further Assurances. The Seller agrees to execute and deliver to the Company all documents and instructions necessary to effect the transaction contemplated herein.

IN WITNESS WHEREOF, the undersigned have duly executed this Agreement as of the date first above written.

NU SKIN ASIA PACIFIC, INC.

By: _____
Its: _____

THE MAR TRUST

By:
Keith R. Halls
Its:Trustee

SCHEDULE I

Each Seller is required to give the Purchaser his or her social security number or the employer identification number of the record owner of shares of Class B Common Stock tendered pursuant to this Agreement.

Substitute Form W-9	Part 1: Please provide your TIN in the box at right and certify by signing and dating below	Social Security Number or Employer Identification Number _____
Department of the Treasury Internal Revenue Service Payor's Request for Taxpayer's Identification Number (TIN)	Part 3: Certification. 1. Under penalties of perjury, I certify that the information provided on this form is true, correct and complete. 2. Under penalties of perjury, I certify that I am not subject to backup withholding because: (a) I am exempt from backup withholding, (b) I have not been notified that I am subject to backup withholding as a result of my failure to report all interest or dividends, or (c) the Internal Revenue Service has notified me that I am no longer subject to backup withholding.	Part 2: Awaiting TIN

The Internal Revenue Service does not require your consent to any provision of this document other than the certifications required to avoid backup withholding.

SIGNATURE_____ DATE _____

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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"). The Company's Class A Common Stock trades under the symbol "NUS" and was listed on the NYSE on November 21, 1996. Prior to that date, there was no public market for the Company's Class A Common Stock. 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 period from November 21, 1996, the day the Class A Common Stock was priced in the Company's initial public offering based upon quotations on the NYSE:

Security	Quarter Ended	Sales Price High	Sales Price Low
Class A Common Stock, par value $.001 per share	December 31, 1996 (since November 21, 1996)	$30.78	$23.00(1)
	March 31, 1997	$30.87	$23.00
	June 30, 1997	$28.25	$23.62
	September 30, 1997	$27.18	$19.31
	December 31, 1997	$24.43	$16.00

(1) Denotes the price per share in the Underwritten Offerings.

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, 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 5, 1998 was $22.38. The approximate number of holders of record of the Company's Class A Common Stock and Class B Common Stock as of March 5, 1998 was 958. This number 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.

The Company has not paid or declared any cash dividends on its Class A Common Stock and does not anticipate doing so in the foreseeable future. The Company currently anticipates that all of its earnings, if any, will be retained for use in the operation and expansion of its business. Any future determination as to cash dividends will depend upon the earnings and financial position of the Company and such other factors as the Company's Board of Directors may deem appropriate.

SELECTED FINANCIAL DATA

	Year Ended September 30,		Three Months Ended December 31,	Year Ended December 31,			
	1993	1994	1994	1994	1995	1996	1997
	(in thousands, except per share data)						
Income Statement Data:							
Revenue	$110,624	$254,637	$ 73,562	$264,440	$358,609	$678,596	$890,548
Cost of sales	38,842	86,872	19,607	82,241	96,615	193,158	248,367
Gross profit	71,782	167,765	53,955	182,199	261,994	485,438	642,181
Operating expenses:							
Distributor incentives	40,267	95,737	27,950	101,372	135,722	249,613	346,117
Selling, general and administrative	27,150	44,566	13,545	48,753	67,475	105,477	139,525
Distributor stock expense	--	--	--	--	--	1,990	17,909
Operating income	4,365	27,462	12,460	32,074	58,797	128,358	138,630
Other income (expense), net	133	443	(813)	(394)	511	2,833	10,726
Income before provision for income taxes	4,498	27,905	11,647	31,680	59,308	131,191	149,356
Provision for income taxes	417	10,226	2,730	10,071	19,097	49,494	55,710
Net income	$ 4,081	$ 17,679	$ 8,917	$ 21,609	$ 40,211	$ 81,697	$ 93,646

Net income per share:							
Basic					$ .51	$ 1.03	$ 1.12
Diluted					$ .50	$ 1.01	$ 1.10
Weighted average common shares outstanding:							
Basic					78,645	79,194	83,331
Diluted					80,518	81,060	85,371

	As of September 30,		As of December 31,			
	1993	1994	1994	1995	1996	1997
	(in thousands)					
Balance Sheet Data:						
Cash and cash equivalents	$ 14,591	$ 18,077	$ 16,288	$ 63,213	$ 207,106	$ 166,305
Working capital	(504)	15,941	26,680	47,863	66,235	101,341
Total assets	41,394	71,565	61,424	118,228	331,715	352,449
Short term notes payable to stockholders	--	--	--	--	71,487	--
Short term note payable to NSI	--	--	--	--	10,000	10,000
Long term note payable to NSI	--	--	--	--	10,000	--
Stockholders' equity	6,926	24,934	33,861	61,771	107,792	177,528

	As of September 30,		As of December 31,			
	1993	1994	1994	1995	1996	1997
Other Information(1):						
Number of active distributors	106,000	152,000	170,000	236,000	377,000	430,000
Number of executive distributors	2,788	5,835	6,083	7,550	20,483	21,945

(1) Active distributors are those distributors who are resident in the countries in which the Company operates and who have purchased products during the three months ended as of the date indicated, rounded to the nearest thousand. An executive distributor is an active distributor who has submitted a qualifying letter of intent to become an executive distributor, achieved specified personal and group sales volumes for a four month period and maintained such specified personal and group sales volumes thereafter.

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

The following discussion of the Company's financial condition and results of operations should be read in conjunction with the Consolidated Financial Statements and the related notes thereto which are included in this report.

General

Nu Skin Asia Pacific is a network marketing company involved in the distribution and sale of premium quality, innovative personal care and nutritional products. The Company is the exclusive distribution vehicle for Nu Skin International, Inc. ("Nu Skin International" or "NSI") in the countries of Japan, Taiwan, Hong Kong (including Macau), South Korea, Thailand and the Philippines, where the Company currently has operations, and in Indonesia, Malaysia, the PRC, Singapore and Vietnam, where Nu Skin operations have not yet commenced. Until September 30, 1994, the Company's fiscal year ended on September 30 of each year. As of October 1, 1994, the Company changed its fiscal year end to December 31 of each year, beginning with the fiscal year ended December 31, 1995.

The Company's revenue is primarily dependent upon the efforts of a network of independent distributors who purchase products and sales materials from the Company in their local currency and who constitute the Company's customers. The Company recognizes revenue when products are shipped and title passes to these independent distributors. Revenue is net of returns, which have historically been less than 3.5% of gross sales. Distributor incentives are paid to several levels of distributors on each product sale. The amount and recipient of the incentive varies depending on the purchaser's position within the Global Compensation Plan. These incentives are classified as operating expenses. The following table sets forth revenue information for the time periods indicated. This table should be reviewed in connection with the tables presented under "Results of Operations" which disclose distributor incentives and other costs associated with generating the aggregate revenue presented.

		Year Ended December 31,		
	Date Operations			
Country(1)	Commenced	1995	1996	1997
Japan	April 1993	$ 231.5	$ 380.0	$ 599.4
Taiwan	January 1992	105.4	154.6	168.6
South Korea	February 1996	--	122.4	74.1
Thailand	March 1997	--	--	22.8
Hong Kong	September 1991	17.1	17.0	21.3
Sales to NSI affiliates(2)	January 1993	4.6	4.6	4.3
		$ 358.6	$ 678.6	$ 890.5

(1) Operations in the Philippines commenced in February 1998.
(2) Includes revenue from the sale of certain products to NSI affiliates in Australia and New Zealand.

Revenue generated in Japan and Taiwan represented 67.3% and 18.9%, respectively, of total revenue generated during 1997. The Company's South Korean operations, which commenced in February 1996, generated 8.3% of total revenue for 1997. The Company's Thailand operations, which commenced in March 1997 generated 2.6% of total revenue for 1997. Revenue generated in Hong Kong during 1997 represented 2.4% of total Company revenue. Operating expenses have increased in each country with the growth of the Company's revenue.

Cost of sales primarily consists of the cost of products purchased from NSI (in U.S. dollars) as well as duties related to the importation of such products. Additionally, cost of sales includes the cost of sales materials sold to distributors at or near cost. Sales materials are generally purchased in local currencies. As the sales mix changes between product categories and sales materials, cost of sales and gross profit may fluctuate to some degree due primarily

to varying import duty rates levied on imported product lines. In each of the Company's current markets, duties are generally higher on nutritional products than on personal care products. Also, as currency exchange rates fluctuate, the Company's gross margin will fluctuate. In general, however, costs of sales move proportionate to revenue.

Distributor incentives are the Company's most significant expense. Pursuant to the Operating Agreements with NSI, the Company and the Subsidiaries are contractually obligated to pay a distributor commission expense of 42.0% of commissionable product sales (with the exception of South Korea, where, due to government regulations, the Company uses a formula based upon a maximum payout of 35.0% of commissionable product sales). The Licensing and Sales Agreements provide that the Company is to satisfy this obligation by paying commissions owed to local distributors. In the event that these commissions exceed 42.0% of commissionable product sales, the Company is entitled to receive the difference from NSI. In the event that the commissions paid are lower than 42.0%, the Company must pay the difference to NSI. Under this formulation, the Company's total commission expense is fixed at 42.0% of commissionable product sales in each country (except for South Korea). The 42.0% figure has been set on the basis of NSI's experience over the past eight years which indicates that actual commissions paid and the cost of administering the Global Compensation Plan (which have historically not exceeded 2% of revenue) together have averaged approximately 42.0% of commissionable product sales per year during such period. Because the Company's revenue includes sales of both commissionable and non-commissionable items, distributor incentives as a percentage of total revenue have ranged from approximately 36.8% to 38.9% since December 31, 1994. Non-commissionable items consist of sales materials and starter kits as well as sales to NSI affiliates in Australia and New Zealand.

In the fourth quarter of 1996, NSI and the Company implemented a one-time distributor equity incentive program. This global program provided for the granting of options to distributors to purchase 1.6 million shares of the Company's Class A Common Stock. The number of options each distributor received was based on his or her performance and productivity through August 31, 1997. The options are exercisable at a price of $5.75 per share and vested on December 31, 1997. As anticipated, the Company recorded a $2.0 million charge in 1996 and recorded additional charges in 1997 of $17.9 million for the non-cash and non-recurring expenses associated with this program.

Selling, general and administrative expenses include wages and benefits, rents and utilities, travel and entertainment, promotion and advertising and professional fees, as well as license and management fees paid to NSI and NSIMG. Pursuant to the Operating Agreements, the Company contracts for management support services from NSIMG, for which the Company pays a fee equal to an allocation of expenses plus 3.0% of such expenses. In addition, the Company pays to NSI a license fee of 4.0% of the Company's revenue from sales to distributors (excluding sales of starter kits) for the use of NSI's distributor lists, distribution system and certain related intangibles.

Provision for income taxes is dependent on the statutory tax rates in each of the countries in which the Company operates. Statutory tax rates in the countries in which the Company has operations are 16.5% in Hong Kong, 25.0% in Taiwan, 30.0% in Thailand, 30.1% in South Korea, 35.0% in the Philippines and 57.9% in Japan. However, the statutory tax rate in Japan is scheduled to be reduced to 54.3% for fiscal years beginning in 1999 and in the Philippines the rate is scheduled to be reduced to 34%, 33% and 32% in 1998, 1999 and 2000, respectively. The Company operates a regional business center in Hong Kong, which bears inventory obsolescence and currency exchange risks. Any income or loss incurred by the regional business center is not subject to taxation in Hong Kong. In addition, since the Reorganization, the Company is subject to taxation in the United States, where it is incorporated, at a statutory corporate federal tax rate of 35.0%. However, the Company receives foreign tax credits in the U.S. for the amount of foreign taxes actually paid in a given period, which are utilized to reduce taxes payable in the United States. See "Risk Factors--Taxation Risks and Transfer Pricing."

On February 27, 1998, the Company entered into a Stock Acquisition Agreement to acquire NSI and Nu Skin affiliated entities throughout Europe, Australia and New Zealand (the "NSI Acquisition") for approximately $180 million in assumed liabilities and $70 million in preferred stock that is anticipated to convert to common stock upon stockholder approval. In addition, contingent on meeting specific earnings growth benchmarks, the Company will pay up to $25 million in cash per year over four years to the selling stockholders. The Stock Acquisition Agreement also provides that if the assumed liabilities do not equal or exceed $180 million, the Company will pay to the selling stockholders in cash or in the form of promissory notes the difference between $180 million and the assumed liabilities.

The NSI Acquisition is expected to be accounted for by the purchase method of accounting, except for the portion of the Acquired Entities under the common control of a group of stockholders, which portion will be accounted for in a manner similar to a pooling of interests. The common control group is comprised of the stockholders of NSI that are immediate family members.

Management believes that the NSI Acquisition will allow the Company to diversify its markets and earnings base. Following the NSI Acquisition, the Company will own and control the product development, marketing, and distribution functions of its business creating a vertically integrated, consumer products company. The NSI Acquisition will allow the Company to increase its current markets from six Asian markets to a total of 18 markets worldwide. The transaction makes available to the Company a number of additional significant markets for future expansion.

Results of Operations

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

	Year Ended December 31, (in millions)		
	1995	1996	1997
Revenue	$ 358.6	$ 678.6	$ 890.5
Cost of sales	96.6	193.2	248.4
Gross profit	262.0	485.4	642.1
Operating expenses:			
Distributor incentives	135.7	249.6	346.1
Selling, general and administrative	67.5	105.4	139.5
Distributor stock expense	--	2.0	17.9
Operating income	58.8	128.4	138.6
Other income, net	.5	2.8	10.7
Income before provision for income taxes	59.3	131.2	149.3
Provision for income taxes	19.1	49.5	55.7
Net income	$ 40.2	$ 81.7	$ 93.6
Unaudited supplemental data(1):			
Income before pro forma provision for income taxes	$ 59.3	$ 131.2	
Pro forma provision for income taxes	22.8	46.0	
Net income after pro forma provision for income taxes	$ 36.5	$ 85.2	

	Year Ended December 31,		
	1995	1996	1997
Revenue	100.0%	100.0%	100.0%
Cost of sales	26.9	28.5	27.9
Gross profit	73.1	71.5	72.1
Operating expenses:			
Distributor incentives	37.8	36.8	38.9
Selling, general and administrative	18.8	15.5	15.6
Distributor stock expense	--	.3	2.0
Operating income	16.5	18.9	15.6
Other income (expense), net	.1	.4	1.2
Income before provision for income taxes	16.6	19.3	16.8
Provision for income taxes	5.3	7.3	6.3
Net income	11.3%	12.0%	10.5%
Unaudited supplemental data(1):			
Income before pro forma provision for income taxes	16.6%	19.3%	
Pro forma provision for income taxes	6.4	6.8	
Net income after pro forma provision for income taxes	10.2%	12.5%	

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(1) Reflects adjustment for Federal and state income taxes as if the Company had been taxed as a C corporation rather than as an S corporation since inception. No adjustment is necessary for 1997 because the Company has been taxed as a C corporation for this period.

1997 Compared to 1996

Revenue was $890.5 million during 1997, an increase of 31.2% from revenue of $678.6 million recorded during 1996. This increase is primarily attributable to several factors. First, revenue in Japan increased by $219.4 million, or 57.7%. This increase in revenue was primarily a result of continued growth of the personal care and IDN product lines, which grew 43.8% and 94.9%, respectively, in 1997. Additionally, revenue in Japan increased following a distributor convention held in the first quarter of 1997 and the sponsorship of the Japan Supergames featuring National Basketball Association stars in the third quarter of 1997. Second, revenue in Taiwan in 1997 increased by $14.0 million, or 9.1%, from 1996 primarily as a result of growth in IDN sales following the late 1996 introduction of LifePak, the Company's leading nutritional supplement. Third, Nu Skin Thailand commenced operations in March 1997, and has generated revenue of $22.8 million for 1997. Fourth, revenue in Hong Kong increased by $4.3 million during 1997 as compared to 1996, primarily as a result of growth in IDN sales following the first quarter introduction of LifePak. Offsetting revenue growth was the decrease in revenue in South Korea of $48.3 million, which, was primarily due to the country's economic challenges, currency devaluation and unfavorable media and consumer group attention toward foreign companies in South Korea.

Gross profit as a percentage of revenue was 72.1% and 71.5% during 1997 and 1996, respectively. This increase is the result of the price increases which became effective in June of 1997, the reduction in revenue from South Korea, where import prices are higher than the Company's other markets, and a modest price reduction in the cost of certain nutritional products. These factors more than offset the negative impact of foreign currency fluctuations during 1997.

Distributor incentives as a percentage of revenue increased from 36.8% for 1996 to 38.9% for 1997. The primary reasons for this increase were the reduced revenue in South Korea where commissions are capped at 35% of product revenue versus the standard 42% of product revenue in the Company's other markets as well as the overall decrease in the sales of non-commissionable products.

Selling, general and administrative expenses as a percentage of revenue slightly increased from 15.5% during 1996 to 15.6% during 1997. This increase was primarily due to increased promotion expenses of approximately $2 million resulting from the net expense to Nu Skin Japan of sponsoring the Japan Supergames and approximately $2 million resulting from the first quarter distributor conventions. In addition, other general and administrative expenses were higher in 1997 as a result of expenses of operating as a public company and as a result of increased spending in each of the Company's markets to support current operations. These increased costs were essentially offset as a percentage of revenue by increased operating efficiencies as the Company's revenue has grown.

Distributor stock expense of $17.9 million for the year ended December 31, 1997 reflects the one-time grant of the distributor stock options at an exercise price of 25% of the initial public offering price in connection with the Underwritten Offerings completed on November 27, 1996.

Operating income during 1997 increased to $138.6 million, an increase of 8.0% from the $128.4 million of operating income recorded during 1996. Operating income as a percentage of revenue decreased from 18.9% to 15.6%. This decrease was caused primarily by higher distributor incentive expenses as a percentage of revenue.

Other income increased by $7.9 million during 1997 as compared to 1996. The increase was primarily caused by $5.6 million of exchange gains resulting from forward exchange contracts for the year ended December 31, 1997 and $7.8 million of unrealized exchange gains resulting from an intercompany loan from Nu Skin Japan to Nu Skin Hong Kong for the year ended December 31, 1997. The increase was offset by exchange losses relating to intercompany balances denominated in foreign currencies.

Provision for income taxes increased to $55.7 million during 1997 compared to $49.5 million during 1996. The effective tax rate for 1997 and 1996 was 37.3% and 37.7%, respectively. The decrease in the effective tax rate was due to the Company's termination of its S corporation status during 1996.

Net income after provision for income taxes increased by $11.9 million to $93.6 million during 1997 compared to $81.7 million during 1996. Net income as a percentage of revenue decreased to 10.5% for 1997 as compared to 12.0% for 1996.

1996 Compared to 1995

Revenue was $678.6 million during 1996, an increase of 89.2% from revenue of $358.6 million recorded during 1995. This increase is primarily attributable to several factors. First, revenue in Japan increased by $148.5 million, or 64.1%. This increase in revenue was primarily a result of the continued success of nutritional, color cosmetics and HairFitness products, which were introduced in October 1995. Revenue growth in Japan was partially offset by the strengthening of the U.S. dollar relative to the Japanese yen during 1996. Second, revenue in Taiwan increased by $49.2 million, or 46.7%, primarily as a result of the introduction of color cosmetics and other products, including LifePak in October 1996, along with the opening of a new distribution and walk-in center in Nankan, Taiwan. Third, in February 1996, Nu Skin Korea commenced operations and has generated revenue of $122.4 million for 1996. Additionally, revenue in Hong Kong decreased by $0.1 million during 1996 as compared to 1995, due to several leading Hong Kong distributors continuing to focus on other Asian markets.

Gross profit as a percentage of revenue was 71.5% and 73.1% during 1996 and 1995, respectively. This decline reflected the strengthening of the U.S. dollar, the introduction of nutritional products in Japan and the commencement of operations in South Korea in 1996. Nutritional products are generally subject to higher duties than other products marketed by the Company, which yields lower gross profit as a percentage of revenue. The commencement of operations in South Korea also impacted gross profit as a percentage of revenue due to South Korean regulations which result in higher prices on imported products than in other markets.

Distributor incentives as a percentage of revenue declined from 37.8% for 1995 to 36.8% for 1996. The primary reason for this decline was increased revenue from South Korea where local regulations limit the incentives which can be paid to South Korean distributors.

Selling, general and administrative expenses as a percentage of revenue declined from 18.8% during 1995 to 15.5% during 1996. This decrease was primarily due to economies of scale gained as the Company's revenue increased.

Operating income during 1996 increased to $128.4 million, an increase of 118.4% from the $58.8 million of operating income recorded during 1995. Operating income as a percentage of revenue increased from 16.5% to 18.9%. This increase was caused primarily by lower selling, general and administrative expenses as a percentage of revenue.

Other income increased by $2.3 million during 1996 as compared to 1995. The increase was primarily caused by an increase in interest income generated through the short-term investment of cash.

Pro forma provision for income taxes increased to $46.0 million during 1996 compared to $22.8 million during 1995. The effective tax rate decreased to 35.0% in 1996 as compared to 38.4% for 1995. The Company generated excess foreign tax credits in 1995 which did not continue in 1996.

Net income after pro forma provision for income taxes increased by $48.7 million to $85.2 million during 1996 compared to $36.5 million during 1995. Pro forma net income as a percentage of revenue increased to 12.5% for 1996 as compared to 10.2% for 1995.

Liquidity and Capital Resources

The Company effected the Reorganization and the Underwritten Offerings in November 1996. During the Underwritten Offerings, the Company raised $98.8 million in net proceeds. As of the date of the Reorganization, the aggregate undistributed taxable S corporation earnings of the Subsidiaries were $86.5 million. The Subsidiaries' earned and undistributed S corporation earnings through the date of termination of the Subsidiaries' S corporation status were

distributed in the form of the S Distribution Notes, notes bearing interest at 6.0% per annum. From the proceeds of the Underwritten Offerings, $15.0 million was used to pay a portion of the S Distribution Notes and the remaining balance of $71.5 million was paid in April 1997.

In November 1996, the Company purchased from NSI the distribution rights to seven new markets in the region. These markets include Thailand and the Philippines, where operations commenced in March 1997 and February 1998, respectively, and Indonesia, Malaysia, the PRC, Singapore and Vietnam, where Nu Skin operations have not yet commenced. These rights were purchased for $25.0 million of which $5.0 million was paid from the proceeds of the Underwritten Offerings and an additional $10.0 million was paid in January 1997. At December, 31, 1997, the Company had a $10.0 million short term obligation, which was paid on January 15, 1998, related to the purchase of these rights.

The Company generates significant cash flow from operations due to its significant growth, high margins and minimal capital requirements. Additionally, the Company does not extend credit to distributors, but requires payment prior to shipping products. This process eliminates the need for accounts receivable from distributors. During the year ended December 31, 1997, the Company generated $92.7 million from operations compared to $121.2 million and $65.0 million during 1996 and 1995, respectively. This decrease in cash flows from operations in 1997 is primarily due to the payment of increased foreign taxes in excess of the U.S. corporate tax rate of 35% in 1997.

As of December 31, 1997, working capital was $101.3 million compared to $66.2 million and $47.9 million as of December 31, 1996 and 1995, respectively. This increase is largely due to the increased inventory balances to support the increased sales activity and the payment of foreign taxes in excess of the U.S. corporate tax rate of 35% in 1997. Cash and cash equivalents at December 31, 1997 were $166.3 million compared to $207.1 million and $63.2 million at December 31, 1996 and 1995, respectively.

In December 1997, the Company loaned $5 million to a non-management stockholder. The loan is secured by 349,406 shares of Class B Common Stock of the Company. Interest accrues at a rate of 6.0% per annum on the loan. The loan may be repaid by transferring to the Company the shares pledged to secure the loan.

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

Capital expenditures, primarily for equipment, computer systems and software, office furniture and leasehold improvements, were $7.4 million, $5.7 million and $5.4 million for 1997, 1996 and 1995, respectively. In addition, the Company anticipates capital expenditures through 1998 of an additional $20.0 million to further enhance its infrastructure, including computer systems and software, warehousing facilities and walk-in distributor centers in order to accommodate future growth. The Company is currently reviewing its and principal vendors' computer systems and software with respect to the "Year 2000" issue. The Company believes that the capital required to modify these systems will not be material to the Company.

As a part of the Company's and NSI's strategy to motivate distributors with equity incentives, the Company sold to NSI an option to purchase 1.6 million shares of the Company's previously issued Class A Common Stock. NSI initially purchased the option with a $13.1 million 10-year note payable to the Company bearing interest at 6.0% per annum. As the number of distributor stock options to be issued to each distributor was revised through August 31, 1997, the note receivable from NSI was adjusted to $9.8 million. It is anticipated that the note will be repaid as distributors begin to exercise their options beginning in 1998.

In December 1997, the Company repurchased in private transactions a total of 1,067,529 shares of its Class B Common Stock which were immediately converted to Class A Common Stock and a total of 348,387 shares of Class A Common Stock for approximately $20.3 million.

Under its Operating Agreements with NSI, the Company incurs related party payables. The Company had related party payables of $59.1 million, $46.3 million and $28.7 million at December 31, 1997, 1996 and 1995, respectively. In addition, the Company had related party receivables of $10.7 million, $8.0 million and $1.8 million, respectively, at those dates. Related party balances outstanding in excess of 60 days bear interest at a rate of 2% above the U.S. prime rate. As of December 31, 1997, no material related party payables or receivables had been outstanding for more than 60 days.

In connection with the NSI Acquisition the Company will assume up to $180 million in debt. Management considers the Company to be liquid and able to meet these and other Company obligations on both a short and long-term basis. Management 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 and Cyclicality

While neither seasonal nor cyclical variations have materially affected the Company's results of operations to date, the Company believes that its rapid growth may have overshadowed these factors. Accordingly, there can be no assurance that seasonal or cyclical variations will not materially adversely affect the Company's results of operations in the future.

The direct selling industry is impacted by certain seasonal 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 Company's first quarter. Management believes that direct selling in Japan is also generally negatively impacted during August, when many individuals traditionally take vacations.

Generally, the Company has experienced rapid revenue growth in each new market from the commencement of operations. In Japan, Taiwan and Hong Kong, the initial rapid growth was followed by a short period of stable or declining revenue followed by renewed growth fueled by new product introductions, an increase in the number of active distributors and increased distributor productivity. In South Korea, the Company experienced a significant decline in its 1997 revenue from revenue in 1996 and anticipates additional declines in 1998. Revenue in Thailand also decreased significantly after the commencement of operations in March 1997. Management believes that the revenue declines in South Korea and Thailand are partly due to normal business cycles in new markets but were primarily due to volatile economic conditions in those markets. See "--Outlook." In addition, the Company may experience variations on a quarterly basis in its results of operations, as new products are introduced and new markets are opened. No assurance can be given that the Company's revenue growth rate in the Philippines, which commenced operations in February 1998 or in new markets where Nu Skin operations have not commenced, will follow this pattern.

Quarterly Results

The following table sets forth certain unaudited quarterly data for the periods shown.

	1996				1997			
	1st Quarter(1)	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter(2)	2nd Quarter	3rd Quarter	4th Quarter
	(in millions, except per share amounts)							
Revenue	$ 124.2	$ 163.5	$ 183.6	$ 207.3	$ 211.0	$ 230.0	$ 226.4	$ 223.1
Gross profit	89.4	117.4	130.9	147.7	150.3	164.5	164.9	162.4
Operating income	23.2	31.9	37.5	35.8	30.8	38.2	35.8	33.9
Net income	14.8	20.3	25.2	21.4	20.5	23.3	24.5	25.3
Net income per share:								
Basic	0.19	0.26	0.32	0.26	0.25	0.28	0.29	0.30
Diluted	0.18	0.25	0.31	0.26	0.24	0.27	0.29	0.30

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(1) The Company commenced operations in South Korea in February of 1996.
(2) The Company commenced operations in Thailand in March of 1997.

Currency Fluctuation and Exchange Rate Information

The Company's revenues and most of its expenses are recognized primarily outside of the United States. Each entity'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.

The Company purchases inventory from NSI in U.S. dollars and assumes currency exchange rate risk with respect to such purchases. Local currency in Japan, Taiwan, Hong Kong, South Korea, Thailand and the Philippines is generally used to settle non-inventory transactions with NSI. Given the uncertainty of exchange rate fluctuations, the Company cannot estimate the effect of these fluctuations on its future business, product pricing, results of operations or financial condition. However, because nearly all of the Company's revenue is realized in local currencies and the majority of its 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 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 entered into significant hedging positions in 1997, which approximated $51.0 million of forward exchange contracts at December 31, 1997. These forward exchange contracts, along with the intercompany loan from Nu Skin Japan to Nu Skin Hong Kong of approximately $92.0 million, were valued at the year end exchange rate of 130.6 yen to the dollar.

Following are the weighted average currency exchange rates of $1 into local currency for each of the Company's markets for the quarters listed:

	1995				1996				1997			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Japan(1)	96.2	84.4	94.2	101.5	105.8	107.5	109.0	112.9	121.4	119.1	118.1	125.6
Taiwan	26.2	25.6	27.0	27.2	27.4	27.4	27.5	27.5	27.5	27.7	28.4	31.0
Hong Kong	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7
South Korea	786.9	763.1	765.6	769.1	782.6	786.5	815.5	829.4	863.9	889.6	894.8	1,097.0
Thailand	24.9	24.6	24.9	25.1	25.2	25.3	25.3	25.5	26.0	25.4	31.5	40.3

(1) Between December 31, 1997 and March 5, 1998, the exchange rates of $1 into Japanese yen achieved a high of 134.10 yen. Since January 1, 1992, the highest and lowest exchange rates for the Japanese yen have been 134.82 and 80.63, respectively.

Outlook

Management currently anticipates continued growth in revenue and earnings in 1998. This growth is expected to result in part from the NSI Acquisition and growth in Japan, the Company's major market. Further, expansion into the Philippines and other new markets is expected to contribute to growth in revenue and earnings. These factors are expected to offset the reduced revenue from South Korea and the expected lack of significant revenue growth in Thailand, Taiwan and Hong Kong. Additionally, the Company intends to continue pursuing strategic initiatives to minimize the impact of fluctuating currencies and economies in Asia by diversifying its markets through the NSI Acquisition, moving more of its manufacturing to local markets, implementing enhancements to its sales compensation plan and seeking cost reductions from vendors.

Revenue growth is anticipated to be modest during the first half of 1998 and accelerate in the second half of the year, corresponding with the implementation of new product launches, marketing initiatives including the local sourcing of certain products, other promotional events and the opening of new markets. In addition to the February 1998 opening of the Philippines, the Company has announced plans to enter Poland and Brazil later in 1998. The significant devaluation

of certain of the Company's functional currencies, is anticipated to negatively impact the Company's reported revenue.

The NSI Acquisition is anticipated to increase the Company's operating profits and operating margins. It is anticipated that the Company's gross margins will improve, while operating expenses will also increase. This will be due to the Company gaining ownership of product formulas and trademarks in connection with the NSI Acquisition, which will improve gross margins, but increase overhead.

Other income is expected to be negatively impacted due to interest expenses associated with the assumed liabilities in the NSI Acquisition. Also, the Company does have significant forward contracts and other hedging vehicles on foreign currencies, principally the Japanese yen. It is impossible to predict the impact on other income due to a strengthening or weakening of the Japanese yen. If the yen strengthens, the Company's reported revenues and operating profits will be positively impacted, but the impact on earnings will be offset to a degree by other income losses. If the yen weakens, the Company's reported revenues and operating profits will be negatively impacted, but the impact on earnings will be offset to a degree by other income gains.

The Company's overall effective tax rate is expected to modestly improve following the consummation of the NSI Acquisition. This is due to the Company being able to more fully utilize its foreign tax credits. Also, the number of weighted average common shares outstanding is expected to increase following the consummation of the NSI Acquisition.

Note Regarding Forward-looking Statements

This section contains certain forward-looking statements under the caption "-- Outlook". These forward-looking statements relate to and involve risks and uncertainties associated with, but not limited to, the following: consummation of the NSI Acquisition, the successful integration of employees and operations within the public company, the addition of 12 new markets, the prospects for business growth in the opened and unopened markets being acquired, the prospects for growth in revenue and gross margins, synergies and advantages arising out of the NSI Acquisition and the achievement of a vertically integrated consumer products company, currency fluctuations relative to the U.S. dollar, adverse economic and business conditions in the Company's markets, management of the Company's growth, circumstances that may prevent the Company from expanding its operations into new markets, factors that may alter the anticipated impact of the NSI Acquisition, economic and political conditions that affect the business climate in Asia and the price of the Company's stock thus impacting stockholder values, the computer systems and software modifications with respect to the "Year 2000" issue and dependence on the Company's independent distributors. Actual results and outcomes may differ materially from those discussed or anticipated. A detailed discussion of important factors that may affect the anticipated outcome of the forward-looking statements is set forth in documents filed by the Company with the Securities and Exchange Commission, including the Company's most recent Form 10-K.

Nu Skin Asia Pacific, Inc.
Index to Consolidated Financial Statements

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Consolidated Financial Statements:

Report of Independent Accountants

Consolidated Balance Sheets at December 31, 1996 and 1997

Consolidated Statements of Income for the years ended December 31, 1995, 1996 and 1997

Consolidated Statements of Stockholders' Equity for the years ended December 31, 1995, 1996 and 1997

Consolidated Statements of Cash Flows for the years ended December 31, 1995, 1996 and 1997

Notes to Consolidated Financial Statements

All schedules are omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

REPORT OF INDEPENDENT ACCOUNTANTS

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

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of stockholders' equity and of cash flows present fairly, in all material respects, the financial position of Nu Skin Asia Pacific, Inc. and its subsidiaries at December 31, 1996 and 1997, and the results of their operations and their cash flows for the years ended December 31, 1995, 1996 and 1997, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/s/ Price Waterhouse LLP

Price Waterhouse LLP
Salt Lake City, Utah
February 18, 1998

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

	December 31, 1996	December 31, 1997
ASSETS		
Current assets		
Cash and cash equivalents	$ 207,106	$ 166,305
Accounts receivable	8,937	9,585
Related parties receivable	7,974	10,686
Inventories, net	44,860	52,448
Prepaid expenses and other	11,281	37,238
	280,158	276,262
Property and equipment, net	8,884	10,884
Other assets, net	42,673	65,303
Total assets	$ 331,715	$ 352,449
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 6,592	$ 9,412
Accrued expenses	79,518	96,438
Related parties payable	46,326	59,071
Notes payable to stockholders	71,487	--
Note payable to NSI, current portion	10,000	10,000
	213,923	174,921
Note payable to NSI, less current portion	10,000	--
Commitments and contingencies (Notes 7 and 11)		
Stockholders' equity		
Preferred stock - 25,000,000 shares authorized, $.001 par value, no shares issued and outstanding	--	--
Class A common stock - 500,000,000 shares authorized, $.001 par value, 11,715,000 and 11,758,011 shares issued and outstanding	12	12
Class B common stock - 100,000,000 shares authorized, $.001 par value, 71,696,675 and 70,280,759 shares issued and outstanding	72	70
Additional paid-in capital	137,876	115,053
Cumulative foreign currency translation adjustment	(5,963)	(28,920)
Retained earnings	11,493	105,139
Deferred compensation	(22,559)	(3,998)
Note receivable from NSI	(13,139)	(9,828)
	107,792	177,528
Total liabilities and stockholders' equity	$ 331,715	$ 352,449

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

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

	Year Ended December 31,		
	1995	1996	1997
Revenue	$ 358,609	$ 678,596	$ 890,548
Cost of sales	96,615	193,158	248,367
Gross profit	261,994	485,438	642,181
Operating expenses			
Distributor incentives	135,722	249,613	346,117
Selling, general and administrative	67,475	105,477	139,525
Distributor stock expense	--	1,990	17,909
Total operating expenses	203,197	357,080	503,551
Operating income	58,797	128,358	138,630
Other income (expense), net	511	2,833	10,726
Income before provision for income taxes	59,308	131,191	149,356
Provision for income taxes (Note 9)	19,097	49,494	55,710
Net income	$ 40,211	$ 81,697	$ 93,646
Net income per share (Note 2):			
Basic	$ .51	$ 1.03	$ 1.12
Diluted	$ .50	$ 1.01	$ 1.10
Weighted average common shares outstanding (Note 8):			
Basic	78,645	79,194	83,331
Diluted	80,518	81,060	85,371
Unaudited pro forma data:			
Income before pro forma provision for income taxes	$ 59,308	$ 131,191	
Pro forma provision for income taxes (Note 9)	22,751	45,945	
Net income after pro forma provision for income taxes	$ 36,557	$ 85,246	
Pro forma net income per share (Note 2):			
Basic	$ .46	$ 1.08	
Diluted	$ .45	$ 1.05	

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

Nu Skin Asia Pacific, Inc.
Consolidated Statements of Stockholders' Equity
(in thousands)

	Capital Stock	Class A Common Stock	Class B Common Stock	Additional Paid-In Capital	Cumulative Foreign Currency Translation Adjustment	Retained Earnings	Deferred Compensation	Note Receivable From NSI	Total Stockholders' Equity
Balance at January 1, 1995	$ 1,300				$ 441	$ 32,120			$ 33,861
Contributed capital	3,250				--	--			3,250
Dividends	--				--	(12,170)			(12,170)
Net change in cumulative foreign currency translation adjustment	--				(3,381)	--			(3,381)
Net income	--				--	40,211			40,211
Balance at December 31, 1995	4,550				(2,940)	60,161			61,771
Reorganizaton and terminaton of S corporation status (Note 1)	(4,550)		$ 80	$ 1,209	--	3,261			--
Net proceeds from the Offerings and conversion of shares by stockholders (Notes 1 and 8)	--	$ 12	(8)	98,829	--	--			98,833
Dividends	--	--	--	--	--	(47,139)			(47,139)
Issuance of notes payable to stockholders (Note 3)	--	--	--	--	--	(86,487)			(86,487)
Net change in cumulative foreign currency translation adjustment	--	--	--	--	(3,023)	--			(3,023)
Issuance of distributor stock options (Note 8)	--	--	--	33,039	--	--	$ (17,910)	$ (13,139)	1,990
Issuance of employee stock awards (Note 8)	--	--	--	4,799	--	--	(4,649)	--	150
Net income	--	--	--	--	--	81,697	--	--	81,697
Balance at December 31, 1996	--	12	72	137,876	(5,963)	11,493	(22,559)	(13,139)	107,792
Conversion of shares from Class B to Class A	--	2	(2)	--	--	--	--	--	--
Repurchase of 1,416 shares of Class A common stock (Note 8)	--	(2)	--	(20,260)	--	--	--	--	(20,262)
Adjustment to distributor stock options (Note 8)	--	--	--	(3,311)	--	--	--	3,311	--
Amortization of deferred compensation	--	--	--	--	--	--	19,309	--	19,309
Net change in cumulative foreign currency translation adjustment	--	--	--	--	(22,957)	--	--	--	(22,957)
Issuance of employee stock awards and options (Note 8)	--	--	--	748	--	--	(748)	--	--
Net income	--	--	--	--	--	93,646	--	--	93,646
Balance at December 31, 1997	$ --	$ 12	$ 70	$ 115,053	$ (28,920)	$105,139	$ (3,998)	$ (9,828)	$ 177,528

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

Nu Skin Asia Pacific, Inc.
Consolidated Statements of Cash Flows
(in thousands)

	Year Ended December 31,		
	1995	1996	1997
Cash flows from operating activities:			
Net income	$ 40,211	$ 81,697	$ 93,646
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	2,012	3,274	4,732
Loss on disposal of property and equipment	12	381	--
Amortization of deferred compensation	--	2,140	19,309
Changes in operating assets and liabilities:			
Accounts receivable	(2,174)	(5,695)	(648)
Related parties receivable	16,077	(6,181)	(2,712)
Inventories, net	(17,106)	(12,198)	(7,588)
Prepaid expenses and other	51	(7,871)	(25,957)
Other assets	(2,994)	(10,361)	(20,543)
Accounts payable	765	2,197	2,820
Accrued expenses	9,936	56,205	16,920
Related parties payable	18,193	17,577	12,745
Net cash provided by operating activities	64,983	121,165	92,724
Cash flows from investing activities:			
Purchase of property and equipment	(5,422)	(5,672)	(7,351)
Proceeds from disposal of property and equipment	48	41	--
Payment to NSI for distribution rights	--	(5,000)	(10,000)
Payments for lease deposits	(701)	(562)	(3,457)
Receipt of refundable lease deposits	22	98	120
Net cash used in investing activities	(6,053)	(11,095)	(20,688)
Cash flows from financing activities:			
Proceeds from capital contributions	3,250	--	--
Net proceeds from the Offerings (Note 1)	--	98,833	--
Dividends paid	(12,170)	(47,139)	--
Repurchase of shares of common stock	--	--	(20,262)
Payment to stockholders for notes payable (Note 3)	--	(15,000)	(71,487)
Net cash provided by (used in) financing activities	(8,920)	36,694	(91,749)
Effect of exchange rate changes on cash	(3,085)	(2,871)	(21,088)
Net increase (decrease) in cash and cash equivalents	46,925	143,893	(40,801)
Cash and cash equivalents, beginning of period	16,288	63,213	207,106
Cash and cash equivalents, end of period	$ 63,213	$ 207,106	$ 166,305
Supplemental cash flow information:			
Interest paid	$ 119	$ 84	$ 251

Supplemental schedule of non-cash investing and financing activities in 1996: o $20.0 million note payable to NSI issued as partial consideration for the $25.0 million purchase of distribution rights from NSI.

o $86.5 million of interest bearing S distribution notes issued in 1996, of which $71.5 million remained unpaid at December 31, 1996 (Note 3).

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

- $1.2 million of additional paid-in capital contributed by the existing stockholders of their interest in the Subsidiaries in exchange for all shares of the Class B Common Stock in connection with the Company's termination of its S corporation status (Note 1).

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

1. THE COMPANY

Nu Skin Asia Pacific, Inc. (the "Company") is a network marketing company involved in the distribution and sale of premium quality, innovative personal care and nutritional products. The Company is the exclusive distribution vehicle for Nu Skin International, Inc. ("NSI") in the countries of Japan, Taiwan, Hong Kong (including Macau), South Korea and Thailand, where the Company currently has operations (the Company's subsidiaries operating in these countries are collectively referred to as the "Subsidiaries"), and in Indonesia, Malaysia, the PRC, the Philippines, Singapore and Vietnam, where Nu Skin operations had not yet commenced as of December 31, 1997. Additionally, the Company sells products to NSI affiliates in Australia and New Zealand. NSI was founded in 1984 and is one of the largest network marketing companies in the world. NSI owns the Nu Skin trademark and provides the products and marketing materials to each of its affiliates. Nu Skin International Management Group, Inc. ("NSIMG"), an NSI affiliate, has provided, and will continue to provide, a high level of support services to the Company, including product development, marketing, legal, accounting and other managerial services.

The Company was incorporated on September 4, 1996. It was formed as a holding company and acquired the Subsidiaries through a reorganization which occurred on November 20, 1996. Prior to the reorganization, each of the Subsidiaries elected to be treated as an S corporation. In connection with the reorganization, the Subsidiaries' S corporation status was terminated on November 19, 1996, and the Company declared a distribution to the stockholders that included all of the Subsidiaries' previously earned and undistributed taxable S corporation earnings totaling $86.5 million.

Prior to the reorganization, the Company, NSI, NSIMG and other NSI affiliates operated under the control of a group of common stockholders. Inasmuch as the Subsidiaries that were acquired were under common control, the Company's consolidated financial statements include the Subsidiaries' historical balance sheets and related statements of income, of stockholders' equity and of cash flows for all periods presented.

On November 27, 1996 the Company completed its initial public offerings of 4,750,000 shares of Class A Common Stock and received net proceeds of $98.8 million (the "Offerings").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Inventories
Inventories consist of merchandise purchased for resale and are stated at the lower of cost, using the first-in, first-out method, or market.

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 and distribution rights purchased from NSI. Distribution rights are amortized on the straight-line basis over the estimated useful life of the asset. The Company assesses the recoverability of long-lived assets by determining whether the amortization of the balance over its remaining life can be recovered through undiscounted future operating cash flows attributable to the assets.

Revenue recognition
Revenue is recognized when products are shipped and title passes to independent distributors who are the Company's customers. A reserve for product returns is accrued based on historical experience. The Company generally requires cash 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.

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.

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

Net income per share
In 1997, the Company adopted Statement of Financial Accounting Standards No. 128 ("SFAS 128"), Earnings per Share. SFAS 128 specifies the computation, presentation and disclosure requirements for earnings per share data, and requires the restatement of earnings per share data in prior periods. SFAS 128 also requires the presentation of both basic and diluted earnings per share data for entities with complex capital structures. Diluted earnings per share data gives effect to all dilutive potential common shares that were outstanding during the periods

presented. Net income per share for the years ended December 31, 1995 and 1996 is computed assuming that the Company's reorganization and the resultant issuance of Class B Common Stock occurred as of January 1, 1995.

Foreign currency translation
All business operations of the Company occur outside of the United States. Each entity's local currency is considered the functional currency. Since a substantial portion of the Company's inventories are purchased with U.S. dollars from the United States and since the Company is incorporated in the United States, all assets and liabilities are translated into U.S. dollars at exchange rates existing at the balance sheet dates, revenues and expenses are translated at weighted average exchange rates, and stockholders' equity is recorded at historical exchange rates. The resulting foreign currency translation adjustments are recorded as a separate component of stockholders' equity in the consolidated balance sheets, and transaction gains and losses are included in other income and expense in the consolidated financial statements.

Industry segment and geographic area
The Company operates in a single industry, which is the direct selling of skin care, hair care and nutritional products, and in a single geographic area, which is the Asia Pacific Region.

Fair value of financial instruments
The fair value of financial instruments including cash and cash equivalents, accounts receivable, related parties receivable, accounts payable, accrued expenses, related parties payable and notes payable approximate book values.

Stock-based compensation
The Company has adopted Statement of Financial Accounting Standards No. 123 ("SFAS 123"), Accounting for 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 SFAS 123 had been applied in measuring compensation expense (Note 8).

3. RELATED PARTY TRANSACTIONS

Scope of related party activity
The Company has extensive and pervasive transactions with affiliated entities that are under common control. These transactions are as follows: (1) Through its Hong Kong entity, the Company purchases a substantial portion of its inventories from affiliated entities (primarily NSI). (2) In addition to selling products to consumers in its geographic territories, the Company through its Hong Kong entity, sells products and marketing materials to affiliated entities in geographic areas outside those held by the Company (primarily Australia and New Zealand). (3) The Company pays trademark royalty fees to NSI on products bearing NSI trademarks and marketed in the Company's geographic areas that are not purchased from NSI. (4) NSI enters into a distribution agreement with each independent distributor. The Company pays license fees to NSI for the right to use the distributors within its geographical regions, and for the right to use the NSI distribution system and other related intangibles. (5) The Company participates in a global commission plan established by the NSI distribution agreement whereby distributors' commissions are determined by aggregate worldwide purchases made by down-line distributors. Thus, commissions on purchases from the Company earned by distributors located in geographic areas outside those held by the Company are remitted to NSI, which then forwards these commissions to the distributors. (6) The Company pays fees for management and support services provided by NSIMG.

The purchase prices paid to the Subsidiaries for the purchase of product and marketing materials are determined pursuant to the Regional Distribution Agreement between the Company, through a Subsidiary, and NSI. The selling prices to the Subsidiaries of products and marketing materials are determined pursuant to the Wholesale Distribution Agreements between a Subsidiary and certain of the other Subsidiaries. Trademark royalty fees and license fees are payable pursuant to the Trademark/Tradename License Agreement between the Subsidiaries and NSI and the Licensing and Sales Agreement between the Subsidiaries and NSI, respectively. The independent distributor commission program is managed by NSI. Charges to the Company are based on a worldwide commission fee of 42% which covers commissions paid to distributors on a worldwide basis and the direct costs of administering the global compensation plan. Management and support services fees are billed to the Company by NSIMG pursuant to the Management Services Agreement between the Company, the Subsidiaries and NSIMG and consist of all direct expenses incurred by NSIMG on behalf of the Company and indirect expenses of NSIMG allocated to the Company based on its net sales.

Total commission fees (including those paid directly to distributors within the Company's geographic territories) are recorded as distributor incentives in the consolidated statements of income. Trademark royalty fees are included in cost of sales, and license fees and management fees are included in selling, general and administrative expenses in the consolidated statements of income.

In November 1996, the Company purchased from NSI the distribution rights to seven new markets in the region. These markets include Thailand, where operations have commenced, and Indonesia, Malaysia, the PRC, the Philippines, Singapore and Vietnam, where Nu Skin operations had not commenced as of December 31, 1997. These rights were purchased for $25.0 million of which $5.0 million was paid from proceeds from the Offerings and an additional $10.0 million was paid in January 1997. At December 31, 1997, the Company had a $10.0 million short term obligation, due January 15, 1998 related to the purchase of these rights. Interest accrues at a rate of 6.0% per annum on amounts due under these obligations.

Notes payable to stockholders

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

Related party transactions
The following summarizes the Company's transactions with related parties (in thousands):

Product purchases

	Year Ended December 31,		
	1995	1996	1997
Beginning inventories	$ 15,556	$ 32,662	$ 44,860
Inventory purchases from affiliates	69,821	157,413	202,233
Other inventory purchases and value added locally	43,900	47,943	53,722
Total products available for sale	129,277	238,018	300,815
Less: Cost of sales	(96,615)	(193,158)	(248,367)
Ending inventories	$ 32,662	$ 44,860	$ 52,448

Related parties payable transactions

	Year Ended December 31,		
	1995	1996	1997
Beginning related parties payable	$ 10,556	$ 28,749	$ 46,326
Inventory purchases from affiliates	69,821	157,413	202,233
Distributor incentives	135,722	249,613	346,117
Less: Distributor incentives paid directly to distributors	(105,642)	(197,614)	(280,355)
License fees	13,158	25,221	35,034
Trademark royalty fees	2,694	2,882	3,696
Management fees	2,066	4,189	7,337
Less: Payments to related parties	(99,626)	(224,127)	(301,317)
Ending related parties payable	$ 28,749	$ 46,326	$ 59,071

Related parties receivable and payable balances
The Company has receivable and payable balances with related parties in Australia and New Zealand, and with NSI and NSIMG. Related party balances outstanding greater than 60 days bear interest at prime plus 2%. Since no significant balances have been outstanding greater than 60 days, no related party interest income or interest expense has been recorded in the consolidated financial statements. Sales to related parties were $4,608,000, $4,614,000 and $4,297,000 for the years ended December 31, 1995, 1996 and 1997, respectively.

Certain relationships with stockholder distributors Two major stockholders of the Company have been NSI distributors since 1984. These stockholders are partners in an entity which receives substantial commissions from NSI, including commissions relating to sales within the countries in which the Company operates. By agreement, NSI pays commissions to this partnership at the highest level of distributor compensation to allow the stockholders to use their expertise and reputations in network marketing to further develop NSI's distributor force, rather than focusing solely on their own distributor organizations. The commissions paid to this partnership relating to sales within the countries in which the

Company operates were $1,100,000, $1,200,000 and $1,100,000 for the years ended December 31, 1995, 1996 and 1997, respectively.

Loan to stockholder
In December 1997, the Company loaned $5.0 million to a non-management stockholder. The loan is secured by 349,406 shares of Class B Common Stock. Interest accrues at a rate of 6.0% per annum on this loan. The loan may be repaid by transferring to the Company the shares pledged to secure the loan.

4. PROPERTY AND EQUIPMENT

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

	December 31,	
	1996	1997
Furniture and fixtures	$ 3,175	$ 3,205
Computers and equipment	7,480	9,098
Leasehold improvements	4,737	6,930
Vehicles	200	119
	15,592	19,352
Less: accumulated depreciation	(6,708)	(8,468)
	$ 8,884	$ 10,884

Depreciation of property and equipment totaled $2,012,000, $3,118,000 and $3,482,000 for the years ended December 31, 1995, 1996 and 1997, respectively.

5. OTHER ASSETS

Other assets consist of the following (in thousands):

	December 31,	
	1996	1997
Deposits for noncancelable operating leases	$ 9,962	$ 9,127
Distribution rights, net of accumulated amortization	24,844	23,594
Deferred taxes	6,999	30,399
Other	868	2,183
	$ 42,673	$ 65,303

The $25.0 million distribution rights asset is being amortized on a straight-line basis over its estimated useful life of twenty years. Amortization expense totaled $156,000 and $1,250,000 for the years ended December 31, 1996 and 1997, respectively.

6. ACCRUED EXPENSES

Accrued expenses consist of the following (in thousands):

	December 31,	
	1996	1997
Income taxes payable	$ 54,233	$ 53,079
Other taxes payable	9,194	13,043
Other accruals	16,091	30,316
	$ 79,518	$ 96,438

7. LEASE OBLIGATIONS

The Company leases office space and computer hardware under noncancelable long-term operating leases. Most leases include renewal options of up to three years. Minimum future operating lease obligations at December 31, 1997 are as follows (in thousands):

Year Ending December 31,	
1998	$ 6,763
1999	4,242
2000	2,923
2001	251
2002	163
Total minimum lease payments	$ 14,342

Rental expense for operating leases totaled $9,470,000, $8,260,000 and $9,311,000 for the years ended December 31, 1995, 1996 and 1997, respectively.

8. STOCKHOLDERS' EQUITY

The Company's capital stock consists of Preferred Stock, Class A Common Stock and Class B Common Stock. The shares of Class A Common Stock and Class B Common Stock are identical in all respects, except for voting rights and certain conversion rights and transfer restrictions, as follows: (1) each share of Class A Common Stock entitles the holder to one vote on matters submitted to a vote of the Company's stockholders and each share of Class B Common Stock entitles the holder to ten votes on each such matter; (2) stock dividends of Class A Common Stock may be paid only to holders of Class A Common Stock and stock dividends of Class B Common Stock may be paid only to holders of Class B Common Stock; (3) if a holder of Class B Common Stock transfers such shares to a person other than a permitted transferee, as defined in the Company's Certificate of Incorporation, such shares will be converted automatically into shares of Class A Common Stock; and (4) Class A Common Stock has no conversion rights; however, each share of Class B Common Stock is convertible into one share of Class A Common Stock, in whole or in part, at any time at the option of the holder.

Stockholder control
As of December 31, 1997, a group of common stockholders owned all of the outstanding shares of Class B Common Stock, which represented approximately 98% of the combined voting rights of all outstanding common stock. Accordingly, these stockholders, acting as a group, control the election of the entire Board of Directors and decisions with respect to the Company's dividend policy, the Company's access to capital, mergers or other

business combinations involving the Company, the acquisition or disposition of assets by the Company and any change in control of the Company.

Equity incentive plans

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

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

As a part of this program, the Company initially sold an option to NSI to purchase shares underlying distributor options for consideration of a $13.1 million 10-year note, bearing interest at 6.0% per annum. As the number of distributor stock options to be issued to each distributor was revised through August 31, 1997, the note receivable from NSI was adjusted to $9.8 million. It is anticipated that NSI will repay this note as distributors begin to exercise their options in 1998.

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

In January 1994, NSI agreed to grant one of the Company's executives an option to purchase 267,500 shares of the Company's Class A Common Stock which became exercisable at the date of the reorganization. The exercise price of this option was set at the estimated fair market value of this equity interest on the date the option was granted. This executive exercised a portion of this option and purchased 16,675 shares during November 1996.

1996 Stock Incentive Plan

During the year ended December 31, 1996, the Company's Board of Directors adopted the Nu Skin Asia Pacific, Inc. 1996 Stock Incentive Plan (the "1996 Stock Incentive Plan"). The 1996 Stock Incentive Plan provides for granting of stock awards and options to purchase common stock to executives, other employees, independent consultants and directors of the Company and its Subsidiaries. A total of 4,000,000 shares of Class A Common Stock have been reserved for issuance under the 1996 Stock Incentive Plan.

In November and December 1996, the Company granted stock awards to certain employees for an aggregate of 109,000 shares of Class A Common Stock and in January 1997 the Company granted additional stock awards to certain employees in the amount of 41,959 shares of Class A Common Stock. Subsequent to the granting of these stock awards aggregating 150,959 shares of Class A Common Stock, awards for 12,413 shares lapsed. The Company has recorded deferred compensation expense related to these stock awards and is recognizing such expense ratably over the vesting period.

In October 1997, the Company granted 13,500 stock awards, with a fair value of $22.81 per share, to certain employees and directors under the 1996 Stock Incentive Plan. Of the 13,500 stock awards granted, 7,500 vested immediately on the date of grant and 6,000 will vest ratably over a period of three years. The Company recorded compensation expense of $170,000 related to the stock awards for the year ended December 31, 1997.

In October 1997, the Company also granted options to purchase 298,500 shares of Class A Common Stock to certain employees and directors pursuant to the 1996 Stock Incentive Plan. Of the 298,500 options granted, 30,000 options vest one day before the 1998 annual meeting of stockholders and 265,500 options vest ratably over a period of four years. All options granted in 1997 will expire on the tenth anniversary of the date of grant. The exercise price of the options was set at $20.88 per share. The Company has recorded deferred compensation expense of $578,000 related to the options and is recognizing such expense ratably over the vesting periods.

The Company's pro forma net income for the year ended December 31, 1997 would have been $93,566,000 if compensation expense had been measured under the fair value method prescribed by SFAS 123. The Company's pro forma basic and diluted net income per share for the year ended December 31, 1997 would have been $1.12 and $1.10, respectively, if compensation expense had been measured under the fair value method.

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

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,		
	1995	1996	1997
Basic weighted average common shares outstanding	78,645	79,194	83,331
Effect of dilutive securities:			
Stock awards and options	1,873	1,866	2,040
Diluted weighted average common shares outstanding	80,518	81,060	85,371

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

9. INCOME TAXES

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

	1996	1997
Current		
Federal	$ 331	$ 3,332
State	--	127
Foreign	56,929	76,553
	57,260	80,012
Deferred		
Federal	(1,929)	(24,317)
State	--	(30)
Foreign	(2,398)	45
Change in tax status	(3,439)	--
Provision for income taxes	$ 49,494	$ 55,710

As a result of the Company's reorganization described in Note 1, the Company is no longer treated as an S corporation for U.S. Federal income tax purposes. Accordingly, the provision for income taxes for the year ended December 31, 1996 consists of the following: (1) the cumulative income tax effect from recognition of the deferred tax assets at the date of S corporation termination; (2) the provision for income taxes for the period November 20, 1996 through December 31, 1996 as a U.S. C corporation; and (3) income taxes in foreign countries for the Subsidiaries during the year.

The provision for income taxes for the year ended December 31, 1995 primarily represents income taxes in foreign countries as U.S. Federal income taxes were levied at the stockholder level.

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

	December 31, 1996	December 31, 1997
Deferred tax assets:		
Inventory reserve	$ 1,971	$ 1,773
Product return reserve	1,562	1,559
Depreciation	1,592	1,622
Foreign tax credit	1,234	19,268
Uniform capitalization	763	1,706
Distributor stock options and employee stock awards	749	6,992
Accrued expenses not deductible until paid	19	2,115
Withholding tax	4,148	5,692
Minimum tax credit	330	3,555
Total deferred tax assets	12,368	44,282
Deferred tax liabilities:		
Withholding tax	4,148	5,692
Exchange gains and losses	399	1,679
Other	55	143
Total deferred tax liabilities	4,602	7,514
Valuation allowance	--	(4,700)
Deferred taxes, net	$ 7,766	$ 32,068

Income taxes paid totaled $4,068,000, $17,991,000 and $73,654,000 for the years ended December 31, 1995, 1996 and 1997, respectively.

The consolidated statements of income for the years ended December 31, 1995 and 1996 include a pro forma presentation for income taxes which would have been recorded if the Company had been taxed as a C corporation for all periods presented.

A reconciliation of the Company's pro forma effective tax rate for the years ended December 31, 1995 and 1996, and the Company's effective tax rate for the year ended December 31, 1997, compared to the statutory U.S. Federal tax rate is as follows:

	Year Ended December 31,		
	1995	1996	1997
Income taxes at statutory rate	35.00%	35.00%	35.00%
Foreign tax credit limitation (benefit)	2.69	--	3.14
Non-deductible expenses	.67	.06	.10
Other	--	(.04)	(.94)
	38.36%	35.02%	37.30%

10. FINANCIAL INSTRUMENTS

The Company's Subsidiaries enter into significant transactions with each other, NSI 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 intercompany loans of foreign currency. The Company does not use such 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 intercompany loans of foreign currency are recorded as other income and expense in the consolidated statements of income.

At December 31, 1995, the Company held foreign currency forward contracts with notional amounts totaling $1.0 million to hedge foreign currency items. There were no significant estimated unrealized losses on these contracts. These contracts all had maturities prior to December 31, 1996. The Company did not hold any foreign currency forward contracts at December 31, 1996. At December 31, 1997, the Company held foreign currency forward contracts with notional amounts totaling approximately $51.0 million to hedge foreign currency items. These contracts all have maturities through August 1998. During the year ended December 31, 1997, the Company entered into and held to maturity foreign currency forward contracts with notional amounts totaling approximately $34.0 million. The Company recorded realized and unrealized net gains on its forward contracts totaling $5.6 million for the year ended December 31, 1997.

At December 31, 1997, the intercompany loan from Nu Skin Japan to Nu Skin Hong Kong totaled approximately $92.0 million. The Company recorded unrealized exchange gains totaling $7.8 million resulting from the intercompany loan for the year ended December 31, 1997.

11. COMMITMENTS AND CONTINGENCIES

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

12. SUBSEQUENT EVENTS

In February 1998, the Company reached an agreement in principle to acquire NSI and Nu Skin affiliated entities throughout Europe, Australia and New Zealand (the "NSI Acquisition") for approximately $180 million in assumed liabilities and $70 million in preferred stock that is anticipated to convert to common stock upon stockholder approval. In addition, contingent on meeting specific earnings growth benchmarks, the Company will pay up to $25 million in cash per year over four years to the selling stockholders. The agreement also provides that if the assumed liabilities do not equal or exceed $180 million, the Company will pay to the selling stockholders in cash or in the form of promissory notes the difference between $180 million and the assumed liabilities.

The NSI Acquisition is expected to be accounted for by the purchase method of accounting, except for the portion of the acquired entities under the common control of a group of stockholders, which portion will be accounted for in a manner similar to a pooling of interests. The common control group is comprised of the stockholders of NSI that are immediate family members.

Exhibit 21.1

List of Subsidiaries

NU SKIN JAPAN COMPANY, LIMITED - a domesticated Delaware corporation with dual residence in the United States and Japan.

NU SKIN TAIWAN, INC. - a Utah corporation operating in Taiwan through a branch.

NU SKIN KOREA, INC. - a domesticated Delaware corporation with dual residence in the United States and South Korea.

NU SKIN PERSONAL CARE (THAILAND) LIMITED - a domesticated Delaware corporation with dual residence in the United States and Thailand.

NU SKIN PHILIPPINES, INC. - a Delaware corporation operating in the Philippines through a branch.

N INTERNATIONAL, INC. - a Delaware corporation.

This schedule contains summary financial information extracted from the financial statements as of and for the year ended December 31, 1997 and is qualified in its entirety by reference to such financial statements.)

1,000

Year
DEC-31-1997
DEC-31-1997
166,305
0
9,585
0
52,448
276,262
19,352
8,468
352,449
174,921
0
0
0
0
82
177,446
352,449
890,548
890,548
248,367
751,918
0
0
0
149,356
55,710
93,646
0
0
0
93,646
1.12
1.10