
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended
June 30, 2004

Commission File Number
0-8707



NATURE'S SUNSHINE PRODUCTS, INC.

(Exact name of Registrant as specified in its charter)

Utah
(State or other jurisdiction of
incorporation or organization)

87-0327982
(IRS Employer
Identification No.)

75 East 1700 South
Provo, Utah 84606
(Address of principal executive offices and zip code)

(801) 342-4300
(Registrant's telephone number including area code)

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).
Yes No

The number of shares of Common Stock, no par value, outstanding on August 5, 2004 was 15,080,845 shares.

When we refer in this Form 10-Q to the "Company," "we," "our," and "us," we mean Nature's Sunshine Products, Inc., a Utah corporation, together with our subsidiaries.

NATURE'S SUNSHINE PRODUCTS, INC.

FORM 10-Q

For the Quarter Ended June 30, 2004

Table of Contents

Part I. Financial Information

[Item 1. Financial Statements](#)

[Condensed Consolidated Balance Sheets](#)
[Condensed Consolidated Statements of Income and Comprehensive Income](#)
[Condensed Consolidated Statements of Cash Flows](#)
[Notes to Condensed Consolidated Financial Statements](#)

[Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations](#)

[Item 3. Quantitative and Qualitative Disclosures about Market Risk](#)

[Item 4. Disclosure Controls and Procedures](#)

Part II. Other Information

[Item 4. Submission of Matters to a Vote of Security Holders](#)

[Item 6. Exhibits and Reports on Form 8-K](#)

PART I FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

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

	June 30, 2004	December 31, 2003
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 34,003	\$ 30,665
Accounts receivable, net	6,459	5,567
Inventories, net	32,009	26,528
Deferred income tax assets	4,132	3,553
Prepaid expenses and other	13,143	9,723
Total current assets	89,746	76,036
PROPERTY, PLANT AND EQUIPMENT, net	32,512	32,318
LONG-TERM INVESTMENTS	7,755	6,416
DEFERRED TAX ASSETS LONG TERM	6,165	5,359
DEFINITE-LIVED INTANGIBLE ASSETS, net	1,907	2,094
OTHER ASSETS	2,693	3,335
	<u>\$ 140,778</u>	<u>\$ 125,558</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Line of credit	\$ —	\$ 5,000
Accounts payable	6,005	4,003
Accrued volume incentives	14,065	12,093
Accrued liabilities	22,973	18,009
Income taxes payable	6,332	6,879
Total current liabilities	49,375	45,984
DEFERRED COMPENSATION	2,116	2,232
SHAREHOLDERS' EQUITY:		
Common Stock, no par value; 20,000 shares authorized, 19,446 shares issued	19,915	25,437
Retained earnings	131,325	124,997
Treasury stock, at cost, 4,405 and 5,267 shares, respectively	(41,729)	(54,833)
Accumulated other comprehensive loss	(20,224)	(18,259)
Total shareholders' equity	89,287	77,342
	<u>\$ 140,778</u>	<u>\$ 125,558</u>

See accompanying notes to condensed consolidated financial statements.

NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
AND COMPREHENSIVE INCOME
(Amounts in Thousands, Except Per-Share Information)
(Unaudited)

	Three Months Ended June 30,	
	2004	2003 (As Restated, See Note 1)
NET SALES REVENUE (net of the rebate portion of volume incentives of \$9,283 and \$9,619, respectively)	\$ 79,587	\$ 63,592
COST AND EXPENSES:		
Cost of goods sold	14,202	12,912
Volume incentives	30,135	22,803
Selling, general and administrative	30,477	25,145
OPERATING INCOME	4,773	2,732
OTHER INCOME (EXPENSE)		
Impairment of investment	—	(1,768)
Interest income	89	129
Interest expense	—	(85)
Other income (expense), net	(217)	496
	<u>(128)</u>	<u>(1,228)</u>
INCOME BEFORE PROVISION FOR INCOME TAXES	4,645	1,504

PROVISION (BENEFIT) FOR INCOME TAXES	(177)	379
NET INCOME	4,822	1,125
OTHER COMPREHENSIVE INCOME (LOSS), net of tax:		
Foreign currency translation adjustments	(824)	(423)
Net unrealized holding gains (losses) on marketable securities	(90)	731
Reclassification adjustment for net realized gains on marketable securities included in net income	—	333
	(914)	641
COMPREHENSIVE INCOME	\$ 3,908	\$ 1,766
BASIC NET INCOME PER COMMON SHARE	\$ 0.32	\$ 0.08
WEIGHTED AVERAGE BASIC COMMON SHARES	14,914	13,895
DILUTED NET INCOME PER COMMON SHARE	\$ 0.31	\$ 0.08
WEIGHTED AVERAGE DILUTED COMMON SHARES	15,528	14,143

See accompanying notes to condensed consolidated financial statements.

4

NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
AND COMPREHENSIVE INCOME
(Amounts in Thousands, Except Per-Share Information)
(Unaudited)

	Six Months Ended June 30,	
	2004	2003 (As Restated, See Note 1)
NET SALES REVENUE (net of the rebate portion of volume incentives of \$19,107 and \$19,097, respectively)	\$ 156,483	\$ 126,255
COST AND EXPENSES:		
Cost of goods sold	29,501	25,926
Volume incentives	59,623	45,425
Selling, general and administrative	58,982	49,957
OPERATING INCOME	8,377	4,947
OTHER INCOME (EXPENSE)		
Impairment of investment	—	(1,768)
Interest income	186	274
Interest expense	(14)	(130)
Other income, net	556	689
	728	(935)
INCOME BEFORE PROVISION FOR INCOME TAXES	9,105	4,012
PROVISION FOR INCOME TAXES	1,295	1,283
NET INCOME	7,810	2,729
OTHER COMPREHENSIVE INCOME (LOSS), net of tax:		
Foreign currency translation adjustments	(1,892)	(1,118)
Net unrealized holding losses on marketable securities	(63)	(75)
Reclassification adjustment for net realized (losses) gains on marketable securities included in net income	(10)	333
	(1,965)	(860)
COMPREHENSIVE INCOME	\$ 5,845	\$ 1,869
BASIC NET INCOME PER COMMON SHARE	\$ 0.53	\$ 0.19
WEIGHTED AVERAGE BASIC COMMON SHARES	14,729	14,393
DILUTED NET INCOME PER COMMON SHARE	\$ 0.51	\$ 0.19
WEIGHTED AVERAGE DILUTED COMMON SHARES	15,258	14,615

See accompanying notes to condensed consolidated financial statements.

5

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

	Six Months Ended June 30,	
	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:		

Net income	\$	7,810	\$	2,729
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization		2,856		3,296
Tax benefit from stock option exercises		827		108
Gain (loss) on sale of property, plant and equipment		302		(41)
Deferred income taxes		(1,368)		(909)
Deferred compensation		(116)		408
Loss on impaired investments		—		1,768
Changes in assets and liabilities:				
Accounts receivable, net		(1,171)		253
Inventories, net		(5,734)		(201)
Prepaid expenses and other assets		(3,253)		(3,196)
Accounts payable		2,031		2,541
Accrued volume incentives		2,018		941
Accrued liabilities		5,224		1,760
Income taxes payable		(318)		(1,116)
Net cash provided by operating activities		<u>9,108</u>		<u>8,341</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Capital expenditures		(3,490)		(2,353)
Proceeds from sale (purchase) of investments		(1,411)		1,060
Payments received on long-term receivables		323		505
Purchase of other assets		—		(200)
Proceeds from sale of property, plant and equipment		74		125
Net cash used in investing activities		<u>(4,504)</u>		<u>(863)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:				
Net (payments) proceeds from line of credit		(5,000)		4,500
Payment of cash dividends		(1,482)		(962)
Purchase of treasury stock		(17)		(11,796)
Proceeds from exercise of stock options		6,771		849
Net cash provided by (used) in financing activities		<u>272</u>		<u>(7,409)</u>
EFFECT OF EXCHANGE RATES ON CASH		<u>(1,538)</u>		<u>(1,118)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		3,338		(1,049)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		<u>30,665</u>		<u>26,175</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	\$	<u>34,003</u>	\$	<u>25,126</u>

See accompanying notes to condensed consolidated financial statements.

NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Thousands, Except Per-Share Information)
(Unaudited)

(1) BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The unaudited, condensed consolidated financial statements of Nature's Sunshine Products, Inc. and subsidiaries (together, the "Company") included herein have been prepared pursuant to the rules and regulations of the United States Securities and Exchange Commission. Certain information and footnote disclosures normally required in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations, although the Company believes the following disclosures are adequate to make the information presented not misleading.

These unaudited, condensed consolidated financial statements reflect all adjustments, which in the opinion of management are necessary to present fairly the Company's financial position as of June 30, 2004, and the results of its operations and its cash flows for the periods presented. All of the adjustments which have been made in these condensed consolidated financial statements are of a normal recurring nature. Operating results for the three and six months ended June 30, 2004 are not necessarily indicative of the results that may be expected for the year ending December 31, 2004.

We re-evaluated our financial statement presentation of volume incentive payments made to our independent Distributors and Managers during the year ended December 31, 2003. These payments consist of (1) commissions paid for purchases made by the Distributors' and Managers' down-line organizations, and (2) rebates paid to Distributors and Managers for purchases of products for their own use or for resale. In accordance with Emerging Issue Task Force Issue 01-9 ("EITF 01-9"), we determined it was appropriate to present the portion of volume incentive payments representing rebates as reductions to sales revenue rather than as operating expenses. As a result, we have reclassified the appropriate amounts for all periods presented in this Form 10-Q, including all quarterly and segment data, by reducing sales revenue and volume incentives (operating expense) by equal amounts. These reclassifications had no effect on operating income, net income, or earnings per basic or diluted common share.

These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2003.

(2) RECENT ACCOUNTING PRONOUNCEMENTS

In January 2003, the Financial Accounting Standards Board, or FASB, issued FASB Interpretation ("FIN") No. 46, "Consolidation of Variable Interest Entities – An Interpretation of ARB No. 51" ("FIN

No. 46"). FIN No. 46 addresses consolidation and reporting by business enterprises of variable interest entities. All enterprises with variable interests in variable interest entities created after January 31, 2003 apply the provisions of FIN No. 46 to those entities immediately. A public entity with a variable interest in a variable interest entity created before February 1, 2003 applies the provisions of FIN No. 46 to that entity no later than the beginning of the first interim or annual reporting period beginning after June 15, 2003. In addition, FIN No. 46R delayed the effective date for application of FIN No. 46 by public companies, until periods ending after March 15, 2004 for all types of variable interest entities other than special-purpose entities. The adoption of FIN No. 46 did not have an effect on our results of operations, liquidity, or financial position.

(3) INVENTORIES

Inventories consist of the following:

	June 30, 2004	December 31, 2003
Raw materials	\$ 8,699	\$ 6,940
Work in process	1,100	914
Finished goods	22,210	18,674
	<u>\$ 32,009</u>	<u>\$ 26,528</u>

(4) DEFINITE-LIVED INTANGIBLE ASSETS

The composition of the Company's definite-lived intangible assets is as follows:

	As of June 30, 2004			As of December 31, 2003		
	Carrying Amount	Accumulated Amortization	Net	Carrying Amount	Accumulated Amortization	Net
Acquired Distributor Networks	\$ 3,213	\$ 1,306	\$ 1,907	\$ 3,213	\$ 1,119	\$ 2,094

As of June 30, 2004, the Company determined that none of its intangible assets are impaired. Amortization expense for intangible assets for the six months ended June 30, 2004 was \$187. Estimated amortization expense for the remainder of 2004 and the five succeeding fiscal years is as follows:

	Estimated Amortization Expense
2004 (remainder)	\$ 150
2005	299
2006	299
2007	299
2008	299
Thereafter	561
	<u>\$ 1,907</u>

8

(5) NET INCOME PER COMMON 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 common stock equivalents that would have an anti-dilutive effect on net income per common share. For periods in which the Company incurs losses, Diluted EPS does not assume the exercise or conversion of common stock equivalents.

As of June 30, 2004, the Company had a total of 2,316 common stock options outstanding. These options were granted at fair market value and have a weighted-average exercise price of \$8.51 per share.

The following is a reconciliation of the numerator and denominator of Basic EPS to the numerator and denominator of Diluted EPS for the three and six months ended June 30, 2004 and 2003.

	Net Income (Numerator)	Shares (Denominator)	Per Share Amount
Three Months Ended June 30, 2004			
Basic EPS	\$ 4,822	14,914	\$ 0.32
Effect of stock options	—	614	(0.01)
Diluted EPS	<u>\$ 4,822</u>	<u>15,528</u>	<u>\$ 0.31</u>
Three Months Ended June 30, 2003			
Basic EPS	\$ 1,125	13,895	\$ 0.08
Effect of stock options	—	248	—
Diluted EPS	<u>\$ 1,125</u>	<u>14,143</u>	<u>\$ 0.08</u>
Six Months Ended June 30, 2004			
Basic EPS	\$ 7,810	14,729	\$ 0.53
Effect of stock options	—	529	(0.02)
Diluted EPS	<u>\$ 7,810</u>	<u>15,258</u>	<u>\$ 0.51</u>
Six Months Ended June 30, 2003			
Basic EPS	\$ 2,729	14,393	\$ 0.19
Effect of stock options	—	222	—
Diluted EPS	<u>\$ 2,729</u>	<u>14,615</u>	<u>\$ 0.19</u>

For the three months ended June 30, 2004 and 2003, there were outstanding options to purchase 28 and 393 shares of common stock, respectively, that were not included in the computation of Diluted EPS, as their effect would have been anti-dilutive. For the six months ended June 30, 2004 and 2003, there were options to purchase 89 and 424 shares of common stock, respectively, that were not included in the computation of diluted EPS, as their effect would have been anti-dilutive.

9

(6) EQUITY TRANSACTIONS

The Company has declared consecutive quarterly cash dividends since 1988. During the second quarter, the Company paid a dividend of 5 cents per common share on May 19, 2004 to shareholders of record on May 7, 2004.

Common shares held as treasury stock totaled 4,405 at June 30, 2004 compared to 5,267 at December 31, 2003. Common shares held as treasury stock decreased as a result of common shares issued from treasury stock for the exercise of stock options.

(7) OPERATING LINE OF CREDIT

The Company has an operating line of credit with an interest rate equal to LIBOR plus 1.5 percent, which provides for borrowings of up to \$15,000. Borrowings under this line of credit may be used to repurchase shares of the Company's outstanding common stock under Board-authorized repurchase programs as well as to fund working capital, capital expenditures, and related costs. The Company amended the terms of the line of credit during the second quarter to extend the maturity date to July 1, 2006. The line of credit had an original maturity of July 1, 2004. There were no outstanding borrowings under this line of credit at June 30, 2004. The line of credit contains various terms and conditions, including affirmative and negative financial covenants. As of June 30, 2004, the Company was in compliance with these covenants.

(8) ACCUMULATED OTHER COMPREHENSIVE LOSS

The composition of accumulated other comprehensive loss, net of tax, is as follows:

	Foreign Currency Translation Adjustments	Unrealized Gains On Available-For- Sale Securities	Total Accumulated Other Comprehensive Loss
Balance as of December 31, 2003	\$ (18,428)	\$ 169	\$ (18,259)
Period Change	(1,892)	(73)	(1,965)
Balance as of June 30, 2004	<u>\$ (20,320)</u>	<u>\$ 96</u>	<u>\$ (20,224)</u>

10

(9) STOCK-BASED COMPENSATION

The Company accounts for stock-based compensation plans for employees and directors under Accounting Principles Board Opinion No. 25, under which no compensation cost has been recognized in the accompanying condensed consolidated statements of income for the three and six months ended June 30, 2004 and 2003. Had compensation cost been determined consistent with SFAS No. 123, "Accounting for Stock-Based Compensation", as amended by SFAS No. 148, the Company's net income and net income per share would have been reduced to the following pro forma amounts:

		Three Months Ended June 30,	
		2004	2003
Net Income	As reported	\$ 4,822	\$ 1,125
	Stock option expense, net of related tax effects	(132)	(58)
	Pro forma	<u>\$ 4,690</u>	<u>\$ 1,067</u>
Basic Net Income Per Share	As reported	\$ 0.32	\$ 0.08
	Stock option expense, net of related tax effects	(0.01)	(0.00)
	Pro forma	<u>\$ 0.31</u>	<u>\$ 0.08</u>
Diluted Net Income Per Share	As reported	\$ 0.31	\$ 0.08
	Stock option expense, net of related tax effects	(0.01)	(0.00)
	Pro forma	<u>\$ 0.30</u>	<u>\$ 0.08</u>
		Six Months Ended June 30,	
		2004	2003
Net Income	As reported	\$ 7,810	\$ 2,729
	Stock option expense, net of related tax effects	(200)	(113)
	Pro forma	<u>\$ 7,610</u>	<u>\$ 2,616</u>
Basic Net Income Per Share	As reported	\$ 0.53	\$ 0.19
	Stock option expense, net of related tax effects	(0.01)	(0.01)
	Pro forma	<u>\$ 0.52</u>	<u>\$ 0.18</u>
Diluted Net Income Per Share	As reported	\$ 0.51	\$ 0.19
	Stock option expense, net of related tax effects	(0.01)	(0.01)
	Pro forma	<u>\$ 0.50</u>	<u>\$ 0.18</u>

11

(10) SEGMENT INFORMATION

The Company has five operating segments. These operating segments are components of the Company for which separate information is available that is evaluated regularly by management in deciding how to allocate resources and assess performance. The Company evaluates performance based on operating income.

The Company has four operating segments based on geographic operations, which includes a United States segment and three international segments (Latin America, Asia Pacific and Other regions) that operate under the Nature's Sunshine Products name. The Company's fifth operating segment operates under the Synergy Worldwide name. The segments have similar business characteristics and each offers similar products through similar methods of distribution. Inter-segment sales, eliminated in consolidation, are not material. The Company evaluates performance based on operating income (loss) by geographic segment before consideration of certain inter-segment transfers and expenses.

Operating segment information is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003 (As Restated, See Note 1)	2004	2003 (As Restated, See Note 1)
Net Sales Revenue:				
Nature's Sunshine Products:				
United States	\$ 34,471	\$ 36,822	\$ 70,449	\$ 73,817
International:				
Latin America	13,663	12,982	27,625	24,711
Asia Pacific	2,748	4,268	6,158	9,109
Other	9,882	7,733	20,264	15,193
	60,764	61,805	124,496	122,830
Synergy Worldwide:	18,823	1,787	31,987	3,425
	79,587	63,592	156,483	126,255
Operating Expenses:				
Nature's Sunshine Products:				
United States	32,533	34,744	67,429	69,412
International:				
Latin America	12,330	11,632	24,886	22,360
Asia Pacific	4,324	5,368	8,710	11,299
Other	8,258	6,822	17,308	13,881
	57,445	58,566	118,333	116,952
Synergy Worldwide:	17,369	2,294	29,773	4,356
	74,814	60,860	148,106	121,308
Operating Income (Loss):				
Nature's Sunshine Products:				
United States	1,938	2,078	3,020	4,405
International:				
Latin America	1,333	1,350	2,739	2,351
Asia Pacific	(1,576)	(1,100)	(2,552)	(2,190)
Other	1,624	911	2,956	1,312
	3,319	3,239	6,163	5,878
Synergy Worldwide:	1,454	(507)	2,214	(931)
	4,773	2,732	8,377	4,947
Other Income (Expense), net	(128)	(1,228)	728	(935)
Income Before Provision for Income Taxes	\$ 4,645	\$ 1,504	\$ 9,105	\$ 4,012

Segment assets as of June 30, 2004 and December 31, 2003, are as follows:

	June 30, 2004	December 31, 2003
Assets:		
Nature's Sunshine Products:		
United States	\$ 89,978	\$ 79,840
International:		
Latin America	30,144	27,358
Asia Pacific	6,414	7,720
Other	5,773	4,737
	132,309	119,655
Synergy Worldwide:	8,469	5,903
Total Assets	\$ 140,778	\$ 125,558

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

The following discussion should be read in conjunction with the interim financial information included in this Form 10-Q 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, 2003.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations and other sections of this Form 10-Q may contain forward-looking statements. Such forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such statements may relate but not be limited to projections of revenues, income or loss, capital expenditures, plans for growth and future operations, financing needs, product liability claims and availability of insurance, as well as assumptions relating to the foregoing. Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified. When used in "Management's Discussion and Analysis of Financial Condition and Results of Operations", and elsewhere in this Form 10-Q the words "estimates", "expects", "anticipates", "projects", "plans", "intends" and variations of such words and similar expressions are intended to identify forward-looking statements that involve risks and uncertainties. Future events and actual results could differ materially from those set forth in, contemplated by, or underlying the forward-looking statements. For factors which could affect such results, see the description of our business contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2003.

CRITICAL ACCOUNTING POLICIES

Revenue Recognition

We recognize sales revenue when products are shipped and title passes to our independent distributors. For most product sales, the sales price is received in the form

of cash or credit card payment, which accompanies or precedes the shipment of the orders. As products are shipped, persuasive evidence of an arrangement exists, delivery has occurred, the price to the buyer is fixed, and collectibility is reasonably assured. A reserve for product returns, which reduces revenue, is accrued based on historical experience. From time to time, our United States operation extends short-term credit associated with product promotions. For certain of our international operations, we offer credit terms consistent with industry standards within the country of operation. Amounts received for unshipped merchandise are not recognized as revenue but rather they are recorded as customer deposits and are included in accrued liabilities.

Volume Incentives Accrual

We accrue for volume incentives expense associated with our net sales revenue. Volume incentives are a significant part of our direct sales marketing program and represent commission payments made to our independent Distributors and Managers. We specifically analyze volume incentives based on historical and current sales trends when evaluating the adequacy of the accrued volume incentives. We have re-evaluated our financial statement presentation of volume incentive payments made to our independent Distributors and Managers. These payments consist of (1) commissions paid for purchases made by the Distributors' and Managers' down-line organizations, and (2) rebates paid to Distributors and Managers for purchases of products for their own use or for resale. In accordance with EITF 01-9, we present the portion of volume incentive payments representing rebates as reductions to sales revenue rather than as operating expenses. As a result, we have reclassified the appropriate amounts for all periods presented in this Form 10-Q, including all segment data, by reducing sales revenue and volume incentives (operating expense) by equal amounts. These reclassifications had no effect on operating income, net income, or earnings per basic or diluted common shares.

Self-insurance Liabilities

We self-insure for certain employee medical and specific product liabilities. The recorded liabilities for self-insured risks are calculated using actuarial methods and are not discounted. The liabilities include amounts for actual claims and claims incurred but not reported. Actual experience, including claim frequency and severity as well as health care inflation, could result in actual liabilities being more or less than the amounts currently recorded.

Incentive Trip Accrual

We accrue for expenses of incentive trips associated with our direct sales marketing program, which rewards independent Distributors and Managers with paid attendance at 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 result in liabilities being more or less than the amounts recorded.

RESULTS OF OPERATIONS

The following table identifies for the three-month periods (i) the relationship that net income items disclosed in the condensed consolidated financial statements have to total sales, and (ii) the amount and percent of change of such items compared to the corresponding prior period.

Income and Expense Items	(Dollar Amounts in Thousands) (Unaudited)			
	(i) Income and Expense Items as a Percent of Net sales Three Months Ended June 30,		(ii) Three Months Ended June 30, 2004 to 2003	
	2004	2003	Amount of Increase (Decrease)	Percent of Change
Net sales	100.0%	100.0%	\$ 15,995	25.2%
Cost of goods sold	17.8	20.3	1,290	10.0
Volume incentives	37.9	35.9	7,332	32.2
SG&A expenses	38.3	39.5	5,332	21.2
Total operating expenses	94.0	95.7	13,954	22.9
Operating income	6.0	4.3	2,041	74.7
Other income (expense), net	(0.2)	(1.9)	1,100	89.6
Income before provision for income taxes	5.8	2.4	3,141	208.8
Provision (benefit) for income taxes	(0.3)	0.6	(556)	(146.7)
Net income	6.1%	1.8%	\$ 3,697	328.6%

The following table identifies for the six-month periods (i) the relationship that net income items disclosed in the condensed consolidated financial statements have to total sales, and (ii) the amount and percent of change of such items compared to the corresponding prior period.

Income and Expense Items	(Dollar Amounts in Thousands) (Unaudited)			
	(i) Income and Expense Items as a Percent of Net sales Six Months Ended June 30,		(ii) Six Months Ended June 30, 2004 to 2003	
	2004	2003	Amount of Increase (Decrease)	Percent of Change
Net sales	100.0%	100.0%	\$ 30,228	23.9%
Cost of goods sold	18.9	20.5	3,575	13.8
Volume incentives	38.1	36.0	14,198	31.3
SG&A expenses	37.6	39.6	9,025	18.1
Total operating expenses	94.6	96.1	26,798	22.1
Operating income	5.4	3.9	3,430	69.3
Other income (expense), net	0.4	(0.7)	1,663	177.9
Income before provision for income taxes	5.8	3.2	5,093	126.9

Provision for income taxes	0.8	1.0	12	0.9
Net income	5.0%	2.2%	\$ 5,081	186.2%

Net Sales Revenue

Net sales revenue for the three months ended June 30, 2004, was \$79.6 million compared to \$63.6 million for the same period in the prior year, an increase of approximately 25.2 percent. Net sales revenue for the six months ended June 30, 2004, was \$156.5 million compared to \$126.3 million for the same period in the prior year, an increase of approximately 23.9 percent. The increase in net sales revenue for the three and six months ended June 30, 2004, primarily reflects higher net sales revenue in our Synergy Worldwide and international operations due to an increased number of distributors which resulted in an increased number of units sold.

United States net sales revenue for the second quarter totaled \$34.5 million, compared with \$36.8 million in the same period of the prior year, a decline of 6.4 percent. For the six months ended June 30, 2004, United States net sales revenue totaled \$70.4 million, a decline of 4.6 percent from the same period in the prior year. Dominican Republic sales volumes, which are included in the United States net sales revenue, decreased significantly as a result of a 94 percent devaluation of the Dominican Republic peso. Year to date operating income totaled \$3.0 million compared to \$4.4 in the prior year.

17

Nature's Sunshine's international net sales revenue for the second quarter totaled \$26.3 million, compared to \$25.0 million in the same period of the prior year, an increase of 5.2 percent. For the first six months, international net sales revenue totaled \$54.0 million, a 10.3 percent increase over the same period of the prior year. Second quarter performances were particularly strong in the Russian Federation, the United Kingdom and Ireland, Canada, Israel, Venezuela and Central America.

Net sales revenue in Latin America was \$13.7 million and \$27.6 million for the three and six months ended June 30, 2004, respectively, an increase of 5.2 percent and 11.8 percent, respectively, compared to the same periods in the prior year. The increase in net sales revenue in our Latin American markets is primarily due to sales increases in Venezuela and Central America.

Net sales revenue in Asia Pacific was \$2.7 million and \$6.2 million for the three and six months ended June 30, 2004, respectively, a decrease of 35.6 percent and 32.4 percent, respectively, compared to the same periods in the prior year. The net sales revenue decline experienced in our Asia Pacific markets is primarily the result of continued net sales revenue decreases experienced by South Korea due to increased competition.

Net sales revenue in our other markets was \$9.9 million and \$20.3 million for the three and six months ended June 30, 2004, respectively, an increase of 27.8 percent and 33.4 percent, respectively, compared to the same periods in the prior year. The growth in net sales revenue experienced in our other markets is primarily due to the positive results of our operations in the Russian Federation as well as the United Kingdom.

Synergy Worldwide, which operates principally in Asia, is experiencing rapid growth this year. In the second quarter, net sales revenue totaled \$18.8 million, compared with \$1.8 million in the same period of the prior year, and for the six months ended June 30, 2004, net sales revenue totaled \$32.0 million, up from \$3.4 million in the same period of the prior year.

Our independent sales force consists of Managers and Distributors. A Distributor interested in earning additional income by committing more time and effort to selling our products may attain the rank of "Manager". Appointment as a Manager is dependent upon attaining certain volume levels and demonstrating leadership abilities. The number of Managers as of June 30, 2004, was approximately 17,200 compared to approximately 15,150 as of December 31, 2003. The number of Distributors at June 30, 2004, was approximately 614,000 compared to approximately 562,000 as of December 31, 2003. Our Synergy division and Russian operations account for the majority of the increase in Managers and Distributors since December 31, 2003 due to favorable sales trends in recent months.

Cost of Goods Sold

For the three and six months ended June 30, 2004, cost of goods sold decreased slightly, as a percent of net sales revenue, compared to the same periods in the prior year primarily as a result of the

18

increase in Synergy Worldwide net sales revenue where cost of goods sold are slightly lower. We expect cost of goods sold to decrease slightly, as a percent of net sales revenue during the remainder of 2004 compared to the three and six months ended June 30, 2004 due to the price increase we implemented in the United States market effective April 1, 2004 and also due to the anticipated growth in net sales revenue from Synergy Worldwide.

Volume Incentives

Volume incentives are commissions paid to independent sales force members for reaching certain levels of net sales revenue performance and organizational development and are an integral part of our direct sales marketing program. Volume incentives vary slightly, on a percentage basis, by product due to our pricing policies and commission plans in place in our international operations. For the three and six months ended June 30, 2004, volume incentives, as a percent of net sales, increased compared to the same periods in the prior year primarily as a result of the increase in the Synergy Worldwide net sales revenue where volume incentives are slightly higher. We expect volume incentives to increase slightly, as a percent of net sales, during the remainder of 2004 compared to the three and six months ended June 30, 2004 as a result of anticipated increases in net sales revenue from Synergy Worldwide.

We re-evaluated our financial statement presentation of volume incentive payments made to our independent Distributors and Managers during the year ended December 31, 2003. These payments consist of (1) commissions paid for purchases made by the Distributors' and Managers' down-line organizations, and (2) rebates paid to Distributors and Managers for purchases of products for their own use or for resale. In accordance with EITF 01-9, we determined to present the portion of volume incentive payments representing rebates as reductions to sales revenue rather than as operating expenses. As a result, we have reclassified the appropriate amounts for all periods presented in this Form 10-Q, including all quarterly and segment data, by reducing sales revenue and volume incentives (operating expense) by equal amounts. These reclassifications had no effect on operating income (loss), net income (loss), or earnings per basic or diluted common share.

Selling, General and Administrative

Selling, general and administrative expenses for the three and six months ended June 30, 2004, increased \$5.3 million and \$9.0 million, respectively, compared to the same periods of the prior year primarily as a result of increased selling, general and administrative expenses associated with the expansion of Synergy Worldwide. For the remaining quarters of 2004, we expect selling, general and administrative expenses, as a percent of net sales, to decrease as compared to the three and six months ended June 30, 2004, as a result of benefits from cost controls implemented during the quarter ended September 30, 2003, as well as continued growth in net sales revenue.

19

Other Income (Expense)

Other income (expense) for the three and six months ended June 30, 2004, increased \$1.1 million, and \$1.7 million, respectively, compared to the same periods of the prior year primarily as a result of an impairment of an equity investment in HealtheTech Corporation of \$1.8 million in the second quarter of 2003.

Income Tax

The effective income tax rate for the three and six months ended June 30, 2004, was approximately (4.0) percent and 14.2 percent, respectively. During the second quarter of 2004 the Company completed a detailed income tax study of its foreign tax assets which resulted in a benefit of approximately \$2.2 million, the majority of which was recognized in the second quarter of 2004. The income tax rate in effect as of June 30, 2004 is not indicative of the expected tax rate for the remainder of 2004.

Product Liability

Similar to other manufacturers and distributors of products that are ingested, we face an inherent risk of exposure to product liability claims in the event that, among other things, the use of our products results in injury. As a result of increased regulatory scrutiny of products that contain ephedrine alkaloids and kava, we have not been able to obtain product liability insurance covering such products. However, effective April 12, 2004, we complied with the U.S. Food and Drug Administration's ban on the ingredient ephedra. During the year ended December 31, 2003, less than 2 percent of our products contained some amount of ephedrine alkaloids and kava. On June 1, 2003, we established a wholly owned captive insurance company to provide us with product liability insurance coverage. We have accrued an amount using the assistance of a third party actuary that we believe is sufficient to cover probable and reasonably estimable liabilities related to product liability claims based on our history of such claims. However, there can be no assurance that these estimates will prove to be sufficient nor can there be any assurance that the ultimate outcome of any litigation for product liability will not have a material negative impact on our financial position, results of operations or liquidity.

We self-insure for certain employee medical and product liabilities. The recorded liabilities for self-insured risks are calculated using actuarial methods and are not discounted. The liabilities include amounts for actual claims and claims incurred but not reported. Actual experience, including claim frequency and severity as well as health care inflation, could result in actual liabilities being more or less than the amounts currently recorded.

20

Balance Sheet

Inventories

Inventories increased \$5.5 million as of June 30, 2004, compared to December 31, 2003 as a result of additional inventory purchases to support the growth of our Synergy Worldwide division.

Accrued Liabilities

Accrued liabilities increased approximately \$5.0 million as of June 30, 2004 compared to December 31, 2003, primarily as a result of the timing of incentive trip accruals associated with our direct sales marketing program, which rewards independent Distributors and Managers with paid attendance at our conventions.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents increased approximately \$3.3 million as of June 30, 2004 compared to December 31, 2003. The increase in cash and cash equivalents is primarily the result of cash provided by operating activities of \$9.1 million and proceeds of \$6.8 million from the exercise of stock options. These cash inflows were offset, in part by the payment of \$5.0 million associated with our operating line of credit, \$1.4 million for the purchase of long term investments and \$3.5 million for the purchase of property, plant and equipment.

We believe that working capital requirements can be met for the foreseeable future through our available cash and cash equivalents, cash generated from operating activities, and borrowings from our operating line of credit; however, a prolonged economic downturn or a decrease in the demand for our products could adversely affect our long-term liquidity. In the event of a significant decrease in cash provided by operating activities, it might be necessary for us to obtain additional external sources of funding.

During 2002, the Company entered into an unsecured operating line of credit with an interest rate equal to LIBOR plus 1.5 percent, which provides for borrowings of up to \$15.0 million. Borrowings under this line of credit may be used to repurchase common shares of the Company's outstanding stock under Board-authorized repurchase programs as well as to fund working capital, capital expenditures, and related costs. The Company amended the terms of the line of credit during the second quarter to extend the maturity date to July 1, 2006. The line of credit had an original maturity of July 1, 2004. There were no outstanding borrowings under this line of credit at June 30, 2004. The line of credit contains various terms and conditions, including affirmative and negative financial covenants. As of June 30, 2004, the Company was in compliance with these covenants.

21

Legal Proceedings

We are a defendant in various lawsuits which are incidental to our business. After consultation with legal counsel, we believe that the ultimate disposition of these matters will not have a material adverse effect upon our consolidated results of operations, financial position, or liquidity.

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

We conduct our business in several countries and intend to continue to expand our foreign operations. Net sales revenue, 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 foreign operations, including changes in the laws and policies that govern foreign investment in countries where we have operations as well as, to a lesser extent, changes in United States laws and regulations relating to foreign trade and investment.

Foreign Currency Risk

During the six months ended June 30, 2004, approximately 55.0 percent of our revenue and 54.5 percent of our expenses were realized outside of the United States. Inventory purchases are transacted primarily in U.S. dollars from vendors located in the United States. The local currency of each international subsidiary is considered its functional currency, and all sales and expenses are translated at average exchange rates for the reported periods. Therefore, our operating results generally will be positively impacted by a weakening of the U.S. dollar and will be negatively impacted by a strengthening of the U.S. dollar. Given the uncertainty of exchange rate fluctuations, we cannot estimate the effect of these fluctuations on our future business, product pricing, results of operations or financial condition. Changes in currency exchange rates affect the relative prices at which we sell our products. We regularly monitor our foreign currency risks and periodically take measures to reduce the risk of foreign exchange rate

fluctuations on our operating results. We do not use derivative instruments for hedging, trading or speculating on foreign exchange rate fluctuations.

The following table sets forth average currency exchange rates of one U.S. dollar into local currency for each of the countries in which net sales revenue exceeded \$10.0 million during any of the previous two years.

	Six months ended June 30,	
	2004	2003
Mexico	11.2	10.6
South Korea	1,166.9	1,203.4
Venezuela	1,845.0	1,636.7

22

Interest Rate Risk

We have investments included in cash and cash equivalents and long term investments, which by nature are subject to market risk. At June 30, 2004, we had investments totaling \$11.2 million that carried an average fixed interest rate of 4.9 percent. Approximately \$8.7 million of such investments were held as municipal obligations. A hypothetical one percent change in interest rates would not have a material affect on our liquidity, financial position, or results of operations. Our remaining investments of \$2.5 million are not subject to interest rate risk but by their nature are subject to market risk.

The Company's line of credit carries a variable interest rate. As of June 30, 2004, the Company had no borrowings on this line. The Company does not hedge against changes in interest rates. An increase in the effective interest rate of 1.0 percent would increase interest expense by \$10,000 for every \$1.0 million that the Company had outstanding on its line of credit for a full year.

Item 4. DISCLOSURE CONTROLS AND PROCEDURES

(a) **Evaluation of disclosure controls and procedures.** Our management, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of our controls and procedures related to our reporting and disclosure obligations as of June 30, 2004, which is the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are sufficient to provide that (a) material information relating to us, including our consolidated subsidiaries, is made known to these officers by other employees of us and our consolidated subsidiaries, particularly material information related to the period for which this periodic report is being prepared; and (b) this information is recorded, processed, summarized, evaluated and reported, as applicable, within the time periods specified in the rules and forms of the Securities and Exchange Commission.

(b) **Changes in internal controls.** There were no changes that occurred during the fiscal quarter covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonable likely to materially affect, our internal controls over financial reporting.

23

PART II OTHER INFORMATION

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

The Annual Meeting of the Company's shareholders was held on May 28, 2004. At this meeting, shareholders voted on the following matters (with the indicated tabulated results).

- i. The election of two members of the Board of Directors to serve for full three-year terms expiring in 2007

Director	For	Against
Richard G. Hinckley	12,426,854	152,873
Eugene L. Hughes	11,360,615	1,219,112

Douglas Faggioli, Pauline Hughes Francis, and Kristine F. Hughes also serve as directors of the Company, and their terms of office continued after the Annual Meeting. In addition, on June 2, 2004, the Board of Directors appointed Franz L. Cristiani to the Board of Directors for a term expiring in 2005.

- ii. The ratification of the selection of KPMG LLP as the Company's independent auditors for the fiscal year ending December 31, 2004.

For	12,511,519
Against	41,896
Withheld	26,312

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

- a) Exhibits
- 3.1 Amended and Restated Bylaws
 - 31.1 Rule 13a – 14(a) and 15d – 14(a) Certification of Chief Executive Officer
 - 31.2 Rule 13a – 14(a) and 15d – 14(a) Certification of Chief Financial Officer
 - 32.1 Certification of Chief Executive Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002
 - 32.2 Certification of Chief Financial Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002

- b) Reports on Form 8-K

The Registrant filed or furnished the following Current Reports on Form 8-K during the quarter ended June 30, 2004:

- a. On April 20, 2004, the Registrant furnished a Form 8-K under Items 7 and 12 with respect to its financial results for the first quarter ended March 31, 2004.
- b. On April 27, 2004, the Registrant filed a Form 8-K under Items 5 and 7 to report its quarterly cash dividend.
- c. On June 3, 2004, the Registrant filed a Form 8-K under Items 5 and 7 to report its appointment of Franz L. Cristiani to its Board of Directors on May 28, 2004.

24

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: August 6, 2004

/s/ Douglas Faggioli
Douglas Faggioli, President & Chief Executive Officer

Date: August 6, 2004

/s/ Craig D. Huff
Craig D. Huff, Executive Vice President, Chief Financial
Officer & Treasurer

BYLAWS

OF

NATURE'S SUNSHINE PRODUCTS, INC.

A UTAH CORPORATION

1998

(as amended and restated May 2002)

1

TABLE OF CONTENTS

ARTICLE 1.	OFFICES
Section 1.1.	Business Offices
Section 1.2.	Registered Office
ARTICLE 2.	SHAREHOLDERS
Section 2.1.	Annual Shareholder Meeting
Section 2.2.	Special Shareholder Meetings
Section 2.3.	Place of Shareholder Meeting
Section 2.4.	Notice of Shareholder Meeting
Section 2.5.	Fixing a Record Date
Section 2.6.	Shareholder List
Section 2.7.	Shareholder Quorum and Voting Requirements
Section 2.8.	Proxies
Section 2.9.	Voting of Shares
Section 2.10.	Corporation's Acceptance of Votes
Section 2.11.	Intentionally Omitted
Section 2.12.	Voting of Directors
Section 2.13.	Shareholder's Rights to Inspect Corporate Records
Section 2.14.	Furnishing Financial Statements to a Shareholder
Section 2.15.	Information Respecting Shares
ARTICLE 3.	BOARD OF DIRECTORS
Section 3.1.	General Powers
Section 3.2.	Number, Tenure, and Qualifications of Directors
Section 3.3.	Regular Meetings of the Board of Directors
Section 3.4.	Special Meetings of the Board of Directors
Section 3.5.	Notice and Waiver of Notice of Special Director Meetings
Section 3.6.	Director Quorum
Section 3.7.	Manner of Acting
Section 3.8.	Director Action Without a Meeting
Section 3.9.	Removal of Directors
Section 3.10.	Board of Director Vacancies
Section 3.11.	Director Compensation
Section 3.12.	Director Committees
Section 3.13.	Director's Rights to Inspect Corporate Records
ARTICLE 4.	OFFICERS/CHAIRMAN
Section 4.1.	Number of Officers
Section 4.2.	Appointment and Term of Office
Section 4.3.	Removal of Officers
Section 4.4.	Chairman of the Board
Section 4.5.	President
Section 4.6.	Vice Presidents
Section 4.7.	Secretary
Section 4.8.	Treasurer
Section 4.9.	Assistant Secretaries and Assistant Treasurers
Section 4.10.	Salaries

2

ARTICLE 5.	LIMITATION OF LIABILITY AND INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES, FIDUCIARIES, AND AGENTS
Section 5.1.	Limitation of Liability of Directors and Officers
Section 5.2.	Indemnification of Directors and Officers
Section 5.3.	Effect of Repeal or Modification of Article V
Section 5.4.	Insurance

ARTICLE 6.	CERTIFICATES FOR SHARES AND THEIR TRANSFER
Section 6.1.	Certificates for Shares
Section 6.2.	Shares Without Certificates
Section 6.3.	Registration of Transfer of Shares
Section 6.4.	Restrictions on Transfer of Shares Permitted
Section 6.5.	Acquisition of Shares

ARTICLE 7.	DISTRIBUTIONS
Section 7.1.	Distributions

ARTICLE 8.	CORPORATE SEAL
Section 8.1.	Corporate Seal

ARTICLE 9.	FISCAL YEAR
Section 9.1.	Fiscal Year

ARTICLE 10.	AMENDMENTS
Section 10.1.	Amendments

**BYLAWS
OF
NATURE'S SUNSHINE PRODUCTS, INC.**

ARTICLE 1. OFFICES

Section 1.1. Business Offices. The principal office of Nature's Sunshine Products, Inc., a Utah corporation (the "Corporation"), shall be located at any place either within or outside the State of Utah, as designated in the Corporation's Articles of Incorporation or the Corporation's most recent annual report on file with the Division of Corporations and Commercial Code providing such information. The Corporation may have such other offices, either within or outside the State of Utah as the Board of Directors may designate or as the business of the Corporation may require from time to time. The Corporation shall maintain at its principal office a copy of those records specified in Section 2.13 of Article 11 of these Bylaws. (16-10a-102(24))*

Section 1.2. Registered Office. The registered office of the Corporation required by the Utah Revised Business Corporation Act shall be located within the State of Utah. The address of the registered office may be changed from time to time. (16-10a-501 and 16-10a-502)

ARTICLE 2. SHAREHOLDERS

Section 2.1. Annual Shareholder Meeting. An annual meeting of the shareholders shall be held each year on the date, at the time, and at the place, fixed by the Board of Directors, for the purpose of electing directors and for the transaction of such other business as may come before the meeting. (16-10a-701)

Section 2.2. Special Shareholder Meetings. Special meetings of the shareholders may be called, for any purposes described in the notice of the meeting, by the president, or by the Board of Directors, and shall be called by the president at the request of the holders of not less than one-tenth of all outstanding votes of the Corporation entitled to be cast on any issue at the meeting. (16-10a-702)

Section 2.3. Place of Shareholder Meeting. The Board of Directors may designate any place, either within or outside the State of Utah, as the place for any annual meeting of the shareholders and for any special meeting of the shareholders called by the Board of Directors. The president of the Corporation or any shareholder or any group of shareholders of the Corporation holding at least ten percent (10%) of all of the voting shares of the Corporation may designate any place, within or outside the State of Utah, as the place for any special meeting of the shareholders called by the president or the group of shareholders. If no designation is made by the Board of Directors, the president, or the shareholders, as the case may be, the place of the meeting shall be the principal office of the Corporation. (16-10a-701(2) and 16-10a-702(3))

* Citations in parentheses are to Utah Code Annotated. These citations are for reference only and shall not constitute a part of these bylaws.

Section 2.4. Notice of Shareholder Meeting.

(a) Required Notice. Written notice stating the place, day, and hour of any annual or special shareholder meeting shall be delivered not less than ten nor more than sixty days before the date of the meeting, either personally or by mail, by or at the direction of the Board of Directors, the president, or other persons calling the meeting, to each shareholder of record entitled to vote at such meeting, and to any other shareholder entitled by the Utah Revised Business Corporation Act or the Corporation's Articles of Incorporation to receive notice of the meeting. Notice shall be deemed to be effective when mailed.

Notice shall not be required to be given to any shareholder to whom:

- (1) A notice of two consecutive annual meetings, and all notices of meetings or of the taking of action by written consent without a meeting during the period between the two consecutive annual meetings, have been mailed, addressed to the shareholder at the shareholder's address as shown on the records of the Corporation, and have been returned undeliverable; or
- (2) at least two payments, if sent by first class mail, of dividends or interest on securities during a twelve month period, have been mailed, addressed to the shareholder at the shareholder's address as shown on the records of the Corporation, and have been returned undeliverable.

If a shareholder to whom notice is not required delivers to the Corporation a written notice setting forth the shareholder's current address, or if another address for the shareholder is otherwise made known to the Corporation, the requirement that notice be given to the shareholder is reinstated. (16-10a-103 and 16-10a-705)

(b) Adjourned Meeting. If any shareholder meeting is adjourned to a different date, time, or place, notice need not be given of the new date, time, or place, if the new date, time, or place is announced at the meeting before adjournment. However, if the adjournment is for more than 30 days, or if after the adjournment a new record date for the adjourned meeting is or must be fixed (see Section 2.5 of these Bylaws), then notice must be given pursuant to the requirements of paragraph (a) of this Section 2.4 to shareholders of record who are entitled to vote at the meeting. (16-10a-705(4))

(c) Waiver of Notice. Any shareholder may waive notice of a meeting (or any notice required by the Utah Revised Business Corporation Act, the

Corporation's Articles of Incorporation, or these Bylaws), by a writing signed by the shareholder, which is delivered to the Corporation (either before or after the date and time stated in the notice as the date or time when any action will occur or has occurred) for inclusion in the minutes or filing with the Corporation's records.

A shareholder's attendance at a meeting:

(1) Waives objection to lack of notice or defective notice of the meeting, unless the shareholder at the beginning of the meeting objects to holding the meeting or transacting business at the meeting; and

5

(2) waives objection to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice, unless the shareholder objects to considering the matter when it is presented. (16-10a-706)

(d) Contents of Notice. Notice of any special meeting of the shareholders shall include a description of the purpose or purposes for which the meeting is called. Except as provided in this Section 2.4(d), in the Articles of Incorporation, or in the Utah Revised Business Corporation Act, notice of an annual meeting of the shareholders need not include a description of the purpose or purposes for which the meeting is called. (16-10a-705(2) and (3))

Section 2.5. Fixing of Record Date. For the purpose of determining shareholders of any voting group entitled to notice of or to vote at any meeting of shareholders, or shareholders entitled to take action without a meeting or to demand a special meeting, or shareholders entitled to receive payment of any distribution or dividend, or in order to make a determination of shareholders for any other proper purpose, the Board of Directors may fix in advance a date as the record date. Such record date shall not be more than seventy days prior to the date on which the particular action, requiring such determination of shareholders, is to be taken. If not record date is so fixed by the Board of Directors, the record date shall be at the close of business:

(a) with respect to an annual meeting of the shareholders or any special meeting of the shareholders called by the Board of Directors or any person or group specifically authorized by these Bylaws to call a meeting of the shareholders, as of the close of business on the day before the first notice is delivered to shareholders; (16-10a-707(1))

(b) with respect to a special shareholder meeting demanded by the shareholders, on the earliest date of any of the demands pursuant to which the meeting is called, or 60 days prior to the date the first of the written demands is received by the Corporation, whichever is later; (16-10a-702(2))

(c) with respect to a distribution to shareholders (other than one involving a repurchase or re-acquisition of shares), on the date the Board of Directors authorizes the distribution; (16-10a-40(2))

and

(d) with respect to the payment of a share dividend, on the date the Board of Directors authorizes the share dividend. (16-10a-623(3))

When a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided in this Section, such determination shall apply to any adjournment thereof unless the Board of Directors fixes a new record date, which it must do if the meeting is adjourned to a date more than 120 days after the date fixed for the original meeting. (16-10a-707)

Section 2.6. Shareholder List. The secretary shall make a complete record of the shareholders entitled to vote at each meeting of shareholders, arranged in alphabetical order within each class or series, with the address of and the number of shares held by each. The list must be arranged by voting group (if such exists; see Section 2.7 of these Bylaws) and within each voting group by class or series of shares.

6

The shareholder list must be available for inspection by any shareholder, beginning on the earlier of ten days before the meeting for which the list was prepared or two business days after notice of the meeting is given and continuing through the meeting and any adjournments. The list shall be available at the Corporation's principal office or at a place identified in the notice of the meeting in the city where the meeting is to be held. A shareholder, his agent, or attorney is entitled on written demand to inspect and, subject to the requirements of Section 2.13 of these Bylaws, to inspect and copy the list during regular business hours and during the period it is available for inspection. The Corporation shall maintain the shareholder list in written form or in another form capable of conversion into written form within a reasonable time. (16-10a-720)

Section 2.7. Shareholder Quorum and Voting Requirements. If the Articles of Incorporation or the Utah Revised Business Corporation Act provide for voting by a single voting group on a matter, action on that matter is taken when voted upon by that voting group.

Shares entitled to vote as a separate voting group may take action on a matter at a meeting only if a quorum of those shares exists with respect to that matter. Unless the Articles of Incorporation, a Bylaw adopted by the shareholders pursuant to the Utah Revised Business Corporation Act, or the Utah Revised Business Corporation Act provide otherwise, a majority of the votes entitled to be cast on the matter by the voting group constitutes a quorum of that voting group for action on that matter.

If the Articles of Incorporation or the Utah Revised Business Corporation Act provide for voting by two or more voting groups on a matter, action on that matter is taken only when voted upon by each of those voting groups counted separately. One voting group may vote on a matter even though another voting group entitled to vote on the matter has not voted.

Once a share is represented for any purpose at a meeting, including the purpose of determining that a quorum exists, it is deemed present for quorum purposes for the remainder of the meeting and for any adjournment of that meeting, unless a new record date is or must be set for that adjourned meeting.

If a quorum exists, action on a matter (other than the election of directors) by a voting group is approved if the votes cast within the voting group favoring the action exceed the votes cast opposing the action, unless the Articles of Incorporation, a Bylaw adopted by the shareholders pursuant to the Utah Revised Business Corporation Act, or the Utah Revised Business Corporation Act require a greater number of affirmative votes. (16-10a-725 and 16-10a-726)

Section 2.8. Proxies. At all meetings of shareholders, a shareholder may vote in person or by a proxy executed in any lawful manner. Such proxy shall be filed with the Corporation before or at the time of the meeting. No proxy shall be valid after eleven months from the date of its execution unless otherwise provided in the proxy. (16-10a-722)

Section 2.9. Voting of Shares. Unless otherwise provided in the Articles of Incorporation, each outstanding share entitled to vote shall be entitled to one vote, and each fractional share shall be entitled to a corresponding fractional vote, upon each matter submitted to a vote at a meeting of shareholders.

7

Except as provided by specific court order, no shares of the Corporation held by another corporation, if a majority of the shares entitled to vote for the election of directors of such other corporation are held by the Corporation, shall be voted at any meeting of the Corporation or counted in determining the total number of outstanding shares at any given time for purposes of any meeting. However, the power of the Corporation to vote any shares, including its own shares, held by it in a fiduciary capacity is not hereby limited.

Redeemable shares are not entitled to be voted after notice of redemption is mailed to the holders thereof and a sum sufficient to redeem the shares has been deposited with a bank, trust company, or other financial institution under an irrevocable obligation to pay the holders the redemption price on surrender of the shares. (16-10a-721)

Section 2.10. Corporation's Acceptance of Votes

(a) If the name signed on a vote, consent, waiver, proxy appointment, or proxy appointment revocation corresponds to the name of a shareholder, the Corporation, if acting in good faith, is entitled to accept the vote, consent, waiver, proxy appointment, or proxy appointment revocation and give it effect as the act of the shareholder.

(b) If the name signed on a vote, consent, waiver, proxy appointment, or proxy appointment revocation does not correspond to the name of a shareholder, the Corporation, if acting in good faith, is nevertheless entitled to accept the vote, consent, waiver, proxy appointment, or proxy appointment revocation and give it effect as the act of the shareholder if:

(1) The shareholder is an entity as defined in the Utah Revised Business Corporation Act and the name signed purports to be that of an officer or agent of the entity;

(2) the name signed purports to be that of an administrator, executor, guardian, or conservator representing the shareholder and, if the Corporation requests, evidence of fiduciary status acceptable to the Corporation has been presented with respect to the vote, consent, waiver, proxy appointment, or proxy appointment revocation;

(3) the name signed purports to be that of a receiver or trustee in bankruptcy of the shareholder and, if the Corporation requests, evidence of this status acceptable to the Corporation has been presented with respect to the vote, consent, waiver, proxy appointment, or proxy appointment revocation;

(4) the name signed purports to be that of a pledgee, beneficial owner, or attorney-in-fact of the shareholder and, if the Corporation requests, evidence acceptable to the Corporation of the signatory's authority to sign for the shareholder has been presented with respect to the vote, consent, waiver, proxy appointment, or proxy appointment revocation;

(5) two or more persons are the shareholder as co-tenants or fiduciaries and the name signed purports to be the name of at least one of the co-tenants or fiduciaries and the person signing appears to be acting on behalf of all the co-tenants or fiduciaries; or

8

(6) the acceptance of the vote, consent, waiver, proxy appointment, or proxy appointment revocation is otherwise proper under rules established by the Corporation that are not inconsistent with the provisions of this Section 2.10.

(c) If shares of the Corporation are registered in the names of two or more persons, or if two or more persons have the same fiduciary relationship respecting the same shares, unless the secretary is given written notice to the contrary and furnished with a copy of the instrument creating the relationship, their acts with respect to voting shall have the following effect:

(1) If only one votes, the act binds all;

(2) if more than one vote, the act of the majority so voting binds all;

(3) if more than one vote, but the vote is evenly split on any particular matter, each faction may vote the securities in question proportionately; and

(4) if the instrument so filed or the registration of the shares shows that any tenancy is held in unequal interests, a majority or even split for the purpose of this Section 2.10 shall be a majority or even split in interest.

(d) The Corporation is entitled to reject a vote, consent, waiver, proxy appointment, or proxy appointment revocation if the secretary or other officer or agent authorized to tabulate votes, acting in good faith, has reasonable basis for doubt about the validity of the signature on it or about the signatory's authority to sign for the shareholder.

(e) The Corporation and its officer or agent who accepts or rejects a vote, consent, waiver, proxy appointment, or proxy appointment revocation in good faith and in accordance with the standards of this Section 2.10 are not liable in damages to the shareholder for the consequences of the acceptance or rejection.

(f) Corporate action based on the acceptance or rejection of a vote, consent, waiver, proxy appointment, or proxy appointment revocation under this Section 2.10 is valid unless a court of competent jurisdiction determines otherwise. (16-10a-724)

Section 2.11. Intentionally Omitted.

Section 2.12. Voting for Directors. At each election of directors, unless otherwise provided in the Articles of Incorporation or the Utah Revised Business Corporation Act, every shareholder entitled to vote at the election has the right to vote, in person or by proxy, all of the votes to which the shareholder's shares are entitled for as many persons as there are directors to be elected and for whose election the shareholder has the right to vote.

Unless otherwise provided in the Articles of Incorporation or the Utah Revised Business Corporation Act, directors are elected by a plurality of the votes cast by the shares entitled to be voted in the election, at a meeting at which a quorum is present. (16-10a-728)

9

Section 2.13. Shareholder's Rights to Inspect Corporate Records.

10

(a) Minutes and Accounting Records. The Corporation shall keep as permanent records minutes of all meetings of its shareholders and Board of Directors, a record of all actions taken by its shareholders or Board of Directors without a meeting, a record of all actions taken on behalf of the Corporation by a committee of the Board of Directors in place of the Board of Directors, and a record of all waivers of notices of meetings of its shareholders, meetings of the Board of Directors, or any meetings of committees of the Board of Directors. The Corporation shall maintain appropriate accounting records. (16-10a-1601(1), (2))

(b) Absolute Inspection Rights of Records Required at Principal Office. If a shareholder gives the Corporation written notice of the shareholder's demand at least five business days before the date on which the shareholder wishes to inspect and copy, a shareholder (or the shareholder's agent or attorney) has the right to inspect and copy, during regular business hours, any of the following records, all of which the Corporation is required to keep at its principal office:

- (1) The Corporation's Articles of Incorporation currently in effect;
- (2) the Corporation's Bylaws currently in effect;
- (3) the minutes of all shareholders' meetings, and records of all action taken by shareholders without a meeting, for the past three years;
- (4) all written communications within the past three years to shareholders as a group or to the holders of any class or series of shares as a group;
- (5) a list of the names and business addresses of the Corporation's current officers and directors;
- (6) the Corporation's most recent annual report delivered to the Division of Corporations and Commercial Code; and
- (7) all financial statements prepared for periods ending during the last three years that a shareholder could request pursuant to Section 16-10a-1605 or the Utah Revised Business Corporation Act. (16-10a-1601(5) and 16-10a-1602(1))

(c) Conditional Inspection Right. If a shareholder gives the Corporation a written demand made in good faith and for a proper purpose at least five business days before the date on which the shareholder wishes to inspect and copy, the shareholder describes with reasonable particularity the shareholder's purpose and the records the shareholder desires to inspect, and the records are directly connected with the shareholder's purpose, the shareholder (or the shareholder's agent or attorney) is entitled to inspect and copy, during regular business hours at a reasonable location specified by the Corporation, any of the following records of the Corporation:

- (1) Excerpts from:

11

(i) Minutes of any meeting of the Board of Directors, records of any action of a committee of the Board of Directors while acting on behalf of the Corporation in place of the Board of Directors;

(ii) minutes of any meeting of the shareholders;

(iii) records of action taken by the shareholders without a meeting; and

(iv) waivers of notices of any meeting of the shareholders, of any meeting of the Board of Directors, or of any meeting of a committee of the Board of Directors;

(2) accounting records of the Corporation; and

(3) the record of the Corporation's shareholders referred to in Section 16-10a-1601(3) of the Utah Revised Business Corporation Act. (16-10a-1602(2))

(d) Copy Costs. The right to copy records includes, if reasonable, the right to receive copies made by photographic, xerographic, or other means. The Corporation may impose a reasonable charge, payable in advance, covering the costs of labor and material, for copies of any documents provided to a shareholder. The charge may not exceed the estimated cost of production or reproduction of the records. (16-10a-1603)

(e) Shareholder Includes Beneficial Owner. For purposes of this Section 2.13, the term "shareholder" shall include a beneficial owner, whose shares are held in a voting trust and any other beneficial owner who establishes beneficial ownership. (16-10a-1602(4)(b))

Section 2.14. Furnishing Financial Statements to a Shareholder. Upon the written request of any shareholder, the Corporation shall mail to the shareholder its most recent annual or quarterly financial statements showing in reasonable detail its assets and liabilities and the results of its operations. (16-10a-1605)

Section 2.15. Information Respecting Shares. Upon the written request of any shareholder, the Corporation, at its own expense, shall mail to the shareholder information respecting the designations, preferences, limitations, and relative rights applicable to each class of shares, the variations determined for each series, and the authority of the Board of Directors to determine variations for any existing or future class or series. The Corporation may comply by mailing the shareholder a copy of its Articles of Incorporation containing such information. (16-10a-1606)

ARTICLE 3. BOARD OF DIRECTORS

Section 3.1. General Powers. All corporate powers shall be exercised by or under the authority of, and the business and affairs of the Corporation managed under, the direction of the Board of Directors, subject to any limitation set forth in the Articles of Incorporation or in any agreement authorized by Section 16-10a-732 of the Utah Revised Business Corporation Act. (16-10a-801)

12

Section 3.2. Number, Tenure, and Qualifications of Directors. The number of directors of the Corporation shall be not less than three (3) nor more than nine (9) except in the event that there are less than three (3) shareholders of the Corporation entitled to vote for the election of directors in which case the number of directors may equal the number of such voting shareholders of the Corporation. Within this range, the shareholders or the Board of Directors initially shall fix the number of directors of the Corporation. Thereafter, again within this range, the number of directors of the Corporation may be changed and re-established, from time to time, by the shareholders or the Board of Directors of the Corporation, but no decrease in the number of directors of the Corporation may shorten the term of any incumbent director.

Each director shall hold office until the next annual meeting of shareholders or until removed. However, if a director's term expires, the director shall continue to serve until the director's successor shall have been elected and qualified, or until there is a decrease in the number of directors.

Directors need not be residents of the State of Utah but must within 3 years of becoming a director own at least 1,000 shares of the Corporation's Common Stock. (16-10a-802, 16-10a-803 and 16-10a-805)

Section 3.3. Regular Meetings of the Board of Directors The Board of Directors may set the time and place, either within or outside the State of Utah, for the holding of regular meetings, which may be held without further notice.

Section 3.4. Special Meetings of the Board of Directors Special meetings of the Board of Directors may be called by or at the request of the Chairman of the Board or two (2) or more of the directors, who may fix any place, either within or outside the State of Utah, as the place for holding the meeting.

Section 3.5. Notice and Waiver of Notice of Special Director Meetings Unless the Articles of Incorporation provide for a longer or shorter period, special meetings of the Board of Directors must be preceded by at least five days notice, either orally or in writing, of the date, time and place of the meeting.

Notice of any meeting of the Board of Directors shall be deemed to be effective at the earliest of: (1) When received; (2) five days after it is mailed; or (3) the date shown on the return receipt if sent by registered or certified mail, return receipt requested, and the receipt is signed by or on behalf of the director.

A director may waive notice of any meeting. Except as in this Section 3.5 provided, the waiver must be in writing and signed by the director entitled to the notice. The waiver shall be delivered to the Corporation for filing with the corporate records, but delivery and filing are not conditions to its effectiveness.

The attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except when a director attends a meeting for the express purpose of objecting to the transaction of any business and at the beginning of the meeting, or promptly upon arrival, the director objects to holding the

13

meeting of transacting business at the meeting because of lack of notice or defective notice, and does not thereafter vote for or assent to action taken at the meeting.

A director who attends a special meeting to object to lack of notice shall not be deemed to be present for quorum purposes. (16-10a-822 and 16-10a-823)

Section 3.6. Director Quorum A majority of the number of directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, unless the Articles of Incorporation require a greater number.

A majority of the number of directors in office immediately before the meeting begins shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, unless the Articles of Incorporation require a greater number.

Section 3.7. Manner of Acting The act of the majority of the directors present at a meeting at which a quorum is present when the vote is taken shall be the act of the Board of Directors, unless the Articles of Incorporation require a greater percentage.

Unless the Articles of Incorporation provide otherwise, any or all directors may participate in a regular or special meeting by, or conduct the meeting through the use of, any means of communication by which all directors participating may simultaneously hear each other during the meeting. A director participating in a meeting by this means is deemed to be present in person at the meeting.

A director who is present at a meeting of the Board of Directors when corporate action is taken is considered to have assented to the action taken, unless:

- (a) The director objects at the beginning of the meeting, or promptly upon arrival, to holding it or transacting business at the meeting;
- (b) the director contemporaneously requests his dissent or abstention as to any specific action to be entered into the minutes of the meeting; or
- (c) the director causes written notice of a dissent of abstention as to any specific action to be received by the presiding officer of the meeting before its adjournment or by the Corporation promptly after adjournment of the meeting.

The right of dissent or abstention as to a specific action is not available to a director who votes in favor of the action taken. (16-10a-824)

Section 3.8 Director Action Without a Meeting Unless the Articles of Incorporation or the Utah Revised Business Corporation Act provide otherwise, any action required or permitted to be taken by the Board of Directors at a meeting may be taken without a meeting if all the directors consent to the action in writing. Action is taken by consents at the time the last director signs a writing describing the action taken, unless, prior to that time, any director has revoked a consent by a writing signed by the director and received by the secretary. Action taken by consents is effective when the last director signs the consent, unless the Board of Directors establishes a different effective date. Action taken by consents has

14

the same effect as action taken at a meeting of directors and may be described as such in any document. (16-10a-821)

Section 3.9. Removal of Directors The shareholders may remove one or more directors at a meeting called for that purpose if notice has been given that a purpose of the meeting is such removal. The removal may be with or without cause, unless the Articles of Incorporation provide that directors may only be removed with cause. If a director is elected by a voting group of shareholders, only the shareholders of that voting group may participate in the vote to remove the director. If cumulative voting is in effect, a director may not be removed if the number of votes sufficient to elect the director under cumulative voting is voted against the director's removal. If cumulative voting is not in effect, a director may be removed only if the number of votes cast to remove the director exceeds the number of votes cast not to remove the director. (16-10a-808)

Section 3.10. Board of Director Vacancies

(a) Unless the Articles of Incorporation provide otherwise, if a vacancy occurs on the Board of Directors, including a vacancy resulting from an increase in the number of directors:

- (1) The shareholders may fill the vacancy;
- (2) the Board of Directors may fill the vacancy; or

(3) if the directors remaining in office constitute fewer than a quorum of the board, they may fill the vacancy by the affirmative vote of a majority of all the directors remaining in office.

(b) Unless the Articles of Incorporation provide otherwise, if the vacant office was held by a director elected by a voting group of shareholders:

- (1) If one or more directors were elected by the same voting group, only they are entitled to vote to fill the vacancy if it is filled by the directors; and
- (2) only the holders of shares of that voting group are entitled to vote to fill the vacancy if it is filled by the shareholders.

A vacancy that will occur at a specific later date, because of a resignation effective at a later date, may be filled before the vacancy occurs, but the new director may not take office until the vacancy occurs.

If a director's term expires, the director shall continue to serve until the director's successor is elected and qualified or until there is a decrease in the number of directors. The term of a director elected to fill a vacancy expires at the next shareholders' meeting at which directors are elected. (16-10a-810 and 16-10a-805(5))

Section 3.11. Director Compensation. Unless otherwise provided in the Articles of Incorporation, by resolution of the Board of Directors, each director may be paid his expenses, if any, of

attendance at each meeting of the Board of Directors, and may be paid a stated salary as a director or a fixed sum for attendance at each meeting of the Board of Directors or both.

Section 3.12. Director Committees.

(a) Creation of Committees. Unless the Articles of Incorporation provide otherwise, and subject to Section 3.12(b), the Board of Directors may create one or more committees and appoint members of the Board of Directors to serve on them. Each committee must have two or more members, who serve at the pleasure of the Board of Directors.

(b) Selection of Members. The creation of a committee and appointment of members to it must be recommended by the Chairman of the Board and approved by the greater of:

- (1) A majority of all the directors in office when the action is taken; or
- (2) the number required by Section 3.7 of these Bylaws to take action.

(c) Required Procedures. Sections 3.4 through 3.9 of these Bylaws, which govern meetings, action without a meeting, notice, waiver of notice, and quorum and voting requirements of the Board of Directors, apply to committees and their members as well.

(d) Authority. Unless limited by the Articles of Incorporation, each committee may exercise those aspects of the authority of the Board of Directors which the Board of Directors confers upon such committee in the resolution creating the committee. (16-10a-825)

Section 3.13. Director's Rights to Inspect Corporate Records.

(a) Absolute Inspection Rights of Records Required at Principal Office. If a director gives the Corporation written notice of the director's demand at least five business days before the date on which the director wishes to inspect and copy, the director (or the director's agent or attorney) has the right to inspect and copy, during regular business hours, any of the following records, all of which the Corporation is required to keep at its principal office:

- (1) The Corporation's Articles of Incorporation currently in effect;
- (2) the Corporation's Bylaws currently in effect;
- (3) the minutes of all shareholders' meetings, and records of all action taken by shareholders without a meeting, for the past three years;
- (4) all written communications within the past three years to shareholders as a group or to the holders of any class or series of shares as a group;
- (5) a list of the names and business addresses of the Corporation's current officers and directors;

- (6) the Corporation's most recent annual report delivered to the Division of Corporations and Commercial Code; and
- (7) all financial statements prepared for periods ending during the last three years that a shareholder could request. (16-10a-1601(5) and 16-10a-

1602(1))

(b) Conditional Inspection Right. In addition, if a director gives the Corporation a written demand made in good faith and for a proper purpose at least five business days before the date on which the director wishes to inspect and copy, the director describes with reasonable particularity the director's purpose and the records the director desires to inspect, and the records are directly connected with the director's purpose, the director (or the director's agent or attorney) is entitled to inspect and copy, during regular business hours at a reasonable location specified by the Corporation, any of the following records of the Corporation:

- (1) Excerpts from:
 - (i) Minutes of any meeting of the Board of Directors, records of any action of a committee of the Board of Directors while acting on behalf of the Corporation in place of the Board of Directors;
 - (ii) minutes of any meeting of the shareholders;
 - (iii) records of action taken by the shareholders without a meeting; and
 - (iv) waivers of notices of any meeting of the shareholders, of any meeting of the Board of Directors, or of any meeting of a committee of the Board of Directors;
- (2) accounting records of the Corporation; and
- (3) the record of the Corporation's shareholders referred to in Section 16-10a-1601(3) of the Utah Revised Business Corporation Act. (16-10a-

(c) Copy Costs. The right to copy records includes, if reasonable, the right to receive copies made by photographic, xerographic, or other means. The Corporation may impose a reasonable charge, payable in advance, covering the costs of labor and material, for copies of any documents provided to the director. The charge may not exceed the estimated cost of production or reproduction of the records. (16-10a-1603)

ARTICLE 4. OFFICERS/CHAIRMAN

Section 4.1. Number of Officers. The officers of the Corporation shall be a president, a secretary, and a treasurer, each of whom shall be appointed by the Board of Directors. Such other officers and assistant officers as may be deemed necessary, including any vice presidents, may be appointed by the Board of Directors. If specifically authorized by the Board of Directors, an officer may appoint one or more officers or assistant officers. The same individual may simultaneously hold more than one office in the Corporation. (16-10a-830)

17

Section 4.2. Appointment and Term of Office. The officers of the Corporation shall be appointed by the Board of Directors for such term as is determined by the Board of Directors. The designation of a specified term does not grant to the officer any contract rights, and the Board of Directors can remove the officer at any time prior to the end of such term. If no term is specified, each officer shall hold office until the officer resigns, dies, or until removed in the manner provided in Section 4.3 of these Bylaws. (16-10a-832 and 16-10a-833)

Section 4.3. Removal of Officers. Any officer or agent may be removed by the Board of Directors at any time, with or without cause. Such removal shall be without prejudice to the contract rights, if any, of the person so removed. Appointment of an officer or agent shall not of itself create contract rights. (16-10a-832)

Section 4.4. Chairman of the Board. The Chairman of the Board shall have the following powers and duties:

- (a) to preside at all meetings of the shareholders of the Corporation; and
- (b) to preside at all meetings of the Board of Directors;

Section 4.5. President. The president shall be the chief executive officer of the Corporation and, subject to the control of the Board of Directors, shall, in general, supervise and control all of the business and affairs of the Corporation. The president may sign, with the secretary or any other proper officer of the Corporation authorized by the Board of Directors, certificates for shares of the Corporation, the issuance of which shall have been authorized by a resolution of the Board of Directors, and deeds, mortgages, bonds, contracts, or other instruments which the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Corporation, or shall be required by law to be otherwise signed or executed; and in general shall perform all duties incident to the office of president and such other duties as may be prescribed by the Board of Directors from time to time. The President shall be a member of the Executive Committee, if any, of the Corporation. (16-10a-831)

Section 4.6. Vice Presidents. If appointed, in the absence of the president or in the event of his death, inability, or refusal to act, the vice president (or in the event there be more than one vice president, the vice presidents in the order designated at the time of their election, or in the absence of any designation, then in the order of their appointment) shall perform the duties of the president, and when so acting, shall have all the powers of and be subject to all the restrictions upon the president. If there is no vice president, then the treasurer shall perform such duties of the president. Any vice president may sign, with the secretary or an assistant secretary, certificates for shares of the Corporation the issuance of which have been authorized by resolution of the Board of Directors; and shall perform such other duties as from time to time may be assigned to him or her by the president or by the Board of Directors. (16-10a-831)

18

Section 4.7. Secretary. The secretary shall:

- (a) Keep the minutes of the proceedings of the shareholders and of the Board of Directors and the other records and information of the Corporation required to be kept, in one or more books provided for that purpose;
- (b) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law;
- (c) be custodian of the corporate records and of any seal of the Corporation;
- (d) when requested or required, authenticate any records of the Corporation;
- (e) keep a register of the post office address of each shareholder which shall be furnished to the secretary by such shareholder;
- (f) sign with the president, or a vice-president, certificates for shares of the Corporation, the issuance of which shall have been authorized by resolution of the Board of Directors;
- (g) have general charge of the stock transfer books of the Corporation; and
- (h) in general perform all duties incident to the office of secretary and such other duties as from time to time may be assigned to him or her by the president or by the Board of Directors. (16-10a-830 and 16-10a-831)

Section 4.8. Treasurer. The treasurer shall:

- (a) Have charge and custody of and be responsible for all funds and securities of the Corporation;
- (b) receive and give receipts of moneys due and payable to the Corporation from any source whatsoever, and deposit all such moneys in the name of the Corporation in such banks, trust companies, or other depositories as shall be selected by the Board of Directors; and
- (c) in general perform all of the duties incident to the office of treasurer and such other duties as from time to time may be assigned to him or her by the president or by the Board of Directors. (16-10a-831) If required by the Board of Directors, the treasurer shall give a bond for the faithful discharge of his or her duties in such sum and with such surety or sureties as the Board of Directors shall determine.

Section 4.9. Assistant Secretaries and Assistant Treasurers. The assistant secretaries, when authorized by the Board of Directors, may sign, with the president or a vice president, certificates for shares of the Corporation, the issuance of which shall have been authorized by a resolution of the Board of Directors. The assistant treasurers shall, if required by the Board of Directors, give bonds for the faithful discharge of their duties in such sums and with such sureties as the Board of Directors shall determine.

Be assigned to them by the secretary or the treasurer, respectively, or by the president or the Board of Directors. (16-10a-831)

Section 4.10. Salaries. The compensation of the Chairman of the Board of Directors, Chief Executive Officer and Chief Operating Officer shall be fixed from time to time by the Board of Directors.

ARTICLE 5. LIMITATION OF LIABILITY AND INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES, FIDUCIARIES, AND AGENTS

Section 5.1. Limitation of Liability of Directors and Officers. The personal liability of the directors and officers of the Corporation to the Corporation or its shareholders, or to any third person, shall be eliminated or limited to the fullest extent as from time to time permitted by Utah law. (16-10a-841(1))

Section 5.2. Indemnification of Directors and Officers. Unless otherwise provided in the Articles of Incorporation, the Corporation shall indemnify any individual made a party to a proceeding because the individual is or was a director or officer of the Corporation against liability incurred in such proceeding to the fullest extent as from time to time permitted by Utah law. (16-10a-902, 907)

Section 5.3. Effect of Repeal or Modification of Article V. Any repeal or modification of this Article V by the shareholders of the Corporation shall not adversely affect any right or protection of any person existing at the time of such repeal or modification.

Section 5.4. Insurance. The Corporation may purchase and maintain liability insurance on behalf of a person who is or was a director, officer, employee, fiduciary, or agent of the Corporation, or who, while serving as a director, officer, employee, fiduciary, or agent of the Corporation, is or was serving at the request of the Corporation as a director, officer, partner, trustee, employee, fiduciary, or agent of another foreign or domestic corporation or other person, or of an employee benefit plan, against liability asserted against or incurred by him or her in that capacity or arising from his or her status as a director, officer, employee, fiduciary, or agent, whether or not the Corporation would have power to indemnify him or her against the same liability under Sections 16-10a-902, 16-10a-903, or 16-10a-907 of the Utah Revised Business Corporation Act. Insurance may be procured from any insurance company designated by the Board of Directors, whether the insurance company is formed under the laws of the State of Utah or any other jurisdiction of the United States or elsewhere, including any insurance company in which the Corporation has an equity or any other interest through stock ownership or otherwise. (16-10a-908)

ARTICLE 6. CERTIFICATES FOR SHARES AND THEIR TRANSFER

Section 6.1. Certificates for Shares.

(a) Content. Certificates representing shares of the Corporation shall, at a minimum, state on their face the name of the Corporation and that the Corporation is organized under the laws of the State of Utah; the name of the person to whom issued; and the number and class of shares and the designation of the series, if any, the certificate represents; and be in such form as is determined by the Board of Directors. Such certificates shall be signed by the president or a vice president and by the

secretary or an assistant secretary and may be sealed with the corporate seal or a facsimile thereof. The signatures of the officers may be facsimiles if the certificate is countersigned by a transfer agent, or registered by a registrar, other than the Corporation itself or an employee of the Corporation. Each certificate for shares shall be consecutively numbered or otherwise identified. The certificates may contain any other information the Corporation considers necessary or appropriate. (16-10a-625)

(b) Legend as to Class or Series. If the Corporation is authorized to issue different classes of shares or different series within a class, the designations, preferences, limitations, and relative rights applicable to each class, the variations in preferences, limitations, and relative rights determined for each series, and the authority of the Board of Directors to determine variations for any existing or future class or series must be summarized on the front or back of each certificate. Alternatively, each certificate may state conspicuously on its front or back that the Corporation will furnish the shareholder this information on request in writing and without charge. (16-10a-625)

(c) Shareholder List. The name and address of the person to whom the shares represented are issued, with the number of shares and date of issue, shall be entered on the stock transfer books of the Corporation.

(d) Transferring Shares. All certificates surrendered to the Corporation for transfer shall be canceled and no new certificate shall be issued until the former certificate for a like number of shares shall have been surrendered and canceled, except that in case of a lost, destroyed, or mutilated certificate a new one may be issued thereupon such terms and indemnity to the Corporation as the Board of Directors may prescribe.

Section 6.2. Shares Without Certificates.

(a) Issuing Shares Without Certificates. Unless the Articles of Incorporation provide otherwise, the Board of Directors may authorize the issuance of some or all of the shares of any or all classes or series without certificates. The authorization does not affect shares already represented by certificates until they are surrendered to the Corporation.

(b) Information Statement Required. Within a reasonable time after the issuance or transfer of shares without certificates, the Corporation shall send the shareholder a written statement containing, at a minimum, the name of the Corporation and that it is organized under the laws of the State of Utah; the name of the person to whom issued; and the number and class of shares and the designation of the series, if any, of the issued shares. If the Corporation is authorized to issue different classes of shares or different series within a class, the written statement shall describe the designations, preferences, limitations, and relative rights applicable to each class, the variations in preferences, limitations, and relative rights determined for each series, and the authority of the Board of Directors to determine variation for any existing or future class or series. (16-10a-626)

Section 6.3. Registration of Transfer of Shares. Registration of the transfer of shares of the Corporation shall be made only on the stock transfer books of the Corporation. In order to register a transfer, the record owner shall surrender the shares to the Corporation for cancellation, properly endorsed by the appropriate person or persons with reasonable assurances that the endorsements are genuine and effective. Unless the Corporation has established a procedure by which a beneficial owner of shares held

to be the owner thereof for all purposes.

Section 6.4. Restrictions on Transfer of Shares Permitted. The Board of Directors or the shareholders may impose restrictions on the transfer or registration of transfer of shares (including any security convertible into, or carrying a right to subscribe for or acquire shares). A restriction does not affect shares issued before the restriction was adopted unless the holders of the shares are parties to the restriction agreement or voted in favor of the registration or otherwise consented to the restriction.

(a) A restriction on the transfer or registration of transfer of shares may be authorized:

- (1) To maintain the Corporation's status when it is dependent on the number or identity of its shareholders;
- (2) to preserve entitlements, benefits, or exemptions under federal, state, or local laws; and
- (3) for any other reasonable purpose.

(b) A restriction on the transfer or registration of transfer of shares may:

- (1) Obligate the shareholder first to offer the Corporation or other persons, separately, consecutively, or simultaneously, and opportunity to acquire the restricted shares;
- (2) obligate the Corporation or other persons, separately, consecutively, or simultaneously, to acquire the restricted shares;
- (3) require, as a condition to a transfer or registration, that any one or more persons, including the Corporation or any of its shareholders, approve the transfer or registration, if the requirement is not manifestly unreasonable; or
- (4) prohibit the transfer or the registration of a transfer of the restricted shares to designated persons or classes of persons, if the prohibition is not manifestly unreasonable.

A restriction on the transfer or registration of transfer of shares is valid and enforceable against the holder or a transferee of the holder if the restriction is authorized by this Section 6.4 and its existence is noted conspicuously on the front or back of the certificate, or if the restriction is contained in the information statement required by Section 6.2 of these Bylaws with regard to shares issued without certificates. Unless so noted, a restriction is not enforceable against a person without knowledge of the restriction. (16-10a-627)

Section 6.5. Acquisition of Shares. The Corporation may acquire its own shares, and, unless otherwise provided in the Articles of Incorporation, the shares so acquired constitute authorized but unissued shares.

22

If the Articles of Incorporation prohibit the re-issuance of acquired shares, the number of authorized shares shall be reduced by the number of shares acquired, effective upon amendment of the Articles of Incorporation, which amendment shall be adopted by the shareholders or the Board of Directors without shareholder action. Appropriate Articles of Amendment must be delivered to the Division of Corporations and Commercial Code and must set forth:

(a) The name of the Corporation;

(b) the reduction in the number of authorized shares, itemized by class and series;

(c) the total number of authorized shares, itemized by class and series, remaining after reduction of the shares; and

(d) a statement that the amendment was adopted by the Board of Directors without shareholder action and that shareholder action was not required if such be the case. (16-10a-631)

ARTICLE 7. DISTRIBUTIONS

Section 7.1. Distributions. The Board of Directors may authorize, and the Corporation may make, distributions (including dividends on its outstanding shares) in the manner and upon the terms and conditions provided by law and in the Articles of Incorporation.

ARTICLE 8. CORPORATE SEAL

Section 8.1. Corporate Seal. The Board of Directors may provide a corporate seal which may be circular in form and have inscribed thereon any designation including the name of the Corporation, Utah as the state of incorporation, and the words "Corporate Seal."

ARTICLE 9. FISCAL YEAR

Section 9.1. Fiscal Year. The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors.

ARTICLE 10. AMENDMENTS

Section 10.1. Amendments. The Corporation's Board of Directors may amend these Bylaws, except to the extent that the Articles of Incorporation, these Bylaws, or the Utah Revised Business Corporation Act reserve this power exclusively to the shareholders in whole or in part. However, the Board of Directors may not adopt, amend, or repeal a Bylaw that fixes a shareholder quorum or voting requirement that is greater than required by the Utah Revised Business Corporation Act.

If authorized by the Articles of Incorporation, the shareholders may adopt, amend, or repeal a Bylaw that fixes a greater quorum or voting requirement for shareholders, or voting groups of shareholders, than is required by the Utah Revised Business Corporation Act. Any such action shall comply with the provisions of the Utah Revised Business Corporation Act.

23

The Corporation's shareholders may amend or repeal the Corporation's Bylaws even though the Bylaws may also be amended or repealed by the Corporation's Board of Directors. (16-10a-1020 to 16-10a-1022)

ADOPTED as of the 24th day of May, 2002.

CERTIFICATIONS

I, DOUGLAS FAGGIOLI, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Nature's Sunshine Products, Inc.;
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 quarterly 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)) 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) 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
 - (c) 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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
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: August 6, 2004

/s/ Douglas Faggioli
President & Chief Executive Officer

I, CRAIG D. HUFF, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Nature's Sunshine Products, Inc.;
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 quarterly 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)) 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) 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
 - (c) 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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
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: August 6, 2004

/s/ Craig D. Huff
Executive Vice President, Chief
Financial Officer & Treasurer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Douglas Faggioli, President & Chief Executive Officer of Nature's Sunshine Products, Inc. (the "Registrant"), do hereby certify in accordance with 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, based on my knowledge:

- (1) the Quarterly Report on Form 10-Q of the Registrant, to which this certification is attached as an exhibit (the "Report"), fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: August 6, 2004

/s/ Douglas Faggioli
Douglas Faggioli
President & Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Nature's Sunshine Products, Inc. and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Craig D. Huff, Executive Vice-President, Chief Financial Officer & Treasurer of Nature's Sunshine Products, Inc. (the "Registrant"), do hereby certify in accordance with 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, based on my knowledge:

- (1) the Quarterly Report on Form 10-Q of the Registrant, to which this certification is attached as an exhibit (the "Report"), fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: August 6, 2004

/s/ Craig D. Huff

Craig D. Huff
Executive Vice President, Chief
Financial Officer & Treasurer

A signed original of this written statement required by Section 906 has been provided to Nature's Sunshine Products, Inc. and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.
