UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2022

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to .

Commission File Number: 001-34483

NATURE'S SUNSHINE PRODUCTS, INC.
(Exact name of Registrant as specified in its charter)

Utah	**87-0327982**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

2901 Bluegrass Boulevard, Suite 100
Lehi, Utah 84043
(Address of principal executive offices and zip code)

(801) 341-7900
(Registrant's telephone number including area code)

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, no par value	NATR	Nasdaq Capital Market

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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and an "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☒
Non-accelerated filer ☐	Smaller reporting company ☒
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒.

The number of shares of Common Stock, no par value, outstanding on October 21, 2022, was 19,166,635 shares.

NATURE'S SUNSHINE PRODUCTS, INC.
FORM 10-Q

For the Quarter Ended September 30, 2022

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain information included or incorporated herein by reference in this report may be deemed to be “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may include, but are not limited to, statements relating to our objectives, plans, strategies and financial results, including expected improvement in gross profit and gross margin. All statements (other than statements of historical fact) that address activities, events or developments that we intend, expect, project, believe or anticipate will or may occur in the future are forward-looking statements. These statements are often characterized by terminology such as “believe,” “hope,” “may,” “anticipate,” “should,” “intend,” “plan,” “will,” “expect,” “estimate,” “project,” “positioned,” “strategy” and similar expressions, and are based on assumptions and assessments made in light of our experience and perception of historical trends, current conditions, expected future developments and other factors we believe to be appropriate. For example, information appearing under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” includes forward-looking statements. Forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties. Important factors that could cause actual results, developments and business decisions to differ materially from forward-looking statements are more fully described in this report, including the risks set forth under “Risk Factors” in Item 1A, and in the Company's Annual Report on Form 10-K for the year ended December 31, 2021, but include the following:

- extensive government regulations to which the Company’s products, business practices and manufacturing activities are subject;
- registration of products for sale in foreign markets, or difficulty or increased cost of importing products into foreign markets;
- legal challenges to the Company’s direct selling program or to the classification of its independent consultants;
- laws and regulations regarding direct selling may prohibit or restrict our ability to sell our products in some markets or require us to make changes to our business model in some markets;
- liabilities and obligations arising from improper activity by the Company’s independent consultants;
- product liability claims;
- impact of anti-bribery laws, including the U.S. Foreign Corrupt Practices Act;
- the Company’s ability to attract and retain independent consultants;
- the loss of one or more key independent consultants who have a significant sales network;
- the Company’s joint venture for operations in China with Fosun Industrial Co., Ltd.;
- the effect of fluctuating foreign exchange rates;
- failure of the Company’s independent consultants to comply with advertising laws;
- changes to the Company’s independent consultants compensation plans;
- geopolitical issues and conflicts;
- adverse effects caused by the ongoing coronavirus pandemic;
- negative consequences resulting from difficult economic conditions, including the availability of liquidity or the willingness of the Company’s customers to purchase products;
- risks associated with the manufacturing of the Company’s products;
- supply chain disruptions, manufacturing interruptions or delays, or the failure to accurately forecast customer demand;
- failure to timely and effectively obtain shipments of products from our manufacturers and deliver products to our independent consultants and customers;
- world-wide slowdowns and delays related to supply chain, ingredient shortages and logistical challenges;
- uncertainties relating to the application of transfer pricing, duties, value-added taxes, and other tax regulations, and changes thereto;
- changes in tax laws, treaties or regulations, or their interpretation;
- cybersecurity threats and exposure to data loss;
- the storage, processing, and use of data, some of which contain personal information, are subject to complex and evolving privacy and data protection laws and regulations;
- reliance on information technology infrastructure; and
- the sufficiency of trademarks and other intellectual property rights.

All forward-looking statements speak only as of the date of this report and are expressly qualified in their entirety by the cautionary statements included in or incorporated by reference into this report. Except as is required by law, we expressly disclaim any obligation to publicly release any revisions to forward-looking statements to reflect events after the date of this report. Throughout this report, we refer to Nature’s Sunshine Products, Inc., together with our subsidiaries, as "we," "us," "our," "our Company" or “the Company.”

PART I FINANCIAL INFORMATION

Item 1. *FINANCIAL STATEMENTS*

NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in thousands)
(Unaudited)

	September 30, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 56,984	$ 86,184
Accounts receivable, net of allowance for doubtful accounts of $673 and $143, respectively	9,977	8,871
Inventories	67,603	60,852
Prepaid expenses and other	8,237	8,760
Total current assets	142,801	164,667
Property, plant and equipment, net	47,354	50,857
Operating lease right-of-use assets	16,541	18,349
Investment securities - trading	692	964
Deferred income tax assets	7,011	13,590
Other assets	9,109	10,447
Total assets	$ 223,508	$ 258,874
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 7,475	$ 9,702
Accrued volume incentives and service fees	21,177	23,131
Accrued liabilities	24,856	31,600
Deferred revenue	1,460	3,694
Related party notes payable	—	302
Income taxes payable	3,582	2,647
Current portion of operating lease liabilities	4,065	4,350
Current portion of note payable	1,272	1,244
Total current liabilities	63,887	76,670
Liability related to unrecognized tax benefits	213	—
Long-term portion of operating lease liabilities	14,474	15,919
Long-term note payable	216	1,174
Deferred compensation payable	692	964
Deferred income tax liabilities	1,218	1,566
Other liabilities	1,054	1,177
Total liabilities	81,754	97,470
Shareholders' equity:		
Common stock, no par value, 50,000 shares authorized, 19,166 and 19,724 shares issued and outstanding, respectively	121,242	133,382
Retained earnings	32,681	35,025
Noncontrolling interest	4,012	3,202
Accumulated other comprehensive loss	(16,181)	(10,205)
Total shareholders' equity	141,754	161,404
Total liabilities and shareholders' equity	$ 223,508	$ 258,874

See accompanying notes to condensed consolidated financial statements.

NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Amounts in thousands, except per share information)
(Unaudited)

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021
Net sales	$ 104,506	$ 114,746
Cost of sales	29,632	29,419
Gross profit	74,874	85,327
Operating expenses:		
Volume incentives	33,070	35,793
Selling, general and administrative	36,792	39,528
Operating income	5,012	10,006
Other loss, net	(2,281)	(886)
Income before provision for income taxes	2,731	9,120
Provision for income taxes	2,531	3,662
Net income	200	5,458
Net income attributable to noncontrolling interests	110	600
Net income attributable to common shareholders	$ 90	$ 4,858
Basic and diluted net income per common share:		
Basic earnings per share attributable to common shareholders	$ —	$ 0.24
Diluted earnings per share attributable to common shareholders	$ —	$ 0.24
Weighted average basic common shares outstanding	19,198	19,894
Weighted average diluted common shares outstanding	19,482	20,375

See accompanying notes to condensed consolidated financial statements.

NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in thousands, except per share information)
(Unaudited)

	Nine Months Ended September 30,	
	2022	2021
Net sales	$ 319,161	$ 326,145
Cost of sales	93,563	84,861
Gross profit	225,598	241,284
Operating expenses:		
Volume incentives	99,241	105,491
Selling, general and administrative	114,281	108,666
Operating income	12,076	27,127
Other loss, net	(3,037)	(2,290)
Income before provision for income taxes	9,039	24,837
Provision for income taxes	10,573	8,433
Net income (loss)	(1,534)	16,404
Net income attributable to noncontrolling interests	810	990
Net income (loss) attributable to common shareholders	$ (2,344)	$ 15,414
Basic and diluted net income per common share:		
Basic earnings (loss) per share attributable to common shareholders	$ (0.12)	$ 0.77
Diluted earnings (loss) per share attributable to common shareholders	$ (0.12)	$ 0.76
Weighted average basic common shares outstanding	19,384	19,896
Weighted average diluted common shares outstanding	19,384	20,292
Dividends declared per common share	$ —	$ 1.00

See accompanying notes to condensed consolidated financial statements.

NATURE’S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Amounts in thousands)
(Unaudited)

	Three Months Ended September 30,	
	2022	**2021**
Net income	$ 200	$ 5,458
Foreign currency translation loss (net of tax)	(2,544)	(925)
Total comprehensive income (loss)	$ (2,344)	$ 4,533

	Nine Months Ended September 30,	
	2022	**2021**
Net income (loss)	$ (1,534)	$ 16,404
Foreign currency translation loss (net of tax)	(5,976)	(1,091)
Total comprehensive income (loss)	$ (7,510)	$ 15,313

See accompanying notes to condensed consolidated financial statements.

NATURE’S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS’ EQUITY
(Amounts in thousands)
(Unaudited)

	Common Stock					
	Shares	Amount	Retained Earnings	Noncontrolling Interest	Accumulated Other Comprehensive Loss	Total
Balance at December 31, 2021	19,724	$ 133,382	$ 35,025	$ 3,202	$ (10,205)	$ 161,404
Share-based compensation expense	—	801	—	—	—	801
Shares issued from the exercise of stock options and vesting of restricted stock units, net of shares exchanged for withholding tax	218	(795)	—	—	—	(795)
Repurchase of common stock	(451)	(7,971)	—	—	—	(7,971)
Net income (loss)	—	—	(2,950)	264	—	(2,686)
Other comprehensive loss	—	—	—	—	(975)	(975)
Balance at March 31, 2022	19,491	$ 125,417	$ 32,075	$ 3,466	$ (11,180)	$ 149,778
Share-based compensation expense	—	540	—	—	—	540
Shares issued from the exercise of stock options and vesting of restricted stock units, net of shares exchanged for withholding tax	58	(334)	—	—	—	(334)
Repurchase of common stock	(290)	(4,000)	—	—	—	(4,000)
Net income	—	—	516	436	—	952
Other comprehensive loss	—	—	—	—	(2,457)	(2,457)
Balance at June 30, 2022	19,259	$ 121,623	$ 32,591	$ 3,902	$ (13,637)	$ 144,479
Share-based compensation expense	—	593	—	—	—	593
Repurchase of common stock	(93)	(974)	—	—	—	(974)
Net income	—	—	90	110	—	200
Other comprehensive loss	—	—	—	—	(2,544)	(2,544)
Balance at September 30, 2022	19,166	$ 121,242	$ 32,681	$ 4,012	$ (16,181)	$ 141,754

	Common Stock					
	Shares	Amount	Retained Earnings	Noncontrolling Interest	Accumulated Other Comprehensive Loss	Total
Balance at December 31, 2020	19,697	$ 139,311	$ 26,030	$ 1,848	$ (9,955)	$ 157,234
Share-based compensation expense	—	1,005	—	—	—	1,005
Shares issued from the exercise of stock options and vesting of restricted stock units, net of shares exchanged for withholding tax	218	(914)	—	—	—	(914)
Cash dividends ($1.00 per share)	—	—	(19,858)	—	—	(19,858)
Net income	—	—	4,016	136	—	4,152
Other comprehensive loss	—	—	—	—	(121)	(121)
Balance at March 31, 2021	19,915	$ 139,402	$ 10,188	$ 1,984	$ (10,076)	$ 141,498
Share-based compensation expense	—	1,066	—	—	—	1,066
Shares issued from the exercise of stock options and vesting of restricted stock units, net of shares exchanged for withholding tax	152	(660)	—	—	—	(660)
Repurchase of common stock	(77)	(1,500)	—	—	—	(1,500)
Net income	—	—	6,540	254	—	6,794
Other comprehensive loss	—	—	—	—	(45)	(45)
Balance at June 30, 2021	19,990	$ 138,308	$ 16,728	$ 2,238	$ (10,121)	$ 147,153
Share-based compensation expense	—	886	—	—	—	886
Shares issued from the exercise of stock options and vesting of restricted stock units, net of shares exchanged for withholding tax	58	(442)	—	—	—	(442)
Repurchase of common stock	(273)	(4,500)	—	—	—	(4,500)
Net income	—	—	4,858	600	—	5,458
Other comprehensive loss	—	—	—	—	(925)	(925)
Balance at September 30, 2021	19,775	$ 134,252	$ 21,586	$ 2,838	$ (11,046)	$ 147,630

See accompanying notes to condensed consolidated financial statements.

NATURE’S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands)
(Unaudited)

	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ (1,534)	$ 16,404
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Provision for doubtful accounts	1,017	—
Depreciation and amortization	8,112	8,276
Non-cash lease expense	3,859	4,043
Share-based compensation expense	1,934	2,957
Loss on sale of property, plant and equipment	—	24
Deferred income taxes	5,967	2,891
Purchase of trading investment securities	(26)	(30)
Proceeds from sale of trading investment securities	102	175
Realized and unrealized gains (losses) on investments	195	(62)
Foreign exchange losses	2,938	2,483
Changes in assets and liabilities:		
Accounts receivable	(3,233)	(2,054)
Inventories	(10,809)	(10,771)
Prepaid expenses and other current assets	(116)	(1,787)
Other assets	368	(267)
Accounts payable	(1,626)	421
Accrued volume incentives and service fees	(253)	2,750
Accrued liabilities	(5,172)	(1,646)
Deferred revenue	(2,040)	(551)
Lease liabilities	(3,692)	(4,170)
Income taxes payable	1,201	1,316
Liability related to unrecognized tax benefits	213	(87)
Deferred compensation payable	(271)	(34)
Net cash provided by (used in) operating activities	(2,866)	20,281
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(4,730)	(4,626)
Net cash used in investing activities	(4,730)	(4,626)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments of cash dividends	—	(19,858)
Principal payments of long-term debt	(931)	(1,001)
Proceeds from revolving credit facility	31,538	—
Principal payments of revolving credit facility	(31,538)	—
Principal payments of related party borrowing	(300)	(600)
Payments related to tax withholding for net-share settled equity awards	(1,129)	(2,016)
Repurchase of common stock	(12,945)	(6,000)
Net cash used in financing activities	(15,305)	(29,475)
Effect of exchange rates on cash and cash equivalents	(6,299)	(2,714)
Net decrease in cash and cash equivalents	(29,200)	(16,534)
Cash and cash equivalents at the beginning of the period	86,184	92,069
Cash and cash equivalents at the end of the period	$ 56,984	$ 75,535
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for income taxes, net of refunds	$ 3,386	$ 4,431
Cash paid for interest	195	156

See accompanying notes to condensed consolidated financial statements.

NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(1) Basis of Presentation

We are a natural health and wellness company primarily engaged in the manufacture and sale of nutritional and personal care products. We are a Utah corporation with our principal place of business in Lehi, Utah, and sell our products directly to customers and to a sales force of independent consultants who use the products themselves or resell them to consumers.

Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. The unaudited condensed consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany accounts and transactions are eliminated in consolidation. In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of normal recurring accruals), considered necessary for a fair presentation of our financial information as of September 30, 2022, and for the three and nine-month periods ended September 30, 2022 and 2021. The results of operations of any interim period are not necessarily indicative of the results of operations to be expected for the year ending December 31, 2022.

These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2021.

Use of Estimates

The preparation of consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities, in these financial statements and accompanying notes. Actual results could differ from these estimates and those differences could have a material effect on our financial position and results of operations.

The significant accounting estimates inherent in the preparation of our financial statements include estimates associated with our determination of liabilities related to independent consultant incentives, the determination of income tax assets and liabilities, certain other non-income tax and value-added tax contingencies, and legal contingencies. In addition, significant estimates form the basis for allowances with respect to inventory valuations. Various assumptions and other factors enter into the determination of these significant estimates. The process of determining significant estimates takes into account historical experience and current and expected economic conditions.

Noncontrolling Interests

Noncontrolling interests changed as a result of the net income attributable to noncontrolling interests of $0.1 million and $0.8 million for the three and nine months ended September 30, 2022, respectively. Net income attributable to the noncontrolling interests was $0.6 million and $1.0 million for the three and nine months ended September 30, 2021, respectively. As of September 30, 2022 and December 31, 2021, noncontrolling interests were $4.0 million and $3.2 million, respectively.

Restructuring Related Accruals and Expenses

We recorded $0.1 million and $0.4 million of restructuring related expenses during the three and nine months ended September 30, 2022, respectively. We recorded $0 and $48,000 of restructuring related expenses during the three and nine months ended September 30, 2021, respectively. Accrued severance and restructuring related costs were $0 and $0.2 million as of September 30, 2022 and December 31, 2021, respectively.

Recent Accounting Pronouncements

In March 2020, the FASB issued ASU No. 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting. This ASU provides optional guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. The amendments in this update are elective and subject to meeting certain criteria that have contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. This could affect balances of right of use assets, lease liabilities, and notes payables. The amendments in this update are effective as of March 12, 2020 through December 21, 2022. The adoption of this ASU is not expected to have a significant impact on our Consolidated Financial Statements.

(2) Inventories

The composition of inventories is as follows (dollar amounts in thousands):

	September 30, 2022	December 31, 2021
Raw materials	$ 26,394	$ 22,494
Work in progress	1,880	1,746
Finished goods	39,329	36,612
Total inventories	$ 67,603	$ 60,852

(3) Investment Securities - Trading

Our trading securities portfolio totaled $0.7 million at September 30, 2022, and $1.0 million at December 31, 2021, and generated losses of $25,000 and $4,000 for the three months ended September 30, 2022 and 2021, respectively, and losses of $0.2 million and gains of $0.1 million for the nine months ended September 30, 2022 and 2021, respectively.

(4) Revolving Credit Facility and Other Obligations

On July 11, 2017, we entered into a revolving credit agreement with Bank of America, N.A., with a borrowing limit of $25.0 million (the “Credit Agreement”). On June 23, 2022 the credit agreement was amended to extend the term to mature on July 1, 2027 and allows for additional borrowings of $25.0 million or up to three separate increases of no less than $5.0 million each, subject to the lender's due diligence. The amendment to the credit agreement also modified the calculation of interest. Interest under the amended Credit Agreement is the greater of BSBY Daily Floating Rate or the Index Floor, plus 1.50 percent (4.62 percent as of September 30, 2022), and an annual commitment fee of 0.25 percent on the unused portion of the commitment. At September 30, 2022 and December 31, 2021, there was no outstanding balance under the Credit Agreement.

The Credit Agreement contains customary financial covenants, including financial covenants relating to our solvency and leverage. In addition, the Credit Agreement restricts certain capital expenditures, lease expenditures, other indebtedness, liens on assets, guarantees, loans and advances, dividends, mergers, consolidations and transfers of assets except as permitted in the Credit Agreement. The Credit Agreement is collateralized by our manufacturing facility, accounts receivable, inventories and other assets. As of September 30, 2022, we were in compliance with the debt covenants set forth in the Credit Agreement.

On April 21, 2020, we entered into a credit agreement with Banc of America Leasing and Capital, LLC, with a borrowing limit of $6.0 million (the "Capital Credit Agreement"). On November 19, 2020, we executed on the Capital Credit Agreement and borrowed $3.7 million. We pay interest on any borrowings under the Capital Credit Agreement at a fixed rate of 3.00 percent and are required to settle our borrowings under the Capital Credit Agreement in 36 monthly payments of $0.1 million. The Capital Credit Agreement is collateralized by any new equipment purchased under the agreement. As of September 30, 2022, there was $1.5 million outstanding balance under the Capital Credit Agreement, of which $1.3 million was classified as current.

(5) Net Income Per Share

Basic net income per common share (“Basic EPS”), is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted net income per common share (“Diluted EPS”) reflects the potential dilution that could occur if stock options or other contracts to issue common stock were exercised or converted into common stock. The computation of Diluted EPS does not assume exercise or conversion of securities that would have an anti-dilutive effect on net income per common share.

Following is a reconciliation of the numerator and denominator of Basic EPS to the numerator and denominator of Diluted EPS for the three and nine months ended September 30, 2022 and 2021 (dollar and share amounts in thousands, except for per share information):

	Three Months Ended September 30,		Nine Months Ended September 30,		
	2022	2021	2022		2021
Net income (loss) attributable to common shareholders	$ 90	$ 4,858	$ (2,344)		$ 15,414
Basic weighted average shares outstanding	19,198	19,894	19,384		19,896
Basic earnings (loss) per share attributable to common shareholders	$ —	$ 0.24	$ (0.12)		$ 0.77
Diluted shares outstanding:					
Basic weighted-average shares outstanding	19,198	19,894	19,384		19,896
Stock-based awards	284	481	—		396
Diluted weighted-average shares outstanding	19,482	20,375	19,384		20,292
Diluted earnings (loss) per share attributable to common shareholders	$ —	$ 0.24	$ (0.12)		$ 0.76
Dilutive shares excluded from diluted-per-share amounts:					
Stock options	576	460	—		460
Anti-dilutive shares excluded from diluted-per-share amounts:					
Stock options	25	—	576	(1)	—

(1) As a result of the net loss for the nine months ended September 30, 2022, no potentially dilutive securities are included in the calculation of diluted loss per share because such effect would be anti-dilutive. Potentially dilutive securities for the nine months ended September 30, 2022 include 576 restricted stock units.

Potentially dilutive shares excluded from diluted-per-share amounts include performance-based options to purchase shares of common stock for which certain earnings metrics have not been achieved. Potentially anti-dilutive shares excluded from diluted-per-share amounts include both non-qualified stock options and unearned performance-based options to purchase shares of common stock with exercise prices greater than the weighted- average share price during the period and shares that would be anti-dilutive to the computation of diluted net income per share for each of the periods presented.

(6) Capital Transactions

Dividends

On March 10, 2021, we announced a special non-recurring cash dividend of $1.00 per common share in an aggregate amount of $19.9 million that was paid on April 5, 2021, to shareholders of record on March 29, 2021. In accordance with the provisions of our 2012 Stock Incentive Plan (the "2012 Incentive Plan"), as a result of the special dividend we are required to make the participant's original grant whole by preventing either dilution or enlargement of the benefits or potential benefits intended by the original grant. The 2012 Incentive Plan provides our Compensation Committee with the discretion to meet this requirement. See further discussion in the Share-Based Compensation section of this Note.

The declaration of future dividends is subject to the discretion of our Board of Directors and will depend upon various factors, including our earnings, financial condition, restrictions imposed by any indebtedness that may be outstanding, cash requirements, future prospects and other factors deemed relevant by our Board of Directors.

Share Repurchase Program

On March 10, 2021, we announced a $15.0 million common share repurchase program. On March 8, 2022 we announced an amendment to the share repurchase program allowing the repurchase of an additional $30.0 million in common shares. The repurchases may be made from time to time as market conditions warrant and are subject to regulatory considerations. For the nine months ended September 30, 2022 and 2021, we repurchased 834,000 and 350,000 shares of our common stock for $12.9 million and $6.0 million, respectively. At September 30, 2022, the remaining balance available for repurchases under the program was $24.6 million.

Share-Based Compensation

During the year ended December 31, 2012, our shareholders adopted and approved the Nature's Sunshine Products, Inc. 2012 Stock Incentive Plan. The 2012 Incentive Plan provides for the grant of incentive stock options, non-statutory stock options, stock appreciation rights, restricted stock, restricted stock units, dividend equivalent rights, performance awards, stock awards and other stock-based awards. The Compensation Committee of the Board of Directors has authority and discretion to determine the type of award, as well as the amount, terms and conditions of each award under the 2012 Incentive Plan, subject to the limitations of the 2012 Incentive Plan. A total of 1,500,000 shares of our common stock were originally authorized for the granting of awards under the 2012 Incentive Plan. In 2015, our shareholders approved an amendment to the 2012 Incentive Plan, to increase the number of shares of common stock reserved for issuance by 1,500,000 shares. On May 5, 2021, our shareholders approved the Amended and Restated 2012 Stock Incentive Plan, which among other amendments, increased the number of shares of common stock reserved for issuance by 2,000,000 shares. The number of shares available for awards, as well as the terms of outstanding awards, are subject to adjustment as provided in the Amended and Restated 2012 Incentive Plan for stock splits, stock dividends, recapitalizations and other similar events.

Stock Options

Our outstanding stock options include time-based stock options, which vest over differing periods of time ranging from the date of issuance to up to 48 months from the option grant date, and performance-based stock options, which have already vested upon achieving operating income margins of six, eight and ten percent as reported in four of five consecutive quarters over the term of the options.

Stock option activity for the nine-month period ended September 30, 2022, is as follows (amounts in thousands, except per share information):

	Number of Shares	Weighted Average Exercise Price Per Share		Weighted Average Grant Date Fair Value	
Options outstanding at December 31, 2021	172	$	12.13	$	5.05
Granted	—		—		—
Forfeited or canceled	—		—		—
Exercised	(29)		9.17		3.92
Options outstanding at September 30, 2022	143	$	12.72	$	5.28

There was no share-based compensation expense for the three- and nine-month periods ended September 30, 2022 and 2021. As of September 30, 2022 and December 31, 2021, there was no unrecognized share-based compensation expense related to the grants described above.

At September 30, 2022, the aggregate intrinsic value of outstanding and exercisable stock options to purchase 143,000 shares of common stock was $0. At December 31, 2021, the aggregate intrinsic value of outstanding and exercisable options to purchase 172,000 shares of common stock was $1.1 million.

For the nine-month periods ended September 30, 2022 and 2021, we issued 29,000 and 53,000 shares of common stock upon the exercise of stock options at an average exercise price of $9.17 and $12.00 per share, respectively. The aggregate intrinsic value of options exercised during the nine-month periods ended September 30, 2022 and 2021, was $0.3 million and $0.4 million, respectively. For the nine-month periods ended September 30, 2022 and 2021, the Company recognized $0.1 million and $0.2 million of tax benefits from the exercise of stock options, respectively.

As of September 30, 2022 and December 31, 2021, we did not have any unvested stock options outstanding.

Restricted Stock Units

Our outstanding restricted stock units (“RSUs”), include time-based RSUs, which vest over differing periods of time ranging from 12 months to up to 36 months from the RSU grant date, as well as performance-based RSUs, which vest upon achieving targets relating adjusted EBITDA growth, and/or stock price levels. RSUs granted to members of the Board of Directors contain a restriction period in which the shares are not issued until two years after vesting. At September 30, 2022 and December 31, 2021, there were 81,000 and 88,000 vested RSUs, respectively, granted to the Board of Directors with an accompanying restriction period.

Restricted stock unit activity for the nine-month period ended September 30, 2022, is as follows (amounts in thousands, except per share information):

	Number of Shares	Weighted Average Grant Date Fair Value
Restricted Stock Units outstanding at December 31, 2021	830	$ 9.46
Granted	796	10.53
Forfeited	(271)	9.14
Issued	(329)	7.50
Restricted Stock Units outstanding at September 30, 2022	1,026	11.00

During the nine-month period ended September 30, 2022, we granted 796,000 RSUs under the 2012 Incentive Plan to the Board of Directors, executive officers and other employees, which were comprised of time-based RSUs, and share-priced and adjusted EBITDA performance-based RSUs. The time-based RSUs were issued with a weighted-average grant date fair value of $11.44 per share and vest in 12 monthly installments over a one year period from the grant date or in annual installments over a three-year period from the grant date. The share-priced performance-based RSUs were issued with a weighted-average grant date fair value of $6.01 per share and vest upon achieving share-priced targets over a three-year period from the grant date. The adjusted EBITDA performance-based RSUs were issued with a weighted-average grant date fair value of $11.00 per share and vest upon achieving adjusted EBITDA targets over a four-year period from the grant date.

Except for share-priced performance RSUs, RSUs are valued at market value on the date of grant, which is the grant date share price discounted for expected dividend payments during the vesting period. For RSUs with post-vesting restrictions, a Finnerty Model was utilized to calculate a valuation discount from the market value of common shares reflecting the restriction embedded in the RSUs preventing the sale of the underlying shares over a certain period of time. Using assumptions previously determined for the application of the option pricing model at the valuation date, the Finnerty Model discount for lack of marketability is approximately 12.9 percent for a common share.

Share-price performance-based RSUs were estimated using the Monte Carlo simulation model. The Monte Carlo simulation model utilizes multiple input variables to estimate the probability that market conditions will be achieved. Our assumptions include a performance period of three years, expected volatility of 50.1 percent, and a risk-free rate of 3.3 percent.

Share-based compensation expense related to time-based RSUs for the three-month periods ended September 30, 2022 and 2021, was approximately $0.3 million and $0.6 million, respectively. Share-based compensation expense related to time-based RSUs for the nine-month periods ended September 30, 2022 and 2021, was approximately $1.2 million and $1.6 million, respectively. As of September 30, 2022 and December 31, 2021, the unrecognized share-based compensation expense related to the grants described above, excluding incentive awards discussed below, was $3.1 million and $1.6 million, respectively. The remaining compensation expense is expected to be recognized over the weighted average period of approximately 0.8 years.

Share-based compensation expense related to performance-based RSUs for the three-month periods ended September 30, 2022 and 2021, was $0.2 million and $0.3 million, respectively. Share-based compensation expense related to performance-based RSUs for the nine-month periods ended September 30, 2022 and 2021, was $0.7 million and $1.2 million, respectively. Should we attain all of the metrics related to performance-based RSU grants, we would recognize up to $1.8 million of potential share-based compensation expense.

The number of shares issued upon vesting of RSUs granted pursuant to our share-based compensation plans is net of the minimum statutory withholding requirements that we pay on behalf of our employees, which was 80,000 and 150,000 shares for the nine-month periods ended September 30, 2022 and 2021, respectively. Although shares withheld are not issued, they are treated as common share repurchases for accounting purposes, as they reduce the number of shares that would have been issued upon vesting. These shares do not count against the authorized capacity under the repurchase program described above.

(7) Segment Information

We have four business segments (Asia, Europe, North America, and Latin America and Other) based primarily upon the geographic region where each segment operates, as well as the internal organization of our officers and their responsibilities. The geographic segments operate under the Nature’s Sunshine Products and Synergy WorldWide® brands. The Latin America and Other segment includes our wholesale business in which we sell products to various locally-managed entities independent of the Company that we have granted distribution rights for the relevant market.

Net sales for each segment have been reduced by intercompany sales as they are not included in the measure of segment profit or loss reviewed by the chief executive officer. We evaluate performance based on contribution margin by segment before consideration of certain inter-segment transfers and expenses.

Reportable business segment information is as follows (dollar amounts in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net sales:				
Asia	$ 47,878	$ 48,417	$ 141,370	$ 127,708
Europe	19,328	21,813	58,204	65,468
North America	31,504	37,738	101,567	112,872
Latin America and Other	5,796	6,778	18,020	20,097
Total net sales	104,506	114,746	319,161	326,145
Contribution margin (1):				
Asia	21,268	21,421	64,639	55,203
Europe	7,189	6,959	18,157	20,343
North America	10,839	17,193	35,858	48,892
Latin America and Other	2,508	3,961	7,703	11,355
Total contribution margin	41,804	49,534	126,357	135,793
Selling, general and administrative expenses (2)	36,792	39,528	114,281	108,666
Operating income	5,012	10,006	12,076	27,127
Other loss, net	(2,281)	(886)	(3,037)	(2,290)
Income before provision for income taxes	$ 2,731	$ 9,120	$ 9,039	$ 24,837

(1) Contribution margin consists of net sales less cost of sales and volume incentives expense.

(2) Service fees in China totaled $2.5 million and $11.3 million for the three and nine-month periods ended September 30, 2022, respectively, compared to $5.2 million and $11.7 million for the three and nine-month periods ended September 30, 2021. These service fees are included in selling, general and administrative expenses.

From an individual country/region perspective, the United States, South Korea and Taiwan comprise 10 percent or more of consolidated net sales for the three and nine-month periods ended September 30, 2022 and 2021, as follows (dollar amounts in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net sales:				
United States	$ 29,077	$ 34,960	$ 93,789	$ 104,258
South Korea	14,967	15,985	43,085	48,340
Taiwan	13,465	7,361	35,148	14,860
Other	46,997	56,440	147,139	158,687
	$ 104,506	$ 114,746	$ 319,161	$ 326,145

Net sales generated by each of our product lines is set forth below (dollar amounts in thousands):

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Asia				
General health	$ 14,705	$ 13,150	$ 40,010	$ 37,140
Immune	654	463	2,779	1,048
Cardiovascular	14,626	13,018	41,498	35,181
Digestive	8,599	10,427	28,625	25,045
Personal care	2,758	4,201	7,384	12,015
Weight management	6,536	7,158	21,074	17,279
	47,878	48,417	141,370	127,708
Europe				
General health	$ 8,638	$ 9,308	$ 25,162	$ 28,447
Immune	1,899	2,285	5,973	6,119
Cardiovascular	2,385	2,774	7,168	8,602
Digestive	4,849	5,700	14,921	16,807
Personal care	1,087	1,167	3,529	3,592
Weight management	470	579	1,451	1,901
	19,328	21,813	58,204	65,468
North America				
General health	$ 14,241	$ 16,573	$ 44,509	$ 49,192
Immune	3,546	5,056	12,479	14,031
Cardiovascular	3,427	4,171	11,162	12,406
Digestive	8,096	9,079	25,734	28,558
Personal care	1,397	1,978	4,961	5,631
Weight management	797	881	2,722	3,054
	31,504	37,738	101,567	112,872
Latin America and Other				
General health	$ 1,597	$ 1,959	$ 5,012	$ 5,807
Immune	709	806	2,225	2,314
Cardiovascular	438	448	1,250	1,351
Digestive	2,569	2,941	7,961	8,813
Personal care	329	406	1,050	1,149
Weight management	154	218	522	663
	5,796	6,778	18,020	20,097
	$ 104,506	$ 114,746	$ 319,161	$ 326,145

From an individual country perspective, only the United States comprised 10 percent or more of consolidated property, plant and equipment as follows (dollar amounts in thousands):

	September 30, 2022	December 31, 2021
Property, plant and equipment:		
United States	$ 43,886	$ 46,595
Other	3,468	4,262
Total property, plant and equipment, net	$ 47,354	$ 50,857

Total assets per segment is set forth below (dollar amounts in thousands):

	September 30, 2022	December 31, 2021
Assets:		
Asia	$ 89,570	$ 104,659
Europe	16,872	15,486
North America	110,087	131,207
Latin America and Other	6,979	7,522
Total assets	$ 223,508	$ 258,874

(8) Income Taxes

For the three months ended September 30, 2022 and 2021, our provision for income taxes, as a percentage of income before income taxes was 92.7 percent and 40.2 percent, respectively, compared with a U.S. federal statutory rate of 21.0 percent. For the nine months ended September 30, 2022 and 2021, our provision for income taxes, as a percentage of income before income taxes was 117.0 percent and 34.0 percent, respectively, compared with a U.S. federal statutory rate of 21.0 percent.

The difference between the effective tax rate and the U.S. federal statutory tax rate for the three and nine months ended September 30, 2022, was primarily attributed to recording a valuation allowance against deferred tax assets for which we do not expect to receive a benefit.

The difference between the effective tax rate and the U.S. federal statutory tax rate for the three and nine months ended September 30, 2021, was primarily attributed to an increase in tax liability associated with transfer pricing adjustments, non-deductible executive compensation, and net unfavorable foreign tax related items, partially offset by favorable deductions for stock compensation.

The difference between the effective tax rate for the three and nine months ended September 30, 2022 compared to September 30, 2021 is primarily caused by recording a valuation allowance in the current period against deferred tax assets for which we do not expect to receive a benefit.

Our U.S. federal income tax returns for 2018 through 2021 are open to examination for federal tax purposes. We have several foreign tax jurisdictions with open tax years from 2016 through 2021.

As of September 30, 2022 and December 31, 2021, we have accrued $0.2 million and $0, respectively, related to unrecognized tax positions.

Interim income taxes are based on an estimated annualized effective tax rate applied to the respective quarterly periods, adjusted for discrete tax items in the period in which they occur. Although we believe our tax estimates are reasonable, we can make no assurance that the final tax outcome of these matters will not be different from that which we have reflected in our historical income tax provisions and accruals. Such differences could have a material impact on our income tax provision and operating results in the period in which we make such determination.

(9) Commitments and Contingencies

Legal Proceedings

We are party to various legal proceedings and disputes. Management cannot predict the ultimate outcome of these matters, individually or in the aggregate, or their resulting effect on our business, financial position, results of operations or cash flows as litigation and related matters are subject to inherent uncertainties, and unfavorable rulings could occur. Were an unfavorable outcome to occur, there exists the possibility of a material adverse impact on our business, financial position, results of operations, or cash flows for the period in which the ruling occurs and/or future periods. We maintain product liability, general liability and excess liability insurance coverage. However, insurance may not continue to be available at an acceptable cost to us, such coverage may not be sufficient to cover one or more large claims, or the insurers may successfully disclaim coverage as to a pending or future claim.

Non-Income Tax Contingencies

We have reserved for certain state sales and use tax and foreign non-income tax contingencies based on the likelihood of an obligation in accordance with accounting guidance for probable loss contingencies. Loss contingency provisions are recorded for probable losses at management's best estimate of a loss, or when a best estimate cannot be made, a minimum loss contingency amount is recorded. We provide provisions for potential payments of tax to various tax authorities for contingencies related to non-income tax matters, including value-added taxes and sales tax. We provide provisions for U.S. state sales taxes in each of the states where we have nexus. As of September 30, 2022 and December 31, 2021, accrued liabilities were $0.2 million and $0.2 million, respectively, related to non-income tax contingencies. While we believe that the assumptions and estimates used to determine contingent liabilities are reasonable, the ultimate outcome of these matters cannot presently be determined. We believe future payments related to these matters could range from $0 to approximately $2.7 million.

Other Litigation

We are a party to various other legal proceedings and disputes in the United States and foreign jurisdictions. As of September 30, 2022 and December 31, 2021, accrued liabilities were $0.6 million and $0.5 million, respectively, related to the estimated outcome of these proceedings. In addition, we are a party to other litigation where there is a reasonable possibility that a loss may be incurred, but either the losses are not considered to be probable or we cannot at this time estimate the loss, if any; therefore, no provision for losses has been provided. We believe future payments related to these matters could range from $0 to approximately $0.3 million.

(10) Related Party Transactions

During the three and nine months ended September 30, 2022 and 2021, our joint venture in China ("NSP China"), owned 80 percent by us and 20 percent by a wholly owned subsidiary of Fosun Pharma, did not borrow any amounts from the Company or our joint venture partner. As of September 30, 2022 and December 31, 2021 outstanding borrowings by NSP China from the Company were $0 and $1.2 million, respectively. As of September 30, 2022 and December 31, 2021 outstanding borrowings by NSP China from our joint venture partner were $0 and $0.3 million, respectively. These notes were payable in less than one year and bore interest of 3.0 percent. The notes between NSP China and the Company are eliminated in consolidation. In March 2022, the outstanding principal and interest amounts were repaid.

(11) Fair Value Measurements

The fair value of a financial instrument is the amount that could be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets are marked to bid prices and financial liabilities are marked to offer prices. Fair value measurements do not include transaction costs. A fair value hierarchy is used to prioritize the quality and reliability of the information used to determine fair values of each financial instrument. Categorization within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The fair value hierarchy is defined into the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

The following table presents our hierarchy for our assets, measured at fair value on a recurring basis, as of September 30, 2022 (dollar amounts in thousands):

	Level 1 Quoted Prices in Active Markets for Identical Assets	Level 2 Significant Other Observable Inputs	Level 3 Significant Unobservable Inputs	Total
Investment securities - trading	$ 692	$ —	$ —	$ 692
Total assets measured at fair value on a recurring basis	$ 692	$ —	$ —	$ 692

The following table presents our hierarchy for our assets, measured at fair value on a recurring basis, as of December 31, 2021 (dollar amounts in thousands):

	Level 1	Level 2	Level 3	
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	Total
Investment securities - trading	$ 964	$ —	$ —	$ 964
Total assets measured at fair value on a recurring basis	$ 964	$ —	$ —	$ 964

Investment securities - trading — Our trading portfolio consists of various marketable securities that are valued using quoted prices in active markets.

For the nine months ended September 30, 2022 and for the year ended December 31, 2021, there were no fair value measurements using significant other observable inputs (Level 2) or significant unobservable inputs (Level 3).

The carrying amounts reflected on the condensed consolidated balance sheets for cash and cash equivalents, accounts receivable, and accounts payable approximate fair value due to their short-term nature. The carrying value of our debt approximates fair value due to its recent acquisition and short maturity. During the nine months ended September 30, 2022 and 2021, we did not have any re-measurements of non-financial assets at fair value on a nonrecurring basis subsequent to their initial recognition.

(12) Revenue Recognition

Revenue Recognition

Net sales include sales of products and shipping and handling charges, net of estimates for product returns and any related sales incentives or rebates based upon historical information and current trends. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring products. All revenue is recognized when we satisfy our performance obligations under the contract. We recognize revenue by transferring the promised products to the customer, with revenue recognized at shipping point, the point in time the customer obtains control of the products. The majority of our contracts have a single performance obligation and are short term in nature. Contracts with multiple performance obligations are insignificant. Sales taxes and value-added taxes in the United States and foreign jurisdictions that are collected from customers and remitted to governmental authorities are accounted for on a net basis and therefore are excluded from net sales. Amounts received for unshipped merchandise are recorded as deferred revenue. Amounts for membership fees are deferred and amortized as revenue over the life of the membership, primarily one year.

A reserve for product returns is recorded based upon historical experience and current trends. We allow independent consultants to return the unused portion of products within ninety days of purchase if they are not satisfied with the product. In some of our markets, the requirements to return product are more restrictive.

From time to time, our U.S. operations extend short-term credit associated with product promotions. In addition, for certain of our international operations, we offer credit terms consistent with industry standards within the country of operation.

Volume incentives and other sales incentives or rebates are a significant part of our direct sales marketing program and represent commission payments made to independent consultants. These payments are designed to provide incentives for reaching higher sales levels. The amount of volume incentive expense recognized is determined based upon the amount of qualifying purchases in a given month and recorded as volume incentive expense. Payments to independent consultants for sales incentives or rebates related to their own purchases are recorded as a reduction of revenue. Some payments for sales incentives are processed daily; while others, including rebates, are calculated monthly based upon qualifying sales.

Disaggregation of Revenue

Our products are grouped into six principal categories: general health, immune, cardiovascular, digestive, personal care and weight management. We havefour business segments that are based primarily upon the geographic region where each segment operates. Each of the geographic segments operate under the Nature’s Sunshine Products and Synergy WorldWide® brands. See Note 7, Segment Information, for further information on our reportable segments and presentation of disaggregated revenue by reportable segment and product category.

Practical Expedients and Exemptions

We have made the accounting policy election to treat shipping and handling as a fulfillment activity rather than a promised service under Topic 606.

We generally expense volume incentives when incurred because the amortization period would have been one year or less.

All of our contracts with customers have a duration of less thanone year. The value of any unsatisfied performance obligations is insignificant.

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

The following Management's Discussion and Analysis should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto included in this report, as well as the consolidated financial statements, the notes thereto, and management's discussion and analysis included in our Annual Report on Form 10-K for the year ended December 31, 2021, and our other reports filed since the date of such Form 10-K.

OVERVIEW

We are a natural health and wellness company primarily engaged in the manufacture and sale of nutritional and personal care products. We are a Utah corporation with our principal place of business in Lehi, Utah, and sell our products directly to customers and to a sales force of independent consultants who resell our products to consumers.

Our independent consultants market and sell our products to customers and sponsor other independent consultants who also market our products to customers. Because a significant amount of revenue is generated through the sales of our independent consultants, our revenue can be impacted by the number and productivity of our independent consultants. We seek to motivate and provide incentives to our independent consultants by offering high quality products, product support, training seminars, and financial incentives, among other considerations.

COVID-19

In or about December 2019, a novel strain of coronavirus, SARS-CoV-2 "COVID-19", began aggressively spreading throughout the world, including all the primary markets where we conduct business. As COVID-19 has spread throughout the world, it has impacted our markets differently. At various times during the course of the pandemic and throughout our markets, governments have issued orders and restrictions that have limited the ability of our consultants to meet with consumers, put downward pressure on our sales in many of our markets and added substantial uncertainties to our global supply chain. Different variants of COVID-19 continue to arise and spread in various places around the world. We continue to take actions to mitigate the effects COVID-19 may have on our business, such actions may ultimately be insufficient to avoid substantial impact on the consolidated financial statement or material health of the Company. At this time, the duration of any business disruption and related financial impact cannot be reasonably estimated.

Eastern Europe

On February 24, 2022, Russian forces launched significant military action against Ukraine. There continues to be sustained conflict and disruption in the region, which is expected to endure for the foreseeable future. Our consultants in our Russia and Other market, a market within our Europe business segment that includes Russia, Ukraine, Belarus and other Common Independent States in the region, continue to operate their independent businesses, albeit at a reduced level than prior to the start of the conflict. For the nine months ended September 30, 2022, we have recorded a pretax charge of $2.3 million, primarily related to the impairment of inventory, as well as accruals for contractual obligations related to Russian operations. We expect that this will continue to impact our business for the foreseeable future. We will continue monitoring the social, political, regulatory and economic environment in Ukraine and Russia, and will consider further actions as appropriate.

Net sales related to Russia and Other for the three and nine months ended September 30, 2022, were $13.3 million and $38.9 million, respectively, compared to $14.6 million and $42.9 million for the same periods in 2021. Operating income related to Russia and Other for the three and nine months ended September 30, 2022, was $1.0 million and $3.2 million, respectively, prior to the charges noted above, compared to $1.4 million and $4.1 million for the same periods in 2021. As of September 30, 2022, Russia and Other had assets of $5.9 million, net of working capital reserves, which primarily consisted of inventories and accounts receivable.

More broadly, there could be additional negative impacts to our net sales, earnings and cash flows should the situation escalate beyond its current scope, including, among other potential impacts, economic recessions in certain neighboring countries or globally due to inflationary pressures and supply chain cost increases or the geographic proximity of the war relative to the rest of Europe.

Inflation

In 2021, the inflation rate in the U.S. began to increase significantly. In 2022, the inflation rate increase accelerated and during the nine months ended September 30, 2022, was the highest in 40 years. Europe and other areas in which we do business are also experiencing higher levels of inflation. Our operations have been, and may continue to be, adversely impacted by inflation, primarily from higher costs of raw materials, labor, production, distribution and transportation costs.

In the third quarter of 2022, we experienced a decrease in our consolidated net sales of 8.9 percent (or 2.3 percent in local currencies) compared to the same period in 2021. Asia net sales decreased approximately 1.1 percent (or increased 11.9 percent in local currencies) compared to the same period in 2021. Europe net sales decreased approximately 11.4 percent (or 6.0 percent in local currencies) compared to the same period in 2021. North America net sales decreased approximately 16.5 percent (or 16.3 percent in local currencies) compared to the same period in 2021. Latin America and Other net sales decreased approximately 14.5 percent (or 13.3 percent in local currencies) compared to the same period in 2021. The strengthening of the U.S. dollar versus the local currencies, primarily in our Asian and European markets, resulted in an approximate 6.6 percent, or $7.6 million, decrease of our net sales during the quarter.

Cost of sales increased $0.2 million during the three months ended September 30, 2022, compared to the same period in 2021, and as a percentage of net sales were 28.4 percent and 25.6 percent for the three months ended September 30, 2022 and 2021, respectively. The increase in cost of sales percentage is primarily due to changes in inventory valuation reserves, changes in market mix, heightened inflation, and increases in raw materials, production and transportation costs. For the nine months ended September 30, 2022, we had incremental valuation charges of $5.0 million related to inventory. Of that amount, $1.7 million related to the conflict between Russia and Ukraine, and $3.3 million related to changes in forecasted demand and production issues, among other factors.

In absolute terms, selling, general and administrative expenses decreased $2.7 million during the three months ended September 30, 2022, compared to the same period in 2021, and as a percentage of net sales were 35.2 percent and 34.4 percent for the three months ended September 30, 2022 and 2021, respectively. The dollar decrease was primarily related to lower service fees that resulted from a decline in China's net sales, lower expenses relating to declines in Russia and Other's net sales, and lower compensation, partially offset by increases in the expected level of convention and distributor events.

As an international business, we have significant sales and costs denominated in currencies other than the U.S. Dollar. We expect foreign markets with functional currencies other than the U.S. Dollar will continue to represent a substantial portion of our overall sales and related operating expenses. Accordingly, changes in foreign currency exchange rates could materially affect sales and costs or the comparability of sales and costs from period to period as a result of translating foreign markets financial statements into our reporting currency.

RESULTS OF OPERATIONS

The following table summarizes our unaudited consolidated operating results from continuing operations in U.S. dollars and as a percentage of net sales for the three months ended September 30, 2022 and 2021 (dollar amounts in thousands):

	Three Months Ended September 30, 2022		Three Months Ended September 30, 2021		Change	
	Total dollars	Percent of net sales	Total dollars	Percent of net sales	Total dollars	Percentage
Net sales	$ 104,506	100.0 %	$ 114,746	100.0 %	$ (10,240)	(8.9) %
Cost of sales	29,632	28.4	29,419	25.6	213	0.7
Gross profit	74,874	71.6	85,327	74.4	(10,453)	(12.3)
Volume incentives	33,070	31.6	35,793	31.2	(2,723)	(7.6)
SG&A expenses	36,792	35.2	39,528	34.4	(2,736)	(6.9)
Operating income	5,012	4.8	10,006	8.7	(4,994)	(49.9)
Other loss, net	(2,281)	(2.2)	(886)	(0.8)	(1,395)	(157.4)
Income before income taxes	2,731	2.6	9,120	7.9	(6,389)	(70.1)
Provision for income taxes	2,531	2.4	3,662	3.2	(1,131)	(30.9)
Net income	$ 200	0.2 %	$ 5,458	4.8 %	$ (5,258)	(96.3) %

The following table summarizes our unaudited consolidated operating results from continuing operations in U.S. dollars and as a percentage of net sales for the nine months ended September 30, 2022 and 2021 (dollar amounts in thousands):

	Nine Months Ended September 30, 2022		Nine Months Ended September 30, 2021		Change	
	Total dollars	Percent of net sales	Total dollars	Percent of net sales	Total dollars	Percentage
Net sales	$ 319,161	100.0 %	$ 326,145	100.0 %	$ (6,984)	(2.1) %
Cost of sales	93,563	29.3	84,861	26.0	8,702	10.3
Gross profit	225,598	70.7	241,284	74.0	(15,686)	(6.5)
Volume incentives	99,241	31.1	105,491	32.3	(6,250)	(5.9)
SG&A expenses	114,281	35.8	108,666	33.3	5,615	5.2
Operating income	12,076	3.8	27,127	8.3	(15,051)	(55.5)
Other loss, net	(3,037)	(1.0)	(2,290)	(0.7)	(747)	(32.6)
Income before income taxes	9,039	2.8	24,837	7.6	(15,798)	(63.6)
Provision for income taxes	10,573	3.3	8,433	2.6	2,140	25.4
Net income (loss)	$ (1,534)	(0.5) %	$ 16,404	5.0 %	$ (17,938)	(109.4) %

Net Sales

International operations have provided, and are expected to continue to provide, a significant portion of our total net sales. As a result, total net sales will continue to be affected by fluctuations in the U.S. dollar against foreign currencies. In order to provide a framework for assessing how our underlying businesses performed excluding the effect of foreign currency fluctuations, in addition to comparing the percent change in net sales from one period to another in U.S. dollars, we present net sales excluding the impact of foreign exchange fluctuations. We compare the percentage change in net sales from one period to another period by excluding the effects of foreign currency exchange as shown below. Net sales excluding the impact of foreign exchange fluctuations is not a U.S. GAAP financial measure and removes from net sales in U.S. dollars the impact of changes in exchange rates between the U.S. dollar and the functional currencies of our foreign subsidiaries, by translating the current period net sales into U.S. dollars using the same foreign currency exchange rates that were used to translate the net sales for the previous comparable period. We believe presenting the impact of foreign currency fluctuations is useful to investors because it allows a more meaningful comparison of net sales of our foreign operations from period to period. However, net sales excluding the impact of foreign currency fluctuations should not be considered in isolation or as an alternative to net sales in U.S. dollar measures that reflect current period exchange rates, or to other financial measures calculated and presented in accordance with U.S. GAAP. Throughout the last five years, foreign currency exchange rates have fluctuated significantly. See Item 3. *Quantitative and Qualitative Disclosures about Market Risk.*

The following table summarizes the changes in net sales by operating segment with a reconciliation to net sales excluding the impact of currency fluctuations for the three months ended September 30, 2022 and 2021 (dollar amounts in thousands):

	Net Sales by Operating Segment				
	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Percent Change	Impact of Currency Exchange	Percent Change Excluding Impact of Currency
Asia	$ 47,878	$ 48,417	(1.1)%	$ (6,307)	11.9 %
Europe	19,328	21,813	(11.4)	(1,166)	(6.0)
North America	31,504	37,738	(16.5)	(89)	(16.3)
Latin America and Other	5,796	6,778	(14.5)	(81)	(13.3)
	$ 104,506	$ 114,746	(8.9)%	$ (7,643)	(2.3)%

The following table summarizes the changes in net sales by operating segment with a reconciliation to net sales excluding the impact of currency fluctuations for the nine months ended September 30, 2022 and 2021 (dollar amounts in thousands):

	Net Sales by Operating Segment				
	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021	Percent Change	Impact of Currency Exchange	Percent Change Excluding Impact of Currency
Asia	$ 141,370	$ 127,708	10.7 %	$ (12,515)	20.5 %
Europe	58,204	65,468	(11.1)	(2,607)	(7.1)
North America	101,567	112,872	(10.0)	(192)	(9.8)
Latin America and Other	18,020	20,097	(10.3)	(168)	(9.5)
	$ 319,161	$ 326,145	(2.1)%	$ (15,482)	2.6 %

Consolidated net sales for the three and nine months ended September 30, 2022, were $104.5 million and $319.2 million, respectively, compared to $114.7 million and $326.1 million for the same period in 2021, which represents decreases of 8.9 percent and 2.1 percent, respectively. The decrease was primarily related to product sales declines in our Europe, North America, and Latin America and Other operating segments. Excluding the impact of foreign currency exchange rate fluctuations, consolidated net sales for the three and nine months ended September 30, 2022, decreased 2.3 percent and increased 2.6 percent, respectively, from the same periods in 2021.

Asia

Net sales related to Asia for the three and nine months ended September 30, 2022, were $47.9 million and $141.4 million, respectively, compared to $48.4 million and $127.7 million for the same periods in 2021, or decrease of 1.1 percent and increase of 10.7 percent, respectively. In local currency, net sales for the three and nine months ended September 30, 2022, increased 11.9 percent and 20.5 percent, respectively, compared to the same periods in 2021.
Notable activity in the following markets contributed to the results of Asia:

In our South Korea market, net sales decreased $1.0 million and $5.3 million, or 6.4 percent and 10.9 percent, for the three and nine months ended September 30, 2022, respectively, compared to the same periods in 2021. In local currency, net sales for the three and nine months ended September 30, 2022, increased 7.7 percent and decreased 0.3 percent, respectively, compared to the same periods in 2021. The increase in local currency for the three months ended September 30, 2022, was primarily the result of product promotions intended to stimulate activity as well as an increase in demand for nutritional supplements. The decrease in local currency for the nine months ended September 30, 2022, was primarily the result of government restrictions in the market intended to slow the spread of COVID-19, which were not lifted until the second quarter.

In our Taiwan market, net sales increased $6.1 million and $20.3 million, or 82.9 percent and 136.5 percent, for the three and nine months ended September 30, 2022, compared to the same periods in 2021. In local currencies, net sales for the three and nine months ended September 30, 2022, increased 97.4 percent and 147.1 percent, compared to the same periods in 2021. We attribute the growth in net sales primarily to product promotions intended to stimulate activity as well as an increase in demand for nutritional supplements.

In our Japan market, net sales decreased $0.2 million and increased $3.0 million, or decreased 1.8 percent and increased 11.1 percent, for the three and nine months ended September 30, 2022, respectively, compared to the same periods in 2021. In local currencies, net sales for the three and nine months ended September 30, 2022, increased 22.0 percent and 30.3 percent, respectively, compared to the same periods in 2021. We attribute the growth in net sales primarily to product promotions intended to stimulate activity as well as an increase in demand for nutritional supplements.

In our China market, net sales decreased $4.3 million and $1.2 million, or 34.5 percent and 3.8 percent, for the three and nine months ended September 30, 2022, respectively, compared to the same periods in 2021. In local currencies, net sales for the three and nine months ended September 30, 2022, decreased 30.8 percent and 2.2 percent, respectively, compared to the same periods in 2021. The decrease in net sales was primarily the result of additional government restrictions in the market intended to slow the spread of COVID-19, which included lockdowns during the third quarter.

Europe

Net sales related to Europe for the three and nine months ended September 30, 2022, were $19.3 million and $58.2 million, respectively, compared to $21.8 million and $65.5 million for the same periods in 2021, or decreases of 11.4 percent and 11.1 percent, respectively. In local currency, net sales for the three and nine months ended September 30, 2022, decreased 6.0 percent and 7.1 percent, respectively, compared to the same periods in 2021. The functional currency for many of these markets is the U.S. Dollar which reduces the effect from foreign currency fluctuations. Fluctuations in foreign exchange rates had unfavorable impacts on net sales of $1.2 million and $2.6 million for the three and nine months ended September 30, 2022, respectively. Net sales decreased primarily as a result of conflict between Russia and Ukraine which has placed significant financial pressures on the surrounding Western and Eastern Europe markets, and customer sensitivity due to inflationary pressures, among other factors.

North America

Net sales related to North America for the three and nine months ended September 30, 2022, were $31.5 million and $101.6 million, respectively, compared to $37.7 million and $112.9 million for the same periods in 2021, or decreases of 16.5 percent and 10.0 percent, respectively. In local currency, net sales for the three and nine months ended September 30, 2022, decreased 16.3 percent and 9.8 percent, respectively, compared to the same periods in 2021.

In the United States, net sales decreased $5.9 million and $10.5 million, or 16.8 percent and 10.0 percent, for the three and nine months ended September 30, 2022, respectively, compared to the same periods in 2021. The decrease in sales was due primarily to a reduction in the average order size attributed to customer sensitivity due to inflationary pressures, among other factors.

Latin America and Other

Net sales related to Latin America and Other markets for the three and nine months ended September 30, 2022, were $5.8 million and $18.0 million, respectively, compared to $6.8 million and $20.1 million for the same periods in 2021, or decreases of 14.5 percent and 10.3 percent, respectively. In local currency, net sales for the three and nine months ended September 30, 2022, decreased 13.3 percent and 9.5 percent, respectively, compared to the same periods in 2021. Fluctuations in foreign currency had unfavorable impacts on net sales of $0.1 million and $0.2 million for the three and nine months ended September 30, 2022, respectively. The decrease in sales was due primarily to a reduction in the average order size attributed to customer sensitivity due to inflationary pressures, among other factors.

Further information related to our Asia, Europe, North America, and Latin America and Other business segments is set forth in Note 7 to the Unaudited Condensed Consolidated Financial Statements in Part 1, Item 1 of this report.

Cost of Sales

Cost of sales as a percent of net sales was 28.4 percent and 29.3 percent for the three and nine months ended September 30, 2022, compared to 25.6 percent and 26.0 percent for the same periods in 2021. The increase in cost of sales percentage is primarily due to changes in inventory valuation reserves as a result of the conflict between Russia and Ukraine, as well as reserves for other markets, changes in market mix, persistent inflation, unfavorable exchange rates, and increases in raw materials, production and transportation costs. For the nine months ended September 30, 2022, we had incremental valuation charges of $5.0 million related to inventory. Of that amount, $1.7 million related to the conflict between Russia and Ukraine, and $3.3 million related to changes in forecast demand and production issues, among other factors.

Volume Incentives

Volume incentives expense as a percent of net sales was 31.6 percent and 31.1 percent for the three and nine months ended September 30, 2022, respectively, compared to 31.2 percent and 32.3 percent for the same periods in 2021. These payments are designed to provide incentives for reaching certain sales levels. Volume incentives vary slightly, on a percentage basis, by product due to pricing policies and commission plans in place in our various operations. We do not pay volume incentives in China, instead we pay independent service fees which are included in selling, general and administrative expenses. Volume incentives as a percentage of net sales can fluctuate based on promotional activity and mix of sales by market. The increase in volume incentives as a percent of net sales for the three months ended September 30, 2022 is primarily due to change in market mix, reflecting growth in markets where volume incentives as a percentage of net sales are higher than the consolidated average, and the decline in China. The decrease for the nine months ended September 30, 2022 reflects cost savings from the September 2020 launch of our new consultant sales and compensation plan in North America and Latin America and Other.

Selling, General and Administrative

Selling, general and administrative expenses represent operating expenses, components of which include labor and benefits, sales events, professional fees, travel and entertainment, marketing, occupancy costs, communications costs, bank fees, depreciation and amortization, independent services fees paid in China, and other miscellaneous operating expenses.

Selling, general and administrative expenses decreased by $2.7 million and $5.6 million, respectively, to $36.8 million and $114.3 million for the three and nine months ended September 30, 2022, respectively, compared to the same periods in 2021. Selling, general and administrative expenses were 35.2 percent and 35.8 percent of net sales for the three and nine months ended September 30, 2022, compared to 34.4 percent and 33.3 percent for the same periods in 2021. The dollar decrease was primarily related to lower service fees that resulted from a decline in China's net sales, lower expenses relating to declines in Russia and Other's net sales, and lower compensation expense, partially offset by increases in consultant events, promotions and marketing.

Other Loss, Net

Other loss, net, for the three and nine months ended September 30, 2022, were losses of $2.3 million and $3.0 million, respectively, compared to $0.9 million and $2.3 million during the same periods in 2021, respectively. Other loss, net for the three and nine months ended September 30, 2022 primarily consisted of foreign exchange losses as a result of net changes in foreign currencies primarily in Asia, Europe and Latin America.

Income Taxes

For the three months ended September 30, 2022 and 2021, our provision for income taxes, as a percentage of income before income taxes was 92.7 percent and 40.2 percent, respectively, compared with a U.S. federal statutory rate of 21.0 percent. For the nine months ended September 30, 2022 and 2021, our provision for income taxes, as a percentage of income before income taxes was 117.0 percent and 34.0 percent, respectively, compared with a U.S. federal statutory rate of 21.0 percent.

The difference between the effective tax rate and the U.S. federal statutory tax rate for the three and nine months ended September 30, 2022, was primarily attributed to recording a valuation allowance against deferred tax assets for which we do not expect to receive a benefit.

The difference between the effective tax rate and the U.S. federal statutory tax rate for the three and nine months ended September 30, 2021, was primarily attributed to an increase in tax liability associated with transfer pricing adjustments, non-deductible executive compensation, and net unfavorable foreign tax related items, partially offset by favorable deductions for stock compensation.

The difference between the effective tax rate for the three and nine months ended September 30, 2022 compared to September 30, 2021 is primarily caused by recording a valuation allowance in the current period against deferred tax assets for which we do not expect to receive a benefit.

Our U.S. federal income tax returns for 2018 through 2021 are open to examination for federal tax purposes. We have several foreign tax jurisdictions that have open tax years from 2016 through 2021.

As of September 30, 2022 and December 31, 2021, we have accrued $0.2 million and $0, respectively, related to unrecognized tax positions.

Product Categories

Our line of over 700 products includes several different product classifications, such as immune, cardiovascular, digestive, personal care, weight management and other general health products. We purchase herbs and other raw materials in bulk and, after quality control testing, we formulate, encapsulate, tablet or concentrate them, label and package them for shipment. Most of our products are manufactured at our facility in Spanish Fork, Utah. Contract manufacturers produce some of our products in accordance with our specifications and standards. We have implemented quality control procedures to verify that our contract manufacturers have complied with our specifications and standards.

See Note 7, Segment Information, for a summary of the U.S. dollar amounts from the sale of general health, immune, cardiovascular, digestive, personal care and weight management products for the three and nine months ended September 30, 2022 and 2021, by business segment.

Distribution and Marketing

We market our products primarily through our network of independent consultants, who market our products to customers through direct selling techniques and sponsor other independent consultants who also market our products to customers. We seek to motivate and provide incentives to our independent consultants by offering high quality products and providing independent consultants with product support, training seminars, sales conventions, travel programs and financial incentives.

Our products sold in the United States are shipped directly from our manufacturing and warehouse facilities located in Spanish Fork, Utah, as well as from our regional warehouses located in Georgia, Ohio and Texas. Many of our international operations maintain warehouse facilities and inventory to supply their independent consultants. However, in foreign markets where we do not maintain warehouse facilities, we have contracted with third-parties to distribute our products and provide support services to our force of independent consultants.

In the United States, we generally sell our products on a cash or credit card basis. From time to time, our U.S. operations extend short-term credit associated with product promotions. For certain of our international operations, we use independent distribution centers and offer credit terms that are generally consistent with industry standards within each respective country.

We pay sales commissions, or “volume incentives” to our independent consultants based upon their own product sales and the product sales of their sales organization. As an exception, in China, we do not pay volume incentives; rather, we pay independent service fees, which are included in selling, general and administrative expenses. These volume incentives are recorded as an expense in the year earned. The amounts of volume incentives that we expensed during the quarters ended September 30, 2022 and 2021, are set forth in the Condensed Consolidated Financial Statements in Item 1 of this report. In addition to the opportunity to receive volume incentives, independent consultants who attain certain levels of monthly product sales are eligible for additional incentive programs including automobile allowances, sales convention privileges and travel awards.

LIQUIDITY AND CAPITAL RESOURCES

Our principal use of cash is to pay for operating expenses, including volume incentives, inventory and raw material purchases, capital assets and funding of international expansion. As of September 30, 2022, working capital was $78.9 million, compared to $88.0 million as of December 31, 2021. At September 30, 2022, we had $57.0 million in cash, of which $2.9 million was held in the U.S. and $54.1 million was held in foreign markets and may be subject to various withholding taxes and other restrictions related to repatriation before becoming available to be used along with the normal cash flows from operations to fund any unanticipated shortfalls in future cash flows.

Our net consolidated cash inflows (outflows) are as follows (in thousands):

	Nine Months Ended September 30,	
	2022	2021
Operating activities	$ (2,866)	$ 20,281
Investing activities	(4,730)	(4,626)
Financing activities	(15,305)	(29,475)

Operating Activities

For the nine months ended September 30, 2022, operating activities used cash of $2.9 million, compared to providing cash of $20.3 million in the same period in 2021. Operating cash flows decreased primarily due to lower gross margins and the timing of payments for accrued liabilities, accrued volume incentives and service fees, accounts payable, deferred revenue, and receipts of accounts receivable.

Investing Activities

For the nine months ended September 30, 2022, investing activities used $4.7 million, compared to $4.6 million for the same period in 2021, which consisted of capital expenditures related to the purchase of equipment, computer systems and software.

Financing Activities

For the nine months ended September 30, 2022, financing activities used $15.3 million, compared to $29.5 million in cash for the same period in 2021.

During the nine months ended September 30, 2022, we used cash to repurchase 834,000 shares of our common stock under the share repurchase program for $12.9 million. At September 30, 2022, the remaining balance available for repurchases under the program was $24.6 million.

We maintain a revolving credit agreement with Bank of America, N.A (the “Credit Agreement”), as well as a credit agreement with Banc of America Leasing and Capital, LLC (the "Capital Credit Agreement"). At September 30, 2022, there was no outstanding balance under the Credit Agreement. During the nine months ended September 30, 2022 we made monthly payments of $0.1 million pursuant to the Capital Credit Agreement. As of September 30, 2022, there was $1.5 million outstanding balance under the Capital Credit Agreement, $1.3 million of which was classified as current. Our debt obligations are discussed in greater detail in Note 4, “Revolving Credit Facility and Other Obligations,” to our Condensed Consolidated Financial Statements in Item 1, Part 1 of this report.

We believe that cash generated from operations, along with available cash and cash equivalents, will be sufficient to fund our normal operating needs, including capital expenditures, on both a short- and long-term basis.

In addition, other things such as a prolonged economic downturn, a decrease in demand for our products, an unfavorable settlement of our unrecognized tax positions or non-income tax contingencies could adversely affect our long-term liquidity.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our consolidated financial statements have been prepared in accordance with U.S. GAAP and form the basis for the following discussion and analysis on critical accounting policies and estimates. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On a regular basis, we evaluate our estimates and assumptions. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates and those differences could have a material effect on our financial position and results of operations. We have discussed the development, selection and disclosure of these estimates with the Board of Directors and our Audit Committee.

A summary of our significant accounting policies is provided in Note 1 of the Notes to Consolidated Financial Statements in Item 8 of the Annual Report on Form 10-K for the year ended December 31, 2021. We believe the critical accounting policies and estimates described below reflect our more significant estimates and assumptions used in the preparation of the consolidated financial statements. The impact and any associated risks on our business that are related to these policies are also discussed throughout this "Management's Discussion and Analysis of Financial Condition and Results of Operations" where such policies affect reported and expected financial results.

Revenue Recognition

Our revenue recognition practices are discussed in Note 12,"Revenue Recognition," to our Condensed Consolidated Financial Statements in Item 1, Part 1 of this report.

Inventories

Inventories are adjusted to lower of cost and net realizable value, using the first-in, first-out method. The components of inventory cost include raw materials, labor and overhead. To estimate any necessary adjustments, various assumptions are made in regard to excess or slow-moving inventories, non-conforming inventories, expiration dates, current and future product demand, production planning and market conditions. If future demand and market conditions are less favorable than our assumptions, additional inventory adjustments could be required.

Incentive Trip Accrual

We accrue for expenses associated with our direct sales program, which rewards independent consultants with paid attendance for incentive trips, including our conventions and meetings. Expenses associated with incentive trips are accrued over qualification periods as they are earned. We specifically analyze incentive trip accruals based on historical and current sales trends as well as contractual obligations when evaluating the adequacy of the incentive trip accrual. Actual results could generate liabilities more or less than the amounts recorded.

Contingencies

We are involved in certain legal proceedings and disputes. When a loss is considered probable in connection with litigation or non-income tax contingencies and when such loss can be reasonably estimated with a range, we record our best estimate within the range related to the contingency. If there is no best estimate, we record the minimum of the range. As additional information becomes available, we assess the potential liability related to the contingency and revise the estimates. Revision in estimates of the potential liabilities could materially affect our results of operations in the period of adjustment. Our contingencies are discussed in further detail in Note 10, "Commitments and Contingencies", to the Notes of our Condensed Consolidated Financial Statements, of Item 1, Part 1 of this report.

Income Taxes

Our provision for income taxes, deferred tax assets and liabilities and contingent reserves reflect management's best assessment of estimated future taxes to be paid. We are subject to income taxes in both the United States and numerous foreign jurisdictions. Significant judgments and estimates are required in determining our consolidated provision for income taxes.

Deferred income taxes arise from temporary differences between the tax and financial statement recognition of revenue and expense. In evaluating our ability to recover our deferred tax assets, management considers all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. In projecting future taxable income, we develop assumptions including the amount of future state, federal and foreign pretax operating income, the reversal of temporary differences, and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment about the forecasts of future taxable income, and are consistent with the plans and estimates that we are using to manage the underlying businesses.

Valuation allowances are recorded as reserves against net deferred tax assets by us when it is determined that net deferred tax assets are not likely to be realized in the foreseeable future.

Changes in tax laws and rates could also affect recorded deferred tax assets and liabilities in the future. Management is not aware of any such changes that would have a material effect on our results of operations, cash flows or financial position.

The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations in a multitude of jurisdictions across our global operations. Income tax positions must meet a more-likely-than-not recognition threshold to be recognized.

Item 3 ***QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK***

We conduct business in several countries and intend to grow our international operations. Net sales, operating income and net income are affected by fluctuations in currency exchange rates, interest rates and other uncertainties inherent in doing business and selling product in more than one currency. In addition, our operations are exposed to risks associated with changes in social, political and economic conditions inherent in international operations, including changes in the laws and policies that govern international investment in countries where we have operations, as well as, to a lesser extent, changes in U.S. laws and regulations relating to international trade and investment. For further information, see Part II, Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2021.

Item 4. ***CONTROLS AND PROCEDURES***

Disclosure Controls and Procedures

Our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) are designed to provide reasonable assurance that the information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in rules and forms adopted by the SEC, and that such information is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosures. Our management, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2022. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of September 30, 2022, at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There were no changes in our internal controls over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the quarter ended September 30, 2022, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. *LEGAL PROCEEDINGS*

None.

Item 1A. *RISK FACTORS*

In addition to the information set forth in this report, you should carefully consider the risks discussed under the heading "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2021, which could have a material adverse effect on our business or consolidated financial statements, results of operations, and cash flows. Additional risks not currently known, or risks that are currently believed to be not material, may also impair business operations. There have been no material changes to our risk factors since the filing of our Annual Report on Form 10-K for the year ended December 31, 2021, except as set forth below.

Geopolitical issues, conflicts and other global events could adversely affect our results of operations and financial condition.

Because a substantial portion of our business is conducted outside of the United States, our business is subject to global political issues and conflicts. Such political issues and conflicts could have a material adverse effect on our results of operations and financial condition if they escalate in areas in which we do business. In addition, changes in and adverse actions by governments in foreign markets in which we do business could have a material adverse effect on our results of operations and financial condition.

Russia's invasion of Ukraine and the continuing war between Russia and Ukraine has negatively impacted our operations in both countries and the region. In fiscal 2021, operations in our Russia and Other market, a market within our Europe business segment that includes Russia, Ukraine, Belarus and other Common Independent States in the region, accounted for 13.8% of net sales. We are unable to estimate future impacts to our business due to the high level of uncertainty as to how the war will evolve, its duration, and its ultimate resolution. Within Ukraine, there is a possibility of loss of life, physical damage and destruction of property, and loss of earning opportunities for many of our independent distributors and dealers. We may not be able to operate in many areas due to damage and safety concerns. Within Russia, we may need to further reduce our operations due to sanctions and counter sanctions, currency or payment controls, and supply chain challenges. Certain suppliers, vendors, independent distributors and customers are all impacted by the war and their ability to successfully maintain their operations could also impact our results of operations or product sales throughout the world.

The ongoing coronavirus pandemic and the responses thereto around the world could adversely impact our business and operating results.

Throughout the COVID-19 pandemic, governments around the world have issued orders restricting travel, the number of people who may gather, or for their citizens to shelter-in-place to slow the spread of COVID-19. Such orders, restrictions and recommendations have resulted in widespread closures of businesses not deemed "essential," work stoppages, limitations on the number of people allowed to gather in one location, slowdowns and delays in world-wide supply chains, work-from-home policies, travel restrictions and cancellation of events, among other effects. In particular, travel and logistics restrictions, shelter-in-place orders and other measures, including working remotely, social distancing and other policies implemented in foreign and domestic sites to protect the health and safety of employees, have resulted in, and are expected to continue to result in, transportation disruptions (such as reduced availability of air transport, port closures, and increased border controls or closures), production delays and capacity limitations at our facilities and some of our customers and suppliers, as well as reduced workforce availability or productivity. These and other adverse impacts on our supply chain could limit our ability to obtain required materials in a timely manner, maintain adequate inventory levels, and respond to changes in customer demand, which could adversely affect our business and result of operations.

The duration and extent of COVID-19's impact on our business are difficult to assess or predictConditions vary significantly by geography, and the continued rise of COVID-19 variants and associated spread have resulted in additional disruptions, government lockdowns, and other restrictive measures. Stay-at-home and quarantine mandates have disrupted or halted our operations in certain parts of China and may continue to impact our business in the near term. Further quarantines, government reactions or shutdowns could disrupt or halt our operations and materially harm our business, financial condition and results of operations. Our manufacturing personnel and other employees could also be affected by COVID-19, potentially reducing their availability, and a widespread outbreak of COVID-19 among our manufacturing or supply-chain employees could disrupt or halt our operations. Further, restrictions on gatherings of individuals may limit the ability of our independent consultants to sell our products. Additionally, the procedures we take to mitigate the effect of COVID-19 on our workforce, including but not limited to, social distancing and additional sanitizing measures, could reduce the efficiency of our operations, increase our operating costs or prove insufficient to protect our employees.

High inflation and other difficult economic conditions could adversely affect our results of operations and financial condition.

Consumer spending, including spending for our products, is affected by, among other things, prevailing economic conditions, including, among others, unemployment rates, inflation, fuel prices, salaries and wages, the availability of consumer credit, consumer confidence and consumer perception of economic conditions. The rate of inflation recently reached its highest level in the U.S. in over forty years. Europe and other areas in which we do business are also experiencing higher than desired inflation. Inflation may require consumers to reconsider purchases of items they consider nonessential and, as a result, consumers may purchase fewer of our products if they consider our products nonessential. We believe high levels of inflation in the U.S. and other regions in which we do business have resulted, and will continue to result, in increased input costs and lower net sales of our products. We may not be able to pass any inflation-related increases on to customers without adversely affecting net sales. A prolonged period of high inflation, recession, and other unfavorable economic conditions that adversely affect the ability of consumers to pay for our products could have a material adverse effect on our business, financial condition, cash flows, and results of operations.

Item 2. *UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS*

The following table summarizes the purchases of our common stock during the fiscal quarter ended September 30, 2022:

Periods	Total Number of Shares Purchased (in thousands)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (in thousands)	Maximum Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs[1] (in thousands)
July 1, 2022 to July 31, 2022	47	$ 10.71	47	
August 1, 2022 to August 31, 2022	46	10.27	46	
September 1, 2022 to September 30, 2022	—	$ —	—	
Total	93		93	$ 24,630

(1) On March 10, 2021, we announced a $15.0 million common share repurchase program. On March 8, 2022 we announced an amendment to the share repurchase program allowing the repurchase of an additional $30.0 million shares. The repurchases may be made from time to time as market conditions warrant and are subject to regulatory considerations. We purchased 93,000 shares of our common stock during the quarter ended September 30, 2022 under the terms of this Board approved plan.

The actual timing, number, and value of common shares repurchased under our board-approved plan will be determined at our discretion and will depend on a number of factors, including, among others, general market and business conditions, the trading price of common shares, and applicable legal requirements. We have no obligation to repurchase any common shares under the authorization, and the repurchase plan may be suspended, discontinued, or modified at any time for any reason.

Item 3. *DEFAULTS UPON SENIOR SECURITIES*

None.

Item 4. *MINE SAFETY DISCLOSURES*

Not applicable.

Item 5. *OTHER INFORMATION*

None.

Item 6. ***EXHIBITS***

a) Index to Exhibits

Item No.	Exhibit
10.1 (1)	Amendment to Operating Agreement of Nature's Sunshine Hong Kong Limited, dated August 13, 2021
10.4 (3)	Employment Agreement between the Company and Jonathan David Lanoy dated September 6, 2022
10.5 (3)	Letter Agreement with Jonathan David Lanoy dated September 6, 2022
10.6 (2)	Employment Agreement between the Company and Daniel Norman dated September 27, 2022
31.1(2)	Certification of Chief Executive Officer under SEC Rule 13a-14(a)/15d-14(a) promulgated under the Securities Exchange Act of 1934
31.2(2)	Certification of Chief Financial Officer under SEC Rule 13a-14(a)/15d-14(a) promulgated under the Securities Exchange Act of 1934
32.1(2)	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 Chief Executive Officer pursuant to 18 U.S.C. Section 1350
32.2(2)	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 Financial Officer pursuant to 18 U.S.C. Section 1350
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
104	Cover page Interactive Data File (the cover page XBRL tags are embedded within iXBRL (Inline Extensible Business Reporting Language) document)

(1) Previously filed as Exhibit 99.1 to the Current Report on Form 8-K filed on August 17, 2021 and incorporated by reference herein.

(2) Filed currently herewith.

(3) Previously filed as an exhibit to the Current Report on Form 8-K filed on September 6, 2022 and incorporated by reference herein.

SIGNATURES

Pursuant to the requirements 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.

Nature's Sunshine Products, Inc.

Date:	November 3, 2022	/s/ Terrence O. Moorehead
		Terrence O. Moorehead, President and Chief Executive Officer (Principal Executive Officer)
Date:	November 3, 2022	/s/ Jonathan D. Lanoy
		Jonathan D. Lanoy, Senior Vice President, Interim Chief Financial Officer (Principal Financial Officer)

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "**Agreement**"), is made on this 27th day of September, 2022 (the " **Effective Date**"), by and between Nature's Sunshine Products, Inc., a Utah corporation, (the "**Company**") and Daniel Norman ("**Executive**").

This Agreement amends and restates in its entirety the Employment Agreement between the Company and Executive dated March 31, 2020.

1. Employment.

1.1 Positions and Duties. Beginning on or before the Effective Date (the "**Date of Employment**"), and continuing until Executive's employment with the Company is terminated either by the Company or by Executive (the "**Term**"), Executive will be employed by the Company as Executive Vice President, President Asia/Pacific reporting directly to the Chief Executive Officer ("**CEO**") of the Company. In addition, without additional compensation, if lawfully and reasonably requested by the CEO or the Board of Directors of the Company (the "**Board**"), Executive will serve in other additional officer positions of the Company and its subsidiaries or as an officer, director, manager or equity owner of any affiliate of the Company or any division or branch of the Company.

1.2 Place of Performance. Executive shall perform his services hereunder at the Company's current principal office in Lehi, Utah, or in another location designated by the Company that is within 50 miles of Lehi, Utah; *provided, however,* that Executive will be required to travel from time to time as reasonably required for business purposes.

1.3 Company Policies. Executive will follow and adhere to all written policies of the Company in force and as may be added, amended or replaced from time to time, which are not inconsistent with this Agreement or applicable law including, without limitation, securities laws compliance (including, without limitation, use or disclosure of material nonpublic information, restrictions on sales of Company stock, and reporting requirements), conflicts of interest, and employee harassment.

2. Compensation and Benefits.

2.1 Base Salary. Executive shall receive an annual salary in the amount set forth on Schedule A, paid in accordance with the Company's payroll practices, as in effect from time to time. Base salary shall be subject to review on at least an annual basis by the CEO. Executive understands that no further compensation will be given for his acting as an officer or shareholder of any Affiliate of the Company or any division or branch of the Company.

2.2 Bonus. Executive shall be eligible to participate in the Company's executive bonus program (as modified from time to time) or any successor program (the "**EBP**"). The EBP, as currently constituted, provides for additional compensation commensurate with Executive's responsibilities based upon company and individual performance measures, with an EBP target as set forth on Schedule A and a maximum bonus potential payout equal to the greater of (i) 175% of Executive's EBP target or (ii) the maximum bonus payout set forth in the EBP as established by the Board for the relevant year. Payment of any bonus under the EBP is in the Company's sole discretion and such payments will be made in accordance with Internal Revenue Code Section 409A and the Treasury Regulations thereunder ("**Code Section 409A**") and the terms of the EBP.

2.3 Employee Benefits. Executive will be eligible to participate in retirement/savings, health insurance, term life insurance, long term disability insurance and other employee benefit plans, policies or arrangements maintained by the Company as provided to similarly situated employees and, at the discretion of the Board, in incentive plans, stock option plans and change in control severance plans maintained by the Company for its executives, if any, subject to the terms and conditions of such plans, policies or arrangements. Benefits may be modified by the Company at any time without notice to Executive.

3. Indemnification; D&O Insurance.

3.1 Indemnification. To the fullest extent permitted by the laws of the State of Utah in effect on the date hereof, or as such laws may from time to time hereafter be amended to increase the scope of such permitted indemnification, the Company shall indemnify Executive if Executive becomes a party to or participant in, or is threatened to be made a party to or participant in, any action or proceeding, whether civil, criminal, judicial, legislative, administrative or investigative, including an action by or in the right of Company to procure a judgment in its favor, and including an action by or in the right of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise of any type or kind, domestic or foreign, related to the fact that Executive is or was an officer, director, employee or agent of the Company or any subsidiary of the Company or is or was serving at the request of the Company as a director, officer, employee, member, manager, trustee or agent of any other corporation, limited liability company, partnership, joint venture, trust or other entity or enterprise, or by reason of any action or inaction by Executive in any such capacity, whether or not serving in such capacity at the time any loss is incurred for which indemnification can be provided under this Section 3.1 (each an "**Action**"), against all judgments, fines, amounts paid in settlement and all reasonable expenses and costs, including attorneys' fees, experts' fees, court costs, transcript costs, travel expenses, and all other costs and expenses incurred in connection with investigating, defending, being a witness in or participating in (including on appeal), or preparing to defend, be a witness or participate in, any Action, or in connection with any appeal resulting from any Action, including without limitation costs relating to any bond or its equivalent, and expenses incurred by Executive in connection with the interpretation, enforcement or defense of Executive's rights under this Agreement, by litigation or otherwise (collectively, "**Expenses**"), incurred or suffered by or imposed upon Executive in connection with any such Action, or in connection with an appeal therein; and provided, however, than no such indemnification shall be required with respect to any settlement or other non-adjudicated disposition of any threatened or pending action or proceeding unless Company has given its prior consent to such settlement or other disposition, which consent shall not be unreasonably withheld, conditioned or delayed. The indemnification requirement of this Section 3.1 is intended to be broadly interpreted and to provide for indemnification to the fullest extent permitted by law and is intended to be in addition to any other rights of indemnification available to Executive under the Company's articles of incorporation or bylaws or under applicable law.

3.2 Advancement of Expenses. To the fullest extent permitted by the laws of the State of Utah in effect on the date hereof, or as such laws may from time to time hereafter be amended to increase the scope of such permitted advances, the Company shall, upon request, advance to or promptly reimburse Executive for all Expenses reasonably incurred in defending any such Action in advance of the final disposition of such Action; provided, however, that Executive shall cooperate in good faith with any request by Company that common counsel be utilized by the parties to an Action who are similarly situated unless to do so would be inappropriate due to actual or potential differing interests between or among such parties. As a condition of such advancement, Executive must furnish to the Company (a) a written affirmation of his good faith belief that (i) his conduct was in good faith; and (ii) he reasonably believed that his conduct was in, or not opposed to, the Company's best interests; and (iii) in the case of any criminal proceeding, he had no reasonable cause to believe his conduct was unlawful, and (b) a written undertaking, executed personally or on his behalf, to repay the advance if Executive is ultimately found not to be entitled to indemnification or, where indemnification is granted, to the extent the expenses so advanced or reimbursed by Company exceed the indemnification to which Executive is entitled.

3.3 D&O Insurance. For the duration of Executive's service as an officer of the Company, and thereafter for so long as Executive is subject to any action for which the Company is obligated to indemnify Executive under Section 3.1 above, the Company will maintain directors' and officers' liability insurance commensurate ("**D&O Insurance**") with industry standard terms and amount but shall in all events which shall in all events be no less protective and extensive in scope and amount to that provided by the Company's D&O Insurance policies as of the date hereof. The Company's obligation to advance Expenses under Section 3.2 shall be net of amounts for such Expenses received under D&O Insurance.

4. Expenses.

4.1 Reimbursement of Business Expenses. In accordance with the Company's normal policies for expense reimbursement, the Company shall reimburse Executive for all reasonable travel, entertainment and other expenses incurred or paid by Executive in connection with, or related to, the performance of Executive's duties, responsibilities or services under this Agreement, upon presentation of documentation, including expense statements, vouchers and/or such other supporting information as the Company may request.

4.2 Conditions to Reimbursement. Executive must submit proper documentation for each reimbursable expense eligible for reimbursement under Section 4.1 within sixty (60) days after the later of (i) Executive's incurrence of such expense or (ii) Executive's receipt of the invoice for such expense. If such expense qualifies hereunder for reimbursement, then the Company will reimburse Executive for that expense within ten (10) business days after Executive's submission of a request that complies with this Section 4.2, and in all events each reimbursement must be made no later than the end of the calendar year following the calendar year in which the expense was incurred. The amount of reimbursements in any calendar year shall not affect the expenses eligible for reimbursement in the same or any other calendar year. Executive's right to reimbursement may not be liquidated or exchanged for any other benefit.

5 . Termination. Upon cessation of his employment with the Company, Executive will be entitled only to such compensation and benefits as described in this Section 5.

5.1. Termination without Cause or for Good Reason. The Company may terminate Executive's employment at any time without Cause (as defined below), and Executive may resign at any time with Good Reason (as defined below). If Executive's employment by the Company is terminated by the Company without Cause, or if Executive resigns for Good Reason:

5.1.1. the Company shall pay all accrued and unpaid base salary through the date of such termination and reimburse all then unreimbursed expenses properly incurred by Executive pursuant to Section 4;

5.1.2. provided a Release (as defined below) has been executed and become effective and enforceable in accordance with its terms following expiration of the applicable revocation period and Executive complies with the Restrictive Covenants (as set forth in Section 6), the Company shall pay equal installment payments payable in accordance with the Company's normal payroll practices, but no less frequently than monthly, which are in the aggregate equal to the severance period set forth on Schedule A (the "**Severance Period**") of Executive's base salary for the year in which the termination occurs. The first such payment will be made on the sixtieth (60th) day following Executive's "separation from service" (as such term is defined under Code Section 409A) and the remaining payments will be made in accordance with the Company's normal payroll schedule for salaried employees;

5.1.3. provided a Release has been executed and become effective and enforceable in accordance with its terms following expiration of the applicable revocation period and Executive complies with the Restrictive Covenants (as set forth in Section 6), the Company shall reimburse Executive for the costs he incurs for continuation of Executive’s health insurance coverage under COBRA (and for his family members if Executive provided for their coverage during his employment) during the Severance Period and in accord with the Company’s group health plans applicable to its employees currently in effect. Executive shall, within thirty (30) days after each monthly COBRA payment he pays during the Severance Period for which he is entitled to reimbursement in accordance with the foregoing, submit appropriate evidence of such payment to the Company, and the Company shall reimburse Executive, within ten (10) business days following receipt of such submission. The following provisions shall govern such reimbursement of continuation costs: (i) the amount of the COBRA costs eligible for reimbursement in any one (1) calendar year of coverage will not affect the amount of such costs eligible for reimbursement in any other calendar year for which such reimbursement is to be provided hereunder; (ii) no COBRA costs will be reimbursed after the close of the calendar year following the calendar year in which those costs were incurred; and (iii) Executive’s right to the reimbursement of such costs cannot be liquidated or exchanged for any other benefit. In the event the Company’s reimbursement of the reimbursable portion of any COBRA payment hereunder results in Executive’s recognition of taxable income (whether for federal, state or local income tax purposes), the Company will report such taxable income as taxable W-2 wages and collect the applicable withholding taxes, and Executive will be responsible for the payment of any additional income tax liability resulting from such coverage; and

5.1.4 Executive’s bonus for the year in which the employment termination occurs, if any, will be pro-rated based upon the percentage of the year in which Executive was employed and paid by the Company. Any bonus paid out under this Section 5.1.4 will be based on Executive’s target bonus for the corporate or divisional performance as applicable, once such performance is known, and paid at the same time as all other Company bonuses are paid for the applicable year.

For purposes of this Agreement, “**Good Reason**” means

(a) a material reduction in Executive’s base salary other than a general reduction in base salary that affects all similarly situated executives in substantially the same proportions;

(b) a material reduction in Executive’s target bonus percentage, or benefits;

(c) any material breach by the Company of a material provision of this Agreement;

(d) the Company's failure to obtain an agreement from any successor to the Company to assume and agree to perform this Agreement in a substantially similar manner and extent that the Company would be required to perform if no succession had taken place, except where such assumption occurs by operation of law; or

(e) or, if within 18 months of a Change in Control as defined in Section 5.6 below there is:

i. a relocation of Executive’s principal place of employment by more than 50 miles;

ii. a material, adverse change in Executive’s title, authority, duties, or responsibilities (other than temporarily while Executive is physically or mentally incapacitated or as required by applicable law) taking into account the Company's size, status as a public company, and capitalization as of the date of this Agreement;

provided, that in each case Executive must provide the Company with written notice of the events Executive indicates constitutes Good Reason within thirty (30) days after the occurrence of such event. Failure to give such notice within thirty (30) days of the occurrence shall be deemed a waiver by Executive of his right to terminate for Good Reason with respect to such circumstances. If Executive provides such notice, in the case of the circumstances described in clauses (d) and (g) above, the Company thereafter will have thirty (30) days to cure such alleged breach. If a cure period applies and the Company does not cure the alleged breach within the thirty (30) day notice period, Executive must thereafter resign within fifteen (15) days of the expiration of the thirty (30) day notice period in order to resign for Good Reason. If no cure period applies, Executive must thereafter resign within fifteen (15) days of Executive's delivery of notice in order to resign for Good Reason.

5.2. Release and Restrictive Covenants. Notwithstanding any provision of this Agreement, the payments and benefits described in Sections 5.1.2 and 5.1.3 and any other Section that incorporates such payment requirements are conditioned on (a) Executive's execution and delivery in a manner consistent with the requirements of the Older Workers Benefit Protection Act, if applicable, and any applicable state law, to the Company of a release of all claims related to Executive's employment by the Company and the termination thereof (the "**Release**"), and (b) Executive's compliance with the Restrictive Covenants set forth in Section 7 of this Agreement. A breach of the Restrictive Covenants by Executive shall constitute a breach of this Agreement, which shall relieve the Company of any further payment obligation under Sections 5.1.2 and 5.1.3.

5.3. Termination for Cause. The Company may terminate Executive's employment immediately for Cause. If Executive's employment with the Company is terminated by the Company for Cause then the Company's obligation to Executive will be limited solely to the payment of accrued and unpaid base salary through the date of such termination and reimbursement of all then unreimbursed expenses properly incurred by Executive pursuant to Section 4. To terminate Executive's employment for Cause, the CEO, in consultation with the Board, must determine in good faith that Cause exists, that Executive has been notified of the basis of such determination, and that after any applicable time to cure such Cause has not done so.

"**For Cause**" means the Executive's:

a) conviction of, or the entry of a plea of guilty or no contest to, a felony or any crime that materially adversely affects the business, standing or reputation of the Company;

b) engagement in fraud, embezzlement or other misappropriation of funds, or any act of material dishonesty committed in connection with Executive's employment;

c) material breach of any material provisions of this Agreement, which breach is not cured within fifteen (15) days after the Company provides written notice to Executive of such material breach; or

d) willful refusal to perform the lawful and reasonable directives of the CEO or the Board, other than any such failure resulting from Incapacity (as defined below) due to mental or physical illness which failure or refusal is not cured within fifteen (15) days after the Company provides written notice to Executive of such material failure or refusal.

5.4 Resignation by Executive. Executive may resign his employment without Good Reason by giving the Company four weeks' notice of said resignation; the Company may elect to pay Executive's base salary in lieu of notice. If Executive resigns without Good Reason, then the Company's obligation to Executive will be limited solely to the payment of accrued and unpaid base salary through the date of such termination and reimbursement of all then unreimbursed expenses properly incurred by Executive pursuant to Section 4.

5.5 Termination upon Death or Incapacity of Executive. Executive's employment hereunder shall terminate automatically upon Executive's death during the Employment Term, and the Company may terminate Executive's employment on account of Executive's Incapacity (as defined below). In the event of termination of Executive's employment by reason of Executive's death or Incapacity, the provisions governing termination without Cause in Section 5.1 above shall apply. "**Incapacity**" shall mean Executive's inability, due to physical or mental incapacity, to substantially perform his duties and responsibilities under this Agreement for one hundred eighty (180) days out of any three hundred sixty-five (365) day period or one hundred twenty (120) consecutive days; provided, however, in the event the Company temporarily replaces Executive, or transfers Executive's duties or responsibilities to another individual on account of Executive's inability to perform such duties due to a mental or physical incapacity which is, or is reasonably expected to become, an Incapacity, then Executive's employment shall not be deemed terminated by the Company and Executive shall not be able to resign with Good Reason as a result thereof. Any question as to the existence of Executive's Incapacity as to which Executive and the Company cannot agree shall be determined in writing by a qualified independent physician mutually acceptable to Executive and the Company. If Executive and the Company cannot agree as to a qualified independent physician, each shall appoint such a physician and those two physicians shall select a third who shall make such determination in writing. The determination of Incapacity made in writing to the Company and Executive shall be final and conclusive for all purposes of this Agreement.

5.6 Termination in Connection with a Change in Control Event. Provided the Release under Section 5.2 has been executed and become effective and enforceable in accordance with its terms following expiration of the applicable revocation period and Executive complies with the Restrictive Covenants set forth in Section 7, in the event: (i) Executive's employment is terminated for any reason, except for Cause, within eighteen (18) months following the occurrence of a Change in Control Event (as defined below) or in anticipation of a Change in Control Event or (ii) Executive terminates his employment within eighteen (18) months following the occurrence of a Change in Control Event for Good Reason, Executive will be entitled to the amounts set forth in Sections 5.1.1 and 5.1.3 (except that for purposes of Section 5.1.3 the Severance Period shall be the period set forth on Schedule A), and an amount equal to the change in control multiplier set forth on Schedule A times the sum of (i) Executive's target EBP bonus (ii) and Executive's annual base salary at the time of termination. All amounts payable to Executive pursuant to this Section 5.6 shall be paid in a lump sum payment within fifteen (15) days of any applicable revocation period, except as required by Section 12.2 of this Agreement. For purposes of this Agreement, a "**Change in Control Event**" shall mean the occurrence of any one of the following events:

5.6.1. consummation of a plan approved by the shareholders of the Company of complete dissolution or liquidation of the Company; or

5.6.2. consummation of a merger, consolidation, statutory share exchange or similar form of corporate transaction involving the Company or any of its subsidiaries that requires the approval of the Company's shareholders, whether for such transaction or the issuance of securities in the transaction (a "**Business Combination**"), unless immediately following such Business Combination: (A) more than 50% of the total voting power of (x) the corporation resulting from such Business Combination (the "**Surviving Corporation**"), or (y) if applicable, the ultimate parent corporation that directly or indirectly has beneficial ownership of at least 90% of the voting securities eligible to elect directors of the Surviving Corporation (the "**Parent Corporation**"), is represented by Company Voting Securities (as defined in Section 5.6.4 that were outstanding immediately prior to such Business Combination (or, if applicable, is represented by shares into which such Company Voting Securities were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportion as the voting power of such Company Voting Securities among the holders thereof immediately prior to the Business Combination, (B) no person (other than any employee benefit plan (or related trust) sponsored or maintained by the Surviving Corporation or the Parent Corporation) is or becomes the beneficial owner, directly or indirectly, of 50% or more of the total voting power of the outstanding voting securities eligible to elect directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation) and (C) at least a majority of the members of the board of directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation) following the consummation of the Business Combination were Incumbent Directors (as defined in Section 5.6.5 at the time of the approval by the Board of the execution of the initial agreement providing for such Business Combination (any Business Combination which satisfies all of the criteria specified in (A), (B) and (C) above shall be deemed to be a "**Non-Qualifying Transaction**"); or

5.6.3. consummation of a sale of all or substantially all of the Company's business and/or assets to a person or entity which is not a subsidiary; or

5.6.4. any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**")) is or becomes a "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 50% or more (an "**Acquiring Person**") of the combined voting power of the Company's then outstanding securities eligible to vote for the election of the Board (the "**Company Voting Securities**"); provided, however, that the event described in this Section 5.6.4 shall not be deemed to be a Change in Control Event by virtue of any of the following acquisitions: (A) by the Company or any subsidiary, (B) by any employee benefit plan (or related trust) sponsored or maintained by the Company or any subsidiary, (C) by any underwriter temporarily holding securities pursuant to an offering of such securities, or (D) pursuant to a Non-Qualifying Transaction, as defined in Section 5.6.2; or

5.6.5. during any period not longer than two consecutive years, individuals who at the beginning of such period constituted the Board (the "**Incumbent Directors**") cease for any reason to constitute at least a majority thereof, provided that any person becoming a director subsequent to the beginning of such period whose election or nomination for election was approved by a vote of a least a majority of the Incumbent Directors then on the Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without written objection to such nomination) shall be an Incumbent Director, provided, however, that no individual initially elected or nominated as a director of the Company as a result of an actual or threatened election contest with respect to directors or as a result of any other actual or threatened solicitation of proxies by or on behalf of any person other than the Board shall be deemed to be an Incumbent Director.

5.7. Foreign Entities. Without regard to the circumstances of Executive's termination from employment, Executive hereby also covenants that upon termination, if he is listed as an officer, director, partner, secretary or shareholder on any Affiliate, division or branch of the Company, he will sign over any and all rights to stock (except Company stock and stock rights that Executive holds personally) and/or resign as an officer or director of such entity prior to departure from the Company as required by the law applicable to the entity or by that entity's procedural requirements.

6. Confidential Information. Executive understands and acknowledges that during the Employment Term, he will have access to and learn about information of any sort (whether merely remembered or embodied in a tangible or intangible form) that is (i) related to the Company or its subsidiaries' or affiliates' (including their predecessors) current or potential business and (ii) not generally or publicly known ("**Confidential Information**"). Confidential Information includes, without limitation, information, and data obtained by Executive while employed by the Company and its subsidiaries (or any of their predecessors) or while performing services hereunder concerning the business or affairs of the Company or any of its subsidiaries or affiliates; technical information concerning

Company software (including source code and object code), products and services, including product data, specifications, documentation, hardware configuration information, diagrams, flow charts, drawings, test results, formulas, algorithms, processes, inventions, research projects, engineering, and product development; business information, including markets, cost information, profits, sales information, accounting and unpublished financial information, business plans, markets and marketing methods, customer lists (including, but not limited to, customers of the Company on whom Executive called or with whom Executive became acquainted during the term of Executive's Employment), and customer information (including pricing, preferences, discounts and contracts), purchasing techniques, supplier lists, supplier information (including pricing, preferences, discounts, and contracts) and advertising and business strategies; information about employees, including their compensation, strengths, weaknesses and skills, recruiting strategies and goals and hiring criteria; and other information not generally known to the public, which has independent economic value to the owner or discloser of the information or which, if misused or disclosed, could reasonably be expected to adversely affect the business of the owner or discloser of the information. Confidential Information does not, however, include information that (w) was lawfully in Executive's possession prior to disclosure of such information by the Company; (x) was, or at any time becomes, available in the public domain other than through a violation of this Agreement; (y) is documented by Executive as having been developed by Executive outside the scope of his rendering services hereunder and independently; or (z) is furnished to Executive by a third party not under an obligation of confidentiality to the Company. Executive agrees that he will not directly or indirectly use or divulge, or permit others to use or divulge, any Confidential Information for any reason, except as authorized in writing by the Company. Executive will be allowed to disclose such information of the Company to the extent that such disclosure is:

(a) duly approved in writing by the Company;

(b) necessary for Executive to enforce his rights under this Agreement in connection with a legal proceeding;

(c) required by law or by the order of a court or similar judicial or administrative body, provided that Executive notifies the Company of such required disclosure promptly and reasonably cooperates with the Company in any lawful action to contest or limit the scope of such required disclosure; or

(d) to report possible violations of federal law or regulation to any governmental agency or entity or making other disclosures that are protected under the whistleblower provisions of federal law or regulation. Executive does not need the prior authorization of the Company to make any such reports or disclosures and he is not required to notify the Company that he has made such reports or disclosures.

Executive's obligations under this Agreement are in addition to any obligations he has under state or federal law. Executive agrees that he will not violate in any way the rights that the Company has with regard to trade secrets or Confidential Information. Executive's obligations under this Section 6 are indefinite in term.

7. Restrictive Covenants. In consideration of the compensation and other benefits provided to Executive pursuant to this Agreement, Executive agrees to be bound by the provisions of this Section 7 (the "**Restrictive Covenants**"). These Restrictive Covenants will apply without regard to whether any termination or cessation of Executive's employment is initiated by the Company or Executive, and without regard to the reason for that termination or cessation.

7.1. Covenant Not To Compete. Executive covenants and agrees that, during his employment by the Company and for a period of twelve (12) months following immediately thereafter (the "**Restricted Period**")**,** Executive will not, anywhere within the territory where the Company did business during Executive's employment do any of the following, directly or indirectly:

7.1.1. own, manage, operate, control, serve as a consultant to, be employed by, participate in, or be connected, in any manner, with the ownership, management, operation or control of any business that distributes its product through a multilevel marketing program or that engages in any activity that competes with any activity in which the Company is then engaged, including sales or distribution of herbs, vitamins or nutritional supplements or any other product which the Company sells or distributes at the time of Executive's termination (a "**Competing Business**");

Notwithstanding Executive's obligations under this Section 7.1, Executive will be entitled to own, as a passive investor, up to two percent (2%) of any publicly traded company without violating this provision.

7.2. Covenant Not to Solicit. During the Restricted Period, Executive covenants and agrees that he will not do any of the following, directly or indirectly:

7.2.1. solicit or attempt to solicit any employee or agent of the Company or any of its affiliates to alter or terminate their employment with the Company or hire or offer to hire any employee or agent of the Company or any of its affiliates;

7.2.2. solicit or attempt to solicit any distributor or wholesale customer of the Company to alter or discontinue its relationship with the Company; or

7.2.3. solicit or attempt to persuade any supplier or vendor of the Company to alter or discontinue its relationship with the Company.

7.3 Acknowledgements. The Company and Executive agree that (a) the Restrictive Covenants do not impose an undue hardship on Executive and are reasonably necessary to protect the business of the Company and its Affiliates; (b) the nature of Executive's responsibilities with the Company under this Agreement require him to have access to Confidential Information which is valuable and confidential to the Company; (c) the scope of the Restrictive Covenants is reasonable in terms of length of time and geographic scope; and (d) adequate consideration supports the Restrictive Covenants, including the provisions of this Agreement.

8. Property of the Company.

8.1. Proprietary Information. All right, title and interest in and to Proprietary Information (as defined below) will be and remain the sole and exclusive property of the Company. Executive will not remove from the Company's offices or premises any documents, records, notebooks, files, correspondence, reports, memoranda or similar materials of or containing Proprietary Information, or other materials or property of any kind belonging to the Company unless necessary or appropriate in the performance of Executive's duties to the Company. If Executive removes such materials or property in the performance of Executive's duties, Executive will return such materials or property promptly after the removal has served its purpose. Executive will not make, retain, remove and/or distribute any copies of any such materials or property, or divulge to any third person the nature of and/or contents of such materials or property, except to the extent necessary to perform Executive's duties on behalf of the Company. Upon termination of Executive's employment with the Company, Executive will leave with the Company or promptly return to the Company all originals and copies of such materials or property then in Executive's possession, custody, or control.

8.2. **"Proprietary Information**" means any and all proprietary information developed or acquired by the Company that has not been specifically authorized to be disclosed. Such Proprietary Information shall include, but shall not be limited to, the following items and information relating to the following items: (a) all trade secrets (including research and development, know-how, formulas, compositions, manufacturing and production processes and techniques, methodologies, technical data, designs, drawings and specifications) as well as all inventions (whether patentable or unpatentable and whether or not reduced to practice) and all improvements thereto, (b) computer codes and instructions, processing systems and techniques, inputs, and outputs (regardless of the media on which stored or located) and hardware and software configurations, designs, architecture and interfaces, (c) business research, studies, procedures and costs, (d) financial data, (e) distributor network information, the identities of actual and prospective distributors and distribution methods, (f) marketing data, methods, plans and efforts, (g) the identities of actual and prospective suppliers, (h) the terms of contracts and agreements with, the needs and requirements of and the Company's course of dealing with, actual or prospective suppliers, (i) personnel information, (j) customer and vendor credit information, and (k) information received from third parties subject to obligations of nondisclosure or non-use. Failure by the Company to mark any of the Proprietary Information as confidential or proprietary shall not affect its status as Proprietary Information.

8.3. Intellectual Property. Executive agrees that all the Intellectual Property (as defined below) will be considered "works made for hire" as that term is defined in Section 101 of the Copyright Act (17 U.S.C. § 101) and that all right, title and interest in such Intellectual Property will be the sole and exclusive property of the Company. To the extent that any of the Intellectual Property may not by law be considered a work made for hire, or to the extent that, notwithstanding the foregoing, Executive retains any interest in the Intellectual Property, Executive hereby irrevocably assigns and transfers to the Company any and all right, title, or interest that Executive may now or in the future have in the Intellectual Property under patent, copyright, trade secret, trademark or other law, in perpetuity or for the longest period otherwise permitted by law, without the necessity of further consideration. The Company will be entitled to obtain and hold in its own name all copyrights, patents, trade secrets, trademarks and other similar registrations with respect to such Intellectual Property. Executive further agrees to execute any and all documents and provide any further cooperation or assistance reasonably required by the Company to perfect, maintain or otherwise protect its rights in the Intellectual Property, at no cost to Executive. If the Company is unable after reasonable efforts to secure Executive's signature, cooperation or assistance in accordance with the preceding sentence, whether because of Executive's incapacity or any other reason whatsoever, Executive hereby designates and appoints the Company or its designee as Executive's agent and attorney-in-fact to act on his behalf solely for the purpose of executing and filing documents and doing all other lawfully permitted acts necessary or desirable to perfect, maintain or otherwise protect the Company's rights in the Intellectual Property. Executive acknowledges and agrees that such appointment is coupled with an interest and is therefore irrevocable. Notwithstanding the foregoing, nothing in this Agreement shall be construed to require Executive to assign or license to the Company any right in or to an invention that (a) is created by Executive entirely on Executive's own time; and (b) is not an Employment Invention. An "**Employment Invention**" means any invention or part thereof conceived, developed, reduced to practice, or created by Executive which is (a) conceived, developed, reduced to practice, or created by Executive: (i) within the scope of Executive's employment; (ii) on the Company's time; or (iii) with the aid, assistance, or use of any of the Company's property, equipment, facilities, supplies, resources, or intellectual property; (b) the result of any work, services, or duties performed by Executive for the Company; (c) related to the industry or trade of the Company; or (d) related to the current or demonstrably anticipated business, research, or development of the Company.

8.3.1. "**Intellectual Property**" means (a) all inventions (whether patentable or unpatentable and whether or not reduced to practice), all improvements thereto, and all patents and patent applications claiming such inventions, (b) all trademarks, service marks, trade dress, logos, trade names, fictitious names, brand names, brand marks and corporate names, together with all translations, adaptations, derivations, and combinations thereof and including all goodwill associated therewith, and all applications, registrations, and renewals in connection therewith, (c) all copyrightable works, all copyrights, and all applications, registrations, and renewals in connection therewith, (d) all mask works and all applications, registrations, and renewals in connection therewith, (e) all trade secrets (including research and development, know-how, formulas, compositions, manufacturing and production processes and techniques, methodologies, technical data, designs, drawings and specifications), (f) all computer software (including data, source and object codes and related documentation), (g) all other proprietary rights and (h) all copies and tangible embodiments thereof (in whatever form or medium) which, in the case of any or all of the foregoing, pertains to an Employment Invention.

9 . Acknowledgements. Executive acknowledges that the nature of Executive's position gives him access to and knowledge of Confidential Information and places him in a position of trust and confidence with the Company. Executive understands and acknowledges that the services he provides to the Company are unique, special or extraordinary. Executive further understands and acknowledges that the Company's ability to reserve these for the exclusive knowledge and use of the Company is of great competitive importance and commercial value to the Company, and that improper use or disclosure by Executive is likely to result in unfair or unlawful competitive activity.

Executive further acknowledges that the amount of his compensation reflects, in part, his obligations and the Company's rights under Section 6, Section 7 and Section 8 of this Agreement; that he has no expectation of any additional compensation, royalties or other payment of any kind not otherwise referenced herein in connection herewith; that he will not be subject to undue hardship by reason of his full compliance with the terms and conditions of Section 6, Section 7 and Section 8 of this Agreement or the Company's enforcement thereof.

10. Remedies and Enforcement Upon Breach.

10.1. Injunctive Relief. In the event of a breach or threatened breach by Executive of Section 6, Section 7 and Section 8 of this Agreement, Executive hereby consents and agrees that the Company shall be entitled to seek, in addition to other available remedies, a temporary or permanent injunction or other equitable relief against such breach or threatened breach from any court of competent jurisdiction, without the necessity of showing any actual damages or that money damages would not afford an adequate remedy, and without the necessity of posting any bond or other security. The aforementioned equitable relief shall be in addition to, not in lieu of, legal remedies, monetary damages or other available forms of relief

10.2. Disclosure of Restrictive Covenants. Executive agrees fully and completely to disclose the existence and terms of this Agreement to any future employer or potential employer of Executive and authorizes the Company, at its election, to make such disclosure.

10.3. Extension and Termination of Restricted Period. If Executive breaches Section 7 in any respect, the restrictions contained in that section will be extended for a period equal to the period that Executive was in breach.

11. Miscellaneous.

11.1. Other Agreements. Executive represents and warrants to the Company that there are no restrictions, agreements or understandings whatsoever to which Executive is a party that would prevent or make unlawful his execution of this Agreement, that would be inconsistent or in conflict with this Agreement or Executive's obligations hereunder, or that would otherwise prevent, limit or impair the performance of Executive's duties under this Agreement.

11.2. Successors and Assigns. This Agreement shall be binding upon any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, and the Company shall require any such successor to expressly assume and agree in writing to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place, or, in the event the Company remains in existence, the Company shall continue to employ Executive under the terms hereof. As used in this Agreement, the term "Company" shall mean and include the Company and any successor to its business and/or assets, which assumes or is obligated to perform this Agreement by contract, operation of law or otherwise. This Agreement shall inure to the benefit of and be enforceable by Executive and his personal or legal representatives, executors, estate, trustee, administrators, successors, heirs, distributees, devisees and legatees. The duties of Executive hereunder are personal to Executive and may not be assigned by him. If Executive dies and any amounts become payable under this Agreement, the Company will pay those amounts to his estate.

11.3. Governing Law and Enforcement; Arbitration. EXCEPT WHERE PREEMPTED BY FEDERAL LAW, THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH FEDERAL LAW AND THE LAWS OF THE STATE OF UTAH, APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED IN THAT STATE.

To the fullest extent permitted by applicable law, Executive and the Company agree that any and all disputes, demands, claims, or controversies ("claims") relating to, arising from or regarding Executive's employment, including claims by the Company, claims against the Company, and claims against any current or former parent, affiliate, subsidiary, successor or predecessor of the Company, and each of the Company's and these entities' respective officers, directors, agents or employees, shall be resolved by final and binding arbitration before a single arbitrator in Utah County, Utah, which will be the sole and exclusive procedure for the resolution of any disputes. The binding arbitration will be administered by AAA in accordance with AAA Employment Arbitration Rules and Procedures (the "Rules"), except as modified herein. The arbitrator must have had both training and experience as an arbitrator of general employment and commercial matters and who is and for at least ten (10) years has been, a state or federal judge, or a partner, shareholder, or member in a law firm in Salt Lake City, Utah (the "Qualifications"). If Executive and the Company cannot agree on an arbitrator, then the arbitrator will be selected in accordance with the Rules but will still be required to meet the Qualifications. Reasonable and proportional discovery will be permitted and the arbitrator may decide any issue as to the scope of discovery or any discovery disputes that arise. Unless otherwise agreed by the parties, all depositions shall take place in Salt Lake City, Utah.

Nothing in this provision shall prevent either Executive or the Company from seeking and obtaining temporary or preliminary injunctive relief in court to prevent irreparable harm to Executive's or Company's confidential information or trade secrets pending the conclusion of any arbitration. This arbitration agreement does not apply to any claims that have been expressly excluded from arbitration by a governing law not preempted by the Federal Arbitration Act and does not restrict or preclude Executive from communicating with, filing an administrative charge or claim with, or providing testimony to any governmental entity about any actual or potential violation of law or obtaining relief through a government agency process. The parties hereto agree that claims shall be resolved on an individual basis only, and not on a class, collective, or representative basis on behalf of other employees to the fullest extent permitted by applicable law ("Class Waiver"). Any claim that all or part of the Class Waiver is invalid, unenforceable, or unconscionable may be determined only by a court. In no case may class, collective or representative claims proceed in arbitration on behalf of other employees. Except as to the Class Waiver, the arbitrator may decide any issue as to whether or as to the extent to which any dispute is subject to the dispute resolution provisions in this provision and the arbitrator may award any relief permitted by law. The arbitrator will consider and decide any motion for summary judgment or summary adjudication based on the Federal Rules of Civil Procedure as if being decided by a federal district court. The arbitrator must base the arbitration award on the provisions of this section and applicable law and must render the award in writing, including an explanation of the reasons for the award. Judgment upon the award may be entered by any court having jurisdiction of the matter, and the decision of the arbitrator will be final and binding. There is no right to an appeal. Any award or finding will be confidential.

The arbitrator's fees will be paid by the Company. Unless otherwise agreed, the prevailing party will be entitled to its costs and attorneys' fees incurred in any litigation or dispute relating to the claims. The arbitrator shall apply the applicable substantive law of Utah in deciding the claims at issue, except as otherwise required by law. Claims will be governed by their applicable statute of limitations and failure to demand arbitration within the prescribed time period shall bar the claims as provided by law. This arbitration agreement is enforceable under and governed by the Federal Arbitration Act. In the event that any portion of this arbitration agreement is held to be invalid or unenforceable, any such provision shall be severed, and the remainder of this arbitration agreement will be given full force and effect. Executive acknowledges and agrees that Executive has read this arbitration agreement carefully, is bound by it and are WAIVING ANY RIGHT TO HAVE A TRIAL BEFORE A COURT OR JURY OF ANY AND ALL CLAIMS SUBJECT TO ARBITRATION UNDER THIS ARBITRATION AGREEMENT.

11.4. Waivers. The waiver by either party of any right hereunder or of any breach by the other party will not be deemed a waiver of any other right hereunder or of any other breach by the other party. No waiver will be deemed to have occurred unless set forth in writing. No waiver will constitute a continuing waiver unless specifically stated, and any waiver will operate only as to the specific term or condition waived.

11.5. Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law. However, if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provision, and this Agreement will be reformed, construed and enforced as though the invalid, illegal or unenforceable provision had never been herein contained.

11.6. Survival. Sections 3, 4, 5, 6, 7, 8, 10 and 11 of this Agreement will survive termination of this Agreement and/or the cessation of Executive's employment by the Company.

11.7. Notices. Any notice or communication required or permitted under this Agreement shall be made in writing and shall be sufficient if personally delivered or sent by overnight delivery or by registered or certified mail and addressed, if to Executive, to Executive's address set forth in the Company's records, or if to the Company, to its principal office, to the attention of the CEO. Such notice shall be deemed given when delivered if delivered personally, or, if sent by registered or certified mail, at the earlier of actual receipt or three days after mailing in United States mail, addressed as aforesaid with postage prepaid.

11.8. Entire Agreement: Amendments . This Agreement, the attached exhibits, the Plan, and the RSU Agreement contain the entire agreement and understanding of the parties hereto relating to the subject matter hereof; and merge and supersede all prior and contemporaneous discussions, agreements and understandings of every nature relating to Executive's employment or engagement with, or compensation by, the Company and any of its affiliates or subsidiaries or any of their predecessors. This Agreement may not be changed or modified, except by an agreement in writing signed by each of the parties hereto.

11.9. Withholding. The Company shall have the right to withhold from any amount payable hereunder any Federal, state and local taxes in order for the Company to satisfy any withholding tax obligation it may have under any applicable law or regulation.

11.10. Section Headings. The headings of sections and paragraphs of this Agreement are inserted for convenience only and shall not in any way affect the meaning or construction of any provision of this Agreement.

11.11. Counterparts; Facsimile. This Agreement may be executed in multiple counterparts (including by facsimile signature), each of which will be deemed to be an original, but all of which together will constitute one and the same instrument.

11.12. Third Party Beneficiaries. This Agreement will be binding on, inure to the benefit of and be enforceable by the parties and their respective heirs, personal representatives, successors and assigns. This Agreement does not confer any rights, remedies, obligations or liabilities to any entity or person other than Executive and the Company and Executive's and the Company's permitted successors and assigns.

11.13. Acknowledgment of Full Understanding. EXECUTIVE ACKNOWLEDGES AND AGREES THAT HE HAS FULLY READ, UNDERSTANDS AND VOLUNTARILY ENTERS INTO THIS AGREEMENT. EXECUTIVE ACKNOWLEDGES AND AGREES THAT HE HAS HAD AN OPPORTUNITY TO ASK QUESTIONS AND CONSULT WITH AN ATTORNEY OF HIS CHOICE BEFORE SIGNING THIS AGREEMENT.

11.14. Section 409A. The parties intend that the provisions of this Agreement comply with or be exempt from Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations thereunder (collectively, "Section 409A") and all provisions of this Agreement shall be construed in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A. Notwithstanding the foregoing, nothing in the Agreement shall be interpreted or construed to transfer any liability for any tax (including a tax or penalty due as a result or a failure to comply with Section 409A) from Employee to the Company or to any other individual or entity. A termination of employment shall not be deemed to have occurred for purposes of any provision of the Agreement providing for the payment of any amounts or benefits upon or following a termination for employment unless such termination also constitutes a "Separation from Service" within the meaning of Section 409A and, for purposes of any such provision of this Agreement, referees to a "termination," "termination of employment," "separation from service" or like terms shall mean Separation from Service. Each installment payment required under this Agreement shall be considered a separate payment for purposes of Section 409A. If, upon separation from service, Executive is a "specified employee" within the meaning of Section 409A, any payment under this Agreement that is subject to Section 409A and would otherwise be paid within six (6) months after Executive's separation from service will instead be paid in the seventh moth following Executive's separation from service (to the extent required by Section 409A(a)(2)(B)(i)).

11.15. Protected Activity Not Prohibited. Executive understands that nothing in this Agreement shall in any way limit or prohibit Executive from engaging in any Protected Activity. For purposes of this Agreement, "**Protected Activity**" shall mean filing a charge, complaint, or report with, or otherwise communicating, cooperating, or participating in any investigation or proceeding that may be conducted by, any federal, state or local government agency or commission, including the Securities and Exchange Commission, the Equal Employment Opportunity Commission, the Occupational Safety and Health Administration, and the National Labor Relations Board ("**Government Agencies**"). Executive understands that in connection with such Protected Activity, Executive is permitted to disclose documents or other information as permitted by law, and without giving notice to, or receiving authorization from, the Company. Notwithstanding the foregoing, Executive agrees to take all reasonable precautions to prevent any unauthorized use or disclosure of any information that may constitute Confidential Information to any parties other than the Government Agencies. Executive further understands that "Protected Activity" does not include the disclosure of any Company attorney-client privileged communications. In addition, pursuant to the Defend Trade Secrets Act of 2016, Executive is notified that an individual will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that (a) is made in confidence to a federal, state, or local government official (directly or indirectly) or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, or (b) is made in a complaint or other document filed in a lawsuit or other proceeding, if (and only if) such filing is made under seal. In addition, an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the individual's attorney and use the trade secret information in the court proceeding, if the individual files any document containing the trade secret under seal and does not disclose the trade secret, except pursuant to court order.

11.16. 280G. Anything in this Agreement to the contrary notwithstanding, in the event that it shall be determined that any payment, distribution, or other action by the Company to or for Executive's benefit (whether paid or payable or distributed or distributable pursuant to the terms of the Agreement or otherwise (a "**Parachute Payment**"), would result in an "excess parachute payment" within the meaning of Section 280G(b)(i) of the Code, and the value determined in accordance with Section 280G(d)(4) of the Code of the Parachute Payments, net of all taxes imposed on Executive (the "**Net After-Tax Amount**") that Executive would receive would be increased if the Parachute Payments were reduced, then the Parachute Payments shall be reduced by an amount (the "**Reduction Amount**") so that the Net After-Tax Amount after such reduction is greatest. For purposes of determining the Net After-Tax Amount, Executive shall be deemed to (i) pay federal income taxes at the highest marginal rates of federal income taxation for the calendar year in which the Parachute Payment is to be made, and (ii) pay applicable state and local income taxes at the highest marginal rate of taxation for the calendar year in which the Parachute Payment is to be made, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes. Subject to the provisions of this Section 11.16, all determinations required to be made under this Section 11.16, including the Net After-Tax Amount, the Reduction Amount and the Parachute Payments that are to be reduced pursuant to this Section 11.16 and the assumptions to be utilized in arriving at such determinations, shall be made by an independent public accounting firm selected by Executive (the "**Accounting Firm**"), which shall provide detailed supporting calculations both to the Company and Executive within fifteen (15) business days of the receipt of notice from Executive that there has been a Parachute Payment, or such earlier time as is requested by Executive. The Accounting Firm's decision as to which Parachute Payments are to be reduced shall be made (a) only from Parachute Payments that the Accounting Firm determines reasonably may be characterized as "parachute payments" under Section 280G of the Code; (b) only from Parachute Payments that are required to be made in cash; (c) only with respect to any amounts that are not payable pursuant to a "nonqualified deferred compensation plan" subject to Code Section 409A of the Code, until those payments have been reduced to zero; and (d) in reverse chronological order, to the extent that any Parachute Payments subject to reduction are made over time (e.g., in installments). In no event, however, shall any Parachute Payments be reduced if and to the extent such reduction would cause a violation of Code Section 409A or other applicable law. All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any determination by the Accounting Firm shall be binding upon the Company and Executive.

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NATURE'S SUNSHINE PRODUCTS, INC.

By:____/s/ Terrence O. Moorehead______

Title: President and Chief Executive Officer

DANIEL NORMAN

/s/ Daniel Norman______

Schedule A

Amended and Restated Employment Agreement

Section 2.1 – Annual Salary: $350,000

Section 2.2 – Bonus Target Percentage: 60%

Section 5.1.2 – Severance Period: Tier 3 (see schedule below)

Section 5.6 – Severance Period in a Change of Control for purposes of COBRA coverage: 12 months

Section 5.6 – Change in Control Multiplier: Tier 3 (see schedule below)

Tier Schedule

Tier	Bonus Target %	Severance Period	Severance Period upon Change in Control	Change in Control Severance Multiplier
Tier 3	40-60	12 months	12 months	1*

*In addition to the multiplier set forth above, Executive will be entitled to additional cash compensation in the amount of $175,000 upon a qualifying termination in connection with a Change in Control.

Employee Initials: __DN__ Date:__9/27/2022____

Company Initials: ___TM_ Date:__9/27/2022____

Exhibit 31.1

CERTIFICATIONS

I, Terrence O. Moorehead, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Nature's Sunshine Products, Inc. ("the registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2022

/s/ Terrence O. Moorehead
Terrence O. Moorehead
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Jonathan D. Lanoy, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Nature's Sunshine Products, Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2022

/s/ Jonathan D. Lanoy

Jonathan D. Lanoy
Senior Vice President, Interim Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Nature's Sunshine Products, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Terrence O. Moorehead, President and Chief Executive Officer of the Company, certify, pursuant to 18.U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, based on my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 3, 2022

/s/ Terrence O. Moorehead
Terrence O. Moorehead
President and Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Nature's Sunshine Products, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jonathan D. Lanoy, Executive Vice President, Chief Financial Officer and Treasurer of the Company, certify, pursuant to 18.U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, based on my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 3, 2022

/s/ Jonathan D. Lanoy

Jonathan D. Lanoy
Senior Vice President, Interim Chief Financial Officer