UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

☒ Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

for the fiscal year ended December 31, 2014

OR

☐ Transition report under Section 13 or 15(d) of the Securities Exchange Act of 1934

for the transition period from to .

Commission file number 001-34483

NATURE'S SUNSHINE PRODUCTS, INC.

(Exact name of Registrant as specified in its charter)

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

2500 West Executive Parkway, Suite 100
Lehi, Utah 84043
(Address of principal executive offices and zip code)

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

Securities registered pursuant to Section 12(b) of the Act: **Common Stock, no par value.**

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒.

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒.

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

Large accelerated filer ☐	Accelerated filer ☒
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

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

The aggregate market value of the voting stock held by non-affiliates of the registrant on June 30, 2014 was approximately $274,960,000 based on the closing price of $16.97 as quoted by Nasdaq Capital Market on June 30, 2014.

The number of shares of Common Stock, no par value, outstanding on February 13, 2015 is 18,560,936 shares.

EXPLANATORY NOTES

Portions of the registrant's Definitive Proxy Statement to be filed with the Securities and Exchange Commission no later than 120 days after the end of the Registrant's fiscal year ended December 31, 2014, are incorporated by reference in Part III of this Annual Report on Form 10-K.

FORM 10-K

For the Fiscal Year Ended December 31, 2014

Table of Contents

Part I.

Item 1.	Business	4
Item 1A.	Risk Factors	15
Item 1B.	Unresolved Staff Comments	22
Item 2.	Properties	23
Item 3.	Legal Proceedings	23
Item 4.	Mine Safety Disclosures	23

Part II.

Item 5.	Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities	24
Item 6.	Selected Financial Data	26
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	27
Item 7A.	Quantitative and Qualitative Disclosures about Market Risk	45
Item 8.	Financial Statements and Supplementary Data	49
Item 9.	Change in and Disagreements with Accountants on Accounting and Financial Disclosure	83
Item 9A.	Controls and Procedures	83
Item 9B.	Other Information	85

Part III.

Item 10.	Directors, Executive Officers and Corporate Governance	85
Item 11.	Executive Compensation	85
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters	85
Item 13.	Certain Relationships and Related Transactions and Director Independence	85
Item 14.	Principal Accounting Fees and Services	85

Part IV.

Item 15.	Exhibits and Financial Statement Schedules	85

Signatures 86

Table of Contents

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

- any negative consequences resulting from the economy, including the availability of liquidity to us, ourindependent Distributors and our suppliers or the willingness of our customers to purchase products;
- our relationship with, and our ability to influence the actions of, ourindependent Distributors, and other third parties with whom we do business;
- improper activity by our employees or independent Distributors;
- negative publicity related to our products, ingredients, and the nutritional supplement industry or direct selling organization;
- changing consumer preferences and demands;
- our reliance upon, or the loss or departure of any member of, our senior management team which could negatively impact our Distributor relations and operating results;
- the competitive nature of our business and the nutritional supplement industry;
- regulatory matters governing our products, ingredients, the nutritional supplement industry, our direct selling program, or the direct selling market in which we operate;
- legal challenges to our direct selling program or to the classification of ourindependent Distributors;
- risks associated with operating internationally and the effect of economic factors, including foreign exchange, inflation, disruptions or conflicts with our third party importers, governmental sanctions, ongoing Ukraine and Russia political conflict, pricing and currency devaluation risks, especially in countries such as Ukraine, Russia and Belarus;
- uncertainties relating to the application of transfer pricing, duties, value-added taxes, and other tax regulations, and changes thereto;
- our dependence on increased penetration of existing markets;
- our reliance on our information technology infrastructure;
- the sufficiency of trademarks and other intellectual property rights;
- changes in tax laws, treaties or regulations, or their interpretation;
- taxation relating to our independent Distributors;
- product liability claims;
- share price volatility related to, among other things, speculative trading; and
- the full implementation of our joint venture for operations in China with Fosun Industrial Co., Ltd., as well as the legal complexities, unique regulatory environment and challenges of doing business in China generally.

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

Table of Contents

PART 1

Item 1. Business

The Company

Nature's Sunshine Products, Inc., together with its subsidiaries (hereinafter referred to collectively as the "Company"), is a natural health and wellness company primarily engaged in the manufacturing and direct selling of nutritional and personal care products. The Company is a Utah corporation with its principal place of business in Lehi, Utah, and sells its products to a sales force of independent Managers and Distributors who use the products themselves and resell them to other independent Distributors or consumers. The formulation, manufacturing, packaging, labeling, advertising, distribution and sale of each of the Company's major product groups are subject to regulation by one or more governmental agencies.

The Company markets its products in Australia, Austria, Belarus, Canada, Colombia, Costa Rica, the Czech Republic, Denmark, the Dominican Republic, Ecuador, El Salvador, Finland, Germany, Guatemala, Honduras, Hong Kong, Iceland, Indonesia, Ireland, Italy, Japan, Kazakhstan, Latvia, Lithuania, Malaysia, Mexico, Moldova, Mongolia, the Netherlands, New Zealand, Nicaragua, Norway, Panama, the Philippines, Poland, Russia, Singapore, Slovenia, South Korea, Spain, Sweden, Taiwan, Thailand, Ukraine, the United Kingdom, the United States and Vietnam. The Company also exports its products to Argentina, Australia, Chile, Israel, New Zealand, Norway, Peru and the United Kingdom.

Business Segments

The Company has four business segments. These business segments are components of the Company for which separate information is available that is evaluated regularly by the chief executive officer acting as the Company's chief operating decision maker, in deciding how to allocate resources and in assessing relative performance.

The Company has two business segments that operate under the Nature's Sunshine® Products brand and are divided based on the characteristics of their Distributor base, similarities in compensation plans, as well as the internal organization of NSP's officers and their responsibilities (NSP Americas and NSP Russia, Central and Eastern Europe). The Company's third business segment operates under the Synergy® WorldWide brand, which distributes its products through different selling and Distributor compensation plans and has products with formulations that are sufficiently different from those of NSP Americas and NSP Russia, Central and Eastern Europe to warrant accounting for these operations as a separate business segment. The Company's fourth business segment, China and New Markets, anticipates deploying a multi-brand, multi-channel go-to-market strategy that offers select Nature's Sunshine branded products through Shanghai Fosun Pharmaceutical (Group) Co., Ltd.'s or ("Fosun Pharma") retail locations across China as well as ecommerce, and select Synergy branded products through a direct selling model. The time to market will be dependent upon regulatory processes including product registration and permit approvals. The China and New Markets segment also includes Company's export sales business, in which the Company sells our products to various locally managed entities independent of the Company that have distribution relevant rights for the market. All of the net sales revenue to date in the China and New Markets segment is through the Company's export business to foreign markets outside of China as set forth above. Previously, the export business was included as part of NSP Americas. Net sales revenues for each segment have been reduced by intercompany sales as they are not included in the measure of segment profit or loss reviewed by the chief operating decision maker. The Company evaluates performance based on contribution margin (loss) by segment before consideration of certain inter-segment transfers and expenses.

Product Categories

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

Presented below are the U.S. dollar amounts and associated revenue percentages from the sale of general health, immune, cardiovascular, digestive, personal care and weight management products for the years ended December 31, 2014, 2013, and 2012, by business segment. This table should be read in conjunction with the information presented in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," which discusses the factors impacting revenue trends and the costs associated with generating the aggregate revenue presented (in thousands).

Table of Contents

Year Ended December 31,	2014		2013		2012	
NSP Americas:						
General health	$ **79,022**	**42.8%**	$ 82,332	42.0%	$ 87,280	43.7%
Immune	**23,881**	**12.9**	24,013	12.2	24,410	12.2
Cardiovascular	**12,665**	**6.9**	13,268	6.8	13,483	6.8
Digestive	**53,906**	**29.2**	57,575	29.4	56,160	28.1
Personal care	**4,025**	**2.2**	5,214	2.7	5,792	2.9
Weight management	**11,126**	**6.0**	13,522	6.9	12,669	6.3
Total NSP Americas	**184,625**	**100.0**	195,924	100.0	199,794	100.0
NSP Russia, Central and Eastern Europe:						
General health	$ **18,841**	**37.5%**	$ 22,690	36.2%	$ 20,540	35.5%
Immune	**6,512**	**12.9**	7,902	12.6	7,365	12.7
Cardiovascular	**3,104**	**6.2**	4,324	6.9	4,367	7.6
Digestive	**13,171**	**26.2**	15,693	25.0	14,501	25.1
Personal care	**6,073**	**12.1**	8,817	14.0	8,908	15.4

Weight management	**2,573**	**5.1**	3,321	5.3	2,172	3.7
Total NSP Russia, Central and Eastern Europe	**50,274**	**100.0**	62,747	100.0	57,853	100.0
Synergy WorldWide:						
General health	$ **46,546**	**36.3%**	$ 36,723	33.9%	$ 33,969	33.7%
Immune	**974**	**0.8**	1,394	1.3	1,104	1.1
Cardiovascular	**42,449**	**33.1**	42,154	38.9	42,696	42.4
Digestive	**20,839**	**16.3**	16,897	15.6	14,904	14.8
Personal care	**7,196**	**5.6**	7,097	6.6	5,631	5.6
Weight management	**10,097**	**7.9**	4,025	3.7	2,366	2.4
Total Synergy WorldWide	**128,101**	**100.0**	108,290	100.0	100,670	100.0
China and New Markets:						
General health	$ **1,566**	**46.5%**	$ 1,306	45.6%	$ 1,180	47.0%
Immune	**445**	**13.2**	367	12.8	319	12.7
Cardiovascular	**235**	**7.0**	211	7.4	188	7.5
Digestive	**835**	**24.8**	726	25.3	632	25.2
Personal care	**83**	**2.5**	74	2.6	70	2.8
Weight management	**203**	**6.0**	181	6.3	120	4.8
Total China and New Markets	**3,367**	**100.0**	2,865	100.0	2,509	100.0
Consolidated:						
General health	$ **145,975**	**39.8%**	$ 143,051	38.7%	$ 142,969	39.6%
Immune	**31,812**	**8.7**	33,676	9.1	33,198	9.2
Cardiovascular	**58,453**	**16.0**	59,957	16.2	60,734	16.8
Digestive	**88,751**	**24.2**	90,891	24.6	86,197	23.9
Personal care	**17,377**	**4.7**	21,202	5.7	20,401	5.7
Weight management	**23,999**	**6.6**	21,049	5.7	17,327	4.8
Total Consolidated	**$ 366,367**	**100.0**	$ 369,826	100.0	$ 360,826	100.0

Table of Contents

The following table summarizes our product lines by category:

Category	Description	Selected Representative Products
General health	We supply a wide selection of general health products. The general health line is a combination of assorted health products related to blood sugar support, bone health, cellular health, cognitive function, essential oils, joint health, mood, sexual health, sleep, sports and energy, and vision.	*NSP Americas; NSP Russia, Central and Eastern Europe; China and New Markets:* Adrenal Support, CurcuminBP, Everflex®, Ionic Minerals, Mind-Max, Nutri-Calm®, Perfect Eyes®, Skeletal Strength®, Super Supplemental Vitamin and Mineral, Super Trio, Tai-Go®, Tei-Fu®, Vitamin B-Complex, Vitamin D3 *Synergy WorldWide:* Core Greens®, Mistica®, Noni Plus, NutriBurst, Spirulina Vegi-Cap
Immune	We supply immune products. The immune line has been designed to offer products that support and strengthen the human immune system.	*NSP Americas; NSP Russia, Central and Eastern Europe; China and New Markets:* ALJ®, Elderberry D3fense, HistaBlock®, Immune Stimulator, Silver Shield, VS-C® *Synergy WorldWide:* BodyGuard, Colostrum
Cardiovascular	We supply cardiovascular products. The cardiovascular line has been designed to offer products that combine a variety of superior heart health ingredients to give the cardiovascular system optimum support.	*NSP Americas; NSP Russia, Central and Eastern Europe; China and New Markets:* Blood, Pressurex, Co-Q10, Flax Seed Oil, Mega-Chel®, Red Yeast Rice, Super Omega-3 EPA *Synergy WorldWide:* E-9, ProArgi-9 Plus®
Digestive	We supply digestive products. The disgestive line has been designed to offer products that regulate intestinal and digestive functions in support of the human digestive system.	*NSP Americas; NSP Russia, Central and Eastern Europe; China and New Markets:* Bifidophilus Flora Force®, CleanStart®, Food Enzymes, LBS II®, Liquid Chlorophyll, Milk Thistle, Proactazyme®, Probiotic Eleven® *Synergy WorldWide:* Detox Plus, Liquid Chlorophyll
Personal care	We supply a variety of personal care products for external use, including oils and lotions, aloe vera gel, herbal shampoo, herbal skin treatment, toothpaste and skin cleanser.	*NSP Americas; NSP Russia, Central and Eastern Europe; China and New Markets:* EverFlex® Cream , HSN-W®, Pau-D Arco Lotion, Pro-G Yam® Cream, Tei-Fu® Lotion, Vari-Gone® *Synergy WorldWide:* Bright Renewal Serum, Hydrating Toner, 5 in 1 Shampoo, Repair Complex

Weight management	We supply a variety of weight management products. The weight management line has been designed to simplify the weight management process by providing healthy meal replacements and products that increase caloric burn rate.	*NSP Americas; NSP Russia, Central and Eastern Europe; China and New Markets:* Fat Grabbers®, Garcinia Combination, Love and Peas, MetaboMax, Nature's Harvest, Nutri-Burn®, SmartMeal, Stixated™, Ultra Therm™ *Synergy WorldWide:* Double Burn, SLMSmart™

Table of Contents

Distribution and Selling

Our independent Managers and Distributors market our products to customers through direct selling techniques, as well as sponsoring other independent Managers and Distributors. We seek to motivate and provide incentives to our independent Managers and Distributors by offering high quality products and providing our independent Managers and Distributors with product support, training seminars, sales conventions, travel programs and financial incentives.

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

As of December 31, 2014, we had approximately 292,600 active independent Distributors and customers (as defined below) worldwide who purchase our products directly from the Company. In addition, our products can be purchased directly from our independent Distributors. A person who joins our independent sales force begins as an independent Distributor. An individual can become an independent Distributor by signing up under the sponsorship of someone who is already an independent Distributor or by signing up through the Company, where they will then be randomly assigned an independent Distributor as a sponsor. Many independent Distributors sell our products on a part-time basis to friends or associates or use the products themselves. An independent Distributor may earn Manager status by committing more time and effort to selling our products, recruiting productive independent Distributors and attaining certain product sales levels. Independent managers resell our products to independent Distributors within their sales group or directly to customers, or use the products themselves. As of December 31, 2014, we had approximately 13,400 active independent Managers (as defined below) worldwide. In many of our markets, our independent Managers and Distributors are primarily retailers of our products, including practitioners, proprietors of retail stores and other health and wellness specialists.

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

We pay sales commissions, or "volume incentives" to our independent Managers and Distributors based upon the amount of their sales group product purchases. These volume incentives are recorded as an expense in the year earned. The amounts of volume incentives that we expensed during the years ended December 31, 2014, 2013, and 2012, are set forth in our Consolidated Financial Statements in Item 8 of this report. In addition to the opportunity to receive volume incentives, independent Managers who attain certain levels of monthly product sales are eligible for additional incentive programs including automobile allowances, sales convention privileges and travel awards.

Distributor Information

Our revenue is highly dependent upon the number and productivity of our independent Managers, Distributors and customers. Growth in sales volume requires an increase in the productivity and/or growth in the total number of independent Managers, Distributors and customers.

Within the Company, we have a number of different distributor compensation plans and qualifications, which generate active independent Managers and Distributors with different sales values in our different business segments. Within our NSP Americas and NSP Russia, Central and Eastern Europe segments, the declines in active independent Managers and Distributors have resulted in declines in sales revenues. Within Synergy WorldWide, the sales qualifications required for active independent Managers and Distributors varies by market according to local economic factors. As sales grow in markets with higher qualification values, and decline in those with lower qualification values, the resultant mix change influences the active independent Manager and Distributor counts. As a result, from time-to-time, changes in overall active independent Manager and Distributor counts may not be indicative of actual sales trends for the segment. There are no Managers, Distributors, and customers in the China and New Markets segment as the export business accounts for all of the segment's sales to date.

Table of Contents

The following table provides information concerning the number of total independent Managers, Distributors and customers by segment, as of the dates indicated.

Total Managers, Distributors and Customers by Segment as of December 31,

	2014		2013		2012	
	Distributors & Customers	Managers	Distributors & Customers	Managers	Distributors & Customers	Managers
NSP Americas	296,900	6,600	322,200	7,400	343,900	7,500
NSP Russia, Central and Eastern Europe	231,400	3,700	260,200	6,000	252,700	5,600
Synergy WorldWide	122,300	3,100	118,500	3,000	118,200	2,900
China and New Markets	—	—	—	—	—	—
Total	650,600	13,400	700,900	16,400	714,800	16,000

"Total Managers" includes independent Managers under our various compensation plans that have achieved and maintained specified and personal groups sale volumes as of the date indicated. To maintain Manager status, an individual must continue to meet certain product sales volume levels. As such, all Managers are considered to be "active Managers".

"Total Distributors and customers" includes our independent Distributors and customers who have purchased products directly from the Company for resale and/or personal consumption during the previous twelve months ended as of the date indicated. This includes independent Manager, Distributor and customer accounts that may have become inactive since such respective dates.

The following table provides information concerning the number of active independent Distributors and customers by segment, as of the dates indicated.

Active Distributors and Customers by Segment as of December 31,

	2014		2013		2012	
	Distributors & Customers	Managers	Distributors & Customers	Managers	Distributors & Customers	Managers
NSP Americas	135,900	6,600	148,800	7,400	150,500	7,500
NSP Russia, Central and Eastern Europe	97,900	3,700	131,800	6,000	125,800	5,600
Synergy WorldWide	58,800	3,100	51,800	3,000	54,600	2,900
China and New Markets	—	—	—	—	—	—
Total	292,600	13,400	332,400	16,400	330,900	16,000

"Active Distributors and customers" includes our independent Distributors and customers who have purchased products directly from the Company for resale and/or personal consumption during the previous three months ended as of the date indicated.

The following tables provide information concerning the number of new independent Managers, Distributors and customers by segment, as of the dates indicated.

New Managers, Distributors and Customers by Segment for the year ended December 31,

	2014		2013		2012	
	Distributors & Customers	Managers	Distributors & Customers	Managers	Distributors & Customers	Managers
NSP Americas	131,900	3,200	143,900	3,200	161,800	3,800
NSP Russia, Central and Eastern Europe	66,400	1,200	89,300	1,600	78,000	1,500
Synergy WorldWide	73,500	2,200	71,800	1,900	73,700	1,700
China and New Markets	—	—	—	—	—	—
Total	271,800	6,600	305,000	6,700	313,500	7,000

Table of Contents

"New Managers" includes independent Managers under our various compensation plans that first achieved the rank of Manager during the previous twelve months ended as of the date indicated.

"New Distributors and Customers" include our independent Distributors and customers who have made their initial product purchase directly from us for resale and/or personal consumption during the previous twelve months ended as of the date indicated.

Source and Availability of Raw Materials

Raw materials used in the manufacture of our products are generally available from a number of suppliers. To date, we have not experienced any major difficulty in obtaining and maintaining adequate sources of raw materials supply. We attempt to ensure the availability of many of our raw materials by contracting, in advance, for our annual requirements. In the past, we have been able to find alternative sources of raw materials when needed. Although there can be no assurance that we will be successful in locating such sources of supply in the future, we believe that we will be able to do so.

Trademarks and Trade Names

We have obtained trademark registrations for Nature's Sunshine®, and the landscape logo for all of our Nature's Sunshine Products product lines. We have also obtained trademark registrations for Synergy® for all of our Synergy WorldWide product lines. We hold trademark registrations in the United States and in many other countries. Our customers' recognition and association of our brands and trademarks with quality is an important element of our operating strategy.

Seasonality

We operate in many regions around the world and, as a result, are affected by seasonal factors and trends such as weather changes, holidays and cultural traditions and vacation patterns throughout the world. For instance, in North America and Europe we typically see a decrease in activity during the third quarter due to the summer vacation season, while we see a decrease in activity in many of our Asia Pacific markets during the first quarter due to cultural events such as the Lunar New Year. As a result, there is some seasonality to our revenues and expense reflected in our reported quarterly results. Generally, reductions in one region of the world due to seasonality are offset by increases in another, minimizing the impact on our reported consolidated revenues. Changes in the relative size of our revenues in one region of the world compared to another could cause seasonality to more significantly affect our reported quarterly results.

Inventories

In order to provide a high level of product availability to ourindependent Managers, Distributors, and customers, we maintain a considerable inventory of raw materials in the United States and of finished goods in most countries in which we sell our products. Due to different regulatory requirements across the countries in which we sell our products, our finished goods inventories have product labels and sometimes product formulations specific for each country. Our inventories are subject to obsolescence due to finite shelf lives.

Dependence upon Customers

As a result of our business model, we are not dependent upon a single Manager, Distributor or customer, the loss of which would not have a material adverse effect on our business.

Backlog

We typically ship orders for our products within 24 hours after receipt of payment. As a result, we have not historically experienced significant backlogs due to our high level of product availability as discussed above.

Competition

Our products are sold in competition with other companies, some of which have greater sales volumes and financial resources than we do, and sell brands that are, through advertising and promotions, better known to consumers. We compete in the nutritional and personal care industry against companies that sell through retail stores, as well as against other direct selling companies. For example, we compete against manufacturers and retailers of nutritional and personal care products, which are distributed through supermarkets, drug stores, health food stores, vitamin outlets, discount stores, and mass market retailers, among others. We compete for product sales and managers and distributors with many other direct selling companies, including Amway, Herbalife, Pharmanex (NuSkin), Shaklee and USANA, among others. We believe that the principal components of competition in the direct selling of

Table of Contents

nutritional and personal care products are distributor expertise and service, product quality and differentiation, price and brand recognition. In addition, we rely on our independent Managers and Distributors to compete effectively in the direct selling markets, and our ability to attract and retainindependent Managers and Distributors depends on various factors, including the recruitment, training, travel and financial incentives for the independent Managers and Distributors.

Research and Development

We conduct research and development activities at our manufacturing facility located in Spanish Fork, Utah. In addition, we have recently completed the construction of a new state of the art research and development facility at our corporate offices in Lehi, Utah, which will further advance our research of innovative products. Our principal emphasis in our research and development activities is the development of new products and the enhancement of existing products. The amount, excluding capital expenditures, spent on research and development activities was approximately $2.5 million in 2014, $2.0 million in 2013 and $1.5 million in 2012.

Compliance with Environmental Laws and Regulations

The nature of our business has not required any material capital expenditures to comply with federal, state or local provisions enacted or adopted regulating the discharge of materials into the environment. No material capital expenditures to meet such provisions are anticipated. Such regulatory provisions have not had any material effect upon our results of operations or competitive position.

Regulation

General

In both our United States and foreign markets, we are affected by extensive laws, governmental regulations, administrative determinations and guidance, court decisions and similar constraints (collectively "Regulations"). Such Regulations exist at the federal, state or local levels in the United States and at all levels of government in foreign jurisdictions, including Regulations pertaining to: (1) the formulation, manufacturing, packaging, labeling, distribution, importation, sale and storage of our products; (2) product claims and advertising, including direct claims and advertising by us, as well as claims and advertising by independent Distributors, for which we may be held responsible; (3) our direct selling program; (4) transfer pricing and similar regulations that affect the level of U.S. and foreign taxable income and customs duties; (5) taxation of our independent Distributors (which in some instances may impose an obligation on us to collect the taxes and maintain appropriate records); and (6) currency exchange and repatriation.

Products

The formulation, manufacturing, packaging, labeling, advertising, distribution and sale of each of our major product groups are subject to regulation by one or more governmental agencies in the United States and in other countries. The most active of these is the United States Food and Drug Administration ("FDA"), which regulates our products under the Federal Food, Drug and Cosmetic Act, as amended and the regulations promulgated thereunder ("FDCA"). The FDCA defines the terms "food" and "dietary supplement" and sets forth various conditions that, unless complied with, may constitute adulteration or misbranding of such products. The FDCA has been adjusted several times with respect to dietary supplements, most recently by the Nutrition Labeling and Education Act of 1990 ("NLEA") and the Dietary Supplement Health and Education Act of 1994, as amended, and the regulations promulgated thereunder ("DSHEA").

FDA regulations relating specifically to foods and dietary supplements for human use are set forth in Title 21 of the Code of Federal Regulations. These regulations include basic labeling requirements for both foods and dietary supplements. Additionally, FDA regulations require us to meet relevant good manufacturing practice regulations for the preparation, packaging and storage of our food and dietary supplements.

FDA rules impose requirements on the manufacture, packaging, labeling, holding, and distribution of dietary supplement products. For example, it requires that companies establish written procedures governing areas such as: (1) personnel, (2) plant and equipment cleanliness, (3) production controls, (4) laboratory operations, (5) packaging and labeling, (6) distribution, (7) product returns, and (8) complaint handling. The FDA also requires identity testing of all incoming dietary ingredients unless a company successfully petitions for an exemption from this testing requirement in accordance with the regulations. The current good manufacturing practices are designed to ensure that dietary supplements and dietary ingredients are not adulterated with contaminants or impurities, and are labeled to accurately reflect the active ingredients and other ingredients in the products.

Table of Contents

In some countries, regulations applicable to the activities of ourindependent Managers and Distributors also may affect our business because in some countries we are, or regulators may assert that we are, responsible for our independent Distributors' conduct. In these countries, regulators may request or require that we take steps to ensure that our independent Distributors comply with regulations. The types of regulated conduct include: (1) representations concerning our products; (2) income representations made by us and/or our independent Distributors; (3) public media advertisements, which in foreign markets may require prior approval by regulators; (4) sales of products in markets in which the products have not been approved, licensed or certified for sale; and (5) classification by government agencies of our independent Managers and Distributors as employees of the Company.

In some markets, it is possible that improper product claims byindependent Managers and Distributors could result in our products being reviewed by regulatory authorities and, as a result, being classified or placed into another category as to which stricter regulations are applicable. In addition, we might be required to make labeling changes.

We are unable to predict the nature of any future regulations, nor can we predict what effect additional governmental regulations or administrative orders, when and if promulgated, would have on our business in the future. They could, however, require: (1) the reformulation of some products not capable of being reformulated; (2) imposition of additional record keeping requirements; (3) expanded documentation of the properties of some products; (4) expanded or different labeling; (5) additional scientific substantiation regarding product ingredients, safety or usefulness; and/or (6) additional distributor compliance surveillance and enforcement action by us. Any or all of these requirements could have a material adverse effect on our results of operations and financial condition.

In foreign markets, prior to commencing operations and prior to making or permitting sales of our products in the market, we may be required to obtain an approval, license or certification from the country's ministry of health or comparable agency. Prior to entering a new market in which a formal approval, license or certificate is required, we work extensively with local authorities in order to obtain the requisite approvals. We must also comply with product labeling and packaging regulations that vary from country to country. Our failure to comply with these regulations can result in a product being removed from sale in a particular market, either temporarily or permanently.

In 2014, the Company passed 3 day audits performed by the United States National Sanitation Foundation and independent auditors; and the Australia Therapeutic Goods Administration, which is the Australian regulatory body for our industry. Both entities noted that the Company continues to be in the top tier of companies with regard to compliance against GMP (Good Manufacturing Standards) requirements.

Direct Selling

Our business practices and products are also regulated by the following United States governmental entities: the Federal Trade Commission ("FTC"), Consumer Product Safety Commission ("CPSC"), Department of Agriculture ("USDA") and Environmental Protection Agency ("EPA"). Our activities, including our direct selling distribution activities, are also regulated by various agencies of the states, localities and foreign countries in which our products are sold.

The FTC, which exercises jurisdiction over the advertising of all of our products in the United States, has in the past several years instituted enforcement actions against several dietary supplement and food companies and against manufacturers of weight loss products generally for false and misleading advertising of some of their products. In addition, the FTC has increased its scrutiny of the use of testimonials, which we also utilize, as well as the role of expert endorsers and product clinical studies. We cannot be sure that the FTC, or comparable foreign agencies, will not question our advertising or other operations in the future. It is unclear whether the FTC will subject our advertisements to increased surveillance to ensure compliance with the principles set forth in its published advertising guidance.

Transfer Pricing

In many countries, including the United States, we are subject to transfer pricing and other tax regulations designed to ensure that appropriate levels of income are reported as earned by our U.S. or local entities and are taxed accordingly. In addition, our operations are subject to regulations designed to ensure that appropriate levels of customs duties are assessed on the importation of our products.

Although we believe that we are in substantial compliance with all applicable regulations and restrictions, we are subject to the risk that governmental authorities could audit our transfer pricing and related practices and assert that additional taxes are owed.

In the event that the audits or assessments are concluded adversely to us, we may or may not be able to offset or mitigate the consolidated effect of foreign income tax assessments through the use of U.S. foreign tax credits. Because the laws and regulations

Table of Contents

governing U.S. foreign tax credits are complex and subject to periodic legislative amendment, we cannot be sure that we would in fact be able to take advantage of any foreign tax credits in the future.

Other Regulations

We also are subject to a variety of other regulations in various foreign markets, including regulations pertaining to social security assessments, employment and severance pay requirements, import/export regulations and antitrust issues. As an example, in many markets, we are substantially restricted in the amount and types of rules and termination criteria that we can impose on independent Distributors without having to pay social security assessments on behalf of theindependent Distributors and without incurring severance obligations to terminated independent Distributors. In some countries, we may be subject to these obligations in any event.

Our failure to comply with these regulations could have a material adverse effect on our business in a particular market or in general. Assertions that we failed to comply with regulations or the effect of adverse regulations in one market could adversely affect us in other markets as well, by causing increased regulatory scrutiny in those other markets or as a result of the negative publicity generated in those other markets.

Compliance

In order to comply with regulations that apply to both us and ourindependent Distributors, we conduct considerable research into the applicable regulatory framework prior to entering any new market to identify all necessary licenses and approvals and applicable limitations on our operations in that market. Typically, we conduct this research with the assistance of local legal counsel and other representatives. We devote substantial resources to obtaining the necessary licenses and approvals and bringing our operations into compliance with the applicable limitations. We also research laws applicable to independent Distributor operations and revise or alter our Distributor manuals and other training materials and programs to provide independent Distributors with guidelines for operating a business, selling and distributing our products and similar matters, as required by applicable regulations in each market. We are unable to monitor our independent Distributors effectively, however, to ensure that they refrain from distributing our products in countries where we have not commenced operations, and we do not devote significant resources to this type of monitoring.

In addition, regulations in existing and new markets often are ambiguous and subject to considerable interpretive and enforcement discretion by the responsible regulators. Moreover, even when we believe that we and our independent Distributors are initially in compliance with all applicable regulations, new regulations regularly are being added and the interpretation of existing regulations is subject to change. Further, the content and impact of regulations to which we are subject may be influenced by public attention directed at us, our products or our direct selling program, so that extensive adverse publicity about us, our products or our direct selling program may result in increased regulatory scrutiny.

It is an ongoing part of our business to anticipate and respond to new and changing regulations and to make corresponding changes in our operations to the extent practicable. Although we devote considerable resources to maintaining our compliance with regulatory constraints in each of our markets, we cannot be sure that (1) we would be found to be in full compliance with applicable regulations in all of our markets at any given time or (2) the regulatory authorities in one or more markets will not assert, either retroactively or prospectively or both, that our operations are not in full compliance. These assertions or the effect of adverse regulations in one market could negatively affect us in other markets as well by causing increased regulatory scrutiny in those other markets or as a result of the negative publicity generated in those other markets. These assertions could have a material adverse effect on us in a particular market or in general. Furthermore, depending upon the severity of regulatory changes in a particular market and the changes in our operations that would be necessitated to maintain compliance, these changes could result in our experiencing a material reduction in sales in the market or determining to exit the market altogether. In this event, we would attempt to devote the resources previously devoted to such market to a new market or markets or other existing markets. However, we cannot be sure that this transition would not have an adverse effect on our business and results of operations either in the short or long-term.

To further mitigate any compliance risk, a Compliance Committee of the Board of Directors was created in 2014. The purpose of the committee of the Board of Directors of the Company shall be to oversee the Company's efforts with respect to operational compliance. "Operational Compliance" shall be defined to include: distributor compliance and direct selling best practices; employee compliance, including code of conduct and other mandated trainings; product and product distribution regulatory

compliance, including adherence to FTC, FDA and other similar regulatory bodies' mandates; and non-financial, whistleblower reports. For avoidance of doubt, it shall not include FCPA. The committee shall consist of at least three directors, one of whom shall be the Chair of the Company's Audit Committee. A majority of the members of the compliance committee shall meet the independence and experience requirements of the NASDAQ Stock Market, Section 10A(m)(3) of the Securities Exchange Act of 1934 (the "Exchange Act") and the rules and regulations of the Securities and Exchange Commission ("SEC"), as affirmatively determined by the Company's Board. The Board may, at any time and in its complete discretion, replace a compliance committee member.

Table of Contents

International Operations

A significant portion of our net sales are generated within the United States, which represented 40.5 percent, 41.2 percent and 42.9 percent of net sales in 2014, 2013, and 2012, respectively. Outside of the United States and South Korea, no one country accounted for 10.0 percent or more of net sales revenue in any year in the last three years. As we continue to grow our international business, our operating results will likely become more sensitive to economic and political conditions in foreign markets, as well as to foreign currency fluctuations. A breakdown of net sales revenue by region in 2014, 2013, and 2012, is set forth below.

(Dollar amounts in thousands)

Year Ended December 31,	2014		2013		2012	
Net Sales Revenue:						
North America	**$ 175,118**	**47.8%**	$ 179,919	48.6%	$ 182,138	50.5%
EMEA	**83,048**	**22.7**	98,299	26.6	88,465	24.5
Asia Pacific	**81,199**	**22.1**	62,932	17.0	61,595	17.1
Central & South America	**27,002**	**7.4**	28,676	7.8	28,628	7.9
	$ 366,367	**100.0%**	$ 369,826	100.0%	$ 360,826	100.0%

We market our products in Australia, Austria, Belarus, Canada, Colombia, Costa Rica, the Czech Republic, Denmark, the Dominican Republic, Ecuador, El Salvador, Finland, Germany, Guatemala, Honduras, Hong Kong, Iceland, Indonesia, Ireland, Italy, Japan, Kazakhstan, Latvia, Lithuania, Malaysia, Mexico, Moldova, Mongolia, the Netherlands, New Zealand, Nicaragua, Norway, Panama, the Philippines, Poland, Russia, Singapore, Slovenia, South Korea, Spain, Sweden, Taiwan, Thailand, Ukraine, the United Kingdom, the United States and Vietnam. We export our products to Argentina, Australia, Chile, Israel, New Zealand, Norway, Peru and the United Kingdom.

Our international operations are conducted in a manner that we believe is comparable with our U.S. operations; however, in order to conform to local variations, economic realities, market customs, consumer habits and regulatory environments, differences often exist in the products that we sell and in our distribution and selling programs.

Our international operations are subject to many of the same risks faced by our U.S. operations, including competition and the strength of the local economy. In addition, our international operations are subject to certain risks inherent in doing business abroad, including foreign regulatory restrictions, fluctuations in monetary exchange rates, import-export controls, effective management and support services by contracted third-parties and the economic and political policies of foreign governments. The significance of these risks will increase as we grow our international operations.

We have international operations in Belarus, which is considered to be a highly inflationary economy. Also, in 2014, the Company ceased its operations in Venezuela due to the difficulties and uncertainties related to import controls, difficulties associated with repatriating cash and high inflation. See below for further discussion of the Company's exit of the Venezuela market in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Executive Officers

In 2014, Paul E. Noack joined the Company as President of China and New Markets and Susan M. Armstrong was appointed Chief Operations Officer. Ms. Armstrong had previously served in the role of Executive Vice President, Operations since joining the Company in March 2013. In addition to her previous responsibilities of manufacturing and worldwide distribution, Ms. Armstrong also assumed responsibility for the corporate IT function. The Company's executive officers, as of the date of this report, are as follows:

Name	Age	Position	Served in Position Since
Gregory L. Probert	58	Chief Executive Officer and Chairman of the Board of Directors	2013
Stephen M. Bunker	56	Executive Vice President, Chief Financial Officer and Treasurer	2006
D. Wynne Roberts	60	Chief Executive Officer of Synergy WorldWide	2014
Richard D. Strulson	46	Executive Vice President, General Counsel, Chief Compliance Officer, and Secretary	2013
Matthew L. Tripp	63	Executive Vice President and Chief Scientific Officer	2013
Paul E. Noack	53	President of China and New Markets	2014
Susan M. Armstrong	50	Executive Vice President and Chief Operations Officer	2014

Table of Contents

Gregory L. Probert. Mr. Probert has served as Chief Executive Officer since October 1, 2013. He had previously been appointed by our Board of Directors as the Interim Chief Executive Officer of the Company, effective April 1, 2013, following the resignation of our former Chief Executive Officer, and as Executive Chairman of the Board, effective January 1, 2013. He served as the Executive Vice Chairman of the Board of Directors from June 2011 to December 2012 and as an independent consultant to the Company from September 2010 to June 2011. Previously, he was Chairman of the Board and Chief Executive Officer of Penta Water Company from 2008, President and Chief Operating Officer of Herbalife International of America, Inc. from 2003 to 2008, and Chief Executive Officer of DMX Music from 2001 to 2003. Prior to that, he held various senior positions at The Walt Disney Company from 1988. Mr. Probert received his B.A. from the University of Southern California in 1979. Mr. Probert brings to our Board significant direct selling experience as well as extensive leadership and operational management skills in global consumer-oriented businesses, which strengthens the Board's aptitude in these key areas.

Stephen M. Bunker. Mr. Bunker is the Executive Vice President, Chief Financial Officer and Treasurer of our Company. Prior to his appointment in March 2006, he served as Vice President of Finance and Treasurer of Geneva Steel Holdings Corporation from 2001. Previously, he was Corporate Controller of Geneva Steel Corporation from 1990. Mr. Bunker is a Certified Public Accountant, and worked for Arthur Andersen for six years. Mr. Bunker received his B.A. in Accounting from Brigham Young University in 1983 and his Masters of Accountancy from Brigham Young University in 1984.

D. Wynne Roberts. Mr. Roberts is the Chief Executive Officer of Synegy WorldWide. Prior to his appointment in December 2014, Mr. Roberts had previously served in the role of President and Chief Operating Officer since joining the Company in February 2012. Prior to joining the Company, he served as Chairman of the Board for LifeCare Corporation, a Romanian direct selling company from May 2010. Previously, he was Senior Vice President, EMEA (Europe, Middle East and Africa) at Herbalife Europe Limited from 2005, President, International of DMX Music Corporation from 2002, and held senior international executive positions at XE Systems Incorporated (a subsidiary of Xerox Corp.) from 1998 and NCR Corporation from 1984. He is a citizen of the U.K., and received his L.L.B., with honors, from the University of Manchester in 1975.

Richard D. Strulson. Mr. Strulson is the Executive Vice President, General Counsel, Chief Compliance Officer and Secretary of our Company. Prior to his appointment in November 2013, he served as Senior Vice President, Chief Privacy Officer, and Counsel, of Herbalife International of America, Inc., one of the world's largest direct selling companies. From 1998 to 2004, he served in a variety of senior legal counsel positions for The Walt Disney Company and FOX Cable Networks, where he was responsible for negotiating media rights and licensing agreements. Prior to his internal legal counsel positions, Mr. Strulson was a corporate attorney in Los Angeles with Latham and Watkins from 1995 to 1998 and clerked for Chief Justice E. Norman Veasey of the Delaware Supreme Court from 1994 to 1995. Mr. Strulson received a Doctor of Jurisprudence and Masters of Business Administration from Duke University in 1994, and a B.A. in Foreign Affairs and Economics from the University of Virginia in 1990.

Matthew L. Tripp. Dr. Tripp is the Executive Vice President and Chief Scientific Officer of our Company. Prior to his appointment in May 2013, Dr. Tripp served as Vice President, Research and Development at Metagenics, a leading developer, manufacturer and distributor of dietary supplements and medical foods sold through health care practitioners in the U.S. and pharmacies abroad from 2000. He also concurrently served as Senior Vice President, Research and Development, at KinDex Therapeutics, a biotechnology company created by Metagenics. Dr. Tripp received his Ph.D. from Washington State University in Physiology/Microbial Genetics/Microbiology in 1981; a M.A. in Microbial Physiology/Bacterial Genetics in 1977; and a B.S. in Biology both from Western Michigan University in 1974.

Paul E. Noack. Mr. Noack is the President of China and New Markets of our Company. Prior to his appointment in October 2014, Mr. Noack served as President of ViSalus, Inc., a direct selling health and wellness company from January 2012 to October 2014. Prior to his appointment as President in 2012, Mr. Noack consulted with the ViSalus, Inc. board of directors and management team. From 2009 to 2010, Mr. Noack served in several director and senior executive roles at Penta Water Company, LLC. From 2004 to 2008, Mr. Noack served in a variety of executive roles at Herbalife International of America, Inc., one of the world's largest direct selling companies. From 2007 to 2008, he served as Herbalife's Managing Director of the Asia Pacific Region and as Chief Strategic Officer from 2006 to 2007. From 2004 to 2005, he served as Senior Vice President, Corporate Planning and Strategy, and was responsible for overseeing entry into New Markets, the Company's strategy in China, M&A and longer-term financial planning. From 1983 to 2003, Mr. Noack served in a variety of strategic roles, including ten years at the Walt Disney Company, where he directed a wide range of financial and operating responsibilities. Mr. Noack received a B.A. in Accounting from St. Johns University in 1983.

Susan M. Armstrong. Ms. Armstrong is the Chief Operations Officer of our Company. Prior to her appointment in December 2014, Ms. Armstrong had previously served in the role of Executive Vice President, Operations since joining the Company in March 2013. Prior to joining Nature's Sunshine Products, Ms. Armstrong served as Senior Vice President, Value Chain at Metagenics, a leading manufacturer and distributor of high quality dietary supplements and medical foods sold through health care

Table of Contents

practitioners in the U.S. and pharmacies abroad. Prior to working at Metagenics, Ms. Armstrong was Vice President, Global Supply Chain at Carl Zeiss Vision, a global leader in ophthalmic lenses and eye care solutions. Ms. Armstrong is a native of the United Kingdom (UK) and received a Bachelor of Science degree in Chemistry from the University of Sheffield in the UK in 1986 and began her professional career as a chemist with Ciba Geigy.

Employees

We employed 964 individuals as of December 31, 2014. We believe that our relations with our employees are satisfactory.

Available Information

Our principal executive office is located at 2500 West Executive Parkway, Suite 100, Lehi, Utah 84043. Our telephone number is (801) 341-7900 and our Internet website address is *www.natr.com*. We make available free of charge on our website our Annual Reports on Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K, and amendments to those reports, filed or furnished pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") as soon as practicable after we electronically file these documents with, or furnish them to, the Securities and Exchange Commission (the "SEC"). The SEC also maintains an Internet website that contains reports, and other information regarding issuers that file electronically with the SEC at *www.sec.gov*. We also make available free of charge on our website our Code of Conduct Policy and the charters of our Audit Committee, Nominating and Corporate Governance Committee and Compensation Committee.

Item 1A. Risk Factors

You should carefully consider the following risks in evaluating our Company and our business. The risks described below are the risks that we currently believe are material to our business. However, additional risks not presently known to us, or risks that we currently believe are not material, may also impair our business operations. You should also refer to the other information set forth in this report, including the information set forth in "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" as well as our consolidated financial statements and the related notes. Our business prospects, financial condition or results of operations could be adversely affected by any of the following risks. If we are adversely affected by such risks, then the market price of our common stock could decline.

Changes in laws and regulations regarding direct selling may prohibit or restrict our ability to sell our products in some markets.

Direct selling systems are frequently subject to laws and regulations by various government agencies throughout the world. These laws and regulations are generally intended to prevent fraudulent or deceptive practices and to ensure that sales are made to consumers of the products, and that compensation, recognition and advancement within the selling organization are based upon sales of the products. Failure to comply with these laws and regulations could result in significant penalties. Violations could result from misconduct by an associate, ambiguity in statutes, changes or new laws and regulations affecting our business and court-related decisions. Furthermore, we may be restricted or prohibited from using direct selling plans in some foreign countries. In addition, changes in existing laws or additional regulations could make it difficult to register or sell our products in the countries in which we operate. For example, in Peru, changes in local regulations have restricted our ability to sell a majority of our key products in this market through our traditional direct selling business model. In response to this change in regulations, in 2014, we transitioned this market to an export market, in which we sell our products to a locally managed entity independent of the Company that has distribution rights for the market.

Our products, business practices and manufacturing activities are subject to extensive government regulations and could be subject to additional laws and regulations.

The formulation, manufacturing, packaging, labeling, advertising, distribution and sales of each of our major product groups are subject to regulation by numerous domestic and foreign governmental agencies and authorities. These include the FDA, the FTC, the CPSC, the EPA, the USDA and state regulatory agencies as well as regulatory agencies in the foreign markets in which we operate. These markets have varied regulations which often require us to reformulate products for specific markets, conform product labeling to market regulations and register or qualify products or obtain necessary approvals with the applicable governmental authorities in order to market our products in these markets. Failure to comply with the regulatory requirements of these various governmental agencies and authorities could result in enforcement actions including: cease and desist orders, injunctions, limits on advertising, consumer redress, divestitures of assets, rescission of contracts, or such other relief as may be deemed

necessary. Violation of these regulations could result in substantial financial or other penalties. Any action against us could materially affect our ability to successfully market our products.

Table of Contents

In the future, we may be subject to additional laws or regulations administered by the FDA or other federal, state, local or foreign regulatory authorities, the repeal or amendment of laws or regulations which we consider favorable and/or more stringent interpretations of current laws or regulations. We can neither predict the nature of such future laws, regulations, interpretations or applications, nor what effect additional governmental regulations or administrative orders, when and if promulgated, would have on our business. They could, however, require reformulation of certain products to meet new standards, recall or discontinuance of certain products not able to be reformulated, imposition of additional record-keeping requirements, expanded documentation of the properties of certain products, expanded or altered labeling and/or scientific substantiation. Any or all such requirements could increase our costs of operating the business and have a material negative impact on our financial position, results of operations or cash flows.

The FTC, which exercises jurisdiction over the advertising of all of our products in the United States, has in the past several years instituted enforcement actions against several dietary supplement and food companies and against manufacturers of weight loss products generally for false and misleading advertising of some of their products. In addition, the FTC has increased its scrutiny of the use of testimonials, which we also utilize, as well as the role of expert endorsers and product clinical studies. We cannot be sure that the FTC, or comparable foreign agencies, will not question our advertising or other operations in the future. It is unclear whether the FTC will subject our advertisements to increased surveillance to ensure compliance with the principles set forth in its published advertising guidance

We are subject to the U.S. Foreign Corrupt Practices Act (the "FCPA"), which prohibits U.S. companies and their intermediaries from making improper payments to foreign officials for the purpose of obtaining or retaining business, and the anti-bribery laws of other jurisdictions. The Company expends significant resources to monitor FCPA compliance by its employees and representatives. Nevertheless, a finding of FCPA noncompliance could subject the Company to, among other things, penalties and legal expenses, as well as reputational harm, which could have a material adverse effect on its business, financial condition and results of operations.

Our failure to comply with these regulations could have a material adverse effect on our business in a particular market or in general. Assertions that we failed to comply with regulations or the effect of adverse regulations in one market could adversely affect us in other markets as well, by causing increased regulatory scrutiny in those other markets or as a result of the negative publicity generated in those other markets.

If we are unable to attract and retain Distributors, our business could suffer.

We rely on our independent Distributors to market and sell our products through direct selling techniques, as well as sponsoring otherindependent Distributors. Many independent Distributors sell our products on a part-time basis to friends or associates or use the products for themselves. Ourindependent Distributors may terminate their service at any time, and, like most direct selling companies, we experience high turnover among independent Distributors from year to year. As a result, we need to continue to retain existing independent Distributors and recruit additional independent Distributors in order to maintain and/or increase sales in the future.

Several factors affect our ability to attract and retainindependent Distributors, including:

- any adverse publicity regarding us, our products, our distribution channels or our competitors;
- on-going motivation of our independent Distributors;
- the public's perceptions about the value and efficacy of our products;
- the public's perceptions and acceptance of direct selling;
- general and economic business conditions;
- government regulations;
- changes to our compensation arrangements, training and support for ourindependent Distributors; and
- competition in recruiting and retaining independent Distributors and/or market saturation.

We cannot provide any assurance that ourindependent Distributors will continue to maintain their current levels of productivity, or that we will be able to continue to attract and retain independent Distributors in sufficient numbers to sustain future growth or to maintain present sales levels.

Table of Contents

Changes in the economies of the markets in which we do business may affect consumer demand for our products.

Consumer spending habits, including spending for our products, are affected by, among other things, prevailing economic conditions, levels of employment, fuel prices, salaries and wages, the availability of consumer credit, consumer confidence and consumer perception of economic conditions. Economic slowdowns in the markets in which we do business and an uncertain economic outlook may adversely affect consumer spending habits and customer traffic, which may result in lower net sales of our products in future periods. A prolonged global or regional economic downturn could have a material negative impact on our financial position, results of operation or cash flows.

Currency exchange rate fluctuations affect our net revenue and net income.

In 2014, we recognized approximately 59.5 percent of our revenue in markets outside the United States, the majority of which was recognized in each market's respective local currency. We purchase inventory primarily in the United States in U.S. dollars. In preparing our financial statements, we translate revenues and expenses in foreign countries from their local currencies into U.S. dollars using average exchange rates. Because a majority of our sales are in foreign countries, exchange rate fluctuations may have a significant effect on our sales and earnings. Our reported net earnings have in the past been, and are likely to continue to be, significantly affected by fluctuations in currency exchange rates, with net sales revenue and earnings generally increasing with a weaker U.S. dollar and decreasing with a strengthening U.S. dollar. These fluctuations had a generally negative effect on our revenue in 2014 and 2013, compared to 2012, when we experienced an increase in our global net sales as a result of the U.S. dollar weakening against most major currencies. As our operations grow in countries where foreign currency transactions are made, our operating results will increasingly be subject to the risks of exchange rate fluctuations, and we may not be able to accurately estimate the impact of these changes on our future results of operations or financial condition.

Some of the markets in which we operate may become highly inflationary.

Inflation is another risk associated with our international operations. For example, Belarus has been designated as highly inflationary economy under generally accepted accounting principles in the United States ("U.S. GAAP"). Accordingly, the U.S. dollar is the functional currency for our operations in Belarus. All gains and losses resulting from the re-measurement of its financial statements and other transactional foreign exchange gains and losses are reflected in its earnings, which could result in volatility within the Company's earnings, rather than as a component of comprehensive income within shareholders' equity.

Some of the markets in which we operate have currency controls in place which may restrict the repatriation of cash.

The possibility that foreign governments may impose currency remittance restrictions is another risk faced by our international operations. Due to the possibility of government restrictions on transfers of cash out of the country and control of exchange rates, we may not be able to repatriate cash at exchange rates beneficial to the Company, which could have a material adverse effect on our financial position, results of operations or cash flows. For example, in 2014, the Company ceased its operations in Venezuela due to the difficulties and uncertainties related to import controls, difficulties associated with repatriating cash and high inflation.

Availability and integrity of raw materials could become compromised.

We depend on outside suppliers for raw materials. We acquire all of our raw materials for the manufacture of our products from third-party suppliers. We have many agreements for the supply of materials used in the manufacture of our products in order to hedge against shortages or potential spikes in material costs. We also contract with third-party manufacturers and suppliers for the production of some of our products. In the event we were to lose any significant suppliers and experience any difficulties in finding or transitioning to alternative suppliers, it could result in product shortages or product back orders, which could harm our business. There can be no assurance that suppliers will be able to provide us with the raw materials in the quantities and at the appropriate level of quality that we request or at a price that we are willing to pay. We are also subject to the delays caused by any interruption in the production of these materials including weather, crop conditions, climate change, transportation interruptions and natural disasters or other catastrophic events.

Occasionally, our suppliers have experienced production difficulties with respect to our products, including the delivery of materials or products that do not meet our quality control standards. These quality problems have in the past resulted in, and in the future could result in, stock outages or shortages of our products, and could harm our sales and create inventory write-offs for unusable product.

Table of Contents

Geopolitical issues and conflicts could adversely affect our business.

Because a substantial portion of our business is conducted outside of the United States, our business is subject to global political issues and conflicts. If these conflicts or issues escalate, it could harm our foreign operations. In addition, changes in and actions by governments in foreign markets could harm our business. For example, the Company has cautioned that sales in its NSP Russia, Central and Eastern Europe segment will undoubtedly continue to be affected by the political unrest in Ukraine and Russia, possible sanctions in Russia and the impact of currency devaluation.

Our business is subject to the effects of adverse publicity and negative public perception.

Our ability to attract and retain independent Distributors, as well as their ability to maintain or grow sales in the future, can be affected by either adverse publicity or negative public perception with regard to our industry, our competition, our direct selling model, the quality or efficacy of nutritional product supplements and ingredients, and our business generally. There can be no assurance that we will not be subject to adverse publicity or negative public perception in the future or that it would not have an adverse or material negative impact on our financial position, results of operations or cash flows.

Taxation and transfer pricing affect our operations.

As a U.S. company doing business in many international markets, we are subject to foreign tax and intercompany pricing laws, including those relating to the flow of funds between our parent Company and our subsidiaries. These pricing laws are designed to ensure that appropriate levels of income and expense are reported by our U.S. and foreign entities, and that they are taxed appropriately. Regulators in the United States and in foreign markets closely monitor our corporate structures, intercompany transactions, and how we effectuate intercompany fund transfers. If regulators challenge our corporate structures, transfer pricing methodologies or intercompany transfers, our operations may be harmed, and our effective tax rate may increase. We are eligible to receive foreign tax credits in the United States for certain foreign taxes actually paid abroad. In the event any audits or assessments are concluded adversely to us, we may not be able to offset the consolidated effect of foreign income tax assessments through the use of U.S. foreign tax credits. Because the laws and regulations governing U.S. foreign tax credits are complex and subject to periodic legislative amendment, we cannot be sure that we would in fact be able to take advantage of any foreign tax credits in the future. The various customs, exchange control and transfer pricing laws are continually changing, and are subject to the interpretation of governmental agencies.

We collect and remit value-added taxes and sales taxes in jurisdictions and states in which we have determined that nexus exists. Other states may claim, from time to time, that we have state-related activities constituting a sufficient nexus to require such collection.

Despite our efforts to be aware of and to comply with such laws and changes to the interpretations thereof, there is a risk that we may not continue to operate in compliance with such laws. We may need to adjust our operating procedures in response to these interpretational changes, and such changes could have a material negative impact on our financial position, results of operation or cash flows.

Our business is subject to intellectual property risks.

Most of our products are not protected by patents. Restrictive regulations governing the precise labeling of ingredients and percentages for nutritional supplements, the large number of manufacturers that produce products with many active ingredients in common and the rapid change and frequent reformulation of products generally make patent protection impractical. As a result, we enter into confidentiality agreements with certain of our employees in our research and development activities, our independent associates, suppliers, directors, officers and consultants to help protect our intellectual property, investment in research and development activities and trade secrets. We have also obtained trademarks for the *Nature's Sunshine Products* name and logo as well as the *Synergy WorldWide* name. There can be no assurance that our efforts to protect our intellectual property and trademarks will be successful, nor can there be any assurance that third parties will not assert claims against us for infringement of intellectual property rights, which could result in our business being required to obtain licenses for such rights, to pay royalties or to terminate our manufacturing of infringing products, all of which could have a material negative impact on our financial position, results of operations or cash flows.

Product liability claims could harm our business.

As a manufacturer and distributor 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 alleged injury to consumers due to tampering by unauthorized third parties or product contamination and/or other causes. We have historically had a very limited number of product claims or

reports from individuals who have asserted that they have suffered adverse consequences as a result of using our products. We have established a wholly-owned captive insurance company to provide us with product liability insurance coverage, and have accrued a reserve that we believe is sufficient to cover probable and reasonably estimable liabilities related to product liability claims based upon our history. 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 business prospects, financial position, results of operations or cash flows.

Inventory obsolescence due to finite shelf lives could adversely affect our business.

In order to provide a high level of product availability to ourindependent Distributors and customers, we maintain a considerable inventory of raw materials in the United States and of finished goods in most countries in which we sell our products. Our inventories of both raw materials and finished goods have finite shelf lives. If we overestimate the demand for our products, we could experience significant write-downs of our inventory due to obsolescence. Such write-downs could have a material negative impact on our financial position, results of operations or cash flows.

System failures could harm our business.

Like many companies, our business is highly dependent upon our information technology infrastructure (websites, accounting and manufacturing applications, and product and customer information databases) to manage effectively and efficiently our operations, including order entry, customer billing, accurately tracking purchases and volume incentives and managing accounting, finance and manufacturing operations. The occurrences of natural disasters, security breaches or other unanticipated problems could result in interruptions in our day-to-day business that could adversely affect our business. We have a disaster recovery plan in place to mitigate such risk. Nevertheless, there can be no assurance that a long-term failure or impairment of any of our information systems would not adversely affect our ability to conduct our day-to-day business.

Beginning in 2013, we began to significantly reinvest in information technology systems. Included within this plan is an Oracle ERP implementation program to provide the Company with a single integrated software solution that will integrate the Company's business process on a worldwide basis. However, the unsuccessful implementation or failure of this ERP program could disrupt or adversely affect our business operations.

The Company could incur obligations relating to the activities of our independent Distributors and contracted third-parties.

We sell our products worldwide to a sales force ofindependent Distributors who use the products themselves or resell them to otherindependent Distributors or consumers. In addition, in certain foreign markets, we contract with third-parties to distribute our product and provide support services to our independent sales force of Managers and Distributors. Independent Distributors and contracted third-parties are not employees and operate their own business separate and apart from the Company, and we may not be able to control aspects of their activities that may impact our business. If local laws and regulations or the interpretation of locals laws and regulations change and require us to treat our independent Distributors as employees, or if our independent Distributors are deemed by local regulatory authorities in one or more of the jurisdictions in which we operate to be our employees rather than independent contractors under existing laws and interpretations, we may be held responsible for a variety of obligations that are imposed upon employers relating to their employees, including employment related taxes and penalties. Our independent Distributors also operate in jurisdictions where local legislation and governmental agencies require us to collect and remit taxes such as sales tax or value-added taxes. In addition, there is the possibility that some jurisdictions could seek to hold the Company responsible for false product claims or the negligent actions of an independent Distributor. To date, the Company has had no such occurrences. If the Company were found to be responsible for any of these issues related to our independent Distributors, it could have a material negative impact on our financial position, results of operations or cash flows.

If our independent Distributors fail to comply with labeling laws, then our financial condition and operating results would be harmed.

Although the physical labeling of our products is not within the control of ourindependent Distributors, our independent Distributors must nevertheless advertise our products in compliance with the extensive regulations that exist in certain jurisdictions, such as the United States, which considers product advertising to be labeling for regulatory purposes. Our products are sold principally as dietary supplements and cosmetics and are subject to rigorous FDA and related legal regimens limiting the types of therapeutic claims that can be made for our products. The treatment or cure of disease, for example, is not a permitted claim for these products. While we train our independent Distributors and attempt to monitor our independent Distributors' marketing materials, we cannot ensure that all such materials comply with applicable regulations, including bans on therapeutic claims. If our independent Distributors fail to comply with these restrictions, then we and ourindependent Distributors could be subjected to claims, financial penalties, mandatory product recalls or relabeling requirements, which could harm our financial condition and operating results.

Although we expect that our responsibility for the actions of ourindependent Distributors in such an instance would be dependent on a determination that we either controlled or condoned a noncompliant advertising practice, there can be no assurance that we could not be held vicariously liable for the actions of our independent Distributors.

Changes in key management could materially adversely affect the Company.

We believe our success depends in part on our ability to retain our executive officers, and to continue to attract additional qualified individuals to our management team. We have entered into employment agreements with each of our named executive officers, which we believe achieves two important goals crucial to our long-term financial success: the long-term retention of our senior executives and their commitment to attain our strategic objectives. However, we cannot guarantee the continued service of our key officers. The loss or limitation of any of our executive officers or the inability to attract additional qualified management personnel could have a material negative impact on our financial position, results of operations or cash flows. We do not carry key man insurance on the lives of any of our executive officers.

Our business is involved in an industry with intense competition.

Our business operates in an industry with numerous manufacturers, distributors and retailers of nutritional products. The market for our products is intensely competitive. Many of our competitors are significantly larger, have greater financial resources, and have better name recognition than we do. We also rely on our independent Distributors to market and sell our products through direct selling techniques, as well as sponsoring otherindependent Distributors. Our ability to compete with other direct selling companies depends greatly on our ability to attract and retain our independent Distributors. In addition, we currently do not have significant patent or other proprietary protection, and our competitors may introduce products with the same or similar ingredients that we use in our products. As a result, we may have difficulty differentiating our products from our competitors' product and other competing products that enter the nutritional market. There can be no assurance that our future operations would not be harmed as a result of changing market conditions and future competition.

Our share price has been and may continue to be volatile.

The market price of our common shares is subject to significant fluctuations in response to variations in our quarterly operating results and the market price of our common stock may not remain at or exceed current levels. Factors other than our financial results that may affect our share price include, but are not limited to, market expectations of our performance, market perception or our industry, the activities of our independent Managers, Distributors and customers, the level of perceived growth in

the industry in which we participate, general trends in the markets for our products, general economic, business and political conditions in the countries and regions in which we conduct our business, currency exchange issues in our foreign markets, changes in government regulation affecting our business, political issues and conflicts, many of which are not within our control.

We may experience Unintended negative effects from our independent Manager and Distributor promotions or compensation plans.

The payment of volume incentives to our independent Managers and Distributors is our most significant expense. These incentives include commissions, bonuses and certain awards and prizes based on promotions and product levels. From time to time, we adjust our compensation plan to better manage these incentives as a percentage of net sales. We closely monitor the amount of volume incentives that are paid as a percentage of net sales, and may periodically adjust our compensation plan to prevent volume incentives from having a significant adverse effect on our earnings. In addition to the compensation plan, we frequently design and implement economic and non-economic incentives and promotions to motivate and reward our independent Distributors. There can be no assurance that changes to the compensation plan, product pricing, or promotions and incentives will be successful in achieving target levels of volume incentives as a percentage of net sales. Furthermore, such programs, promotions or incentives could result in unintended or unforeseen negative economic and non-economic consequences to our business, such as higher than anticipated costs.

Our manufacturing activity is subject to certain risks.

We manufacture approximately 80 percent of the products sold to our customers at our Spanish Fork, Utah location. As a result, we are dependent upon the uninterrupted and efficient operation of our manufacturing facility in Spanish Fork and our distribution facilities throughout the country. Our manufacturing facilities and distribution facilities are subject to the risk of catastrophic loss due to, among other things, earthquake, fire, flood, terrorism or other natural or man-made disasters, as well as occurrence of significant equipment failures. If any of these facilities were to experience a catastrophic loss, it would be expected to disrupt our operations and could result in personal injury or property damage, damage relationships with our customers or result in large expenses to repair or replace the facilities or systems, as well as result in other liabilities and adverse impacts.

In addition, we contract with third-party manufacturers to produce some of our vitamins, mineral and other nutritional supplements, personal care products and certain other miscellaneous products in accordance with our specifications and standards. These contract manufacturers are subject to the same risks as our manufacturing facility as noted above. In addition, while we have

Table of Contents

implemented stringent quality control procedures to verify that our contract manufacturers comply with our specifications and standards, we do not have full control over their manufacturing activities. Any difficulties, delays and defects in our products resulting from the activities of our contract manufacturers may have an adverse effect on our business and results of operations.

Failure of third party support could negatively impact our sales revenue and profitability.

We have contracted with third-parties in several of our key markets to distribute our product and provide support services to our independent sales force of Managers and Distributors. We rely on these third parties to perform various required administrative functions in support of our independent Managers and Distributors. Any failure of these third parties in this regard could result in the disruption of our business in these markets and adversely affect revenue and profitability.

Our failure to appropriately respond to changing consumer preferences and demand for new products or product enhancements could significantly harm our Distributor relationships and product sales and harm our financial condition and operating results.

Our business is subject to changing consumer trends and preferences. Our continued success depends in part on our ability to anticipate and react to these changes, and we may not react in a timely or commercially appropriate manner to such changes. Furthermore, the nutritional supplement industry is characterized by rapid and frequent changes in demand for products and new product introductions and enhancements. Our failure to accurately predict these trends could negatively impact consumer opinion of our products, which in turn could harm our Distributor relationships and cause the loss of sales. If we do not introduce new products or make enhancements to meet the changing needs of our customers in a timely manner, some of our products could be rendered obsolete, which could negatively impact our revenues, financial condition and operating results.

If we fail to further penetrate existing markets and expand our business into New Markets, then the growth in sales of our products, along with our operating results, could be negatively impacted.

The success of our business is to a large extent contingent on our ability to further penetrate existing markets and to enter into New Markets. Our ability to further penetrate existing markets or to expand our business into additional countries, to the extent we believe that we have identified attractive geographic expansion opportunities in the future, is subject to numerous factors, many of which are out of our control.

In addition, government regulations in both our domestic and international markets can delay or prevent the introduction, or require the reformulation or withdrawal, of some of our products, which could negatively impact our business, financial condition and results of operations. Also, our ability to increase market penetration in certain countries may be limited by the finite number of persons in a given country inclined to pursue a direct selling business opportunity or consumers willing to purchase our products. Moreover, our growth will depend upon improved training and other activities that enhance Distributor retention in our markets. While we have recently experienced significant growth in certain of our markets, we cannot make assurances that such growth levels will continue in the immediate or long term future. Furthermore, our efforts to support growth in such international markets could be hampered to the extent that our infrastructure in such markets is deficient when compared to our more developed markets, such as the U.S. Therefore, we cannot make assurances that our general efforts to increase our market penetration and Distributor retention in existing markets will be successful. If we are unable to continue to expand into New Markets or further penetrate existing markets, our operating results could suffer.

Our expansion in China is subject to risks associated with operating a joint venture, as well as general, industry-specific, economic, political and legal risks in China and requires that we utilize a different business model from that which we use elsewhere in the world.

Our expansion of operations into China is subject to risks and uncertainties related to operating a joint venture, as well as general economic, political and legal developments in China, among other things. The Chinese government exercises significant control over all aspects of the Chinese economy and the direct selling industry in particular. Accordingly, any adverse change in the Chinese economy, the Chinese legal system or Chinese governmental, economic or other policies could have a material adverse effect on our business in China and our prospects generally.

On August 25, 2014, Nature's Sunshine and Shanghai Fosun Pharmaceutical (Group) Co., Ltd. ("Fosun Pharma"), closed a transaction pursuant to which, the parties entered into a joint venture in the People's Republic of China ("China") 80 percent is owned by Nature's Sunshine and 20 percent is owned by a wholly-owned subsidiary of Fosun Pharma. Smooth operation of the joint venture depends on good relations between the Company and Fosun Pharma, active synergies between the two companies and positive legal and regulatory recognition of the joint venture. Any disruption in relations, inability to work efficiently or disadvantageous treatment of the joint venture by the Chinese or other authorities could have a material adverse effect on our business in China.

In 2005, China published regulations governing direct selling and prohibiting pyramid promotional schemes, and a number of administrative methods and proclamations were issued in 2005 and in 2006. These regulations require us to use a business model

Table of Contents

different from that which we offer in other markets. To allow us to operate under these regulations, we are creating a model specifically for China.

The direct selling regulations require us to apply for various approvals to conduct a direct selling enterprise in China. The process for obtaining the necessary licenses to conduct a direct selling business is protracted and cumbersome and involves multiple layers of Chinese governmental authorities and numerous governmental employees at each layer. While direct selling licenses are centrally issued, such licenses are generally valid only in the jurisdictions within which related approvals have been obtained. Such approvals are generally awarded on local and provincial bases, and the approval process requires involvement with multiple ministries at each level. Our participation and conduct during the approval process is guided not only by distinct Chinese practices and customs, but is also subject to applicable laws of China and the other jurisdictions in which we operate our business, including the U.S., as well as our internal code of ethics. There is always a risk that in attempting to comply with local customs and practices in China during the application process or otherwise, we will fail to comply with requirements applicable to us in China itself or in other jurisdictions, and any such failure to comply with applicable requirements could prevent us from obtaining the direct selling licenses or related local or provincial approvals. Furthermore, we rely on certain key management, regulatory and legal personnel in China to assist us during the approval process, and the loss of any such key personnel could delay or hinder our ability to obtain licenses or related approvals. For all of the above reasons, there can be no assurance that we will obtain direct-selling licenses, or obtain related approvals to expand into any or all of the localities or provinces in China that are important to our business. Our inability to obtain, retain, or renew any or all of the licenses or related approvals that are required for us to operate in China could negatively impact our business.

Additionally, although certain regulations have been published with respect to obtaining and operating under such approvals and otherwise conducting business in China, other regulations are pending and there continues to be uncertainty regarding the interpretation and enforcement of Chinese regulations. The regulatory environment in China is evolving, and officials in the Chinese government exercise broad discretion in deciding how to interpret and apply regulations. We cannot be certain that our business model will continue to be deemed by national or local Chinese regulatory authorities to be compliant with any such regulations. The Chinese government rigorously monitors the direct selling market in China, and in the past has taken serious action against companies that the government believed were engaging in activities they regarded to be in violation of applicable law, including shutting down their businesses and imposing substantial fines. As a result, there can be no guarantee that the Chinese government's current or future interpretation and application of the existing and new regulations will not negatively impact our business in China, result in regulatory investigations or lead to fines or penalties against us.

Chinese regulations prevent persons who are not Chinese nationals from engaging in direct selling in China. We cannot guarantee that any of our Members living outside of China or any of our sales representatives or independent service providers in China have not engaged or will not engage in activities that violate our policies in this market, or that violate Chinese law or other applicable law, and therefore result in regulatory action and adverse publicity.

If we are not able to register products for sale in Mainland China, our business could be harmed.

Our registration of our products for sale in China is extremely time intensive. The requirements for obtaining product registrations and/or licenses involve extended periods of time that may delay us from offering products for sale or prevent us from launching new product initiatives in China on the same timelines as other markets around the world. For example, products marketed in China as "health foods" or for which certain claims are used are subject to "blue cap" or "blue hat" registrations, which involve extensive laboratory and clinical analysis by governmental authorities. This registration process can take anywhere from 18 months to 3 years, but may be substantially longer. We currently intend to market both "health foods" and "general foods" in China. There is risk associated with the common practice in China of marketing a product as a "general food" while seeking "health food" classification. If government officials feel the categorization of our products is inconsistent with product claims, ingredients or function, this could end or limit our ability to market such products in China.

If we are unable to effectively manage rapid growth in China, our operations could be harmed.

If our operations in China are successful, we may experience rapid growth in China, and there can be no assurances that we will be able to successfully manage rapid expansion of manufacturing operations and a rapidly growing and dynamic sales force. If we are unable to effectively manage such growth and expansion of our retail stores and manufacturing operations, our government relations may be compromised and our operations in China may be harmed.

Item 1B. Unresolved Staff Comments

None.

Table of Contents

Item 2. Properties

Our corporate offices are located in Lehi, Utah, and consist of approximately 66,000 square feet. These facilities are leased from an unaffiliated third party through a lease agreement which expires in 2017.

Our principal warehousing and manufacturing facilities are housed in a building consisting of approximately 270,000 square feet and located on approximately 10 acres in Spanish Fork, Utah. These facilities are owned by us and support all of our business segments.

We own approximately 60,000 square feet of office and warehouse space in Mexico.

We also own approximately 53 acres of undeveloped land in Springville, Utah, and approximately 8 acres of undeveloped land in Provo, Utah.

We lease properties used primarily as distribution warehouses located in Georgia, Ohio, Texas and Utah, as well as offices and distribution warehouses in the majority of the countries in which we do business. We believe these facilities are suitable for their respective uses and are, in general, adequate for our present and near-term future needs. During 2014, 2013 and 2012, we incurred approximately $6.2 million, $6.1 million and $6.1 million, respectively, for all of our leased facilities in lease expense.

We believe that our current facilities are adequate for our business operation and that additional space, if required, will be available on commercially reasonable terms for the foreseeable future.

Item 3. Legal Proceedings

The Company is party to various legal proceedings. Management cannot predict the ultimate outcome of these proceedings, individually or in the aggregate, or their resulting effect on the Company's business, financial position, results of operations or cash flows as litigation and related matters are subject to inherent uncertainties, and unfavorable rulings could occur. Were an unfavorable outcome to occur, there exists the possibility of a material adverse impact on the business, financial position, results of

operations, or cash flows for the period in which the ruling occurs and/or future periods. The Company maintains product liability, general liability and excess liability insurance coverage. However, no assurances can be given that such insurance will continue to be available at an acceptable cost to the Company, that such coverage will be sufficient to cover one or more large claims, or that the insurers will not successfully disclaim coverage as to a pending or future claim.

Since late 2007, the Company has administered its sales in Belarus, Georgia, Kazakhstan, Moldova, Mongolia, Russia and Ukraine (the "Territories") through an International Reseller Agreement ("Reseller Agreement") with a third party general dealer (the "General Dealer") based in Russia. The General Dealer administers the marketing and distribution of the Company's products in the Territories. As a part of its services, the General Dealer provides certain discounts (the "Discounts") to its network of dealers related to the costs associated with transporting the Company's products from the General Dealer to the dealers. In July 2013, the General Dealer began to withhold the amount of these Discounts from the funds remitted each month to the Company for the sale of the products, claiming that it is entitled to reimbursement for these costs under the Reseller Agreement. These withholdings averaged approximately $0.3 million per month and totaled approximately $3.0 million at March 31, 2014.

The parties negotiated a resolution to the dispute, whereby the General Dealer paid the Company the $3.0 million of Discounts withheld and relinquished all claims to the reimbursement of Discounts with respect to periods prior to July 2013, and the parties agreed to a new three-year international reseller agreement, effective April 1, 2014.

Other Litigation

The Company is party to various other legal proceedings in several foreign jurisdictions related to value-added tax assessments and other civil litigation. While there is a reasonable possibility that a loss may be incurred, either the losses are not considered to be probable or the Company cannot at this time estimate the loss, if any; therefore, no provision for losses has been provided. The Company believes future payments related to these matters could range from $0 to approximately $0.4 million

Item 4. Mine Safety Disclosures

Not applicable.

Table of Contents

PART II

Item 5. Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities

Market and Share Prices

Our common stock is traded on the NASDAQ Global Market (symbol "NATR").

The following table summarizes the quarterly high and low market prices of our common stock for the years ended December 31, 2014 and 2013:

	Market Prices	
2014	**High**	**Low**
First Quarter	$ 18.81	$ 18.34
Second Quarter	$ 18.37	$ 12.91
Third Quarter	$ 17.35	$ 14.12
Fourth Quarter	$ 15.76	$ 13.40

	Market Prices	
2013	**High**	**Low**
First Quarter	$ 15.96	$ 13.30
Second Quarter	$ 17.45	$ 13.60
Third Quarter	$ 20.15	$ 16.40
Fourth Quarter	$ 19.92	$ 16.41

The approximate number of shareholders of record of our common shares as of February 13, 2015, was 797. This number of holders of record does not represent the actual number of beneficial owners of our common shares because shares are frequently held in "street name" by securities dealers and others for the benefit of individual owners who have the right to vote their shares.

Recent Sales of Unregistered Securities

None.

Dividends

There were 809 shareholders of record as of December 31, 2014.

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

On March 17, 2014, the Company announced a cash dividend of $0.10 per common share in an aggregate amount of $1.6 million that was paid on April 7, 2014, to shareholders of record on March 28, 2014. On May 7, 2014, the Company announced a cash dividend of $0.10 per common share in an aggregate amount of $1.6 million that was paid on June 2, 2014, to shareholders of record on May 21, 2014. On August 6, 2014, the Company announced a cash dividend of $0.10 per common share in an aggregate amount of $1.6 million that was paid on August 29, 2014, to shareholders of record on August 18, 2014. On August 27, 2014, the Company announced a special non-recurring cash dividend of $1.50 per common share in an aggregate amount of $28.5 million that was paid on September 19, 2014, to shareholders of record on September 8, 2014. On November 5, 2014, the Company announced a cash dividend of $0.10 per common share in an aggregate amount of $1.9 million that was paid on December 1, 2014, to shareholders of record on November 20, 2014.

Table of Contents

Securities Authorized for Issuance Under Equity Compensation Plans

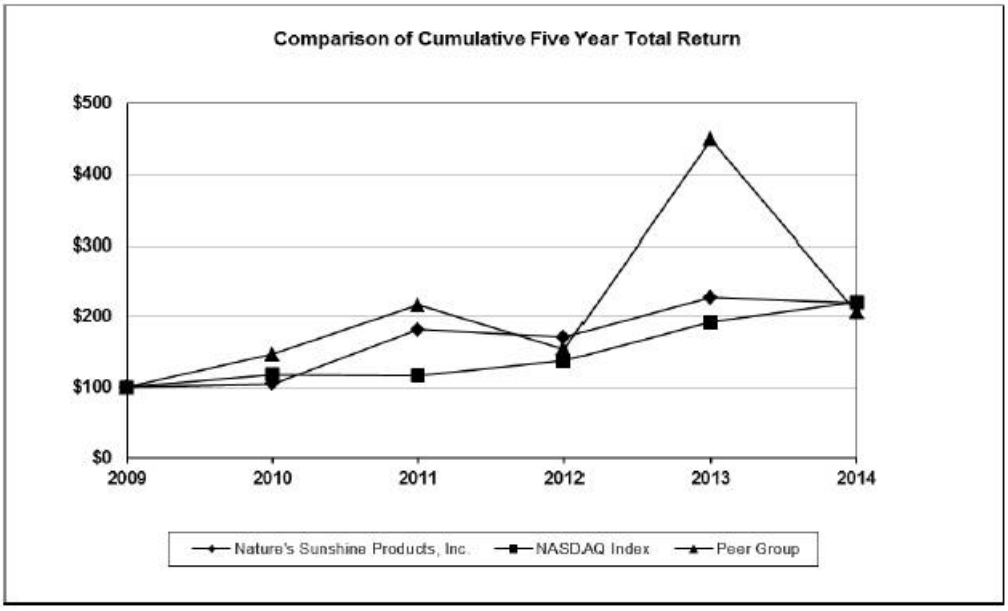
The following table contains information regarding the Company's equity compensation plans as of December 31, 2014:

Plan category	Number of securities to be issued upon exercise or vesting of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders (1)	2,217,480	$ 11.96	20,753

(1) Consists of two plans: The Nature's Sunshine Products, Inc. 2012 Stock Incentive Plan (the "2012 Incentive Plan") and the Nature's Sunshine Products, Inc. 2009 Stock Incentive Plan (the "2009 Incentive Plan"). The 2012 Incentive Plan was approved by shareholders on August 1, 2012. The 2009 Incentive Plan was approved by shareholders on November 6, 2009. The terms of these plans are summarized in Note 11, "Capital Transactions", of the Notes to Consolidated Financial Statements in Item 8, Part 2 of this report.

Performance Graph

The graph below depicts our common stock as an index, assuming $100.00 was invested on December 31, 2009, along with the composite prices of companies listed on the NASDAQ Stock Market and our peer group. Standard & Poor's Investment Services has provided us with this information. The comparisons in the graph are required by regulations of the SEC, and are not intended to forecast or be indicative of the possible future performance of our common stock. The publicly-traded companies in our peer group are Herbalife International, Ltd., NuSkin Enterprises, Inc. and USANA Health Sciences, Inc. We consider these companies to be our peer group as they have similar product lines and distribution techniques when compared to our business.



The material in this section captioned "Performance Graph" is being furnished and shall not be deemed "filed" with the SEC for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that section, nor shall the material in this section be deemed to be incorporated by reference in any registration statement or other document filed with the SEC under the Securities Act of 1933, except to the extent we specifically and expressly incorporate it by reference into such filing.

Table of Contents

	12/31/2009	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014
Nature's Sunshine Products, Inc.	$ 100.00	$ 105.15	$ 181.73	$ 171.23	$ 227.69	$ 220.35
NASDAQ Index	100.00	118.02	117.04	137.47	192.62	221.02
Peer Group	100.00	147.16	216.70	154.45	449.26	206.44

Item 6. Selected Financial Data

The selected financial data presented below is summarized from our results of consolidated operations for each of the five years in the period ended December 31, 2014, as well as selected consolidated balance sheet data as of December 31, 2014, 2013, 2012, 2011 and 2010.

(Dollar and Share Amounts in Thousands, Except for Per Share Information and Other Information)

Consolidated Statement of Operations Data

	Year Ended December 31,				
	2014	2013	2012	2011	2010
Net sales revenue	$ 366,367	$ 369,826	$ 360,826	$ 362,497	$ 343,813
Cost of sales	(91,584)	(92,344)	(91,369)	(87,906)	(87,180)
Gross profit	274,783	277,482	269,457	274,591	256,633
Operating expenses:					
Volume incentives	135,808	135,516	130,875	131,840	128,178
Selling, general and administrative	119,927	118,383	104,716	107,752	116,810

Contract termination costs	—	—	—	14,750	—
Operating income	19,048	23,583	33,866	20,249	11,645
Other income (loss), net	(34)	1,993	1,573	1,256	(579)
Income before income taxes	19,014	25,576	35,439	21,505	11,066
Provision (benefit) for income taxes	(743)	7,923	10,531	5,136	6,191
Net income from continuing operations	19,757	17,653	24,908	16,369	4,875
Income (loss) from discontinued operations	(9,957)	(44)	472	1,232	(6,108)
Net income (loss)	9,800	17,609	25,380	17,601	(1,233)
Loss attributable to noncontrolling interests	(219)	—	—	—	—
Net income (loss) attributable to common shareholders	$ 10,019	$ 17,609	$ 25,380	$ 17,601	$ (1,233)

Consolidated Balance Sheet Data

	December 31,				
	2014	2013	2012	2011	2010
Cash and cash equivalents	$ 58,699	$ 77,247	$ 79,241	$ 58,969	$ 47,604
Working capital	63,340	80,025	83,943	57,305	41,370
Inventories	40,438	41,910	43,280	41,611	36,235
Property, plant and equipment, net	51,343	32,022	27,950	25,137	27,391
Total assets	196,799	199,612	193,919	175,811	159,415
Long-term liabilities	9,933	25,784	16,893	20,575	25,865
Total shareholders' equity	128,957	105,259	115,636	87,438	68,382

Summary Cash Flow Information

	December 31,				
	2014	2013	2012	2011	2010
Operating activities	$ 14,182	$ 29,378	$ 26,651	$ 3,908	$ 16,150
Investing activities	(26,674)	(8,564)	(2,989)	(1,679)	(5,909)
Financing activities	(5,076)	(21,331)	(3,133)	9,588	132

Table of Contents

Common Share Summary

	December 31,				
	2014	2013	2012	2011	2010
Cash dividend per share (1)	$ 1.90	$ 1.90	$ 0.15	$ —	$ —
Basic and diluted earnings per share					
Basic weighted average number of shares	17,108	15,997	15,648	15,550	15,515
Diluted weighted average number of shares	17,641	16,390	15,987	15,695	15,605
Basic					
Net income from continuing operations	$ 1.15	$ 1.10	$ 1.59	$ 1.05	$ 0.31
Income (loss) from discontinued operations	$ (0.57)	$ —	$ 0.03	$ 0.08	$ (0.39)
Net income (loss) attributable to common shareholders	$ 0.58	$ 1.10	$ 1.62	$ 1.13	$ (0.08)
Diluted					
Net income from continuing operations	$ 1.12	$ 1.08	$ 1.56	$ 1.04	$ 0.31
Income (loss) from discontinued operations	$ (0.56)	$ (0.01)	$ 0.03	$ 0.08	$ (0.39)
Net income (loss) attributable to common shareholders	$ 0.56	$ 1.07	$ 1.59	$ 1.12	$ (0.08)

(1) — 2014 and 2013 include a special cash dividend of $1.50 per share paid on September 19, 2014 and August 29, 2013, respectively.

Other Information

	December 31,				
	2014	2013	2012	2011	2010
Square footage of property in use	754,548	771,439	768,513	763,389	750,390
Number of employees	964	1,010	995	1,003	1,073

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion highlights the principal factors that have affected our financial condition, results of operations, liquidity and capital resources for the periods described. This discussion should be read in conjunction with our consolidated financial statements and the related notes in Item 8 of this report. This discussion contains forward-looking statements. Please see "Cautionary Note Regarding Forward-Looking Statements" for the risks, uncertainties and assumptions associated with these forward-looking statements.

OVERVIEW

Our Business, Industry and Target Market

Nature's Sunshine Products, Inc., together with its subsidiaries, is a natural health and wellness company primarily engaged in the manufacturing and direct selling of nutritional and personal care products. The Company is a Utah corporation with its principal place of business in Lehi, Utah, and sells its products to a sales force of independent Managers and Distributors who use the products themselves or resell them to other independent Distributors or customers. The formulation, manufacturing, packaging, labeling, advertising, distribution and sale of each of our major product groups are subject to regulation by one or more governmental agencies.

The Company has four business segments that are divided based on the different characteristics of their Distributor bases, selling and Distributor compensation plans and product formulations, as well as the internal organization of our officers and their responsibilities and business operations. Two business segments operate under the Nature's Sunshine Products brand (NSP Americas and NSP Russia, Central and Eastern Europe), and one operates under the Synergy WorldWide brand. The Company's fourth business segment, China and New Markets, anticipates deploying a multi-brand, multi-channel go-to-market strategy that offers select Nature's Sunshine branded products through Fosun Pharma's existing retail locations across China, and select Synergy branded products through a direct selling model. The time to market will be dependent upon regulatory processes including product registration and permit approvals. The China and New Markets segment also includes Company's export sales business, in which the Company sells our products to various locally managed entities independent of the Company that have distribution rights for the relevant market. All of the net sales revenue to date in the China and New Markets segment is through the Company's export business to foreign markets outside of China detailed below that were previously part of NSP Americas.

Table of Contents

We market our products in Australia, Austria, Belarus, Canada, Colombia, Costa Rica, the Czech Republic, Denmark, the Dominican Republic, Ecuador, El Salvador, Finland, Germany, Guatemala, Honduras, Hong Kong, Iceland, Indonesia, Ireland, Italy, Japan, Kazakhstan, Latvia, Lithuania, Malaysia, Mexico, Moldova, Mongolia, the Netherlands, New Zealand, Nicaragua, Norway, Panama, the Philippines, Poland, Russia, Singapore, Slovenia, South Korea, Spain, Sweden, Taiwan, Thailand, Ukraine, the United Kingdom, the United States and Vietnam. We export our products to Argentina, Australia, Chile, Israel, New Zealand, Norway, Peru and the United Kingdom.

In November 2014, the Company ceased its operations in Venezuela due to the difficulties and uncertainties related to import controls, difficulties associated with repatriating cash and high inflation. This market was part of the Company's NSP Americas segment and all of the income (loss) from discontinued operations is related to the common shareholders of the Company.

In 2014, we experienced a decrease in our consolidated net sales of 0.9 percent (or 0.5 percent in local currencies). NSP Russia, Central and Eastern Europe net sales decreased approximately 19.9 percent compared to the same period in 2013. Synergy WorldWide net sales increased approximately 18.3 percent compared to the same period in 2013. NSP Americas net sales decreased approximately 5.8 percent compared to the same period in 2013 (or 4.8 percent in local currencies). China and New Markets net sales increased approximately 17.5 percent compared to the same period in 2013. Our most significant sales revenue growth was from our Synergy Japan and South Korea markets during 2014. Gains in this market were partially offset by the decrease in our NSP Russia, Central and Eastern Europe market. Excluding the NSP Russia, Central and Eastern Europe segment, net sales would have increased by approximately 2.9 percent (3.5 percent in local currencies).

The Company must caution that sales in NSP Russia, Central and Eastern Europe will undoubtedly continue to be affected by the significant impact of currency devaluation, as well as continuing political unrest in Ukraine and Russia, and sanctions against Russia. We do not expect this decline in net sales to reverse in the near term as currency devaluations have continued into 2015. We remain strongly supportive and engaged with our independent Distributors in the region, and are supporting their activity with additional promotions and training. However, at this time, the Company has cautioned that sales in its NSP Russia, Central and Eastern Europe segment will be significantly affected by the political unrest in Ukraine and Russia, possible sanctions in Russia and the impact of currency devaluation. We are continuing to evaluate various options to keep our distributor base engaged. Nevertheless, our strong and renewed partnership with our local partner should provide a solid foundation to reignite growth once the situation stabilizes.

Selling, general and administrative costs as a percentage of net sales revenue for 2014 increased to 32.7 percent from 32.0 percent in the prior yeaprimarily as a result of the Company's due diligence performed prior to the strategic alliance with Fosun Pharma and the start-up costs incurred subsequently as part of the China joint venture. The Company also incurred costs associated with the evaluation of and negotiation with a company in an alternative distribution channel, which the Company ultimately declined to pursue.

We distribute our products to consumers through an independent sales force comprised of Managers and Distributors, some of whom also consume our products. Typically a person who joins our independent sales force begins as a Distributor. A Distributor may earn Manager status by committing more time and effort to selling our products, recruiting productive independent Distributors and attaining certain product sales levels. On a worldwide basis, active independent Managers were approximately 13,400 and 16,400 and active independent Distributors and customers were approximately 292,600 and 332,400 at December 31, 2014 and 2013, respectively.

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

Critical Accounting Policies and Estimates

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

Table of Contents

results could differ from these estimates and those differences could have a material effect on our financial position and results of operations. Management has discussed the development, selection and disclosure of these estimates with the Board of Directors and its Audit Committee.

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

Revenue Recognition

Net sales revenue and related volume incentive expenses are recorded when persuasive evidence of an arrangement exists, collectability is reasonably assured, the amount is fixed and determinable, and title and risk of loss have passed. The amount of the volume incentive is determined based upon the amount of qualifying purchases in a given month. It is necessary for the Company to make estimates about the timing of when merchandise has been delivered. These estimates are based upon the Company's historical experience related to time in transit, timing of when shipments occurred and shipping volumes. Amounts received for undelivered merchandise are recorded as

deferred revenue.

From time to time, the Company's U.S. operations extend short-term credit associated with product promotions. In addition, for certain of the Company's international operations, the Company offers credit terms consistent with industry standards within the country of operation. Payments to independent Managers and Distributors for sales incentives or rebates are recorded as a reduction of revenue. Payments for sales incentives and rebates are calculated monthly based upon qualifying sales. Membership fees are deferred and amortized as revenue over the life of the membership, primarily one year. Prepaid event registration fees are deferred and recognized as revenues when the related event is held.

A reserve for product returns is recorded based upon historical experience. The Company allows independent Managers or Distributors to return the unused portion of products within ninety days of purchase if they are not satisfied with the product. In some of the Company's markets, the requirements to return product are more restrictive. Sales returns for the years 2014, 2013 and 2012, were $1.5 million, $1.5 million and $2.2 million, respectively. The increase in sales returns for year ended December 31, 2012 was due to unusually high product returns during the first quarter of 2012, related to a specific promotion in the Synergy Japan market. Product returns were not related to product quality and have since returned to normally lower return rates.

Accounts Receivable Allowances

Accounts receivable have been reduced by an allowance for amounts that may be uncollectible in the future. This estimated allowance is based primarily on the aging category, historical trends and management's evaluation of the financial condition of the customer. This reserve is adjusted periodically as information about specific accounts becomes available.

Investments

The Company's available-for-sale investment portfolio is recorded at fair value and consists of various securities such as state and municipal obligations, U.S. government security funds, short-term deposits and various equity securities. These investments are valued using (a) quoted prices for identical assets in active markets or (b) from significant inputs that are observable or can be derived from or corroborated by observable market data for substantially the full term of the asset. The Company's trading portfolio is recorded at fair value and consists of various marketable securities that are valued using quoted prices in active markets.

For available-for-sale debt securities with unrealized losses, the Company performs an analysis to assess whether it intends to sell or whether it would be more likely than not required to sell the security before the expected recovery of the amortized cost basis. Where the Company intends to sell a security, or may be required to do so, the security's decline in fair value is deemed to be other-than-temporary, and the full amount of the unrealized loss is recorded within earnings as an impairment loss.

For all other debt securities that experience a decline in fair value that is determined to be other-than-temporary and not related to credit loss, the Company records a loss, net of any tax, in accumulated other comprehensive income (loss). The credit loss is recorded within earnings as an impairment loss when sold. Management judgment is involved in evaluating whether a decline in an investment's fair value is other-than-temporary.

Regardless of the Company's intent to sell a security, the Company performs additional analysis on all securities with unrealized losses to evaluate losses associated with the creditworthiness of the security. Credit losses are identified where the Company does not expect to receive cash flows sufficient to recover the amortized cost basis of a security.

Table of Contents

For equity securities, when assessing whether a decline in fair value below the Company's cost basis is other-than-temporary, the Company considers the fair market value of the security, the length of time and extent to which market value has been less than cost, the financial condition and near-term prospects of the issuer as well as specific events or circumstances that may influence the operations of the issuer, and the Company's intent and ability to hold the investment for a sufficient time in order to enable recovery of the cost. New information and the passage of time can change these judgments. Where the Company has determined that it lacks the intent and ability to hold an equity security to its expected recovery, the security's decline in fair value is deemed to be other-than-temporary and is recorded within earnings as an impairment loss.

Inventories

Inventories are stated at the lower-of-cost-or-market, using the first-in, first-out method. The components of inventory cost include raw materials, labor and overhead. To estimate any necessary obsolescence or lower-of-cost-or-market adjustments, various assumptions are made in regard to excess or slow-moving inventories, non-conforming inventories, expiration dates, current and future product demand, production planning and market conditions.

Self-Insurance Liabilities

Similar to other manufacturers and distributors of products that are ingested, the Company faces an inherent risk of exposure to product liability claims in the event that, among other things, the use of its products results in injury. The Company carries insurance in the types and amounts it considers reasonably adequate to cover the risks associated with its business. The Company has a wholly-owned captive insurance company to provide it with product liability insurance coverage. The Company has accrued an amount that it believes is sufficient to cover probable and reasonably estimable liabilities related to product liability claims based on the Company's 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 the Company's business prospects, financial position, results of operations or cash flows.

The Company self-insures for certain employee medical benefits. 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.

Impairment of Long-Lived Assets

We review our long-lived assets, such as property, plant and equipment and intangible assets for impairment when events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. We use an estimate of future undiscounted net cash flows of the related assets or groups of assets over their remaining lives in measuring whether the assets are recoverable. An impairment loss is calculated by determining the difference between the carrying values and the fair values of these assets. Due to the continual currency devaluation of the Venezuelan bolivar, as of September 30, 2014, the Company incurred a $2,947 impairment charge to write down the value of its fixed assets in Venezuela to $0, which is included in the results from discontinued operations.

Incentive Trip Accrual

We accrue for expenses associated with our direct sales program, which rewards independent Managers and Distributors with paid attendance for incentive trips, including Company conventions and meetings. Expenses associated with incentive trips are accrued over qualification periods as they are earned. We specifically analyze incentive trip accruals based on historical and current sales trends as well as contractual obligations when evaluating the adequacy of the incentive trip accrual. Actual results could generate liabilities more or less than the amounts recorded. We have accrued incentive trip costs of approximately $4.2 million and $5.8 million at December 31, 2014

and 2013, respectively, which are included in accrued liabilities in the consolidated balance sheets.

Contingencies

We are involved in certain legal proceedings. When a loss is considered probable in connection with litigation or non-income tax contingencies and when such loss can be reasonably estimated with a range, we record our best estimate within the range related to the contingency. If there is no best estimate, we record the minimum of the range. As additional information becomes available, we assess the potential liability related to the contingency and revise the estimates. Revision in estimates of the potential liabilities could materially affect our results of operations in the period of adjustment. Our contingencies are discussed in further detail in Note 13, "Commitment and Contingencies", of the Notes to Consolidated Financial Statements, in Item 8, Part 2 of this report.

Table of Contents

Income Taxes

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

Deferred income taxes arise from temporary differences between the tax and financial statement recognition of revenue and expense. In evaluating the Company's ability to recover its deferred tax assets, management considers all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. In projecting future taxable income, the Company develops assumptions including the amount of future state, federal and foreign pretax operating income, the reversal of temporary differences, and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment about the forecasts of future taxable income, and are consistent with the plans and estimates that the Company is using to manage the underlying businesses. Valuation allowances are recorded as reserves against net deferred tax assets by the Company when it is determined that net deferred tax assets are not likely to be realized in the foreseeable future. As of December 31, 2014 and 2013, we had recorded valuation allowances of $13.2 million and $11.3 million, respectively, as offsets to our net deferred tax assets.

As of December 31, 2014, we had foreign income tax net operating loss carryforwards of $5.8 million, which will expire at various dates from 2015 through 2024. As of December 31, 2014, the Company had approximately $12.6 million of foreign tax and withholding credits, most of which expire in 2024.

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

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

Share-Based Compensation

We recognize all share-based payments to Directors and employees, including grants of stock options and restricted stock units, to be recognized in the statement of operations based on their grant-date fair values. We record compensation expense, net of an estimated forfeiture rate, over the vesting period of the stock options based on the fair value of the stock options on the date of grant. Our estimated forfeiture rate is based upon historical experience.

PRESENTATION

Net sales revenue represents net sales including shipping and handling revenues offset by volume rebates given to independent Managers, Distributors and customers. Volume rebates as a percentage of retail sales may vary by country depending upon regulatory restrictions that limit or otherwise restrict rebates. We also offer reduced volume rebates with respect to certain products and promotions worldwide.

Our gross profit consists of net sales less cost of sales, which represents our manufacturing costs, the price we pay to our raw material suppliers and manufacturers of our products, and duties and tariffs, as well as shipping and handling costs related to product shipments and distribution to our independent Managers, Distributors and customers.

Volume incentives are a significant part of our direct sales marketing program, and represent commission payments made to our independent Managers and Distributors. These payments are designed to provide incentives for reaching higher sales levels and for recruiting additional independent Distributors. Volume incentives vary slightly, on a percentage basis, by product due to our pricing policies and commission plans in place in our various operations.

Selling, general and administrative expenses represent our operating expenses, components of which include labor and benefits, sales events, professional fees, travel and entertainment, Distributor marketing, occupancy costs, communication costs, bank fees, depreciation and amortization, and other miscellaneous operating expenses.

Most of our sales to independent Distributors outside the United States are made in the respective local currencies. In preparing our financial statements, we translate revenues into U.S. dollars using average exchange rates. Additionally, the majority of our purchases from our suppliers generally are made in U.S. dollars. Consequently, a strengthening of the U.S. dollar versus a foreign currency can have a negative impact on our reported sales and contribution margins and can generate transaction losses on intercompany transactions.

Table of Contents

RESULTS OF OPERATIONS

The following table summarizes our consolidated net income from continuing operations results as a percentage of net sales revenue for the periods indicated:

	Year Ended December 31,		
	2014	2013	2012
Net sales revenue	100.0%	100.0%	100.0%
Cost of sales	(25.0)	(25.0)	(25.3)
Gross profit	75.0	75.0	74.7
Operating expenses:			
Volume incentives	37.1	36.6	36.3

Selling, general and administrative	32.7	32.0	29.0
Operating income	5.2	6.4	9.4
Other income (expense):			
Interest and other income, net	—	0.2	0.4
Interest expense	(0.1)	(0.1)	(0.1)
Foreign exchange gains, net	0.1	0.4	0.1
	—	0.5	0.4
Income before provision for income taxes	5.2	6.9	9.8
Provision (benefit) for income taxes	(0.2)	2.1	2.9
Net income from continuing operations	5.4%	4.8%	6.9%

Net Sales Revenue

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

Table of Contents

Year Ended December 31, 2014, as Compared to the Year Ended December 31, 2013

Net Sales Revenue

The following table summarizes the changes in our net sales revenue by operating segment for the fiscal years ended December 31, 2014 and 2013.

	Net Sales Revenue by Operating Segment				
	2014	2013	Percent Change	Impact of Currency Exchange	Percent Change Excluding Impact of Currency
NSP Americas:					
NSP North America	$ 145,650	$ 148,397	(1.9)%	$ (910)	(1.2)%
NSP Latin America	37,934	40,255	(5.8)	(1,067)	(3.1)
NSP Other	1,041	7,272	(85.7)	69	(86.6)
	184,625	195,924	(5.8)	(1,908)	(4.8)
NSP Russia, Central and Eastern Europe	$ 50,274	$ 62,747	(19.9)%	$ 4	(19.9)%
Synergy WorldWide:					
Synergy North America	$ 15,170	$ 17,079	(11.2)%	$ —	(11.2)%
Synergy Asia Pacific	81,199	59,605	36.2	130	36.0
Synergy Europe	31,732	31,606	0.4	28	0.3
	128,101	108,290	18.3	158	18.1
China and New Markets	$ 3,367	$ 2,865	17.5%	$ —	17.5%
	$ 366,367	$ 369,826	(0.9)%	$ (1,746)	(0.5)%

Consolidated net sales revenue for the year ended December 31, 2014, was $366.4 million compared to $369.8 million in 2013, a decrease of approximately 0.9 percent. We experienced a $1.7 million unfavorable impact in foreign currency exchange rate fluctuation in 2014, and our consolidated net sales revenue would have decreased by 0.5 percent from 2013, but for such negative impact. The decrease in net sales revenue for the year ended December 31, 2014 compared to the same period in 2013 is primarily due to a decline of net sales in our NSP Americas and NSP Russia, Central and Eastern Europe segment, partially offset by an increase of net sales in our Synergy WorldWide and China and New Markets segments.

NSP Americas

Net sales revenue related to NSP Americas for the year ended December 31, 2014, was $184.6 million compared to $195.9 million for the same period in 2013, a decrease of 5.8 percent. Fluctuation in foreign exchange rates had a $1.9 million unfavorable impact on net sales for the year ended December 31, 2014, and net sales revenue would have decreased by 4.8 percent excluding this negative impact. Active independent Managers within NSP Americas totaled approximately 6,600 and 7,400 at December 31, 2014 and 2013, respectively. Active independent Distributors and customers within NSP Americas totaled approximately 135,900 and 148,800 at December 31, 2014 and 2013, respectively. Segment net sales revenue and the number of independent Managers, Distributors and customers decreased primarily due to combining our NSP Japan business with our Synergy Japan business, the transition of the NSP United Kingdom business to an export market, and lower net sales in the United States. Excluding Japan and the United Kingdom, independent Managers were down 1.3 percent, and active independent Distributors and customers were down 4.7 percent, compared to the prior year. The active independent Managers category includes independent Managers under our various compensation plans that have achieved and maintained certain product sales levels. As such, all independent Managers are considered to be active independent Managers. The active independent Distributors and customers category includes our independent Distributors and customers who have purchased products directly from the Company for resale and/or personal consumption

during the previous three months.

Notable activity in the following markets contributed to the results of NSP Americas:

In the United States, net sales revenues decreased approximately $2.1 million, or 1.5 percent, for the year ended December 31, 2014, compared to the same period in 2013. Despite the overall decline in net sales in 2014 that occurred in the first half of the year,

Table of Contents

we saw a growth in the third and fourth quarters in sales of 0.7 percent and 2.6 percent, respectively, as we continued to see our new sales programs gain traction. We have seen increased adoption of both the IN.FORM sales method, which is focused on weight management, and our retail sales tools. Our August Leaders Conference held in Salt Lake City focused on this program as well as on sharing our business opportunity more effectively. In addition, in time for the winter season, we re-launched our Silver immune product line, improving the formula to provide even greater efficacy, as well as rebranding our packaging, which has generated a positive uptake.

In Canada, net sales revenues decreased approximately $0.7 million, or 5.0 percent, for the year ended December 31, 2014, compared to the same period in 2013. In local currency, net sales increased 1.8 percent compared to the same period in 2013. Currency devaluation had a $0.9 million unfavorable impact on net sales for the year ended December 31, 2014, respectively. In NSP Canada, we are following the same strategy as in our NSP United States market, and we saw a growth in the third and fourth quarters in local currency sales of 5.1 percent and 9.6 percent, (the first quarters of growth since the first quarter of 2012), as we saw the uptake from the launch of weight management product line, ahead of our IN.FORM program launch in October.

In Latin America, net sales revenues decreased approximately $2.3 million, or 5.8 percent, for the year ended December 31, 2014, compared to the same period in 2013. In local currency, net sales decreased 3.1 percent compared to the same period in 2013. Currency devaluation had a $1.1 million unfavorable impact on net sales for the year ended December 31, 2014, respectively. In NSP Latin America, we faced continued headwinds due to changing regulations for product registration. To address this, we are taking steps to transition our sales motion to adopt the IN.FORM business method, and at the same time, ensuring that our resources are aligned with this initiative.

Due to the continued challenges in returning the NSP Japan business to growth, we made the decision to cease operating under the NSP brand and to merge our NSP Japan business with our Synergy Japan business to create one unified approach to the market with a common product offering and business opportunity model. As part of this transition, we allowed NSP Japan independent Distributors to transfer their businesses to our Synergy Japan brand. The combined businesses began operating as Synergy Japan in January 2014, and provide a greater opportunity for a return to profitable growth. We therefore had no net sales revenue from NSP Japan for the year ended December 31, 2014, compared to approximately $3.3 million of net sales revenue in 2013.

Due to the size of the NSP United Kingdom market, lack of net sales growth, and continuing operating losses, we made the decision to transition our NSP United Kingdom market to an export market, in which we sell our products to a locally managed entity independent of the Company that has distribution rights for the market, effective April 1, 2014. As a result of this change to a wholesale model, our net sales revenue declined by $2.9 million for the year ended December 31, 2014, respectively, as compared to 2013.

NSP Russia, Central and Eastern Europe

Net sales revenue related to NSP Russia, Central and Eastern Europe markets (primarily Russia, the Ukraine, and Belarus) for the year ended December 31, 2014, was $50.3 million, compared to $62.7 million for the same period in 2013, a decrease of 19.9 percent. Active independent Managers within NSP Russia, Central and Eastern Europe totaled approximately 3,700 and 6,000 at December 31, 2014 and 2013, respectively. Active independent Distributors and customers within NSP Russia, Central and Eastern Europe totaled approximately 97,900 and 131,800 at December 31, 2014 and 2013, respectively. Net sales and the number of independent Managers, Distributors and customers buying and distributing our products decreased primarily as a result of the current political uncertainty in Ukraine and across the region, and the market decline in the value of the Ukrainian hryvnia and Russian ruble against the U.S. dollar. Although changes in exchange rates between the U.S. dollar and Ukrainian hryvnia do not result in currency fluctuations within our financial statements, the Company's products in Ukraine and Russia are priced local currencies pegged to current U.S. dollar exchange rates and therefore become more expensive when the local currency declines in value. We remain strongly supportive and engaged with our independent Distributors in the region, and are supporting their activity with additional promotions and training. However, at this time, the Company has cautioned that sales in its NSP Russia, Central and Eastern Europe segment will be significantly affected by the political unrest in Ukraine and Russia, possible sanctions in Russia and the impact of currency devaluation. We are continuing to evaluate various options to keep our distributor base engaged. Nevertheless, our strong and renewed partnership with our local partner should provide a solid foundation to reignite growth once the situation stabilizes.

Synergy WorldWide

Synergy WorldWide reported net sales revenue for the year ended December 31, 2014, of $128.1 million, compared to $108.3 million for the same period in 2013, an increase of 18.3 percent. Fluctuations in foreign exchange rates had a $0.2 million favorable impact on net sales for the year ended December 31, 2014, and net sales revenue would have increased by 18.1 percent from 2013 excluding the positive impact. Active independent Managers within Synergy WorldWide totaled approximately 3,100 and 3,000 at December 31, 2014 and 2013, respectively. Active independent Distributors and customers within Synergy WorldWide totaled

Table of Contents

approximately 58,800 and 51,800 at December 31, 2014 and 2013, respectively. Synergy WorldWide's business model is operating under a traditional direct selling approach. Synergy WorldWide reported a growth of net sales revenue due to improvements in South Korea and Japan, partially offset by lower net sales in North America.

Notable activity in the following markets contributed to the results of Synergy WorldWide:

In South Korea, net sales revenues increased approximately $20.1 million, or 58.8 percent, for the year ended December 31, 2014, compared to the same period in 2013. In local currency, net sales increased 52.6 percent for the year ended December 31, 2014, compared to the same period in 2013. Fluctuations in foreign exchange rates had a $2.1 million favorable impact on net sales for the year ended December 31, 2014. Momentum has been sustained since September 2013 due to the Synergy WorldWide global summit held in South Korea and the launch of the SLMsmart weight-management program, which further contributed to sustained growth in combination with the continued strong Distributor leadership in this market. However, due to certain internet advertising restrictions, we must caution that we do not expect to maintain this level of growth subsequent to December 31, 2014.

In Japan, net sales revenues increased approximately $3.0 million, or 34.8 percent, for the year ended December 31, 2014, compared to the same period in 2013. In local currency, net sales increased 46.1 percent for the year ended December 31, 2014, compared to the same period in 2013. Fluctuations in foreign exchange rates had a $1.0 million unfavorable impact on net sales for the year ended December 31, 2014. In the second half of 2013, we introduced new products and implemented programs to stimulate activity, which had a positive impact in this market that continued through 2014. In addition, as referenced above, in order to provide a more stable platform for growth, we made the decision to cease to operate under the NSP brand in Japan and to combine the NSP Japan and Synergy Japan businesses, and operate as a single entity

from January 2014 forward. As part of this transition, we provided certain NSP products, a business opportunity and encouraged NSP Japan independent Distributors to transfer their businesses to our Synergy Japan brand. Net sales revenue of $1.5 million attributable NSP Japan's historical sales force was included within these results for the year ended December 31, 2014.

In Europe, net sales revenues increased approximately $0.1 million, or 0.4 percent, for the year ended December 31, 2014, compared to the same period in 2013. We are seeing growth across several other markets, which led to our second consecutive quarterly net sales growth in local currencies in the third and fourth quarter of 2.3 percent and 23.3 percent, respectively. The growth has been driven by the investment in additional sales resources in the second half of 2013. In addition, momentum was created in the third quarter of 2014 as independent Distributors qualified for promotions ahead of our European Summit held in Barcelona at the end of September.

In North America, net sales revenues decreased approximately $1.9 million, or 11.2 percent, for the year ended December 31, 2014, compared to the same period in 2013. The decline in sales is primarily driven by lower Distributor recruiting. Growth initiatives have been developed and implemented to more effectively support recruiting and Distributor training and motivation.

China and New Markets

China and New Markets reported export related net sales revenue for the year ended December 31, 2014, of $3.4 million, compared to $2.9 million for the same period in 2013, an increase of 17.5 percent. There are no Managers, Distributors, and customers in the China and New Markets segment as the export business accounts for all of the segment's sales to date. As noted above, we made the decision to transition our NSP United Kingdom market to an export market in 2014, in which we sell our products to a locally managed entity independent of the Company that has distribution rights for the market, and this has accounted for the increase in net sales for the year ended December 31, 2014.

Further information related to our business segments is set forth in Note 14 of the Notes to Consolidated Financial Statements in Item 8 of this report.

Cost of Sales

Cost of sales as a percent of net sales revenue remained flat at 25.0 percent in 2014, compared to 25.0 percent in 2013.

Volume Incentives

Volume incentives as a percent of net sales revenue increased to 37.1 percent in 2014, compared to 36.6 percent in 2013. The increase was primarily due to net sales increases in markets such as South Korea and Japan that pay a higher sales commission in our Synergy WorldWide segment.

Table of Contents

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by approximately $1.5 million to $119.9 million for the year ended December 31, 2014. Selling, general and administrative expenses were 32.7 percent of net sales revenue for the year ended December 31, 2014, compared to 32.0 percent for the same period in 2013.

Significant increases to selling, general and administrative expenses during 2014 compared to the same period in 2013 included:

- $2.1 million in start-up costs for the China joint venture;
- $1.1 million associated with the evaluation of and negotiation with a company with an alternative distribution channel that the Company ultimately declined to pursue; and

In addition, the increases in selling, general and administrative were partially offset by the following nonrecurring expenses incurred in 2013 but not in 2014:

- $1.4 million of nonrecurring severance costs and the acceleration of stock option expense incurred in 2013 related to the resignation of our former Chief Executive Officer; and
- $1.3 million of nonrecurring costs related to a five-year customs audit assessment in our Synergy South Korea market incurred in 2013.

Other Income, Net

There was minimal other income, net for the year ended December 31, 2014, compared to $2.0 million in 2013. The decrease in other income was primarily due to a decrease in foreign exchange gains in 2014.

Income Taxes

Our effective income tax rate was (3.9) percent for 2014, compared to 31.0 percent for 2013. The effective rate for 2014 differed from the federal statutory rate of 35.0 percent primarily due to the following:

(i) Adjustments relating to the U.S. tax impact of foreign operations decreased the effective tax rate by 73.0 percentage points in 2014. Included were adjustments for dividends received from foreign subsidiaries and adjustments for foreign tax credits.

(ii) Adjustments to valuation allowances increased the effective rate by 48.8 percent in 2014. Included were the effect of valuation allowances on U.S. foreign tax credits and the impact of current year losses that will not provide tax benefit.

(iii) Changes in the unrecognized tax benefits decreased the effective tax rate by 8.6 percent in 2014. These net gains and losses were recorded for financial reporting purposes, but were excluded from the calculation of taxable income.

Adjustments relating to the U.S. impact of foreign operations decreased the effective tax rate by 73.0 percentage points in 2014, and decreased the effective tax rate by 16.2 percentage points in 2013. The components of this calculation were:

Components of U.S. tax impact of foreign operations	2014	2013
Dividends received from foreign subsidiaries	59.5%	29.4%
Foreign tax credits	(121.3)	(34.3)
Foreign tax rate differentials	(11.0)	(10.8)
Unremitted earnings	(0.2)	(0.5)
Total	(73.0)%	(16.2)%

From 2013 to 2014, the changes in components of the U.S. tax impact of foreign operations were significant. The primary reason the dividends received from foreign

subsidiaries and the foreign tax credits changed by such a large amount was due to an increase in repatriation of foreign earnings to the U.S. from 2013 to 2014.

Changes to the effective rate due to dividends received from foreign subsidiaries, impact of foreign tax credits, foreign tax rate differentials and unremitted earnings calculation are expected to be recurring; however, depending on various factors, the changes may be favorable or unfavorable for a particular period. Given the large number of jurisdictions in which the Company does business and the number of factors that can impact effective tax rates in any given year, this rate is likely to reflect significant fluctuations from year-to-year.

Table of Contents

Year Ended December 31, 2013, as Compared to the Year Ended December 31, 2012

Net Sales Revenue

The following table summarizes the changes in our net sales revenue by operating segment for the fiscal years ended December 31, 2013 and 2012.

	Net Sales Revenue by Operating Segment				
	2013	2012	Percent Change	Impact of Currency Exchange	Percent Change Excluding Impact of Currency
NSP Americas:					
NSP North America	$ 148,397	$ 150,599	(1.5)%	$ (397)	(1.2)%
NSP Latin America	40,255	39,114	2.9	(94)	3.2
NSP Other	7,272	10,081	(27.9)	(789)	(20.0)
	195,924	199,794	(1.9)	(1,280)	(1.3)
NSP Russia, Central and Eastern Europe	$ 62,747	$ 57,853	8.5%	$ 18	8.4%
Synergy WorldWide:					
Synergy North America	$ 17,079	$ 18,544	(7.9)%	$ —	(7.9)%
Synergy Asia Pacific	59,605	55,548	7.3	(1,453)	9.9
Synergy Europe	31,606	26,578	18.9	1,002	15.2
	108,290	100,670	7.6	(451)	8.0
China and New Markets	$ 2,865	$ 2,509	14.2%	$ —	14.2%
	$ 369,826	$ 360,826	2.5%	$ (1,713)	3.0%

Consolidated net sales revenue for the year ended December 31, 2013, was $369.8 million compared to $360.8 million in 2012, an increase of approximately 2.5 percent. We experienced a $1.7 million unfavorable impact in foreign currency exchange rate fluctuation in 2013, and our consolidated net sales revenue would have increased by 3.0 percent from 2012, but for such negative impact. The increase in net sales revenue for the year ended December 31, 2013 compared to the same period in 2012 is primarily due to an increase of net sales in our NSP Russia, Central and Eastern Europe, Synergy WorldWide, and China and New Markets segments and was partially offset by a decline of net sales in our NSP Americas segment.

NSP Americas

Net sales revenue related to NSP Americas for the year ended December 31, 2013, was $195.9 million compared to $199.8 million for the same period in 2012, a decrease of 1.9 percent. Fluctuation in foreign exchange rates had a $1.3 million unfavorable impact on net sales for the year ended December 31, 2013, and net sales revenue would have decreased by 1.3 percent excluding this negative impact. Active independent Managers within NSP Americas totaled approximately 7,400 and 7,500 at December 31, 2013 and 2012, respectively. Active independent Distributors and customers within NSP Americas totaled approximately 148,800 and 150,500 at December 31, 2013 and 2012, respectively. Segment net sales revenue and the number of independent Distributors and customers decreased primarily due to lower sales in Japan and the United States and were partially offset by increased sales in Mexico. The active independent Managers category includes independent Managers under our various compensation plans that have achieved and maintained certain product sales levels. As such, all independent Managers are considered to be active independent Managers. The active independent Distributors and customers category includes our independent Distributors and customers who have purchased products directly from the Company for resale and/or personal consumption during the previous three months.

Notable activity in the following markets contributed to the results of NSP Americas:

In the United States, net sales revenues decreased approximately $1.0 million, or 0.8 percent, for the year ended December 31, 2013, compared to the same period in 2012. While we continue to see improvement in some key sequential business metrics, we have not yet returned to prior year levels. We continue efforts to stabilize the U.S. business through targeted investment in sales and marketing personnel, training, the launch of new products (including the strengthening of our weight management category), sales programs and incentive programs.

Table of Contents

In Mexico, net sales revenues increased approximately $1.1 million, or 10.4 percent, for the year ended December 31, 2013, compared to the same period in 2012. In local currency, net sales increased 7.1 percent, compared to the same period in 2012. Fluctuations in foreign exchange rates had a $0.4 million favorable impact on net sales for the year ended December 31, 2013. Investment in local sales and marketing initiatives, including hiring a new General Manager for the market who started on April 1, 2013, resulted in a return to growth in net sales revenues in 2013. We opened a new sales center in Mexico City, launched a new energy drink and weight management program into the market in September and invested in sales incentives and promotions, all of which contributed to greater Manager and Distributor activity.

In Japan, net sales revenues decreased approximately $2.7 million, or 45.0 percent, for the year ended December 31, 2013, respectively, compared to the same period in 2012. In local currency, net sales decreased 32.8 percent compared to the same period in 2012. Fluctuations in foreign exchange rates had a $0.7 million unfavorable impact on net sales for the year ended December 31, 2013, respectively. Due to the continued challenges in returning the market to growth, we made the decision to merge the NSP business with the Synergy Japan business to create one unified approach with a common product offering and business opportunity model. The combined businesses began operating as Synergy Japan in January 2014, providing a greater opportunity for a return to profitable growth.

NSP Russia, Central and Eastern Europe

Net sales revenue related to NSP Russia, Central and Eastern Europe markets (primarily Russia, the Ukraine, and Belarus) for the year ended December 31, 2013, was $62.7 million, compared to $57.9 million for the same period in 2012, an increase of 8.5 percent. In local currency, net sales increased 8.4 percent compared to the same period in 2012. Fluctuations in foreign exchange rates had a nominally favorable impact on net sales for the year ended December 31, 2013. Active independent Managers within NSP Russia, Central and Eastern Europe totaled approximately 6,000 and 5,600 at December 31, 2013 and 2012, respectively. Active independent Distributors and customers within NSP Russia, Central and Eastern Europe totaled approximately 131,800 and 125,800 at December 31, 2013 and 2012, respectively. NSP Russia, Central and Eastern Europe's business model is more oriented to a direct selling approach than that of NSP Americas. Net sales increased year-over-year for the fifth consecutive quarter as a result of improved recruiting, Distributor leadership engagement, Distributor recognition, promotion and training and the enhanced focus afforded by the corporate organizational realignment during 2012. In addition, we launched a new weight management program at our annual regional convention in September 2013.

Synergy WorldWide

Synergy WorldWide reported net sales revenue for the year ended December 31, 2013, of $108.3 million, compared to $100.7 million for the same period in 2012, an increase of 7.6 percent. Fluctuations in foreign exchange rates had a $0.5 million unfavorable impact on net sales for the year ended December 31, 2013, and net sales revenue would have increased by 8.0 percent from 2012 excluding the negative impact, respectively. Active independent Managers within Synergy WorldWide totaled approximately 3,000 and 2,900 at December 31, 2013 and 2012, respectively. Active independent Distributors and customers within Synergy WorldWide totaled approximately 51,800 and 54,600 at December 31, 2013 and 2012, respectively. Synergy WorldWide's business model is operating under a traditional direct selling approach. Synergy WorldWide reported a growth of net sales revenue with the increase primarily due to performance in Europe and South Korea, partially offset by lower net sales in Japan and North America.

Notable activity in the following markets contributed to the results of Synergy WorldWide:

In South Korea, net sales revenues increased approximately $6.2 million, or 22.1 percent, for the year ended December 31, 2013, compared to the same period in 2012. In local currency, net sales increased 18.8 percent for the year ended December 31, 2013, compared to the same period in 2012. Fluctuations in foreign exchange rates had a $0.9 million favorable impact on net sales for the year ended December 31, 2013. During the year, promotions and incentives programs were implemented to support and enhance Distributor activity ahead of the Synergy WorldWide global summit held in South Korea in late September. During that event, the SLMsmart weight-management program was launched, which further contributed to the sustained growth through the end of the year.

In Europe, net sales revenues increased approximately $5.0 million, or 18.9 percent, for the year ended December 31, 2013, compared to the same period in 2012. In local currency, net sales increased 15.2 percent compared to the same period in 2012. Fluctuations in foreign exchange rates had a $1.0 million favorable impact on net sales for the year ended December 31, 2013. Strong Distributor leadership in recruiting and training efforts continues to effectively build our Distributor base thereby driving increased market penetration, supported by our investment in strengthening our sales and marketing organization across the region. In addition, the opening of the Poland market and the successful resolution of temporary shipping restrictions imposed by the Norwegian Food Authority, which had adversely impacted net sales in the fourth quarter of 2012, had a favorable impact on 2013 net sales.

Table of Contents

In Japan, net sales revenues decreased approximately $2.1 million, or 19.6 percent, for the year ended December 31, 2013, compared to the same period in 2012. In local currency, net sales decreased 1.8 percent for the year ended December 31, 2013, compared to the same period in 2012. Fluctuations in foreign exchange rates had a $1.9 million unfavorable impact on net sales for the year ended December 31, 2013. New products and programs introduced and implemented to stimulate activity had a positive impact in the second half of 2013. In addition, as referenced above, in order to provide a more stable platform for growth, we made the decision to combine the NSP Japan and Synergy Japan businesses, and operate as a single entity from January 2014 forward.

In North America, net sales revenues decreased approximately $1.5 million, or 7.9 percent, for the year ended December 31, 2013, compared to the same period in 2012. The lack of recruiting, retention and training efforts have been the primary drivers for this decrease. Upcoming growth initiatives are being developed to effectively support recruiting, retention and training activity.

China and New Markets

China and New Markets reported net sales revenue for the year ended December 31, 2013, of $2.9 million, compared to $2.5 million for the same period in 2012, an increase of 14.2 percent. There are no Managers, Distributors, and customers in the China and New Markets segment as the export business accounts for all of the segment's sales to date. The increase in sales in 2014 is related to the Australia export market increasing in sales by $0.3 million.

Further information related to our business segments is set forth in Note 14 of the Notes to Consolidated Financial Statements in Item 8 of this report.

Cost of Sales

Cost of sales as a percent of net sales revenue improved to 25.0 percent in 2013, compared to 25.3 percent in 2012.

Volume Incentives

Volume incentives are a significant part of our direct selling program, and represent commission payments made to ourindependent Managers and Distributors. These payments are designed to provide incentives for reaching higher product sales levels. Volume incentives vary slightly, on a percentage basis, by product due to our pricing policies and commission plans in place and the sales mix in our various markets. Volume incentives as a percent of net sales revenue increased to 36.6 percent in 2013, compared to 36.3 percent in 2012. The increase was primarily due to net sales increases in markets that pay a higher sales commission in our NSP Russia, Central and Eastern Europe and Synergy WorldWide segments.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by approximately $13.7 million to $118.4 million for the year ended December 31, 2013. Selling, general and administrative expenses were 32.0 percent of net sales revenue for the year ended December 31, 2013, compared to 29.0 percent for the same period in 2012.

Significant increases to selling, general and administrative expenses during 2013 compared to the same period in 2012 included:

- $6.0 million of increased compensation and other benefit costs as a result of the Company's incremental investment in sales, marketing, science and product development personnel and programs to stimulate sales growth and drive profitability globally; and
- $2.2 million of increased investments in Distributor conventions, meetings and incentive trips.

In addition, the increases in selling, general and administrative included the following one-time expenses:

- $1.4 million of one-time severance costs and the acceleration of stock option expense incurred related to the resignation of our former Chief Executive Officer;
- $1.3 million of one-time costs related to a five-year customs audit assessment in our Synergy South Korea market; and
- $1.1 million of one-time restructuring costs in certain markets.

Other Income, Net

Other income of $2.0 million, net for the year ended December 31, 2013, remained relatively consistent compared to the same period in 2012.

Table of Contents

Income Taxes

Our effective income tax rate was 31.0 percent for 2013, compared to 29.7 percent for 2012. The effective rate for 2013 differed from the federal statutory rate of 35.0 percent primarily due to the following:

(i) Adjustments relating to the U.S. tax impact of foreign operations decreased the effective tax rate by 16.2 percentage points in 2013. Included were adjustments for dividends received from foreign subsidiaries, adjustments for foreign tax credits, foreign tax rate differentials and adjustments relating to outside basis calculations under applicable U.S. GAAP.

(ii) Adjustments to valuation allowances increased the effective rate by 4.3 percent in 2013. Included were increases to domestic valuation allowances on capital loss carryforwards, as well as the effect of valuation allowances of foreign deferred tax assets.

(iii) Changes in the unrecognized tax benefits increased the effective tax rate by 7.9 percent in 2013. These net gains and losses were recorded for financial reporting purposes, but were excluded from the calculation of taxable income.

(iv) A 1.1 percent rate increase resulting from cumulative favorable adjustments related to foreign operations. These adjustments relate to items that are expensed for tax purposes but not for book purposes.

Adjustments relating to the U.S. impact of foreign operations decreased the effective tax rate by 16.2 percentage points in 2013, and decreased the effective tax rate by 2.3 percentage points in 2012. Included were adjustments for dividends received from foreign subsidiaries, adjustments for foreign tax credits and adjustments relating to the unremitted earnings calculations under applicable U.S. GAAP. The components of this calculation were:

Components of U.S. tax impact of foreign operations	2013	2012
Dividends received from foreign subsidiaries	**29.4** %	4.5 %
Foreign tax credits	**(34.3**)	(4.1)
Foreign tax rate differentials	**(10.8**)	(2.4)
Unremitted earnings	**(0.5**)	(0.3)
Total	**(16.2**)%	(2.3)%

From 2012 to 2013, the changes in components of the U.S. tax impact of foreign operations were significant. The primary reason the dividends received from foreign subsidiaries and the foreign tax credits changed by such a large amount was due to an increase in repatriation of foreign earnings to the U.S. from 2012 to 2013.

Changes to the effective rate due to dividends received from foreign subsidiaries, impact of foreign tax credits, foreign tax rate differentials and unremitted earnings calculation are expected to be recurring; however, depending on various factors, the changes may be favorable or unfavorable for a particular period. Given the large number of jurisdictions in which the Company does business and the number of factors that can impact effective tax rates in any given year, this rate is likely to reflect significant fluctuations from year-to-year.

Table of Contents

SUMMARY OF QUARTERLY OPERATIONS — UNAUDITED

The following tables present the Company's unaudited summary of quarterly operations during 2014 and 2013 for each of three month periods ended March 31, June 30, September 30, and December 31 (amounts in thousands).

	For the Quarter Ended			
	March 31, 2014	June 30, 2014	September 30, 2014	December 31, 2014
Net sales revenue	$ 93,467	$ 92,831	$ 93,406	$ 86,663
Cost of sales	(22,581)	(22,793)	(22,742)	(23,468)
Gross profit	70,886	70,038	70,664	63,195
Volume incentives	34,893	34,270	34,918	31,727
Selling, general and administrative	29,152	29,941	30,200	30,634
Operating income	6,841	5,827	5,546	834
Other income (expense)	(262)	(79)	(42)	349
Income from continuing operations before income taxes	6,579	5,748	5,504	1,183
Provision (benefit) for income taxes	(3,657)	2,198	407	309
Net income from continuing operations	10,236	3,550	5,097	874
Loss from discontinued operations	(571)	(316)	(4,106)	(4,964)
Net income (loss)	9,665	3,234	991	(4,090)
Net income (loss) attributable to noncontrolling interests	—	—	(26)	(193)
Net income (loss) attributable to common shareholders	$ 9,665	$ 3,234	$ 1,017	$ (3,897)
Basic and diluted net income per common share				
Basic:				

Net income from continuing operations	$ 0.63	$ 0.22	$ 0.30	$ 0.05
Loss from discontinued operations	$ (0.03)	$ (0.02)	$ (0.24)	$ (0.26)
Net income attributable to common shareholders	$ 0.60	$ 0.20	$ 0.06	$ (0.21)
Diluted:				
Net income from continuing operations	$ 0.61	$ 0.22	$ 0.29	$ 0.05
Loss from discontinued operations	$ (0.03)	$ (0.02)	$ (0.23)	$ (0.25)
Net income attributable to common shareholders	$ 0.58	$ 0.20	$ 0.06	$ (0.20)
Dividends declared per common share	$ 0.10	$ 0.10	$ 1.60	$ 0.10

Table of Contents

	For the Quarter Ended			
	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013
Net sales revenue	$ 94,375	$ 91,782	$ 90,405	$ 93,264
Cost of sales	(23,741)	(22,075)	(22,917)	(23,611)
Gross profit	70,634	69,707	67,488	69,653
Volume incentives	34,182	33,838	33,203	34,293
Selling, general and administrative	29,522	28,068	27,773	33,020
Operating income	6,930	7,801	6,512	2,340
Other income (expense)	438	1,522	(216)	249
Income from continuing operations before income taxes	7,368	9,323	6,296	2,589
Provision for income taxes	2,302	3,235	1,610	776
Net income from continuing operations	5,066	6,088	4,686	1,813
Income (loss) from discontinued operations	(202)	(36)	164	30
Net income	4,864	6,052	4,850	1,843
Net income (loss) attributable to noncontrolling interests	—	—	—	—
Net income attributable to common shareholders	$ 4,864	$ 6,052	$ 4,850	$ 1,843
Basic and diluted net income per common share				
Basic:				
Net income from continuing operations	$ 0.32	$ 0.38	$ 0.29	$ 0.11
Income (loss) from discontinued operations	$ (0.01)	$ —	$ 0.01	$ —
Net income attributable to common shareholders	$ 0.31	$ 0.38	$ 0.30	$ 0.11
Diluted:				
Net income from continuing operations	$ 0.31	$ 0.38	$ 0.28	$ 0.11
Income (loss) from discontinued operations	$ (0.01)	$ —	$ 0.01	$ —
Net income attributable to common shareholders	$ 0.30	$ 0.38	$ 0.29	$ 0.11
Dividends declared per common share	$ 0.10	$ 0.10	$ 1.60	$ 0.10

Basic and diluted income per share is computed independently for each of the quarters presented. Therefore, the sum of the quarterly net income per share may not equal the total computed for the year.

LIQUIDITY AND CAPITAL RESOURCES

Our principal use of cash is to pay for operating expenses, including volume incentives, inventory and raw material purchases, capital assets and funding of international expansion. As of December 31, 2014, working capital was $63.3 million, compared to $80.0 million as of December 31, 2013. At December 31, 2014, we had $58.7 million in cash and cash equivalents, of which $49.2 million was held in our foreign markets and may be subject to various withholding taxes and other restrictions related to repatriation, and $2.5 million in unrestricted short-term investments, which were available to be used along with our normal cash flows from operations to fund any unanticipated shortfalls in future cash flows.

Table of Contents

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

	Year Ended December 31,		
	2014	2013	2012
Operating activities	$ 14,182	$ 29,378	$ 26,651
Investing activities	(26,674)	(8,564)	(2,989)
Financing activities	(5,076)	(21,331)	(3,133)

In November 2014, the Company ceased its operations in Venezuela due to the difficulties and uncertainties related to import controls, difficulties associated with repatriating cash and high inflation. The loss from discontinued operations did not have a material impact on the Company's operating cash flows during 2014.

Operating Activities

For the year ended December 31, 2014, operating activities provided cash in the amount of $14.2 million compared to $29.4 million for the same period in 2013. Operating cash flows decreased due to the timing of payments and receipts for other assets, accrued volume incentives, accrued liabilities, income tax payable and the liability related to unrecognized tax benefits, and was partially offset by the timing of payments and receipts for accounts receivable, prepaid expenses, accounts payable, and deferred revenue as well as the decrease in our operating income.

For the year ended December 31, 2013, we generated cash from operating activities of $29.4 million compared to $26.7 million in 2012. Operating cash flows increased due to the timing of payments and receipts for inventories, accrued volume incentives, accrued liabilities, income tax payable and the liability related to unrecognized tax benefits, and was partially offset by the timing of payments and receipts for accounts receivable, prepaid expenses, accounts payable, and deferred revenue as well as the decrease in our operating income.

Investing Activities

Cash paid for capital expenditures related to the purchase of equipment, computer systems and software for the years ended December 31, 2014, 2013, and 2012, were $26.3 million, $8.6 million, and $6.6 million, respectively. In 2013, the Company began to significantly reinvest in its information technology systems. Included within this plan is an Oracle ERP implementation program to provide the Company with a single integrated software solution that will integrate the Company's business process on a worldwide basis. The Company anticipates completion of this project by early 2016. See below for further discussion of the Company's contractual obligations related to future capital expenditures.

During the years ended December 31, 2014, 2013, and 2012, we used cash to purchase available-for-sale investments of $0.7 million, $0.4 million, and $0.2 million, respectively, and had cash proceeds of $0.2 million, $0.2 million and $3.8 million for 2014, 2013, and 2012, respectively, from the sale of such investments.

Financing Activities

During the years ended December 31, 2014, 2013, and 2012, we used cash to pay dividends in an aggregate amount of $35.2 million, $30.4 million, and $2.3 million, respectively.

In December 2014, the Company completed share repurchases under its previously announced $10 million share repurchase program. In November 2014, the Board of Directors authorized a $20 million share repurchase program beginning January 1, 2015. Such purchases may be made in the open market, through block trades, in privately negotiated transactions or otherwise. The timing and amount of any shares repurchased will be determined based on the Company's evaluation of market conditions and other factors and the program may be discontinued or suspended at any time. The Company will fund future dividends and the share repurchase program through available cash on hand, future cash flows from operations and borrowings under its revolving credit facility. During the year ended December 31, 2014, the Company repurchased 495,570 shares of its common stock under the share repurchase program for $7.5 million. At December 31, 2014, the remaining balance available for repurchases under the program was $20.0 million.

On August 25, 2014, Nature's Sunshine and Shanghai Fosun Pharmaceutical (Group) Co., Ltd. ("Fosun Pharma"), closed a transaction pursuant to which, the parties entered into a joint venture in the People's Republic of China ("China"), of which 80 percent is owned by Nature's Sunshine and 20 percent is owned by a wholly-owned subsidiary of Fosun Pharma, and completed a concurrent investment by Fosun Pharma in Nature's Sunshine common stock issued pursuant to a private placement transaction with net proceeds of $44.8 million. Nature's Sunshine used the net proceeds of the private placement transaction to fund its 80 percent share of the initial

$20.0 million capitalization of the China joint venture, or $16.0 million, and to pay its shareholders a cash dividend of $1.50 per share, or $28.5 million. The Company consolidated the joint venture in its consolidated financial statements, with the Fosun Pharma's interest presented as a noncontrolling interest.

The joint venture, known as Nature's Sunshine Hong Kong Limited, expects to market and distribute Nature's Sunshine-branded products in China. Nature's Sunshine Hong Kong Limited currently anticipates deploying a multi-brand, multi-channel go-to-market strategy, which will offer select Nature's Sunshine-branded products through certain of Fosun Pharma's existing retail locations across China, and select Synergy-branded products through a direct selling model. The time to market will be dependent upon regulatory processes including product registration, permit and license approvals.

Pursuant to a concurrent private placement transaction, Nature's Sunshine issued 2.9 million shares of unregistered common stock to Fosun Pharma at a price of $16.19 per share, representing aggregate net proceeds to Nature's Sunshine of $44.8 million. The purchase price represented a 10 percent premium to Nature's Sunshine's average stock price over the trailing 30 business day period as of June 26, 2014. As a result of the private placement transaction, Fosun Pharma owns approximately 15% of Nature's Sunshine outstanding common shares with respect to which the Company has granted Fosun Pharma certain registration rights. In addition, Nature's Sunshine appointed one director designated by Fosun Pharma to its board of directors.

During the years ended December 31, 2014, 2013, and 2012, we used cash to make principal payments of $12.3 million, $3.4 million, and $3.6 million, on our revolving credit facility, respectively.

The Company has a revolving credit agreement with Wells Fargo Bank, N.A. with a borrowing limit of $25.0 million that matures September 1, 2016. The Company pays interest at LIBOR plus 1.25 percent on any borrowings on the agreement (1.50 percent as of December 31, 2014). The Company must pay an annual commitment fee of 0.25 percent on the unused portion of the commitment. The Company retains ample capital capacity to continue making long-term investments in its sales, marketing, science and product development initiatives and overall operations, as well as pursue strategic opportunities as they may arise. As of December 31, 2014, the Company had no outstanding balance under the revolving credit agreement.

The revolving credit agreement contains restrictions on liquidity, leveraging, minimum net income and consecutive quarterly net losses. In addition, the agreement restricts capital expenditures, lease expenditures, other indebtedness, liens on assets, guaranties, loans and advances, and the merger, consolidation and the transfer of assets except in the ordinary course of business. As of December 31, 2014, the Company was in compliance with these debt covenants.

We believe that cash generated from operations, along with available cash and cash equivalents will be sufficient to fund our normal operating needs, including dividends, share repurchases, and capital expenditures, as well as potential business development activity. However, among other things, a prolonged economic downturn, a decrease in demand for our products, an unfavorable settlement of our unrecognized tax positions or non-income tax contingencies could adversely affect our long-term liquidity.

CONTRACTUAL OBLIGATIONS

The following table summarizes information about contractual obligations as of December 31, 2014 (*in thousands*):

	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
Operating lease obligations	$ 13,767	$ 4,776	$ 6,315	$ 2,086	$ 590
Self-insurance reserves(1)	658	658	—	—	—
Other long-term liabilities reflected on the balance sheet(2)	—	—	—	—	—
Unrecognized tax benefits(3)	—	—	—	—	—
Revolving credit facility(4)	—	—	—	—	—
ERP capital commitments(5)	3,845	3,586	259	—	—
Other capital commitments(6)	2,002	2,002	—	—	—

Total	$ 20,272	$ 11,022	$ 6,574	$ 2,086	$ 590

(1) At December 31, 2014, there were $2.6 million of liabilities. The Company retains a significant portion of the risks associated with certain employee medical benefits and product liability insurance. Recorded liabilities for self-insured risks are calculated using actuarial methods and are not discounted. Amounts for self-insurance obligations are included in accrued liabilities and long-term other liabilities on the Company's consolidated balance sheet. Because of the high degree of uncertainty regarding the timing of future cash outflows associated with the product liability obligations the Company is unable to estimate the years in which cash settlement may occur.

Table of Contents

(2) At December 31, 2014, there were $1.0 million of liabilities. The Company provides a nonqualified deferred compensation plan for its officers and certain key employees. Under this plan, participants may defer up to 100 percent of their annual salary and bonus (less the participant's share of employment taxes). The deferrals become an obligation owed to the participant by the Company under the plan. Upon separation of the participant from the service of the Company, the obligation owed to the participant under the plan will be paid as a lump sum or over a period of either three or five years. As we cannot easily determine when our officers and key employees will separate from the Company, the Company is unable to estimate the years in which cash settlement may occur..

(3) At December 31, 2014, there were $6.6 million of liabilities. Because of the high degree of uncertainty regarding the timing of future cash outflows associated with these liabilities, if any, the Company is unable to estimate the years in which cash settlement may occur with the respective tax authorities.

(4) The Company entered into a revolving credit agreement with Wells Fargo Bank, National Association that permits the Company to borrow up to $25 million through September 1, 2015, bearing interest at LIBOR plus 1.25 percent. The Company must pay an annual commitment fee of 0.25 percent on the unused portion of the commitment. At December 31, 2013, the Company had $25 million available under this facility.

(5) In 2013, the Company began to significantly reinvest in its information technology systems. Included within this plan is an Oracle ERP implementation program to provide the Company with a single integrated software solution that will integrate the Company's business process on a worldwide basis. The Company anticipates completion of this project by early 2016.

(6) In 2014, the Company made commitments to purchase manufacturing equipment of 2.0 million in 2015.

The Company has entered into long-term agreements with third-parties in the ordinary course of business, in which it has agreed to pay a percentage of net sales in certain regions in which it operates, or royalties on certain products. In 2014, 2013, and 2012, the aggregate amounts of these payments were $0.2 million, $1.5 million and $1.3 million, respectively.

OFF-BALANCE SHEET ARRANGEMENTS

We have no off-balance sheet arrangements other than operating leases. We do not believe that these operating leases are material to our current or future financial position, results of operations, revenues or expenses, cash flows, capital expenditures or capital resources.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

We conduct business in several countries and intend to continue to grow our international 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 international operations, including changes in the laws and policies that govern international investment in countries where we have operations, as well as, to a lesser extent, changes in U.S. laws and regulations relating to international trade and investment.

Foreign Currency Risk

During the year ended December 31, 2014, approximately 59.5 percent of our net sales revenue and approximately 56.2 percent of our operating 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 generally the functional currency. We conduct business in multiple currencies with exchange rates that are not on a one-to-one relationship with the U.S. dollar. All revenues and expenses are translated at average exchange rates for the periods reported. Therefore, our operating results will be positively or negatively affected by a weakening or strengthening of the U.S. dollar in relation to another fluctuating currency. Given the uncertainty and diversity of exchange rate fluctuations, we cannot estimate the effect of these fluctuations on our future business, product pricing, results of operations or financial condition, but we have provided consolidated sensitivity analyses below of functional currency/reporting currency exchange rate risks. Changes in various 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. Additional discussion of the impact on the effect of currency fluctuations has been included in our management's discussion and analysis included in Part II, Item 7 of this report.

Table of Contents

The following table sets forth a composite sensitivity analysis of our net sales revenue, costs and expenses and operating income in connection with the strengthening of the U.S. dollar (our reporting currency) by 10%, 15%, and 25% against every other fluctuating functional currency in which we conduct business. We note that our individual net sales revenue, cost and expense components and our operating income were equally sensitive to increases in the strength of the U.S. dollar against every other fluctuating currency in which we conduct business.

Exchange rate sensitivity for the year ended December 31, 2014 (dollar amounts in thousands)

		With Strengthening of U.S. Dollar by:					
		10%		15%		25%	
		($)	(%)	($)	(%)	($)	%)
Net sales revenue	$ 366,367	$ (14,012)	(3.8)%	$ (20,104)	(5.5)%	$ (30,827)	(8.4)%
Cost and expenses							
Cost of sales	91,584	(4,151)	(4.5)%	(5,940)	(6.5)%	(9,088)	(9.9)%
Volume incentives	135,808	(5,640)	(4.2)%	(8,078)	(5.9)%	(12,368)	(9.1)%

Selling, general and administrative		119,927		(3,783)	(3.2)%		(5,428)	(4.5)%		(8,323)	(6.9)%
Operating income	$	19,048	$	(438)	(2.3)%	$	(658)	(3.5)%	$	(1,048)	(5.5)%

Certain of our operations, including Russia and Ukraine, are served by a U.S. subsidiary through third-party entities, for which all business is conducted in U.S. dollars. Although changes in exchange rates between the U.S. dollar and the Russian ruble or the Ukrainian hryvnia do not result in currency fluctuations within our financial statements, a weakening or strengthening of the U.S. dollar in relation to these other currencies can significantly affect the prices of our products and the purchasing power of our independent Managers, Distributors and customers within these markets. As a result of the current tension between Russia and Ukraine and resultant sanctions, the Russian ruble and the Ukrainian hryvnia have weakened significantly against the U.S. dollar, impacting net sales in this market. Should the conflict continue to escalate, exchanges rates for Russian ruble, as well as the Ukrainian hryvnia could weaken further against the U.S. dollar, further impacting net sales in these markets.

The following table sets forth a composite sensitivity analysis of our assets and liabilities by those balance sheet line items that are subject to exchange rate risk, together with the total gain or loss from the strengthening of the U.S. dollar in relation to our various fluctuating functional currencies. The sensitivity of our assets and liabilities, taken by balance sheet line items, is somewhat less than the sensitivity of our operating income to increases in the strength of the U.S. dollar in relation to other fluctuating currencies in which we conduct business.

Exchange Rate Sensitivity of Balance Sheet as of December 31, 2014 (dollar amounts in thousands)

			With Strengthening of U.S. Dollar by:					
			10%		15%		25%	
			(Loss) ($)	(Loss) (%)	(Loss) ($)	(Loss) (%)	(Loss) ($)	(Loss) (%)
Financial Instruments Included in Current Assets Subject to Exchange Rate Risk								
Cash and cash equivalents	$	58,699	$ (1,919)	(3.3)%	$ (2,772)	(4.7)%	$ (4,273)	(7.3)%
Accounts receivable, net		6,732	(167)	(2.5)%	(239)	(3.6)%	(367)	(5.5)%
Financial Instruments Included in Current Liabilities Subject to Exchange Rate Risk								
Accounts payable		5,237	(66)	(1.3)%	(95)	(1.8)%	(146)	(2.8)%
Net Financial Instruments Subject to Exchange Rate Risk	$	60,194	$ (2,020)	(3.4)%	$ (2,916)	(4.8)%	$ (4,494)	(7.5)%

The following table sets forth the local currencies other than the U.S. dollar in which our assets that are subject to exchange rate risk were denominated as of December 31, 2014, and exceeded $1 million upon translation into U.S. dollars. None of our liabilities that are denominated in a local currency other than the U.S. dollar and that are subject to exchange rate risk exceeded $1 million upon

Table of Contents

translation into U.S. dollars. We use the spot exchange rate for translating balance sheet items from local currencies into our reporting currency. The respective spot exchange rate for each such local currency meeting the foregoing thresholds is provided in the table as well.

Translation of Balance Sheet Amounts Denominated in Local Currency as of December 31, 2014 (dollar amounts in thousands)

	Translated into U.S. Dollars	At Spot Exchange Rate per One U.S. Dollar as of December 31, 2014
Cash and Cash Equivalents		
South Korea (Won)	$ 5,949	1,099.1
European Markets (Euro)	4,353	0.8
Japan (Yen)	2,646	119.9
Canada (Dollar)	1,482	1.2
Indonesia (Rupiah)	1,319	12,453.3
Other	7,482	Varies
Total foreign dominated cash and cash equivalents	$ 23,231	
U.S. dollars held by foreign subsidiaries	$ 25,924	
Total cash and cash equivalents held by foreign subsidiaries	$ 49,155	

During the year ended December 31, 2014, the Company repatriated $34.8 million of foreign cash through intercompany dividends.

Finally, the following table sets forth the annual weighted average of fluctuating currency exchange rates of each of the local currencies per one U.S. dollar for each of the local currencies in which sales revenue exceeded $10.0 million during any of the three years presented. We use the annual average exchange rate for translating items from the statement of operations from local currencies into our reporting currency.

Year ended December 31,	2014	2013	2012
Canada (Dollar)	**1.1**	1.0	1.0
European Markets (Euro)	**0.8**	0.8	0.8
Japan (Yen)	**105.6**	97.4	79.8
South Korea (Won)	**1,055.3**	1,098.3	1,129.6
Mexico (Peso)	**13.3**	12.8	13.2

The local currency of the foreign subsidiaries is used as the functional currency, except for subsidiaries operating in highly inflationary economies or where the Company's operations are served by a U.S. based subsidiary (for example, Russia and Ukraine). The financial statements of foreign subsidiaries, where the local currency is the functional currency, are translated into U.S. dollars using exchange rates in effect at year-end for assets and liabilities and average exchange rates during each year for the results of operations. Adjustments resulting from translation of financial statements are reflected in accumulated other comprehensive loss, net of income taxes. Foreign currency transaction gains and losses are included in other income (expense) in the consolidated statements of operations.

The functional currency in highly inflationary economies is the U.S. dollar and transactions denominated in the local currency are re-measured as if the functional currency were the U.S. dollar. The re-measurement of local currencies into U.S. dollars creates translation adjustments, which are included in the consolidated statements of operations. A country is considered to have a highly inflationary economy if it has a cumulative inflation rate of approximately 100 percent or more over a three-year period as well as other qualitative factors including historical inflation rate trends (increasing and decreasing), the capital intensiveness of the operation and other pertinent economic factors. During the year ended December 31, 2014, Belarus was considered to be highly inflationary. During the periods ended December 31, 2014, 2013 and 2012, the Company's Belarusian subsidiary's net sales revenue represented approximately 2.4 percent, 2.2 percent, and 1.8 percent, of consolidated net sales revenue, respectively. With the exception of Belarus, there were no other countries considered to have a highly inflationary economy during the periods ended December 31, 2014, 2013 and 2012.

Interest Rate Risk

The primary objectives of our investment activities are to preserve principal while maximizing yields without significantly increasing risk. These objectives are accomplished by purchasing investment grade securities. On December 31, 2014, we had investments of $2.5 million of which $0.1 million were municipal obligations, which carry an average fixed interest rate of 5.0 percent

Table of Contents

and mature over a two-year period. A hypothetical 1.0 percent change in interest rates would not have had a material effect on our liquidity, financial position or results of operations.

Table of Contents

Item 8. Financial Statements and Supplementary Data

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	50
CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2014 AND 2013	51
CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012	52
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012	53
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012	54
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012	55
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	57

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Nature's Sunshine Products, Inc.

We have audited the accompanying consolidated balance sheets of Nature's Sunshine Products, Inc. and subsidiaries (the "Company") as of December 31, 2014, and 2013, and the related consolidated statements of operations, comprehensive income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2014. Our audits also included the consolidated financial statement schedule listed in the Index at Item 15. These consolidated financial statements and consolidated financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and consolidated financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Nature's Sunshine Products, Inc. and subsidiaries as of December 31, 2014, and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2014, based on the criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 12, 2015 expressed an unqualified opinion on the Company's internal control over financial reporting.

As discussed in Note 2, the Company discontinued its operations in Venezuela in November 2014, when it abandoned its operations. The results prior to the operations being abandoned are included in income (loss) from discontinued operations in the accompanying financial statements.

/s/ Deloitte & Touche LLP

Salt Lake City, Utah
March 12, 2015

Table of Contents

NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(Amounts in thousands)

As of December 31,	2014	2013
Assets		
Current assets:		
Cash and cash equivalents	**$ 58,699**	$ 77,247
Accounts receivable, net of allowance for doubtful accounts of $849 and $1,087, respectively	**6,732**	10,206
Investments available for sale	**2,546**	2,006
Inventories	**40,438**	41,910
Deferred income tax assets	**4,950**	5,711
Prepaid expenses and other	**7,884**	11,514
Total current assets	**121,249**	148,594
Property, plant and equipment, net	**51,343**	32,022
Investment securities - trading	**1,038**	971
Intangible assets, net	**704**	853
Deferred income tax assets	**14,495**	9,928
Other assets	**7,970**	7,244
	$ 196,799	$ 199,612
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	**$ 5,237**	$ 5,664
Accrued volume incentives	**16,867**	19,206
Accrued liabilities	**28,957**	34,893
Deferred revenue	**4,717**	4,173
Current installments of long-term debt and revolving credit facility	**—**	2,267
Income taxes payable	**2,131**	2,366
Total current liabilities	**57,909**	68,569
Liability related to unrecognized tax benefits	**6,598**	12,402
Long-term debt and revolving credit facility	**—**	10,000
Deferred compensation payable	**1,038**	971
Other liabilities	**2,297**	2,411
Total liabilities	**67,842**	94,353
Commitments and Contingencies		
Shareholders' equity:		
Common stock, no par value; 50,000 shares authorized, 18,662 and 16,179 shares issued and outstanding as of December 31, 2014, and 2013, respectively	**125,489**	83,122
Retained earnings	**10,891**	36,100
Noncontrolling interests	**3,781**	—
Accumulated other comprehensive loss	**(11,204)**	(13,963)
Total shareholders' equity	**128,957**	105,259
	$ 196,799	$ 199,612

See accompanying notes to consolidated financial statements.

Table of Contents

NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in thousands, except per share information)

Year Ended December 31,	2014	2013	2012
Net sales revenue	**$ 366,367**	$ 369,826	$ 360,826
Cost of sales	**(91,584)**	(92,344)	(91,369)
Gross profit	**274,783**	277,482	269,457
Operating expenses:			
Volume incentives	**135,808**	135,516	130,875
Selling, general and administrative	**119,927**	118,383	104,716
Operating income	**19,048**	23,583	33,866
Other income (expense):			
Interest and other income (expense), net	**(72)**	836	1,461
Interest expense	**(187)**	(231)	(178)
Foreign exchange gains, net	**225**	1,388	290

	(34)	1,993	1,573
Income from continuing operations before provision for income taxes	**19,014**	25,576	35,439
Provision (benefit) for income taxes	**(743)**	7,923	10,531
Net income from continuing operations	**19,757**	17,653	24,908
Income (loss) from discontinued operations	**(9,957)**	(44)	472
Net income	**9,800**	17,609	25,380
Net loss attributable to noncontrolling interests	**(219)**	—	—
Net income attributable to common shareholders	**$ 10,019**	$ 17,609	$ 25,380
Basic and diluted net income per common share			
Basic:			
Net income from continuing operations	**$ 1.15**	$ 1.10	$ 1.59
Income (loss) from discontinued operations	**$ (0.57)**	$ —	$ 0.03
Net income attributable to common shareholders	**$ 0.58**	$ 1.10	$ 1.62
Diluted:			
Net income from continuing operations	**$ 1.12**	$ 1.08	$ 1.56
Income (loss) from discontinued operations	**$ (0.56)**	$ (0.01)	$ 0.03
Net income attributable to common shareholders	**$ 0.56**	$ 1.07	$ 1.59
Weighted average basic common shares outstanding	**17,108**	15,997	15,648
Weighted average diluted common shares outstanding	**17,641**	16,390	15,987
Dividends declared per common share	**$ 1.90**	$ 1.90	$ 0.15

See accompanying notes to consolidated financial statements.

Table of Contents

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in thousands)

Year Ended December 31,	2014	2013	2012
Net income	**$ 9,800**	$ 17,609	$ 25,380
Foreign currency translation loss (net of tax)	**(1,406)**	(3,480)	(522)
Net unrealized gains on investment securities (net of tax)	**30**	83	25
Write-off of Venezuela cumulative translation adjustments	**4,135**	—	—
Total comprehensive income	**$ 12,559**	$ 14,212	$ 24,883

See accompanying notes to consolidated financial statements.

Table of Contents

NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Amounts in thousands, except per share data)

	Common Stock		Retained	Noncontrolling	Accumulated Other Comprehensive	
	Shares	Value	Earnings	Interests	Income (Loss)	Total
Balance at January 1, 2012	15,569	$ 71,628	$ 25,879	$ —	$ (10,069)	$ 87,438
Share-based compensation expense	—	2,878	—	—	—	2,878
Tax benefit from exercise of stock options	—	378	—	—	—	378
Proceeds from the exercise of stock options	241	2,408	—	—	—	2,408
Cash dividends (0.15 per share)	—	—	(2,349)	—	—	(2,349)
Net income	—	—	25,380	—	—	25,380
Other comprehensive loss	—	—	—	—	(497)	(497)
Balance at December 31, 2012	15,810	77,292	48,910	—	(10,566)	115,636
Share-based compensation expense	—	3,389	—	—	—	3,389
Tax benefit from exercise of stock options	—	653	—	—	—	653
Proceeds from the exercise of stock options	509	4,334	—	—	—	4,334
Repurchase of common stock	(140)	(2,546)	—	—	—	(2,546)
Cash dividends (1.90 per share)	—	—	(30,419)	—	—	(30,419)
Net income	—	—	17,609	—	—	17,609
Other comprehensive loss	—	—	—	—	(3,397)	(3,397)
Balance at December 31, 2013	**16,179**	**83,122**	**36,100**	—	**(13,963)**	**105,259**
Share-based compensation expense	**—**	**3,948**	**—**	**—**	**—**	**3,948**
Net proceeds from the issuance of shares to noncontrolling interests	**2,855**	**44,795**	**—**	**—**	**—**	**44,795**
Tax benefit from exercise of stock options	**—**	**307**	**—**	**—**	**—**	**307**

Proceeds from the exercise of stock options	**124**	**772**	**—**	**—**	**—**	**772**
Repurchase of common stock	**(496)**	**(7,455)**	**—**	**—**	**—**	**(7,455)**
Cash dividends (1.90 per share)	**—**	**—**	**(35,228)**	**—**	**—**	**(35,228)**
Net income	**—**	**—**	**10,019**	**(219)**	**—**	**9,800**
Noncontrolling interests investment in Nature's Sunshine Hong Kong Limited	**—**	**—**	**—**	**4,000**	**—**	**4,000**
Other comprehensive income	**—**	**—**	**—**	**—**	**2,759**	**2,759**
Balance at December 31, 2014	**18,662**	**$ 125,489**	**$ 10,891**	**$ 3,781**	**$ (11,204)**	**$ 128,957**

See accompanying notes to consolidated financial statements.

Table of Contents

NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

Year Ended December 31,	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	**$ 9,800**	$ 17,609	$ 25,380
Adjustments to reconcile net income to net cash provided by operating activities:			
Write-off of cumulative translation adjustments	**4,135**	—	—
Impairment of Venezuela property, plant and equipment, net	**2,947**	—	—
Provision for doubtful accounts	**(121)**	535	45
Depreciation and amortization	**4,409**	4,466	4,078
Share-based compensation expense	**3,948**	3,389	2,878
Tax benefit from stock option exercise	**(307)**	(653)	(378)
(Gain) loss on sale of property and equipment	**132**	(128)	85
Deferred income taxes	**(3,927)**	1,092	4,270
Amortization of bond discount	**3**	1	9
Purchase of trading investment securities	**(162)**	(88)	(92)
Proceeds from sale of trading investment securities	**151**	510	354
Realized and unrealized gains on investments	**(56)**	(122)	(90)
Foreign exchange gains	**(225)**	(1,254)	(290)
Changes in assets and liabilities:			
Accounts receivable	**3,457**	(1,358)	266
Inventories	**748**	838	(1,466)
Prepaid expenses and other	**3,411**	(5,728)	(1,155)
Other assets	**(1,235)**	(303)	(193)
Accounts payable	**(359)**	(552)	77
Accrued volume incentives	**(1,905)**	1,286	(1,279)
Accrued liabilities	**(5,360)**	7,379	(1,289)
Deferred revenue	**544**	(138)	1,708
Income taxes payable	**25**	1,071	(6,259)
Liability related to unrecognized tax positions	**(5,804)**	1,831	145
Deferred compensation payable	**(67)**	(305)	(153)
Net cash provided by operating activities	**14,182**	29,378	26,651
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	**(26,285)**	(8,570)	(6,629)
Proceeds from sale of property, plant and equipment	**85**	248	25
Purchases of investments available for sale	**(721)**	(442)	(174)
Proceeds from sale/maturities of investments available for sale	**247**	200	3,789
Net cash used in investing activities	**(26,674)**	(8,564)	(2,989)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payments of cash dividends	**(35,228)**	(30,419)	(2,349)
Borrowings on long-term debt and revolving credit facility	**—**	10,000	—
Principal payments of long-term debt and revolving credit facility	**(12,267)**	(3,353)	(3,570)
Net proceeds from the issuance of shares to noncontrolling interests	**44,795**	—	—
Investment by noncontrolling interests	**4,000**	—	—
Proceeds from exercise of stock options	**772**	4,334	2,408
Tax benefit from stock option exercise	**307**	653	378
Repurchase of common stock	**(7,455)**	(2,546)	—
Net cash used in financing activities	**(5,076)**	(21,331)	(3,133)
Effect of exchange rates on cash and cash equivalents	**(980)**	(1,477)	(257)
Net increase (decrease) in cash and cash equivalents	**(18,548)**	(1,994)	20,272
Cash and cash equivalents at beginning of the year	**77,247**	79,241	58,969
Cash and cash equivalents at end of the year	**$ 58,699**	$ 77,247	$ 79,241

Table of Contents

Year Ended December 31,	2014	2013	2012
Supplemental disclosure of cash flow information:			
Cash paid for income taxes	**$ 6,450**	$ 10,278	$ 12,960
Cash paid for interest	**171**	128	128

Supplemental disclosure of noncash investing and financing activities:			
Purchases of property, plant and equipment included in accounts payable and accrued liabilities	**$ 780**	$ 155	$ 169

See accompanying notes to consolidated financial statements.

Table of Contents

NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands, except per share information)

NOTE 1: NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Nature's Sunshine Products, Inc., together with its subsidiaries (hereinafter referred to collectively as the "Company"), is a natural health and wellness company primarily engaged in the manufacturing and direct selling of nutritional and personal care products. The Company is a Utah corporation with its principal place of business in Lehi, Utah, and sells its products to a sales force of independent Managers and Distributors who use the products themselves or resell them to otherindependent Distributors or consumers. The formulation, manufacturing, packaging, labeling, advertising, distribution and sale of each of the Company's major product groups are subject to regulation by one or more governmental agencies.

The Company markets its products in Australia, Austria, Belarus, Canada, Colombia, Costa Rica, the Czech Republic, Denmark, the Dominican Republic, Ecuador, El Salvador, Finland, Germany, Guatemala, Honduras, Hong Kong, Iceland, Indonesia, Ireland, Italy, Japan, Kazakhstan, Latvia, Lithuania, Malaysia, Mexico, Moldova, Mongolia, the Netherlands, New Zealand, Nicaragua, Norway, Panama, the Philippines, Poland, Russia, Singapore, Slovenia, South Korea, Spain, Sweden, Taiwan, Thailand, Ukraine, the United Kingdom, the United States and Vietnam. The Company also exports its products to Argentina, Australia, Chile, Israel, New Zealand, Norway, Peru and the United Kingdom.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts and transactions of the Company and its subsidiaries. At December 31, 2014 and 2013, substantially all of the Company's subsidiaries were wholly owned. The Company operates a limited number of markets in jurisdictions where local laws require the formation of a partnership with an entity domiciled in that market. These partners have no rights to participate in the sharing of revenues, profits, losses or distribution of assets upon liquidation of these partnerships.

Intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities, in these financial statements and accompanying notes. Actual results could differ from these estimates and those differences could have a material effect on the Company's financial position and results of operations.

The significant accounting estimates inherent in the preparation of the Company's financial statements include estimates associated with its evaluation of impairment of long-lived assets, the determination of liabilities related to Manager and Distributor incentives, the determination of income tax assets and liabilities, certain other non-income tax and value-added tax contingencies, legal contingencies, share-based compensation and the valuation of investments. In addition, significant estimates form the basis for allowances with respect to the collection of accounts receivable, inventory valuations and self-insurance liabilities associated with product liability and medical claims. Various assumptions and other factors enter into the determination of these significant estimates. The process of determining significant estimates takes into account historical experience and current and expected economic conditions.

Classification of Belarus as a Highly Inflationary Economy and Devaluation of Its Currency

Since June 30, 2012, Belarus has been designated as a highly inflationary economy. The U.S. dollar is the Company's functional currency for this market. As a result, there were no resulting gains or losses from a re-measurement of the financial statements using official rates of the Company's Belarusian subsidiary. However, as a result of the weakening of the Belarusian ruble, the purchasing power of the Company's independent Distributors in this market has diminished. During the periods ended December 31, 2014, 2013, and 2012, the Company's Belarusian subsidiary's net sales revenue represented approximately 2.4 percent, 2.2 percent and 1.8 percent of consolidated net sales revenue, respectively.

Table of Contents

Cash and Cash Equivalents

The Company considers all highly liquid short-term investments with original maturities of three months or less to be cash equivalents. Substantially all of the Company's cash deposits either exceed the United States federally insured limit or are located in countries that do not have government insured accounts or are subject to tax withholdings when repatriating earnings.

Accounts Receivable

Accounts receivable consist principally of receivables from credit card companies, arising from the sale of products to the Company's independent Distributors, and receivables from independent Distributors in foreign markets. Accounts receivable have been reduced by an allowance for amounts that may be uncollectible in the future. However, due to the geographic dispersion of credit card and Distributor receivables, the collection risk is not considered to be significant. Substantially all of the receivables from credit card companies were current as of December 31, 2014, and 2013. Although receivables from independent Distributors can be significant, the Company performs ongoing credit evaluations of its importers and maintains an allowance for potential credit losses. This estimated allowance is based primarily on the aging category, historical trends and management's evaluation of the financial condition of the customer. This reserve is adjusted periodically as information about specific accounts becomes available.

Investment Securities

The Company's available-for-sale investment portfolio is recorded at fair value and consists of various securities such as state and municipal obligations, U.S. government security funds, short-term deposits and various equity securities. These investments are valued using (a) quoted prices for identical assets in active markets or (b) from significant inputs that are observable or can be derived from or corroborated by observable market data for substantially the full term of the asset. The Company's trading portfolio is recorded at fair value and consists of various marketable securities that are valued using quoted prices in active markets.

For available-for-sale debt securities with unrealized losses, the Company performs an analysis to assess whether it intends to sell or whether it would be more likely than not required to sell the security before the expected recovery of the amortized cost basis. Where the Company intends to sell a security, or may be required to do so, the security's decline in fair value is deemed to be other-than-temporary, and the full amount of the unrealized loss is recorded within earnings as an impairment loss.

For all other debt securities that experience a decline in fair value that is determined to be other-than-temporary and not related to credit loss, the Company records a loss, net of any tax, in accumulated other comprehensive income (loss). The credit loss is recorded within earnings as an impairment loss when sold. Management judgment is involved in evaluating whether a decline in an investment's fair value is other-than-temporary.

Regardless of the Company's intent to sell a security, the Company performs additional analysis on all securities with unrealized losses to evaluate losses associated with the creditworthiness of the security. Credit losses are identified where the Company does not expect to receive cash flows sufficient to recover the amortized cost basis of a security.

For equity securities, when assessing whether a decline in fair value below the Company's cost basis is other-than-temporary, the Company considers the fair market value of the security, the length of time and extent to which market value has been less than cost, the financial condition and near-term prospects of the issuer as well as specific events or circumstances that may influence the operations of the issuer, and the Company's intent and ability to hold the investment for a sufficient time in order to enable recovery of the cost. New information and the passage of time can change these judgments. Where the Company has determined that it lacks the intent and ability to hold an equity security to its expected recovery, the security's decline in fair value is deemed to be other-than-temporary and is recorded within earnings as an impairment loss.

The Company also has certain investment securities classified as trading securities. The Company maintains its trading securities portfolio to generate returns that are offset by corresponding changes in certain liabilities related to the Company's deferred compensation plans (see Note 12). The trading securities portfolio consists of marketable securities, which are recorded at fair value and are included in long-term investment securities on the consolidated balance sheets because they remain assets of the Company until they are actually paid out to the participants. These investment securities are not available to the Company to fund its operations as they are restricted for the payment of the deferred compensation payable. The Company has established a rabbi trust to finance obligations under the plan. Both realized and unrealized gains and losses on trading securities are included in interest and other income.

Table of Contents

Fair Value of Financial Instruments

The Company's financial instruments consist primarily of cash and cash equivalents, accounts receivable, investments, accounts payable and long-term debt. Other than investments, which are carried at fair value, and long-term debt, the carrying values of these financial instruments approximate their fair values due to their short-term nature. The carrying amount reflected in the consolidated balance sheet for long-term debt approximates fair value due to the interest rate on the debt being variable based on current market rates. During the year ended December 31, 2014, and 2013, the Company did not have any write-offs related to the re-measurement of non-financial assets at fair value on a nonrecurring basis subsequent to their initial recognition.

Inventories

Inventories are stated at the lower-of-cost-or-market, using the first-in, first-out method. The components of inventory cost include raw materials, labor and overhead. To estimate any necessary obsolescence or lower-of-cost-or-market adjustments, various assumptions are made in regard to excess or slow-moving inventories, non-conforming inventories, expiration dates, current and future product demand, production planning and market conditions.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Estimated useful lives for buildings range from 20 to 50 years; building improvements range from 7 to 10 years; machinery and equipment range from 2 to 10 years; computer software and hardware range from 3 to 10 years; and furniture and fixtures range from 2 to 5 years. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful lives of the related assets. Maintenance and repairs are expensed as incurred and major improvements are capitalized.

Intangible Assets

Intangible assets consist of purchased product formulations. Such intangible assets are amortized using the straight-line method over the estimated economic lives of the assets of 9 to 15 years. Intangible assets, net of accumulated amortization, totaled $704 and $853, at December 31, 2014, and 2013, respectively.

Impairment of Long-Lived Assets

The Company reviews its long-lived assets, such as property, plant and equipment and intangible assets for impairment when events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. The Company uses an estimate of future undiscounted net cash flows of the related assets or groups of assets over their remaining lives in measuring whether the assets are recoverable. An impairment loss is calculated by determining the difference between the carrying values and the fair values of these assets. Due to the continual currency devaluation of the Venezuelan bolivar, as of September 30, 2014, the Company incurred a $2,947 impairment charge to write down the value of its fixed assets in Venezuela to $0.

Incentive Trip Accrual

The Company accrues for expenses associated with its direct sales program, which rewardsindependent Managers and Distributors with paid attendance for incentive trips, including Company conventions and meetings. Expenses associated with incentive trips are accrued over qualification periods as they are earned. The Company specifically analyzes incentive trip accruals based on historical and current sales trends as well as contractual obligations when evaluating the adequacy of the incentive trip accrual. Actual results could generate liabilities more or less than the amounts recorded. The Company has accrued convention and meeting costs of $4,243 and $5,784 at December 31, 2014, and 2013, respectively, which are included in accrued liabilities in the consolidated balance sheets.

Foreign Currency Translation

The local currency of the foreign subsidiaries is used as the functional currency, except for subsidiaries operating in highly inflationary economies or where the

Company's operations are served by a U.S. based subsidiary (for example Russia and Ukraine). The financial statements of foreign subsidiaries where the local currency is the functional currency are translated into U.S. dollars using exchange rates in effect at year end for assets and liabilities and average exchange rates during each year for the results of operations. Adjustments resulting from translation of financial statements are reflected in accumulated other comprehensive loss, net of income taxes. Foreign currency transaction gains and losses are included in other income (expense) in the consolidated statements of operations.

Table of Contents

The functional currency in highly inflationary economies is the U.S. dollar and transactions denominated in the local currency are re-measured as if the functional currency were the U.S. dollar. The re-measurement of local currencies into U.S. dollars creates translation adjustments, which are included in the consolidated statements of operations. A country is considered to have a highly inflationary economy if it has a cumulative inflation rate of approximately 100 percent or more over a three year period as well as other qualitative factors including historical inflation rate trends (increasing and decreasing), the capital intensiveness of the operation, and other pertinent economic factors. Belarus and was considered to be highly inflationary as noted above. With the exception of Belarus, there were no countries considered to have a highly inflationary economy during 2014, 2013, or 2012.

Revenue Recognition

Net sales revenue and related volume incentive expenses are recorded when persuasive evidence of an arrangement exists, collectability is reasonably assured, the amount is fixed and determinable, and title and risk of loss have passed. The amount of the volume incentive is determined based upon the amount of qualifying purchases in a given month. It is necessary for the Company to make estimates about the timing of when merchandise has been delivered. These estimates are based upon the Company's historical experience related to time in transit, timing of when shipments occurred and shipping volumes. Amounts received for undelivered merchandise are recorded as deferred revenue.

From time to time, the Company's U.S. operations extend short-term credit associated with product promotions. In addition, for certain of the Company's international operations, the Company offers credit terms consistent with industry standards within the country of operation. Payments to independent Managers and Distributors for sales incentives or rebates are recorded as a reduction of revenue. Payments for sales incentives and independent rebates are calculated monthly based upon qualifying sales. Membership fees are deferred and amortized as revenue over the life of the membership, primarily one year. Prepaid event registration fees are deferred and recognized as revenues when the related event is held.

A reserve for product returns is recorded based upon historical experience. The Company allowsindependent Managers or Distributors to return the unused portion of products within ninety days of purchase if they are not satisfied with the product. In some of the Company's markets, the requirements to return product are more restrictive. Sales returns for the years 2014, 2013 and 2012, were $1,525, $1,454, and $2,249, respectively. The increase in sales returns for year ended December 31, 2012 was due to unusually high product returns during the first quarter of 2012 related to a specific promotion in the Synergy Japan market. Product returns were not related to product quality and have since returned to lower return rates.

Amounts billed to customers for shipping and handling are reported as a component of net sales revenue. Shipping and handling revenues of approximately $9,795, $10,868, and $11,264 were reported as net sales revenue for the years ended December 31, 2014, 2013, and 2012, respectively.

Taxes that have been assessed by governmental authorities and that are directly imposed on revenue-producing transactions between the Company and its customers, including sales, use, value-added, and some excise taxes, are presented on a net basis (excluded from net sales).

Advertising Costs

Advertising costs are expensed as incurred and classified in selling, general and administrative expenses. Advertising expense incurred for the years ended December 31, 2014, 2013, and 2012 totaled approximately $2,301, $2,194 and $1,418, respectively.

Research and Development

All research and development costs are expensed as incurred and classified in selling, general and administrative expense. Total research and development expenses were approximately $2,457, $2,039, and $1,464 in 2014, 2013, and 2012, respectively.

Contingencies

The Company is involved in certain legal proceedings. When a loss is considered probable in connection with litigation or non-income tax contingencies and when such loss can be reasonably estimated with a range, the Company records its best estimate within the range related to the contingency. If there is no best estimate, the Company records the minimum of the range. As additional information becomes available, the Company assesses the potential liability related to the contingency and revises the estimates. Revision in estimates of the potential liabilities could materially affect our results of operations in the period of adjustment. The Company's contingencies are discussed in further detail in Note 13.

Table of Contents

Income Taxes

The Company's income tax expense, deferred tax assets and liabilities and contingent reserves reflect management's best assessment of estimated future taxes to be paid. The Company is subject to income taxes in both the U.S. and numerous foreign jurisdictions. Significant judgments and estimates are required in determining the consolidated income tax expense.

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

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

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

Net Income (Loss) 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 securities that would have an anti-dilutive effect on net income per common share.

Table of Contents

Following is a reconciliation of the numerator and denominator of Basic EPS to the numerator and denominator of Diluted EPS for all years:

	2014	2013	2012
Net income:			
Net income from continuing operations	**$ 19,757**	$ 17,653	$ 24,908
Income (loss) from discontinued operations	**$ (9,957)**	$ (44)	$ 472
Net income attributable to common shareholders	**$ 10,019**	$ 17,609	$ 25,380
Basic weighted-average shares outstanding	**17,108**	15,997	15,648
Basic net income per common share:			
Net income from continuing operations	**$ 1.15**	$ 1.10	$ 1.59
Income (loss) from discontinued operations	**$ (0.57)**	$ —	$ 0.03
Net income attributable to common shareholders	**$ 0.58**	$ 1.10	$ 1.62
Diluted Shares Outstanding			
Basic weighted-average shares outstanding	**17,108**	15,997	15,648
Stock-based awards	**533**	393	339
Diluted weighted-average shares outstanding	**17,641**	16,390	15,987
Diluted net income per common share:			
Net income from continuing operations	**$ 1.12**	$ 1.08	$ 1.56
Income (loss) from discontinued operations	**$ (0.56)**	$ (0.01)	$ 0.03
Net income attributable to common shareholders	**$ 0.56**	$ 1.07	$ 1.59
Potentially dilutive shares excluded from diluted-per-share amounts:			
Stock options	**133**	135	88
Potentially anti-dilutive shares excluded from diluted-per-share amounts:			
Stock options	**210**	210	254

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

Share-Based Compensation

The Company's outstanding stock options include time-based stock options, which vest over differing periods ranging from the date of issuance up to 48 months from the option grant date; performance-based stock options, which have already vested upon achieving operating income margins of six, eight and ten percent as reported in four of five consecutive quarters over the term of the options; performance-based stock options, which vest upon achieving cumulative annual net sales revenue growth targets over a rolling two-year period, subject to the Company maintaining at least an eight percent operating income margin during the applicable period; and performance-based stock options, which vest upon achieving annual net sales targets over a rolling one-year period.

The Company recognizes all share-based payments to Directors and employees, including grants of stock options and restricted stock units, in the statement of operations based on their grant-date fair values. The Company records compensation expense, net of an estimated forfeiture rate, over the vesting period of the stock options based on the fair value of the stock options on the date of grant. The Company's estimated forfeiture rate is based upon historical experience.

Table of Contents

Comprehensive Income (Loss)

Comprehensive income (loss) includes all changes in shareholders' equity except those resulting from investments by, and distributions to, shareholders. Accordingly, the Company's comprehensive income (loss) includes net income (loss), net unrealized gains (losses) on investment securities, reclassifications of realized gains, and foreign currency adjustments that arise from the translation of the financial statements of the Company's foreign subsidiaries.

Strategic Alliance with Fosun Pharma

On August 25, 2014, Nature's Sunshine and Shanghai Fosun Pharmaceutical (Group) Co., Ltd. ("Fosun Pharma"), closed a transaction pursuant to which, the parties entered into a joint venture for operations in the People's Republic of China ("China"), of which 80 percent is owned by Nature's Sunshine and 20 percent is owned by a wholly-owned subsidiary of Fosun Pharma and completed a concurrent investment by Fosun Pharma in Nature's Sunshine common stock issued pursuant to a private placement transaction with net proceeds of $44,795. Nature's Sunshine used the net proceeds of the private placement transaction to fund its 80 percent share of the initial $20,000 capitalization of the China joint venture, or $16,000, and to pay its shareholders a cash dividend of $1.50 per share, or $28,501. The Company consolidated the joint

venture in its consolidated financial statements, with Fosun Pharma's interest presented as a noncontrolling interest.

The joint venture, known as Nature's Sunshine Hong Kong Limited, expects to market and distribute Nature's Sunshine products in China. Nature's Sunshine Hong Kong Limited currently anticipates deploying a multi-brand, multi-channel go-to-market strategy that will offer select Nature's Sunshine-branded products through certain of Fosun Pharma's existing retail locations across China, and select Synergy-branded products through a direct selling model. The time to market will be dependent upon regulatory processes, including product registration, permit and license approvals.

Pursuant to a concurrent private placement transaction, Nature's Sunshine issued 2,855 shares of unregistered common stock to Fosun Pharma at a price of $16.19 per share, representing aggregate net proceeds to Nature's Sunshine of $44,795. The purchase price represented a 10 percent premium to Nature's Sunshine's average stock price over the trailing 30 business day period as of June 26, 2014. As a result of the private placement transaction, Fosun Pharma owns approximately 15% of Nature's Sunshine outstanding common shares with respect to which the Company has granted Fosun Pharma certain registration rights. In addition, Nature's Sunshine appointed one director designated by Fosun Pharma to its board of directors.

Recent Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-08 Presentation of Financial Statements (Topic 740) and Property, Plant, and Equipment (Topic 360): "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity". This update changes the criteria for reporting discontinued operations while enhancing disclosures in this area. Under the new guidance, only disposals representing a strategic shift in operations should be presented as discontinued operations. Those strategic shifts should have a major effect on the organization's operations and financial results. In addition, the new guidance requires expanded disclosures about discontinued operations that will provide financial statement users with more information about the assets, liabilities, income, and expenses of discontinued operations. The amendments in this update are effective for interim and annual periods beginning after December 15, 2014. The adoption of this ASU is not expected to have a material impact on the Company's consolidated financial statements.

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09 Revenue from Contracts with Customers (Topic 606). This update requires an entity to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. As such, this update affects an entity that either enters into contracts with customers or transfers goods and services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. This update will supersede the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance, and creates a Topic 606. The amendments in this update are effective for interim and annual periods beginning after December 15, 2015. The adoption of this ASU is not expected to have a material impact on the Company's consolidated financial statements.

In June 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-12 Compensation — Stock Compensation (Topic 718): "Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period". This update requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. The performance target should not be reflected in estimating the grant-date fair value of the award. Compensation costs should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost

Table of Contents

attributable to the period for which the requisite service has already been rendered. If the performance target becomes probable of being achieved before the end of the requisite service period, the remaining unrecognized compensation cost should be recognized prospectively over the remaining requisite service period. The requisite service period ends when the employee can cease rendering service and still be eligible to vest in the award if the performance target is achieved. The amendments in this update are effective for interim and annual periods beginning after December 15, 2015. The adoption of this ASU is not expected to have a material impact on the Company's consolidated financial statements.

NOTE 2: DISCONTINUED OPERATIONS

In November 2014, the Company ceased its operations in Venezuela due to the difficulties and uncertainties related to import controls, difficulties associated with repatriating cash and high inflation. This market was part of the Company's NSP Americas segment and all of the income (loss) from discontinued operations is related to the common shareholders of the Company.

The following table summarizes the operating results of the Company's discontinued operations:

	2014	2013	2012
Net sales revenue	**$ 7,559**	$ 8,270	$ 6,642
Income (loss) before income tax provision	**$ (10,597)**	$ 77	$ 57
Income tax provision (benefit)	**(640)**	121	(415)
Income (loss) from discontinued operations	**$ (9,957)**	$ (44)	$ 472

Due to the economic instability of the Venezuelan market, as of September 30, 2014, the Company incurred a $2,947 impairment charge to write down the value of its fixed assets in Venezuela to $0. The loss before income taxes for the year ended December 31, 2014, includes a charge of $7,798 related to exiting Venezuela, of which $4,135 is a non-cash write-off of accumulated translation adjustments that were previously included in shareholders' equity. The loss from discontinued operations did not have a material impact on the Company's operating cash flows during 2014.

NOTE 3: INVENTORIES

The composition of inventories is as follows:

As of December 31,	2014	2013
Raw materials	**$ 11,206**	$ 10,848
Work in process	**534**	740
Finished goods	**28,698**	30,322
Total inventory	**$ 40,438**	$ 41,910

NOTE 4: PROPERTY, PLANT AND EQUIPMENT

The composition of property, plant and equipment is as follows:

As of December 31,	2014	2013
Land and improvements	**$ 2,418**	$ 3,800

Buildings and improvements	**31,245**	33,655
Machinery and equipment	**19,716**	18,209
Furniture and fixtures	**18,311**	17,884
Computer software and hardware	**27,294**	8,255
	98,984	81,803
Accumulated depreciation and amortization	**(47,641)**	(49,781)
Total property, plant and equipment	**$ 51,343**	$ 32,022

Depreciation expense was $4,260, $4,317, and $3,929 for the years ended December 31, 2013, 2012 and 2011, respectively.

NOTE 5: INTANGIBLE ASSETS

At December 31, 2014, and 2013, intangibles for product formulations had a gross carrying amount of $1,763, and $1,763, accumulated amortization of $1,059, and $910, and a net amount of $704, and $853, respectively. The estimated useful lives of the product formulations range from 9 to 15 years.

Table of Contents

Amortization expense for intangible assets for the years ended December 31, 2014, 2013, and 2012 was $149, $149 and $149, respectively. Estimated amortization expense for the five succeeding fiscal years and thereafter is as follows:

Year Ending December 31,	
2014	$ 149
2015	91
2016	91
2017	91
2018	91
Thereafter	191
Total	$ 704

NOTE 6: INVESTMENT SECURITIES

The amortized cost and estimated fair values of available-for-sale securities are as follows:

As of December 31, 2014	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Municipal obligations	$ 100	$ 1	$ —	$ 101
U.S. government securities funds	1,791	—	(15)	1,776
Equity securities	227	454	(12)	669
Total short-term investment securities	$ 2,118	$ 455	$ (27)	$ 2,546

As of December 31, 2013	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Municipal obligations	$ 403	$ 12	$ —	$ 415
U.S. government securities funds	997	—	(14)	983
Equity securities	227	386	(5)	608
Total short-term investment securities	$ 1,627	$ 398	$ (19)	$ 2,006

The municipal obligations held at fair value of $101 at December 31, 2014, all mature in less than two years.

During 2014, 2013, and 2012, the proceeds from the sales of available-for-sale securities were $247, $200, and $3,789, respectively. There were no gross realized gains (losses) on sales of available-for-sale securities (net of tax) for the years ended December 31, 2014, 2013, and 2012, respectively.

The Company's trading securities portfolio totaled $1,038 and $971 at December 31, 2014 and 2013, respectively, and generated gains of $56, $122, and $116, for the years ended December 31, 2013, 2012, and 2011, respectively.

As of December 31, 2014, and 2013, the Company had unrealized losses of $15, and $14, respectively, in its U.S. government securities funds. These losses are due to the interest rate sensitivity of the municipal obligations and the performance of the overall stock market for the equity securities.

Table of Contents

NOTE 7: ACCRUED LIABILITIES

The composition of accrued liabilities is as follows:

As of December 31,	**2014**	**2013**
Foreign non-income tax contingencies (See Note 14)	**$ 2,622**	$ 5,363
Sales, use and property tax (See Note 14)	**3,575**	4,498
Salaries and employee benefits	**13,445**	11,749
Convention and meeting costs	**4,243**	5,784
Other	**5,072**	7,499
Total	**$ 28,957**	$ 34,893

NOTE 8: LONG-TERM DEBT AND REVOLVING CREDIT FACILITY

The Company's revolving credit agreement with Wells Fargo Bank, N.A., permits the Company to borrow up to $25,000 through September 1, 2016, bearing interest at LIBOR plus 1.25 percent (1.50 percent as of December 31, 2014, and 2013). The Company must pay an annual commitment fee of 0.25 percent on the unused portion of the commitment. Currently, the revolving credit agreement matures on September 1, 2016. At December 31, 2014, and 2013, the outstanding balance under the revolving credit agreement was $0 and $10,000, respectively.

The revolving credit agreement contains restrictions on liquidity, leverage, minimum net income and consecutive quarterly net losses. In addition, the agreement restricts capital expenditures, lease expenditures, other indebtedness, liens on assets, guaranties, loans and advances, and the merger, consolidation and the transfer of assets except in the ordinary course of business. The Company remains in compliance with these debt covenants as of December 31, 2014.

NOTE 9: ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The components of accumulated other comprehensive income (loss), net of tax, are as follows:

	Foreign Currency Translation Adjustments	Net Unrealized Gains (Losses) On Available-For-Sale Securities	Total Accumulated Other Comprehensive Loss
Balance as of January 1, 2012	$ (10,191)	$ 122	$ (10,069)
Activity, net of tax	(522)	25	(497)
Balance as of December 31, 2012	(10,713)	147	(10,566)
Activity, net of tax	(3,480)	83	(3,397)
Balance as of December 31, 2013	**(14,193)**	**230**	**(13,963)**
Activity, net of tax	**2,729**	**30**	**2,759**
Balance as of December 31, 2014	**$ (11,464)**	**260**	**$ (11,204)**

Table of Contents

NOTE 10: INCOME TAXES

Income from continuing operations before provision (benefit) for income taxes are taxed under the following jurisdictions:

Year Ended December 31,	2014	2013	2012
Domestic	**$ 4,577**	$ 6,111	$ 17,625
Foreign	**14,437**	19,465	17,814
Total	**$ 19,014**	$ 25,576	$ 35,439

Components of the provision (benefit) for income taxes for each of the three years in the period ended December 31, 2014 are as follows:

Year Ended December 31,	2014	2013	2012
Current:			
Federal	**$ (2,713)**	$ (773)	$ 1,901
State	**514**	399	248
Foreign	**5,539**	7,230	4,714
Subtotal	**3,340**	6,856	6,863
Deferred:			
Federal	**(3,804)**	1,654	2,303
State	**(326)**	186	1,207
Foreign	**47**	(773)	158
Subtotal	**(4,083)**	1,067	3,668
Total provision (benefit) for income taxes	**$ (743)**	$ 7,923	$ 10,531

The provision (benefit) for income taxes, as a percentage of income from continuing operations before provision (benefit) for income taxes, differs from the statutory U.S. federal income tax rate due to the following:

Year Ended December 31,	2014	2013	2012
Statutory U.S. federal income tax rate	**35.0 %**	35.0 %	35.0 %
State income taxes, net of U.S. federal income tax benefit	**0.6**	1.4	2.7
U.S. tax impact of foreign operations	**(73.0)**	(16.2)	(2.3)
Valuation allowance change	**48.8**	4.3	(6.6)
Unrecognized tax benefits	**(8.6)**	7.9	2.9
Domestic manufacturing deduction	**(2.2)**	(1.3)	(0.4)
Nondeductible foreign expenses	**(1.8)**	1.1	0.5
Other	**(2.7)**	(1.2)	(2.1)
Effective income tax rate	**(3.9)%**	31.0 %	29.7 %

Pretax earnings of a foreign subsidiary or affiliate are subject to U.S. taxation when effectively repatriated. The Company does not intend to reinvest undistributed earnings indefinitely in the Company's foreign subsidiaries.

Adjustments relating to the U.S. impact of foreign operations decreased the effective tax rate by 73.0, 16.2, and 2.3 percentage points in 2014, 2013 and 2012, respectively. The components of this calculation were:

Components of U.S. tax impact of foreign operations	2014	2013	2012
Dividends received from foreign subsidiaries	**59.5 %**	29.4 %	4.5%
Foreign tax credits	**(121.3)**	(34.3)	(4.1)
Foreign tax rate differentials	**(11.0)**	(10.8)	(2.4)
Unremitted earnings	**(0.2)**	(0.5)	(0.3)
Total	**(73.0)%**	(16.2)%	(2.3)%

The significant components of the deferred tax assets (liabilities) are as follows:

As of December 31,	2014	2013
Inventory	**$ 1,766**	$ 1,502
Accrued liabilities	**5,023**	4,380
Deferred compensation	**398**	364
Equity-based compensation	**4,293**	2,993
Intangibles assets	**442**	389
Bad debts	**64**	225
Net operating losses	**5,824**	5,593
Foreign tax and withholding credits	**12,591**	4,066
Non-income tax accruals	**53**	397
Health insurance accruals	**230**	184
Undistributed foreign earnings	**474**	4,008
Other deferred tax assets	**1,488**	2,260
Capital loss carryforward	**739**	721
Valuation allowance	**(13,169)**	(11,340)
Total deferred tax assets	**$ 20,216**	15,742
Other deferred tax liabilities	**(778)**	(231)
Total deferred tax liabilities	**(778)**	(231)
Total deferred taxes, net	**$ 19,438**	$ 15,511

The components of deferred tax assets (liabilities), net are as follows:

As of December 31,	2014	2013
Net current deferred tax assets	**$ 4,950**	$ 5,711
Net non-current deferred tax assets	**14,495**	9,928
Total net deferred tax assets	**19,445**	15,639
Net current deferred tax liabilities	**(1)**	(2)
Net non-current deferred tax liabilities	**(6)**	(126)
Total net deferred tax liabilities	**(7)**	(128)
Total deferred taxes, net	**$ 19,438**	$ 15,511

Net current deferred tax liabilities are included in accrued liabilities and net non-current deferred tax liabilities are included in other liabilities in the consolidated balance sheets.

Management has provided a valuation allowance of $13,169 and $11,340 as of December 31, 2014 and 2013, respectively, for certain deferred tax assets, including foreign net operating losses, for which management cannot conclude it is more likely than not that they will be realized. The Company reviewed its tax positions and increased its valuation allowance by approximately $1,829 in 2014 primarily due to a domestic increase of $2,736 and a foreign decrease of $907.

At December 31, 2014, foreign subsidiaries had unused operating loss carryovers for tax purposes of approximately $5,824. The net operating losses will expire at various dates from 2015 through 2024. For financial reporting purposes, the release of these valuation allowances would reduce income tax expenses. At December 31, 2014, the Company had approximately $12,590 of foreign tax and withholding credits, most of which expire in 2024.

The Company is subject to regular audits by federal, state and foreign tax authorities. These audits may result in additional tax liabilities. The Company believes it has appropriately provided for income taxes for all years. Several factors drive the calculation of its tax reserves. Some of these factors include: (i) the expiration of various statutes of limitations; (ii) changes in tax law and regulations; (iii) the issuance of tax rulings; and (iv) settlements with tax authorities. Changes in any of these factors may result in adjustments to the Company's reserves, which would impact its reported financial results.

The Company's U.S. federal income tax returns for 2009 through 2013 are open to examination for federal tax purposes. The Internal Revenue Service ("IRS") is currently concluding an audit of the Company's U.S. federal income tax returns for the 2009 through 2011 tax years. The Company has several foreign tax jurisdictions that have open tax years from 2007 through 2014.

The total outstanding balance for liabilities related to unrecognized tax benefits at December 31, 2014 and 2013 was $6,598 and $12,402, respectively, all of which would favorably impact the effective tax rate if recognized. Included in these amounts is approximately $1,648 and $1,352, respectively, of combined interest and penalties. The Company increased interest and penalties approximately $297 and $300 for the years ended December 31, 2014 and 2013, respectively. The Company accounts for interest expense and penalties for unrecognized tax benefits as part of its income tax provision.

During the years ended December 31, 2014, 2013 and 2012, the Company added approximately $2,261, $2,656 and $3,471, respectively, to its liability for unrecognized tax benefits. Included in these amounts are approximately $326, $300 and $339 for the years ended December 31, 2014, 2013 and 2012, respectively, related to interest expense and penalties. In addition, the Company recorded a benefit related to the lapse of applicable statute of limitations of approximately $273, $323 and $2,815 for the years ended December 31, 2014, 2013 and 2012, respectively, all of which favorably impacted the Company's effective tax rate.

A reconciliation of the beginning and ending amount of liabilities associated with uncertain tax benefits, excluding interest and penalties, is as follows for the years:

Year Ended December 31,	2014	2013	2012
Unrecognized tax benefits, opening balance	**$ 11,050**	$ 9,519	$ 8,966
Settlement of liability reclassified as income tax payable	**(591)**	(10)	—
Payments on liability	**—**	—	(15)
Tax positions taken in a prior period			

Gross increases	—	—	1,120
Gross decreases	**(6,614)**	(184)	(504)
Tax positions taken in the current period			
Gross increases	**1,934**	2,356	2,011
Gross decreases	**—**	—	—
Lapse of applicable statute of limitations	**(244)**	(323)	(2,068)
Currency translation adjustments	**(585)**	(308)	9
Unrecognized tax benefits, ending balance	**$ 4,950**	$ 11,050	$ 9,519

The Company anticipates that liabilities related to unrecognized tax benefits will increase approximately $800 to $1,200 within the next twelve months due to additional transactions related to commissions and transfer pricing.

The Company believes that it is reasonably possible that unrecognized tax benefits will decrease approximately $100 to $300 within the next twelve months due to the expiration of statutes of limitations in various jurisdictions.

Although the Company believes its estimates are reasonable, the Company can make no assurance that the final tax outcome of these matters will not be different from that which it has reflected in its historical income tax provisions and accruals. Such differences could have a material impact on the Company's income tax provision and operating results in the period in which the Company makes such determination.

NOTE 11: CAPITAL TRANSACTIONS

Dividends

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

On March 17, 2014, the Company announced a cash dividend of $0.10 per common share in an aggregate amount of $1,618 that was paid on April 7, 2014, to shareholders of record on March 28, 2014. On May 7, 2014, the Company announced a cash dividend of $0.10 per common share in an aggregate amount of $1,619 that was paid on June 2, 2014, to shareholders of record on May 21, 2014. On August 6, 2014, the Company announced a cash dividend of $0.10 per common share in an aggregate amount of $1,619 that was paid on August 29, 2014, to shareholders of record on August 18, 2014. On August 27, 2014, the Company announced a special non-recurring cash dividend of $1.50 per common share in an aggregate amount of $28,501 that was paid on September 19, 2014, to shareholders of record on September 8, 2014. On November 5, 2014, the Company announced a cash dividend of $0.10 per common share in an aggregate amount of $1,871 that was paid on December 1, 2014, to shareholders of record on November 20, 2014.

Table of Contents

Share Repurchase Program

In December 2014, the Company completed share repurchases under its previously announced $10 million share repurchase program. In November 2014, the Board of Directors authorized a $20 million share repurchase program beginning January 1, 2015. Such purchases may be made in the open market, through block trades, in privately negotiated transactions or otherwise. The timing and amount of any shares repurchased will be determined based on the Company's evaluation of market conditions and other factors and the program may be discontinued or suspended at any time. At December 31, 2014, the remaining balance available for repurchases under the program was $20,000.

The following is a summary of the Company's repurchases of common shares during the year ended December 31, 2014:

Period	Number of Shares	Average Price Paid per Share	Program Balance Used for Repurchases
July 1 — September 30, 2014	177	$ 15.49	$ 2,731
October 1 — December 31, 2014	319	14.80	4,724
	496	$ 15.03	$ 7,455

Share-Based Compensation

During the year ended December 31, 2012, the Company's shareholders adopted and approved the Nature's Sunshine Products, Inc. 2012 Stock Incentive Plan (the "2012 Incentive Plan"). The 2012 Incentive Plan provides for the grant of incentive stock options, non-statutory stock options, stock appreciation rights, restricted stock, restricted stock units, dividend equivalent rights, performance awards, stock awards and other stock-based awards. The Compensation Committee of the Board of Directors has authority and discretion to determine the type of award as well as the amount, terms and conditions of each award under the 2012 Incentive Plan, subject to the limitations of the 2012 Incentive Plan. A total of 1,500 shares of the Company's common stock were originally authorized for the granting of awards under the 2012 Stock Incentive Plan. Subsequent to December 31, 2014, the total number of shares authorized for the granting of awards under the 2012 Stock Incentive Plan was increased by 1,500 by the Company's shareholders. The number of shares available for awards, as well as the terms of outstanding awards, are subject to adjustment as provided in the 2012 Incentive Plan for stock splits, stock dividends, recapitalizations and other similar events.

The Company also maintains a stock incentive plan, which was approved by shareholders in 2009 (the "2009 Incentive Plan"). The 2009 Incentive Plan also provided for the grant of incentive stock options, non-statutory stock options, stock appreciation rights, restricted stock, restricted stock units, dividend equivalent rights, performance awards, stock awards and other stock-based awards. Under the 2012 Incentive Plan, any shares subject to award, or awards forfeited or reacquired by the Company issued under the 2009 Incentive Plan are available for award up to a maximum of 400 shares.

Stock Options

The Company's outstanding stock options include time-based stock options, which vest over differing periods ranging from the date of issuance up to 48 months from the option grant date; performance-based stock options, which have already vested upon achieving operating income margins of six, eight and ten percent as reported in four of five consecutive quarters over the term of the options; performance-based stock options, which vest upon achieving cumulative annual net sales revenue growth targets over a rolling two-year period, subject to the Company maintaining at least an eight percent operating income margin during the applicable period; and performance-based stock options, which vest upon achieving annual net sales targets over a rolling one-year period.

Stock option activity for 2014, 2013, and 2012 consisted of the following:

	Number of Shares (in thousands)	Weighted Average Exercise Price Per Share
Options outstanding at January 1, 2012	1,374	$ 9.88
Granted	686	15.11
Forfeited or canceled	(35)	13.60
Exercised	(241)	9.95
Options outstanding at December 31, 2012	1,784	11.81
Granted	832	15.85
Forfeited or canceled	(184)	13.65
Exercised	(506)	8.56
Options outstanding at December 31, 2013	1,926	12.54
Granted	258	15.38
Forfeited or canceled	(23)	13.33
Exercised	(124)	6.42
Options outstanding at December 31, 2014	2,037	$ 11.69

On September 19, 2014, and August 29, 2013, the Company paid special non-recurring cash dividends of $1.50 per common share. In accordance with the provisions of the Company's stock incentive plans, the exercise price of all outstanding stock options on the ex-dividend dates were decreased by $1.50 per share in order to prevent a dilution of benefits or potential benefits intended to be made available to the stock option holders. Because this modification was required by the provisions of the Company's stock incentive plans, no additional share-based compensation expense was recorded.

During the year ended December 31, 2014, the Company issued time-based stock options to purchase 258 shares of common stock under the 2012 Stock Incentive Plan to the Company's executive officers and other employees. These options were issued with a weighted-average exercise price of $15.38 per share and a weighted-average grant date fair value of $6.53 per share. All of the options issued have an option termination date of ten years from the option grant date.

During the year ended December 31, 2013, the Company issued options to purchase 832 shares of common stock under the 2012 Stock Incentive Plan to the Company's executive officers and other employees, which are composed of both time-based stock options and net sales revenue performance-based stock options. These options were issued with a weighted-average exercise price of $15.85 per share and a weighted-average grant date fair value of $6.55 per share. All of the options issued have an option termination date of ten years from the option grant date.

During the year ended December 31, 2012, the Company issued time-based options to purchase 217 shares of common stock under the 2009 Incentive Plan to the Company's new senior executives. These options were issued with a weighted average exercise price of $15.65 per share and a weighted average grant date fair value of $7.66 per share. All of the options issued have an option termination date of ten years from the option grant date.

Also, during the year ended December 31, 2012, the Company issued options to purchase 469 shares of common stock under the 2012 Incentive Plan to the Company's executive officers and other employees, which are composed of both time-based stock options and net sales revenue performance-based stock options. These options were issued with a weighted average exercise price of $14.86 per share and a weighted average grant date fair value of $7.00 per share. All of the options issued have an option termination date of ten years from the option grant date.

For the years ended December 31, 2014, 2013, and 2012, the Company issued 124, 506, and 241 shares of common stock upon the exercise of stock options at an average exercise price of $6.42, $8.56, and $9.95 per share, respectively. The aggregate intrinsic values of options exercised during the years ended December 31, 2014, 2013 and 2012 was $1,093, $4,576, and $1,427, respectively. For the years ended December 31, 2014, 2013, and 2012, the Company recognized $307, $653, and $378 of tax benefits from the exercise of stock options during the period, respectively.

The fair value of each option grant was estimated on the date of the grant using the Black-Scholes option-pricing model with the following weighted average assumptions for the years ended December 31, 2014, 2013, and 2012:

	2014	2013	2012
Weighted average grant date fair value of grants	$ 6.53	$ 6.55	$ 7.21
Expected life (in years)	6.0	5.0 to 6.0	4.0 to 6.0
Risk-free interest rate	1.5	0.6 to 1.5	0.3 to 0.9
Expected volatility	56.7	55.9 to 58.2	58.5 to 66.0
Dividend yield	2.6	2.1 to 2.7	0.0 to 1.3

Expected option lives and volatilities are based on historical data of the Company. The risk-free interest rate is calculated as the average U.S. Treasury bill rate that corresponds with the option life. The dividend yield is based on the Company's historical and expected amount of dividend payouts, at the time of grant. On August 29, 2013, and September 19, 2014, the Company paid special non-recurring cash dividends of $1.50 per common share. The Company has excluded these special non-recurring cash dividends from the dividend yield used in the Black-Scholes option-pricing model calculations as it is not representative of future dividends to be declared by the Company.

Share-based compensation expense from time-based stock options for the years ended December 31, 2014, 2013, and 2012 was $2,932, $3,166 and $2,101, respectively; the related tax benefit was approximately $1,158, $1,251, and $850, respectively. As of December 31, 2014, 2013, and 2012, the unrecognized share-based compensation cost related to grants described above was $2,018, $3,294, and $2,715, respectively. As of December 31, 2014, the remaining compensation cost is expected to be recognized over the weighted-average period of approximately 1.8 years.

Shared-based compensation expense from operating income performance-based stock options for the years ended December 31, 2014, 2013, and 2012 was $0, $0 and $653, respectively; the related tax benefit of approximately $0, $0 and $255, respectively. As of December 31, 2012, there was no remaining compensation expense to be recognized for the operating income performance-based stock options.

The Company has not recognized any share-based compensation expense related to the net sales revenue performance-based stock options for the year ended December 31, 2014. Should the Company attain all of the net sales revenue metrics related to the net sales revenue performance-based stock option grants, the Company would recognize up to $800 of potential share-based compensation expense.

The following table summarizes information about options outstanding and exercisable at December 31, 2014.

Range of Option Prices Per Share	Options Outstanding			Options Exercisable		
	Options Outstanding	Weighted-Avg. Remaining Contractual Life	Weighted-Avg. Exercise Price Per Share	Options Exercisable	Weighted-Avg. Remaining Contractual Life	Weighted-Avg. Exercise Price Per Share
$2.35 to $9.99	340	5.5	$ 5.33	340	5.5	$ 5.33
$10.00 to $13.99	1,487	7.8	12.42	642	7.2	12.17
$14.00 to $17.70	210	8.8	16.83	87	8.8	16.73
	2,037	7.5	$ 11.69	1,069	6.8	$ 10.36

At December 31, 2014, the aggregate intrinsic value of outstanding options to purchase 2,037 shares of common stock, the exercisable options to purchase 1,069 shares of common stock, and options to purchase 794 shares of common stock expected to vest was $6,801, $4,928, and $1,779, respectively. At December 31, 2013, the aggregate intrinsic value of outstanding options to purchase 1,926 shares of common stock, the exercisable options to purchase 838 shares of common stock, and options to purchase 905 shares of common stock expected to vest was $9,415, $6,069, and $3,179, respectively.

Restricted Stock Units

The Company's outstanding restricted stock units (RSUs) are time-based RSUs, which vest over differing periods ranging from 12 months up to 48 months from the RSU grant date. RSUs given to the Board of Directors contain a restriction period in which the shares are not issued until two years after vesting. At December 31, 2014 and 2013, there were 32 and 20 vested RSUs given to the Board of Directors that had a restriction period.

Table of Contents

Restricted stock unit activity for the period ended December 31, 2014, 2013, and 2012 is as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Units outstanding at January 1, 2012	—	$ —
Granted	18	12.07
Issued	—	—
Forfeited	—	—
Units outstanding at December 31, 2012	18	12.07
Granted	17	12.90
Issued	(3)	12.07
Forfeited	—	—
Units outstanding at December 31, 2013	32	12.47
Granted	156	10.73
Issued	—	—
Forfeited	(8)	15.37
Units outstanding at December 31, 2014	180	15.09

On September 19, 2014, and August 29, 2013, the Company paid special non-recurring cash dividends of $1.50 per common share. In accordance with the provisions of the Company's stock incentive plans, additional RSUs were issued in order to prevent a dilution of benefits or potential benefits intended to be made available to the RSU holders. Because this RSU issuance was required by the provisions of the Company's stock incentive plans, no additional share-based compensation expense was recorded.

During the year ended December 31, 2014, the Company issued 156 restricted stock units (RSUs) of common stock under the 2012 Incentive Plan to the Company's Board of Directors, executive officers and other employees. The RSUs were issued with a weighted-average grant date fair value of $10.73 per share and vest in annual installments over a four year period from the grant date.

During the period ended December 31, 2013, the Company issued 17 restricted stock units (RSUs) of common stock under the 2012 Incentive Plan to the Board of Directors. The RSUs were issued with a weighted average grant date fair value of $12.90 per share and vest in 12 monthly installments over a one year period from the grant date.

During the period ended December 31, 2012, the Company issued 18 restricted stock units (RSUs) of common stock under the 2012 Incentive Plan to the Board of Directors. The RSUs were issued with a weighted average grant date fair value of $12.07 per share and vest in 12 monthly installments over a one year period from the grant date.

RSUs are valued at the market value on the date of grant, which is the grant date share price discounted for expected dividend payments during the vesting period. For RSUs with post-vesting restrictions, a Finnerty Model was utilized to calculate a valuation discount from the market value of common shares reflecting the restriction embedded in the RSUs preventing the sale of the underlying shares over a certain period of time. The Finnerty Model proposes to estimate a discount for lack of marketability such as transfer restrictions by using an option pricing theory. This model has gained recognition through its ability to address the magnitude of the discount by considering the volatility of a company's stock price and the length of restriction. The concept underpinning the Finnerty Model is that restricted stock cannot be sold over a certain period of time. Using assumptions previously determined for the application of the option pricing model at the valuation date, the Finnerty Model discount for lack of marketability is approximately 17.5 percent for a common share.

Share-based compensation expense from RSUs for the period ended December 31, 2014, 2013, and 2012, was approximately $992, $223, and $124, respectively; and the related tax benefit was approximately $392, $88 and $49, respectively. As of December 31, 2014, and 2013, the unrecognized share-based compensation expense related to the grants described above was $849 and $62, respectively. As of December 31, 2014, the remaining compensation expense is expected to be recognized over the weighted average period of approximately 2.0 years.

Stock Appreciations Rights

The Company's outstanding stock appreciation rights (SARs) are time-based SARs, which vest over differing periods ranging from 12 months up to 48 months from the SAR grant date. The SARs have a strike price equal to the fair market value of one share of common stock on the grant date. Subsequent to vesting, the employee has the option to exercise the SAR and will receive the intrinsic value of the SAR as income on the exercise date. SARs do not entitle a participant to receive or purchase shares and are settled in cash. SARs will not reduce the number of shares of common stock available for issuance under the Company's Stock Incentive Plans.

Stock appreciation right activity for the period ended December 31, 2014, is as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Units outstanding at January 1, 2014	—	$ —
Granted	30	5.47
Forfeited or cancelled	—	—
Exercised	—	—
Units outstanding at December 31, 2014	30	5.47

During the year ended December 31, 2014, the Company issued 30 time-based stock appreciation rights under the 2012 Stock Incentive Plan to the Company's employees. These SARs were issued with a weighted-average exercise price of $13.86 per share and a weighted-average grant date fair value of $5.47 per share. All of the SARs issued have an option termination date of ten years from the option grant date.

The fair value of each SAR was estimated on the date of the grant using the Black-Scholes option-pricing model with the following weighted average assumptions for the year ended December 31, 2014:

	2014
Weighted average grant date fair value of grants	$ 5.47
Expected life (in years)	6.0
Risk-free interest rate	1.5
Expected volatility	53.8
Dividend yield	2.7 to 3.0

Expected SAR lives and volatilities are based on historical data of the Company. The risk-free interest rate is calculated as the average U.S. Treasury bill rate that corresponds with the option life. The dividend yield is based on the Company's historical and expected amount of dividend payouts, at the time of grant. On August 29, 2013, and September 19, 2014, the Company paid special non-recurring cash dividends of $1.50 per common share. The Company has excluded these special non-recurring cash dividends from the dividend yield used in the Black-Scholes SAR-pricing model calculations as it is not representative of future dividends to be declared by the Company.

Share-based compensation expense from SARs for the period ended December 31, 2014, was approximately $24; and the related tax benefit was approximately $9. As of December 31, 2014, the unrecognized share-based compensation expense related to the grants described above was $150. As of December 30, 2014, the remaining compensation expense is expected to be recognized over the weighted average period of approximately 2.4 years.

NOTE 12: EMPLOYEE BENEFIT PLANS

Deferred Compensation Plans

The Company sponsors a qualified deferred compensation plan which qualifies under Section 401(k) of the Internal Revenue Code. During 2014, the Company made matching contributions of 60 percent of employee contributions up to a maximum of five percent of the employee's compensation (the match was increased from 50 percent to 60 percent of employee contributions up to a maximum of five percent beginning in 2013). The Company's contributions to the plan vest after a period of three years. During 2014, 2013, and 2012, the Company contributed to the plan approximately $838, $832 and $551, respectively.

The Company provides a nonqualified deferred compensation plan for its officers and certain key employees. Under this plan, participants may defer up to 100 percent of their annual salary and bonus. Although participants direct the investment of these funds, they are classified as trading securities and are included in long-term investment securities on the consolidated balance sheets because they remain assets of the Company until they are actually paid out to the participants. The Company has established a trust to finance obligations under the plan. At the end of each year and at other times provided under the plan, the Company adjusts its obligation to a participant by the investment return or loss on the funds selected by the participant under rules established in the plan. Upon separation of employment of the participant with the Company, the obligation owed to the participant under the plan will be paid as a lump sum or over a period of either three or five years (and will continue to be adjusted by the applicable investment return or loss during the period of pay-out). The Company had deferred compensation plan assets of approximately $1,038 and $971 as of December 31, 2014, and 2013, respectively. The change in the liability associated with the deferred compensation plan is recorded in the deferred compensation payable.

NOTE 13: COMMITMENTS AND CONTINGENCIES

Contractual Obligations

The Company leases certain facilities and equipment used in its operations and accounts for leases with escalating payments using the straight-line method. The Company incurred expenses of approximately $6,159, $6,125, and $6,096 in connection with operating leases during 2014, 2013, and 2012, respectively. The approximate aggregate commitments under non-cancelable operating leases in effect at December 31, 2014, were as follows:

Year Ending December 31,	
2015	$ 4,776
2016	3,455
2017	2,860
2018	1,701
2019	385
Thereafter	590
Total	$ 13,767

The Company has entered into long-term agreements with third-parties in the ordinary course of business, in which it has agreed to pay a percentage of net sales in certain regions in which it operates, or royalties on certain products. In 2014, 2013, and 2012, the aggregate amounts of these payments were $239, $1,468, and $1,270, respectively.

In 2013, the Company began to significantly reinvest in its information technology systems. Included within this plan is an Oracle ERP implementation program to provide the Company with a single integrated software solution that will integrate the Company's business process on a worldwide basis. The Company has committed to invest an additional $3,845 over the course of the project and anticipates completion of this project by mid-2016. This amount is expected to be paid in future years as

follows: $3,586 in 2015, and $259 in 2016, respectively. Also, in 2014, the Company made commitments to purchase manufacturing equipment of $2,002 in 2015.

Legal Proceedings

The Company is party to various legal proceedings. Management cannot predict the ultimate outcome of these proceedings, individually or in the aggregate, or their resulting effect on the Company's business, financial position, results of operations or cash flows as litigation and related matters are subject to inherent uncertainties, and unfavorable rulings could occur. Were an unfavorable outcome to occur, there exists the possibility of a material adverse impact on the business, financial position, results of operations, or cash flows for the period in which the ruling occurs and/or future periods. The Company maintains product liability, general liability and excess liability insurance coverage. However, no assurances can be given that such insurance will continue to be available at an acceptable cost to the Company, that such coverage will be sufficient to cover one or more large claims, or that the insurers will not successfully disclaim coverage as to a pending or future claim.

Since late 2007, the Company has administered its sales in Belarus, Georgia, Kazakhstan, Moldova, Mongolia, Russia and Ukraine (the "Territories") through an International Reseller Agreement ("Reseller Agreement") with a third party general dealer (the "General Dealer") based in Russia. The General Dealer administers the marketing and distribution of the Company's products in the Territories. As a part of its services, the General Dealer provides certain discounts (the "Discounts") to its network of dealers related to the costs associated with transporting the Company's products from the General Dealer to the dealers. In July 2013, the General Dealer began to withhold the amount of these Discounts from the funds remitted each month to the Company for the sale of the products, claiming that it is entitled to reimbursement for these costs under the Reseller Agreement. These withholdings averaged approximately $330 per month and totaled approximately $3,000 at March 31, 2014.

The parties negotiated a resolution to the dispute, whereby the General Dealer paid the Company the $3,000 of Discounts withheld and relinquished all claims to the reimbursement of Discounts with respect to periods prior to July 2013, and the parties agreed to a new three-year international reseller agreement, effective April 1, 2014.

Other Litigation

The Company is party to various other legal proceedings in several foreign jurisdictions related to value-added tax assessments and other civil litigation. While there is a reasonable possibility that a loss may be incurred, either the losses are not considered to be probable or the Company cannot at this time estimate the loss, if any; therefore, no provision for losses has been provided. The Company believes future payments related to these matters could range from $0 to approximately $400.

Table of Contents

Non-Income Tax Contingencies

The Company has reserved for certain state sales and use tax and foreign non-income tax contingencies based on the likelihood of an obligation in accordance with accounting guidance for probable loss contingencies. Loss contingency provisions are recorded for probable losses at management's best estimate of a loss, or when a best estimate cannot be made, a minimum loss contingency amount is recorded. The Company provides provisions for potential payments of tax to various tax authorities for contingencies related to non-income tax matters, including value-added taxes and sales tax. The Company provides provisions for U.S. state sales taxes in each of the states where the Company has nexus. As of December 31, 2014 and 2013, accrued liabilities include $2,760 and $6,312, respectively, related to non-income tax contingencies. While management believes that the assumptions and estimates used to determine this liability are reasonable, the ultimate outcome of those matters cannot presently be determined. The Company is not able at this time to predict the ultimate outcomes of those matters or to estimate the effect of the ultimate outcomes, if greater than the amounts accrued, would have on the financial condition, results of operations or cash flows of the Company.

Self-Insurance Liabilities

Similar to other manufacturers and distributors of products that are ingested, the Company faces an inherent risk of exposure to product liability claims in the event that, among other things, the use of its products results in injury. The Company carries insurance in the types and amounts it considers reasonably adequate to cover the risks associated with its business. The Company has a wholly owned captive insurance company to provide it with product liability insurance coverage. The Company has accrued an amount that it believes is sufficient to cover probable and reasonably estimable liabilities related to product liability claims based on the Company's 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 the Company's business prospects, financial position, results of operations or cash flows.

The Company self-insures for certain employee medical benefits. 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.

The Company reviews its self-insurance accruals on a quarterly basis and determines, based upon a review of its recent claims history and other factors, which portions of its self-insurance accruals should be considered short-term and long-term. The Company has accrued $2,638 and $2,811 for product liability and employee medical claims at December 31, 2014 and 2013, respectively, of which $658 and $526 was classified as short-term. Such amounts are included in accrued liabilities and other long-term liabilities on the Company's consolidated balance sheets.

Government Regulations

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

NOTE 14: OPERATING BUSINESS SEGMENT AND INTERNATIONAL OPERATION INFORMATION

The Company has four business segments. These business segments are components of the Company for which separate information is available that is evaluated regularly by the chief executive officer in deciding how to allocate resources and in assessing relative performance.

The Company has two business segments that operate under the Nature's Sunshine® Products brand and are divided based on the characteristics of their Distributor base, similarities in compensation plans, as well as the internal organization of NSP's officers and their responsibilities (NSP Americas and NSP Russia, Central and Eastern Europe). The Company's third business segment operates under the Synergy® WorldWide brand, which distributes its products through different selling and Distributor compensation

plans and has products with formulations that are sufficiently different from those of NSP Americas and NSP Russia, Central and Eastern Europe to warrant accounting for these operations as a separate business segment. The Company's fourth business segment, China and New Markets, anticipates deploying a multi-brand, multi-channel go-to-market strategy that offers select Nature's Sunshine branded products through Fosun Pharma's retail locations across China as well as ecommerce, and select Synergy branded products through a direct selling model. The time to market will be dependent upon regulatory processes including product registration and permit approvals. The China and New Markets segment also includes Company's export sales business, in which the Company sells our products to various locally managed entities independent of the Company that have distribution rights for the relevant market. All of the net sales revenue to date in the China and New Markets segment is through the Company's export business to foreign markets outside of China set forth above that were previously part of NSP Americas. Net sales revenues for each segment have been reduced by intercompany sales as they are not included in the measure of segment profit or loss reviewed by the chief executive officer. The Company evaluates performance based on contribution margin (loss) by segment before consideration of certain inter-segment transfers and expenses.

In the fourth quarter of 2014, the Company created the China and New Markets segment. The Company moved the reporting of its export business, in which the Company sells our products to a locally managed entity independent of the Company that has distribution rights for the market, from the NSP Americas segment to the China and New Markets segment during the year ended December 31, 2014, and has made conforming changes to the results presented above for the prior year periods. The net sales revenue and contribution margin of this business for the year ended December 31, 2014 were $3,367 and 1,563, respectively. The net sales revenue and contribution margin of this business for the year ended December 31, 2013 were $2,865 and $1,318, respectively. The net sales revenue and contribution margin of this business for the year ended December 31, 2012 were $2,509 and $159, respectively.

Reportable business segment information for the years ended December 31, 2014, 2013 and 2012 is as follows:

Year Ended December 31,	2014	2013	2012
Net sales revenue:			
NSP Americas	**$ 184,625**	$ 195,924	$ 199,794
NSP Russia, Central and Eastern Europe	**50,274**	62,747	57,853
Synergy WorldWide	**128,101**	108,290	100,670
China and New Markets	**3,367**	2,865	2,509
Total net sales revenue	**366,367**	369,826	360,826
Contribution margin (1):			
NSP Americas	**75,673**	80,095	80,324
NSP Russia, Central and Eastern Europe	**17,851**	22,542	21,957
Synergy WorldWide	**43,888**	38,011	36,142
China and New Markets	**1,563**	1,318	159
Total contribution margin	**138,975**	141,966	138,582
Selling, general and administrative	**119,927**	118,383	104,716
Operating income	**19,048**	23,583	33,866
Other income (loss), net	**(34)**	1,993	1,573
Income from continuing operations before provision for income taxes	**$ 19,014**	$ 25,576	$ 35,439

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

Year Ended December 31,	2014	2013	2012
Capital expenditures:			
NSP Americas	**$ 25,581**	$ 8,018	$ 5,684
NSP Russia, Central and Eastern Europe	**8**	4	44
Synergy WorldWide	**1,321**	534	1,051
China and New Markets	**—**	—	—
Total capital expenditures	**$ 26,910**	$ 8,556	$ 6,779
Depreciation and amortization:			
NSP Americas	**$ 3,438**	$ 3,568	$ 3,339
NSP Russia, Central and Eastern Europe	**25**	27	36
Synergy WorldWide	**946**	871	703
China and New Markets	**—**	—	—
Total depreciation and amortization	**$ 4,409**	$ 4,466	$ 4,078

As of December 31,	2014	2013
Assets:		
NSP Americas	**$ 129,371**	$ 148,278
NSP Russia, Central and Eastern Europe	**6,679**	11,233
Synergy WorldWide	**40,797**	40,101
China and New Markets	**19,952**	—
Total assets	**$ 196,799**	$ 199,612

From an individual country perspective, only the United States comprises approximately 10 percent or more of consolidated net sales revenue for any of the years ended December 31, 2014, 2013 and 2012 as follows:

Year Ended December 31,	2014	2013	2012
Net sales revenue:			
United States	**$ 148,219**	$ 152,209	$ 154,716
South Korea	**54,314**	34,207	28,006
Other	**163,834**	183,410	178,104
Total net sales revenue	**$ 366,367**	$ 369,826	$ 360,826

Table of Contents

Revenue generated by each of the Company's product lines is set forth below (U.S. dollars in thousands):

Year Ended December 31,	2014	2013	2012
NSP Americas:			
General health	**$ 79,022**	$ 82,332	$ 87,280
Immunity	**23,881**	24,013	24,410
Cardiovascular	**12,665**	13,268	13,483
Digestive	**53,906**	57,575	56,160
Personal care	**4,025**	5,214	5,792
Weight management	**11,126**	13,522	12,669
	184,625	195,924	199,794
NSP Russia, Central and Eastern Europe:			
General health	**$ 18,841**	$ 22,690	$ 20,540
Immunity	**6,512**	7,902	7,365
Cardiovascular	**3,104**	4,324	4,367
Digestive	**13,171**	15,693	14,501
Personal care	**6,073**	8,817	8,908
Weight management	**2,573**	3,321	2,172
	50,274	62,747	57,853
Synergy WorldWide:			
General health	**$ 46,546**	$ 36,723	$ 33,969
Immunity	**974**	1,394	1,104
Cardiovascular	**42,449**	42,154	42,696
Digestive	**20,839**	16,897	14,904
Personal care	**7,196**	7,097	5,631
Weight management	**10,097**	4,025	2,366
	128,101	108,290	100,670
China and New Markets:			
General health	**$ 1,566**	$ 1,306	$ 1,180
Immunity	**445**	367	319
Cardiovascular	**235**	211	188
Digestive	**835**	726	632
Personal care	**83**	74	70
Weight management	**203**	181	120
	3,367	2,865	2,509
Total net sales revenue	**$ 366,367**	$ 369,826	$ 360,826

From an individual country perspective, only the United States and Venezuela comprise 10 percent or more of consolidated property, plant and equipment as follows:

As of December 31	2014	2013
Property, plant and equipment		
United States	**$ 48,013**	$ 25,713
Venezuela	**—**	3,207
Other	**3,330**	3,102
Total property, plant and equipment	**$ 51,343**	$ 32,022

Due to the continual currency devaluation of the Venezuelan bolivar, as of September 30, 2014, the Company incurred a $2,947 impairment charge to write down the value of its fixed assets in Venezuela to $0.

NOTE 15: RELATED PARTY TRANSACTIONS

The Company maintains split-dollar life insurance policies on certain executives. The cash surrender value of $48 and $48 related to such policies is recorded in other assets as of December 31, 2014 and 2013, respectively.

Mr. Eugene Hughes, a former member of the Company's Board of Directors and a shareholder, retired as an employee of the Company effective as of December 22, 2008. Prior to his retirement, the Company and Mr. Hughes entered into a Retirement and Consulting Agreement, dated as of December 9, 2008, pursuant to which Mr. Hughes provides consulting services to the Company for

Table of Contents

an initial term of eight years following his retirement. In exchange for such consulting services, Mr. Hughes will receive an annual compensation of $215 for the first two years of service, and an annual compensation of $100 for the remainder of the initial term.

NOTE 16: FAIR VALUE

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

Level 1: Quoted market prices in active markets for identical assets or liabilities.
Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.
Level 3: Unobservable inputs that are not corroborated by market data.

The following table presents the Company's hierarchy for its asset measured at fair value on a recurring basis as of December 31, 2014:

	Level 1 Quoted Prices in Active Markets for Identical Assets	Level 2 Significant Other Observable Inputs	Level 3 Significant Unobservable Inputs	Total
Investments available-for-sale				
Municipal obligations	$ —	$ 101	$ —	$ 101
U.S. government security funds	1,776	—	—	1,776
Equity securities	669	—	—	669
Investment securities	1,038	—	—	1,038
Total assets measured at fair value on a recurring basis	$ 3,483	$ 101	$ —	$ 3,584

The following table presents the Company's hierarchy for its asset measured at fair value on a recurring basis as of December 31, 2013:

	Level 1 Quoted Prices in Active Markets for Identical Assets	Level 2 Significant Other Observable Inputs	Level 3 Significant Unobservable Inputs	Total
Investments available-for-sale				
Municipal obligations	$ —	$ 415	$ —	$ 415
U.S. government security funds	983	—	—	983
Equity securities	608	—	—	608
Investment securities	971	—	—	971
Total assets measured at fair value on a recurring basis	$ 2,562	$ 415	$ —	$ 2,977

Investments available-for-sale — The majority of the Company's investment portfolio consist of various securities such as state and municipal obligations, U.S. government security funds, short-term deposits and various equity securities. The Level 1 securities are valued using quoted prices for identical assets in active markets including equity securities and U.S. government treasuries. The Level 2 securities include investments in state and municipal obligations whereby all significant inputs are observable or can be derived from or corroborated by observable market data for substantially the full term of the asset.

Investment securities — The majority of the Company's trading portfolio consists of various marketable securities that are valued using quoted prices in active markets.

For the years ended December 31, 2014 and 2013, there were no fair value measurements using significant unobservable inputs (Level 3).

Table of Contents

NOTE 17: SUMMARY OF QUARTERLY OPERATIONS — UNAUDITED

The following tables presents the Company's unaudited summary of quarterly operations during 2014 and 2013 for each of three month periods ended March 31, June 30, September 30, and December 31.

	For the Quarter Ended			
	March 31, 2014	June 30, 2014	September 30, 2014	December 31, 2014
Net sales revenue	$ 93,467	$ 92,831	$ 93,406	$ 86,663
Cost of sales	(22,581)	(22,793)	(22,742)	(23,468)
Gross profit	70,886	70,038	70,664	63,195
Volume incentives	34,893	34,270	34,918	31,727
Selling, general and administrative	29,152	29,941	30,200	30,634
Operating income	6,841	5,827	5,546	834
Other income (expense)	(262)	(79)	(42)	349
Income from continuing operations before income taxes	6,579	5,748	5,504	1,183
Provision (benefit) for income taxes	(3,657)	2,198	407	309
Net income from continuing operations	10,236	3,550	5,097	874
Loss from discontinued operations	(571)	(316)	(4,106)	(4,964)
Net income (loss)	9,665	3,234	991	(4,090)
Net income (loss) attributable to noncontrolling interests	—	—	(26)	(193)
Net income (loss) attributable to common shareholders	$ 9,665	$ 3,234	$ 1,017	$ (3,897)
Basic and diluted net income per common share				
Basic:				
Net income from continuing operations	$ 0.63	$ 0.22	$ 0.30	$ 0.05
Income (loss) from discontinued operations	$ (0.03)	$ (0.02)	$ (0.24)	$ (0.26)
Net income (loss) attributable to common shareholders	$ 0.60	$ 0.20	$ 0.06	$ (0.21)
Diluted:				
Net income from continuing operations	$ 0.61	$ 0.22	$ 0.29	$ 0.05
Income (loss) from discontinued operations	$ (0.03)	$ (0.02)	$ (0.23)	$ (0.25)
Net income (loss) attributable to common shareholders	$ 0.58	$ 0.20	$ 0.06	$ (0.20)
Dividends declared per common share	$ 0.10	$ 0.10	$ 1.60	$ 0.10

	For the Quarter Ended			
	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013
Net sales revenue	$ 94,375	$ 91,782	$ 90,405	$ 93,264
Cost of sales	(23,741)	(22,075)	(22,917)	(23,611)
Gross profit	70,634	69,707	67,488	69,653
Volume incentives	34,182	33,838	33,203	34,293
Selling, general and administrative	29,522	28,068	27,773	33,020
Operating income	6,930	7,801	6,512	2,340
Other income (expense)	438	1,522	(216)	249
Income from continuing operations before income taxes	7,368	9,323	6,296	2,589
Provision for income taxes	2,302	3,235	1,610	776
Net income from continuing operations	5,066	6,088	4,686	1,813
Income (loss) from discontinued operations	(202)	(36)	164	30
Net income	4,864	6,052	4,850	1,843
Net income (loss) attributable to noncontrolling interests	—	—	—	—
Net income attributable to common shareholders	$ 4,864	$ 6,052	$ 4,850	$ 1,843
Basic and diluted net income per common share				
Basic:				
Net income from continuing operations	$ 0.32	$ 0.38	$ 0.29	$ 0.11
Income (loss) from discontinued operations	$ (0.01)	$ —	$ 0.01	$ —
Net income attributable to common shareholders	$ 0.31	$ 0.38	$ 0.30	$ 0.11
Diluted:				
Net income from continuing operations	$ 0.31	$ 0.38	$ 0.28	$ 0.11
Income (loss) from discontinued operations	$ (0.01)	$ —	$ 0.01	$ —
Net income attributable to common shareholders	$ 0.30	$ 0.38	$ 0.29	$ 0.11
Dividends declared per common share	$ 0.10	$ 0.10	$ 1.60	$ 0.10

Basic and diluted income per share is computed independently for each of the quarters presented. Therefore, the sum of the quarterly net loss per share may not equal the total computed for the year.

Item 9. Change In and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

This report includes the certifications of our Chief Executive Officer and Chief Financial Officer required by Rule 13a-14 of the Securities Exchange Act of 1934 (the "Exchange Act"). See Exhibits 31.1 and 31.2. This Item 9A includes information concerning the controls and control evaluations referred to in those certifications.

Overview

Management is responsible for establishing and maintaining adequate internal controls over financial reporting for the Company.

The following discussion sets forth a summary of management's evaluation of our disclosure controls and procedures as of December 31, 2014. In addition, this item provides a discussion of management's evaluation of internal control over financial reporting.

Our independent registered public accountants have also issued an audit report on our internal control over financial reporting. This report appears below.

Evaluation of Disclosure Controls and Procedures

Our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in rules and forms adopted by the SEC, and that such information is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosures.

In connection with the preparation of our Annual Report as of December 31, 2014, our management, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2014. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of December 31, 2014.

Management's Report on Internal Control over Financial Reporting

Management, with the participation of our Chief Executive Officer and Chief Financial Officer, has conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework set forth in *"Internal Control—Integrated Framework (2013)"* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on management's assessment under this framework, management has concluded that our internal control over financial reporting was effective as of December 31, 2014. Our internal control over financial reporting as of December 31, 2014 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) under the Exchange Act) that occurred during the fourth quarter ended December 31, 2014, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Nature's Sunshine Products, Inc.:

We have audited the internal control over financial reporting of Nature's Sunshine Products, Inc. and subsidiaries (the "Company") as of December 31, 2014, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the criteria established in *Internal Control — Integrated Framework (2013)*issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and consolidated financial statement schedule as of and for the year ended December 31, 2014 of the Company and our report dated March 12, 2015 expressed an unqualified (which included an explanatory paragraph relating to the Company's discontinued operations in Venezuela) opinion on those consolidated financial statements and consolidated financial statement schedule.

/s/ Deloitte & Touche LLP

Salt Lake City, Utah
March 12, 2015

Table of Contents

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this Item is incorporated herein by reference to our definitive proxy statement to be filed with the SEC no later than 120 days after the close of our fiscal year ended December 31, 2014, except that the information required with respect to our executive officers is set forth under Item 1. "Business", of this Annual Report on Form 10-K, and is incorporated herein by reference.

Item 11. Executive Compensation

The information required by this Item is incorporated herein by reference to our definitive proxy statement to be filed with the SEC no later than 120 days after the close of our fiscal year ended December 31, 2014.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by this Item is incorporated herein by reference to our definitive proxy statement to be filed with the SEC no later than 120 days after the close of our fiscal year ended December 31, 2014.

Item 13. Certain Relationships and Related Transactions and Director Independence

The information required by this Item is incorporated herein by reference to our definitive proxy statement to be filed with the SEC no later than 120 days after the close of our fiscal year ended December 31, 2014.

Item 14. Principal Accounting Fees and Services.

The information required by this Item is incorporated herein by reference to our definitive proxy statement to be filed with the SEC no later than 120 days after the close of our fiscal year ended December 31, 2014.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a)(1) List of Financial Statements

The following are filed as part of this report:

Report of Independent Registered Public Accounting Firm

Consolidated balance sheets as of December 31, 2014 and 2013

Consolidated statements of operations for the years ended December 31, 2014, 2013, and 2012

Consolidated statements of comprehensive income for the years ended December 31, 2014, 2013, and 2012

Consolidated statements of changes in shareholders' equity for the years ended December 31, 2014, 2013, and 2012

Consolidated statements of cash flows for the years ended December 31, 2014, 2013, and 2012

Notes to consolidated financial statements

(a)(2) List of Financial Statement Schedules

Schedule II - Valuation and Qualifying Accounts.

Financial statement schedules other than the one listed are omitted for the reason that they are not required or are not applicable, or the required information is shown in the financial statements or notes thereto, or contained elsewhere in this report.

(a)(3) List of Exhibits

Exhibit Index as seen below

Table of Contents

SIGNATURES

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

Nature's Sunshine Products, Inc.

Date: **March 12, 2015**

By: /s/ Gregory L. Probert

Gregory L. Probert,
Chief Executive Officer and Chairman of the Board

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

Signature	Title	Date
/s/ Gregory L. Probert Gregory L. Probert	Chief Executive Officer and Chairman of the Board (Principal Executive Officer)	March 12, 2015
/s/ Kristine F. Hughes Kristine F. Hughes	Vice Chair of the Board	March 12, 2015
/s/ Stephen M. Bunker Stephen M. Bunker	Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)	March 12, 2015
/s/ Albert R. Dowden Albert R. Dowden	Director	March 12, 2015
/s/ Robert B. Mercer Robert B. Mercer	Director	March 12, 2015
/s/ Willem Mesdag Willem Mesdag	Director	March 12, 2015
/s/ Jeffrey D. Watkins Jeffrey D. Watkins	Director	March 12, 2015

/s/ Mary Beth Springer Mary Beth Springer	Director	March 12, 2015
/s/ Li Dongjiu Li Dongjiu	Director	March 12, 2015
/s/ Rebecca Lee Steinfort Rebecca Lee Steinfort	Director	March 12, 2015

Table of Contents

NATURE'S SUNSHINE PRODUCTS, INC.
SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013, AND 2012
(Amounts in thousands)

Description	Balance at Beginning of Year	Provisions	Amounts Written Off	Amounts Recovered	Effect of Currency Translation	Balance at End of Year
Year ended December 31, 2014						
Allowance for doubtful accounts receivable	$ 1,087	$ (121)	$ (75)	$ 4	$ (46)	$ 849
Allowance for sales returns	135	1,527	(1,525)	—	(8)	129
Allowance for obsolete inventory	2,407	1,503	(1,666)	1	(57)	2,188
Tax valuation allowance	11,340	1,829	—	—	—	13,169
Year ended December 31, 2013						
Allowance for doubtful accounts receivable	$ 631	$ 535	$ (18)	$ 1	$ (62)	$ 1,087
Allowance for sales returns	154	1,435	(1,454)	—	—	135
Allowance for obsolete inventory	2,254	1,600	(1,577)	41	89	2,407
Tax valuation allowance	8,149	3,191	—	—	—	11,340
Year ended December 31, 2012						
Allowance for doubtful accounts receivable	$ 647	$ 45	$ (86)	$ (1)	$ 26	$ 631
Allowance for sales returns	109	2,296	(2,249)	—	(2)	154
Allowance for obsolete inventory	2,083	985	(809)	—	(5)	2,254
Tax valuation allowance	9,836	(1,687)	—	—	—	8,149

Table of Contents

LIST OF EXHIBITS

Item No.	Exhibit
3.1(1)	Adjusted and Adjusted Articles of Incorporation.
3.2(1)	Adjusted and Adjusted By-laws.
10.1(14)*	Nature's Sunshine Products, Inc. Tax Deferred Retirement Plan, Restated January 1, 2012.
10.2(1)*	Nature's Sunshine Products, Inc. Supplemental Elective Deferral Plan, as Adjusted effective as of January 1, 2008.
10.6(3)*	Employment Agreement, dated as of December 21, 2007, between Nature's Sunshine Products, Inc. and Stephen M. Bunker.
10.7(2)*	Amendment to Employment Agreement, dated as of December 30, 2008, by and between Nature's Sunshine Products, Inc. and Stephen M. Bunker.
10.11(4)*	Retirement and Consulting Agreement, dated as of December 9, 2008, by and between Nature's Sunshine Products, Inc. and Eugene Hughes.
10.14(5)	2009 Stock Incentive Plan
10.15(9)*	Form of Award Agreement (2009 Stock Incentive Plan)
10.19(13)*	Employment Agreement, dated February 11, 2014, by and between the Company and Gregory L. Probert
10.20(7)*	Stock Option Agreement, dated June 17, 2011, by and between the Company and Gregory L. Probert
10.21(8)*	Employment Agreement, dated January 25, 2012, by and between the Company and D. Wynne Roberts
10.22(8)*	Stock Option Agreement, dated February 6, 2012, by and between the Company and D. Wynne Roberts
10.23(11)	2012 Stock Incentive Plan and Amendment 1
10.24(11)*	Form of Award Agreement (2012 Stock Incentive Plan)
10.25(9)*	Amendment to Employment Agreement, dated March 4, 2013, by and between the Company and Gregory L. Probert
10.26(9)*	Consulting Agreement, dated March 4, 2013, by and between the Company and Michael D. Dean
10.27(9)*	Amendment to Employment Agreement, dated March 4, 2013, by and between the Company and Michael D. Dean
10.28(12)*	Amendment to Employment Agreement, dated October 1, 2013, by and between the Company and Gregory L. Probert
10.29(10)*	Employment Agreement, dated October 2, 2013, by and between the Company and Richard D. Strulson
10.30(10)*	Stock Option Agreement, dated November 4, 2013, by and between the Company and Richard D. Strulson
10.31(10)*	Employment Agreement, dated April 16, 2013, by and between the Company and Matthew L. Tripp

10.32(10)*	Stock Option Agreement, dated May 6, 2013, by and between the Company and Matthew L. Tripp
10.33(14)*	Employment Agreement, dated October 13, 2014, by and between the Company and Paul E. Noack
10.34(14)*	Stock Option Agreement, dated January 15, 2015, by and between the Company and Paul E. Noack
10.35(14)*	Employment Agreement, dated March 4, 2013, by and between the Company and Susan M. Armstrong
10.36(14)*	Stock Option Agreement, dated February 11, 2014, by and between the Company and Susan M. Armstrong
14(1)	Nature's Sunshine Products, Inc. Code of Conduct.
21(14)	List of Subsidiaries of Registrant.
23.1(14)	Consent of Independent Registered Public Accounting Firm.
31.1(14)	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as Adjusted.
31.2(14)	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as Adjusted.
32.1(14)	Certification of Chief Executive Officer pursuant to 18 U.S.C. § 1350.
32.2(14)	Certification of Chief Financial Officer pursuant to 18 U.S.C. § 1350.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

Table of Contents

(1) Previously filed with the SEC on November 9, 2009, as an exhibit to the Quarterly Report on Form 10-Q for the quarter ended September 30, 2010 and is incorporated herein by reference.
(2) Previously filed with the SEC on January 12, 2009, as an exhibit to the Current Report on Form 8-K and is incorporated herein by reference.
(3) Previously filed with the SEC on December 31, 2007, as an exhibit to the Current Report on Form 8-K and is incorporated herein by reference.
(4) Previously filed with the SEC on February 12, 2009, as an exhibit to the registration statement on Form 10 and is incorporated herein by reference.
(5) Previously filed with the SEC on October 19, 2009 as Appendix C, an exhibit to the Registrant's Proxy Statement and is incorporated herein by reference.
(6) Filed with the SEC on March 16, 2010, as an exhibit to the Current Report on Form 8-K and is incorporated herein by reference.
(7) Filed with the SEC on June 22, 2011, as an exhibit to the Current Report on Form 8-K and is incorporated herein by reference.
(8) Filed with the SEC on February 23, 2011, as an exhibit to the Current Report on Form 8-K and is incorporated herein by reference.
(9) Filed with the SEC on March 8, 2013, as an exhibit to the Current Report on Form 8-K and is incorporated herein by reference.
(10) Filed with the SEC on March 17, 2014, as an exhibit to the Current Report on Form 10-K and is incorporated herein by reference.
(11) Filed with the SEC on January 15, 2015, as an exhibit to the Current Report on Form 8-K and is incorporated herein by reference.
(12) Filed with the SEC on October 4, 2013, as an exhibit to the Current Report on Form 8-K and is incorporated herein by reference.
(13) Filed with the SEC on February 19, 2015, as an exhibit to the Current Report on Form 8-K and is incorporated herein by reference.
(14) Filed herewith.

* Management contract or compensatory plan.

Exhibit 10.1

NATURES'S SUNSHINE PRODUCTS, INC. TAX DEFERRED RETIREMENT PLAN

401 (k) Plan CL2011

Restated January 1, 2012

TABLE OF CONTENTS

INTRODUCTION	
ARTICLE I	FORMAT AND DEFINITIONS
Section 1.01	Format
Section 1.02	Definitions
ARTICLE II	PARTICIPATION
Section 2.01	Active Participant
Section 2.02	Inactive Participant
Section 2.03	Cessation of Participation
Section 2.04	Adopting Employers - Single Plan
ARTICLE Ill	CONTRIBUTIONS
Section 3.01	Employer Contributions
Section 3.02	Rollover Contributions
Section 3.03	Forfeitures
Section 3.04	Allocation
Section 3.05	Contribution Limitation
Section 3.06	Excess Amounts
ARTICLE IV	INVESTMENT OF CONTRIBUTIONS
Section 4.01	Investment and Timing of Contributions
Section 4.02	Investment in Qualifying Employer Securities
ARTICLE V	BENEFITS
Section 5.01	Retirement Benefits
Section 5.02	Death Benefits
Section 5.03	Vested Benefits
Section 5.04	When Benefits Start
Section 5.05	Withdrawal Benefits
Section 5.06	Distributions Under Qualified Domestic Relations Orders
ARTICLE VI	DISTRIBUTION OF BENEFITS
Section 6.01	Automatic Forms of Distribution
Section 6.02	Optional Forms of Distribution
Section 6.03	Election Procedures
Section 6.04	Notice Requirements
ARTICLE VII	REQUIRED MINIMUM DISTRIBUTIONS
Section 7.01	Application
Section 7.02	Definitions

Section 7.03	Required Minimum Distributions
ARTICLE VIII	TERMINATION OF THE PLAN
ARTICLE IX	ADMINISTRATION OF THE PLAN
Section 9.01	Administration
Section 9.02	Expenses
Section 9.03	Records
Section 9.04	Information Available
Section 9.05	Claim Procedures
Section 9.06	Delegation of Authority
Section 9.07	Exercise of Discretionary Authority
Section 9.08	Transaction Processing
ARTICLE X	GENERAL PROVISIONS
Section 10.01	Amendments

Section 10.02	Direct Rollovers
Section 10.03	Mergers and Direct Transfers
Section 10.04	Provisions Relating to the Insurer and Other Parties
Section 10.05	Employment Status
Section 10.06	Rights to Plan Assets
Section 10.07	Beneficiary
Section 10.08	Nonalienation of Benefits
Section 10.09	Construction
Section 10.10	Legal Actions
Section 10.11	Small Amounts
Section 10.12	Word Usage
Section 10.13	Change in Service Method
Section 10.14	Military Service
Section 10.15	Indemnification
ARTICLE XI	TOP-HEAVY PLAN REQUIREMENTS
Section 11.01	Application
Section 11.02	Definitions
Section 11.03	Modification of Contributions
PLAN EXECUTION	

INTRODUCTION

The Primary Employer previously established a tax deferred retirement plan on October 31, 1986.

The Plan is being restated effective January 1, 2012, and is set forth in this document which is substituted in lieu of the prior document with the exception of any interim compliance amendment and any model amendment. Such amendment(s) shall continue to apply to this restated plan until such provisions are integrated into the plan or such amendment(s) are superseded by another amendment.

It is intended that the restated 401(k) plan qualify as a profit sharing plan under the Internal Revenue Code of 1986, including any later amendments to the Code. The Employer agrees to operate the plan according to the terms, provisions, and conditions set forth in this document.

The restated plan continues to be for the exclusive benefit of employees of the Employer. All persons covered under the plan before the effective date of this restatement shall continue to be covered under the restated plan with no loss of benefits.

This plan includes the statutory, regulatory, and guidance changes specified in the 2011 Cumulative List of Changes in Plan Qualification Requirements (2011 Cumulative List) contained in Internal Revenue Service Notice 2011-97 and the qualification requirements and guidance published before the issuance of such list. The provisions of this plan apply as of the effective date of the restatement unless otherwise specified.

ARTICLE I

FORMAT AND DEFINITIONS

SECTION 1.01—FORMAT.

Words and phrases defined in the DEFINITIONS SECTION of Article I shall have that defined meaning when used in this Plan, unless the context clearly indicates otherwise. These words and phrases have initial capital letters to aid in identifying them as defined terms.

SECTION 1.02—DEFINITIONS.

Account means, for a Participant, his share of the Plan Fund. Separate accounting records are kept for those parts of his Account resulting from:

(a) Pre-tax Elective Deferral Contributions

(b) Roth Elective Deferral Contributions

(c) Matching Contributions

(d) Qualified Nonelective Contributions

(e) Rollover Contributions

A Participant's Account shall be reduced by any distribution of his Vested Account and by any Forfeitures. A Participant's Account shall participate in the earnings credited, expenses charged, and any appreciation or depreciation of the Investment Fund. His Account is subject to any minimum guarantees applicable under the Annuity Contract or other investment arrangement.

ACP Test means the nondiscrimination test described in Code Section 401(m)(2) as provided for in the EXCESS AMOUNTS SECTION of Article Ill.

Active Participant means an Eligible Employee who is actively participating in the Plan according to the provisions in the ACTIVE PARTICIPANT SECTION of Article II.

Adopting Employer means an employer who has adopted this Plan and who is not the Primary Employer. An Adopting Employer is a Controlled Group member and is listed in the ADOPTI NG EMPLOYERS - SINGLE PLAN SECTION of Article II.

ADP Test means the nondiscrimination test described in Code Section 401(k)(3) as provided for in the EXCESS AMOUNTS SECTION of Article Ill.

Affiliated Service Group means any group of corporations, partnerships or other organizations of which the Employer is a part and that is affiliated within the meaning of Code Section 414 (m) and the regulations thereunder. The term Controlled Group, as it is used in this Plan, shall include the term Affiliated Service Group.

Alternate Payee means any spouse, former spouse, child, or other dependent of a Participant who is recognized by a qualified domestic relations order as having a right to receive all, or a portion of, the benefits payable under the Plan with respect to such Participant.

Annual Compensation means, for a Plan Year, the Employee's Compensation for the Compensation Year ending with or within the consecutive 12-month period ending on the last day of the Plan Year.

Annual Compensation shall exclude Compensation for the portion of the Compensation Year in which an Employee is not an Active Participant.

Annuity Contract means the annuity contract or contracts into which the Trustee or the Primary Employer enters with the Insurer for guaranteed benefits, for the investment of Contributions in separate accounts, and for the payment of benefits under this Plan.

Annuity Starting Date means, for a Participant, the first day of the first period for which an amount is payable as an annuity or any other form.

Beneficiary means the person or persons named by a Participant to receive any benefits under the Plan when the Participant dies. See the BENEFICIARY SECTION of Article X.

Catch-up Contributions means Elective Deferral Contributions made to the Plan that are in excess of an otherwise applicable Plan limit and that are made by Participants who are age 50 or older by the end of the taxable year. An otherwise applicable Plan limit is a limit in the Plan that applies to Elective Deferral Contributions without regard to Catch-up Contributions, such as the limits on the Maximum Annual Additions, as defined in the CONTRIBUTION LIMITATION SECTION of Article Ill, the dollar limitation on Elective Deferral Contributions under Code Section 402(g) (not counting Catch-up Contributions), and the limit imposed by the ADP Test.

Catch-up Contributions are not subject to the limits on the Maximum Annual Additions, as defined in the CONTRIBUTION LIMITATION SECTION of Article 111, are not counted in the ADP Test, and are not counted in determining the minimum allocation under Code Section 416 (but Catch-up Contributions made in prior years are counted in determining whether the Plan is top-heavy).

Claimant means any person who makes a claim for benefits under this Plan. See the CLAIM PROCEDURES SECTION of Article IX.

Code means the Internal Revenue Code of 1986, as amended.

Compensation means, except for purposes of the CONTRIBUTION LIMITATION SECTION of Article Ill and Article XI, the total earnings, except as modified in this definition, from the Employer during any specified period.

"Earnings" in this definition means wages within the meaning of Code Section 3401(a) for the purposes of income tax withholding at the source but determined without regard to any rules that limit the remuneration included in wages based on the nature or location of the employment or the services performed (such as the exception for agricultural labor in Code Section 3401(a)(2)).

For any Self-employed Individual, Compensation means Earned Income.

Except as provided herein, Compensation for a specified period is the Compensation actually paid or made available (or if earlier, includible in gross income) during such period.

Compensation for a Plan Year shall also include Compensation paid by the later of 2 1/2 months after an Employee's Severance from Employment with the Employer maintaining the Plan or the end of the Plan Year that includes the date of the Employee's Severance from Employment with the Employer maintaining the Plan, if the payment is regular Compensation for services during the Employee's regular working hours, or Compensation for services outside the Employee's regular working hours (such as overtime or shift differential), commissions, bonuses, or other similar payments, and, absent a Severance from Employment, the payments would have been paid to the Employee while the Employee continued in employment with the Employer.

Any payments not described above shall not be considered Compensation if paid after Severance from Employment, even if they are paid by the later of 2 1/2 months after the date of Severance from Employment or the end of the Plan Year that includes the date of Severance from Employment.

Back pay, within the meaning of section 1.415(c)-2(g)(8) of the regulations, shall be treated as Compensation for the Plan Year to which the back pay relates to the extent the back pay represents wages and compensation that would otherwise be included in this definition.

Compensation paid or made available during a specified period shall include amounts that would otherwise be included in Compensation, but for an election under Code Section 125(a), 132(f)(4), 402(e)(3), 402(h)(1)(B), 402(k), or 457(b). Compensation shall also include employee contributions "picked up" by a governmental entity and, pursuant to Code Section 414(h)(2), treated as Employer contributions.

For purposes of determining the allocation or amount of

Elective Deferral Contributions

Compensation shall exclude the following:

severance pay

For purposes of the EXCESS AMOUNTS SECT ION of Article Ill, the Employer may elect to use an alternative nondiscriminatory definition of Compensation in accordance with the regulations under Code Section 414(s).

The annual Compensation of each Participant taken into account in determining contributions and allocations for any determination period (the period over which Compensation is determined) shall not exceed $200,000, as adjusted for cost-of-living increases in accordance with Code Section 401(a)(17)(B). The cost-of-living adjustment in effect for a calendar year applies to any determination period beginning with or within such calendar year.

If a determination period consists of fewer than 12 months, the annual compensation limit is an amount equal to the otherwise applicable annual compensation limit multiplied by a fraction. The numerator of the fraction is the number of months in the short determination period, and the denominator of the fraction is 12.

If Compensation for any prior determination period is taken into account in determining a Participant's contributions or allocations for the current Plan Year, the Compensation for such prior determination period is subject to the applicable annual compensation limit in *effect* for that determination period.

Compensation means, for a Leased Employee, Compensation for the services the Leased Employee performs for the Employer, determined in the same manner as the Compensation of Employees who are not Leased Employees, regardless of whether such Compensation is received directly from the Employer or from the leasing organization.

Compensation Year means the period used to determine Annual Compensation. The Compensation Year is the consecutive 12-month period ending on the last day of each Plan Year, including corresponding periods before the effective date of the Plan.

Contributions means Employer Contributions and Rollover Contributions as set out in Article 111, unless the context clearly indicates only specific contributions are meant.

Controlled Group means any group of corporations, trades, or businesses of which the Employer is a part that is under common control. A Controlled Group includes any group of corporations, trades, or businesses, whether or not incorporated, which is either a parent-subsidiary group, a brother-sister group, or a combined group within the meaning of Code Section 414(b), Code Section 414(c) and the regulations thereunder and, for purposes of determining contribution limitations under the CONTRIBUTION LIMITATION SECTION of Article Ill, as modified by Code Section 415(h). The term Controlled Group, as it is used in this Plan, shall include the term Affiliated Service Group and any other employer required to be aggregated with the Employer under Code Section 414(0) and the regulations thereunder.

Designated Beneficiary means the individual who is designated by the Participant (or the Participant's surviving spouse) as the Beneficiary of the Participant's interest under the Plan and who is the designated beneficiary under Code Section 401(a)(9) and section 1.401(a)(9)-4 of the regulations.

Differential Wage Payments means any payments that are made by an Employer to an individual with respect to any period during which the individual is performing Qualified Military Service while on active duty for a period of more than 30 days. Such payments shall be made in accordance with Code Section 3401(h) and represent all or a portion of the wages the individual would have received from the Employer if the individual were performing service for the Employer.

Direct Rollover means a payment by the Plan to the Eligible Retirement Plan specified by the Distributee.

Distributee means an Employee or former Employee. In addition, the Employee's (or former Employee's) surviving spouse and the Employee's (or former Employee's) spouse or former spouse who is the Alternate Payee under a qualified domestic relations order, as defined in Code Section 414(p), are Distributees with regard to the interest of the spouse or former spouse. For distributions made after December 31, 2006, a Distributee includes the Employee's (or former Employee's) nonspouse Designated Beneficiary, in which case, the distribution can only be transferred to a traditional IRA or Roth IRA established on behalf of the nonspouse Designated Beneficiary for the purpose of receiving the distribution.

Earned Income means, for a Self-employed Individual, net earnings from self-employment in the trade or business for which this Plan is established if such Self-employed Individual's personal services are a material income producing factor for that trade or business. Net earnings shall be determined without regard to items not included in gross income and the deductions properly allocable to or chargeable against such items. Net earnings shall be reduced for the employer contributions to the employer's qualified retirement plan(s) to the extent deductible under Code Section 404.

Net earnings shall be determined with regard to the deduction allowed to the employer by Code Section 164(f) for taxable years beginning after December 31, 1989.

Elective Deferral Agreement means an agreement between an Eligible Employee and the Employer under which an Eligible Employee may make Elective Deferral Contributions. An Elective Deferral Agreement (or change thereto) must be made in such manner and in accordance with such rules as the Employer may prescribe in a nondiscriminatory manner (including by means of voice response or other electronic system under circumstances the Employer permits). Elective Deferral Agreements cannot relate to Compensation that is payable prior to the later of the adoption or effective date of the cash or deferred arrangement (CODA). Elective Deferral Agreements shall be made, changed, or terminated according to the provisions of the EMPLOYER CONTRIBUTIONS SECTION of Article Ill. An Elective Deferral Agreement may also be terminated according to the terms of an automatic contribution arrangement.

Elective Deferral Contributions means Employer Contributions made in accordance with either an Elective Deferral Agreement or the terms of an automatic contribution arrangement.

Elective Deferral Contributions means Pre-tax Elective Deferral Contributions and Roth Elective Deferral Contributions, unless the context clearly indicates only one is meant.

Elective Deferral Contributions shall be 100% vested and subject to the distribution restrictions of Code Section 401(k) when made. See the WHEN BENEFITS START SECTION of Article V.

Eligible Employee means any Employee of the Employer excluding the following:

Bargaining class. Represented for collective bargaining purposes by any collective bargaining agreement between the Employer and employee representatives, if retirement benefits were the subject of good faith bargaining and if two percent or less of the Employees who are covered pursuant to that agreement are professionals as defined in section 1.41O(b)-9 of the regulations, unless a collective bargaining agreement in effect for such Plan Year requires that the employees in a specified bargaining class be covered by this Plan. For this purpose, the term "employee representatives" does not include any organization more than half of whose members are Employees who are owners, officers, or executives of the Employer.

Leased Employee.

An Employee considered by the Employer to be an independent contractor, or the employee of an independent contractor, who is later determined by the Internal Revenue Service to be an Employee of the Employer.

However, to the extent an Employee becomes an Employee as a result of a Code Section 41O(b)(6)(C) transaction, that Employee shall not be an Eligible Employee during the period beginning on the date of the transaction and ending on the last day of the first Plan Year beginning after the date of the transaction. This period is

called the transition period. The transition period may end earlier if there is a significant change in the coverage under the Plan or if the Employer chooses to cover all similarly situated Employees as of an earlier date. A Code Section 41O{b){6)(C) transaction is an asset or stock acquisition, merger, or similar transaction involving a change in the employer of the employees of a trade or business.

Eligible Retirement Plan means an eligible plan under Code Section 457(b) which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision

of a state and which agrees to separately account for amounts transferred into such plan from this Plan, a tradit ional IRA, a Roth IRA, an annuity plan described in Code Section 403(a), an annuity contract described in Code Section 403(b), or a qualified plan described in Code Section 401(a), that accepts the Distributee's Eligible Rollover Distribution. The definition of Eligible Retirement Plan shall also apply in the case of a distribution to a surviving spouse, or to a spouse or former spouse who is the Alternate Payee under a qualified domestic relations order, as defined in Code Section 414(p).

If any portion of an Eligible Rollover Distribution is attributable to payments or distributions from a designated Roth account, an Eligible Retirement Plan with respect to such portion shall include only (i) another designated Roth account of the individual from whose Account the payments or distributions were made or (ii) a Roth IRA of such individual.

Eligible Rollover Distribution means any distribution of all or any portion of the balance to the credit of the Distributee, except that an Eligible Rollover Distribution does not include: (i) any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the Distributee or the joint lives (or joint life expectancies) of the Distributee and the Distributee's Designated Beneficiary, or for a specified period of ten years or more; (ii) any distribution to the extent such distribution is required under Code Section 401(a)(9); (iii) any hardship distribution; and (iv) any other distribution(s) that is reasonably expected to total less than $200 during a year. For purposes of the $200 rule, a distribution from a designated Roth account and a distribution from other accounts under the Plan shall be treated as made under separate plans.

Any portion of a distribution that consists of after-tax employee contributions that are not includible in gross income may be transferred only to (i) a traditional individual retirement account or annuity described in Code Section 408(a) or (b) (a "traditional IRA"); (ii) a Roth individual retirement account or annuity described in Code Section 408A (a "Roth IRA"); or (iii) a qualified plan or an annuity contract described in Code Section 401(a) and 403(b), respectively, that agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible.

Employee means an individual who is employed by the Employer or any other employer required to be aggregated with the Employer under Code Sections 414(b), (c), (m), or (o). A Controlled Group member is required to be aggregated with the Employer.

The term Employee shall include any individual receiving Differentia lWage Payments.

The term Employee shall include any Self-employed Individual treated as an employee of any employer described in the preceding paragraphs as provided in Code Section 401(c)(1). The term Employee shall also include any Leased Employee deemed to be an employee of any employer described in the preceding paragraphs as provided in Code Section 414(n) or (o).

Employer means, except for purposes of the CONTRIBUTION LIMITATION SECTION of Article Ill, the Primary Employer. This will also include any successor corporation, trade or business which will, by written agreement, assume the obligations of this Plan or any Predecessor Employer that maintained this Plan.

Employer Contributions means

Elective Deferral Contributions
Matching Contributions
Qualified Nonelective Contributions

as set out in Article Ill and contributions made by the Employer in accordance with the provisions of the MODIFICATION OF CONTRIBUTIONS SECTION of Article XI, unless the context clearly indicates only specific contributions are meant.

Entry Date means the date an Employee first enters the Plan as an Active Participant. See the ACTIVE PARTICIPANT SECTION of Article II.

ERISA means the Employee Retirement Income Security Act of 1974, as amended.

Forfeiture means the part, if any, of a Participant's Account that is forfeited. See the FORFEITURES SECTION of Article Ill.

Forfeiture Date means, as to a Participant, the date the Participant incurs five consecutive Vesting Breaks in Service.

Governing Board means the Chief Executive Officer and Chief Financial Officer of the Primary Employer.

Highly Compensated Employee means any Employee who:

(a) was a 5-percent owner at any time during the year or the preceding year, or

(b) for the preceding year had compensation from the Employer in excess of $80,000 and was in the top-paid group (top 20% of employees based on compensation) for the preceding year. The $80,000 amount is adjusted at the same time and in the same manner as under Code Section 415(d), except that the base period is the calendar quarter ending September 30, 1996.

For this purpose the applicable year of the plan for which a determination is being made is called a determination year and the preceding 12-month period is called a look-back year.

In determining who is a Highly Compensated Employee, the Employer makes a top-paid group election. The effect of this election is that an Employee (who is not a 5-percent owner at any time during the determination year or the look-back year) with compensation in excess of $80,000 (as adjusted) for the look-back year is a Highly Compensated Employee only if the Employee was in the top-paid group for the look-back year. Top-paid group elections, once made, apply for all subsequent years unless changed by the Employer. Any such election(s) must be in writing and by the date prescribed in Code Section 414(q) and the regulations thereunder. Any election(s) shall remain in effect until changed by a new election and must apply consistently to all plans maintained by the Employer which reference the highly

compensated employee definition in Code Section 414(a), except as provided in Internal Revenue Service Notice 97-45 (or superseding guidance).

The determination of who is a highly compensated former Employee is based on the rules applicable to determining Highly Compensated Employee status as in effect for that determination year, in accordance with section 1.414(q)-1T, A-4 of the temporary Income Tax Regulations and Internal Revenue Service Notice 97-45.

The determination of who is a Highly Compensated Employee, including the determinations of the number and identity of Employees in the top-paid group, the compensation that is considered, and the identity of the 5-percent owners, shall be made in accordance with Code Section 414(q) and the regulations thereunder.

Hour of Service means the following:

(a) Each hour for which an Employee is paid, or entitled to payment, for performing duties for the Employer during the applicable computation period.

(b) Each hour for which an Employee is paid, or entitled to payment, by the Employer on account of a period of time in which no duties are performed (irrespective of whether the employment relationship has terminated) due to vacation, holiday, illness, incapacity (including disability), layoff, jury duty, military duty or leave of absence. Notwithstanding the preceding provisions of this subparagraph (b), no credit will be given to the Employee:

(1) for more than 501 Hours of Service under this subparagraph (b) on account of any single continuous period in which the Employee performs no duties (whether or not such period occurs in a single computation period); or

(2) for an Hour of Service for which the Employee is directly or indirectly paid, or entitled to payment, on account of a period in which no duties are performed if such payment is made or due under a plan maintained solely for the purpose of complying with applicable worker's or workmen's compensation, or unemployment compensation, or disability insurance laws; or

(3) for an Hour of Service for a payment which solely reimburses the Employee for medical or medically related expenses incurred by him.

For purposes of this subparagraph (b), a payment shall be deemed to be made by, or due from the Employer, regardless of whether such payment is made by, or due from the Employer, directly or indirectly through, among others, a trust fund or insurer, to which the Employer contributes or pays premiums and regardless of whether contributions made or due to the trust fund, insurer or other entity are for the benefit of particular employees or are on behalf of a group of employees in the aggregate.

(c) Each hour for which back pay, irrespective of mitigation of damages. is either awarded or agreed to by the Employer. The same Hours of Service shall not be credited both under subparagraph (a) or subparagraph (b) above (as the case may be) and under this subparagraph (c). Crediting of Hours of Service for back pay awarded or agreed to with respect to periods described in subparagraph (b) above will be subject to the limitations set fort h in that subparagraph.

The crediting of Hours of Service above shall be applied under the rules of paragraphs {b) and (c) of the Department of Labor Regulation 2530.200b-2 (including any interpretations or opinions implementing such rules); which rules, by this reference, are specifically incorporated in full within this Plan. The reference to paragraph (b) applies to the special rule for determining Hours of Service for reasons other than the performance of duties such as payments calculated (or not calculated) on the basis of units of time and the rule against double credit. The reference to paragraph (c) applies to the crediting of Hours of Service to computation periods.

Hours of Service shall be credited for employment with any other employer required to be aggregated with the Employer under Code Sections 414(b), (c), (m), or (o) and the regulations thereunder for purposes of eligibility and vesting. Hours of Service shall also be credited for any individual who is considered an employee for purposes of this Plan pursuant to Code Section 414(n) or (o) and the regulations thereunder.

Solely for purposes of determining whether a one-year break in service has occurred for eligibility or vesting purposes, during a Parental Absence an Employee shall be credited with the Hours of Service which would otherwise have been credited to the Employee but for such absence, or in any case in which such hours cannot be determined, eight Hours of Service per day of such absence. The Hours of Service credited under this paragraph shall be credited in the computation period in which the absence begins if the crediting is necessary to prevent a break in service in that period; or in all other cases, in the following computation period.

Inactive Participant means a former Active Participant who has an Account. See the INACTIVE PARTICIPANT SECTION of Article II.

Insurer means Principal Life Insurance Company or the insurance company or companies named by (i) the Primary Employer or (ii) the Trustee in its discretion or as directed under the Trust Agreement.

Investment Fund means the total of Plan assets, excluding the guaranteed benefit policy portion of any Annuity Contract. All or a portion of these assets may be held under, or invested pursuant to, the terms of a Trust Agreement.

The Investment Fund shall be valued at current fair market value as of the Valuation Date. The valuation shall take into consideration investment earnings credited, expenses charged, payments made, and changes in the values of the assets held in the Investment Fund.

The Investment Fund shall be allocated at all times to Participants, except as otherwise expressly provided in the Plan. The Account of a Participant shall be credited with its share of the gains and losses of the Investment Fund. The part of a Participant's Account invested in a funding arrangement that establishes one or more accounts or investment vehicles for such Participant thereunder shall be credited with the gain or loss from such accounts or investment vehicles. The part of a Participant's Account invested in other funding arrangements shall be credited with a proportionate share of the gain or loss of such investments. The share shall be determined by multiplying the gain or loss of the investment by the ratio of the part of the Participant's Account invested in such funding arrangement to the total of the Investment Fund invested in such funding arrangement.

Investment Manager means any fiduciary (other than a trustee or Named Fiduciary)

(a) who has the power to manage, acquire, or dispose of any assets of the Plan;

(b) who (i) is registered as an investment adviser under the Investment Advisers Act of 1940; (ii) is not registered as an investment adviser under such Act by reason of paragraph (1) of section 203A(a) of such Act, is registered as an investment adviser under the laws of the state (referred to in such paragraph (1)) in which it maintains its principal office and place of business, and, at the time it last filed the registration form most recently filed by it with such state in order to maintain its registration under the laws of such state, also filed a copy of such form with the Secretary of Labor; (iii) is a bank, as defined in that Act; or (iv) is an insurance company qualified to perform services described in subparagraph (a) above under the laws of more than one state; and

(c) who has acknowledged in writing being a fiduciary with respect to the Plan.

Late Retirement Date means any day that is after a Participant's Normal Retirement Date and on which retirement benefits begin. If a Participant continues to work for the Employer after his Normal Retirement Date, his Late Retirement Date shall be the day he has a Severance from Employment. In

modification of the foregoing, a Participant may elect to begin his retirement benefits before he has a Severance from Employment. A later Retirement Date (after a Severance from Employment) may apply if the Participant so elects. See the WHEN BENEFITS START SECTION of Article V.

Leased Employee means any person (other than an employee of the recipient) who, pursuant to an agreement between the recipient and any other person ("leasing organization"), has performed services for the recipient (or for the recipient and related persons determined in accordance with Code Section 414(n)(6)) on a substantially full time basis for a period of at least one year, and such services are performed under primary direction or control by the recipient. Contributions or benefits provided by the leasing organization to a Leased Employee, which are attributable to service performed for the recipient employer, shall be treated as provided by the recipient employer.

A Leased Employee shall not be considered an employee of the recipient if:

(a) such employee is covered by a money purchase pension plan providing (i) a nonintegrated employer contribution rate of at least 1O percent of compensation, as defined in Code Section 415(c)(3), (ii) immediate participation, and (iii) full and immediate vesting, and

(b) Leased Employees do not constitute more than 20 percent of the recipient's nonhighly compensated work force.

Mandatory Distribution means a distribution to a Participant that is made without the Participant's consent and is made to the Participant before he attains the older of age 62 or his Normal Retirement Age.

Matching Contributions means Employer Contributions that are contingent on a Participant's Elective Deferral Contributions. See the EMPLOYER CONTRIBUTIONS SECTION of Article Ill.

Named Fiduciary means the person or persons appointed by the Governing Board who have authority to control and manage the investment of the assets of the Plan. To the extent the authority has not been delegated, the Named Fiduciary shall be the Governing Board.

A Named Fiduciary has the authority to appoint an Investment Manager to have investment responsibility for a portion of the assets of the Plan as identified by the Named Fiduciary.

Net Profits means the Employer's current or accumulated net earnings, determined according to generally accepted accounting practices, before any Contributions made by the Employer under this Plan and before any deduction for Federal or state income tax, dividends on the Employer's stock, and capital gains or losses.

Nonhighly Compensated Employee means an Employee of the Employer who is not a Highly Compensated Employee.

Nonvested Account means the excess, if any, of a Participant's Account over his Vested Account.

Normal Retirement Age means the age at which the Participant's Account becomes nonforfeitable if he is an Employee. A Participant's Normal Retirement Age is 59 1/2.

Normal Retirement Date means the date the Participant reaches his Normal Retirement Age. Unless otherwise provided in this Plan, a Participant's retirement benefits shall begin on his Normal Retirement Date if he has had a Severance from Employment on such date. However, retirement benefits shall not

begin before the older of age 62 or his Normal Retirement Age, unless the qualified election procedures of the ELECTION PROCEDURES SECTION of Article VI are met. Even if the Participant is an Employee on his Normal Retirement Date, he may choose to have his retirement benefit begin on such date.

Parental Absence means an Employee's absence from work:

(a) by reason of pregnancy of the Employee,

(b) by reason of birth of a child of the Employee,

(c) by reason of the placement of a child with the Employee in connection with adoption of such child by such Employee, or

(d) for purposes of caring for such child for a period beginning immediately following such birth or placement.

Participant means either an Active Participant or an Inactive Participant.

Period of Military Duty means, for an Employee

(a) who served as a member of the armed forces of the United States, and

(b) who was reemployed by the Employer at a time when the Employee had a right to reemployment in accordance with seniority rights as protected under Chapter 43 of Title 38 of the U.S. Code,

the period of time from the date the Employee was first absent from active work for the Employer because of such military duty to the date the Employee was reemployed.

Plan means the 401(k) plan of the Employer set forth in this document, including any later amendments to it.

Plan Administrator means the person or persons who administer the Plan.

The Plan Administrator is the Governing Board. The Governing Board has the authority to delegate to other person or persons any part or all of the duties of the Plan

Administrator.

Plan Fund means the total of the Investment Fund and the guaranteed benefit policy portion of any Annuity Contract. The Investment Fund shall be valued as stated in its definition. The guaranteed benefit policy portion of any Annuity Contract shall be determined in accordance with the terms of the Annuity Contract and, to the extent that such Annuity Contract allocates contract values to Participants, allocated to Participants in accordance with its terms. The total value of all amounts held under the Plan Fund shall equal the value of the aggregate Participants' Accounts under the Plan.

Plan Year means a consecutive 12-month period beginning on a Yearly Date and ending on the day before the next Yearly Date. If the Yearly Date changes, the change will result in a short Plan Year.

Predecessor Employer means, except for purposes of the CONTRIBUTION LIMITATION SECTION of Article Ill, a firm of which the Employer was once a part (e.g., due to a spinoff or change of corporate status) or a firm absorbed by the Employer because of a merger or acquisition (stock or asset, including a division or an operation of such company).

Pre-tax Elective Deferral Contributions means a Participant's Elective Deferral Contributions that are not includible in the Participant's gross income at the time deferred.

Primary Beneficiary means an individual who is named as a Beneficiary under the Plan and has an unconditional right to all or a portion of the Participant's Account balance under the Plan upon the death of the Participant.

Primary Employer means Nature's Sunshine Products, Inc.

Qualified Military Service means any service in the uniformed services (as defined in Chapter 43 of Title 38 of the U.S. Code) by any individual if such individual is entitled to reemployment rights under such chapter with respect to such service.

Qualified Nonelective Contributions means Employer Contributions (other than Elective Deferral Contributions) that are 100% vested when made to the Plan and that are distributable only in accordance with the distribution provisions applicable to Elective Deferral Contributions, to the extent Qualified Nonelective Contributions can be distributed under such distribution provision. See the EMPLOYER CONTRIBUTIONS SECTION of Article Ill.

Qualified Reservist Distribution means any distribution to an individual if: (i) such distribution is from an individual retirement plan, or from amounts attributable to employer contributions made pursuant to elective deferrals described in Code Section 402(g)(3)(A) or (C) or Code Section 501(c)(18)(D)(iii); (ii) such individual was (by reason of being a member of a reserve component (as defined in Section 101 of Title 37 of the U.S. Code)) ordered or called to active duty after September 11, 2001 for a period in excess of 179 days or for an indefinite period; and (iii) such distribution is made during the period beginning on the date of such order or call and ending at the close of the active duty period.

Qualifying Employer Securities means any security which is issued by the Employer or any Controlled Group member and which meets the requirements of Code Section 409(1) and ERISA Section 407(d)(5). This shall also include any securities that satisfied the requirements of the definition when these securities were assigned to the Plan.

Qualifying Employer Securities Fund means that part of the assets of the Trust Fund that are designated to be held primarily or exclusively in Qualifying Employer Securities for the purpose of providing benefits for Participants.

Reentry Date means the date a former Active Participant reenters the Plan. See the ACT IVE PARTICIPANT SECTION of Article II.

Retirement Date means the date a retirement benefit will begin and is a Participant's Normal or Late Retirement Date, as the case may be.

Rollover Contributions means the Rollover Contributions that are made by an Eligible Employee or an Inactive Participant according to the provisions of the ROLLOVER CONTRIBUTIONS SECTION of Article Ill.

Roth Elective Deferral Contributions means a Participant's Elective Deferral Contributions that are not excludible from the Participant's gross income at the time deferred and have been irrevocably designated as Roth Elective Deferral Contributions by the Participant in his Elective Deferral Agreement. Whether an Elective Deferral Contribution is not excludible from a Participant's gross income will be determined in accordance with section 1.401(k)-1(f)(2) of the regulations. In the case of

a Self-employed Individual, an Elective Deferral Contribution is not excludible from gross income only if the individual does not claim a deduction for such amount.

Self-employed Individual means, with respect to any taxable year, an individual who has Earned Income for the taxable year (or who would have Earned Income but for the fact the trade or business for which this Plan is established did not have net profits for such taxable year).

Severance from Employment means, except for purposes of the CONTRIBUTION LIMITATION SECTION of Article 111, an Employee has ceased to be an Employee. An Employee does not have a severance from employment if, in connection with a change of employment, the Employee's new employer maintains such Plan with respect to the Employee.

Significant Corporate Event means any corporate merger or consolidation, recapitalization, reclassification, liquidation, dissolution, sale of substantially all assets of a trade or business, or such similar transaction as may be prescribed in regulations under Code Section 409(e)(3).

Totally and Permanently Disabled means that a Participant meets the definition of disabled under the Employer's long-term disability plan.

Trust Agreement means an agreement or agreements of trust between the Primary Employer and Trustee established for the purpose of holding and distributing the Trust Fund under the provisions of the Plan. The Trust Agreement may provide for the investment of all or any portion of the Trust Fund in the Annuity Contract or any other investment arrangement.

Trust Fund means the total funds held under an applicable Trust Agreement. The term Trust Fund when used within a Trust Agreement shall mean only the funds held under that Trust Agreement.

Trustee means the party or parties named in the applicable Trust Agreement.

Valuation Date means the date on which the value of the assets of the Investment Fund is determined. The value of each Account that is maintained under this Plan shall be determined on the Valuation Date. In each Plan Year, the Valuation Date shall be the last day of the Plan Year. At the discretion of the Plan Administrator, Trustee, or Insurer (whichever applies) and in a nondiscriminatory manner, assets of the Investment Fund may be valued more frequently. These dates shall also be Valuation Dates.

Vested Account means the vested part of a Participant's Account. The Participant's Vested Account is equal to that part of his Account resulting from Contributions that were 100% vested when made before his Vesting Percentage is 100% and is equal to his Account when his Vesting Percentage is 100%.

Vesting Break in Service means a Vesting Computation Period in which an Employee is credited with 500 or fewer Hours of Service. An Employee incurs a Vesting Break in Service on the last day of a Vesting Computation Period in which he has a Vesting Break in Service.

Vesting Computation Period means a consecutive 12-month period ending on the last day of each Plan Year, including corresponding consecutive 12-month periods before the effective date of the Plan.

Vesting Percentage means the percentage used to determine the nonforfeitable portion of a Participant's Account attributable to Employer Contributions that were not 100% vested when made.

A Participant's Vesting Percentage is shown in the following schedule opposite the number of whole years of his Vesting Service.

VESTING SERVICE (whole years)	VESTING PERCENTAGE
Less than 3	0
3 or more	100

The Vesting Percentage for a Participant who is an Employee on or after the date he reaches Normal Retirement Age shall be 100%. The Vesting Percentage for a Participant who is an Employee on the date he dies shall be 100%. The Vesting Percentage for a Participant who dies while performing Qualified Military Service shall be 100%. The Vesting Percentage for a Participant who is an Employee on the date he becomes disabled shall be 100%. The Vesting Percentage for a Participant who becomes disabled while performing Qualified Military Service shall be 100%. For purposes of this paragraph, disabled means the disability is subsequently determined to meet the definition of Totally and Permanently Disabled.

The schedule(s) used to determine a Participant's Vesting Percentage shall provide a percentage of nonforfeitable rights which is not less than the percentage that would have been provided under one of the options under Code Section 411(a)(2).

If the schedule used to determine a Participant's Vesting Percentage is changed, the new schedule shall not apply to a Participant unless he is credited with an Hour of Service on or after the date of the change and the Participant's nonforfeitable percentage on the day before the date of the change is not reduced under this Plan. The amendment provisions of the AMENDMENTS SECTION of Article X regarding changes in the computation of the Vesting Percentage shall apply.

Vesting Service means one year of service for each Vesting Computation Period in which an Employee is credited with at least 1,000 Hours of Service.

However, Vesting Service is modified as follows:

Period of Military Duty included:

> A Period of Military Duty shall be included as service with the Employer to the extent it has not already been credited. For purposes of crediting Hours of Service during the Period of Military Duty, an Hour of Service shall be credited (without regard to the 501 Hour of Service limitation) for each hour an Employee would normally have been scheduled to work for the Employer during such period.

Controlled Group service included:

> An Employee's service with a member firm of a Controlled Group while both that firm and the Employer were members of the Controlled Group shall be included as service with the Employer.

Yearly Date means October 31, 1986, and each following January 1.

Years of Service means an Employee's Vesting Service disregarding any modifications that exclude service.

ARTICLE II

PARTICIPATION

SECTION 2.01—ACTIVE PARTICIPANT.

(a) An Employee shall first become an Active Participant (begin active participation in the Plan) on the earliest date on which he is an Eligible Employee and has met the eligibility requirement set forth below. This date is his Entry Date.

(1) He is age 18 or older.

If the Plan's eligibility requirements are changed, an Employee who was an Active Participant immediately prior to the effective date of the change is deemed to satisfy the new requirements and his Entry Date shall not change.

Each Employee who was an Active Participant on the day before the effective date of this restatement (as determined in the INTRODUCTION SECTION of this Plan) shall continue to be an Active Participant if he is still an Eligible Employee on such restatement effective date and his Entry Date shall not change.

In the event an Employee who is not an Eligible Employee becomes an Eligible Employee, he shall become an Active Participant immediately if he has

satisfied the eligibility requirements above and would have otherwise previously become an Active Participant had he met the definition of Eligible Employee. This date is his Entry Date.

(b) An Inactive Participant shall again become an Active Participant (resume active participation in the Plan) on the date he again performs an Hour of Service as an Eligible Employee. This date is his Reentry Date.

Upon again becoming an Active Participant, he shall cease to be an Inactive Participant.

(c) A former Participant shall again become an Active Participant (resume active participation in the Plan) on the date he again performs an Hour of Service as an Eligible Employee. This date is his Reentry Date.

There shall be no duplication of benefits for a Participant because of more than one period as an Active Participant.

SECTION 2.02—INACTIVE PARTICIPANT.

An Active Participant shall become an Inactive Participant on the earlier of the fo llowing:

(a) the date the Participant ceases to be an Eligible Employee, or

(b) the effective date of complete termination of the Plan under Article VIII.

An Employee or former Employee who was an Inactive Participant on the day before the effective date of this restatement (as determined in the INTRODUCTION SECTION of this Plan) shall continue to be an Inactive Participant on such restatement effective date. Eligibility for any benefits payable to the Participant or

on his behalf and the amount of the benefits shall be determined according to the provisions of the prior document, unless otherwise stated in this document or any subsequent documents.

SECTION 2.03—CESSATION OF PARTICIPATION.

A Participant shall cease to be a Participant on the date he is no longer an Eligible Employee and his Account is zero.

SECTION 2.04—ADOPTING EMPLOYERS - SINGLE PLAN.

Each of the Controlled Group members listed below is an Adopting Employer. Each Adopting Employer listed below participates with the Employer in this Plan. An Adopting Employer's agreement to participate in this Plan shall be in writing.

The Employer has the right to amend the Plan. An Adopting Employer does not have the right to amend the Plan.

If the Adopting Employer did not maintain its plan before its date of adoption specified below, its date of adoption shall be the Entry Date for any of its Employees who have met the requirements in the ACTIVE PARTICIPANT SECTION of this article as of that date. Service with and Compensation from an Adopting Employer shall be included as service with and Compensation from the Employer. Transfer of employment, without interruption, between an Adopting Employer and another Adopting Employer or the Employer shall not be considered an interruption of service.

Contributions made by an Adopting Employer shall be treated as Contributions made by the Employer. Forfeitures arising from those Contributions shall be used for the benefit of all Participants.

An employer shall not be an Adopting Employer if it ceases to be a Controlled Group member. Such an employer may continue a retirement plan for its Employees in the form of a separate document. This Plan shall be amended to delete a former Adopting Employer from the list below.

If (i) an employer ceases to be an Adopting Employer or the Plan is amended to delete an Adopting Employer and (ii) the Adopting Employer does not continue a retirement plan for the benefit of its Employees, partial termination may result and the provisions of Article VIII shall apply.

NAME	ADOPTING EMPLOYERS DATE OF ADOPTION
Synergy Worldwide, Inc.	October 31, 2000
Nature's Sunshine Products Direct, Inc.	December 31, 2002

ARTICLE Ill

CONTRIBUTIONS

SECTION 3.01—EMPLOYER CONTRIBUTIONS.

Employer Contributions shall be made without regard to Net Profits. Notwithstanding the foregoing, the Plan shall continue to be designed to qualify as a profit sharing plan for purposes of Code Sections 401(a), 402, 412, and 417. Such Contributions shall be equal to the Employer Contributions as described below:

(a) The amount of each Elective Deferral Contribution for a Participant shall be equal to a portion of Compensation as specified in an Elective Deferral Agreement. Such Elective Deferral Contribution shall not be made before the later of (i) the adoption or effective date of the cash or deferred arrangement (CODA) or (ii) the date the Participant signs the Elective Deferral Agreement. An Employee who is eligible to participate in the Plan for purposes of Elective Deferral Contributions may file an Elective Deferral Agreement with the Employer. The Participant shall modify or terminate an Elective Deferral Agreement by filing a new Elective Deferral Agreement. An Elective Deferral Agreement shall remain in effect until modified or terminated by a Participant. An Elective Deferral Agreement may also be terminated according to the terms of an automatic contribution arrangement.

An Elective Deferral Agreement to start or modify Elective Deferral Contributions shall be effective as soon as administratively feasible on or after the

Participant's Entry Date (Reentry Date, if applicable) or any following date. An Elective Deferral Agreement must be entered into on or before the date it is effective.

An Elective Deferral Agreement to stop Elective Deferral Contributions may be entered into on any date. Such Elective Deferral Agreement shall be effective as soon as administratively feasible following the date on which the Elective Deferral Agreement is entered into.

Elective Deferral Contributions made pursuant to an Elective Deferral Agreement or the terms of an automatic contribution arrangement shall not be made earlier than the date (i) the Participant performs the services that relate to such Elective Deferral Contributions or (ii) the Compensation used to calculate such Elective Deferral Contributions would be payable to the Participant if not contributed to the Plan.

Elective Deferral Contributions for Highly Compensated Employees cannot be more than the limit set by the Plan Administrator for the Plan Year at the beginning of the year, expressed as a percent of Compensation. This limit shall not be less than 5% and may be adjusted prospectively during a Plan Year in the discretion of the Plan Administrator. A Participant who is eligible to make Catch-up Contributions shall not be limited to the maximum deferral percentage unless his Elective Deferral Contributions, including Catch-up Contributions, exceed this limit plus the dollar amount of Catch-up Contributions permitted.

A Participant who is age 50 or older by the end of the taxable year shall be eligible to make Catch-up Contributions.

A Participant may elect to designate all or any portion of his future Elective Deferral Contributions as Roth Elective Deferral Contributions.

The Plan provides for an automatic election to have Elective Deferral Contributions made. The automatic Elective Deferral Contribution shall be Pre-tax Elective Deferral Contributions and shall be 5% of Compensation. The Participant may affirmatively elect a different percentage or elect not to make Elective Deferral Contributions, and may elect to designate all or any portion of his Elective Deferral Contributions as Roth Elective Deferral Contributions.

Such automatic election shall apply when a Participant first becomes eligible to make Elective Deferral Contributions (or again becomes eligible after a period during which he was not an Active Participant).

The Participant shall be provided a notice that explains the automatic election and his right to elect a different rate of Elective Deferral Contributions or to elect not to make Elective Deferral Contributions, and his right to designate a portion of his Elective Deferral Contributions as Roth Elective Deferral Contributions. The notice shall include the procedure for exercising those rights and the timing for implementing any such elections. The Participant shall be given a reasonable period thereafter to elect a different rate of Elective Deferral Contributions or to elect not to make Elective Deferral Contributions, and to designate a portion of his Elective Deferral Contributions as Roth Elective Deferral Contributions.

Each Active Participant affected by the automatic election shall be provided an annual notice that explains the automatic election and his right to elect a different rate of Elective Deferral Contributions or to elect not to make Elective Deferral Contributions, and his right to designate all or any portion of his Elective Deferral Contributions as Roth Elective Deferral Contributions. The notice shall include the procedure for exercising those rights and the timing for implementing any such elections.

No Participant shall be permitted to have Elective Deferral Contributions, as defined in the EXCESS AMOUNTS SECTION of this article, made under this Plan, or any other plan, contract, or arrangement maintained by the Employer, during any calendar year, in excess of the dollar limitation contained in Code Section 402(g) in effect for the Participant's taxable year beginning in such calendar year. The dollar limitation in the preceding sentence shall be increased by the dollar limit on Catch-up Contributions under Code Section 414(v)(2)(B)(i) for the taxable year for any Participant who will be age 50 or older by the end of the taxable year.

The dollar limitation contained in Code Section 402(g) was $15,000 for taxable years beginning in 2006. After 2006, the $15,000 limit is adjusted by the Secretary of the Treasury for cost-of-living increases under Code Section 402(g)(4). Any such adjustments will be in multiples of $500.

Catch-up Contributions for a Participant for a taxable year may not exceed the dollar limit on Catch-up Contributions under Code Section 414(v)(2)(B)(i) for the taxable year. The dollar limit on Catch-up Contributions under Code Section 414(v)(2)(B)(i) was $5,000 for taxable years beginning in 2006. After 2006, the $5,000 limit is adjusted by the Secretary of the Treasury for cost-of-living increases under Code Section 414(v)(2)(C). Any such adjustments will be in multiples of $500.

Elective Deferral Contributions are 100% vested and nonforfeitable.

(b) The Employer shall make Matching Contributions in an amount equal to 50% of Elective Deferral Contributions. Elective Deferral Contributions that are over 5% of Compensation will not be matched.

Matching Contributions are calculated based on Elective Deferral Contributions and Compensation for the payroll period. Matching Contributions are made for all persons who were Active Participants at any time during that payroll period.

Elective Deferral Contributions that are Catch-up Contributions shall be taken into account with other Elective Deferral Contributions for purposes of determining Matching Contributions (subject to the 5% of Compensation limit on Elective Deferral Contributions taken into account).

The Employer shall also make Matching Contributions for a Participant who dies or becomes disabled while performing Qualified Military Service. For purposes of this paragraph, disabled means the disability is subsequently determined to meet the definition of Totally and Permanently Disabled. The amount of such Matching Contribution shall be based on the Participant's average actual Elective Deferral Contributions for the lesser of (i) the 12-month period of service with the Employer immediately prior to Qualified Military Service, or (ii) if service with the Employer is less than such 12-month period, the actual length of continuous service with the Employer, in accordance with Code Section 414(u)(9) and any subsequent guidance.

Matching Contributions are subject to the Vesting Percentage.

(c) Qualified Nonelective Contributions may be made for each Plan Year in an amount determined by the Employer.

(d} Discretionary Qualified Nonelective Contributions may be made for each Plan Year in an amount determined by the Employer to be used to reduce Excess Aggregate Contributions and Excess Contributions, as defined in the EXCESS AMOUNTS SECTION of this article. If the Plan is treated as separate plans because it is mandatorily disaggregated under the regulations of Code Section 401(k), a separate Qualified Nonelective Contribution may be determined for each separate plan. Such Contributions are in addition to any Qualified Nonelective Contributions provided above.

Qualified Nonelective Contributions are 100% vested when made.

Employer Contributions are allocated according to the provisions of the ALLOCATION SECTION of this article.

A portion of the Plan assets resulting from Employer Contributions (but not more than the original amount of those Contributions) may be returned if the Employer Contributions are made because of a mistake of fact or are more than the amount deductible under Code Section 404 (excluding any amount which is not deductible because the Plan is disqualified). The amount involved must be returned to the Employer within one year after the date the Employer Contributions are made by mistake of fact or the date the deduction is disallowed, whichever applies. Except as provided under this paragraph and in Article VIII, the assets of the Plan shall never be used for the benefit of the Employer and are held for the exclusive purpose of providing benefits to Participants and their Beneficiaries and for defraying reasonable expenses of administering the Plan.

SECTION 3.02—ROLLOVER CONTRIBUTIONS.

A Rollover Contribution may be made by an Eligible Employee or an Inactive Participant if the following conditions are met:

(a) The Contribution is a Participant Rollover Contribution or a direct rollover of an Eligible Rollover Distribution made from the types of plans and types of contributions specified below.

Direct Rollovers. The Plan will accept a direct rollover of an Eligible Rollover Distribution from:

(i) A qualified plan described in Code Section 401(a) or 403(a), including after-tax employee contributions and including any portion of a designated Roth account.

(ii) An annuity contract described in Code Section 403(b), including after-tax employee contributions and including any portion of a designated Roth account.

(iii) An eligible plan under Code Section 457(b) which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state, including any portion of a designated Roth account.

Participant Rollover Contributions from Other Plans. The Plan will accept a Participant contribution of an Eligible Rollover Distribution from:

(i) A qualified plan described in Code Section 401(a) or 403(a), excluding after-tax employee contributions and including distributions of a designated Roth account only to the extent such amount would otherwise be includible in a Participant's gross income.

(ii) An annuity contract described in Code Section 403(b), excluding after-tax employee contributions and including distributions of a designated Roth account only to the extent such amount would otherwise be includible in a Participant's gross income.

(iii) An eligible plan under Code Section 457(b) which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state, including distributions of a designated Roth account only to the extent such amount would otherwise be includible in a Participant's gross income.

Participant Rollover Contributions from IRAs. The Plan will accept a Participant Rollover Contribution of the portion of a distribution from an individual retirement account or individual retirement annuity described in Code Section 408(a) or (b) that is eligible to be rolled over and would otherwise be includible in the Participant's gross income.

(b) The Contribution is of amounts that the Code permits to be transferred to a plan that meets the requirements of Code Section 401(a).

(c) The Contribution is made in the form of a direct rollover under Code Section 401(a)(31) or is a rollover made under Code Section 402(c) or 408(d)(3)(A) within 60 days after an Eligible Employee or Inactive Participant receives the distribution.

(d) The Eligible Employee or Inactive Participant furnishes evidence satisfactory to the Plan Administrator that the proposed rollover meets conditions (a), (b), and (c) above.

(e) In the case of an Inactive Participant, the Contribution must be of an amount distributed from another plan of the Employer or a plan of a Controlled Group member.

A Rollover Contribution shall be allowed in cash only and must be made according to procedures set up by the Plan Administrator.

If the Eligible Employee is not an Active Participant when the Rollover Contribution is made, he shall be deemed to be an Active Participant only for the purpose of investment and distribution of the Rollover Contribution. Employer Contributions shall not be made for or allocated to the Eligible Employee until the time he meets all of the requirements to become an Active Participant.

Rollover Contributions made by an Eligible Employee or Inactive Participant shall be credited to his Account. The part of the Participant's Account resulting from Rollover Contributions is 100% vested and nonforfeitable at all times. Separate accounting records shall be maintained for those parts of his Rollover Contributions consisting of (i) voluntary contributions which were deducted from the Participant's gross income for Federal income tax purposes; (ii) after-tax employee contributions, including the portion that would not have been includible in the Participant's gross income if the contributions were not rolled over into this Plan; and (iii) any portion of a designated Roth account, including the portion that would not have been includible in the Participant's gross income if the contributions were not rolled over into this Plan.

SECTION 3.03—FORFEITURES.

The Nonvested Account of a Participant shall be forfeited as of the earlier of the following:

(a) the date the record keeper is notified that the Participant died (if prior to such date he has had a Severance from Employment), or

(b) the Participant's Forfeiture Date.

All or a portion of a Participant's Nonvested Account shall be forfeited before such earlier date if, after he has a Severance from Employment, he receives, or is deemed to receive, a distribution of his entire Vested Account or a distribution of his Vested Account derived from Employer Contributions under the RETIREMENT BENEFITS SECTION of Article V, the VESTED BENEFITS SECTION of Article V, or the SMALL AMOUNTS SECTION of Article X. The forfeiture shall occur as of the date the Participant receives, or is deemed to receive, the distribution. If a Participant receives, or is deemed to receive, his entire Vested Account, his entire Nonvested Account shall be forfeited. If a Participant receives a distribution of his Vested Account from Employer Contributions, but less than his entire Vested Account, the amount to be forfeited shall be determined by multiplying his Nonvested Account from such Contributions by a fraction. The numerator of the fraction is the amount of the distribution derived from Employer Contributions and the denominator of the fraction is his entire Vested Account derived from such Contributions on the date of the distribution.

A Forfeiture shall also occur as provided in the EXCESS AMOUNTS SECTION of this article.

Forfeitures shall be determined at least once during each Plan Year. Forfeitures may first be used to pay administrative expenses. Forfeitures of Matching Contributions that relate to excess amounts as provided in the EXCESS AMOUNTS SECTION of this article, that have not been used to pay administrative expenses, shall be applied to reduce Employer Contributions (other than Qualified Nonelective Contributions) made after the Forfeitures are determined. Any other Forfeitures that have not been used to pay administrative expenses shall be applied to reduce Employer Contributions (other than Qualified Nonelective Contributions) made after the Forfeitures are determined. Upon their application to reduce Employer Contributions, Forfeitures shall be deemed to be Employer Contributions.

If a Participant again becomes an Eligible Employee after receiving a distribution which caused all of his Nonvested Account to be forfeited, he shall have the right to repay to the Plan the entire amount of the distribution he received (excluding the portion of the distribution resulting from Rollover Contributions). The repayment must be made in a single sum (repayment in installments is not permitted) before the earlier of the date five years after the date he again becomes an Eligible Employee or the end of the first period of five

consecutive Vesting Break in Service periods which begin after the date of the distribution of his entire Vested Account.

If the Participant makes the repayment above, the Plan Administrator shall restore to his Account an amount equal to his Nonvested Account that was forfeited on the date of distribution, unadjusted for any investment gains or losses. If no amount is to be repaid because the Participant was deemed to have received a distribution or only received a distribution of Rollover Contributions, and he again performs an Hour of Service as an Eligible Employee within the repayment period, the Plan Administrator shall restore the Participant's Account as if he had made a required repayment on the date he performed such Hour of Service. Restoration of the Participant's Account shall include restoration of all Code Section 411(d)(6) protected benefits with respect to the restored Account, according to applicable Treasury regulations. Provided, however, the Plan Administrator shall not restore the Nonvested Account if (i) a Forfeiture Date has occurred after the date of the distribution and on or before the date of repayment and (ii) that Forfeiture Date would result in a complete forfeiture of the amount the Plan Administrator would otherwise restore.

The Plan Administrator shall restore the Participant's Account by the close of the Plan Year following the Plan Year in which repayment is made. The permissible sources for restoration of the Participant's Account are Forfeitures or special Employer Contributions. Such special Employer Contributions shall be made without regard to profits. The repaid and restored amounts are not included in the Participant's Annual Additions, as defined in the CONTRIBUTION LIMITATION SECTION of this article.

SECTION 3.04—ALLOCATION.

A person meets the allocation requirements of this section if he was an Active Participant on the last day of the Plan Year.

Elective Deferral Contributions shall be allocated to the Participants for whom such Contributions are made under the EMPLOYER CONTRIBUTIONS SECTION of this article. Such Contributions shall be allocated when made and credited to the Participant's Account.

Matching Contributions shall be allocated to the persons for whom such Contributions are made under the EMPLOYER CONTR IBUTIONS SECT ION of this article. Such Contributions shall be allocated when made and credited to the person's Account.

The discretionary Qualified Nonelective Contributions to be used to reduce excess amounts, as described in the EMPLOYER CONTRIBUTIONS SECT ION of this article, which are in addition to any Qualified Nonelective Contributions described in this section shall be allocated as of the last day of the Plan Year only to Nonhighly Compensated Employees who meet the allocation requirements of this section. Such Contributions (or separate Contributions) shall be allocated first to the eligible person under the Plan (or separate plan) with the lowest Annual Compensation for the Plan Year, then to the eligible person under the Plan (or separate plan) with the next lowest Annual Compensation, and so forth. T he amount of such Contributions shall be limited in each case to 5% of the eligible person's Compensation used for purposes of the ADP Test. This amount shall be credited to the person's Account.

Qualified Nonelective Contributions other than the discretionary Qualified Nonelective Contributions to be used to reduce excess amounts, as described in the EMPLOYER CONTR IBUTIONS SECT ION of this article, shall be allocated as of the last day of the Plan Year to each person who meets the allocation requirements of this section. Such Qualified Nonelective Contributions shall be allocated only to Nonhighly Compensated Employees. The amount allocated to such person for the Plan Year shall be equal to such Qualified Nonelective Contributions multiplied by the ratio of such person's Annual Compensation for the Plan

Year to the total Annual Compensation of all such persons. This amount shall be credited to the person's Account.

If Leased Employees are Eligible Employees, in determining the amount of Employer Contributions allocated to a person who is a Leased Employee, contributions provided by the leasing organization that are attributable to services such Leased Employee performs for the Employer shall be treated as provided by the Employer. Those contributions shall not be duplicated under this Plan.

SECTION 3.05—CONTRIBUTION LIMITATION.

Contributions to the Plan shall be limited in accordance with Code Section 415 and the regulations thereunder. The limitations of this section shall apply to Limitation Years beginning on or after July 1, 2007, except as otherwise provided herein.

(a) Definitions. For the purpose of determining the contribution limitation set forth in this section, the following terms are defined.

Annual Additions means the sum of the following amounts credited to a Participant's account for the Limitation Year:

(1) employer contributions;

(2) employee contributions; and

(3) forfeitures.

Annual Additions to a defined contribution plan, as defined in section 1.415(c)-1(a)(2)(i) of the regulations, shall also include the following:

(4) mandatory employee contributions, as defined in Code Section 411(c)(2)(C) and section 1.411(c)-1(c){4) of the regulations, to a defined benefit plan;

(5) contributions allocated to any individual medical benefit account, as defined in Code Section 415(1)(2), which is part of a pension or annuity plan maintained by the Employer;

(6) amounts attributable to post-retirement medical benefits, allocated to the separate account of a key employee, as defined in Code Section 419A(d)(3), under a welfare benefit fund, as defined in Code Section 419(e), maintained by the Employer; and

(7) annual additions under an annuity contract described in Code Section 403(b).

Compensation means wages within the meaning of Code Section 3401(a) for the purposes of income tax withholding at the source but determined without regard to any rules that limit the remuneration included in wages based on the nature or location of the employment or the services performed (such as the exception for agricultural labor in Code Section 3401(a)(2)).

For any Self-employed Individual, Compensation shall mean Earned Income.

Except as provided herein, Compensation for a Limitation Year is the Compensation actually paid or made available (or if earlier, includible in gross income) during such Limitation Year.

Compensation for a Limitation Year shall also include Compensation paid by the later of 2 1/2 months after an employee's Severance from Employment with the Employer maintaining the plan or the end of the Limitation Year that includes the date of the employee's Severance from Employment with the Employer maintaining the plan, if the payment is regular Compensation for services during the employee's regular working hours, or Compensation for services outside the employee's regular working hours (such as overtime or shift differential), commissions, bonuses, or other similar payments, and, absent a Severance from Employment, the payments would have been paid to the employee while the employee continued in employment with the Employer.

Any payments not described above shall not be considered Compensation if paid after Severance from Employment, even if they are paid by the later of 2 1/2 months after the date of Severance from Employment or the end of the Limitation Year that includes the date of Severance from Employment.

Back pay, within the meaning of section 1.415(c)-2(g)(8) of the regulations, shall be treated as Compensation for the Limitation Year to which the back pay relates to the extent the back pay represents wages and compensation that would otherwise be included in this definition.

Compensation paid or made available during such Limitation Year shall include amounts that would otherwise be included in Compensation but for an election under Code Section 125(a), 132(f)(4), 402(e)(3), 402(h)(1)(B), 402(k), or 457(b).

Compensation shall not include amounts paid as Compensation to a nonresident alien, as defined in Code Section 7701(b)(1)(B), who is not a Participant in the Plan to the extent the Compensation is excludible from gross income and is not effectively connected with the conduct of a trade or business within the United States.

Defined Contribution Dollar Limitation means $40,000, automatically adjusted under Code Section 415(d), effective January 1 of each year, as published in the Internal Revenue Bulletin. The new limitation shall apply to Limitation Years ending with or within the calendar year of the date of the adjustment, but a Participant's Annual Additions for a Limitation Year cannot exceed the currently applicable dollar limitation (as in effect before the January 1 adjustment) prior to January 1. However, after a January 1 adjustment is made, Annual Additions for the entire Limitation Year are permitted to reflect the dollar limitation as adjusted on January 1.

Employer means the employer that adopts this Plan, and all members of a controlled group of corporations (as defined in Code Section 414(b) as modified by Code Section 415(h)), all commonly controlled trades or businesses (as defined in Code Section 414(c), as modified, except in the case of a brother-sister group of trades or businesses under common control, by Code Section 415(h)), or affiliated service groups (as defined in Code Section 414(m)) of which the adopting employer is a part, and any other entity required to be aggregated with the employer pursuant to Code Section 414(0).

Limitation Year means the consecutive 12-month period ending on the last day of each Plan Year, including corresponding consecutive 12-month periods before the original effective date of the Plan. All qualified plans maintained by the Employer must use the same Limitation Year. If the Limitation Year is other than the calendar year, execution of this Plan (or any amendment to this Plan changing the Limitation Year) constitutes the Employer's adoption of a written resolution electing the Limitation Year. If the Limitation Year is amended to a different consecutive 12-month period, the new Limitation Year must begin on a date within the Limitation Year in which the amendment is made.

Maximum Annual Addition means, except for catch-up contributions described in Code Section 414(v), the Annual Addition that may be contributed or allocated to a Participant's Account under the Plan for any Limitation Year. This amount shall not exceed the lesser of:

(1) The Defined Contribution Dollar Limitation, or

(2) 100 percent of the Participant's Compensation for the Limitation Year.

A Participant's Compensation for a Limitation Year shall not include Compensation in excess of the limitation under Code Section 401(a)(17) that is in effect for the calendar year in which the Limitation Year begins.

The compensation limitation referred to in (2) shall not apply to an individual medical benefit account (as defined in Code Section 415(1); or a post-retirement medical benefits account for a key employee (as defined in Code Section 419A(d)(1)).

If a short Limitation Year is created because of an amendment changing the Limitation Year to a different consecutive 12-month period, the Maximum Annua l Addition will not exceed the Defined Contribution Dollar Limitation multiplied by the following fraction:

Number of months (including any fractional parts of a month)
in the short Limitation Year
12

If the Plan is terminated as of a date other than the last day of the Limitation Year, the Plan is treated as if the Plan was amended to change the Limitation Year and create a short Limitation Year ending on the date the Plan is terminated.

If a short Limitation Year is created, the limitation under Code Section 401(a)(17) shall be prorated in the same manner as the Defined Contribution Dollar Limitation.

Predecessor Employer means, with respect to a Participant, a former employer if the Employer maintains a plan that provides a benefit which the Participant accrued while performing services for the former employer. Predecessor Employer also means, with respect to a Participant, a former entity that antedates the Employer if, under the facts and circumstances, the Employer constitutes a continuation of all or a portion of the trade or business of the former entity.

Severance from Employment means an employee has ceased to be an employee of the Employer maintaining the plan. An employee does not have a Severance from Employment if, in connection with a change of employment, the employee's new employer maintains the plan with respect to the employee.

(b) If the Participant does not participate in another defined contribution plan, as defined in section 1.415(c)-1(a)(2)(i) of the regulations (without regard to whether the plan(s) have been terminated) maintained by the Employer, the amount of Annual Additions that may be credited to the Participant's Account for any Limitation Year shall not exceed the lesser of the Maximum Annual Addition or any other limitation contained in this Plan. If the Employer Contribution that would otherwise be contributed or allocated to the Participant's Account would cause the Annua l Additions for the Limitation Year to exceed the Maximum Annua l Addition, the amount contributed or allocated shall be reduced so that the Annual Additions for the Limitation Year will equal the Maximum Ann ual Addition.

(c) If, in addition to this Plan, the Participant is covered under another defined contribution plan, as defined in section 1.415(c)-1(a)(2)(i) of the regulations, (without regard to whether the plan(s) have been terminated) maintained by the Employer that provides an Annual Addition during any Limitation Year, the Annual Additions that may be credited to a Participant's Account under this Plan for any such Limitation Year will not exceed the Maximum Annual Addition, reduced by the Annual Additions credited to a Participant's account under the other defined contribution plan(s) for the same Limitation Year. If the Annual Additions with respect to the Participant under the other defined contribution plan(s) maintained by the Employer are less than the Maximum Annual Addition, and the Employer Contribution that would otherwise be contributed or allocated to the Participant's Account under this Plan would cause the Annual Additions for the Limitation Year to exceed this limitation, the amount contributed or allocated will be reduced so that the Annual Additions under all such plans and funds for the Limitation Year will equal the Maximum Annual Addition. If the Annual Additions with respect to the Participant under the other defined contribution plan(s) in the aggregate are equal to or greater than the Maximum Annual Addition, no amount will be contributed or allocated to the Participant's Account under this Plan for the Limitation Year.

(d) The limitation of this section shall be determined and applied taking into account the rules in subparagraph (e) below.

(e) Other Rules

(1) Aooreqating Plans. For purposes of applying the limitations of this section for a Limitation Year, all defined contribution plans (as defined in section 1.415(c)-1(a)(2)(i) of the regulations and without regard to whether the plan(s) have been terminated) ever maintained by the Employer and all defined contribution plans of a Predecessor Employer (in the Limitation Year in which such Predecessor Employer is created) under which a Participant receives Annual Additions are treated as one defined contribution plan.

(2) Break-up of Affiliated Employers. The Annual Additions under a formerly affiliated plan (as defined in section 1.415(f)-1(b)(2)(ii) of the regulations) of the Employer are taken into account for purposes of applying the limitations of this section for the Limitation Year in which the cessation of affiliation took place.

(3) Previously Unaggregated Plans. The limitations of this section are not exceeded for the first Limitation Year in which two or more existing plans, which previously were not required to be aggregated pursuant to section 1.415(f) of the regulations, are aggregated, provided that no Annual Additions are credited to a Participant after the date on which the plans are required to be aggregated if the Annual Additions already credited to the Participant in the existing plans equal or exceed the Maximum Annual Addition.

(4) Aggregation with Multiemployer Plan. If the Employer maintains a multiemployer plan, as defined in Code Section 414(f), and the multiemployer plan so provides, only the Annual Additions under the multiemployer plan that are provided by the Employer shall be treated as Annual Additions provided under a plan maintained by the Employer for purposes of this section.

SECTION 3.06—EXCESS AMOUNTS.

(a) Definitions. For purposes of this section, the following terms are defined:

ACP means, for a specified group of Participants (either Highly Compensated Employees or Nonhighly Compensated Employees) for a Plan Year, the average (expressed as a percentage) of the Contribution Percentages of the Eligible Participants in the group.

ADP means, for a specified group of Participants (either Highly Compensated Employees or Nonhighly Compensated Employees) for a Plan Year, the average (expressed as a percentage) of the Deferral Percentages of the Eligible Participants in the group.

Contribution Percentage means the ratio (expressed as a percentage) of the Eligible Participant's Contribution Percentage Amounts to the Eligible Participant's Compensation (excluding Differential Wage Payments) for the Plan Year (whether or not the Eligible Participant was an Eligible Participant for the entire Plan Year). In modification of the foregoing, Compensation shall be determined excluding Compensation for the portion of the Plan Year in which an Employee was not an Eligible Participant. For an Eligible Participant for whom such Contribution Percentage Amounts for the Plan Year are zero, the percentage is zero.

Contribution Percentage Amounts means the sum of the Participant Contributions and Matching Contributions (that are not Qualified Matching Contributions taken into account for purposes of the ADP Test) made under the plan on behalf of the Eligible Participant for the plan year. Contribution Percentage Amounts shall not include Participant Contributions withheld from Differential Wage Payments and Matching Contributions based on Elective

Deferral Contributions and Participant Contributions withheld from such Differential Wage Payments. Matching Contributions cannot be taken into account for a plan year for a Nonhighly Compensated Employee to the extent they are disproportionate matching contributions as defined in section 1.401(m)-2(a)(5)(ii) of the regulations. Such Contribution Percentage Amounts shall not include Matching Contributions that are forfeited either to correct Excess Aggregate Contributions or because the contributions to which they relate are Excess Elective Deferrals, Excess Contributions, or Excess Aggregate Contributions. Under such rules as the Secretary of the Treasury shall prescribe, in determining the Contribution Percentage the Employer may elect to include Qualified Nonelective Contributions under this Plan that were not used in computing the Deferral Percentage. Qualified Nonelective Contributions cannot be taken into account for a plan year for a Nonhighly Compensated Employee to the extent they are disproportionate contributions as defined in section 1.401(m)-2(a)(6)(v) of the regulations. The Employer may also elect to use Elective Deferral Contributions in computing the Contribution Percentage so long as the ADP Test is met before the Elective Deferral Contributions are used in the ACP Test and continues to be met following the exclusion of those Elective Deferral Contributions that are used to meet the ACP Test.

Deferral Percentage means the ratio (expressed as a percentage) of Elective Deferral Contributions (other than Catch-up Contributions and Elective Deferral Contributions withheld from Differential Wage Payments) under this Plan on behalf of the Eligible Participant for the Plan Year to the Eligible Participant's Compensation (excluding Differential Wage Payments) for the Plan Year (whether or not the Eligible Participant was an Eligible Participant for the entire Plan Year). In modification of the foregoing, Compensation shall be determined excluding Compensation for the portion of the Plan Year in which an Employee was not an Eligible Participant. The Elective Deferral Contributions used to determine the Deferral Percentage shall include Excess Elective Deferrals (other than Excess Elective Deferrals of Nonhighly Compensated Employees that arise solely from Elective Deferral Contributions made under this Plan or any other plans of the Employer or a Controlled Group member), but shall exclude Elective Deferral Contributions that are used in computing the Contribution Percentage (provided the ADP Test is satisfied both with and without exclusion of these Elective Deferral

Contributions). Under such rules as the Secretary of the Treasury shall prescribe, the Employer may elect to include Qualified Nonelective Contributions and Qualified Matching Contributions under this Plan in computing the Deferral Percentage. Qualified Matching Contributions cannot be taken into account for a Plan Year for a Nonhighly Compensated Employee to the extent they are disproportionate matching contributions as defined in section 1.401(m)-2(a)(5)(ii) of the regulations. Qualified Nonelective Contributions cannot be taken into account for a Plan Year for a Nonhighly Compensated Employee to the extent they are disproportionate contributions as defined in section 1.401(k)-2(a)(6)(iv) of the regulations. For an Eligible Participant for whom such contributions on his behalf for the Plan Year are zero, the percentage is zero.

Elective Deferral Contributions means any employer contributions made to a plan at the election of a participant in lieu of cash compensation. With respect to any taxable year, a participant's Elective Deferral Contributions are the sum of all employer contributions made on behalf of such participant pursuant to an election to defer under any qualified cash or deferred arrangement (CODA) described in Code Section 401(k), any salary reduction simplified employee pension plan described in Code Section 408(k)(6), any SIMPLE IRA plan described in Code Section 408(p), any plan described under Code Section 501(c)(18), and any employer contributions made on behalf of a participant for the purchase of an annuity contract under Code Section 403(b) pursuant to a salary reduction agreement. Elective Deferral Contributions include Pre-tax Elective Deferral Contributions and Roth Elective Deferral Contributions. Elective Deferral Contributions shall not include any deferrals properly distributed as excess annual additions.

Eligible Participant means, for purposes of determining the Deferral Percentage, any Employee who is otherwise entitled to make Elective Deferral Contributions under the terms of the plan for the plan year. Eligible Participant means, for purposes of determining the Contribution Percentage, any Employee who is eligible (i) to make a Participant Contribution or an Elective Deferral Contribution (if the Employer takes such contributions into account in the calculation of the Contribution Percentage), or (ii) to receive a Matching Contribution (including forfeitures) or a Qualified Matching Contribution. If a Participant Contribution is required as a condition of participation in the plan, any Employee who would be a participant in the plan if such Employee made such a contribution shall be treated as an Eligible Participant on behalf of whom no Participant Contributions are made.

Excess Aggregate Contributions means, with respect to any Plan Year, the excess of:

(1) The aggregate Contribution Percentage Amounts taken into account in computing the numerator of the Contribution Percentage actually made on behalf of Highly Compensated Employees for such Plan Year, over

(2) The maximum Contribution Percentage Amounts permitted by the ACP Test (determined by hypothetically reducing contributions made on behalf of Highly Compensated Employees in order of their Contribution Percentages beginning with the highest of such percentages).

Such determination shall be made after first determining Excess Elective Deferrals and then determining Excess Contributions.

Excess Contributions means, with respect to any Plan Year, the excess of:

(1) The aggregate amount of employer contributions actually taken into account in computing the Deferral Percentage of Highly Compensated Employees for such Plan Year, over

(2) The maximum amount of such contributions permitted by the ADP Test (determined by hypothetically reducing contributions made on behalf of Highly Compensated Employees in the order of the Deferral Percentages, beginning with the highest of such percentages).

Such determination shall be made after first determining Excess Elective Deferrals.

Excess Elective Deferrals means those Elective Deferral Contributions of a Participant that either (i) are made during the Participant's taxable year and exceed the dollar limitation under Code Section 402(g) or (ii) are made during a calendar year and exceed the dollar limitation under Code Section 402(g) for the Participant's taxable year beginning in such calendar year, counting only Elective Deferral Contributions made under this Plan and any other plan, contract, or arrangement maintained by the Employer. The dollar limitation shall be increased by the dollar limit on Catch-up Contributions under Code Section 414(v), if applicable.

Excess Elective Deferrals shall be treated as Annual Additions, as defined in the CONTRIBUTION LIMITATION SECTION of this article, under the Plan, unless such amounts are distributed no later than the first April 15 following the close of the Participant's taxable year.

Matching Contributions means employer contributions made to this or any other defined contribution plan, or to a contract described in Code Section 403(b), on behalf of a participant on account of a Participant Contribution made by such participant, or on account of a participant's Elective Deferral Contributions, under a plan maintained by the Employer or a Controlled Group member.

Participant Contributions means contributions (other than Roth Elective Deferral Contributions) made to the plan by or on behalf of a participant that are

included in the participant's gross income in the year in which made and that are maintained under a separate account to which the earnings and losses are allocated.

Pre-tax Elective Deferral Contributions means a participant's Elective Deferral Contributions that are not includible in the participant's gross income at the time deferred.

Qualified Matching Contributions means Matching Contributions that are nonforfeitable when made to the plan and that are distributable only in accordance with the distribution provisions applicable to Elective Deferral Contributions, to the extent Qualified Matching Contributions can be distributed under such distribution provision.

Qualified Nonelective Contributions means any employer contributions (other than Matching Contributions) that an Employee may not elect to have paid to him in cash instead of being contributed to the plan and that are nonforfeitable when made to the plan and that are distributable only in accordance with the distribution provisions applicable to Elective Deferral Contributions, to the extent Qualified Nonelective Contributions can be distributed under such distribution provision.

Roth Elective Deferral Contributions means a participant's Elective Deferral Contributions that are not excludible from the participant's gross income at the time deferred and have been irrevocably designated as Roth Elective Deferral Contributions by the participant in his elective deferral agreement. Whether an Elective Deferral Contribution is not excludible from a

participant's gross income will be determined in accordance with section 1.401(k)-1(f)(2) of the regulations. In the case of a self-employed individual, an Elective Deferral Contribution is not excludible from gross income only if the individual does not claim a deduction for such amount.

(b) Excess Elective Deferrals. A Participant may assign to this Plan any Excess Elective Deferrals made during a taxable year of the Participant by notifying the Plan Administrator in writing on or before the first following March 1 of the amount of the Excess Elective Deferrals to be assigned to the Plan. A Participant is deemed to notify the Plan Administrator of any Excess Elective Deferrals that arise by taking into account only those Elective Deferral Contributions made to this Plan and any other plan, contract, or arrangement of the Employer or a Controlled Group member. The Participant's claim for Excess Elective Deferrals shall be accompanied by the Participant's written statement that if such amounts are not distributed, such Excess Elective Deferrals will exceed the limit imposed on the Participant by Code Section 402(g) (including, if applicable, the dollar limitation on Catch-up Contributions under Code Section 414(v)) for the year in which the deferral occurred. The Excess Elective Deferrals assigned to this Plan cannot exceed the Elective Deferral Contributions allocated under this Plan for such taxable year.

Notwithstanding any other provisions of the Plan, Elective Deferral Contributions in an amount equal to the Excess Elective Deferrals assigned to this Plan, plus any income and minus any loss allocable thereto, shall be distributed no later than April 15 to any Participant to whose Account Excess Elective Deferrals were assigned for the preceding year and who claims Excess Elective Deferrals for such taxable year or calendar year.

Distribution of Excess Elective Deferral Contributions shall be made on a pro rata basis from the Participant's Account resulting from Pre-tax Elective Deferral Contributions and Roth Elective Deferral Contributions in the same proportion that such Contributions were made for the applicable year.

The Excess Elective Deferrals shall be adjusted for any income or loss. The income or loss allocable to such Excess Elective Deferrals shall be equal to the income or loss allocable to the Participant's Elective Deferral Contributions for the taxable year in which the excess occurred multiplied by a fraction. The numerator of the fraction is the Excess Elective Deferrals. The denominator of the fraction is the closing balance without regard to any income or loss occurring during such taxable year (as of the end of such taxable year) of the Participant's Account resulting from Elective Deferral Contributions.

For purposes of determining income or loss on Excess Elective Deferrals, no adjustment shall be made for income or loss for the gap period.

Any Matching Contributions that were based on the Elective Deferral Contributions distributed as Excess Elective Deferrals, plus any income and minus any loss allocable thereto, shall be forfeited.

(c) ADP Test. As of the end of each Plan Year after Excess Elective Deferrals have been determined, the Plan must satisfy the ADP Test. The ADP Test shall be satisfied using the prior year testing method or the current year testing method, as elected by the Employer in subparagraph (e) of this section.

(1) Prior Year Testing Method. The ADP for a Plan Year for Eligible Participants who are Highly Compensated Employees for each Plan Year and the prior year's ADP for Eligible

Participants who were Nonhighly Compensated Employees for the prior Plan Year must satisfy one of the following tests:

(i) The ADP for a Plan Year for Eligible Participants who are Highly Compensated Employees for the Plan Year shall not exceed the prior year's ADP for Eligible Participants who were Nonhighly Compensated Employees for the prior Plan Year multiplied by 1.25; or

(ii) The ADP for a Plan Year for Eligible Participants who are Highly Compensated Employees for the Plan Year:

A. shall not exceed the prior year's ADP for Eligible Participants who were Nonhighly Compensated Employees for the prior Plan Year multiplied by 2, and

B. the difference between such ADPs is not more than 2.

If this is not a successor plan, for the first Plan Year the Plan permits any Participant to make Elective Deferral Contributions, for purposes of the foregoing tests, the prior yea r's Nonhighly Compensated Employees' ADP shall be 3 percent or the Plan Year's ADP for these Eligible Participants, as elected by the Employer in subparagraph (e) of this section.

(2) Current Year Testing Method. The ADP for a Plan Year for Eligible Participants who are Highly Compensated Employees for each Plan Year and the ADP for Eligible Participants who are Nonhighly Compensated Employees for the Plan Year must satisfy one of the following tests:

(i) The ADP for a Plan Year for Eligible Participants who are Highly Compensated Employees for the Plan Year shall not exceed the ADP for Eligible Participants who are Nonhighly Compensated Employees for the Plan Year multiplied by 1.25; or

(ii) The ADP for a Plan Year for Eligible Participants who are Highly Compensated Employees for the Plan Year:

A. shall not exceed the ADP for Eligible Participants who are Nonhighly Compensated Employees for the Plan Year multiplied by 2, and

8. the difference between such ADPs is not more than 2.

If the Employer has elected to use the current year testing method, that election cannot be changed unless (i) the Plan has been using the current year testing method for the preceding five Plan Years, or if less, the number of Plan Years the Plan has been in existence; or (ii) if as a result of a merger or acquisition described in Code Section 41O(b)(6)(C)(i), the Employer maintains both a plan using the prior year testing method and a plan using the current year testing method and the change is made within the transition period described in Code Section 41O(b)(6)(C)(ii).

A Participant is a Highly Compensated Employee for a particular Plan Year if he meets the definition of a Highly Compensated Employee in effect for that Plan Year. Similarly, a Participant is a Nonhighly Compensated Employee for a particular Plan Year if he does not meet the definition of a Highly Compensated Employee in effect for that Plan Year.

The Deferral Percentage for any Eligible Participant who is a Highly Compensated Employee for the Plan Year and who is eligible to have Elective Deferral Contributions (and Qualified Nonelective Contributions or Qualified Matching Contributions, or both, if treated as Elective Deferral Contributions for purposes of the ADP Test) allocated to his account under two or more arrangements described in Code Section 401(k) that are maintained by the Employer or a Controlled Group member shall be determined as if such Elective Deferral Contributions (and, if applicable, such Qualified Nonelective Contributions or Qualified Matching Contributions, or both) were made under a single arrangement. If a Highly Compensated Employee participates in two or more cash or deferred arrangements of the Employer or of a Controlled Group member that have different plan years, all Elective Deferral Contributions made during the Plan Year shall be aggregated. The foregoing notwithstanding, certain plans shall be treated as separate if mandatorily disaggregated under the regulations of Code Section 401(k).

In the event this Plan satisfies the requirements of Code Section 401(k), 401(a)(4), or 410(b) only if aggregated with one or more other plans, or if one or more other plans satisfy the requirements of such Code sections only if aggregated with this Plan, then this section shall be applied by determining the Deferral Percentage of Employees as if all such plans were a single plan. If more than 1O percent of the Employer's Nonhighly Compensated Employees are involved in a plan coverage change as defined in section 1.401(k)-2(c)(4) of the regulations, then any adjustments to the Nonhighly Compensated Employee ADP for the prior year shall be made in accordance with such regulations if the Employer has elected to use the prior year testing method. Plans may be aggregated in order to satisfy Code Section 401(k) only if they have the same plan year and use the same testing method for the ADP Test.

For purposes of the ADP Test, Elective Deferral Contributions, Qualified Nonelective Contributions, and Qualified Matching Contributions must be made before the end of the 12-month period immediately following the Plan Year to which the contributions relate.

If the Plan Administrator should determine during the Plan Year that the ADP Test is not being met, the Plan Administrator may limit the amount of future Elective Deferral Contributions of the Highly Compensated Employees.

Notwithstanding any other provisions of this Plan, Excess Contributions, plus any income and minus any loss allocable thereto, shall be distributed no later than 12 months after the last day of a Plan Year to Participants to whose Accounts such Excess Contributions were allocated for such Plan Year, except to the extent such Excess Contributions are classified as Catch-up Contributions. Excess Contributions are allocated to the Highly Compensated Employees with the largest amounts of employer contributions taken into account in calculating the ADP Test for the year in which the excess arose, beginning with the Highly Compensated Employee with the largest amount of such employer contributions and continuing in descending order until all of the Excess Contributions have been allocated. If a Highly Compensated Employee participates in two or more cash or deferred arrangements of the Employer or of a Controlled Group member, the amount distributed shall not exceed the amount of the employer contributions taken into account in calculating the ADP test and made to this Plan for the year in which the excess arose. If Catch-up Contributions are allowed for the Plan Year being tested, to the extent a Highly Compensated Employee has not reached his Catch-up Contribution limit under the Plan for such year, Excess Contributions allocated to such Highly Compensated Employee are Catch-up Contributions and will not be treated as Excess Contributions. If such excess amounts (other than Catch-up Contributions) are distributed more than 2 1/2 months after the last day of the Plan Year in which such excess amounts arose, a 10 percent excise tax shall be imposed on the employer maintaining the plan with respect to such amounts.

Excess Contributions shall be treated as Annual Additions, as defined in the CONTRIBUTION LIMITATION SECTION of this article, even if distributed.

The Excess Contributions shall be adjusted for any income or loss. The income or loss allocable to such Excess Contributions allocated to each Participant shall be equal to the income or loss allocable to the Participant's Elective Deferral Contributions (and, if applicable, Qualified Nonelective Contributions or Qualified Matching Contributions, or both) for the Plan Year in which the excess occurred multiplied by a fraction. The numerator of the fraction is the Excess Contributions. The denominator of the fraction is the closing balance without regard to any income or loss occurring during such Plan Year (as of the end of such Plan Year) of the Participant's Account resulting from Elective Deferral Contributions (and Qualified Nonelective Contributions or Qualified Matching Contributions, or both, if such contributions are included in the ADP Test).

For purposes of determining income or loss on Excess Contributions, no adjustment shall be made for income or loss for the gap period.

Excess Contributions allocated to a Participant shall be distributed from the Participant's Account resulting from Elective Deferral Contributions. If such Excess Contributions exceed the amount of Excess Contributions in the Participant's Account resulting from Elective Deferral Contributions, the balance shall be distributed from the Participant's Account resulting from Qualified Matching Contributions (if applicable) and Qualified Nonelective Contributions, respectively.

Distribution of Excess Contributions shall be made on a pro rata basis from the Participant's Account resulting from Pre-tax Elective Deferral Contributions and Roth Elective Deferral Contributions in the same proportion that such Contributions were made for the applicable year.

Any Matching Contributions that were based on the Elective Deferral Contributions distributed as Excess Contributions, plus any income and minus any loss allocable thereto, shall be forfeited.

(d) ACP Test. As of the end of each Plan Year, the Plan must satisfy the ACP Test. The ACP Test shall be satisfied using the prior year testing method or the current year testing method, as elected by the Employer in subparagraph (e) of this section.

(1) Prior Year Testing Method. The ACP for a Plan Year for Eligible Participants who are Highly Compensated Employees for each Plan Year and the prior

year's ACP for Eligible Participants who were Nonhighly Compensated Employees for the prior Plan Year must satisfy one of the following tests:

(i) The ACP for a Plan Year for Eligible Participants who are Highly Compensated Employees for the Plan Year shall not exceed the prior year's ACP for Eligible Participants who were Nonhighly Compensated Employees for the prior Plan Year multiplied by 1.25; or

(ii) The ACP for a Plan Year for Eligible Participants who are Highly Compensated Employees for the Plan Year:

A. shall not exceed the prior year's ACP for Eligible Participants who were Nonhighly Compensated Employees for the prior Plan Year multiplied by 2, and

B. the difference between such ACPs is not more than 2

If this is not a successor plan, for the first Plan Year the Plan permits any Participant to make Participant Contributions, provides for Matching Contributions, or both, for purposes of the foregoing tests, the prior year's Nonhighly Compensated Employees' ACP shall be 3 percent or the Plan Year's ACP for these Eligible Participants, as elected by the Employer in subparagraph (e) of this section.

(2) Current Year Testing Method. The ACP for a Plan Year for Eligible Participants who are Highly Compensated Employees for each Plan Year and the ACP for Eligible Participants who are Nonhighly Compensated Employees for the Plan Year must satisfy one of the following tests:

(i) The ACP for a Plan Year for Eligible Participants who are Highly Compensated Employees for the Plan Year shall not exceed the ACP for Eligible Participants who are Nonhighly Compensated Employees for the Plan Year multiplied by 1.25; or

(ii) The ACP for a Plan Year for Eligible Participants who are Highly Compensated Employees for the Plan Year:

A. shall not exceed the ACP for Eligible Participants who are Nonhighly Compensated Employees for the Plan Year multiplied by 2, and

B. the difference between such ACPs is not more than 2.

If the Employer has elected to use the current year testing method, that election cannot be changed unless (i) the Plan has been using the current year testing method for the preceding five Plan Years, or if fess, the number of Plan Years the Plan has been in existence; or (ii) if as a result of a merger or acquisition described in Code Section 41O(b)(6)(C)(i), the Employer maintains both a plan using the prior year testing method and a plan using the current year testing method and the change is made within the transition period described in Code Section 41O(b)(6)(C)(ii).

A Participant is a Highly Compensated Employee for a particular Plan Year if he meets the definition of a Highly Compensated Employee in effect for that Plan Year. Similarly, a Participant is a Nonhighly Compensated Employee for a particular Plan Year if he does not meet the definition of a Highly Compensated Employee in effect for that Plan Year.

The Contribution Percentage for any Eligible Participant who is a Highly Compensated Employee for the Plan Year and who is eligible to have Contribution Percentage Amounts allocated to his account under two or more plans described in Code Section 401(a) or arrangements described in Code Section 401 (k) that are maintained by the Employer or a Controlled Group member shall be determined as if the total of such Contribution Percentage Amounts was made under each plan and arrangement. If a Highly Compensated Employee participates in two or more such plans or arrangements that have different plan years, all Contribution Percentage Amounts made during the Plan Year shall be aggregated. The foregoing notwithstanding, certain plans shall be treated as separate if mandatorily disaggregated under the regulations of Code Section 401(m).

In the event this Plan satisfies the requirements of Code Section 401(m), 401(a)(4), or 410(b) only if aggregated with one or more other plans, or if one or more other plans satisfy the requirements of such Code sections only if aggregated with this Plan, then this section shall be

applied by determining the Contribution Percentage of Employees as if all such plans were a single plan. If more than 10 percent of the Employer's Nonhighly Compensated Employees are involved in a plan coverage change as defined in section 1.401 (m)-2(c)(4) of the regulations, then any adjustments to the Nonhighly Compensated Employee ACP for the prior year shall be made in accordance with such regulations if the Employer has elected to use the prior year testing method. Plans may be aggregated in order to satisfy Code Section 401(m) only if they have the same plan year and use the same testing method for the ACP Test.

For purposes of the ACP Test, Participant Contributions are considered to have been made in the Plan Year in which contributed to the Plan. Matching Contributions and Qualified Nonelective Contributions will be considered to have been made for a Plan Year if made no later than the end of the 12-month period beginning on the day after the close of the Plan Year.

Notwithstanding any other provisions of this Plan, Excess Aggregate Contributions, plus any income and minus any loss allocable thereto, shall be forfeited, if not vested, or distributed, if vested, no later than 12 months after the last day of a Plan Year to Participants to whose Accounts such Excess Aggregate Contributions were allocated for such Plan Year. Excess Aggregate Contributions are allocated to the Highly Compensated Employees with the largest Contribution Percentage Amounts taken into account in calculating the ACP Test for the year in which the excess arose, beginning with the Highly Compensated Employee with the largest amount of such Contribution Percentage Amounts and continuing in descending order until all of the Excess Aggregate Contributions have been allocated. If a Highly Compensated Employee participates in two or more plans or arrangements of the Employer or of a Controlled Group member that include Contribution Percentage Amounts, the amount distributed shall not exceed the Contribution Percentage Amounts taken into account in calculating the ACP Test and made to this Plan for the year in which the excess arose. If such Excess Aggregate Contributions are distributed more than 2 1/2 months after the last day of the Plan Year in which such excess amounts arose, a 10 percent excise tax shall be imposed on the employer maintaining the plan with respect to such amounts.

Excess Aggregate Contributions shall be treated as Annual Additions, as defined in the CONTRIBUTION LIMITATION SECTION of this article, even if distributed.

The Excess Aggregate Contributions shall be adjusted for any income or loss. The income or loss allocable to such Excess Aggregate Contributions allocated to each Participant shall be equal to the income or loss allocable to the Participant's Contribution Percentage Amounts for the Plan Year in which the excess occurred multiplied by a fraction. The numerator of the fraction is the Excess Aggregate Contributions. The denominator of the fraction is the closing balance without regard to any income or loss occurring during such Plan Year (as of the end of such Plan Year) of the Participant's Account resulting from Contribution Percentage Amounts.

For purposes of determining income or loss on Excess Aggregate Contributions, no adjustment shall be made for income or loss for the gap period.

Excess Aggregate Contributions allocated to a Participant shall be distributed from the Participant's Account resulting from Participant Contributions that are not required as a condition of employment or participation or for obtaining additional benefits from Employer Contributions. If such Excess Aggregate Contributions exceed the balance in the Participant's Account resulting from such Participant Contributions, the balance shall be forfeited, if not vested, or distributed, if vested, on a pro rata basis from the Participant's Account resulting from Contribution Percentage Amounts.

(e) Employer Elections. The Employer has made an election to use the prior year testing method.

ARTICLE IV

INVESTMENT OF CONTRIBUTIONS

SECTION 4.01—INVESTMENT AND TIMING OF CONTRIBUTIONS.

The handling of Contributions and Plan assets is governed by the provisions of the Trust Agreement and any other relevant document, such as an Annuity Contract (for the purposes of this paragraph alone, the Trust Agreement and such other documents will each be referred to as a "document" or collectively as the "documents"), duly entered into by or with regard to the Plan that govern such matters. To the extent permitted by the documents, the parties named below shall direct the Contributions for investment in any of the investment options available to the Plan under or through the documents, and may request the transfer of amounts resulting from those Contributions between such investment options.

A Participant may not direct the investment of all or any portion of his Account in collectibles. Collectibles mean any work of art, rug or antique, metal or gem, stamp or coin, alcoholic beverage, or other tangible personal property specified by the Secretary of the Treasury. However, for tax years beginning after December 31, 1997, certain coins and bullion as provided in Code Section 408(m)(3) shall not be considered collectibles.

If a Participant has provided investment direction for all or certain specific Contributions made to his Account, such Contributions shall be invested in accordance with such direction to the extent possible. If an investment option selected by the Participant in that investment direction is no longer available and a new investment option is not selected by the Participant (in lieu of the one that is no longer available) by the deadline set by a fiduciary of the Plan (or by the date the investment option is no longer available), all amounts currently held in the investment option that is no longer available and future Contributions directed to such investment option by the Participant (and made after such deadline or date) shall be invested in the appropriate default investment option, unless otherwise directed by a fiduciary of the Plan.

If an investment option selected by the Participant is no longer available for future Contributions only and a new investment option is not selected by the Participant (in lieu of the one that is no longer available) by the deadline set by a fiduciary of the Plan (or by the date the investment option is no longer available), all future Contributions directed to such investment option that is not available for future Contributions (and made after such deadline or date) shall be invested in the appropriate default investment option, unless otherwise directed by a fiduciary of the Plan.

To the extent that a Participant who has the ability to provide investment direction (either on an ongoing basis or in response to a notice from a fiduciary of the Plan) fails to give timely investment direction, the amount in the Participant's Account for which no investment direction is received shall be invested in the appropriate default investment option, unless otherwise directed by a fiduciary of the Plan.

If the Named Fiduciary has investment direction, the Contributions shall be invested in accordance with such direction. The Named Fiduciary shall have investment direction for amounts that have not been allocated to Participants. To the extent an investment option is no longer available, a fiduciary of the Plan may require that amounts currently held in such investment option be reinvested in other investment options. To the extent that the Named Fiduciary has not given investment direction, and no Plan fiduciary gives

direction regarding the reinvestment of such amounts, the amounts held in an investment option that is no longer available or which had been directed to be invested in an investment option that is not available for future Contributions shall be invested in the appropriate default investment option.

Default investment options are defined in documents duly entered into by or with regard to the Plan that govern such matters.

At least annually, the Named Fiduciary shall review all pertinent Employee information and Plan data in order to establish the funding policy of the Plan and to determine appropriate methods of carrying out the Plan's objectives. The Named Fiduciary shall inform the Trustee and any Investment Manager of the Plan's short-term and long-term financial needs so the investment policy can be coordinated with the Plan's financial requirements.

The Participant shall direct the investment of all Contributions and the transfer of amounts resulting from those Contributions.

However, the Named Fiduciary may delegate to the Investment Manager investment direction for Contributions and amounts that are not subject to Participant direction.

All Contributions are forwarded by the Employer to (i) the Trustee to be deposited in the Trust Fund or otherwise invested by the Trustee in accordance with the relevant documents; or (ii) the Insurer to be deposited under the Annuity Contract, as applicable.

SECTION 4.02-INVESTMENT IN QUALIFYING EMPLOYER SECURITIES.

(a) Investment in Qualifying Employer Securities. All or some portion of the Participant's Account may be invested in Qualifying Employer Securities; however, no new Contributions or transfers shall be allowed into the Qualifying Employer Securities Fund.

For purposes of determining the annual valuation of the Plan, and for reporting to Participants and regulatory authorities, the assets of the Plan shall be valued at least annually on the Valuation Date which corresponds to the last day of the Plan Year. The fair market value of Qualifying Employer Securities shall be determined on such Valuation Date. The prices of Qualifying Employer Securities as of the date of the transaction shall apply for purposes of valuing

distributions and other transactions of the Plan to the extent such value is representative of the fair market value of such securities in the opinion of the Plan Administrator. The value of a Participant's Account held in the Qualifying Employer Securities Fund may be expressed in units.

If the Qualifying Employer Securities are not publicly traded, or if an extremely thin market exists for such securities so that reasonable valuation may not be obtained from the market place, then such securities must be valued at least annually by an independent appraiser who is not associated with the Employer, the Plan Administrator, the Trustee, or any person related to any fiduciary under the Plan. The independent appraiser may be associated with a person who is merely a contract administrator with respect to the Plan, but who exercises no discretionary authority and is not a plan fiduciary.

If there is a public market for Qualifying Employer Securities of the type held by the Plan, then the Plan Administrator may use as the value of the securities the price at which such securities trade in such market. If the Qualifying Employer Securities do not trade on the relevant date, or if the market is very thin on such date, then the Plan Administrator may use for the valuation the next preceding trading day on which the trading prices are representative of the fair market value of such securities in the opinion of the Plan Administrator.

Cash dividends payable on the Qualifying Employer Securities shall be reinvested in additional shares of such securities. In the event of any cash or stock dividend or any stock split, such

dividend or split shall be credited to the Accounts based on the number of shares of Qualifying Employer Securities credited to each Account as of the payable date of such dividend or split.

All purchases of Qualifying Employer Securities shall be made at a price, or prices, which, in the judgment of the Plan Administrator, do not exceed the fair market value of such securities.

In the event that the Trustee acquires Qualifying Employer Securities by purchase from a "disqualified person" as defined in Code Section 4975(e)(2) or from a "party-in-interest" as defined in ERISA Section 3(14), the terms of such purchase shall contain the provision that in the event there is a final determination by the Internal Revenue Service, the Department of Labor, or court of competent jurisdiction that the fair market value of such securities as of the date of purchase was fess than the purchase price paid by the Trustee, then the seller shall pay or transfer, as the case may be, to the Trustee an amount of cash or shares of Qualifying Employer Securities equal in value to the difference between the purchase price and such fair market value for all such shares. In the event that cash or shares of Qualifying Employer Securities are paid or transferred to the Trustee under this provision, such securities shall be valued at their fair market value as of the date of such purchase, and interest at a reasonable rate from the date of purchase to the date of payment or transfer shall be paid by the seller on the amount of cash paid.

The Plan Administrator may direct the Trustee to sell, resell, or otherwise dispose of Qualifying Employer Securities to any person, including the Employer, provided that any such sales to any disqualified person or party-in-interest, including the Employer, will be made at not less than the fair market value and no commission will be charged. Any such sale shall be made in conformance with ERISA Section 408(e).

The Governing Board is responsible for compliance with any applicable Federal or state securities law with respect to all aspects of the Plan. If the Qualifying Employer Securities or interest in this Plan are required to be registered in order to permit investment in the Qualifying Employer Securities Fund as provided in this section, then such investment will not be effective until the later of the effective date of the Plan or the date such registration or qualification is effective. At the direction of the Governing Board, the Employer, at its own expense, will take or cause to be taken any and all such actions as may be necessary or appropriate to effect such registration or qualification. Further, if the Trustee is directed to dispose of any Qualifying Employer Securities held under the Plan under circumstances which require registration or qualification of the securities under applicable Federal or state securities laws, then at the direction of the Governing Board, the Employer will, at its own expense, take or cause to be taken any and all such action as may be necessary or appropriate to effect such registration or qualification. The Governing Board is responsible for all compliance requirements under Section 16 of the Securities Act and any trading policy of the Employer.

(b) Diversification Requirements. The diversification requirements below apply for Plan Years beginning on or after January 1, 2007.

An applicable individual (as defined in section 1.401(a)(35)-1(b) of the regulations) is permitted to elect to direct any publicly traded qualifying employer securities (as defined in Code Section 401(a)(35)(G)(v)) held in his Account under the Plan to be reinvested in other investment options offered under the Plan with respect to the portion of his Account that is subject to Code Section 401(a)(35)(B) or (C). The Governing Board may permit diversification of amounts invested in qualifying employer securities earlier than required as long as the earlier time period is applied consistently to all applicable individuals.

The Plan shall offer at least three investment options, other than Qualifying Employer Securities, to which the applicable individual may direct all or any portion of his Account invested in Qualifying Employer Securities, and each investment option must be diversified and have materially different risk and return characteristics that satisfy the requirements of section 2550.404c-1 (b)(3) of the Department of Labor regulations. The Plan may limit the time for divestment to periodic, reasonable opportunities occurring no less frequently than quarterly. The Plan may not impose any restrictions or conditions with respect to the investment of Qualifying Employer Securities that are not imposed on the investment options offered under the Plan, except for the prohibition against making any further investments in Qualifying Employer Securities or in the Qualifying Employer Securities Fund.

A notice must be provided to each applicable individual that describes the divestiture rights and the importance of diversifying the investment of retirement plan assets. The Plan Administrator shall provide the notice to all applicable individuals no later than 30 days before the date on which the applicable individuals are eligible to exercise their right to diversify.

(c) Voting and Tender Rights. Voting rights with respect to Qualifying Employer Securities will be passed through to Participants. Participants will be allowed to direct the voting rights of Qualifying Employer Securities for any matter put to the vote of shareholders. Before each meeting of shareholders, the Governing Board shall cause to be sent to each person with power to control such voting rights a copy of any notice and any other information provided to shareholders and, if applicable, a form for instructing the Trustee how to vote at such meeting (or any adjournment thereof) the number of full and fractional shares subject to such person's voting control. The Trustee may establish a deadline in advance of the meeting by which such forms must be received in order to be effective.

Each Participant shall be entitled to one vote for each share credited to his Account.

If some or all of the Participants have not directed or have not timely directed the Trustee on how to vote, then the Trustee shall vote such Qualifying Employer Securities in the same proportion as those shares of Qualifying Employer Securities for which the Trustee has received proper direction for such matter.

Tender rights or exchange offers for Qualifying Employer Securities will be passed through to Participants. As soon as practicable after the commencement of a tender or exchange offer for Qualifying Employer Securities, the Governing Board shall cause each person with power to control the response to such tender or

exchange offer to be advised in writing the terms of the offer and, if applicable, to be provided with a form for instructing the Trustee, or for revoking such instruction, to tender or exchange shares of Qualifying Employer Securities, to the extent permitted under the terms of such offer. In advising such persons of the terms of the offer, the Governing Board may include statements from the board of directors setting forth its position with respect to the offer.

If some or all of the Participants have not directed or have not timely directed the Trustee on how to tender, then the Trustee shall tender such Qualifying Employer Securities in the same proportion as those shares of Qualifying Employer Securities for which the Trustee has received proper direction for such matter.

If the tender or exchange offer is limited so that all of the shares that the Trustee has been directed to tender or exchange cannot be sold or exchanged, the shares that each Participant directed to be tendered or exchanged shall be deemed to have been sold or exchanged in the

same ratio that the number of shares actually sold or exchanged bears to the total number of shares that the Trustee was directed to tender or exchange.

The Trustee shall hold the Participant's individual directions with respect to voting rights or tender decisions in confidence and, except as required by law, shall not divulge or release such individual directions to anyone associated with the Employer. The Governing Board may require verification of the Trustee's compliance with the directions received from Participants by any independent auditor selected by the Governing Board, provided that such auditor agrees to maintain the confidentiality of such individual directions.

The Governing Board may develop procedures to facilitate the exercise of votes or tender rights, such as the use of facsimile transmissions for the Participants located in physically remote areas.

ARTICLE V

BENEFITS

SECTION 5.01—RETIREMENT BENEFITS.

On a Participant's Retirement Date, his Vested Account shall be distributed to him according to the distribution of benefits provisions of Article VI and the provisions of the SMALL AMOUNTS SECTION of Article X.

SECTION 5.02—DEATH BENEFITS.

If a Participant dies before his Annuity Starting Date, his Vested Account shall be distributed according to the distribution of benefits provisions of Article VI and the provisions of the SMALL AMOUNTS SECTION of Article X.

SECTION 5.03—VESTED BENEFITS.

If an Inactive Participant's Vested Account is not payable under the SMALL AMOUNTS SECTION of Article X, he may elect, but is not required, to receive a distribution of any part of his Vested Account after he has a Severance from Employment. A distribution under this paragraph shall be a retirement benefit and shall be distributed to the Participant according to the distribution of benefits provisions of Article VI.

A Participant may not elect to receive a distribution under the provisions of this section after he again becomes an Employee until he subsequently has a Severance from Employment and meets the requirements of this section.

A Participant who has been performing Qualified Military Service for a period of more than 30 days is deemed to have had a severance from employment (as described in Code Section 414(u)(12)(B)(i)) for purposes of requesting a distribution of his Vested Account resulting from Elective Deferral Contributions. The Plan will suspend Elective Deferral Contributions for six months after receipt of the distribution. If the Participant is also eligible to receive a Qualified Reservist Distribution and the distribution could be either type of distribution, the distribution will be treated as a Qualified Reservist Distribution.

If an Inactive Participant does not receive an earlier distribution, upon his Retirement Date or death, his Vested Account shall be distributed according to the provisions of the RETIREMENT BENEFITS SECTION or the DEATH BENEFITS SECTION of this article.

The Nonvested Account of an Inactive Participant who has had a Severance from Employment shall remain a part of his Account until it becomes a Forfeiture. However, if he again becomes an Employee so that his Vesting Percentage can increase, the Nonvested Account may become a part of his Vested Account.

SECTION 5.04—WHEN BENEFITS START.

(a) Unless otherwise elected, benefits shall begin no later than the 60th day following the close of the Plan Year in which the latest date below occurs:

(1) The date the Participant attains age 65 (or Normal Retirement Age, if earlier).

(2) The 1Oth anniversary of the Participant's Entry Date.

(3) The date the Participant terminates service with the Employer.

Notwithstanding the foregoing, the failure of a Participant to consent to a distribution while a benefit is immediately distributable, within the meaning of the ELECTION PROCEDURES SECTION of Article VI, shall be deemed to be an election to defer the start of benefits sufficient to satisfy this section.

The Participant may elect to have benefits begin after the latest date for beginning benefits described above, subject to the following provisions of this section. The Participant shall make the election in writing. Such election must be made before his Normal Retirement Date or the date he has a Severance from Employment, if later. The Participant shall not elect a date for beginning benefits or a form of distribution that would result in a benefit payable when he dies which would be more than incidental within the meaning of governmental regulations.

Benefits shall begin on an earlier date if otherwise provided in the Plan. For example, the Participant's Retirement Date or Required Beginning Date, as defined in the DEFINITIONS SECTION of Article VII.

(b) The Participant's Vested Account resulting from the following Contributions:

Elective Deferral Contributions
Qualified Nonelective Contributions

may not be distributed earlier than Severance from Employment, death, or disability. Such amount may also be distributed upon:

(1) Termination of the Plan, as permitted in Article VIII.

(2) The attainment of age 59 1/2 as permitted in the WITHDRAWAL BENEFITS SECTION of this article or in the definition of Normal Retirement Date in the DEFINITIONS SECTION of Article I.

(3) A federally declared disaster, where resulting legislation authorizes such a distribution.

The Participant's Vested Account resulting from Elective Deferral Contributions may also be distributed:

(4) As a hardship withdrawal, as permitted in the WITHDRAWAL BENEFITS SECT ION of this article.

(5) As a Qualified Reservist Distribution, as permitted in the WITHDRAWAL BENEFITS SECTION of this article.

(6) Upon a Participant's deemed severance from employment as described in Code Section 414(u)(12)(B)(i) and as permitted in the VESTED BENEFITS SECTION of this article.

All distributions that may be made pursuant to one or more of the foregoing distributable events will be a retirement benefit and shall be distributed to the Participant according to the distribution of benefits provisions of Article VI. In addition, distributions that are triggered by the termination of the Plan must be made in a lump sum. A lump sum shall include a distribution of an annuity contract.

SECTION 5.05—WITHDRAWAL BENEFITS.

A request for withdrawal shall be made in such manner and in accordance with such rules as the Plan Administrator shall prescribe for this purpose (including by means of voice response or other electronic means under circumstances the Employer permits). Withdrawals shall be a retirement benefit and shall be distributed to the Participant according to the distribution of benefits provisions of Article VI. A forfeiture shall not occur solely as a result of a withdrawal.

A Participant may withdraw any part of his Vested Account resulting from Rollover Contributions. A Participant may make such a withdrawal at any time.

A Participant who has attained age 59 1/2 may withdraw any part of his Vested Account resulting from the following Contributions:

Elective Deferral Contributions
Matching Contributions
Qualified Nonelective Contributions

A Participant may make such a withdrawal at any time.

A Participant may withdraw any part of his Vested Account resulting from the following Contributions:

Elective Deferral Contributions
Matching Contributions

in the event of hardship due to an immediate and heavy financial need. Withdrawals from the Participant's Account resulting from Elective Deferral Contributions shall be limited to the amount of the Participant's Elective Deferral Contributions plus income allocable thereto credited to his Account as of December 31, 1988.

Immediate and heavy financial need shall be limited to: (i) expenses incurred or necessary for medical care that would be deductible under Code Section 213(a) (determined without regard to whether the expenses exceed the stated limit on adjusted gross income); (ii) the purchase (excluding mortgage payments) of a principal residence for the Participant; (iii) payment of tuition, related educational fees, and room and board expenses, for up to the next 12 months of post-secondary education for the Participant, his spouse, children, or dependents (as defined in Code Section 152 without regard to Code Sections 152(b)(1), (b)(2), and (d)(1)(B)); (iv) payments necessary to prevent the eviction of the Participant from, or foreclosure on the mortgage of, the Participant's principal residence; (v) payments for funeral or burial expenses for the Participant's deceased parent, spouse, child, or dependent (as defined in Code Section 152 without regard to Code Section 152(d)(1)(B)); (vi) expenses to repair damage to the Participant's principal residence that would qualify for a casualty loss deduction under Code Section 165 (determined without regard to whether the loss exceeds 10% of adjusted gross income); or (vii) any other distribution which is deemed by the Commissioner of Internal Revenue to be made on account of immediate and heavy financial need as provided in Treasury regulations. Immediate and heavy financial need shall also include expenses described in (i), (iii), and (v) (relating to medical, tuition, and funeral expenses, respectively) of a Primary Beneficiary.

No withdrawal shall be allowed which is not necessary to satisfy such immediate and heavy financial need. Such withdrawal shall be deemed necessary only if all of the following requirements are met: (i) the distribution is not in excess of the amount of the immediate and heavy financial need (including amounts necessary to pay any Federal, state, or local income taxes or penalties reasonably anticipated to result from the distribution); (ii) the Participant has obtained all distributions, other than hardship distributions, and all

nontaxable loans currently available under all plans maintained by the Employer; and (iii) the Plan, and all other plans maintained by the Employer, provide that the Participant's elective contributions and participant contributions will be suspended for at least six months after receipt of the hardship distribution. The Plan will suspend elective contributions and participant contributions for six months as provided in the preceding sentence. A Participant shall not cease to be an Eligible Participant, as defined in the EXCESS AMOUNTS SECTION of Article Ill, merely because his elective contributions or participant contributions are suspended.

A Participant may withdraw any part of his Vested Account resulting from Elective Deferral Contributions if such distribution meets the requirements to be a Qualified Reservist Distribution.

SECTION 5.06—DISTRIBUTIONS UNDER QUALIFIED DOMESTIC RELATIONS ORDERS.

The Plan specifically permits distributions to an Alternate Payee under a qualified domestic relations order as defined in Code Section 414(p), at any time, irrespective of whether the Participant has attained his earliest retirement age, as defined in Code Section 414(p), under the Plan. A distribution to an Alternate Payee before the Participant has attained his earliest retirement age is available only if the order specifies that distribution shall be made prior to the earliest retirement age or allows the Alternate Payee to elect a distribution prior to the earliest retirement age.

Nothing in this section shall permit a Participant to receive a distribution at a time otherwise not permitted under the Plan nor shall it permit the Alternate Payee to receive a form of payment not permitted under the Plan.

The benefit payable to an Alternate Payee shall be subject to the provisions of the SMALL AMOUNTS SECTION of Article X, as they apply to the Participant.

The Plan Administrator shall establish reasonable procedures to determine the qualified status of a domestic relations order. Upon receiving a domestic relations order, the Plan Administrator shall promptly notify the Participant and each Alternate Payee named in the order, in writing, of the receipt of the order and the Plan's procedures for determining the qualified status of the order. Within a reasonable period of time after receiving the domestic relations order, the Plan Administrator shall determine the qualified status of the order and shall notify the Participant and each Alternate Payee, in writing, of its determination. The Plan Administrator shall provide notice under this paragraph by mailing to the individual's address specified in the domestic relations order, or in a manner consistent with Department of Labor regulations. The Plan Administrator may treat as qualified any domestic relations order entered before January 1, 1985, irrespective of whether it satisfies all the requirements described in Code Section 414(p).

If any portion of the Participant's Vested Account is payable during the period the Plan Administrator is making its determination of the qualified status of the domestic relations order, a separate accounting shall be made of the amount payable. If the Plan Administrator determines the order is a qualified domestic relations order within 18 months of the date amounts are first payable following receipt of the order, the payable amounts shall be distributed in accordance with the order. If the Plan Administrator does not make its determination of the qualified status of the order within the 18-month determination period, the payable amounts shall be distributed in the manner the Plan would distribute if the order did not exist and the order shall apply prospectively if the Plan Administrator later determines the order is a qualified domestic relations order.

The Plan shall make payments or distributions required under this section by separate benefit checks or other separate distribution to the Alternate Payee(s).

ARTICLE VI

DISTRIBUTION OF BENEFITS

SECTION 6.01—AUTOMATIC FORMS OF DISTRIBUTION.

Unless an optional form of benefit is selected pursuant to a qualified election within the election period (see the ELECTION PROCEDURES SECTION of this article), the automatic form of benefit payable to or on behalf of a Participant is determined as follows:

(a) Retirement Benefits. The automatic form of retirement benefit for a Participant who does not die before his Annuity Starting Date shall be a single sum payment.

(b) Death Benefits. The automatic form of death benefit for a Participant who dies before his Annuity Starting Date shall be a single sum payment to the Participant's Beneficiary.

SECTION 6.02—0PTIONAL FORMS OF DISTRIBUTION.

(a) Retirement Benefits. The optional forms of retirement benefit shall be the following: a fixed period installment option, a fixed payment installment option, and a single sum payment. The portion of a Participant's Account held in the Qualifying Employer Securities Fund may be distributed in kind.

The fixed period installment option is an optional form of benefit under which the Participant elects to receive substantially equal annual payments over a fixed period of whole years. The annual payment may be paid in annual, semi-annual, quarterly, or monthly installments as elected by the Participant. The Participant may elect to receive additional payments.

The fixed payment installment option is an optional form of benefit under which the Participant elects to receive a specified dollar amount each year. The annual payment may be paid in annual, semi-annual, quarterly, or monthly installments as elected by the Participant. The Participant may elect to receive additional payments.

Under the installment options the amount payable in the Participant's first Distribution Calendar Year, as defined in the DEFINITIONS SECTION of Article VII, must satisfy the minimum distribution requirements of Artic le VII for such year. Distributions for later Distribution Calendar Years must satisfy the minimum distribution requirements of Article VII for such years. If the Participant's Annuity Starting Date does not occur until his second Distribution Calendar Year, the amount payable for such year must satisfy the minimum distribution requirements of Article VII for both the first and second Distribution Calendar Years.

Election of an optional form is subject to the qualified election provisions of the ELECTION PROCEDURES SECTION of this article and the distribution requirements of Article VII.

(b) Death Benefits. The optional form of death benefit is a single sum payment.

Election of an optional form is subject to the qualified election provisions of the ELECTION PROCEDURES SECTION of this article and the distribution requirements of Article VII.

SECTION 6.03—ELECTION PROCEDURES.

The Participant or Beneficiary shall make any election under this section in writing. The Plan Administrator may require such individual to complete and sign any necessary documents as to the provisions to be made. Any election permitted under (a) and (b) below shall be subject to the qualified election provisions of (c) below.

(a) Retirement Benefits. A Participant may elect his Beneficiary and may elect to have retirement benefits distributed under any of the optional forms of retirement benefit available in the OPTIONAL FORMS OF DISTRIBUTION SECTION of this article.

(b) Death Benefits. A Participant may elect his Beneficiary and may elect to have death benefits distributed under any of the optional forms of death benefit available in the OPTIONAL FORMS OF DISTRIBUTION SECTION of this article.

If the Participant has not elected an optional form of distribution for the death benefit payable to his Beneficiary, the Beneficiary may, for his own benefit, elect the form of distribution, in like manner as a Participant.

(c) Qualified Election. The Participant or Beneficiary may make an election at any time during the election period. The Participant or Beneficiary may revoke the election made (or make a new election) at any time and any number of times during the election period. An election is effective only if it meets the consent requirements below.

(1) Election Period for Retirement Benefits. The Participant may make an election as to retirement benefits at any time before the Annuity Starting Date.

(2) Election Period for Death Benefits. A Participant may make an election as to death benefits at any time before he dies. The Beneficiary's election period begins on the date the Participant dies and ends on the date benefits begin.

(3) Consent to Election. If the Participant's Vested Account (disregarding the portion, if any, of his Account resulting from Rollover Contributions) exceeds $5,000, any benefit that is immediately distributable requires the consent of the Participant.

The consent of the Participant to a benefit that is immediately distributable must not be made before the date the Participant is provided with the notice of the ability to defer the distribution. Such consent shall be in writing.

The consent shall not be made more than 180 days before the Annuity Starting Date. The consent of the Participant shall not be required to the extent that a distribution is required to satisfy Code Section 401 (a)(9) or 415.

In addition, upon termination of this Plan, if the Plan does not offer an annuity option (purchased from a commercial provider), and if the Employer (or any entity within the same Controlled Group) does not maintain another defined contribution plan (other than an employee stock ownership plan as defined in Code Section 4975(e)(7)), the Participant's Account balance will, without the Participant's consent, be distributed to the Participant. However, if any entity within the same Controlled Group maintains another defined contribution plan (other than an employee stock ownership plan as defined in Code Section

4975(e)(7)) the Participant's Account will be transferred, without the Participant's consent, to the other plan if the Participant does not consent to an immediate distribution.

A benefit is immediately distributable if any part of the benefit could be distributed to the Participant before the Participant attains the older of Normal Retirement Age or age 62.

Spousal consent is needed to name a Beneficiary other than the Participant's spouse. If the Participant names a Beneficiary other than his spouse, the spouse has the right to limit consent only to a specific Beneficiary. The spouse can relinquish such right. Such consent shall be in writing. The spouse's consent shall be witnessed by a plan representative or notary public. The spouse's consent must acknowledge the effect of the election, including that the spouse had the right to limit consent only to a specific Beneficiary and that the relinquishment of such right was voluntary. Unless the consent of the spouse expressly permits designations by the Participant without a requirement of further consent by the spouse, the spouse's consent must be limited to the Beneficiary, class of Beneficiaries, or contingent Beneficiary named in the election.

Spousal consent is not required, however, if the Participant establishes to the satisfaction of the plan representative that the consent of the spouse cannot be obtained because there is no spouse or the spouse cannot be located. A spouse's consent under this paragraph shall not be valid with respect to any other spouse. A Participant may revoke a prior election without the consent of the spouse. Any new election will require a new spousal consent, unless the consent of the spouse expressly permits such election by the Participant without further consent by the spouse. A spouse's consent may be revoked at any time within the Participant's election period.

SECTION 6.04—NOTICE REQUIREMENTS.

Optional Forms of Retirement Benefit and Right to Defer. The Plan Administrator shall furnish to the Participant a written explanation of the right of the Participant to defer distribution until such time it is no longer immediately distributable. Such notice shall include a written explanation of the optional forms of retirement benefit in the OPTIONAL FORMS OF DISTRIBUTION SECTION of this article, including a general description of the material features of these options.

The Plan Administrator shall furnish the written explanation by a method reasonably calculated to reach the attention of the Participant no less than 30 days, and no more than 180 days, before the Annuity Starting Date.

However, distribution may begin less than 30 days after the notice described in this subparagraph is given, provided the Plan Administrator clearly informs the Participant that he has a right to a period of at least 30 days after receiving the notice to consider the decision of whether or not to elect a distribution (and if applicable, a particular distribution option), and the Participant, after receiving the notice, affirmatively elects a distribution.

ARTICLE VII

REQUIRED MINIMUM DISTRIBUTIONS

SECTION 7.01—APPLICATION.

The optional forms of distribution are only those provided in Article VI. An optional form of distribution shall not be permitted unless it meets the requirements of this article. The timing of any distribution must meet the requirements of this article.

SECTION 7.02—DEFINITIONS.

For purposes of this article, the following terms are defined:

Distribution Calendar Year means a calendar year for which a minimum distribution is required. For distributions beginning before the Participant's death, the first Distribution Calendar Year is the calendar year immediately preceding the calendar year that contains the Participant's Required Beginning Date. For distributions beginning after the Participant's death, the first Distribution Calendar Year is the calendar year in which distribut io ns are required to begin under (b)(2) of the REQUIRED MINIMUM DISTRIBUTIONS SECTION of this article. The required minimum distribution for the Participant's first Distribution Calendar Year will be made on or before the Participant's Required Beginning Date. The required minimum distribution for other Distribution Calendar Years, including the required minimum distribution for the Distribution Calendar Year inwhich the Participant's Required Beginning Date occurs, will be made on or before December 31 of that Distribution Calendar Year.

5-percent Owner means a Participant who is treated as a 5-percent Owner for purposes of this article. A Participant is treated as a 5-percent Owner for purposes of this article if such Participant is a 5- percent owner as defined in Code Section 416 at any time during the Plan Year ending with or within the calendar year in which such owner attains age 70 1/2.

Once distributions have begun to a 5-percent Owner under this article, they must continue to be distributed, even if the Participant ceases to be a 5-percent Owner in a subsequent year.

Life Expectancy means life expectancy as computed by use of the Single Life Table in Q&A-1 in section 1.401(a)(9)-9 of the regulations.

Participant's Account Balance means the Account balance as of the last Valuation Date in the calendar year immediately preceding the Distribution Calendar Year (valuation calendar year) increased by the amount of any contributions made and allocated or forfeitures allocated to the Account as of dates in the valuation calendar year after the Valuation Date and decreased by distributions made in the valuation calendar year after the Valuation Date. The Account balance for the valuation calendar year includes any amounts rolled over or transferred to the Plan either in the valuation calendar year or in the Distribution Calendar Year if distributed or transferred in the valuation calendar year.

Required Beginning Date means, for a Participant who is a 5-percent Owner, April 1 of the calendar year following the calendar year in which he attains age 70 1/2.

Required Beginning Date means, for any Participant who is not a 5-percent Owner, April 1 of the calendar year following the later of the calendar year in which he attains age 70 1/2 or the calendar year in which he retires.

The preretirement age 70 1/2 distribution option is only eliminated with respect to Participants who reach age 70 1/2 in or after a calendar year that begins after the later of December 31, 1998, or the adoption date of the amendment which eliminated such option. The preretirement age 70 1/2 distribution option is an optional form of benefit under which benefits payable in a particular distribution form (including any modifications that may be elected after benefits begin) begin at a time during the period that begins on or after January 1 of the calendar year in which the Participant attains age 70 1/2 and ends April 1 of the immediately following calendar year.

The options available for Participants who are not 5-percent Owners and attained age 70 1/2 in calendar years before the calendar year that begins after the later of December 31, 1998, or the adoption date of the amendment which eliminated the preretirement age 70 1/2 distribution option shall be the following. Any such Participant attaining age 70 1/2 in years after 1995 may elect by April 1 of the calendar year following the calendar year in which he attained age 70 1/2 (or by December 31, 1997 in the case of a Participant attaining age 70 1/2 in 1996) to defer distributions until April 1 of the calendar year following the calendar year in which he retires. If no such election is made, the Participant shall begin receiving distributions by April 1 of the calendar year following the year in which he attained age 70 1/2 (or by December 31, 1997 in the case of a Participant attaining age 70 1/2 in 1996). Any such Participant attaining age 70 1/2 in years prior to 1997 may elect to stop distributions that are not purchased annuities and recommence by April 1 of the calendar year following the calendar year in which he retires. There shall be a new Annuity Starting Date upon recommencement.

SECTION 7.03—REQUIRED MINIMUM DISTRIBUTIONS.

(a) General Rules.

(1) The requirements of this article shall apply to any distribution of a Participant's interest and will take precedence over any inconsistent provisions of this Plan. Unless otherwise specified, the provisions of this article apply to calendar years beginning after December 31, 2002.

(2) All distributions required under this article shall be determined and made in accordance with the regulations under Code Section 401(a)(9), including the incidental death benefit requirement in Code Section 401(a)(9)(G), and the regulations thereunder.

(b) Time and Manner of Distribution.

(1) Required Beginning Date. The Participant's entire interest will be distributed, or begin to be distributed, to the Participant no later than the Participant's Required Beginning Date.

(2) Death of Participant Before Distributions Begin. If the Participant dies before distributions begin, the Participant's entire interest will be distributed, or begin to be distributed, no later than as follows:

(i) If the Participant's surviving spouse is the Participant's sole Designated Beneficiary, distributions to the surviving spouse will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died, or by December 31 of the calendar year in which the Participant would have attained age 70 1/2, if later, except to the extent that an election is made to receive distributions in accordance with the 5-year rule under (e) below. Under the 5-year rule, the Participant's entire interest will be distributed to the Designated Beneficiary by

December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(ii) If the Participant's surviving spouse is not the Participant's sole Designated Beneficiary, distributions to the Designated Beneficiary will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died, except to the extent that an election is made to receive distributions in accordance with the 5-year rule under (e) below. Under the 5-year rule, the Participant's entire interest will be distributed to the Designated Beneficiary by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(iii) If there is no Designated Beneficiary as of September 30 of the year following the year of the Participant's death, the Participant's entire interest will be distributed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(iv) If the Participant's surviving spouse is the Participant's sole Designated Beneficiary and the surviving spouse dies after the Participant but before distributions to the surviving spouse are required to begin, this (b)(2), other than (b)(2)(i), will apply as if the surviving spouse were the Participant.

For purposes of this (b)(2) and (d) below, unless (b)(2)(iv) above applies, distributions are considered to begin on the Participant's Required Beginning Date. If (b)(2)(iv) above applies, distributions are considered to begin on the date distributions are required to begin to the surviving spouse under (b)(2)(i) above. If distributions under an annuity purchased from an insurance company irrevocably commence to the Participant before the Participant's Required Beginning Date (or to the Participant's surviving spouse before the date distributions are required to begin to the surviving spouse under (b)(2)(i) above), the date distributions are considered to begin is the date distributions actually commence.

(3) Forms of Distribution. Unless the Participant's interest is distributed in the form of an annuity purchased from an insurance company or in a single sum on or before the Required Beginning Date, as of the first Distribution Calendar Year distributions will be made in accordance with (c) and (d) below. If the Participant's interest is distributed in the form of an annuity purchased from an insurance company, distributions thereunder will be made in accordance with the requirements of Code Section 401(a)(9) and the regulations thereunder.

(c) Required Minimum Distributions During Participant's Lifetime.

(1) Amount of Required Minimum Distribution For Each Distribution Calendar Year. During the Participant's lifetime, the minimum amount that will be distributed for each Distribution Calendar Year is the lesser of:

(i) the quotient obtained by dividing the Participant's Account Balance by the distribution period in the Uniform Lifetime Table set forth in Q&A-2 in section 1.401(a)(9)-9 of the regulations, using the Participant's age as of the Participant's birthday in the Distribution Calendar Year; or

(ii) if the Participant's sole Designated Beneficiary for the Distribution Calendar Year is the Participant's spouse, the quotient obtained by dividing the Participant's Account Balance by the number in the Joint and Last Survivor Table set forth in Q&A-3 in section 1.401(a)(9)-9 of the regulations, using the Participant's and spouse's attained ages as of the Participant's and spouse's birthdays in the Distribution Calendar Year.

(2) Lifetime Required Minimum Distributions Continue Through Year of Participant's Death. Required minimum distributions will be determined under this (c) beginning with the first Distribution Calendar Year and continuing up to, and including, the Distribution Calendar Year that includes the Participant's date of death.

(d) Required Minimum Distributions After Participant's Death.

(1) Death On or After Date Distributions Begin.

(i) Participant Survived by Designated Beneficiarv. If the Participant dies on or after the date distributions begin and there is a Designated Beneficiary, the minimum amount that will be distributed for each Distribution Calendar Year after the year of the Participant's death is the quotient obtained by dividing the Participant's Account Balance by the longer of the remaining Life Expectancy of the Participant or the remaining Life Expectancy of the Participant's Designated Beneficiary, determined as follows:

A. The Participant's remaining Life Expectancy is calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.

B. If the Participant's surviving spouse is the Participant's sole Designated Beneficiary, the remaining Life Expectancy of the surviving spouse is calculated for each Distribution Calendar Year after the year of the Participant's death using the surviving spouse's age as of the spouse's birthday in that year. For Distribution Calendar Years after the year of the surviving spouse's death, the remaining Life Expectancy of the surviving spouse is calculated using the age of the surviving spouse as of the spouse 's birthday in the calendar year of the spouse's death, reduced by one for each subsequent calendar year.

C. If the Participant's surviving spouse is not the Participant's sole Designated Beneficiary, the Designated Beneficiary's remaining Life Expectancy is calculated using the age of the Beneficiary in the year following the year of the Participant's death, reduced by one for each subsequent year.

(ii) No Designated Beneficiary. If the Participant dies on or after the date distributions begin and there is no Designated Beneficiary as of September 30 of the year after the year of the Participant's death, the minimum amount that will be distributed for each Distribution Calendar Year after the year of the Participant's death is the quotient obtained by dividing the Participant's Account Balance by the Participant's remaining Life Expectancy calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.

(2) Death Before Date Distributions Begin.

(i) Participant Survived by Designated Beneficiary. If the Participant dies before the date distributions begin and there is a Designated Beneficiary, the minimum amount that will be distributed for each Distribution Calendar Year after the year of the Participant's death is the quotient obtained by dividing the Participant's Account Balance by the remaining Life Expectancy of the Participant's Designated Beneficiary, determined as provided in (d)(1) above, except to the extent that an election is made to receive distributions in accordance with the 5-year rule under (e) below. Under the 5-year rule, the Participant's entire interest will be distributed to the Designated Beneficiary by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(ii) No Designated Beneficiary. If the Participant dies before the date distributions begin and there is no Designated Beneficiary as of September 30 of the year following the year of the Participant's death. distribution of the Participant's entire interest will be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(iii) Death of Surviving Spouse Before Distributions to Surviving Spouse Are Required toBegin. If the Participant dies before the date distributions begin, the Participant's surviving spouse is the Participant's sole Designated Beneficiary, and the surviving spouse dies before distributions are required to begin to the surviving spouse under (b)(2)(i) above, this (d)(2) will apply as if the surviving spouse were the Participant.

(e) Election of 5-year Rule. Participants or Beneficiaries may elect on an individual basis whether the 5-year rule in (b)(2) and (d)(2) above applies to distributions after the death of a Participant who has a Designated Beneficiary. The election must be made no later than the earlier of September 30 of the calendar year in which the distribution would be required to begin under (b)(2) above if no such election is made, or by September 30 of the calendar year which contains the fifth anniversary of the Participant's (or, if applicable, surviving spouse's) death.

ARTICLE VIII

TERMINATION OF THE PLAN

The Employer expects to continue the Plan indefinitely but reserves the right to terminate the Plan in whole or in part at any time upon giving written notice to all parties concerned.

The Account of each Participant shall be 100% vested and nonforfeitable as of the effective date of the complete termination of the Plan. The Account of each Participant shall also be 100% vested and nonforfeitable upon complete discontinuance of Contributions as of the effective date of the amendment to cease Contributions or the date determined by the Internal Revenue Service. Further, the Account of each Participant who is included in the group of Participants deemed to be affected by a partial termination of the Plan (as determined by the Plan Administrator or a governmental entity authorized to make such determination) shall be 100% vested and nonforfeitable as of the effective date of such event. The Participant's Vested Account shall continue to participate in the earnings credited, expenses charged, and any appreciation or depreciation of the Investment Fund until his Vested Account is distributed.

A Participant's Vested Account that does not result from the Contributions listed below may be distributed to the Participant after the effective date of the complete termination of the Plan:

Elective Deferral Contributions
Qualified Nonelective Contributions

A Participant's Vested Account resulting from such Contributions may be distributed upon complete termination of the Plan, but only if neither the Employer nor any Controlled Group member maintain another defined contribution plan (other than an employee stock ownership plan as defined in Code Section 4975(e)(7) or 409(a), a simplified employee pension plan as defined in Code Section 408(k), a SIMPLE IRA plan as defined in Code Section 408(p), a plan or contract that satisfies the requirements of Code Section 403(b), or a plan described in Code Section 457(b) or (f)) at any time during the period beginning on the date of complete termination of the Plan and ending 12 months after all assets have been distributed from the Plan. Such distribution is made in a lump sum. A distribution under this article shall be a retirement benefit and shall be distributed to the Participant according to the provisions of Article VI.

However, the fixed period and fixed payment installment options shall not be available. If a Participant or Beneficiary is receiving payments under the fixed period or fixed payment installment option, the Vested Account shall be paid to such person in a single sum.

The Participant's entire Vested Account shall be paid in a single sum to the Participant as of the effective date of complete termination of the Plan if (i) the requirements for distribution of Elective Deferral Contributions in the above paragraph are met and (ii) consent of the Participant is not required in the ELECTION PROCEDURES SECTION of Article VI to distribute a benefit that is immediately distributable. This is a small amounts payment. The small amounts payment is in full settlement of all benefits otherwise payable.

Upon complete termination of the Plan, no more Employees shall become Participants and no more Contributions shall be made.

The assets of this Plan shall not be paid to the Employer at any time, except that, after the satisfaction of all liabilities under the Plan, any assets remaining may be paid to the Employer. The payment may not be made if it would contravene any provision of law.

ARTICLE IX

ADMINISTRATION OF THE PLAN

SECTION 9.01—ADMINISTRATION.

Subject to the provisions of this article, the Plan Administrator has complete control of the administration of the Plan. The Plan Administrator has all the powers necessary for it to properly carry out its administrative duties. Not in limitation, but in amplification of the foregoing, the Plan Administrator has complete discretion to construe or interpret the provisions of the Plan, including ambiguous provisions, if any, and to determine all questions that may arise under the Plan, including all questions relating to the eligibility of Employees to participate in the Plan and the amount of benefit to which any Participant or Beneficiary may become entitled. The Plan Administrator's decisions upon all matters within the scope of its authority shall be final.

Unless otherwise set out in the Plan or Annuity Contract, the Plan Administrator may delegate recordkeeping and other duties which are necessary to assist it with the administration of the Plan to any person or firm which agrees to accept such duties. The Plan Administrator shall be entitled to rely upon all tables, valuations, certificates and reports furnished by the consultant or actuary appointed by the Plan Administrator and upon all opinions given by any counsel selected or approved by the Plan Administrator.

The Plan Administrator shall receive all claims for benefits by Participants, former Participants and Beneficiaries. The Plan Administrator shall determine all facts necessary to establish the right of any Claimant to benefits and the amount of those benefits under the provisions of the Plan. The Plan Administrator may establish rules and procedures to be followed by Claimants in filing claims for benefits, in furnishing and verifying proofs necessary to determine age, and in any other matters required to administer the Plan.

SECTION 9.02—EXPENSES.

Expenses of the Plan, to the extent that the Employer does not pay such expenses, may be paid out of the assets of the Plan provided that such payment is consistent with ERISA. Expenses of the Plan will be paid in accordance with the most recent service and expense agreement or such other documents duly entered into by or with regard to the Plan that govern such matters. Such expenses include, but are not limited to, expenses for bonding required by ERISA; expenses for recordkeeping and other administrative services; fees and expenses of the Trustee or Annuity Contract; expenses for investment education service; and direct costs that the Employer incurs with respect to the Plan. Expenses that relate solely to a specific Participant or Alternate Payee may be assessed against such Participant or Alternate Payee as provided in the service and expense agreement or such other documents duly entered into by or with regard to the Plan that govern such matters.

SECTION 9.03—RECORDS.

All acts and determinations of the Plan Administrator shall be duly recorded. All these records, together with other documents necessary for the administration of the Plan, shall be preserved in the Plan Administrator's custody.

Writing (handwriting, typing, printing), photostating, photographing, microfilming, magnetic impulse, mechanical or electrical recording, or other forms of data compilation shall be acceptable means of keeping records.

SECTION 9.04—INFORMATION AVAILABLE.

Any Participant in the Plan or any Beneficiary may examine copies of the Plan description, latest annual report, any bargaining agreement, this Plan, the Annuity Contract, or any other instrument under which the Plan was established or is operated. The Plan Administrator shall maintain all of the items listed in this section in its office, or in such other place or places as it may designate in order to comply with governmental regulations. These items may be examined during reasonable business hours. Upon the written request of a Participant or Beneficiary receiving benefits under the Plan, the Plan Administrator shall furnish him with a copy of any of these items. The Plan Administrator may make a reasonable charge to the requesting person for the copy.

SECTION 9.05—CLAIM PROCEDURES.

A Claimant must submit any necessary forms and needed information when making a claim for benefits under the Plan.

If a claim for benefits under the Plan is wholly or partially denied, the Plan Administrator shall provide adequate written notice to the Claimant whose claim for benefits under the Plan has been denied. The notice must be furnished within 90 days of the date that the claim is received by the Plan without regard to whether all of the information necessary to make a benefit determination is received. The Claimant shall be notified in writing within this initial 90-day period if special circumstances require an extension of the time needed to process the claim. The notice shall indicate the special circumstances requiring an extension of time and the date by which the Plan Administrator's decision is expected to be rendered. In no event shall such extension exceed a period of 90 days from the end of the initial 90-day period.

The Plan Administrator's notice to the Claimant shall: (i) specify the reason or reasons for the denial; (ii) reference the specific Plan provisions on which the denial is based; (iii) describe any additional material and information needed for the Claimant to perfect his claim for benefits; (iv) explain why the material and information is needed; and (v) inform the Claimant of the Plan's appeal procedures and the time limits applicable to such procedures, including a statement of the Claimant's right to bring a civil action under ERISA section 502(a) following an adverse benefit determination on appeal.

Any appeal made by a Claimant must be made in writing to the Plan Administrator within 60 days after receipt of the Plan Administrator's notice of denial of benefits. If the Claimant appeals to the Plan Administrator, the Claimant may submit written comments, documents, records, and other information relating to the claim for benefits. The Claimant shall be provided, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the Claimant's claim for benefits. The Plan Administrator shall review the claim taking into account all comments, documents, records, and other information submitted by the Claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination.

The Plan Administrator shall provide adequate written notice to the Claimant of the Plan's benefit determination on review. The notice must be furnished within 60 days of the date that the request for review is received by the Plan without regard to whether all of the information necessary to make a benefit determination on review is received. The Claimant shall be notified in writing within this initial 60-day period if special circumstances require an extension of the time needed to process the claim. The notice shall indicate the special circumstances requiring an extension of time and the date by which the Plan Administrator expects to render the determination on review. In no event shall such extension exceed a period of 60 days from the end of the initial 60-day period.

In the event the benefit determination is being made by a committee or board of trustees that hold regularly scheduled meetings at least quarterly, the above paragraph shall not apply. The benefit determination must be made by the date of the meeting of the committee or board that immediately follows the Plan's receipt of a request for review, unless the request for review is filed within 30 days preceding the date of such meeting. In such case, the benefit determination must be made by the date of the second meeting following the Plan's receipt of the request for review. The date of the receipt of the request for review shall be determined without regard to whether all of the information necessary to make a benefit determination on review is received. The Claimant shall be notified in writing within this initial period if special circumstances require an extension of the time needed to process the claim. The notice shall indicate the special circumstances requiring an extension of time and the date by which the committee or board expects to render the determination on review. In no event shall such benefit determination be made later than the third meeting of the committee or board following the Plan's receipt of the request for review. The Plan Administrator shall provide adequate written notice to the Claimant of the Plan's benefit determination on review as soon as possible, but not later than five days after the benefit determination is made.

If the claim for benefits is wholly or partially denied on review, the Plan Administrator's notice to the Claimant shall: (i) specify the reason or reasons for the denial; (ii) reference the specific Plan provisions on which the denial is based; (iii) include a statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the Claimant's claim for benefits; and (iv) include a statement of the Claimant's right to bring a civil action under ERISA section 502(a).

A Claimant may authorize a representative to act on the Claimant's behalf with respect to a benefit claim or appeal of an adverse benefit determination. Such authorization shall be made by completion of a form furnished for that purpose. In the absence of any contrary direction from the Claimant, all information and notifications to which the Claimant is entitled shall be directed to the authorized representative.

The Plan Administrator shall perform periodic examinations, reviews, or audits of benefit claims to determine whether claims determinations are made in accordance with the governing Plan documents and, where appropriate, Plan provisions have been consistently applied with respect to similarly situated Claimants.

SECTION 9.06—DELEGAT ION OF AUTHORITY.

All or any part of the administrative duties and responsibilities under this article may be delegated by the Plan Administrator to a retirement committee. The duties

and responsibilities of the retirement committee shall be set out in a separate written agreement.

SECTION 9.07—EXERCISE OF DISCRETIONARY AUTHORITY.

The Employer, Plan Administrator, and any other person or entity who has authority with respect to the management, administration, or investment of the Plan may exercise that authority in its/his full discretion, subject only to the duties imposed under ERISA. This discretionary authority includes, but is not limited to, the authority to make any and all factual determinations and interpret all terms and provisions of the Plan documents relevant to the issue under consideration. The exercise of authority will be binding upon all persons.

SECTION 9.08—TRANSACTION PROCESSING.

Transactions (including, but not limited to, investment directions, trades, loans, and distributions) shall be processed as soon as administratively practicable after proper directions are received from the Participant or other parties. No guarantee is made by the Plan, Plan Administrator, Trustee, Insurer, or Employer that

such transactions will be processed on a daily or other basis, and no guarantee is made in any respect regarding the processing time of such transactions.

Notwithstanding any other provision of the Plan, the Employer, the Plan Administrator, or the Trustee reserves the right to not value an investment option on any given Valuation Date for any reason deemed appropriate by the Employer, the Plan Administrator, or the Trustee.

Administrative practicality will be determined by legitimate business factors (including, but not limited to, failure of systems or computer programs, failure of the means of the transmission of data, force majeure, the failure of a service provider to timely receive values or prices, and correction for errors or omissions or the errors or omissions of any service provider) and in no event will be deemed to be less than 14 days. The processing date of a transaction shall be binding for all purposes of the Plan and considered the applicable Valuation Date for any transaction.

ARTICLE X

GENERAL PROVISIONS

SECTION 10.01—AMENDMENTS.

The Employer may amend this Plan at any time, including any remedial retroactive changes (within the time specified by Internal Revenue Service regulations), to comply with any law or regulation issued by any governmental agency to which the Plan is subject. The Governing Board shall also have the authority to amend this Plan at any time as long as such amendment does not materially increase the cost of the Plan to the Employer.

An amendment may not allow reversion or diversion of Plan assets to the Employer at any time, except as may be required to comply with any law or regulation issued by any governmental agency to which the Plan is subject.

An amendment may not eliminate or reduce a section 411(d)(6) protected benefit, as defined in Q&A-1 in section 1.411(d)-4 of the regulations, that has already accrued, except as provided in section 1.411(d)-3 or 1.411(d)-4 of the regulations. This is generally the case even if such elimination or reduction is contingent upon the Employee's consent. However, the Plan may be amended to eliminate or reduce section 411(d)(6) protected benefits with respect to benefits not yet accrued as of the later of the amendment's adoption date or effective date without violating Code Section 411 (d)(6).

No amendment to the Plan shall be effective to eliminate or restrict an optional form of benefit. The preceding sentence shall not apply to a Plan amendment that eliminates or restricts the ability of a Participant to receive payment of his Account balance under a particular optional form of benefit if the amendment provides a single sum distribution form that is otherwise identical to the optional form of benefit being eliminated or restricted. For this purpose, a single sum distribution form is otherwise identical only if the single sum distribution form is identical in all respects to the eliminated or restricted optional form of benefit (or would be identical except that it provides greater rights to the Participant) except with respect to the timing of payments after commencement.

If, as a result of an amendment, an Employer Contribution is removed that is not 100% immediately vested when made, the applicable vesting schedule in effect as of the last day such Contributions were permitted shall remain in effect with respect to that part of the Participant's Account resulting from such Contributions. The Participant shall not become immediately 100% vested in such Contributions as a result of the elimination of such Contribution except as otherwise specifically provided in the Plan.

An amendment shall not decrease a Participant's vested interest in the Plan. If an amendment to the Plan changes the computation of the percentage used to determine that portion of a Participant's Account attributable to Employer Contributions which is nonforfeitable (whether directly or indirectly), in the case of an Employee who is a Participant as of the later of the date such amendment or change is adopted or the date it becomes effective, the nonforfeitable percentage (determined as of such date) of such Employee's right to his Account attributable to Employer Contributions shall not be less than the percentage computed under the Plan without regard to such amendm ent or change. Furthermore, each Participant or former Participant

(a) who has completed at least three Years of Service on the date the election period described below ends (five Yea rs of Service if the Participant does not have at least one Hour of Service in a Plan Year beginning after December 31, 1988) and

(b) whose nonforfeitable percentage will be determined on any date after the date of the change

may elect, during the election period, to have the nonforfeitable percentage of his Account resulting from Employer Contributions determined without regard to the amendment. This election may not be revoked. If after the Plan is changed, the Participant's nonforfeitable percentage will at all times be as great as it would have been if the change had not been made, no election needs to be provided. The election period shall begin no later than the date the Plan amendment is adopted and end no earlier than the 60th day after the latest of the date the amendment is adopted or becomes effective, or the date the Participant is issued written notice of the amendment by the Employer or the Plan Administrator.

With respect to a Participant's Account attributable to Employer Contributions accrued as of the later of the adoption or effective date of the amendment and earnings, the vested percentage of each Participant will be the greater of the vested percentage under the old vesting schedule or the vested percentage under the new vesting

schedule.

SECTION 10.02—DIRECT ROLLOVERS.

Notwithstanding any provision of the Plan to the contrary that would otherwise limit a Distributee's election under this section, a Distributee may elect, at the time and in the manner prescribed by the Plan Administrator, to have any portion of an Eligible Rollover Distribution paid directly to an Eligible Retirement Plan specified by the Distributee in a Direct Rollover.

In the event of a Mandatory Distribution of an Eligible Rollover Distribution greater than $1,000 in accordance with the SMA LL AMOUNTS SECTION of this article (or which is a small amounts payment under Article VIII at complete termination of the Plan), if the Participant does not elect to have such distribution paid directly to an Eligible Retirement Plan specified by the Participant in a Direct Rollover or to receive the distribution directly, the Plan Administrator will pay the distribution in a Direct Rollover to an individual retirement plan designated by the Plan Administrator.

For purposes of determining whether a Mandatory Distribution is greater than $1,000, a designated Roth account and all other accounts under the Plan shall be treated as accounts held under two separate plans and shall not be combined, and Rollover Contributions shall be disregarded.

In the event of any other Eligible Rollover Distribut ion to a Distributee in accordance with the SMALL AMOUNTS SECTION of this article (or which is a small amounts payment under Article VIII at complete terminat ion of the Plan), if the Distributee does not elect to have such distribution paid directly to an Eligible Retirement Plan specified by the Distributee in a Direct Rollover or to receive the distribution directly, the Plan Administrator will pay the distribution to the Distributee.

SECTION 10.03—MERGERS AND DIRECT TRANSFERS.

The Plan may not be merged or consolidated with, nor have its assets or liabilities transferred to, any other retirement plan, unless each Participant in this Plan would (if that plan then terminated) receive a benefit immediately after the merger, consolidation, or transfer that is equal to or greater than the benefit the Participant would have been entitled to receive immediately before the merger, consolidation, or transfer (if this Plan had then terminated). The Employer may enter into merger agreements or direct transfer of assets agreements with the employers under other retirement plans which are qualifiable under Code Section 401(a), including an elective transfer, and may accept the direct transfer of plan assets, or may transfer plan assets, as a party to any such agreement. The Employer shall not consent to, or be a party to a merger, consolidation, or transfer of assets with a defined benefit plan if such action would result in a defined benefit feature being maintained under this Plan. The Employer will not transfer any amounts attributable to elective

deferral contributions, qualified matching contributions, qualified nonelective contributions, and contributions used to satisfy Code Section 401(k)(13) safe harbors unless the transferee plan provides that the limitations of section 1.401(k)-1(d) of the regulations shall apply to such amounts (including post-transfer earnings thereon), unless the amounts could have been distributed at the time of the transfer (other than for hardships as described in the WITHDRAWAL BENEFITS SECTION of Article V or deemed severance from employment, as described in the VESTED BENEFITS SECTION of Article V), and the transfer is an elective transfer described in Q&A-3(b)(1) in section 1.411(d)-4 of the regulations.

Notwithstanding any provision of the Plan to the contrary, to the extent any optional form of benefit under the Plan permits a distribution prior to the Employee's retirement, death, disability, or Severance from Employment, and prior to plan termination, the optional form of benefit is not available with respect to benefits attributable to assets (including the post-transfer earnings thereon) and liabilities that are transferred, within the meaning of Code Section 414(1), to this Plan from a money purchase pension plan qualified under Code Section 401 (a) (other than any portion of those assets and liabilities attributable to voluntary employee contributions). The limitations of section 1.401(k)-1(d) of the regulations applicable to elective deferral contributions, qualified matching contributions, qualified nonelective contributions, and contributions used to satisfy Code Section 401 (k)(13) safe harbors shall continue to apply to any amounts attributable to such contributions (including post-transfer earnings thereon) transferred to this Plan, unless the amounts could have been distributed at the time of the transfer (other than for hardships as described in the WITHDRAWAL BENEFITS SECTION of Article V or deemed severance from employment, as described in the VESTED BENEFITS SECTION of Article V), and the transfer is an elective transfer described in Q&A-3(b)(1) in section 1.411{d)-4 of the regulations.

The Plan may accept a direct transfer of plan assets on behalf of an Eligible Employee. If the Eligible Employee is not an Active Participant when the transfer is made, the Eligible Employee shall be deemed to be an Active Participant only for the purpose of investment and distribution of the transferred assets. Employer Contributions shall not be made for or allocated to the Eligible Employee, until the time he meets all of the requirements to become an Active Participant.

The Plan shall hold, administer, and distribute the transferred assets as a part of the Plan. The Plan shall maintain a separate account for the benefit of the Employee on whose behalf the Plan accepted the transfer in order to reflect the value of the transferred assets.

A Participant's section 411(d)(6) protected benefits, as defined in Q&A-1 in section 1.411{d)-4 of the regulations, may not be eliminated by reason of transfer or any transaction amending or having the effect of amending a plan or plans to transfer benefits except as provided below.

A Participant's section 411 (d)(6) protected benefits may be eliminated or reduced upon transfer between qualified defined contribution plans if the conditions in Q&A-3{b)(1) in section 1.411(d)-4 of the regulations are met. The transfer must meet all of the other applicable qualification requirements.

A Participant's section 411(d)(6) protected benefits may be eliminated or reduced if a transfer is an elective transfer of certain distributable benefits between qualified plans (both defined benefit and defined contribution) and the conditions in Q&A-3(c)(1) in section 1.411(d)-4 of the regulations are met. The rules applicable to distributions under the plan would apply to the transfer, but the transfer would not be treated as a distribution for purposes of the minimum distribution requirements of Code Section 401(a)(9). If the Participant is eligible to receive an immediate distribution of his entire Vested Account in a single sum distribution that would consist entirely of an eligible rollover distribution under Code Section 401(a)(31), such transfer will be accomplished as a direct rollover under Code Section 401 (a)(31).

SECTION 10.04—PROVISIONS RELATING TO THE INSURER AND OTHER PARTIES.

The obligations of an Insurer shall be governed solely by the provisions of the Annuity Contract. The Insurer shall not be required to perform any act not provided in or contrary to the provisions of the Annuity Contract. Each Annuity Contract when purchased shall comply with the Plan. See the CONSTRUCTION SECTION of this article.

Any issuer or distributor of investment contracts or securities is governed solely by the terms of its policies, written investment contract, prospectuses, security instruments, and any other written agreements entered into with the Trustee with regard to such investment contracts or securities.

Such Insurer, issuer or distributor is not a party to the Plan, nor bound in any way by the Plan provisions. Such parties shall not be required to look to the terms of this Plan, nor to determine whether the Employer, the Plan Administrator, the Trustee, or the Named Fiduciary have the authority to act in any particular manner or to make

any contract or agreement.

Until notice of any amendment or termination of this Plan or a change in Trustee has been received by the Insurer at its home office or an issuer or distributor at their principal address, they are and shall be fully protected in assuming that the Plan has not been amended or terminated and in dealing with any party acting as Trustee according to the latest information which they have received at their home office or principal address.

SECTION 10.05—EMPLOYMENT STATUS.

Nothing contained in this Plan gives an Employee the right to be retained in the Employer's employ or to interfere with the Employer's right to discharge any Employee.

SECTION 10.06—RIGHTS TO PLAN ASSETS.

An Employee shall not have any right to or interest in any assets of the Plan upon termination of employment or otherwise except as specifically provided under this Plan, and then only to the extent of the benefits payable to such Employee according to the Plan provisions.

Any final payment or distribution to a Participant or his legal representative or to any Beneficiaries of such Participant under the Plan provisions shall be in full satisfaction of all claims against the Plan, the Named Fiduciary, the Plan Adm inistrator, the Insurer, the Trustee, and the Employer arising under or by virtue of the Plan.

SECTION 10.07—BENEFICIARY .

Each Participant may name a Beneficiary to receive any death benefit that may arise out of his participation in the Plan. The Participant may change his Beneficiary from time to time. Unless a qualified election has been made, for purposes of distributing any death benefits before the Participant's Retirement Date, the Beneficiary of a Participant who has a spouse shall be the Participant's spouse. The Participant's Beneficiary designation and any change of Beneficiary shall be subject to the provisions of the ELECTION PROCEDURES SECTION of Article VI.

It is the responsibility of the Participant to give written notice to the Plan Administrator of the name of the Beneficiary on a form furnished for that purpose. The Plan Administrator shall maintain records of Beneficiary designations for Participants before their Retirement Dates. However, the Plan Administrator may delegate to another party the responsibility of maintaining records of Beneficiary designations. In that event,

the written designations made by Participants shall be filed with such other party. If a party other than the Insurer maintains the records of Beneficiary designations and a Participant dies before his Retirement Date, such other party shall certify to the Insurer the Beneficiary designation on its records for the Participant.

If there is no Beneficiary named or surviving when a Participant dies, the Participant's Beneficiary shall be the Participant's surviving spouse, or where there is no surviving spouse, the executor or administrator of the Participant's estate.

Except to the extent otherwise provided in a qualified domestic relations order (as defined in Code Section 414(p)):

(i) Any actual designation of a spouse as a Participant's Beneficiary on a form by the Plan Administrator hereunder shall continue to be valid and will not be revoked notwithstanding a later divorce of the spouse from the Participant, until and unless the Participant changes his designated Beneficiary in accordance with the procedures established by the Plan Administrator.

(ii) If the Participant's spouse is deemed to be the Participant's Beneficiary at any time on account of any other valid Beneficiary designation and the Participant and spouse divorce, the Participant's former spouse shall not be treated as a Beneficiary hereunder until and unless the Participant specifically designates such person as his Beneficiary in accordance with the procedures established by the Plan Administrator.

(iii) If a Participant remarries after a divorce, the new spouse will automatically be treated as the sole designated Beneficiary hereunder until and unless a waiver and designation of an alternate Beneficiary are thereafter delivered in accordance with the procedures established by the Plan Administrator.

SECTION 10.08—NONALIENATION OF BENEFITS.

Benefits payable under the Plan are not subject to the claims of any creditor of any Participant or Beneficiary. A Participant or Beneficiary does not have any rights to alienate, anticipate, commute, pledge, encumber, or assign such benefits. The preceding sentences shall also apply to the creation, assignment, or recognition of a right to any benefit payable with respect to a Participant according to a domestic relations order, unless such order is determined by the Plan Administrator to be a qualified domestic relations order, as defined in Code Section 414(p), or any domestic relations order entered before January 1, 1985. The preceding sentences shall not apply to any offset of a Participant's benefits provided under the Plan against an amount the Participant is required to pay the Plan with respect to a judgment, order, or decree issued, or a settlement entered into, on or after August 5, 1997, which meets the requirements of Code Sections 401 (a)(13)(C) or (D).

SECTION 10.09—CONSTRUCTION.

The validity of the Plan or any of its provisions is determined under and construed according to Federal law and, to the extent permissible, according to the laws of the state in which the Employer has its principal office. In case any provision of this Plan is held illegal or invalid for any reason, such determination shall not affect the remaining provisions of this Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had never been included.

In the event of any conflict between the provisions of the Plan and the terms of any Annuity Contract issued hereunder, the provisions of the Plan control.

SECTION 10.10—LEGAL ACTIONS.

No person employed by the Employer; no Participant, former Participant, or their Beneficiaries; nor any other person having or claiming to have an interest in the Plan is entitled to any notice of process. A final judgment entered in any such action or proceeding shall be binding and conclusive on all persons having or claiming to have an interest in the Plan.

SECTION 10.11—SMALL AMOUNTS.

If the value of the Participant's Vested Account (disregarding the portion, if any, of his Account resulting from Rollover Contributions) does not exceed $5,,,000, the Participant's entire Vested Account shall be distributed as of the earliest of his Retirement Date, the date he dies, or the date he has a Severance from Employment for any

other reason (the date the Employer provides notice to the record keeper of the Plan of such event, if later). For purposes of this section, if the Participant's Vested Account is zero, the Participant shall be deemed to have received a distribution of such Vested Account. This is a small amounts payment.

In the event a Participant does not elect to have a small amounts payment paid directly to an Eligible Retirement Plan specified by the Participant in a Direct Rollover or to receive the distribution directly and his Vested Account is greater than $1,000, a Mandatory Distribution will be made in accordance with the DIRECT ROLLOVERS SECTION of this article. If his Vested Account is $1,000 or less, the Participant's entire Vested Account shall be paid directly to him.

If a small amounts payment is made on or after the date the Participant dies, the small amounts payment shall be made to the Participant's Beneficiary. If a small amounts payment is made while the Participant is living, the small amounts payment shall be made to the Participant.

The small amounts payment is in full settlement of all benefits otherwise payable. No other small amounts payment shall be made.

SECTION 10.12—WORD USAGE.

The masculine gender, where used in this Plan, shall include the feminine gender and the singular words, where used in this Plan, shall include the plural, unless the context indicates otherwise.

The words "in writing" and "written," where used in this Plan, shall include any other forms, such as voice response or other electronic system, as permitted by any governmental agency to which the Plan is subject.

SECTION 10.13—CHANGE IN SERVICE METHOD.

(a) Change of Service Method Under This Plan If this Plan is amended to change the method of crediting service from the elapsed time method to the hours method for any purpose under this Plan, the Employee's service shall be equal to the sum of (1), (2), and (3) below:

(1) The number of whole years of service credited to the Employee under the Plan as of the date the change is effective.

(2) One year of service for the computation period in which the change is effective if he is credited with the required number of Hours of Service. For that portion of the computation period ending on the date of the change (for the first day of the computation period if the change is made on the first day of the computation period), the Employee will be credited

with the greater of (i) his actual Hours of Service or (ii) the number of Hours of Service that is equivalent to the fractional part of a year of elapsed time service credited as of the date of the change, if any. In determining the equivalent Hours of Service, the Employee shall be credited with 190 Hours of Service for each month and any fractional part of a month in such fractional part of a year. The number of months and any fractional part of a month shall be determined by multiplying the fractional part of a year, expressed as a decimal, by 12. For the remaining portion of the computation period (the period beginning on the second day of the computation period and ending on the last day of the computation period if the change is made on the first day of the computation period), the Employee will be credited with his actual Hours of Service.

(3) The Employee's service determined under this Plan using the hours method after the end of the computation period in which the change in service method was effective.

If this Plan is amended to change the method of crediting service from the hours method to the elapsed time method for any purpose under this Plan, the Employee's service shall be equal to the sum of (4), (5), and (6) below:

(4) The number of whole years of service credited to the Employee under the Plan as of the beginning of the computation period in which the change in service method is effective.

(5) The greater of (i) the service that would be credited to the Employee for that entire computation period using the elapsed time method or (ii) the service credited to him under the Plan as of the date the change is effective.

(6) The Employee's service determined under this Plan using the elapsed time method after the end of the applicable computation period in which the change in service method was effective.

(b) Transfers Between Plans with Different Service Methods. If an Employee has been a participant in another plan of the Employer that credited service under the elapsed time method for any purpose that under this Plan is determined using the hours method, then the Employee's service shall be equal to the sum of (1), (2), and (3) below:

(1) The number of whole years of service credited to the Employee under the other plan as of the date he became an Eligible Employee under this Plan.

(2) One year of service for the applicable computation period in which he became an Eligible Employee if he is credited with the required number of Hours of Service. For that portion of such computation period ending on the date he became an Eligible Employee (for the first day of such computation period if he became an Eligible Employee on the first day of such computation period), the Employee will be credited with the greater of (i) his actual Hours of Service or (ii) the number of Hours of Service that is equivalent to the fractional part of a year of elapsed time service credited as of the date he became an Eligible Employee, if any. In determining the equivalent Hours of Service, the Employee shall be credited with 190 Hours of Service for each month and any fractional part of a month in such fractional part of a year. The number of months and any fractional part of a month shall be determined by multiplying the fractional part of a year, expressed as a decimal, by 12. For the remaining portion of such computation period (the period beginning on the second day of such computation period and ending on the last day of such computation

period if he became an Eligible Employee on the first day of such computation period), the Employee will be credited with his actual Hours of Service.

(3) The Employee's service determined under this Plan using the hours method after the end of the computation period in which he became an Eligible Employee.

If an Employee has been a participant in another plan of the Employer that credited service under the hours method for any purpose that under this Plan is determined using the elapsed time method, then the Employee's service shall be equal to the sum of (4), (5), and (6) below:

(4) The number of whole years of service credited to the Employee under the other plan as of the beginning of the computation period under that plan in which he became an Eligible Employee under this Plan.

(5) The greater of (i) the service that would be credited to the Employee for that entire computation period using the elapsed time method or (ii) the service credited to him under the other plan as of the date he became an Eligible Employee under this Plan.

(6) The Employee's service determined under this Plan using the elapsed time method after the end of the applicable computation period under the other plan in which he became an Eligible Employee.

If an Employee has been a participant in a Controlled Group member's plan that credited service under a different method than is used in this Plan, in order to determine entry and vesting, the provisions in (b) above shall apply as though the Controlled Group member's plan was a plan of the Employer.

Any modification of service contained in this Plan shall be applicable to the service determined pursuant to this section.

SECTION 10.14—MILITARY SERVICE.

Notwithstanding any provision of this Plan to the contrary, the Plan shall provide contributions, benefits, and service credit with respect to Qualified Military Service in accordance with Code Section 414(u).

A Participant who dies on or after January 1, 2007 while performing Qualified Military Service is treated as having resumed and then terminated employment on account of death, in accordance with Code Section 401 (a)(37) and any subsequent guidance. The survivors of such Participant are entitled to any additional benefits provided under the Plan on account of death of the Participant.

SECTION 10.15—INDEMNIFICATION.

To the extent not prohibited by state or federal law, the Employer agrees to, and shall indemnify and hold harmless, as the case may be, each Employee, officer or director of the Employer, or of any affiliate, who has responsibilities with respect to the operation or administration of the Plan, or the management of investment of any of the assets of the Plan, from all claims from liability, loss, damage or expense (including payment of reasonable expenses in connection with the defense against such claim) which result from any exercise or failure to exercise any of the indemnified person's responsibilities with respect to the Plan, other than by reason of gross negligence.

ARTICLE XI

TOP-HEAVY PLAN REQUIREMENTS

SECTION 11.01—APPLICATION.

The provisions of this article shall supersede all other provisions in the Plan to the contrary.

For the purpose of applying the Top-heavy Plan requirements of this article, all members of the Controlled Group shall be treated as one Employer. The term Employer, as used in this article, shall be deemed to include all members of the Controlled Group, unless the term as used clearly indicates only the Employer is meant.

The accrued benefit or account of a participant resulting from deductible employee contributions shall not be included for any purpose under this article.

The minimum contribution provisions of the MODIFICATION OF CONTRIBUTIONS SECTION of this article shall not apply to any Employee who is included in a group of Employees covered by a collective bargaining agreement that the Secretary of Labor finds to be a collective bargaining agreement between employee representatives and one or more employers, including the Employer, if there is evidence that retirement benefits were the subject of good faith bargaining between such representatives. For this purpose, the term "employee representatives" does not include any organization more than half of whose members are employees who are owners, officers, or executives.

SECTION 11.02—DEFINITIONS.

For purposes of this article the following terms are defined:

Aggregation Group means:

(a) each of the Employer's qualified plans in which a Key Employee is a participant during the Plan Year containing the Determination Date or any of the four preceding Plan Years (regardless of whether the plans have terminated),

(b) each of the Employer's other qualified plans which allows the plan(s) described in (a) above to meet the nondiscrimination requirement of Code Section 401(a)(4) or the minimum coverage requirement of Code Section 410, and

(c) any of the Employer's other qualified plans not included in (a) or (b) above which the Employer desires to include as part of the Aggregation Group. Such a qualified plan shall be included only if the Aggregation Group would continue to satisfy the requirements of Code Sections 401(a)(4) and 410.

The plans in (a) and (b) above constitute the "required" Aggregation Group. The plans in (a), (b), and (c) above constitute the "permissive" Aggregation Group.

Compensation means compensation as defined in the CONTR IBUTION LIMITATION SECTION of Article Ill.

Determination Date means as to any plan, for any plan year subsequent to the first plan year, the last day of the preceding plan year. For the first plan year of the plan, the Determination Date is the last day of that year.

Key Employee means any Employee or former Employee (including any deceased Employee) who at any time during the Plan Year that includes the Determination Date is:

(a) an officer of the Employer having Compensation for the Plan Year greater than $130,000 (as adjusted under Code Section 416(i)(1) for Plan Years beginning after December 31, 2002),

(b) a 5-percent owner of the Employer, or

(c) a 1-percent owner of the Employer having Compensation for the Plan Year of more than $150,000.

The determination of who is a Key Employee shall be made according to Code Section 416(i)(1) and the applicable regulations and other guidance of general applicability issued thereunder.

Nonkey Employee means any Employee who is not a Key Employee.

Top-heavy Plan means a plan that is top-heavy for any plan year. This Plan shall be top-heavy if any of the following conditions exist:

(a) The Top-heavy Ratio for this Plan exceeds 60 percent and this Plan is not part of any required Aggregation Group or permissive Aggregation Group.

(b) This Plan is a part of a required Aggregation Group, but not part of a permissive Aggregation Group, and the Top-heavy Ratio for the required Aggregation Group exceeds 60 percent.

(c) This Plan is a part of a required Aggregation Group and part of a permissive Aggregation Group and the Top-heavy Ratio for the permissive Aggregation Group exceeds 60 percent.

Top-heavy Ratio means:

(a) If the Employer maintains one or more defined contribution plans (including any simplified employee pension plan) and the Employer has not maintained any defined benefit plan which during the five-year period ending on the Determination Date(s) has or has had accrued benefits, the Top-heavy Ratio for this Plan alone or for the required or permissive Aggregation Group, as appropriate, is a fraction, the numerator of which is the sum of the account balances of all Key Employees as of the Determination Date(s) (including any part of any account balance distributed in the one-year period ending on the Determination Date(s) and distributions under a terminated plan which if it had not been terminated would have been required to be included in the Aggregation Group), and the denominator of which is the sum of all account balances (including any part of any account balance distributed in the one-year period ending on the Determination Date(s) and distributions under a terminated plan which if it had not been terminated would have been required to be included in the Aggregation Group), both computed in accordance with Code Section 416 and the regulations thereunder. In the case of a distribution made for a reason other than Severance from Employment, death, or disability, this provision shall be applied by substituting "five-year period" for "one-year period." Both the numerator and denominator of the Top-heavy Ratio are increased to reflect any contribution not actually made as of the

Determination Date, but which is required to be taken into account on that date under Code Section 416 and the regulations thereunder.

(b) If the Employer maintains one or more defined contribution plans (including any simplified employee pension plan) and the Employer maintains or has maintained one or more defined benefit plans which during the five-year period ending on the Determination Date(s) has or has had accrued benefits, the Top-heavy Ratio for any required or permissive Aggregation Group, as appropriate, is a fraction, the numerator of which is the sum of the account balances under the aggregated defined contribution plan or plans of all Key Employees, determined in accordance with (a) above, and the present value of accrued benefits under the aggregated defined benefit plan or plans for all Key Employees as of the Determination Date(s), and the denominator of which is the sum of the account balances under the aggregated defined contribution plan or plans for all participants, determined in accordance with (a) above, and the present value of accrued benefits under the defined benefit plan or plans for all participants as of the Determination Date(s), all determined in accordance with Code Section 416 and the regulations thereunder. The accrued benefits under a defined benefit plan in both the numerator and denominator of the Top-heavy Ratio are increased for any distribution of an accrued benefit made in the one-year period ending on the Determination Date (and distributions under a terminated plan which if it had not been terminated would have been required to be included in the Aggregation Group). In the case of a distribution made for a reason other than Severance from Employment. death, or disability, this provision shall be applied by substituting "five-year period" for "one-year period."

(c) For purposes of (a) and (b) above, the value of account balances and the present value of accrued benefits will be determined as of the most recent Valuation Date that falls within or ends with the 12-month period ending on the Determination Date, except as provided in Code Section 416 and the regulations thereunder for the first and second plan years of a defined benefit plan. The account balances and accrued benefits of a participant (i) who is not a Key Employee but who was a Key Employee in a prior year or (ii) who has not been credited with at least one hour of service with any employer maintaining the plan at any time during the one-year period ending on the Determination Date will be disregarded. The calculation of the Top-heavy Ratio and the extent to which distributions, rollovers, and transfers are taken into account will be made in accordance with Code Section 416 and the regulations thereunder. Deductible employee contributions will not be taken into account for purposes of computing the Top-heavy Ratio. When aggregating plans, the value of account balances and accrued benefits will be calculated with reference to the Determination Dates that fall within the same calendar year.

The accrued benefit of a participant other than a Key Employee shall be determined under (i) the method, if any, that uniformly applies for accrual purposes under all defined benefit plans maintained by the Employer, or (ii) if there is no such method, as if such benefit accrued not more rapidly than the slowest accrual rate permitted under the fractional rule of Code Section 411(b)(1)(C).

SECTION 11.03—MODIFICATION OF CONTRIBUTIONS.

During any Plan Year in which this Plan is a Top-heavy Plan, the Employer shall make a minimum contribution as of the last day of the Plan Year for each Nonkey Employee who is an Employee on the last day of the Plan Year and who was an Active Participant at any time during the Plan Year. A Nonkey Employee is not required to have a minimum number of Hours of Service or minimum amount of Compensation in order to be entitled to this minimum. A Nonkey Employee who fails to be an Active Participant merely because his Compensation is less than a stated amount or merely because of a failure to make mandatory participant contributions or, in the case of a cash or deferred arrangement, elective contributions shall be treated as if he were an Active Participant. The minimum is the lesser of (a) or (b) below:

(a) 3 percent of such person's Compensation for such Plan Year.

(b) The "highest percentage" of Compensation for such Plan Year at which the Employer's Contributions are made for or allocated to any Key Employee. The highest percentage shall be determined by dividing the Employer Contributions made for or allocated to each Key Employee during the Plan Year by the amount of his Compensation for such Plan Year, and selecting the greatest quotient (expressed as a percentage). To determine the highest percentage, all of the Employer's defined contribution plans within the Aggregation Group shall be treated as one plan. The minimum shall be the amount in (a) above if this Plan and a defined benefit plan of the Employer are required to be included in the Aggregation Group and this Plan enables the defined benefit plan to meet the requirements of Code Section 401(a)(4) or 410.

For purposes of (a) and (b) above, Compensation shall be limited by Code Section 401(a)(17).

If the Employer's contributions and allocations otherwise required under the defined contribution plan(s) are at least equal to the minimum above, no additional contribution shall be required. If the Employer's total contributions and allocations are less than the minimum above, the Employer shall contribute the difference for the Plan Year.

The minimum contribution applies to all of the Employer's defined contribution plans in the aggregate which are Top-heavy Plans. A minimum contribution under a profit sharing plan shall be made without regard to whether or not the Employer has profits.

If a person who is otherwise entitled to a minimum contribution above is also covered under another defined contribution plan of the Employer's which is a Top-heavy Plan during that same Plan Year, any additional contribution required to meet the minimum above shall be provided in this Plan.

If a person who is otherwise entitled to a minimum contribution above is also covered under a defined benefit plan of the Employer's that is within the Aggregation Group and this Plan is a Top-heavy Plan during that same Plan Year, the minimum benefits for him shall not be duplicated. The defined benefit plan shall provide an annual benefit for him on, or adjusted to, a straight life basis equal to the lesser of:

(c) 2 percent of his average compensation multiplied by his years of service, or

(d) 20 percent of his average compensation.

Average compensation and years of service shall have the meaning set forth in such defined benefit plan for this purpose.

For purposes of this section, any employer contribution made according to a salary reduction or similar arrangement shall not apply in determining if the minimum contribution requirement has been met, but shall apply in determining the minimum contribution required. Matching contributions, as defined in Code Section 401(m), shall be taken into account for purposes of satisfying the minimum contribution requirements of Code Section 416(c)(2) and the Plan. Matching contributions that are used to satisfy the minimum contribution requirements shall be treated as matching contributions for purposes of the actual contribution percentage test and other requirements of Code Section 401(m).

The requirements of this section shall be met without regard to any Social Security contribution.

By executing this Plan, the Primary Employer acknowledges having counseled to the extent necessary with selected legal and tax advisors regarding the Plan's legal and tax implications.

Executed this 31 day of OCTOBER, 2012

NATURE'S SUNSHINE PRODUCTS, INC.

By: /s/ Stephen M. Bunker
Stephen M. Bunker, Executive Vice President, Chief Financial Officer and Treasurer

ACKNOWLEDGED as NAMED FIDUCIARY this 31 day of OCTOBER, 2012.

By: /s/ Stephen M. Bunker
Stephen M. Bunker, Executive Vice President, Chief Financial Officer and Treasurer

ACKNOWLEDGED as NAMED FIDUCIARY this 5 day of NOVEMBER, 2012.

By: /s/ Michael Dean
Michael Dean, Chief Executive Officer

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "**Agreement**"), is effective as of the 13th day of October, 2014 (the "**Effective Date**"), by and between Nature's Sunshine Products, Inc., a Utah corporation, having its principal place of business at 2500 West Executive Parkway, Lehi, Utah 84043 (the "**Company**" or "**NSP**") and Paul Noack, the undersigned individual having a residence at 2816 Sandhurst Avenue, Thousand Oaks, CA 91362 ("**Executive**").

The Company desires to engage Executive to provide services for NSP and Executive desires to provide such services on the terms and conditions below.

1. Employment

1.1 Positions and Duties. Beginning on or before October 13, 2014 (the "**Date of Employment**"), Executive will serve as President, China and New Markets, reporting directly to the Chairman and CEO of the Company. In addition, without additional compensation, if requested by the Company, Executive will serve in other officer positions of the Company and its subsidiaries. Executive shall devote his best efforts and substantially all of his business time and services to the Company to perform such duties as may be customarily incident to such position of an enterprise of the size and nature of the Company and as may reasonably be assigned from time to time by the Chairman and CEO of the Company or the Company, as the case may be. Executive will render his services hereunder to the Company, shall use his best efforts, judgment and energy in the performance of the duties assigned to him, shall abide by the Company's Code of Conduct and any other applicable Company policies, and shall comply with any and all applicable laws, including but not limited to insider trading/reporting requirements and the policies and procedures as may be set forth in the employee handbook, manuals and other materials provided by the Company.

1.2 Place of Performance. Executive shall perform his services hereunder at the Company's offices in Los Angeles, California; *provided, however,* that Executive will be required to travel from time to time as reasonably required for business purposes.

2. Compensation and Benefits

2.1 Base Salary. Executive shall receive an annual salary of $350,000 paid in accordance with the Company's payroll practices, as in effect from time to time. Base salary shall be subject to review on at least an annual basis by the Chairman and CEO. Executive understands that no further compensation will be given for his name being used as an officer or shareholder of any corporation, subsidiary or branch.

2.2 Discretionary Bonus. Executive shall also be eligible to participate in the executive bonus program (as modified from time to time) or any successor program (the "**EBP**"). The EBP, as currently constituted, provides for additional compensation commensurate with Executive's responsibilities based upon company and individual performance measures, with a target of 75% of Executive's base salary and a maximum bonus potential payout of 175% of target. Payment of any bonus under the EBP is in NSP's sole discretion and such payments will be made in accordance with Internal Revenue Code Section 409A and the terms of the EBP.

2.3 Employee Benefits. Executive will be eligible to participate in retirement/savings, health insurance, term life insurance, long term disability insurance and other employee benefit plans, policies or arrangements maintained by the Company for its employees generally and, at the discretion of the Board, in incentive plans, stock option plans and change in control severance plans maintained by the Company for its executives, if any, subject to the terms and conditions of such plans, policies or arrangements. The benefits in which Executive shall be eligible to participate as of the Effective Date are set forth in Exhibit B hereto.

2.4 Stock Options. Contingent upon receiving shareholder approval of the Company's new stock incentive plan (the "**New Plan**"), the Company will recommend that the Board of Directors grant Executive an option (the "**Option**") to purchase 100,000 shares of NSP common stock under the New Plan. The Option will have an exercise price per share equal to the closing price of NSP common stock on the date the New Plan is approved by the shareholders. The Option will become exercisable in four (4) equal annual installments upon Executive's completion of each year of employment over the four (4) year period measured from the Date of Employment. The remaining terms of the Option shall be as set forth in the New Plan and such stock option agreement. The Company may from time to time grant to Executive additional options to purchase shares of NSP common stock pursuant to the price, terms and conditions set forth in the then applicable stock incentive plan, as amended from time to time, or as otherwise set forth in a stock option agreement.

3. Indemnification; D&O Insurance. The Company will indemnify, defend and hold Executive harmless from and against any and all claims, liabilities, obligations, losses, costs, damages or expenses (including reasonable attorneys' fees and costs of defense) arising out of any claim or legal proceeding levied or brought against Executive, relating in any way to services performed by Executive for the Company, or Executive's status as an officer, employee or representative of the Company. This indemnification provision is intended to be broadly interpreted and to provide for indemnification to the full extent permitted by law. The Company will maintain directors' and officers' liability insurance in amounts and on terms reasonable and customary for similarly situated companies.

4. Expenses

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

4.2 Conditions to Reimbursement. Executive must submit proper documentation for each relocation and reimbursable expense eligible for reimbursement under this Section 4 within sixty (60) days after the later of (i) Executive's incurrence of such expense or (ii) Executive's receipt of the invoice for such expense. If such expense qualifies hereunder for reimbursement, then the Company will reimburse Executive for that expense within ten (10) business days thereafter. Each reimbursement must be made no later than the end of the calendar year following the calendar year in which the expense was incurred. The amount of

reimbursements in any calendar year shall not affect the expenses eligible for reimbursement in the same or any other calendar year. Executive's right to reimbursement may not be liquidated or exchanged for any other benefit.

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

5.1. Termination without Cause. The Company may terminate Executive's employment at any time without Cause (as defined below). If Executive's employment by the Company is terminated by the Company without Cause, Executive will be entitled to:

5.1.1. payment of all accrued and unpaid base salary through the date of such termination;

5.1.2. provided the Release under Section 5.2 has been executed and become effective and enforceable in accordance with its terms following expiration of the applicable revocation period and Executive complies with the Restrictive Covenants (as set forth in Section 6), monthly severance payments equal to one-twelfth of Executive's base salary as of the date of such termination for a period equal to twelve (12) months (the "**Severance Period**"). The first such payment will be made on the sixtieth (60^{th}) day following Executive's "separation from service" (as such term is defined under Internal Revenue Code Section 409A ("Code Section 409A") and the Treasury Regulations thereunder and the remaining payments will be made in accordance with the Company's normal payroll schedule for salaried employees; and

5.1.3. provided the Release under Section 5.2 has been executed and become effective and enforceable in accordance with its terms following expiration of the applicable revocation period and Executive complies with the Restrictive Covenants (as set forth in Section 6), the Company will reimburse Executive for the cost he incurs for continuation of Executive's health insurance coverage under COBRA (and for his family members if Executive provided for their coverage during his or her employment) during the Severance Period and in accord with the NSP plan applicable to NSP employees currently in effect. Executive shall, within thirty (30) days after each monthly COBRA payment during the Severance Period for which he is entitled to reimbursement in accordance with the foregoing, submit appropriate evidence of such payment to the Company, and the Company shall reimburse Executive, within ten business days following receipt of such submission. During the period such health care coverage remains in effect hereunder, the following provisions shall govern the arrangement: (i) the amount of the COBRA costs eligible for reimbursement in any one (1) calendar year of coverage will not affect the amount of such costs eligible for reimbursement in any other calendar year for which such reimbursement is to be provided hereunder; (ii) no COBRA costs will be reimbursed after the close of the calendar year following the calendar year in which those costs were incurred; and (iii) Executive's right to the reimbursement of such costs cannot be liquidated or exchanged for any other benefit. In the event the Company's reimbursement of the reimbursable portion of any COBRA payment hereunder results in Executive's recognition of taxable income (whether for federal, state or local income tax purposes), the Company will report such taxable income as taxable W-2 wages and collect the applicable withholding taxes, and Executive will be responsible for the payment of any additional income tax liability resulting from such coverage.

5.2. Release and Restrictive Covenants. Notwithstanding any provision of this Agreement, the payments and benefits described in this Section 5 are conditioned on Executive's execution and delivery to the Company of a release substantially identical to that attached hereto as Exhibit A in a manner consistent with the requirements of the Older Workers Benefit Protection Act, if applicable, and any applicable state law (the "**Release**"). In addition, the continuation of the payments and benefits described above is conditioned on Executive's compliance with the Restrictive Covenants set forth in Section 6 of this Agreement. A breach of these Restrictive Covenants by the Executive shall constitute a breach of this Agreement, which shall relieve the Company of any further obligation under this Agreement.

5.3. Termination for Cause. The Company may terminate Executive's employment immediately for Cause. If Executive's employment with the Company is terminated by the Company for Cause then the Company's obligation to Executive will be limited solely to the payment of accrued and unpaid base salary through the date of such termination. To terminate Executive's employment for Cause, the CEO, in consultation with the Board, must determine in good faith that Cause has occurred.

"Cause" means:

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

b) dishonesty, fraud, embezzlement or other misappropriation of funds;

c) material breach of this Agreement; or

d) willful refusal to perform the lawful and reasonable directives of the CEO or the Board.

5.4 Resignation by Executive. Executive may resign his employment by giving the Company four weeks' notice of said resignation; NSP may elect to pay Employee's base salary in lieu of notice. If Executive resigns, then the Company's obligation to Executive will be limited solely to the payment of accrued and unpaid base salary through the date of such termination.

5.5 Termination upon Death or Incapacity of Executive. Executive's employment with the Company shall terminate upon the death or incapacity of Executive. In the event of termination of Executive's employment by reason of Executive's death or incapacity, the provisions governing termination without Cause, above, shall apply. "Incapacity" shall mean that the Executive is unable to perform the functions consistent with the position in the Company to which he was appointed pursuant to this Agreement by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or that the Executive has been determined to be totally disabled by the Social Security Administration.

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

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

6.1. Covenant Not To Compete. Executive covenants that, during his employment by the Company, Executive will not do any of the following, directly or indirectly:

6.1.1. engage, be employed by, participate in, plan for or organize any Competing Business of the Company or any subsidiary or joint venture of the Company; "Competing Business" means any business enterprise that distributes through a multilevel marketing program or that engages in any activity that competes anywhere in the world with any activity in which the Company is then engaged, including sales or distribution of herbs, vitamins or nutritional supplements or any product, which the Company sells or distributes at the time of Executive's termination; however, it is understood Executive would not be excluded from working in non-competing businesses such as those engaged in ingredient, food, beverage or pharmaceutical research, development, or sales.

6.1.2. become interested in (as owner, stockholder, lender, partner, co-venturer, director, officer, employee, agent or consultant) any person, firm, corporation, association or other entity engaged in a Competing Business. Notwithstanding the foregoing, Executive may hold up to 2% of the outstanding securities of any class of any publicly-traded securities of any company;

6.1.3. influence or attempt to influence any employee, sales leader, manager, coordinator, consultant, supplier, licensor, licensee, contractor, agent, strategic partner, distributor, customer or other person to terminate his or her employment with the Company or modify any written or oral agreement, relationship,

arrangement or course of dealing the Company; or

6.1.4. solicit for employment (or arrange to have any other person or entity solicit for employment) any person who has been employed or retained by any member of the Company within the preceding twelve (12) months. For this purpose, advertisements for employment placed in newspapers of general circulation will not be considered solicitation.

6.2. Confidentiality. Executive recognizes and acknowledges that the Proprietary Information (as defined below) is a valuable, special and unique asset of the business

of the Company. As a result, both during the Term and thereafter, Executive will not, without the prior written consent of the Company, for any reason divulge to any third-party or use for his/her own benefit, or for any purpose other than the exclusive benefit of the Company, any Proprietary Information. Notwithstanding the foregoing, if Executive is compelled to disclose Proprietary Information by court order or other legal process, to the extent permitted by applicable law, he shall promptly so notify the Company so that it may seek a protective order or other assurance that confidential treatment of such Proprietary Information shall be afforded, and Executive shall reasonably cooperate with the Company in connection therewith. If Executive is so obligated by court order or other legal process to disclose Proprietary Information, Executive will disclose only the minimum amount of such Proprietary Information as is necessary for Executive to comply with such court order or other legal process.

6.3. Property of the Company.

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

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

6.3.2. Intellectual Property. Executive agrees that all the Intellectual Property (as defined below) will be considered "works made for hire" as that term is defined in Section 101 of the Copyright Act (17 U.S.C. § 101) and that all right, title and interest in such Intellectual Property will be the sole and exclusive property of the Company. To the extent that any of the Intellectual Property may not by law be considered a work made for hire, or to the extent that, notwithstanding the foregoing, Executive retains any interest in the Intellectual Property, Executive hereby irrevocably assigns and transfers to the Company any and all right, title, or interest that Executive may now or in the future have in the Intellectual Property under patent, copyright, trade secret, trademark or other law, in perpetuity or for the longest period otherwise permitted by law, without the necessity of further consideration. The Company will be entitled to obtain and hold in its own name all copyrights, patents, trade secrets, trademarks and other similar registrations with respect to such Intellectual Property. Executive further agrees to execute any and all documents and provide any further cooperation or assistance reasonably required by the Company to perfect, maintain or otherwise protect its rights in the Intellectual Property, at no cost to Executive. If the Company is unable after reasonable efforts to secure Executive's signature, cooperation or assistance in accordance with the preceding sentence, whether because of Executive's incapacity or any other reason whatsoever, Executive hereby designates and appoints the Company or its designee as Executive's agent and attorney-in-fact to act on his behalf solely for the purpose of executing and filing documents and doing all other lawfully permitted acts necessary or desirable to perfect, maintain or otherwise protect the Company's rights in the Intellectual Property. Executive acknowledges and agrees that such appointment is coupled with an interest and is therefore irrevocable.

6.3.2.1. "Intellectual Property" means (a) all inventions (whether patentable or unpatentable and whether or not reduced to practice), all improvements thereto, and all patents and patent applications claiming such inventions, (b) all trademarks, service marks, trade dress, logos, trade names, fictitious names, brand names, brand marks and corporate names, together with all translations, adaptations, derivations, and combinations thereof and including all goodwill associated therewith, and all applications, registrations, and renewals in connection therewith, (c) all copyrightable works, all copyrights, and all applications, registrations, and renewals in connection therewith, (d) all mask works and all applications, registrations, and renewals in connection therewith, (e) all trade secrets (including research and development, know-how, formulas, compositions, manufacturing and production processes and techniques, methodologies, technical data, designs, drawings and specifications), (I) all computer software (including data, source and object codes and related documentation), (g) all other proprietary rights or (h) all copies and tangible embodiments thereof (in whatever form or medium) which, in the case of any or all of the foregoing, have been or are developed or created in whole or in part by Executive at any time and at any place while Executive is employed by the Company and have been or are created for the purpose of performing Executive's duties on behalf of the Company.

6.4. Acknowledgements. Executive acknowledges that the Restrictive Covenants are reasonable and necessary to protect the legitimate interests of the Company, that the duration and geographic scope of the Restrictive Covenants are reasonable given the nature of this Agreement and the position Executive holds within the Company, and that the Company would not enter into this Agreement or otherwise employ or continue to employ Executive unless Executive agrees to be bound by the Restrictive Covenants set forth in this Section 6.

6.5. Remedies and Enforcement upon Breach.

6.5.1. Intention. It is the intention of the parties that the foregoing restrictive covenant be enforced as written, and, in any other event, enforced to the greatest extent (but to no greater extent) in time, territory and degree of participation as permitted by applicable law. Accordingly, in the event that any court to which a dispute over these restrictions may be referred shall find any of these restrictions overly broad or unreasonable in any way, that court must enforce the restrictions to the

greatest extent deemed reasonable.

6.5.2. Specific Enforcement. Executive acknowledges that any breach by him, willfully or otherwise, of the Restrictive Covenants will cause continuing and irreparable injury to the Company for which monetary damages would not be an adequate remedy. In the event of any such breach or threatened breach by Executive of any of the Restrictive Covenants, the Company shall be entitled to injunctive or other similar equitable relief in any court, without any requirement that a bond or other security be posted, and this Agreement shall not in any way limit remedies of law or in equity otherwise available to the Company.

6.5.3. Enforceability. If any court holds the Restrictive Covenants unenforceable by reason of their breadth or scope or otherwise, it is the intention of the parties hereto that such determination not bar or in any way affect the right of the Company to the relief provided above in the courts of any other jurisdiction within the geographic scope of such Restrictive Covenants.

6.5.4. Disclosure of Restrictive Covenants. Executive agrees to disclose the existence and terms of the Restrictive Covenants to any employer that Executive may work for during the Restricted Period.

6.5.5. Extension of Restricted Period. If the Executive breaches Section 6.1 in any respect, the restrictions contained in that section will be extended for a period equal to the period that the Executive was in breach.

7. Miscellaneous.

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

7.2. Successors and Assigns. This Agreement shall be binding upon any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, and the Company shall require any such successor to expressly assume and agree in writing to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place, or, in the event the Company remains in existence, the Company shall continue to employ Executive under the terms hereof. As used in this Agreement, the

"Company" shall mean the Company and any successor to its business and/or assets, which assumes or is obligated to perform this Agreement by contract, operation of law or otherwise. This Agreement shall inure to the benefit of and be enforceable by Executive and his personal or legal representatives, executors, estate, trustee, administrators, successors, heirs, distributees, devisees and legatees. The duties of Executive hereunder are personal to Executive and may not be assigned by him. If Executive dies and any amounts become payable under this Agreement, the Company will pay those amounts to his estate.

7.3. Governing Law and Enforcement; Disputes. This Agreement shall be governed by and construed in accordance with the laws of the State of California, without regard to the principles of conflicts of laws. Any legal proceeding arising out of or relating to this Agreement will be instituted in a state or federal court in the State of Utah, and Executive and the Company hereby consent to the personal and exclusive jurisdiction of such court(s) and hereby waive any objection(s) that they may have to personal jurisdiction, the laying of venue of any such proceeding and any claim or defense of inconvenient forum.

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

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

7.6. Survival. Section 6 of this Agreement will survive termination of this Agreement and/or the cessation of Executive's employment by the Company.

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

7.8. Entire Agreement; Amendments. This Agreement, the attached exhibits, the Plan, and the Award Agreement contain the entire agreement and understanding of the parties hereto relating to the subject matter hereof; and merge and supersede all prior and contemporaneous discussions, agreements and understandings of every nature relating to Executive's employment or engagement with, or compensation by, the Company and any of its affiliates or subsidiaries or any of their predecessors, including, without limitation, the Existing

Agreement. This Agreement may not be changed or modified, except by an agreement in writing signed by each of the parties hereto.

7.9. Withholding. All payments to Executive will be subject to tax withholding in accordance with applicable law.

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

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

7.12. Third Party Beneficiaries. Subject to Section 7.2, this Agreement will be binding on, inure to the benefit of and be enforceable by the parties and their respective heirs, personal representatives, successors and assigns. This Agreement does not confer any rights, remedies, obligations or liabilities to any entity or person other than Executive and the Company and Executive's and the Company's permitted successors and assigns, *although* this Agreement will inure to the benefit of the Company.

8. Section 409A.

8.1. Section 409A Compliance. The parties intend that this Agreement comply with the requirements of Code Section 409A. To the extent there is any ambiguity as to whether any provision of the Agreement would otherwise contravene one or more requirements or limitations of Code Section 409A, such provision shall be interpreted and applied in a manner that does not result in a violation of the applicable requirements or limitations of Code Section 409A and the Treasury Regulations thereunder. To the extent any continuing compensation, bonus, severance, reimbursements or in-kind benefits due or payable to Executive under this Agreement constitutes "deferred compensation" under Section 409A of the Code, any such compensation, bonus, severance, reimbursements or in-kind benefits shall constitute and be treated as a series of separate payments under Treasury Regulations Section 1.409A-2(b)(2)(iii) with each such payment made under this Agreement being so designated as a "separate payment" within the meaning of Section 409A of the Code. In no event shall Executive have the right to designate, directly or indirectly, the calendar year of any payment subject to Code Section 409A.

8.2. Delayed Commencement Date. Notwithstanding any provision of this Agreement to the contrary, if Executive is a "specified employee" as defined in Section 409A of the Code, Executive shall not be entitled to any payments or benefits the right to which provides for a "deferral of compensation" with the meaning of Section 409A of the Code (taking into account all applicable exemption or exceptions), and whose payment or provision is triggered by Executive's termination of employment with the Company (whether such payments or benefits are provided to Executive under this Agreement or under any plan or program or arrangement of the Company), including as a result of Executive's Incapacity (other than Executive being "disabled" within the meaning of Section 409A of the Code), until the earlier of (i) the date which is the first business day following the six month anniversary of Executive's "separation

from service" as defined in Section 409A of the Code for any reason other than death, or (ii) Executive's date of death, and such payments or benefits that, if not for the six month delay described herein, would be due and payable prior to such date shall be made or provided to Executive on such date. The Company shall make the determination as to whether Executive is a "specified employee" in good faith in accordance with its general procedures adopted in accordance with Section 409A of the Code and, at the time of Executive's "separation from service" will notify Executive of whether or not Executive is a "specified employee."

8.3 Savings Clause. Notwithstanding the other provisions of this Agreement, with respect to any right to a payment or benefit hereunder (or any portion thereof) that does not otherwise provided for a "deferral of compensation" as defined in Section 409A of the Code, it is the intent of the parties that such payment or benefit will not so provide. Furthermore, if either party notifies the other in writing that, based upon the advice of legal counsel, one or more of the provisions of this Agreement contravenes any regulation or Treasury guidance promulgated under Section 409A of the Code or causes any amount to be subject to interest or penalties under Section 409A of the Code, the parties shall promptly and reasonably consult with each other (and their legal counsel (and shall use their reasonable best efforts to reform the provisions hereof to (a) maintain to the maximum extent practicable the original intent of the applicable provisions without violating the provisions of Section 409A of the Code or increasing the costs to the Company of providing the applicable benefit or payment and (b) to the extent practicable, to avoid the imposition of any tax, interest or other penalties under Section 409A of the Code upon Executive or the Company.

8.4 280G. Anything in this Agreement to the contrary notwithstanding, in the event that it shall be determined that any payment, distribution, or other action by the Company to or for Executive's benefit (whether paid or payable or distributed or distributable pursuant to the terms of the Agreement or otherwise ("Parachute Payment"), would result in an "excess parachute payment" within the meaning of Section 280G(b)(i) of the Code, and the value determined in accordance with Section 280G(d)(4) of the Code of the Parachute Payments, net of all taxes imposed on Executive (the "Net After-Tax Amount") that Executive would receive would be increased if the Parachute Payments were reduced, then the Parachute Payments shall be reduced by an amount (the "Reduction Amount") so that the Net After-Tax Amount after such reduction is greatest. For purposes of determining the Net After-Tax Amount, Executive shall be deemed to (i) pay federal income taxes at the highest marginal rates of federal income taxation for the calendar year in which the Parachute Payment is to be made, and (ii) pay applicable state and local income taxes at the highest marginal rate of taxation for the calendar year in which the Parachute Payment is to be made, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes. Subject to the provisions of this Section 9.4, all determinations required to be made under this Section 9.4, including the Net After-Tax Amount, the Reduction Amount and the Parachute Payments that are to be reduced pursuant to this Section 9.4 and the assumptions to be utilized in arriving at such determinations, shall be made by independent public accounting firm selected by Executive (the "Accounting Firm"), which shall provide detailed supporting calculations both to the Company and Executive within fifteen (15) business days of the receipt of notice from Executive that there has been a Parachute Payment, or such earlier time as is requested by Executive. The Accounting Firm's decision as to which Parachute Payments are to be reduced shall be made (a) only from Parachute Payments that the Accounting Firm determines reasonably may be characterized as

"parachute payments" under Section 280G of the Code; (b) only from Parachute Payments that are required to be made in cash; (c) only with respect to any amounts that are not payable pursuant to a "nonqualified deferred compensation plan" subject to Section 409A of the Code, until those payments have been reduced to zero; and (d) in reverse chronological order, to the extent that any Parachute Payments subject to reduction are made over time (e.g., in installments). In no event, however, shall any Parachute Payments be reduced if and to the extent such reduction would cause a violation of Section 409A of the Code or other applicable law. All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any determination by the Accounting Firm shall be binding upon the Company and Executive.

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NATURE'S SUNSHINE PRODUCTS, INC.

By: /s/ Patrick O'Hara

Title: Vice President, Human Resources

PAUL NOACK

/s/ Paul Noack
Executive

EXHIBIT A

RELEASE AGREEMENT

THIS RELEASE AGREEMENT (this "**Release**") is made as of the day of , by and between Paul Noack (the "**Executive**") and Nature Sunshine Products, Inc. (the "**Company**").

WHEREAS, Executive's employment as an executive of the Company has terminated; and

WHEREAS, pursuant to Section 5 of the Employment Agreement by and between the Company and Executive dated (the "**Agreement**"), the Company has agreed to pay Executive certain amounts and to provide him with certain rights and benefits, subject to the execution of this Release.

NOW THEREFORE, in consideration of these premises and the mutual promises contained herein, and intending to be legally bound hereby, the parties agree as follows:

1. Consideration. Executive acknowledges that: (i) the payments, rights and benefits set forth in Section 5 of the Agreement constitute full settlement of all his/her rights under the Agreement, and (ii) except as otherwise provided specifically in this Release, the Company does not and will not have any other liability or obligation to Executive under the Agreement. Executive further acknowledges that, in the absence of his execution of this Release, the benefits and payments specified in the Agreement (other than those specified) would not otherwise be due to him/her.

2. Release and Covenant Not to Sue

2.1. Executive and the Company each hereby fully and forever releases and discharges the other, and all of their respective predecessors and successors, assigns, stockholders, subsidiaries, parents, affiliates, officers, directors, trustees, employees, agents and attorneys, past and present and in their respective capacities as such (the Company and Executive and each such respective person or entity is each referred to as a "**Released Person**") from any and all claims, demands, liens, agreements, contracts, covenants, actions, suits, causes of action, obligations, controversies, debts, costs, expenses, damages, judgments, orders and liabilities, of whatever kind or nature, direct or indirect, in law, equity or otherwise, whether known or unknown, arising through the date of this Release, including those arising out of Executive's employment by the Company or the termination thereof, including, but not limited to, any claims for relief or causes of action under the Age Discrimination in Employment Act, 29 U.S.C. § 621 et seq., the California Family Rights Act (Cal. Govt. Code § 12945.2 *et seq.*), the California Fair Employment and Housing Act (Cal. Govt. Code § 12900 *et seq.*), Cal. Labor Code § 132a, California Unruh Civil Rights Act, or any other federal, state or local statute, ordinance or tort, or any other federal, state or local statute, ordinance or regulation regarding discrimination in employment and any claims, demands or actions based upon alleged wrongful or retaliatory discharge or breach of contract under any state or federal law, common law claims of any kind,

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or claims for misclassification or related statutory labor code violations, including failure to pay wages.

2.2. Executive and the Company expressly represent that they have not filed a lawsuit or initiated any other administrative proceeding against a Released Person and that neither has assigned any claim against a Released Person. Executive and the Company each further promise not to initiate a lawsuit or to bring any other claim against the other or any Released Person arising out of or in any way related to Executive's employment by the Company or the termination of that employment. This Release will not prevent Executive from filing a charge with the Equal Employment Opportunity Commission (or similar state agency) or participating in any investigation conducted by the Equal Employment Opportunity Commission (or similar state agency); *provided, however,* that any claims by Executive for personal relief in connection with such a charge or investigation (such as reinstatement or monetary damages) would be barred. This Release shall not affect Executive's rights under the Age Discrimination in Employment Act or the Older Workers Benefit Protection Act to have a judicial determination of the validity of this release and waiver.

2.3. Executive expressly waives any and all rights and benefits conferred upon him by Section 1542 of the California Civil Code, which states as follows:

> A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

Accordingly, Executive knowingly, voluntarily and expressly waives any rights and benefits arising under Section 1542 of the California Civil Code and any other statute or principle of similar effect.

3. Restrictive Covenants. Executive acknowledges that the restrictive covenants contained in Section 6 of the Agreement will survive the termination of his employment. Executive affirms that those restrictive covenants are reasonable and necessary to protect the legitimate interests of the Company, that he received adequate consideration in exchange for agreeing to those restrictions and that he will abide by those restrictions.

4. Non-Disparagement. Neither Executive nor the Company will disparage the other or any of their respective Released Persons or otherwise take any action which could reasonably be expected to adversely affect the personal or professional reputation of the other or their respective Released Persons.

5. Cooperation. Executive further agrees that, subject to reimbursement of his reasonable expenses, he will cooperate fully with the Company and its counsel with respect to any matter (including litigation, investigations, or governmental proceedings) in which Executive was in anyway involved during his employment with the Company. Executive shall render such cooperation in a timely manner on reasonable notice from the Company.

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6. Rescission Right. Executive expressly acknowledges and recites that (a) he has read and understands the terms of this Release in its entirety, (b) he has entered into this Release knowingly and voluntarily, without any duress or coercion; (c) he has been advised orally and is hereby advised in writing to consult with an attorney with respect to this Release before signing it; (d) he was provided twenty-one (21) calendar days after receipt of the Release to consider its terms before signing it; (e) should he nevertheless elect to execute this Agreement sooner than 21 days after he has received it, he specifically and voluntarily waives the right to claim or allege that he has not been allowed by the Company or by any circumstances beyond his control to consider this Agreement for a full 21 days; and (f) he is provided seven (7) calendar days from the date of signing to terminate and revoke this Release, in which case this Release shall be unenforceable, null and void. Executive may revoke this Release during those seven (7) days by providing written notice of revocation to the Company at the address specified in Section 7.7 of the Agreement.

7. Challenge. If Executive violates or challenges the enforceability of any provisions of the Restrictive Covenants or this Release, no further payments, rights or benefits under Section 5 of the Agreement will be due to Executive (except where such provision would be prohibited by applicable law, rule or regulation).

8. Miscellaneous.

8.1. No Admission of Liability. This Release is not to be construed as an admission of any violation of any federal, state or local statute, ordinance or regulation or of any duty owed by the Company to Executive or by Executive to the Company. Each of the Company and Executive specifically denies any such violations.

8.2. No Reinstatement. Executive agrees that he will not without the consent of the Company apply for reinstatement with the Company or seek in any way to be reinstated, re-employed or hired by the Company in the future,

8.3. Successors and Assigns. This Release shall inure to the benefit of and be binding upon the Company and Executive and their respective successors, permitted assigns, executors, administrators and heirs. Executive shall not may make any assignment of this Release or any interest herein, by operation of law or otherwise. The Company may assign this Release to any successor to all or substantially all of its assets and business by means of liquidation, dissolution, merger, consolidation, transfer of assets, or otherwise.

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

8.5. Entire Agreement; Amendments. Except as otherwise provided herein, this Release contains the entire agreement and understanding of the parties hereto relating to the subject matter hereof, and merges and supersedes all prior and contemporaneous discussions,

agreements and understandings of every nature relating to the subject matter hereof This Release may not be changed or modified, except by an agreement in writing signed by each of the parties hereto.

8.6. Governing Law. This Release shall be governed by, and enforced in accordance with, the laws of the State of California, without regard to the application of the principles of conflicts of laws.

8.7. Counterparts and Facsimiles. This Release may be executed, including execution by facsimile signature, in multiple counterparts, each of which shall be deemed an original, and all of which together shall be deemed to be one and the same instrument.

[SIGNATURE PAGE FOLLOWS]

NATURE'S SUNSHINE PRODUCTS, INC.

By: _____

Title: _____

PAUL NOACK

_____

Executive

EXHIBIT B

Eligible Benefits

- Paid Time Off (PTO) at 3 days upon start and accrues to 25 days during the first year
- Ten paid holidays each year
- Medical/dental plan coverage for Executive and eligible dependents
- Life insurance at two times annual salary
- Wellness Benefits
- Eye care plan
- Employee Assistance Program
- Sixty percent match on contributions to the 401(k) retirement plan up to five percent of Executive's income (automatic enrollment upon first day of employment)
- Opportunity to participate in NSP's Supplemental Elective Deferral Plan
- $750 spending account on company products
- Tuition reimbursement (maximum $3,000 per year)
- Short-term and long-term disability programs
- The Company will also pay Executive a $100,000 signing bonus, subject to tax and other deductions in the usual way, within sixty (60) days of the Date of Employment.

NATURE'S SUNSHINE PRODUCTS, INC.
2012 STOCK INCENTIVE PLAN
NON-INCENTIVE STOCK OPTION AGREEMENT

This **NON-INCENTIVE STOCK OPTION AGREEMENT** (the "*Agreement*") is made effective the 15th day of January, 2015, by and between Nature's Sunshine Products, Inc., a Utah corporation (the "*Company*"), and Paul Noack, an individual ("*Employee*").

1. Grant of Option. The Company hereby grants Employee the option (the "*Option*") to purchase all or any part of an aggregate of 100,000 shares (the "*Shares*") of Common Stock of the Company at the exercise price of $14.30 per share (the closing price of the Company's Common Stock on the effective date of this agreement) according to the terms and conditions set forth in this Agreement and in the Nature's Sunshine Products, Inc. 2012 Stock Incentive Plan, as amended (the "*Plan*"). The Option will not be treated as an incentive stock option within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "*Code*"). The Option is issued under the Plan and is subject to its terms and conditions. A copy of the Plan will be furnished upon request of Employee.

The Option shall terminate at the close of business ten years on October 13, 2024.

2. Description of Option. The Option will vest in equal annual installments on the anniversary date of Employee's initial date of employment, October 13, 2014, over the following four years as set forth in Section 3.

3. Vesting of Option Rights.

(a) Except as otherwise provided in this Agreement, the Option may be exercised by Employee in accordance with the following schedule:

On or after each of the following dates	Number of non-cumulative Shares with respect to which the Option is exercisable
10/13/2015	25,000
10/13/2016	25,000
10/13/2017	25,000
10/13/2018	25,000

(b) During the lifetime of Employee, the Option shall be exercisable only by Employee and shall not be assignable or transferable by Employee, other than by will or the laws of descent and distribution.

4. Exercise of Option after Death or Termination of Employment. The Option shall terminate and may no longer be exercised if Employee ceases to be employed by the Company or its affiliates, except that:

(a) If Employee's employment shall be terminated for any reason, voluntary or involuntary, other than for "*Cause*" (as defined in Section 4(e)) or Employee's death or disability (within the meaning of Section 22(e)(3) of the Code), Employee may, at any time within a period of 3 months after such termination, exercise the Option to the extent the Option was exercisable or becomes exercisable by Employee on the date of the termination of Employee's employment.

(b) If Employee's employment is terminated for Cause, the Option shall be terminated as of the date of the act giving rise to such termination.

(c) If Employee shall die while the Option is still exercisable according to its terms or if employment is terminated because Employee has become disabled (within the meaning of Section 22(e)(3) of the Code) while in the employ of the Company and Employee shall not have fully exercised the Option, such Option may be exercised at any time within 12 months after Employee's death or date of termination of employment for disability by Employee, personal representatives or administrators or guardians of Employee, as applicable, or by any person or persons to whom the Option is transferred by will or the applicable laws of descent and distribution, to the extent of the full number of Shares Employee was entitled to purchase under the Option on (i) the earlier of the date of death or termination of employment or (ii) the date of termination for such disability, as applicable.

(d) Notwithstanding the above, in no case may the Option be exercised to any extent by anyone after the termination date of the Option.

(e) "*Cause*" shall mean (i) the willful and continued failure by Employee substantially to perform his or her duties and obligations (other than any such failure resulting from his or her incapacity due to physical or mental illness), (ii) Employee's conviction or plea bargain of any felony or gross misdemeanor involving moral turpitude, fraud or misappropriation of funds or (iii) the willful engaging by Employee in misconduct which causes substantial injury to the Company or its affiliates, its other employees or the employees of its affiliates or its clients or the clients of its affiliates, whether monetarily or otherwise. For purposes of this subsection, no action or failure to act on Employee's part shall be considered "willful" unless done or omitted to be done by Employee in bad faith and without reasonable belief that his or her action or omission was in the best interests of the Company.

5. Acceleration of Vesting.

(a) In the event that Employee's employment is terminated by reason of Employee's death or disability, the Option, in its entirety, shall fully vest and become immediately exercisable.

(b) Additionally, upon the occurrence of a "*Change in Control Event*" (as defined in Section 5(d) below):

(i) If in connection with the Change in Control Event, the Acquiring Person (as defined in subsection 5(d)(iv) below) elects to continue the Option in effect (or substitute a similar option for the Option) and to replace the shares of Common Stock issuable upon exercise of the Option with other equity securities that are registered under the Securities Act of 1933 and are freely transferable under all applicable federal and state securities laws and regulations, with appropriate adjustments as to the number of shares purchasable thereunder and the exercise price thereof, the Option shall remain subject to the vesting schedule set forth in Section 3 and otherwise become exercisable in full if:

(A) within 24 months after the date of the Change in Control Event, Employee's employment with the Company (or any successor company or

affiliated entity with which Employee is then employed) is terminated for any reason set forth in Sections 5(a) or 5(b) above; or

(B) within 24 months after the date of the Change in Control Event, Employee's employment with the Company (or any successor company or affiliated entity with which Employee is then employed) is terminated by Employee for "*Good Reason*" (as defined below).

(ii) If the Change in Control Event does not meet the criteria specified in subsection (c)(ii) above, the Option shall fully vest and become immediately exercisable upon the Change in Control Event.

(c) For purposes of this Agreement, "*Change in Control Event*" shall mean:

(i) approval by the stockholders of the Company of a plan of complete dissolution or liquidation of the Company;

(ii) consummation of a merger, consolidation, statutory share exchange or similar form of corporate transaction involving the Company or any of its subsidiaries that requires the approval of the Company's stockholders, whether for such transaction or the issuance of securities in the transaction (a "*Business Combination*"), unless immediately following such Business Combination: (A) more than 50% of the total voting power of (x) the corporation resulting from such Business Combination (the "*Surviving Corporation*"), or (y) if applicable, the ultimate parent corporation that directly or indirectly has beneficial ownership of at least 90% of the voting securities eligible to elect directors of the Surviving Corporation (the "*Parent Corporation*"), is represented by Company Voting Securities (as defined in subsection 4(d)(iv)) that were outstanding immediately prior to such Business Combination (or, if applicable, is represented by shares into which such Company Voting Securities were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportion as the voting power of such Company Voting Securities among the holders thereof immediately prior to the Business Combination, (B) no person (other than any employee benefit plan (or related trust) sponsored or maintained by the Surviving Corporation or the Parent Corporation) is or becomes the beneficial owner, directly or indirectly, of 50% or more of the total voting

power of the outstanding voting securities eligible to elect directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation) and (C) at least a majority of the members of the board of directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation) following the consummation of the Business Combination were Incumbent Directors (as defined in subsection 5(d)(v)) at the time of the approval by the Company's board of directors (the "*Board*") of the execution of the initial agreement providing for such Business Combination (any Business Combination which satisfies all of the criteria specified in (A), (B) and (C) above shall be deemed to be a "*Non-Qualifying Transaction*");

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

(iv) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "*Exchange Act*")) is or becomes a "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 50% or more (an "*Acquiring Person*") of the combined voting power of the Company's then outstanding securities eligible to vote for the election of the Board (the "*Company Voting Securities*"); provided, however, that the event described in this subsection 5(d)(iv) shall not be deemed to be a Change in Control Event by virtue of any of the following acquisitions: (A) by the Company or any subsidiary, (B) by any employee benefit plan (or related trust) sponsored or maintained by the Company or any subsidiary, (C) by any underwriter temporarily holding securities pursuant to an offering of such securities, or (D) pursuant to a Non-Qualifying Transaction, as defined in subsection 5(d)(ii); or

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

(d) For purposes of this Agreement, "*Continuing Director*" shall mean any Incumbent Director, who, while such person is a member of the Board, is not an Acquiring Person or an Affiliate or Associate (as defined below) of an Acquiring Person, or a representative of an Acquiring Person or of any such Affiliate or Associate; and for purposes hereof, "*Affiliate*" and "*Associate*" shall have the respective meanings ascribed to such terms in Rule 12b-2 promulgated under the Exchange Act.

(e) For purposes of this Agreement, "*Good Reason*" shall mean the occurrence of any of the following events following a Change in Control Event, except for the occurrence of such an event in connection with the termination of Employee's employment by the Company (or any successor company or affiliated entity then employing Employee) for Cause, disability or death:

(i) the assignment to Employee of employment duties or responsibilities which are not substantially comparable in responsibility to the employment duties and responsibilities held by Employee immediately prior to the Change in Control Event;

(ii) a reduction in Employee's base salary as in effect immediately prior to the Change in Control Event or as the same may be increased from time to time during the term of this Agreement; or

(iii) requiring Employee to work in a location more than 50 miles from Employee's office location immediately prior to the Change in Control Event, except for requirements of temporary travel on the Company's business to an extent substantially consistent with Employee's business travel obligations immediately prior to the Change in Control Event.

(f) Notwithstanding any of the foregoing to the contrary, any acceleration of the Option shall be subject to and conditioned on compliance with applicable regulatory requirements, including, without limitation, Section 409A of the Internal Revenue Code.

6. Method of Exercise of Option. Subject to the foregoing, the Option may be exercised in whole or in part from time to time by serving written notice of exercise on the Company at its principal office within the Option period. The notice shall state the number of Shares as to which the Option is being exercised and shall be accompanied by payment of the exercise price. Payment of the exercise price shall be made (i) in cash (including bank check, personal check or money order payable to the Company), (ii) with the approval of the Company (which may be given in its sole discretion), by delivering to the Company for cancellation shares of the Company's Common Stock already owned by Employee having a Fair Market Value (as defined in the Plan) equal to the full exercise price of the Shares being acquired, or (iii) with the approval of the Company (which may be given in its sole discretion), by delivering to the Company a combination thereof. In addition, with the approval of the Company (which may be given in its sole discretion), the Option may be exercised by delivering to the Employee, a number of Shares having an aggregate Fair Market Value (determined as of the date of exercise) equal to the excess, if positive, of the Fair Market Value of the Shares underlying the Option being exercised, on the date of exercise,

over the exercise price of the Option for such Shares.

7. Miscellaneous.

(a) Plan Provisions Control. In the event that any provision of the Agreement conflicts with or is inconsistent in any respect with the terms of the Plan, the terms of the Plan shall control.

(b) No Rights of Stockholders. Neither Employee, Employee's legal representative nor a permissible assignee of this Option shall have any of the rights and privileges of a stockholder of

the Company with respect to the Shares, unless and until such Shares have been issued in the name of Employee, Employee's legal representative or permissible assignee, as applicable.

(c) No Right to Employment. The grant of the Option shall not be construed as giving Employee the right to be retained in the employ of, or as giving a director of the Company or an Affiliate (as defined in the Plan) the right to continue as a director of the Company or an Affiliate with, the Company or an Affiliate, nor will it affect in any way the right of the Company or an Affiliate to terminate such employment or position at any time, with or without cause. In addition, the Company or an Affiliate may at any time dismiss Employee from employment, or terminate the term of a director of the Company or an Affiliate, free from any liability or any claim under the Plan or the Agreement. Nothing in the Agreement shall confer on any person any legal or equitable right against the Company or any Affiliate, directly or indirectly, or give rise to any cause of action at law or in equity against the Company or an Affiliate. The Option granted hereunder shall not form any part of the wages or salary of Employee for purposes of severance pay or termination indemnities, irrespective of the reason for termination of employment. Under no circumstances shall any person ceasing to be an employee of the Company or any Affiliate be entitled to any compensation for any loss of any right or benefit under the Agreement or Plan which such employee might otherwise have enjoyed but for termination of employment, whether such compensation is claimed by way of damages for wrongful or unfair dismissal, breach of contract or otherwise. By participating in the Plan, Employee shall be deemed to have accepted all the conditions of the Plan and the Agreement and the terms and conditions of any rules and regulations adopted by the Committee (as defined in the Plan) and shall be fully bound thereby.

(d) Governing Law. The validity, construction and effect of the Plan and the Agreement, and any rules and regulations relating to the Plan and the Agreement, shall be determined in accordance with the internal laws, and not the law of conflicts, of the State of Utah.

(e) Severability. If any provision of the Agreement is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction or would disqualify the Agreement under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Committee, materially altering the purpose or intent of the Plan or the Agreement, such provision shall be stricken as to such jurisdiction or the Agreement, and the remainder of the Agreement shall remain in full force and effect.

(f) No Trust or Fund Created. Neither the Plan nor the Agreement shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Affiliate and Employee or any other person.

(g) Headings. Headings are given to the Sections and subsections of the Agreement solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Agreement or any provision thereof.

(h) Conditions Precedent to Issuance of Shares. Shares shall not be issued pursuant to the exercise of the Option unless such exercise and the issuance and delivery of the applicable

Shares pursuant thereto shall comply with all relevant provisions of law, including, without limitation, the Securities Act of 1933, as amended, the Exchange Act of 1934, as amended, the rules and regulations promulgated thereunder, the requirements of any applicable Stock Exchange and the Utah Revised Business Corporation Act. As a condition to the exercise of the purchase price relating to the Option, the Company may require that the person exercising or paying the purchase price represent and warrant that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation and warranty is required by law.

(i) Withholding. In order to provide the Company with the opportunity to claim the benefit of any income tax deduction which may be available to it upon the exercise of the Option and in order to comply with all applicable federal or state income tax laws or regulations, the Company may take such action as it deems appropriate to insure that, if necessary, all applicable federal or state payroll, withholding, income or other taxes are withheld or collected from Employee.

(j) Consultation With Professional Tax and Investment Advisors. The holder of this Award acknowledges that the grant, exercise, vesting or any payment with respect to this Award, and the sale or other taxable disposition of the Shares acquired pursuant to the exercise thereof, may have tax consequences pursuant to the Code or under local, state or international tax laws. The holder further acknowledges that such holder is relying solely and exclusively on the holder's own professional tax and investment advisors with respect to any and all such matters (and is not relying, in any manner, on the Company or any of its employees or representatives). Finally, the holder understands and agrees that any and all tax consequences resulting from the Award and its grant, exercise, vesting or any payment with respect thereto, and the sale or other taxable disposition of the Shares acquired pursuant to the Plan, is solely and exclusively the responsibility of the holder without any expectation or understanding that the Company or any of its employees or representatives will pay or reimburse such holder for such taxes or other items.

[Signature page follows]

IN WITNESS WHEREOF, the Company and Employee have executed this Agreement on the date set forth in the first paragraph.

NATURE'S SUNSHINE PRODUCTS, INC.

By: /s/ Stephen M. Bunker
Name: Stephen M. Bunker
Title: Executive Vice President/CFO

EMPLOYEE

/s/ Paul Noack
Paul Noack, an individual

[Signature page of Non-Incentive Stock Option Agreement—Paul Noack]

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the **"Agreement"),** is made on this 4th day of March, 2013 (the "Effective Date"), by and between Nature's Sunshine Products, Inc., a Utah Corporation, having its principal place of business in Lehi, Utah ("the Company" or "NSP") and Sue Armstrong ("Executive").

The Company desires to engage Executive to provide services for NSP and Executive desires to provide such services on the terms and conditions below.

1. Employment.

1.1 Positions and Duties. Beginning on or before March 11, 2013 (the "Date of Employment"), Executive will serve as Executive Vice President — Operations of the Company, reporting directly to the President and Chief Operating Officer ("COO") of the Company. In addition, without additional compensation, if requested by the Company, Executive will serve in other officer positions of the Company and its subsidiaries. Executive shall devote her best efforts and substantially all of her business time and services to the Company to perform such duties as may be customarily incident to such position of an enterprise of the size and nature of the Company and as may reasonably be assigned from time to time by the COO of the Company or the Company, as the case may be. Executive will render her services hereunder to the Company, shall use her best efforts, judgment and energy in the performance of the duties assigned to her, shall abide by the Company's Code of Conduct and any other applicable Company policies, and shall comply with any and all applicable laws, including but not limited to insider trading/reporting requirements and the policies and procedures as may be set forth in the employee handbook, manuals and other materials provided by the Company.

1.2 Place of Performance. Executive shall perform her services hereunder at the Company's offices in Spanish Fork, Utah, or in such location designated by the Company; *provided, however,* that Executive will be required to travel from time to time as reasonably required for business purposes.

2. Compensation and Benefits.

2.1 Base Salary. Executive shall receive an annual salary of $265,000 paid in accordance with the Company's payroll practices, as in effect from time to time. Base salary shall be subject to review on at least an annual basis by the COO. Executive understands that no further compensation will be given for her name being used as an officer or shareholder of any corporation, subsidiary or branch.

2.2 Discretionary Bonus. Executive shall also be eligible to participate in the executive bonus program (as modified from time to time) or any successor program (the "EBP"). The EBP, as currently constituted, provides for additional compensation commensurate with Executive's responsibilities based upon company and individual performance measures, with a target of 50% of Executive's base salary and a maximum bonus potential payout of 175% of

target. Payment of any bonus under the EBP is in NSP's sole discretion and such payments will be made in accordance with Internal Revenue Code Section 409A and the terms of the EBP.

2.3 Employee Benefits. Executive will be eligible to participate in retirement/savings, health insurance, term life insurance, long term disability insurance and other employee benefit plans, policies or arrangements maintained by the Company for its employees generally and, at the discretion of the Board, in incentive plans, stock option plans and change in control severance plans maintained by the Company for its executives, if any, subject to the terms and conditions of such plans, policies or arrangements. The benefits in which Executive shall be eligible to participate as of the Effective Date are set forth in Exhibit B hereto.

2.4 Stock Options**.** On the Date of Employment, the Company shall grant to Executive an option (the "Option") to purchase 32,000 shares of NSP common stock under the Company's 2012 Stock Incentive Plan (the "Plan"). The Option will have an exercise price per share equal to the closing price of NSP common stock on the grant date. The Option will become exercisable in three (3) equal annual installments upon Executive's completion of each year of employment over the three (3) year period measured from the Date of Employment. The remaining terms of the Option shall be as set forth in the Plan and such Stock Option Agreement. The Company may from time to time grant to Executive additional options to purchase shares of NSP common stock pursuant to the price, terms and conditions set forth in the then applicable Stock Option Plan, as amended from time to time, or as otherwise set forth in a Stock Option Agreement.

3. Indemnification; D&O Insurance. The Company will indemnify, defend and hold Executive harmless from and against any and all claims, liabilities, obligations, losses, costs, damages or expenses (including reasonable attorneys' fees and costs of defense) arising out of any claim or legal proceeding levied or brought against Executive, relating in any way to services performed by Executive for the Company, or Executive's status as an officer, employee or representative of the Company. This indemnification provision is intended to be broadly interpreted and to provide for indemnification to the full extent permitted by law. The Company will maintain directors' and officers' liability insurance in amounts and on terms reasonable and customary for similarly situated companies.

4. Expenses.

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

4.2 Conditions to Reimbursement. Executive must submit proper documentation for each relocation and reimbursable expense eligible for reimbursement under this Section 4 within sixty (60) days after the later of (i) Executive's incurrence of such expense or (ii) Executive's receipt of the invoice for such expense. If such expense qualifies hereunder for reimbursement, then the Company will reimburse Executive for that expense within ten (10)

business days thereafter. Each reimbursement must be made no later than the end of the calendar year following the calendar year in which the expense was incurred. The amount of reimbursements in any calendar year shall not affect the expenses eligible for reimbursement in the same or any other calendar year. Executive's right to reimbursement may not be liquidated or exchanged for any other benefit.

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

5.1. Termination without Cause. The Company may terminate Executive's employment at any time without Cause (as defined below). If Executive's employment by the Company is terminated by the Company without Cause, Executive will be entitled to:

5.1.1. payment of all accrued and unpaid base salary through the date of such termination;

5.1.2. provided the Release under Section 5.2 has been executed and become effective and enforceable in accordance with its terms following expiration of the applicable revocation period and Executive complies with the Restrictive Covenants (as set forth in Section 6), monthly severance payments equal to one-twelfth of Executive's base salary as of the date of such termination for a period equal to twelve (12) months (the "Severance Period"). The first such payment will be made on the sixtieth (60th) day following Executive's "separation from service" (as such term is defined under Internal Revenue Code Section 409A ("Code Section 409A") and the Treasury Regulations thereunder and the remaining payments will be made in accordance with the Company's normal payroll schedule for salaried employees; and

5.1.3. provided the Release under Section 5.2 has been executed and become effective and enforceable in accordance with its terms following expiration of the applicable revocation period and Executive complies with the Restrictive Covenants (as set forth in Section 6), the Company will reimburse Executive for the cost she incurs for continuation of Executive's health insurance coverage under COBRA (and for his or her family members if Executive provided for their coverage during his or her employment) during the Severance Period and in accord with the NSP plan applicable to NSP employees currently in effect. Executive shall, within thirty (30) days after each monthly COBRA payment during the Severance Period for which she is entitled to reimbursement in accordance with the foregoing, submit appropriate evidence of such payment to the Company, and the Company shall reimburse Executive, within ten business days following receipt of such submission. During the period such health care coverage remains in effect hereunder, the following provisions shall govern the arrangement: (i) the amount of the COBRA costs eligible for reimbursement in any one (1) calendar year of coverage will not affect the amount of such costs eligible for reimbursement in any other calendar year for which such reimbursement is to be provided hereunder; (ii) no COBRA costs will be reimbursed after the close of the calendar year following the calendar year in which those costs were incurred; and (iii) Executive's right to the reimbursement of such costs cannot be liquidated or exchanged for any other benefit. In the event the Company's reimbursement of the reimbursable portion of any COBRA payment hereunder results in Executive's recognition of taxable income (whether for federal, state or local income tax purposes), the Company will report such taxable income as taxable W-2 wages and collect the

applicable withholding taxes, and Executive will be responsible for the payment of any additional income tax liability resulting from such coverage.

5.2. Release and Restrictive Covenants. Notwithstanding any provision of this Agreement, the payments and benefits described in this Section 5 are conditioned on Executive's execution and delivery to the Company of a release substantially identical to that attached hereto as Exhibit A in a manner consistent with the requirements of the Older Workers Benefit Protection Act, if applicable, and any applicable state law (the "Release"). In addition, the continuation of the payments and benefits described above is conditioned on Executive's compliance with the Restrictive Covenants set forth in Section 6 of this Agreement. A breach of these Restrictive Covenants by the Executive shall constitute a breach of this Agreement, which shall relieve the Company of any further obligation under this Agreement.

5.3. Termination for Cause. The Company may terminate Executive's employment immediately for Cause. If Executive's employment with the Company is terminated by the Company for Cause then the Company's obligation to Executive will be limited solely to the payment of accrued and unpaid base salary through the date of such termination. To terminate Executive's employment for Cause, the CEO, in consultation with the Board, must determine in good faith that Cause has occurred.

"Cause" means:

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

b) dishonesty, fraud, embezzlement or other misappropriation of funds;

c) material breach of this Agreement; or

d) willful refusal to perform the lawful and reasonable directives of the CEO or the Board.

5.4 Resignation by Executive. Executive may resign her employment by giving the Company four weeks' notice of said resignation; NSP may elect to pay Employee's base salary in lieu of notice. If Executive resigns, then the Company's obligation to Executive will be limited solely to the payment of accrued and unpaid base salary through the date of such termination.

5.5 Termination upon Death or Incapacity of Executive. Executive's employment with the Company shall terminate upon the death or incapacity of Executive. In the event of termination of Executive's employment by reason of Executive's death or incapacity, the provisions governing termination without Cause, above, shall apply. "Incapacity" shall mean that the Executive is unable to perform the functions consistent with the position in the Company to which she was appointed pursuant to this Agreement by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last

for a continuous period of not less than 12 months, or that the Executive has been determined to be totally disabled by the Social Security Administration.

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

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

6.1. Covenant Not To Compete. Executive covenants that, during her employment by the Company and for a period of twelve (12) months following immediately thereafter, (the **"Restricted Period"),** Executive will not do any of the following, directly or indirectly:

6.1.1. engage, be employed by, participate in, plan for or organize any Competing Business of the Company or any subsidiary or joint venture of the Company; "Competing Business" means any business enterprise that distributes through a multilevel marketing program or that engages in any activity that competes anywhere in the world with any activity in which the Company is then engaged, including sales or distribution of herbs, vitamins or nutritional supplements or any product, which the Company sells or distributes at the time of Executive's termination;

6.1.2. become interested in (as owner, stockholder, lender, partner, co-venturer, director, officer, employee, agent or consultant) any person, firm, corporation, association or other entity engaged in a Competing Business. Notwithstanding the foregoing, Executive may hold up to 2% of the outstanding securities of any class of any publicly-traded securities of any company;

6.1.3. influence or attempt to influence any employee, sales leader, manager, coordinator, consultant, supplier, licensor, licensee, contractor,

agent, strategic partner, distributor, customer or other person to terminate his or her employment with the Company or modify any written or oral agreement, relationship, arrangement or course of dealing the Company; or

6.1.4. solicit for employment or employ or retain (or arrange to have any other person or entity employ or retain) any person who has been employed or retained by any member of the Company within the preceding twelve (12) months. For this purpose, advertisements for employment placed in newspapers of general circulation will not be considered solicitation.

6.1.5. Extension of Restrictive Covenants. The Company may elect to extend the twelve (12) month post-termination non-compete and non-solicitation period by up to twelve (12) additional months by delivering written notice of such extension to Executive at least thirty (30) days prior to the end of that twelve (12) month period and by making monthly payments to Executive for the number of months equal to the length of the extension specified by the Company in its notice to the Executive. The amount of each such additional monthly payment will be equal to one-twelfth of the base salary in effect at the time of Executive's termination of employment.

6.2. Confidentiality. Executive recognizes and acknowledges that the Proprietary Information (as defined below) is a valuable, special and unique asset of the business of the Company. As a result, both during the Term and thereafter, Executive will not, without the prior written consent of the Company, for any reason divulge to any third-party or use for his/her own benefit, or for any purpose other than the exclusive benefit of the Company, any Proprietary Information. Notwithstanding the foregoing, if Executive is compelled to disclose Proprietary Information by court order or other legal process, to the extent permitted by applicable law, she shall promptly so notify the Company so that it may seek a protective order or other assurance that confidential treatment of such Proprietary Information shall be afforded, and Executive shall reasonably cooperate with the Company in connection therewith. If Executive is so obligated by court order or other legal process to disclose Proprietary Information, Executive will disclose only the minimum amount of such Proprietary Information as is necessary for Executive to comply with such court order or other legal process.

6.3. Property of the Company.

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

6.3.1.1. **"**Proprietary Information" means any and all proprietary information developed or acquired by the Company that has not been specifically authorized to be disclosed. Such Proprietary Information shall include, but shall not be limited to, the following items and information relating to the following items: (a) all trade secrets (including research and development, know-how, formulas, compositions, manufacturing and production processes and techniques, methodologies, technical data, designs, drawings and specifications) as well as all inventions (whether patentable or unpatentable and whether or not reduced to practice) and all improvements thereto, (b) computer codes and instructions, processing systems

and techniques, inputs, and outputs (regardless of the media on which stored or located) and hardware and software configurations, designs, architecture and interfaces, (c) business research, studies, procedures and costs, (d) financial data, (e) distributor network information, the identities of actual and prospective distributors and distribution methods, (f) marketing data, methods, plans and efforts, (g) the identities of actual and prospective suppliers, (h) the terms of contracts and agreements with, the needs and requirements of and the Company's course of dealing with, actual or prospective suppliers, (i) personnel information, (j) customer and vendor credit information, and (k) information received from third parties subject to obligations of nondisclosure or non-use. Failure by the Company to mark any of the Proprietary Information as confidential or proprietary shall not affect its status as Proprietary Information.

6.3.2. Intellectual Property. Executive agrees that all the Intellectual Property (as defined below) will be considered "works made for hire" as that term is defined in Section 101 of the Copyright Act (17 U.S.C. § 101) and that all right, title and interest in such Intellectual Property will be the sole and exclusive property of the Company. To the extent that any of the Intellectual Property may not by law be considered a work made for hire, or to the extent that, notwithstanding the foregoing, Executive retains any interest in the Intellectual Property, Executive hereby irrevocably assigns and transfers to the Company any and all right, title, or interest that Executive may now or in the future have in the Intellectual Property under patent, copyright, trade secret, trademark or other law, in perpetuity or for the longest period otherwise permitted by law, without the necessity of further consideration. The Company will be entitled to obtain and hold in its own name all copyrights, patents, trade secrets, trademarks and other similar registrations with respect to such Intellectual Property. Executive further agrees to execute any and all documents and provide any further cooperation or assistance reasonably required by the Company to perfect, maintain or otherwise protect its rights in the Intellectual Property, at no cost to Executive. If the Company is unable after reasonable efforts to secure Executive's signature, cooperation or assistance in accordance with the preceding sentence, whether because of Executive's incapacity or any other reason whatsoever, Executive hereby designates and appoints the Company or its designee as Executive's agent and attorney-in-fact to act on her behalf solely for the purpose of executing and filing documents and doing all other lawfully permitted acts necessary or desirable to perfect, maintain or otherwise protect the Company's rights in the Intellectual Property. Executive acknowledges and agrees that such appointment is coupled with an interest and is therefore irrevocable.

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

in the case of any or all of the foregoing, have been or are developed or created in whole or in part by Executive at any time and at any place while Executive is employed by the Company and have been or are created for the purpose of performing Executive's duties on behalf of the Company.

6.4. Acknowledgements. Executive acknowledges that the Restrictive Covenants are reasonable and necessary to protect the legitimate interests of the

Company, that the duration and geographic scope of the Restrictive Covenants are reasonable given the nature of this Agreement and the position Executive holds within the Company, and that the Company would not enter into this Agreement or otherwise employ or continue to employ Executive unless Executive agrees to be bound by the Restrictive Covenants set forth in this Section 6.

6.5. Remedies and Enforcement Upon Breach.

6.5.1. Intention. It is the intention of the parties that the foregoing restrictive covenant be enforced as written, and, in any other event, enforced to the greatest extent (but to no greater extent) in time, territory and degree of participation as permitted by applicable law. Accordingly, in the event that any court to which a dispute over these restrictions may be referred shall find any of these restrictions overly broad or unreasonable in any way, that court must enforce the restrictions to the greatest extent deemed reasonable.

6.5.2. Specific Enforcement. Executive acknowledges that any breach by him, willfully or otherwise, of the Restrictive Covenants will cause continuing and irreparable injury to the Company for which monetary damages would not be an adequate remedy. In the event of any such breach or threatened breach by Executive of any of the Restrictive Covenants, the Company shall be entitled to injunctive or other similar equitable relief in any court, without any requirement that a bond or other security be posted, and this Agreement shall not in any way limit remedies of law or in equity otherwise available to the Company.

6.5.3. Enforceability. If any court holds the Restrictive Covenants unenforceable by reason of their breadth or scope or otherwise, it is the intention of the parties hereto that such determination not bar or in any way affect the right of the Company to the relief provided above in the courts of any other jurisdiction within the geographic scope of such Restrictive Covenants.

6.5.4. Disclosure of Restrictive Covenants. Executive agrees to disclose the existence and terms of the Restrictive Covenants to any employer that Executive may work for during the Restricted Period.

6.5.5. Extension of Restricted Period. If the Executive breaches Section 6.1 in any respect, the restrictions contained in that section will be extended for a period equal to the period that the Executive was in breach.

7. Miscellaneous.

7.1. Other Agreements. Executive represents and warrants to the Company that there are no restrictions, agreements or understandings whatsoever to which Executive is a party that would prevent or make unlawful her execution of this Agreement, that would be

inconsistent or in conflict with this Agreement or Executive's obligations hereunder, or that would otherwise prevent, limit or impair the performance of Executive's duties under this Agreement.

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

7.3. Governing Law and Enforcement; Disputes. This Agreement shall be governed by and construed in accordance with the laws of the State of Utah, without regard to the principles of conflicts of laws. Any legal proceeding arising out of or relating to this Agreement will be instituted in a state or federal court in the State of Utah, and Executive and the Company hereby consent to the personal and exclusive jurisdiction of such court(s) and hereby waive any objection(s) that they may have to personal jurisdiction, the laying of venue of any such proceeding and any claim or defense of inconvenient forum.

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

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

7.6. Survival. Section 6 of this Agreement will survive termination of this Agreement and/or the cessation of Executive's employment by the Company.

7.7. Notices. Any notice or communication required or permitted under this Agreement shall be made in writing and shall be sufficient if personally delivered or sent by registered or certified mail and addressed, if to Employee, to Employee's address set forth in NSP's records, or if to NSP, to its principal office, to the attention of the CEO. Such notice shall

be deemed given when delivered if delivered personally, or, if sent by registered or certified mail, at the earlier of actual receipt or three days after mailing in United States mail, addressed as aforesaid with postage prepaid.

7.8. Entire Agreement: Amendments. This Agreement, the attached exhibits, the Plan, and the Award Agreement contain the entire agreement and understanding of the parties hereto relating to the subject matter hereof; and merge and supersede all prior and contemporaneous discussions, agreements and understandings of every nature relating to Executive's employment or engagement with, or compensation by, the Company and any of its affiliates or subsidiaries or any of their predecessors, including, without limitation, the Existing Agreement. This Agreement may not be changed or modified, except by an agreement in writing signed by each of the parties hereto.

7.9. Withholding. All payments to Executive will be subject to tax withholding in accordance with applicable law.

7.10. Section Headings. The headings of sections and paragraphs of this Agreement are inserted for convenience only and shall not in any way affect the

meaning or construction of any provision of this Agreement.

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

7.12. Third Party Beneficiaries. Subject to Section 7.2, this Agreement will be binding on, inure to the benefit of and be enforceable by the parties and their respective heirs, personal representatives, successors and assigns. This Agreement does not confer any rights, remedies, obligations or liabilities to any entity or person other than Executive and the Company and Executive's and the Company's permitted successors and assigns, *although* this Agreement will inure to the benefit of the Company.

8. Section 409A.

8.1. Section 409A Compliance. The parties intend that this Agreement comply with the requirements of Code Section 409A. To the extent there is any ambiguity as to whether any provision of the Agreement would otherwise contravene one or more requirements or limitations of Code Section 409A, such provision shall be interpreted and applied in a manner that does not result in a violation of the applicable requirements or limitations of Code Section 409A and the Treasury Regulations thereunder. To the extent any continuing compensation, bonus, severance, reimbursements or in-kind benefits due or payable to Executive under this Agreement constitutes "deferred compensation" under Section 409A of the Code, any such compensation, bonus, severance, reimbursements or in-kind benefits shall constitute and be treated as a series of separate payments under Treasury Regulations Section 1.409A-2(b)(2)(iii) with each such payment made under this Agreement being so designated as a "separate payment" within the meaning of Section 409A of the Code. In no event shall Executive have the right to designate, directly or indirectly, the calendar year of any payment subject to Code Section 409A.

8.2. Delayed Commencement Date. Notwithstanding any provision of this Agreement to the contrary, if Executive is a "specified employee" as defined in Section 409A of the Code, Executive shall not be entitled to any payments or benefits the right to which provides for a "deferral of compensation" with the meaning of Section 409A of the Code (taking into account all applicable exemption or exceptions), and whose payment or provision is triggered by Executive's termination of employment with the Company (whether such payments or benefits are provided to Executive under this Agreement or under any plan or program or arrangement of the Company), including as a result of Executive's Incapacity (other than Executive being "disabled" within the meaning of Section 409A of the Code), until the earlier of (i) the date which is the first business day following the six month anniversary of Executive's "separation from service" as defined in Section 409A of the Code for any reason other than death, or (ii) Executive's date of death, and such payments or benefits that, if not for the six month delay described herein, would be due and payable prior to such date shall be made or provided to Executive on such date. The Company shall make the determination as to whether Executive is a "specified employee" in good faith in accordance with its general procedures adopted in accordance with Section 409A of the Code and, at the time of Executive's "separation from service" will notify Executive of whether or not Executive is a "specified employee."

8.3 Savings Clause. Notwithstanding the other provisions of this Agreement, with respect to any right to a payment or benefit hereunder (or any portion thereof) that does not otherwise provided for a "deferral of compensation" as defined in Section 409A of the Code, it is the intent of the parties that such payment or benefit will not so provide. Furthermore, if either party notifies the other in writing that, based upon the advice of legal counsel, one or more of the provisions of this Agreement contravenes any regulation or Treasury guidance promulgated under Section 409A of the Code or causes any amount to be subject to interest or penalties under Section 409A of the Code, the parties shall promptly and reasonably consult with each other (and their legal counsel (and shall use their reasonable best efforts to reform the provisions hereof to (a) maintain to the maximum extent practicable the original intent of the applicable provisions without violating the provisions of Section 409A of the Code or increasing the costs to the Company of providing the applicable benefit or payment and (b) to the extent practicable, to avoid the imposition of any tax, interest or other penalties under Section 409A of the Code upon Executive or the Company.

8.4 280G. Anything in this Agreement to the contrary notwithstanding, in the event that it shall be determined that any payment, distribution, or other action by the Company to or for Executive's benefit (whether paid or payable or distributed or distributable pursuant to the terms of the Agreement or otherwise (a "Parachute Payment"), would result in an "excess parachute payment" within the meaning of Section 280G(b)(i) of the Code, and the value determined in accordance with Section 280G(d)(4) of the Code of the Parachute Payments, net of all taxes imposed on Executive (the "Net After-Tax Amount") that Executive would receive would be increased if the Parachute Payments were reduced, then the Parachute Payments shall be reduced by an amount (the "Reduction Amount") so that the Net After-Tax Amount after such reduction is greatest. For purposes of determining the Net After-Tax Amount, Executive shall be deemed to (i) pay federal income taxes at the highest marginal rates of federal income taxation for the calendar year in which the Parachute Payment is to be made, and (ii) pay applicable state and local income taxes at the highest marginal rate of taxation for the calendar year in which the Parachute Payment is to be made, net of the maximum reduction in federal income taxes which

could be obtained from deduction of such state and local taxes. Subject to the provisions of this Section 9.4, all determinations required to be made under this Section 9.4, including the Net After-Tax Amount, the Reduction Amount and the Parachute Payments that are to be reduced pursuant to this Section 9.4 and the assumptions to be utilized in arriving at such determinations, shall be made by independent public accounting firm selected by Executive (the "Accounting Firm"), which shall provide detailed supporting calculations both to the Company and Executive within fifteen (15) business days of the receipt of notice from Executive that there has been a Parachute Payment, or such earlier time as is requested by Executive. The Accounting Firm's decision as to which Parachute Payments are to be reduced shall be made (a) only from Parachute Payments that the Accounting Firm determines reasonably may be characterized as "parachute payments" under Section 280G of the Code; (b) only from Parachute Payments that are required to be made in cash; (c) only with respect to any amounts that are not payable pursuant to a "nonqualified deferred compensation plan" subject to Section 409A of the Code, until those payments have been reduced to zero; and (d) in reverse chronological order, to the extent that any Parachute Payments subject to reduction are made over time (e.g., in installments). In no event, however, shall any Parachute Payments be reduced if and to the extent such reduction would cause a violation of Section 409A of the Code or other applicable law. All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any determination by the Accounting Firm shall be binding upon the Company and Executive.

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NATURE'S SUNSHINE PRODUCTS, INC.

By: /s/ Stephen M. Bunker

Title: CFO

SUE ARMSTRONG

/s/ Sue Armstrong
Executive

EXHIBIT A

RELEASE AGREEMENT

THIS RELEASE AGREEMENT (this "**Release**") is made as of the day of , by and between Sue Armstrong (the "**Executive**") and Nature Sunshine Products, Inc. (the "**Company**").

WHEREAS, Executive's employment as an executive of the Company has terminated; and

WHEREAS, pursuant to Section 5 of the Employment Agreement by and between the Company and Executive dated (the "Agreement"), the Company has agreed to pay Executive certain amounts and to provide him with certain rights and benefits, subject to the execution of this Release.

NOW THEREFORE, in consideration of these premises and the mutual promises contained herein, and intending to be legally bound hereby, the parties agree as follows:

1. Consideration. Executive acknowledges that: (i) the payments, rights and benefits set forth inSection 5 of the Agreement constitute full settlement of all his/her rights under the Agreement, and (ii) except as otherwise provided specifically in this Release, the Company does not and will not have any other liability or obligation to Executive under the Agreement. Executive further acknowledges that, in the absence of her execution of this Release, the benefits and payments specified in the Agreement (other than those specified) would not otherwise be due to him/her.

2. Release and Covenant Not to Sue

2.1. Executive and the Company each hereby fully and forever releases and discharges the other, and all of their respective predecessors and successors, assigns, stockholders, subsidiaries, parents, affiliates, officers, directors, trustees, employees, agents and attorneys, past and present and in their respective capacities as such (the Company and Executive and each such respective person or entity is each referred to as a "**Released Person**") from any and all claims, demands, liens, agreements, contracts, covenants, actions, suits, causes of action, obligations, controversies, debts, costs, expenses, damages, judgments, orders and liabilities, of whatever kind or nature, direct or indirect, in law, equity or otherwise, whether known or unknown, arising through the date of this Release, including those arising out of Executive's employment by the Company or the termination thereof, including, but not limited to, any claims for relief or causes of action under the Age Discrimination in Employment Act, 29 U.S.C. § 621 et seq., or any other federal, state or local statute, ordinance or regulation regarding discrimination in employment and any claims, demands or actions based upon alleged wrongful or retaliatory discharge or breach of contract under any state or federal law.

2.2. Executive and the Company expressly represent that they have not filed a lawsuit or initiated any other administrative proceeding against a Released Person and that neither has assigned any claim against a Released Person. Executive and the Company each

further promise not to initiate a lawsuit or to bring any other claim against the other or any Released Person arising out of or in any way related to Executive's employment by the Company or the termination of that employment. This Release will not prevent Executive from filing a charge with the Equal Employment Opportunity Commission (or similar state agency) or participating in any investigation conducted by the Equal Employment Opportunity Commission (or similar state agency); *provided, however,* that any claims by Executive for personal relief in connection with such a charge or investigation (such as reinstatement or monetary damages) would be barred. This Release shall not affect Executive's rights under the Age Discrimination in Employment Act or the Older Workers Benefit Protection Act to have a judicial determination of the validity of this release and waiver.

3. Restrictive Covenants. Executive acknowledges that the restrictive covenants contained in Section 6 of the Agreement will survive the termination of her employment. Executive affirms that those restrictive covenants are reasonable and necessary to protect the legitimate interests of the Company, that she received adequate consideration in exchange for agreeing to those restrictions and that she will abide by those restrictions.

4. Non-Disparagement. Neither Executive nor the Company will disparage the other or any of their respective Released Persons or otherwise take any action which could reasonably be expected to adversely affect the personal or professional reputation of the other or their respective Released Persons.

5. Cooperation. Executive further agrees that, subject to reimbursement of her reasonable expenses, she will cooperate fully with the Company and its counsel with respect to any matter (including litigation, investigations, or governmental proceedings) in which Executive was in anyway involved during her employment with the Company. Executive shall render such cooperation in a timely manner on reasonable notice from the Company.

6. Rescission Right. Executive expressly acknowledges and recites that (a) she has read and understands the terms of this Release in its entirety, (b) she has entered into this Release knowingly and voluntarily, without any duress or coercion; (c) she has been advised orally and is hereby advised in writing to consult with an attorney with respect to this Release before signing it; (d) she was provided twenty-one (21) calendar days after receipt of the Release to consider its terms before signing it; (e) should she nevertheless elect to execute this Agreement sooner than 21 days after she has received it, she specifically and voluntarily waives the right to claim or allege that she has not been allowed by the Company or by any circumstances beyond her control to consider this Agreement for a full 21 days; and (f) she is provided seven (7) calendar days from the date of signing to terminate and revoke this Release, in which case this Release shall be unenforceable, null and void. Executive may revoke this Release during those seven (7) days by providing written notice of revocation to the Company at the address specified in Section 7.7 of the Agreement.

7. Challenge. If Executive violates or challenges the enforceability of any provisions of the Restrictive Covenants or this Release, no further payments, rights or benefits under Section 5 of the Agreement will be due to Executive (except where such provision would be prohibited by applicable law, rule or regulation).

8. Miscellaneous.

8.1. No Admission of Liability. This Release is not to be construed as an admission of any violation of any federal, state or local statute, ordinance or regulation or of any duty owed by the Company to Executive or by Executive to the Company. Each of the Company and Executive specifically denies any such violations.

8.2. No Reinstatement. Executive agrees that she will not without the consent of the Company apply for reinstatement with the Company or seek in any way to be reinstated, re-employed or hired by the Company in the future,

8.3. Successors and Assigns. This Release shall inure to the benefit of and be binding upon the Company and Executive and their respective successors, permitted assigns, executors, administrators and heirs. Executive shall not may make any assignment of this Release or any interest herein, by operation of law or otherwise. The Company may assign this Release to any successor to all or substantially all of its assets and business by means of liquidation, dissolution, merger, consolidation, transfer of assets, or otherwise.

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

8.5. Entire Agreement: Amendments. Except as otherwise provided herein, this Release contains the entire agreement and understanding of the parties hereto relating to the subject matter hereof, and merges and supersedes all prior and contemporaneous discussions, agreements and understandings of every nature relating to the subject matter hereof This Release may not be changed or modified, except by an agreement in writing signed by each of the parties hereto.

8.6. Governing Law. This Release shall be governed by, and enforced in accordance with, the laws of the State of Utah, without regard to the application of the principles of conflicts of laws.

8.7. Counterparts and Facsimiles. This Release may be executed, including execution by facsimile signature, in multiple counterparts, each of which shall be deemed an original, and all of which together shall be deemed to be one and the same instrument.

[SIGNATURE PAGE FOLLOWS]

NATURE'S SUNSHINE PRODUCTS, INC.

By: _____

Title: _____

SUE ARMSTRONG

_____

Executive

EXHIBIT B

Eligible Benefits

- Paid Time Off (PTO) at 3 days upon start and accrues to 25 days during the first year
- Ten paid holidays each year
- Medical/dental plan coverage for Executive, Executive's spouse and dependent children
- Life insurance at two times annual salary
- Wellness Benefits
- Eye care plan
- Employee Assistance Program
- Sixty percent match on contributions to the 401(k) retirement plan up to five percent of Executive's income (automatic enrollment upon first day of employment)
- Opportunity to participate in NSP's Supplemental Elective Deferral Plan
- $750 spending account on company products
- Tuition reimbursement (maximum $3,000 per year)
- Short-term and long-term disability programs
- Relocation reimbursement subject to the Company's Relocation Reimbursement Policy, with the following exceptions:
    - NSP will provide reimbursement of realtor fees associated with the sale of your home at 6 percent of the selling price of the home, up to a maximum allowable expense of $39,000. To assist with some of the negative tax impact associated with home purchase/sale reimbursements, NSP will provide an additional tax gross-up on the taxable expenses of buying and selling your home.
    - The six month move timeframe limitation is waived.

- A $40,000 signing bonus, subject to applicable tax and other deductions, $20,000 of which will be paid within 30 days of the Date of Employment and the remaining $20,000 will be paid following 90 days of continuous employment.

NATURE'S SUNSHINE PRODUCTS, INC.
2012 STOCK INCENTIVE PLAN
NON-INCENTIVE STOCK OPTION AGREEMENT

This **NON-INCENTIVE STOCK OPTION AGREEMENT** (the "*Agreement*") is made this 11th day of February, 2014, by and between Nature's Sunshine Products, Inc., a Utah corporation (the "*Company*"), and Susan M. Armstrong, an individual ("*Employee*").

1. Grant of Option. The Company hereby grants Employee the option (the "*Option*") to purchase all or any part of an aggregate of 15,000 shares (the "*Shares*") of Common Stock of the Company at the exercise price of $15.38 per share (the closing price of the Company's Common Stock on the date of this agreement) according to the terms and conditions set forth in this Agreement and in the Nature's Sunshine Products, Inc. 2012 Stock Incentive Plan (the "*Plan*"). The Option will not be treated as an incentive stock option within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "*Code*"). The Option is issued under the Plan and is subject to its terms and conditions. A copy of the Plan will be furnished upon request of Employee.

The Option shall terminate at the close of business ten years from the date hereof.

2. Description of Option. The Option will vest in equal annual installments on the anniversary date of this Agreement over the following four years as set forth in Section 3.

3. Vesting of Option Rights.

(a) Except as otherwise provided in this Agreement, the Option may be exercised by Employee in accordance with the following schedule:

On or after each of the following dates	Number of non-cumulative Shares with respect to which the Option is exercisable
February 11, 2015	3,750
February 11, 2016	3,750
February 11, 2017	3,750
February 11, 2018	3,750

(b) During the lifetime of Employee, the Option shall be exercisable only by Employee and shall not be assignable or transferable by Employee, other than by will or the laws of descent and distribution.

4. Exercise of Option after Death or Termination of Employment. The Option shall terminate and may no longer be exercised if Employee ceases to be employed by the Company or its affiliates, except that:

(a) If Employee's employment shall be terminated for any reason, voluntary or involuntary, other than for "*Cause*" (as defined in Section 4(e)) or Employee's death or disability (within the meaning of Section 22(e)(3) of the Code), Employee may, at any time within a period of 3 months after such termination, exercise the Option to the extent the Option was exercisable or becomes exercisable by Employee on the date of the termination of Employee's employment.

(b) If Employee's employment is terminated for Cause, the Option shall be terminated as of the date of the act giving rise to such termination.

(c) If Employee shall die while the Option is still exercisable according to its terms or if employment is terminated because Employee has become disabled (within the meaning of Section 22(e)(3) of the Code) while in the employ of the Company and Employee shall not have fully exercised the Option, such Option may be exercised at any time within 12 months after Employee's death or date of termination of employment for disability by Employee, personal representatives or administrators or guardians of Employee, as applicable, or by any person or persons to whom the Option is transferred by will or the applicable laws of descent and distribution, to the extent of the full number of Shares Employee was entitled to purchase under the Option on (i) the earlier of the date of death or termination of employment or (ii) the date of termination for such disability, as applicable.

(d) Notwithstanding the above, in no case may the Option be exercised to any extent by anyone after the termination date of the Option.

(e) "*Cause*" shall mean (i) the willful and continued failure by Employee substantially to perform his or her duties and obligations (other than any such failure resulting from his or her incapacity due to physical or mental illness), (ii) Employee's conviction or plea bargain of any felony or gross misdemeanor involving moral turpitude, fraud or misappropriation of funds or (iii) the willful engaging by Employee in misconduct which causes substantial injury to the Company or its affiliates, its other employees or the employees of its affiliates or its clients or the clients of its affiliates, whether monetarily or otherwise. For purposes of this subsection, no action or failure to act on Employee's part shall be considered "willful" unless done or omitted to be done by Employee in bad faith and without reasonable belief that his or her action or omission was in the best interests of the Company.

5. Acceleration of Vesting.

(a) In the event that Employee's employment is terminated by reason of Employee's death or disability, the Option, in its entirety, shall fully vest and become immediately exercisable.

(b) Additionally, upon the occurrence of a "*Change in Control Event*" (as defined in Section 5(d) below):

(i) If in connection with the Change in Control Event, the Acquiring Person (as defined in subsection 5(d)(iv) below) elects to continue the Option in effect (or substitute a similar option for the Option) and to replace the shares of Common Stock issuable upon exercise of the Option with other equity securities that are registered under the Securities Act of 1933 and are freely transferable under all applicable federal and

state securities laws and regulations, with appropriate adjustments as to the number of shares purchasable thereunder and the exercise price thereof, the Option shall remain subject to the vesting schedule set forth in Section 3 and otherwise become exercisable in full if:

(A) within 24 months after the date of the Change in Control Event, Employee's employment with the Company (or any successor company or affiliated entity with which Employee is then employed) is terminated for any reason set forth in Sections 5(a) or 5(b) above; or

(B) within 24 months after the date of the Change in Control Event, Employee's employment with the Company (or any successor company or affiliated entity with which Employee is then employed) is terminated by Employee for "*Good Reason*" (as defined below).

(ii) If the Change in Control Event does not meet the criteria specified in subsection (c)(ii) above, the Option shall fully vest and become immediately exercisable upon the Change in Control Event.

(c) For purposes of this Agreement, "*Change in Control Event*" shall mean:

(i) approval by the stockholders of the Company of a plan of complete dissolution or liquidation of the Company;

(ii) consummation of a merger, consolidation, statutory share exchange or similar form of corporate transaction involving the Company or any of its subsidiaries that requires the approval of the Company's stockholders, whether for such transaction or the issuance of securities in the transaction (a "*Business Combination*"), unless immediately following such Business Combination: (A) more than 50% of the total voting power of (x) the corporation resulting from such Business Combination (the "*Surviving Corporation*"), or (y) if applicable, the ultimate parent corporation that directly or indirectly has beneficial ownership of at least 90% of the voting securities eligible to elect directors of the Surviving Corporation (the "*Parent Corporation*"), is represented by Company Voting Securities (as defined in subsection 4(d)(iv)) that were outstanding immediately prior to such Business Combination (or, if applicable, is represented by shares into which such Company Voting Securities were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportion as the voting power of such Company Voting Securities among the holders thereof immediately prior to the Business Combination, (B) no person (other than any employee benefit plan (or related trust) sponsored or maintained by the Surviving Corporation or the Parent Corporation) is or becomes the beneficial owner, directly or indirectly, of 50% or more of the total voting power of the outstanding voting securities eligible to elect directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation) and (C) at least a majority of the members of the board of directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation) following the consummation of the Business Combination were Incumbent Directors (as defined in subsection 5(d)(v))

at the time of the approval by the Company's board of directors (the "*Board*") of the execution of the initial agreement providing for such Business Combination (any Business Combination which satisfies all of the criteria specified in (A), (B) and (C) above shall be deemed to be a "*Non-Qualifying Transaction*");

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

(iv) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "*Exchange Act*")) is or becomes a "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 50% or more (an "*Acquiring Person*") of the combined voting power of the Company's then outstanding securities eligible to vote for the election of the Board (the "*Company Voting Securities*"); provided, however, that the event described in this subsection 5(d)(iv) shall not be deemed to be a Change in Control Event by virtue of any of the following acquisitions: (A) by the Company or any subsidiary, (B) by any employee benefit plan (or related trust) sponsored or maintained by the Company or any subsidiary, (C) by any underwriter temporarily holding securities pursuant to an offering of such securities, or (D) pursuant to a Non-Qualifying Transaction, as defined in subsection 5(d)(ii); or

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

(d) For purposes of this Agreement, "*Continuing Director*" shall mean any Incumbent Director, who, while such person is a member of the Board, is not an Acquiring Person or an Affiliate or Associate (as defined below) of an Acquiring Person, or a representative of an Acquiring Person or of any such Affiliate or Associate; and for purposes hereof, "*Affiliate*" and "*Associate*" shall have the respective meanings ascribed to such terms in Rule 12b-2 promulgated under the Exchange Act.

(e) For purposes of this Agreement, "*Good Reason*" shall mean the occurrence of any of the following events following a Change in Control Event, except for the occurrence of such an event in connection with the termination of Employee's employment by the Company (or any successor company or affiliated entity then employing Employee) for Cause, disability or death:

(i) the assignment to Employee of employment duties or responsibilities which are not substantially comparable in responsibility to the employment duties and responsibilities held by Employee immediately prior to the Change in Control Event;

(ii) a reduction in Employee's base salary as in effect immediately prior to the Change in Control Event or as the same may be increased from time to time during the term of this Agreement; or

(iii) requiring Employee to work in a location more than 50 miles from Employee's office location immediately prior to the Change in Control Event, except for requirements of temporary travel on the Company's business to an extent substantially consistent with Employee's business travel obligations immediately prior to the Change in Control Event.

(f) Notwithstanding any of the foregoing to the contrary, any acceleration of the Option shall be subject to and conditioned on compliance with applicable regulatory requirements, including, without limitation, Section 409A of the Internal Revenue Code.

6. Method of Exercise of Option. Subject to the foregoing, the Option may be exercised in whole or in part from time to time by serving written notice of exercise on the Company at its principal office within the Option period. The notice shall state the number of Shares as to which the Option is being exercised and shall be accompanied by payment of the exercise price. Payment of the exercise price shall be made (i) in cash (including bank check, personal check or money order payable to the Company), (ii) with the approval of the Company (which may be given in its sole discretion), by delivering to the Company for cancellation shares of the Company's Common Stock already owned by Employee having a Fair Market Value (as defined in the Plan) equal to the full exercise price of the Shares being acquired, or (iii) with the approval of the Company (which may be given in its sole discretion), by delivering to the Company a combination thereof. In addition, with the approval of the Company (which may be given in its sole discretion), the Option may be exercised by delivering to the Employee, a number of Shares having an aggregate Fair Market Value (determined as of the date of exercise) equal to the excess, if positive, of the Fair Market Value of the Shares underlying the Option being exercised, on the date of exercise,

over the exercise price of the Option for such Shares.

7. Miscellaneous.

(a) Plan Provisions Control. In the event that any provision of the Agreement conflicts with or is inconsistent in any respect with the terms of the Plan, the terms of the Plan shall control.

(b) No Rights of Stockholders. Neither Employee, Employee's legal representative nor a permissible assignee of this Option shall have any of the rights and privileges of a stockholder of the Company with respect to the Shares, unless and until such Shares have been issued in the name of Employee, Employee's legal representative or permissible assignee, as applicable.

(c) No Right to Employment. The grant of the Option shall not be construed as giving Employee the right to be retained in the employ of, or as giving a director of the Company or an Affiliate (as defined in the Plan) the right to continue as a director of the Company or an Affiliate

with, the Company or an Affiliate, nor will it affect in any way the right of the Company or an Affiliate to terminate such employment or position at any time, with or without cause. In addition, the Company or an Affiliate may at any time dismiss Employee from employment, or terminate the term of a director of the Company or an Affiliate, free from any liability or any claim under the Plan or the Agreement. Nothing in the Agreement shall confer on any person any legal or equitable right against the Company or any Affiliate, directly or indirectly, or give rise to any cause of action at law or in equity against the Company or an Affiliate. The Option granted hereunder shall not form any part of the wages or salary of Employee for purposes of severance pay or termination indemnities, irrespective of the reason for termination of employment. Under no circumstances shall any person ceasing to be an employee of the Company or any Affiliate be entitled to any compensation for any loss of any right or benefit under the Agreement or Plan which such employee might otherwise have enjoyed but for termination of employment, whether such compensation is claimed by way of damages for wrongful or unfair dismissal, breach of contract or otherwise. By participating in the Plan, Employee shall be deemed to have accepted all the conditions of the Plan and the Agreement and the terms and conditions of any rules and regulations adopted by the Committee (as defined in the Plan) and shall be fully bound thereby.

(d) Governing Law. The validity, construction and effect of the Plan and the Agreement, and any rules and regulations relating to the Plan and the Agreement, shall be determined in accordance with the internal laws, and not the law of conflicts, of the State of Utah.

(e) Severability. If any provision of the Agreement is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction or would disqualify the Agreement under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Committee, materially altering the purpose or intent of the Plan or the Agreement, such provision shall be stricken as to such jurisdiction or the Agreement, and the remainder of the Agreement shall remain in full force and effect.

(f) No Trust or Fund Created. Neither the Plan nor the Agreement shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Affiliate and Employee or any other person.

(g) Headings. Headings are given to the Sections and subsections of the Agreement solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Agreement or any provision thereof.

(h) Conditions Precedent to Issuance of Shares. Shares shall not be issued pursuant to the exercise of the Option unless such exercise and the issuance and delivery of the applicable Shares pursuant thereto shall comply with all relevant provisions of law, including, without limitation, the Securities Act of 1933, as amended, the Exchange Act of 1934, as amended, the rules and regulations promulgated thereunder, the requirements of any applicable Stock Exchange and the Utah Revised Business Corporation Act. As a condition to the exercise of the purchase price relating to the Option, the Company may require that the person exercising or paying the purchase price represent and warrant that the Shares are being purchased only for

investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation and warranty is required by law.

(i) Withholding. In order to provide the Company with the opportunity to claim the benefit of any income tax deduction which may be available to it upon the exercise of the Option and in order to comply with all applicable federal or state income tax laws or regulations, the Company may take such action as it deems appropriate to insure that, if necessary, all applicable federal or state payroll, withholding, income or other taxes are withheld or collected from Employee.

(j) Consultation With Professional Tax and Investment Advisors. The holder of this Award acknowledges that the grant, exercise, vesting or any payment with respect to this Award, and the sale or other taxable disposition of the Shares acquired pursuant to the exercise thereof, may have tax consequences pursuant to the Code or under local, state or international tax laws. The holder further acknowledges that such holder is relying solely and exclusively on the holder's own professional tax and investment advisors with respect to any and all such matters (and is not relying, in any manner, on the Company or any of its employees or representatives). Finally, the holder understands and agrees that any and all tax consequences resulting from the Award and its grant, exercise, vesting or any payment with respect thereto, and the sale or other taxable disposition of the Shares acquired pursuant to the Plan, is solely and exclusively the responsibility of the holder without any expectation or understanding that the Company or any of its employees or representatives will pay or reimburse such holder for such taxes or other items.

[Signature page follows]

IN WITNESS WHEREOF, the Company and Employee have executed this Agreement on the date set forth in the first paragraph.

NATURE'S SUNSHINE PRODUCTS, INC.

By: /s/ Stephen M. Bunker
Name: Stephen M. Bunker
Title: Executive Vice President, CFO & Treasurer

EMPLOYEE

/s/ Susan M. Armstrong
Susan M. Armstrong, an individual

[Signature page of Non-Incentive Stock Option Agreement—Susan M. Armstrong]

EXHIBIT 21

SUBSIDIARIES

Set forth below is a list of all active subsidiaries of the Registrant, the state or other jurisdiction of incorporation or organization of each, and the names under which such subsidiaries do business.

Name	Jurisdiction of Incorporation
Nature's Sunshine Products Direct, Inc.	Utah
NSP Casualty Insurance Company, Inc.	Hawaii
Nature's Sunshine Products of Canada, Ltd.	Canada
Nature's Sunshine Products de Mexico, S.A. de C.V.	Mexico
Arrendadora Bonaventure, S.A. de C.V.	Mexico
Nature's Sunshine Services, S.A. de C.V.	Mexico
Nature's Sunshine Products de Colombia, S.A.	Colombia
Nature's Sunshine Produtos Naturais Ltda.	Brazil
Nature's Sunshine Marketing, Ltda.	Brazil
Nature's Sunshine Products, Japan G.K.	Japan
Nature's Sunshine Products de Venezuela, C.A.	Venezuela
NSP de Centroamérica, S.A.	Costa Rica
Nature's Sunshine Products de Panamá, S.A.	Panama
NSP de Guatemala, S.A.	Guatemala
Nature's Sunshine Products de El Salvador, S.A. de C.V.	El Salvador
Nature's Sunshine Products del Ecuador, S.A.	Ecuador
Nature's Sunshine Products de Honduras, S.A. de C.V.	Honduras
Nature's Sunshine Products de Nicaragua, S.A.	Nicaragua
Nature's Sunshine Products (Israel) Ltd.	Israel
Nature's Sunshine Products of Russia, Inc.	Utah
Nature's Sunshine Products Poland Sp. z.o.o.	Poland
Nature's Sunshine Products Dominicana, S. R. L.	Dominican Republic
Nature's Sunshine Products International Distribution B.V.	Netherlands
NSP International Holdings C.V.	Netherlands
Quality Nutrition International, Inc.	Utah
Synergy Taiwan Inc.	Utah
Synergy WorldWide Inc.	Utah
Synergy WorldWide Marketing (Thailand) Ltd.	Thailand
Synergy WorldWide Australia PTY Ltd.	Australia
Synergy WorldWide Canada B.V.	Netherlands
Synergy WorldWide Distribution Canada, ULC	Canada
Synergy WorldWide Korea Ltd.	Korea
Synergy WorldWide Japan G.K.	Japan
Synergy WorldWide (S) PTE Ltd.	Singapore
Synergy WorldWide Nutrition Israel Ltd.	Israel
Synergy WorldWide (HK) Ltd.	Hong Kong
PT Nature's Sunshine Products Indonesia	Indonesia
Synergy WorldWide Europe B.V.	Netherlands
Synergy WorldWide Philippines Distribution Inc.	Philippines
Synergy Vietnam Co., Ltd.	Vietnam
Synergy WorldWide Italy S.R.L.	Italy
Nature's Sunshine (Far East) Limited	Hong Kong
Shanghai Nature's Sunshine Health Products Trading Co. Ltd. China	China
Synergy WorldWide Europe Management Services B.V	Netherlands
Nature's Sunshine Hong Kong Limited	Hong Kong
Synergy WorldWide Nutrition Products (Hong Kong)	Hong Kong
Synergy WorldWide New Zealand B.V	Netherlands
Synergy WorldWide New Zealand, ULC	New Zealand
*NATR Distribution (M) SDN. BHD.	Malaysia
*Synergy WorldWide Marketing (M) SDN. BHD.	Malaysia
*Synergy WorldWide, Inc. (Philippines)	Philippines
*P.T. Synergy WorldWide Indonesia	Indonesia

*Held in trust by Nominee Shareholders

Each subsidiary listed above is doing business under its corporate name.

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 033-59497, 333-08139, 333-117916, 333-126166, 333-164054, and 333-189116 on Forms S-8 of our reports dated March , 2015, relating to the consolidated financial statements and consolidated financial statement schedule of Nature's Sunshine Products, Inc. and subsidiaries (which report expresses an unqualified opinion and includes an explanatory paragraph relating to the Company's discontinued operations in Venezuela) and the effectiveness of Nature's Sunshine Products, Inc. and subsidiaries' internal control over financial reporting appearing in this Annual Report on Form 10-K of Nature's Sunshine Products, Inc. and subsidiaries for the year ended December 31, 2014.

/s/ Deloitte & Touche LLP

Salt Lake City, Utah
March 12, 2015

EXHIBIT 31.1

CERTIFICATIONS

I, Gregory L. Probert, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2014 of Nature's Sunshine Products, Inc. (the "registrant");

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

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

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

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

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

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

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

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

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

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

/s/ Gregory L. Probert
Chief Executive Officer and Chairman of the Board
March 12, 2015

EXHIBIT 31.2

CERTIFICATIONS

I, Stephen M. Bunker, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2014 of Nature's Sunshine Products, Inc. (the "registrant");

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

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

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

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

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

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

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

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

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

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

/s/ Stephen M. Bunker
Executive Vice President, Chief Financial Officer and Treasurer
March 12, 2015

EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER OF
NATURE'S SUNSHINE PRODUCTS, INC.
PURSUANT TO 18 U.S.C. § 1350

In connection with the Annual Report on Form 10-K of Nature's Sunshine Products, Inc. (the "Company") for the year ended December 31, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gregory L. Probert, Chief Executive Officer of the Company, hereby certify that, pursuant to the 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods presented in the Report.

/s/ Gregory L. Probert
Gregory L. Probert
Chief Executive Officer and Chairman of the Board
March 12, 2015

EXHIBIT 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER OF
NATURE'S SUNSHINE PRODUCTS, INC.
PURSUANT TO 18 U.S.C. § 1350

In connection with the Annual Report on Form 10-K of Nature's Sunshine Products, Inc. (the "Company") for the year ended December 31, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stephen M. Bunker, Executive Vice President, Chief Financial Officer and Treasurer of Nature's Sunshine Products, Inc. (the "Company"), hereby certify that, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods presented in the Report.

/s/ Stephen M. Bunker
Stephen M. Bunker
Executive Vice President, Chief Financial Officer and Treasurer
March 12, 2015