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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2009

OR

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

For the transition period from to ..

Commission File Number: 0-8707



NATURE'S SUNSHINE PRODUCTS, INC.

(Exact name of Registrant as specified in its charter)

Utah
(State or other jurisdiction of
incorporation or organization)

87-0327982
(IRS Employer
Identification No.)

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

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

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

Indicate by check mark whether the registrant 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 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 (Check one).

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 number of shares of Common Stock, no par value, outstanding on October 31, 2009 was 15,510,159 shares.

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PART I FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

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

	September 30, 2009	December 31, 2008
Assets		
Current Assets:		
Cash and cash equivalents	\$ 36,263	\$ 34,853
Accounts receivable, net of allowance for doubtful accounts of \$1,779 and \$1,472, respectively	11,921	10,786
Investments available for sale	3,370	3,858
Restricted investments	—	2,050
Inventories, net	40,640	39,558
Deferred income tax assets	9,568	9,080
Prepaid expenses and other current assets	8,205	7,935
Total current assets	<u>109,967</u>	<u>108,120</u>
Property, plant and equipment, net	28,945	30,224
Investment securities	1,646	1,394
Intangible assets	1,450	1,538
Deferred income tax assets	6,558	6,412
Other assets	16,431	16,588
	<u>\$ 164,997</u>	<u>\$ 164,276</u>
Liabilities and Shareholders’ Equity		
Current Liabilities:		
Accounts payable	\$ 7,498	\$ 8,777
Accrued volume incentives	18,272	15,753
Accrued liabilities	41,690	45,475
Deferred revenue	4,249	5,167
Income taxes payable	3,999	2,748
Total current liabilities	<u>75,708</u>	<u>77,920</u>
Liability related to unrecognized tax benefits	31,676	30,952
Deferred compensation payable	1,646	1,394
Other liabilities	3,219	333
Total long-term liabilities	<u>36,541</u>	<u>32,679</u>
Commitments and Contingencies (Note 10)		
Shareholders’ Equity:		
Common Stock, no par value; 20,000 shares authorized, 15,510 shares issued and outstanding as of September 30, 2009 and December 31, 2008	66,705	66,705
Retained earnings	5,548	4,172

Accumulated other comprehensive loss	(19,505)	(17,200)
Total shareholders' equity	52,748	53,677
	<u>\$ 164,997</u>	<u>\$ 164,276</u>

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended September 30,	
	2009	2008
Net Sales Revenue (net of the rebate portion of volume incentives of \$11,466 and \$12,267, respectively)	\$ 85,777	\$ 92,661
Cost and Expenses:		
Cost of goods sold	17,299	17,146
Volume incentives	31,068	34,580
Selling, general and administrative	31,203	38,864
	<u>79,570</u>	<u>90,590</u>
Operating Income	6,207	2,071
Other Income (Expense), Net	1,300	(448)
Income Before Provision for Income Taxes	7,507	1,623
Provision for Income Taxes	5,427	1,789
Net Income (Loss)	<u>\$ 2,080</u>	<u>\$ (166)</u>
Basic Net Income (Loss) Per Common Share	<u>\$ 0.13</u>	<u>\$ (0.01)</u>
Diluted Net Income (Loss) Per Common Share	<u>\$ 0.13</u>	<u>\$ (0.01)</u>
Weighted Average Basic Common Shares Outstanding	<u>15,510</u>	<u>15,510</u>
Weighted Average Diluted Common Shares Outstanding	<u>15,510</u>	<u>15,510</u>

See accompanying notes to condensed consolidated financial statements.

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

	Nine Months Ended September 30,	
	2009	2008
Net Sales Revenue (net of the rebate portion of volume incentives of \$34,920 and \$38,799, respectively)	\$ 253,102	\$ 285,023
Cost and Expenses:		
Cost of goods sold	50,633	53,159
Volume incentives	93,281	107,634
Selling, general and administrative	103,769	117,882
	<u>247,683</u>	<u>278,675</u>
Operating Income	5,419	6,348
Other Income (Expense), Net	3,048	(495)
Income Before Provision for Income Taxes	8,467	5,853
Provision for Income Taxes	6,315	7,163
Net Income (Loss)	<u>\$ 2,152</u>	<u>\$ (1,310)</u>
Basic Net Income (Loss) Per Common Share	<u>\$ 0.14</u>	<u>\$ (0.08)</u>
Diluted Net Income (Loss) Per Common Share	<u>\$ 0.14</u>	<u>\$ (0.08)</u>
Weighted Average Basic Common Shares Outstanding	<u>15,510</u>	<u>15,510</u>
Weighted Average Diluted Common Shares Outstanding	<u>15,510</u>	<u>15,510</u>

See accompanying notes to condensed consolidated financial statements.

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NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ 2,152	\$ (1,310)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Provision for doubtful accounts	129	1,027
Depreciation and amortization	3,425	4,381
Share-based compensation expense	—	86
Loss on sale of property and equipment	140	62
Deferred income taxes	(361)	(531)
Amortization of bond discount	21	29
Purchase of trading investment securities	(169)	(119)
Proceeds from sale of trading investment securities	65	78
Realized and unrealized (gains) losses on investments	(194)	261
Amortization of prepaid taxes related to gain on intercompany sales	911	942
Foreign exchange gains	(2,268)	(100)
Changes in assets and liabilities:		
Accounts receivable	(1,043)	(1,207)
Inventories	(696)	(3,523)
Prepaid expenses and other current assets	(196)	(1,843)
Other assets	(283)	(942)
Accounts payable	(946)	1,299
Accrued volume incentives	2,226	1,591
Accrued liabilities	(3,239)	2,614
Deferred revenue	(918)	(1,773)
Income taxes payable	1,235	2,745
Liability related to unrecognized tax positions	724	187
Deferred compensation payable	252	(137)
Net cash provided by operating activities	<u>967</u>	<u>3,817</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(2,452)	(6,767)
Proceeds from sale of investments available for sale	600	640
Purchases of investments available for sale	(5)	—
Proceeds from sale of restricted investments	2,050	25
Proceeds from sale of property, plant and equipment	53	79
Net cash provided by (used in) investing activities	<u>246</u>	<u>(6,023)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of cash dividends	(776)	(2,327)
Proceeds from short-term borrowings	7,900	—
Payments on short-term borrowings	(7,900)	—
Net cash used in financing activities	<u>(776)</u>	<u>(2,327)</u>
Effect of exchange rates on cash and cash equivalents	973	(880)
Net increase (decrease) in cash and cash equivalents	1,410	(5,413)
Cash and cash equivalents at the beginning of the period	34,853	45,299
Cash and cash equivalents at end of the period	<u>\$ 36,263</u>	<u>\$ 39,886</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for income taxes	\$ 6,632	\$ 2,169
Cash paid for interest	\$ 69	\$ 59

See accompanying notes to condensed consolidated financial statements.

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NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands, except per-share information)
(Unaudited)

(1) Basis of Presentation

Nature's Sunshine Products, Inc. and its subsidiaries (hereinafter referred to collectively as the "Company") are primarily engaged in the manufacturing and marketing of herbal products, vitamin and mineral supplements, personal care products, and miscellaneous products. Nature's Sunshine Products, Inc. is a Utah corporation with its principal place of business in Provo, Utah. The Company sells its products to a sales force of independent Distributors and Managers who use the products themselves or resell them to other 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 the United States, China, Hong Kong, Poland, South Korea, Mexico, Venezuela, Japan, Brazil, Canada, Central America, Colombia, the Dominican Republic, Ecuador, Peru, the United Kingdom, Austria, Germany, the Netherlands, Norway, Sweden, the Czech Republic, Israel, Taiwan, Thailand, Singapore, Indonesia, Malaysia, the Philippines, Australia, Russia, Ukraine, Latvia, Lithuania, Kazakhstan, Mongolia, and Belarus. The Company also exports its products to several other countries, including Argentina, Australia, Chile, New Zealand, and Norway.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. The unaudited condensed consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions are eliminated in consolidation. In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the Company's financial information as of September 30, 2009, and for the three and nine-month periods ended September 30, 2009 and 2008. The results of operations of any

interim period are not necessarily indicative of the results of operations to be expected for the fiscal year ending December 31, 2009.

These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K/A for the year ended December 31, 2008.

During 2008, the Company determined that it had a variable interest and was the primary beneficiary in a development stage entity. As a result, the Company has consolidated the entity in accordance with authoritative guidance issued by the Financial Accounting Standards Board ("FASB") related to the consolidation of variable interest entities. This variable interest is the result of loans provided by the Company to the entity during 2008 and early 2009, which are secured by the entity's assets. The Company provided loans to the entity in order to provide them with some of the capital necessary to market its products, and to provide the Company with access to new product formulations. The Company has provided no guarantees on behalf of the entity and has no future obligations to the entity. Its creditors do not have any recourse against the Company. The Company has provided additional loans of \$0 and \$439 during the three and nine months ended September 30, 2009, respectively. The effect of consolidating the variable interest entity was a decrease of the Company's net income of \$141 and \$570 for the three and nine month periods ended September 30, 2009. During the three months ended September 30, 2009, the entity had no significant operations.

The Company records Volume Incentives that represent purchase rebates as a reduction of sales revenue. As part of the Company's review of the quarterly results for the three months ended March 31, 2009, it identified that the volume rebates for the branches in Russia and Ukraine had been recorded as an expense rather than as a reduction of sales revenue. There was no impact on beginning or ending retained earnings, operating income, net loss, loss per share, or cash flows for any periods. As a result, the Company is correcting its condensed consolidated statements of operations for the three month and nine-month periods ending September 30, 2008 as follows:

	Three Months Ended September 30, 2008		Nine Months Ended September 30, 2008	
	As Previously Presented	As Corrected	As Previously Presented	As Corrected
Net sales revenue	\$ 94,669	\$ 92,661	\$ 291,105	\$ 285,023
Volume incentives	36,588	34,580	113,716	107,634

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Recent Accounting Pronouncements

Recently Adopted Accounting Guidance

In December 2007, the FASB issued new guidance on business combinations that changes how business combinations are accounted for and will impact financial statements both on the acquisition date and in subsequent periods. In addition, the guidance expands required disclosures surrounding the nature and financial affects of business combinations. The Company adopted this guidance on January 1, 2009, and will apply it to future business combinations.

In December 2007, the FASB issued new guidance on noncontrolling interests in a subsidiary that changes the accounting and reporting standards for the noncontrolling interests in a subsidiary in consolidated financial statements. The guidance recharacterizes minority interest as noncontrolling interests and requires noncontrolling interests to be classified as a component of shareholders' equity. The guidance requires retroactive adoption of the presentation and disclosure requirements for existing minority interest. The Company's adoption of this guidance, effective January 1, 2009, did not have a material impact on the Company's financial condition, results of operations, or cash flows.

In April 2008, the FASB issued authoritative guidance related to the determination of the useful life of intangible assets. The guidance states that in developing assumptions about renewal or extension options used to determine the useful life of an intangible asset, an entity needs to consider its own historical experience adjusted for entity-specific factors. In the absence of that experience, an entity shall consider the assumptions that market participants would use about renewal or extension options. This guidance is to be applied to intangible assets acquired after January 1, 2009. The adoption of this guidance did not have an impact on the Company's financial condition, results of operations, or cash flows.

In April 2009, the FASB issued new guidance requiring disclosures about the fair value of financial instruments for interim reporting periods of publicly-traded companies, as well as in annual financial statements. The disclosure requirements of this guidance are effective for interim reporting periods ending after June 15, 2009. The Company has included the additional disclosures in the accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

In April 2009, the FASB issued new guidance that amends the other-than-temporary impairment guidance in GAAP for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments of debt and equity securities in the financial statements. This guidance does not amend existing recognition and measurement guidance related to other-than-temporary impairments of equity securities. The guidance is effective for interim and annual reporting periods ending after June 15, 2009. The adoption of this guidance did not have an impact on the Company's financial condition, results of operations, or cash flows.

In April 2009, the FASB issued new guidance providing additional guidance on factors to consider in estimating fair values when there has been a significant decrease in the market activity for a financial asset or liability. It also includes guidance on identifying circumstances that indicate a transaction is not orderly. This guidance is effective for interim and annual reporting periods ending after June 15, 2009, and shall be applied prospectively. The adoption of this guidance did not have an impact on the Company's financial condition, results of operations, or cash flows.

In May 2009, the FASB issued new authoritative guidance on events that occur after the balance sheet date but prior to the issuance of the financial statements. The guidance distinguishes events requiring recognition in the financial statements and those that may require disclosure in the financial statements. Furthermore, it requires disclosure of the date through which subsequent events were evaluated. This guidance is effective for interim and annual periods after June 15, 2009. The Company has adopted this guidance during the quarter ended June 30, 2009, and has evaluated subsequent events through November 9, 2009, the date of this filing.

In June 2009, the FASB Accounting Standards CodificationTM and the Hierarchy of Generally Accepted Accounting Principles, ("Codification") was issued. The Codification supersedes all existing accounting standard documents and is the single source of authoritative non-governmental U.S. GAAP. All other accounting literature not included in the Codification will be considered non-authoritative. The Codification was implemented on July 1, 2009 and is effective for interim and annual periods ending after September 15, 2009. The Company's notes to the condensed consolidated financial statements reflect the adoption of the Codification.

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Recent Accounting Guidance Not Yet Adopted

In June 2009, the FASB issued an amendment to the accounting and disclosure requirements for the consolidation of variable interest entities (“VIEs”). The amendment requires an enterprise to determine whether its variable interest or interests give it a controlling financial interest in a VIE. The primary beneficiary of a VIE is the enterprise that has both the power to direct the activities of the VIE that most significantly impact the entity’s economic performance and has the obligation to absorb losses or the right to receive benefits from the entity that could potentially be significant to the VIE. The amendment requires ongoing reassessments of whether an enterprise is the primary beneficiary of a VIE as well expanded disclosure requirements for enterprises with an interest in a VIE. The guidance is effective for fiscal years beginning after November 15, 2009, with early adoption prohibited. The Company does not expect the adoption of this amendment to have a material impact on its financial condition, results of operations, or cash flows.

In October 2009, the FASB issued amendments to the accounting and disclosure for revenue recognition. These amendments, effective for fiscal years beginning on or after June 15, 2010 (early adoption is permitted), modify the criteria for recognizing revenue in multiple element arrangements and the scope of what constitutes a non-software deliverable. Although applicable to the Company, the Company does not expect the adoption of these amendments to have a material impact on its financial condition, results of operations, or cash flows.

(2) Inventories

Inventories consist of the following:

	September 30, 2009	December 31, 2008
Raw Materials	\$ 9,567	\$ 9,515
Work in Progress	854	766
Finished Goods	30,219	29,277
	<u>\$ 40,640</u>	<u>\$ 39,558</u>

(3) Intangible Assets

At September 30, 2009 and December 31, 2008, product formulations had a gross carrying amount of \$1,763 and \$1,763, accumulated amortization of \$313 and \$225, and a net amount of \$1,450 and \$1,538, respectively. The useful lives of the product formulations are estimated to be 15 years.

Amortization expense for intangible assets for the three months ended September 30, 2009 and 2008 was \$29 and \$40, respectively. Amortization expense for intangible assets for the nine months ended September 30, 2009 and 2008 was \$88 and \$99, respectively. Estimated amortization expense for each of the five succeeding fiscal years is \$118.

(4) Investment Securities

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

As of September 30, 2009	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Municipal obligations	\$ 2,237	\$ 119	\$ —	\$ 2,356
U.S. government securities funds	697	15	—	712
Equity securities	234	73	(5)	302
Total short-term investment securities	<u>\$ 3,168</u>	<u>\$ 207</u>	<u>\$ (5)</u>	<u>\$ 3,370</u>

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As of December 31, 2008	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Municipal obligations	\$ 2,858	\$ 66	\$ (1)	\$ 2,923
U.S. government securities funds	691	19	—	710
Equity securities	233	—	(8)	225
Total short-term investment securities	<u>\$ 3,782</u>	<u>\$ 85</u>	<u>\$ (9)</u>	<u>\$ 3,858</u>

Contractual maturities of municipal obligations fair value at September 30, 2009, are as follows:

Mature less than one year	\$ 378
Mature after one year through five years	1,760
Mature after five years	218
Total	<u>\$ 2,356</u>

During the nine months ended September 30, 2009 and 2008, the proceeds from the sales of available-for-sale securities were \$600 and \$640, respectively. The gross realized gains on sales of available-for-sale securities (net of tax) were \$0 for each of the three and nine months ended September 30, 2009 and 2008. The gross realized losses on the sales of available-for-sale securities (net of tax) were \$0 for each of the three and nine month ended September 30, 2009 and 2008.

The Company’s trading securities portfolio totaled \$1,646 at September 30, 2009 and \$1,394 at December 31, 2008, and generated gains of \$96 and losses of \$9 for the three months ended September 30, 2009 and 2008, respectively, and generated gains of \$142 and losses of \$41 for the nine months ended September 30, 2009 and 2008, respectively.

As of September 30, 2009 and December 31, 2008, the Company had unrealized losses of \$5 and \$9, respectively, in its municipal obligations and equity securities investments. 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.

As of September 30, 2009 and December 31, 2008, none of the Company’s investments included unrealized losses that were considered to be other-than-temporary impairments.

(5) Net Income (Loss) Per Share

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

would have an anti-dilutive effect on net income (loss) per common share.

The following is a reconciliation of the numerator and denominator of Basic EPS to the numerator and denominator of Diluted EPS for the three and nine months ended September 30, 2009 and 2008.

	Net Income (Loss) (Numerator)	Shares (Denominator)	Net Income (Loss) Per Share Amount
Three Months Ended September 30, 2009			
Basic EPS	\$ 2,080	15,510	\$ 0.13
Effect of options	—	—	—
Diluted EPS	<u>\$ 2,080</u>	<u>15,510</u>	<u>\$ 0.13</u>
Three Months Ended September 30, 2008			
Basic EPS	\$ (166)	15,510	\$ (0.01)
Effect of options	—	—	—
Diluted EPS	<u>\$ (166)</u>	<u>15,510</u>	<u>\$ (0.01)</u>

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	Net Income (Loss) (Numerator)	Shares (Denominator)	Net Income (Loss) Per Share Amount
Nine Months Ended September 30, 2009			
Basic EPS	\$ 2,152	15,510	\$ 0.14
Effect of options	—	—	—
Diluted EPS	<u>\$ 2,152</u>	<u>15,510</u>	<u>\$ 0.14</u>
Nine Months Ended September 30, 2008			
Basic EPS	\$ (1,310)	15,510	\$ (0.08)
Effect of options	—	—	—
Diluted EPS	<u>\$ (1,310)</u>	<u>15,510</u>	<u>\$ (0.08)</u>

For the three and nine months ended September 30, 2009, a total of 205 exercisable options to purchase shares of common stock were not included in the computation of diluted earnings per share because their exercise price was greater than the average market price of the common shares and, therefore, the effect would be anti-dilutive. Because of net losses in the three and nine-month periods ended September 30, 2008, outstanding common stock options of 282 were not included in the computation of diluted earnings per share because the effect on net loss per share would be anti-dilutive.

(6) Comprehensive Income (Loss)

The components of comprehensive income (loss), net of tax, for the three and nine-month periods ended September 30, 2009 and 2008, respectively, are as follows:

	Three Months Ended September 30,	
	2009	2008
Net income (loss)	\$ 2,080	\$ (166)
Foreign currency translation gain (loss)	118	(408)
Net unrealized gains (losses) on investment securities	50	(24)
Total comprehensive income (loss)	<u>\$ 2,248</u>	<u>\$ (598)</u>
	Nine Months Ended September 30,	
	2009	2008
Net income (loss)	\$ 2,152	\$ (1,310)
Foreign currency translation (loss) gain	(2,367)	87
Net unrealized gains (losses) on investment securities	62	(101)
Total comprehensive loss	<u>\$ (153)</u>	<u>\$ (1,324)</u>

(7) Capital Transactions

Dividends

The Company paid cash dividends of \$776 and \$2,327 during the nine months ended September 30, 2009 and 2008, respectively. During the second quarter of 2009, the Company suspended payment of its quarterly cash dividend.

Share-based Compensation

Share-based compensation expense from nonqualified stock options for the three-month periods ended September 30, 2009 and 2008 was approximately \$0; the related tax benefit was approximately \$0. Share-based compensation expense from nonqualified stock options for the nine-month periods ended September 30, 2009 and 2008 was approximately \$0 and \$86, respectively; the related tax benefit was approximately \$0 and \$33, respectively. As of September 30, 2009, there was no unrecognized share based compensation related to issued qualified or non-qualified employee stock options.

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Stock option activity for the nine-months ended September 30, 2009 is as follows:

	Number of Shares	Weighted Average Exercise Price Per Share
Options outstanding at December 31, 2008	263	\$ 11.77
Granted	—	—
Forfeited or canceled	(58)	11.79
Exercised	—	—
Options outstanding at September 30, 2009	205	11.76
Exercisable at September 30, 2009	205	\$ 11.76

No options were granted or exercised during the three and nine-month periods ended September 30, 2009 and 2008. The aggregate intrinsic value of options outstanding and exercisable at September 30, 2009 and 2008 was \$0 and \$0, respectively.

On September 24, 2009, the Company granted options to purchase approximately 250 shares under its 2009 Stock Incentive Plan (the “Plan”) subject to the Plan’s approval by the Company’s shareholders. On November 6, 2009, the Plan was approved by a vote of the Company’s shareholders. Under the Plan, 750 shares have been reserved for the issuance of awards under the Plan. All employees, officers, consultants, independent contractors and non-employee members of the Board of Directors of the Company are eligible to participate in the Plan. The Compensation Committee of the Board of Directors have exclusive authority and complete discretion to determine which individuals are to receive awards, the type of award, the number of shares, and the terms and condition of the award.

(8) Segment Information

The Company has three business segments. These reportable segments are components of the Company for which separate information is available and evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

The Company has two reportable business segments based on geographic operations that include a United States segment and an international segment that operate under the Nature’s Sunshine Products name. The Company’s third reportable business segment is Synergy Worldwide, which offers products with formulations different from those of the Nature’s Sunshine Products offerings as well as marketing and Distributor compensation plans sufficiently different from those of Nature’s Sunshine Products to warrant its treatment as a separate reportable segment. Net sales revenues for each segment have been reduced by any 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 operating income (loss) by segment before consideration of certain inter-segment transfers and expenses.

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Reportable segment information is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Net Sales Revenue:				
Nature’s Sunshine Products:				
United States	\$ 37,596	\$ 37,288	\$ 113,571	\$ 115,380
International	33,226	41,416	98,391	126,676
	<u>70,822</u>	<u>78,704</u>	<u>211,962</u>	<u>242,056</u>
Synergy Worldwide	14,955	13,957	41,140	42,967
	<u>85,777</u>	<u>92,661</u>	<u>253,102</u>	<u>285,023</u>
Operating Expenses:				
Nature’s Sunshine Products:				
United States	35,181	37,108	108,572	113,925
International	29,476	38,415	93,536	117,349
	<u>64,657</u>	<u>75,523</u>	<u>202,108</u>	<u>231,274</u>
Synergy Worldwide	14,913	15,067	45,575	47,401
	<u>79,570</u>	<u>90,590</u>	<u>247,683</u>	<u>278,675</u>
Operating Income (Loss):				
Nature’s Sunshine Products:				
United States	2,415	180	4,999	1,455
International	3,750	3,001	4,855	9,327
	<u>6,165</u>	<u>3,181</u>	<u>9,854</u>	<u>10,782</u>
Synergy Worldwide	42	(1,110)	(4,435)	(4,434)
	<u>6,207</u>	<u>2,071</u>	<u>5,419</u>	<u>6,348</u>
Other Income (Expense), Net	1,300	(448)	3,048	(495)
Income Before Provision for Income Taxes	<u>\$ 7,507</u>	<u>\$ 1,623</u>	<u>\$ 8,467</u>	<u>\$ 5,853</u>

From an individual country perspective, only the United States, Japan, Russia and Ukraine comprise approximately 10 percent or more of consolidated net sales revenue for any of the three and nine-month periods ended September 30, 2009 and 2008 as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Sales Revenue:				
United States	\$ 38,392	\$ 38,412	\$ 115,147	\$ 116,147
Russia	6,370	8,669	21,679	29,164
Japan	6,635	9,295	20,571	29,672
Other	34,380	36,285	95,705	110,040
Total Sales Revenue	<u>\$ 85,777</u>	<u>\$ 92,661</u>	<u>\$ 253,102</u>	<u>\$ 285,023</u>

Net sales revenue by product group has not been disclosed as management has determined that it is impracticable to accumulate such information.

Long-lived assets by geographical area as of September 30, 2009 and December 31, 2008 are as follows:

	September 30, 2009	December 31, 2008
Long-Lived Assets:		
United States	\$ 22,832	\$ 23,723
Venezuela	4,657	4,646
Other	2,906	3,393
Total Long-Lived Assets	<u>\$ 30,395</u>	<u>\$ 31,762</u>

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(9) Income Taxes

Interim income taxes are based on an estimated annualized effective tax rate applied to the respective quarterly periods, adjusted for discrete tax items in the period in which they occur. For the three months ended September 30, 2009 and 2008, the Company's provision for income taxes, as a percentage of income before income taxes, was approximately 72.3 percent and 110.2 percent, respectively, compared with a U.S. federal statutory rate of 35.0 percent. For the nine months ended September 30, 2009 and 2008, the Company's provision for income taxes, as a percentage of income before income taxes, was approximately 74.6 percent and 122.4 percent, respectively, compared with a U.S. federal statutory rate of 35.0 percent.

The differences between the effective rate and the U.S. federal statutory rate for the three and nine months ended September 30, 2009 and 2008, are primarily attributed to increases in tax liabilities associated with uncertain tax positions, the U.S. tax impact of foreign operations, and increases in foreign valuation allowances primarily related to foreign subsidiary net losses for which no tax benefit is being recognized. Tax amounts recorded related to the uncertain tax positions, valuation allowances, and other permanent tax items have a significant impact on the effective tax rate. The effective rate declined in the three and nine-month periods ended September 30, 2009 compared to the same periods in the prior year primarily as a result of the permanent tax items having less impact on the higher pre-tax income.

As of September 30, 2009, the Company had accrued \$20,399 (net of \$11,277 of other assets related to competent authority and royalty benefits) related to unrecognized tax positions compared with \$19,675 (net of \$11,277 of other assets related to competent authority and royalty benefits) as of December 31, 2008. This net increase is primarily attributed to increases in liabilities recorded related to transfer pricing.

In October 2009, the Internal Revenue Service ("IRS") issued an examination report formally proposing adjustments with respect to the 2003 through 2005 taxable years, which primarily relate to the prices that were charged in intragroup transfers of property and the disallowance of related deductions. The Company expects to commence administrative proceedings with the Office of Appeals of the Internal Revenue Service challenging the proposed adjustments. Management believes that the Company has appropriately reserved for these matters at an amount which it believes will ultimately be due upon resolution of the administrative proceedings. The Company is currently unable to determine the outcome of these discussions and their related impact, if any, on the Company's financial condition, results of operations, or cash flows.

The Company has also been advised by the IRS that it will begin to examine the Company's tax returns for the 2006 and 2007 taxable years. The Company anticipates this audit will commence during the quarter ending December 31, 2009. The Company's U.S. federal income tax returns are open from 2003 to 2008, and the Company has several foreign jurisdictions that have open years between 2003 and 2008.

Although the Company believes its estimates for unrecognized tax positions are reasonable, the Company can make no assurance that the final outcome of these matters will not be different from that which it has reflected in its historical income tax provisions and accruals. Such difference 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.

(10) Commitments and Contingencies

Legal Proceedings

The Company is party to various legal proceedings, including those noted below. 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 or future periods. The Company maintains directors' and officers' liability, 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.

Class-Action Litigation

Between April 3, 2006 and June 2, 2006, five separate shareholder class-action lawsuits were filed against the Company and certain of its present and former officers and directors in the United States District Court for the District of Utah. These matters were consolidated and on November 3, 2006, the plaintiffs filed a consolidated complaint (the "Consolidated Complaint") against the Company, the Company's Chief Executive Officer and a director, Douglas Faggioli, the Company's former Chief Financial Officer, Craig D. Huff, and a former director and former Chair of the Company's Audit Committee, Franz L. Cristiani. The Consolidated Complaint asserts three separate claims on behalf of purchasers of the Company's common stock: (1) a claim against Mr. Faggioli and the Company for violation of Section 10(b) of the Securities Exchange Act of 1934, as amended ("the Exchange Act") and Rule 10b-5 promulgated thereunder, alleging that Mr. Faggioli made a series of alleged material misrepresentations to the investing public; (2) a

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claim against Mr. Faggioli and the Company for violation of Section 10(b) and Rule 10b-5, alleging that Mr. Faggioli made a series of misrepresentations to the Company's then independent auditor, KPMG, LLP ("KPMG"), for the purpose of obtaining unqualified or "clean" audit opinions and review opinions from KPMG concerning certain of the Company's annual and quarterly financial statements; and (3) a claim against Messrs. Faggioli, Huff and Cristiani for violation of Section 20(a) of the Exchange Act, alleging that the individual defendants have "control person" liability for the previously-alleged violations by the Company. The Consolidated Complaint seeks an unspecified amount of compensatory damages, together with interest thereon, litigation costs and expenses, including attorneys' fees and expert fees, and any such other and further relief as may be allowed by law.

On January 5, 2007, the Company and Messrs. Faggioli, Huff and Cristiani moved to dismiss the Consolidated Complaint in its entirety. On May 21, 2007, the Court

issued its decision denying the motion in large part, but shortening the proposed class period on one of the plaintiffs' claims. On June 6, 2007, the Company and the other defendants answered the Consolidated Complaint, wherein they denied all allegations of wrongdoing and raised a number of affirmative defenses. On November 1, 2007, the plaintiffs filed their motion for class certification, which the Company opposed. On September 25, 2008, the Court granted the plaintiffs' motion for class certification in part, establishing the class as all persons who purchased or otherwise acquired the Company's common stock, and were damaged thereby, from March 16, 2005 to March 20, 2006. On May 9, 2008, at the invitation of the Court based upon recent case law developments, the Company filed a motion to dismiss the plaintiffs' second cause of action (a 10b-5 claim based on non-public representations to KPMG). The plaintiffs opposed this motion. On September 23, 2008, the Court granted the Company's motion and dismissed the plaintiffs' second cause of action.

On September 14, 2009, the parties and the Company's directors' and officers' liability insurer signed a Stipulation of Settlement ("Stipulation"), which was filed with the Court on September 14, 2009. The Stipulation sets forth the complete terms of parties' proposed settlement. The basic terms of the settlement are that the Company's insurer will pay the settlement class, which is defined as all persons (except for defendants and specified related persons and entities) who purchased the Company's common stock during the period from April 23, 2002 through April 5, 2006, \$6 million in exchange for a dismissal with prejudice of the lawsuit and a release of all claims held by members of a settlement class. As set forth in the Stipulation, the proposed settlement will not become final until a number of conditions are satisfied, including the Stipulation receiving both preliminary and final approval from the Court. On October 8, 2009, the Court entered an order (i) granting preliminary approval of the Stipulation, (ii) requiring that notice of the proposed settlement and the proposed plan of allocation of the settlement proceeds be mailed to members of the settlement class by October 26, 2009, and (iii) setting a February 9, 2010 hearing. At this hearing the Court will consider, among other issues, (i) whether the Stipulation should receive final approval, (ii) whether the proposed plan of allocation for the settlement proceeds should be approved, (iii) whether the settlement class counsel's application for an award of attorneys' fees and reimbursement of costs and expenses should be approved, and (iv) whether the settlement class counsel's application for incentive awards to the settlement class representatives should be approved. The Court's October 8, 2009 order also sets January 19, 2010 as the deadline by which settlement class members must submit a valid proof of claim, if they want to share in the settlement proceeds, or a proper opt-out request, if they want to be excluded from the settlement class and thereby not be bound by the terms of the Stipulation.

If the Stipulation does not receive final approval from the Court, the case will be returned to the litigation track and would most likely be subject to a new scheduling order. As of the date of the Stipulation, the case was in the early stages of discovery and trial was not scheduled to commence until January 24, 2011. If the case is returned to the litigation track, the Company and the other defendants will continue to vigorously defend themselves against the allegations in the lawsuit. Notwithstanding this intent, the Company is not able at this time to predict the outcome of this litigation or whether the Company will incur any liability associated with the litigation, or to estimate the effect such outcome would have on the financial condition, results of operations, or cash flows of the Company.

The Company maintains insurance that may provide coverage for the potential consequences of a negative outcome of the litigation described above. The Company has given notice to its insurers of the claims and the insurers have responded by requesting additional information and by reserving their rights under the policies, including the rights to deny coverage under various policy exclusions or to rescind the policies in question. As stated above, the Company's directors' and officers' liability insurer has agreed, as part of the Stipulation, to fully fund the proposed \$6 million settlement. If, however, the Court refuses to give final approval to the Stipulation, the case will return to the litigation track. If this were to occur, there can be no assurance that the insurers will then not seek to deny coverage or rescind the policies; that some or all of the claims will not be covered by such policies; or that, even if covered, the Company's ultimate liability will not exceed the available insurance. Moreover, there can be no assurance as to the Company's ability to obtain insurance coverage in the future, or as to the cost of such insurance.

Threatened Derivative Lawsuits

By letter dated October 4, 2007, a shareholder of the Company alleged that a number of the current and former officers and directors of the Company breached their fiduciary duties to the Company by supposedly engaging in the same alleged wrongdoing that is the subject of the class-action lawsuit. The shareholder demanded that the Company take action to recover from the specified

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officers and directors all damages sustained by the Company as a result of the alleged misconduct, and threatened to commence a derivative action if the Company failed to act on the shareholder's demand within a reasonable period of time.

On December 26, 2007, before the expiration of the Company's allotted 90-day period for responding to the demand, the shareholder presented a second but substantively identical demand on the Company, thereby triggering a new 90-day response period. The Company's Board of Directors responded to this demand on March 20, 2008, rejecting the shareholder's demands.

On May 21, 2008, the same shareholder filed a summons and complaint in the Fourth Judicial District Court for the State of Utah seeking an order compelling the Company to produce certain books and records to the shareholder. The Company filed its answer to the complaint on June 12, 2008.

Although the Company and the other defendants are vigorously defending against the allegations in the threatened derivative lawsuit above, management believes that it is not possible at this time to predict the outcome of this litigation or whether the Company will incur any liability associated with the litigation, or to estimate the effect such outcome would have on the financial condition, results of operations, or cash flows of the Company.

SEC and DOJ Investigations

On July 31, 2009, the Securities and Exchange Commission ("SEC") filed a settled enforcement action against the Company, Douglas Faggioli, and Craig Huff, the Company's former chief financial officer, relating to alleged violations of the Foreign Corrupt Practices Act ("FCPA") by one of the Company's foreign subsidiaries in 2000 and 2001. This settlement resolved an SEC investigation previously disclosed by the Company related to an independent investigation by the Company's Audit Committee.

Under the terms of the settlement with the SEC, the Company agreed to pay a civil penalty of \$600 and to consent to the entry of injunctions against future violations of the FCPA as well as the antifraud, books and records, and internal controls provisions of the federal securities laws. No additional undertakings are required of the Company under the terms of the settlement.

In addition, Messrs. Faggioli and Huff each agreed to pay a civil penalty of \$25 and to consent to the entry of injunctions against future violations relating only to the books and records and internal control provisions of the federal securities laws.

The SEC's complaint alleged that, in 2000 and 2001, former employees in the Company's Brazilian subsidiary made undocumented cash payments to customs brokers, some of which were later paid to Brazilian customs officials in order to allow unregistered products to be imported and sold in Brazil. No current officers, directors, or employees of the Company are alleged to have participated in or had knowledge of these actions.

The complaint further alleged that, in 2000 and 2001, Mr. Faggioli, the Company's then chief operating officer (and current chief executive officer), and Mr. Huff, the Company's then chief financial officer, as control persons, failed to adequately supervise the Company's management and other personnel who were directly responsible for the Company's books and records and internal controls related to the registration of product in one foreign subsidiary. As part of the settlement, the Company and the individual parties agreed to neither admit nor deny the allegations in the complaint.

The Company believes that all government investigations relating to potential FCPA violations by the Company or related persons have been resolved. The Company

anticipates no action by the Department of Justice (“DOJ”) in a previously disclosed investigation relating to these events.

As previously disclosed, in March 2006, the Company voluntarily provided to the SEC and the DOJ information related to an independent investigation by the Company’s Audit Committee. The Company fully cooperated in these government investigations.

SEC Section 12(j) Proceeding

On July 12, 2007, the Company announced that the SEC had instituted administrative proceedings pursuant to Section 12 (j) of the Exchange Act to suspend or revoke the registration of its common stock under Section 12 of the Exchange Act. On November 8, 2007, an administrative law judge in the administrative proceeding issued an Initial Decision to revoke the registration of the Company’s common stock because of its failure to file required periodic reports. Shortly thereafter, the Company filed a petition for review with the SEC. On December 5, 2007, the SEC granted the Company’s petition for review. The SEC heard oral argument from both the Company and the SEC staff on January 7, 2009. On January 21, 2009, the SEC issued a final order revoking the registration of the Company’s common stock. On February 12, 2009, the Company filed a registration statement on Form 10 to re-register its common stock under the Exchange Act. The Company’s registration statement became effective as a result of the passage of time on April 13, 2009. On May 26, 2009, the Company cleared all comments from the SEC related to its registration statement on Form 10. On October 12, 2009 the Company began trading its common stock on the NASDAQ Capital Market under the symbol “NATR.”

Prescott Matter

In April 2009, Prescott Group Aggressive Small Cap Master Fund, G.P. (“Prescott”) filed, but did not serve, a complaint in the Fourth Judicial District Court for Utah County, Utah, (*Prescott Group Aggressive Small Cap Master Fund, G.P. v. Nature’s Sunshine Products, Inc, Civil No. 090401518*). Prescott’s filed complaint requested that the court compel the Company to hold an annual meeting of the Company’s shareholders. The complaint did not request that the court award monetary damages other than the payment of attorneys’ fees. On May 22, 2009, the Company and Kristine F. Hughes, Eugene L. Hughes and Pauline Hughes Francis in their capacity as shareholders of the Company (collectively, the “Hughes Parties”) entered into a settlement and voting agreement (the “Prescott Agreement”) with Prescott. Contemporaneously with the Prescott Agreement, the Company and the Hughes Parties entered into voting agreements (collectively with the Prescott Agreement, the “Voting Agreements”) with each of the following shareholders of the Company: Red Mountain Capital Partners II, L.P., Red Mountain Capital Partners III, L.P. and Paradigm Capital Management, Inc. (collectively with Prescott, the “Shareholder Parties”).

Pursuant to the Voting Agreements, effective as of June 7, 2009 , (i) the authorized number of directors of the Board was increased from six to eight directors in accordance with Section 3.2 of the Bylaws of the Company, creating two additional vacancies in addition to one previously unfilled vacancy on the Board, (ii) with the exception of Kristine F. Hughes, all of the current members of our Board of Directors (the “Board”) resigned as members of the Board, resulting in a total of seven vacancies on the Board and (iii) Michael D. Dean, Albert R. Dowden, Douglas Faggioli, Pauline Hughes Francis, Willem Mesdag, Jeffrey D. Watkins and Candace K. Weir were appointed, without any specific Board class designation, to fill such vacancies on the Board to serve as directors until the next annual meeting of shareholders at which directors are elected and until their respective successors are duly elected and qualified, unless they resign, are removed or are otherwise disqualified from serving as a director of the Company.

The Voting Agreements also provide that, at the next annual meeting of shareholders, which was held on November 6, 2009, the Company would nominate, and the Shareholder Parties and the Hughes Parties would vote all of the shares of Common Stock beneficially owned by them in favor of, each of the following individuals, with such nominees serving in the Board class set forth opposite his or her name:

Name	Class
Jeffrey D. Watkins	Class I
Willem Mesdag	Class I
Michael D. Dean	Class II
Douglas Faggioli	Class II
Candace K. Weir	Class II
Kristine F. Hughes	Class III
Pauline Hughes Francis	Class III
Albert R. Dowden	Class III

The voting arrangement set forth in the Voting Agreements terminated on November 6, 2009, immediately following the annual meeting of shareholders of the Company.

Other Litigation

The Company is party to various other legal proceedings in several foreign jurisdictions related to VAT assessments and other civil litigation. While there is a reasonable possibility that a material loss may be incurred, 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 \$1.4 million.

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. The Company also provides provisions for state sales taxes in each of the states where the Company has potential nexus. As of September 30, 2009 and December 31, 2008, accrued liabilities include \$17,332 and \$17,359, 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 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. On June 1, 2003, the Company established 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, that portions of its self-insurance accruals be considered short-term and long-term.

The Company has accrued \$2,865 and \$2,873 for product liability and employee medical claims at September 30, 2009 and December 31, 2008, respectively, of which \$358 and \$2,873 was classified as short-term. Such amounts are included in accrued liabilities and other long-term liabilities on the Company's unaudited condensed consolidated balance sheets.

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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 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 or results of operations or cash flows.

(11) Fair Value Measurements

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

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

The following table presents the Company's hierarchy for its asset and liabilities measured at fair value on a recurring basis as of September 30, 2009:

	Level 1 Quoted Prices in Active Markets for Identical Assets or Liabilities	Level 2 Significant Other Observable Inputs	Level 3 Significant Unobservable Inputs	Total
Investments available for sale	\$ 1,014	\$ 2,356	\$ —	\$ 3,370
Investment securities	1,646	—	—	1,646
Total assets measured at fair value on a recurring basis	<u>\$ 2,660</u>	<u>\$ 2,356</u>	<u>\$ —</u>	<u>\$ 5,016</u>

The following table presents the Company's hierarchy for its asset measured at fair value on a recurring basis as of December 31, 2008:

	Level 1 Quoted Prices in Active Markets for Identical Assets or Liabilities	Level 2 Significant Other Observable Inputs	Level 3 Significant Unobservable Inputs	Total
Investments available for sale	\$ 933	\$ 2,925	\$ —	\$ 3,858
Investment securities	1,394	—	—	1,394
Restricted investments	—	—	2,050	2,050
Total assets measured at fair value on a recurring basis	<u>\$ 2,327</u>	<u>\$ 2,925</u>	<u>\$ 2,050</u>	<u>\$ 7,302</u>

Investments available for sale— The majority of the Company's investment portfolio consists of mutual funds, equity securities and various fixed income securities, such as U.S. government funds and state and municipal bonds. The Level 1 securities are valued using quoted prices for identical assets in active markets including equity securities, U.S. government treasuries, and various mutual funds. The Level 2 securities include investments in state and municipal bonds, as well as various mutual funds 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 mutual funds that are using quoted prices in active markets.

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Restricted investments — The Company's restricted investments include auction rate preferred investments that failed at auction during 2008. Despite the underlying long-term contractual maturity of auction-rate securities ("ARS"), there was historically a ready liquid market for these securities based on the interest reset mechanism. However, as a result of negative liquidity and uncertainty in financial credit markets, the Company experienced "failed" auctions associated with its ARS. In the case of a failed auction, the ARS become illiquid investments (until a future auction is successful or the security is called prior to the contractual maturity date by the issuer) and the rates are reset in accordance with terms in the prospectus/offering circular

The ARS consisted primarily of AAA securities. In determining the fair value of the Company's restricted investments at December 31, 2008, the Company has taken into consideration fair values determined by the financial institutions, current credit rating of the underlying securities, insurance provisions, discounted cash flow analysis, as deemed appropriate, and its current liquidity position.

The following table shows a reconciliation of the beginning and ending Level 3 fair value measurements using significant unobservable inputs for the three months ended September 30, 2009 and 2008:

	Three Months Ended September 30,	
	2009	2008
Balance at July 1,	\$ —	\$ 2,050
Net unrealized gains included in earnings	—	—
Sales of restricted investments	—	—
Purchases	—	—
Balance at September 30,	<u>\$ —</u>	<u>\$ 2,050</u>

The following table shows a reconciliation of the beginning and ending Level 3 fair value measurements using significant unobservable inputs for the nine months ended September 30, 2009 and 2008:

	Nine Months Ended September 30,	
	2009	2008
Balance at January 1,	\$ 2,050	\$ 2,075
Net unrealized gains included in earnings	—	—
Sales of restricted investments	(2,050)	(25)
Purchases	—	—
Balance at September 30,	<u>\$ —</u>	<u>\$ 2,050</u>

During the nine month periods ended September 30, 2009 and 2008, the Company sold restricted investments of \$2,050 and \$25, respectively, that included ARS that had failed at auction during 2008. These securities were sold at par value, which was the carrying value of these securities. As a result, there was no realized gain or loss as a result of the sale of the ARS.

The carrying amounts reflected on the consolidated balance sheet for cash and cash equivalents, accounts and notes receivable, accounts payable, and short-term borrowings approximate fair value due to their short-term nature. During the three and nine months ended September 30, 2009, the Company did not have any write-offs related to the remeasurement of non-financial assets at fair value on a nonrecurring basis subsequent to their initial recognition.

(12) Subsequent Event

Currency restrictions enacted by the government of Venezuela require approval from the government's currency control organization for the Company's subsidiary in Venezuela to obtain U.S. dollars at the official exchange rate to pay for imported products or to repatriate dividends back to the Company. The parallel market rate, which is substantially lower than the official rate, may be used to obtain U.S. dollars or other currencies without approval of the government's currency control organization.

As of September 30, 2009, the Company had 9,322 bolivars, or the equivalent of \$4,346 U.S. dollars at the official exchange rate. In October 2009, the Company elected to settle 4,000 bolivars, the equivalent of \$1,865 U.S. dollars at the official rate, for \$712 U.S. dollars of its intercompany payable balances using the legal parallel market exchange process to mitigate the Company's currency exchange risk in Venezuela. The Company recorded an exchange loss of \$1,153 as a result of using the parallel market rate versus the official rate for the transaction. The Company periodically assesses its ability to obtain U.S. dollars at the official exchange rate. However, the Company continues to apply for and expects to receive approval from the government of Venezuela to convert its bolivars at the official exchange rate to pay for imported products and other remittances. However, the timing and ability to obtain U.S. dollars in the future at the official exchange rate could adversely affect the Company's financial condition and results of operations.

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

The following Management's Discussion and Analysis discussion should be read in conjunction with the unaudited consolidated financial statements and notes thereto included in this report, as well as the consolidated financial statements, the notes thereto, and management's discussion and analysis included in our Annual Report on Form 10-K/A for the year ended December 31, 2008, and our other filings, including Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, that have been filed with the SEC through the date of this report.

Throughout this report, we refer to Natures Sunshine Products, Inc., together with its subsidiaries, as "we," "us," "our Company" or "the Company."

OVERVIEW

Nature's Sunshine Products, Inc. and its subsidiaries are primarily engaged in the manufacturing and marketing of herbal products, vitamin and mineral supplements, personal care products, and miscellaneous products. Nature's Sunshine Products, Inc. is a Utah corporation with its principal place of business in Provo, Utah. We sell our products to a sales force of independent Distributors and Managers who use the products themselves or resell them to other Distributors or consumers. 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.

We market our products in the United States, Mexico, Central America, Canada, Venezuela, the Dominican Republic, Japan, Ecuador, the United Kingdom, Colombia, Peru, Israel, Russia, Ukraine, Latvia, Lithuania, Kazakhstan, Mongolia, Belarus, China, Poland, and Brazil. We also export our products to several other countries, including Argentina, Australia, Chile, New Zealand, and Norway.

We also sell our products through a separate division and operating business segment, Synergy Worldwide, which was acquired by us in 2000. Synergy Worldwide offers products with formulations different from those of the Nature's Sunshine Products offerings. In addition, Synergy Worldwide's marketing and Distributor compensation plans are sufficiently different from those of Nature's Sunshine Products. Synergy Worldwide sells products in Japan, the United States, South Korea, Singapore, Thailand, Taiwan, Malaysia, Hong Kong, the Philippines, Indonesia, the United Kingdom, Germany, Austria, the Netherlands, Norway, Sweden, the Czech Republic, and Australia.

During the first nine months of 2009, we experienced a decline in our consolidated net sales compared to the same period in 2008 of 11.2 percent. This decline is primarily due to the negative impact of currency exchange rates in our foreign markets, as well as weakening demand in certain foreign markets as a result of current

economic conditions. Our Nature's Sunshine Products International business segment ("NSP International") experienced a decline in net sales of approximately 22.3 percent compared to the same period in 2008, while in our domestic business segment ("NSP United States") net sales decreased approximately 1.6 percent. Our Synergy Worldwide business segment ("Synergy Worldwide") experienced a decline in net sales revenue of approximately 4.4 percent compared to 2008, primarily due to current economic conditions and foreign currency fluctuations. A significant portion of the decline in our NSP International is the result of significant declines in the values of the Russian ruble and the Ukrainian hryvnia against the U.S. dollar, which have increased the price of our products significantly in these markets. Over the same period, our cost of goods sold increased as a percentage of net sales revenue primarily as a result of increased promotions within our foreign markets and increases in the manufacturing costs of some of our products, while our selling, general and administrative expenses decreased primarily as a result of reduced spending in our Russian, Ukrainian, and Eastern European markets as a result of reduced sales in these markets, as well as the positive impact of foreign currency fluctuations in many of our foreign markets.

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RESULTS OF OPERATIONS

The following table summarizes our unaudited consolidated operating results in U.S. dollars and as a percentage of net sales for the three months ended September 30, 2009 and 2008 (dollar amounts in thousands).

	2009		2008		Change from 2008 to 2009	
	Total dollars	Percent of net sales	Total dollars	Percent of net sales	Dollar	Percentage
Net sales revenue	\$ 85,777	100.0%	\$ 92,661	100.0%	\$ (6,884)	(7.4)%
Cost of goods sold	17,299	20.2	17,146	18.5	153	0.9
Volume incentives	31,068	36.2	34,580	37.3	(3,512)	(10.2)
SG&A expenses	31,203	36.4	38,864	42.0	(7,661)	(19.7)
Total operating expenses	79,570	92.8	90,590	97.8	(11,020)	(12.2)
Operating income	6,207	7.2	2,071	2.2	4,136	199.7
Other income (expense), net	1,300	1.5	(448)	(0.5)	1,748	390.2
Income before provision for income taxes	7,507	8.7	1,623	1.7	5,884	362.5
Provision for income taxes	5,427	6.3	1,789	1.9	3,638	203.4
Net income (loss)	\$ 2,080	2.4%	\$ (166)	(0.2)%	\$ 2,246	1,353.0%

The following table summarizes our unaudited consolidated operating results in U.S. dollars and as a percentage of net sales for the nine months ended September 30, 2009 and 2008 (dollar amounts in thousands).

	2009		2008		Change from 2008 to 2009	
	Total dollars	Percent of net sales	Total dollars	Percent of net sales	Dollar	Percentage
Net sales revenue	\$ 253,102	100.0%	\$ 285,023	100.0%	\$ (31,921)	(11.2)%
Cost of goods sold	50,633	20.0	53,159	18.6	(2,526)	(4.8)
Volume incentives	93,281	36.9	107,634	37.8	(14,353)	(13.3)
SG&A expenses	103,769	41.0	117,882	41.4	(14,113)	(12.0)
Total operating expenses	247,683	97.9	278,675	97.8	(30,992)	(11.1)
Operating income	5,419	2.1	6,348	2.2	(929)	(14.6)
Other income (expense), net	3,048	1.2	(495)	(0.2)	3,543	715.8
Income before provision for income taxes	8,467	3.3	5,853	2.0	2,614	44.7
Provision for income taxes	6,315	2.5	7,163	2.5	(848)	(11.8)
Net income (loss)	\$ 2,152	0.8%	\$ (1,310)	(0.5)%	\$ 3,462	264.3%

Net Sales Revenue

Net sales revenue for the three and nine months ended September 30, 2009 was \$85.8 million and \$253.1 million compared to \$92.7 million and \$285.0 million for the same periods in 2008, decreases of approximately 7.4 percent and 11.2 percent, respectively. The decrease in net sales revenue for the three and nine months ended September 30, 2009 is primarily due to the negative impact of currency exchange rates in our foreign markets as a result of the strengthening of the U.S. dollar against most foreign currencies in which our subsidiaries operate and its impact on consumer demand in these markets, as well as weakening demand in certain foreign markets and our domestic markets as a result of current economic conditions.

Net sales revenue of NSP United States for the three and nine months ended September 30, 2009, was \$37.6 million and \$113.6 million, respectively, compared to \$37.3 million and \$115.4 million for the same periods in the prior year, an increase of 0.8 percent and a decrease of 1.6 percent, respectively. The decrease in sales of NSP United States is primarily related to a decrease in consumer demand as a result of current economic conditions in the United States during the first part of the nine months ended September 30, 2009 from the same period in the prior year.

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NSP International reported net sales revenue for the three and nine months ended September 30, 2009 of \$33.2 million and \$98.4 million, respectively, compared to \$41.4 million and \$126.7 million for the same periods in 2008, decreases of approximately 19.8 percent and 22.3 percent. The decrease in sales is primarily due to foreign currency fluctuations as a result of the strengthening of the U.S. dollar against the currencies in substantially all markets in which NSP International operates, and the effect of the strengthening U.S. dollar on customer purchasing power for our products in these markets. A significant portion of the decline in NSP International's net sales is the result of significant declines in the values of the Russian ruble and the Ukrainian hryvnia against the U.S. dollar, which have increased the price of our products significantly in these markets. In the Ukraine, net sales decreased \$3.6 million, or 42.5 percent, and \$10.8 million, or 42.7 percent, during the three month and nine month ended September 30, 2009, respectively, compared to the same periods in 2008, primarily as a result of a decrease in the Ukrainian hryvnia of approximately 72.0 percent and 64.4 percent, respectively, against the U.S. dollar compared to the same periods in 2008. In Russia, we experienced a decrease in sales of \$2.3 million, or 26.5 percent, and \$7.5 million, or 25.7 percent, during the three and nine month periods ended September 30, 2009, respectively, compared to the same periods in 2008, primarily as a result of a decrease in the

Russian ruble of approximately 29.4 percent and 35.3 percent, respectively, against the U.S. dollar compared to the same periods in 2008. Foreign currency exchange rate fluctuations excluding Ukraine and Russia negatively impacted revenues for the three and nine month periods ended September 30, 2009 by \$2.1 million and \$6.2 million, respectively, compared to the same periods in 2008. For the three months and nine months ended September 30, 2009, approximately \$1.0 million and \$3.0 million, respectively, of the negative foreign currency rate fluctuations relate to Mexico. Excluding the impact of foreign currency fluctuations, sales for Mexico decreased approximately \$0.2 million, or 4.5 percent, and \$1.3 million, or 9.0 percent, during three and nine month periods ended September 30, 2009, respectively, compared to the same periods in 2008 primarily due to a corresponding decrease in Distributors as a result of current economic conditions. Excluding the impact of foreign currency fluctuations, we experienced decreases in Japan net sales of \$0.9 million or 38.2 percent and \$2.4 million, or 32.4 percent during the three and nine months ended September 30, 2009, respectively, compared to the same periods in 2008, as a result of a corresponding decrease in the number of Distributors as well as current economic conditions in Japan.

Net sales revenue of Synergy Worldwide for the three and nine months ended September 30, 2009 was \$15.0 million and \$41.1 million, respectively, compared to \$14.0 million and \$43.0 million for the same periods in 2008, an increase of 7.1 percent and a decrease of 4.4 percent, respectively. These changes are primarily due to sales growth in the United States, Indonesia, and Europe, which were offset by declines in Japan due to the current economic conditions in that market. Net sales revenue in the three and nine month periods of 2009 were negatively impacted compared to the prior year by \$0.9 million and \$2.1 million as a result of the U.S. dollar strengthening against the currencies of the markets in which Synergy Worldwide operates.

We distribute our products to customers through an independent sales force comprised of Distributors and Managers. A person who joins our independent sales force begins as a "Distributor," and a Distributor interested in earning additional income by committing more time and effort to selling our products may earn "Manager" status. Manager status is contingent upon attaining certain purchase volume levels, recruiting additional Distributors, and demonstrating leadership abilities. Active Distributors totaled approximately 695,000 and 713,200, at September 30, 2009 and 2008, respectively. Active Managers totaled approximately 28,400 and 26,200 at September 30, 2009 and 2008, respectively.

Further information related to the NSP United States, NSP International and Synergy Worldwide is set forth in Note 8 to the Unaudited Condensed Consolidated Financial Statements in Part 1, Item 1 of this report.

Cost of Goods Sold

For the three and nine months ended September 30, 2009, cost of goods sold, as a percent of net sales revenue, increased to 20.2 percent and 20.0 percent of net sales revenue, respectively, compared to 18.5 percent and 18.6 percent for the same periods in the prior year primarily as a result of additional promotions offered in our foreign markets, increases in raw material costs for some of our products, and reduced production volumes.

Volume Incentives

We pay sales commissions ("Volume Incentives") to our Managers and Distributors based upon the amount of sales group product purchases. Volume Incentives are a significant part of our direct sales marketing program. These payments are designed to provide incentives for reaching higher sales levels and for recruiting additional Distributors. As a percent of net sales revenue, Volume Incentives decreased during the three and nine months ended September 30, 2009 as compared to the same period in 2008, primarily as a result of decreased Volume Incentives in our United States and Japanese markets. Volume Incentives decreased due to declines in qualifying sales volumes and the impact on the mix of sales within our various markets, which have differing Volume Incentive rates based upon their respective sales marketing programs.

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Selling, General and Administrative

Selling, general and administrative expenses as a percent of net sales revenue decreased to 36.4 percent and 41.0 percent in the three and nine months ended September 30, 2009, respectively, compared to 42.0 percent and 41.4 percent for the same periods in 2008. In absolute terms, our selling, general and administrative expenses decreased by \$7.7 million for the three months ended September 30, 2009 compared to the same period in 2008, from \$38.9 million to \$31.2 million, and by \$14.1 million for the nine months ended September 30, 2009 compared to the same period in 2008, from \$117.9 million to \$103.8 million. The decreases were primarily due to decreased spending in our Russian, Ukrainian, and Eastern European markets of approximately \$1.7 million and \$5.6 million during the three and nine months ended September 30, 2009, respectively, as a result of the declines in net sales revenue in these markets. The decreases are also a result of foreign currency fluctuations in our other foreign markets of \$1.1 million and \$3.4 million, of which \$0.3 million and \$0.8 million relates to Synergy Worldwide. Within NSP United States selling, general, and administrative costs decreased approximately \$2.4 million for the three months ended September 30, 2009 compared to the same period in 2008 due to decreased professional fees compared to the same period in 2008, which fees were primarily related to our significant efforts to become current in the filing of our financial reports during the same quarter last year, as well as other legal matters. For the nine months ended September 30, 2009, NSP United States selling, general and administrative costs decreased \$2.0 million. Approximately \$0.3 million and \$1.8 million of the decrease in NSP United States selling, general and administrative costs for the three and nine months ended September 30, 2009 are related to decreases in non-income tax contingencies. The decreases for the nine months ended September 30, 2009 are offset by approximately \$0.6 million related to the settlement of the SEC investigation of the Company as described in Note 10 of the Unaudited Condensed Financial Statements in Part 1, Item 1 of this report

Operating Income (Loss)

Operating income increased \$4.1 million during the three months ended September 30, 2009 compared to the same period in 2008, from operating income of \$2.1 million to operating income of \$6.2 million, and decreased \$0.9 million during the nine months ended September 30, 2009 compared to same period in 2008, from operating income of \$6.3 million to operating income of \$5.4 million. Operating income for NSP International increased \$0.7 million and decreased \$4.5 million for the three and nine months ended September 30, 2009 compared to same periods in 2008 as a result of decreased sales due to foreign currency fluctuations and general economic conditions within these markets, which had a more significant impact earlier in the nine month period ended September 30, 2009. Operating losses for Synergy Worldwide remained flat at \$4.4 million for the nine months ended September 30, 2009 compared to the same period in 2008. However, its operating losses decreased \$1.1 million in the third quarter compared to the same period in the prior year to break-even, primarily due to growth in Synergy Worldwide sales in its United States, Indonesian and European markets as noted above. In addition, the operating income of NSP United States increased approximately \$2.2 million and \$3.5 million during the three and nine months ended September 30, 2009 compared with the same periods in 2008 primarily due to decreases in professional fees related to becoming current with our filings in the same quarter of the prior year in comparison to the current year, the reduction of non-income tax related contingencies, as well as declines in volume incentives as a percentage of sales during the three and nine months ended September 30, 2009 compared to the same periods in the prior year.

Other Income (Expense), Net

Other income (expense), net for the three and nine months ended September 30, 2009 increased \$1.7 million and \$3.5 million, respectively, compared to the same periods in 2008 primarily due to foreign exchange gains in certain markets based on changes in exchange rates.

Income Taxes

Interim income taxes are based on an estimated annualized effective tax rate applied to the respective quarterly periods, adjusted for discrete tax items in the period in which they occur. For the three months ended September 30, 2009 and 2008, the Company's provision for income taxes, as a percentage of income before income taxes, was approximately 72.3 percent and 110.2 percent, respectively, compared with a U.S. federal statutory rate of 35.0 percent. For the nine months ended September 30, 2009 and

2008, the Company's provision for income taxes, as a percentage of income before income taxes, was approximately 74.6 percent and 122.4 percent, respectively, compared with a U.S. federal statutory rate of 35.0 percent.

The differences between the effective rate and the U.S. federal statutory rate for the three and nine months ended September 30, 2009 and 2008, are primarily attributed to increases in tax liabilities associated with uncertain tax positions, the U.S. tax impact of foreign operations, and increases in foreign valuation allowances primarily related to foreign subsidiary net losses for which no tax benefit is being recognized. Tax amounts recorded related to the uncertain tax positions, valuation allowances, and other permanent tax items have a significant impact on the effective tax rate. The effective rate declined in the three and nine-month periods ended September 30, 2009 compared to the same periods in the prior year primarily as a result of the permanent tax items having less impact on the higher pre-tax income.

As of September 30, 2009, the Company had accrued \$20,399 (net of \$11,277 of other assets related to competent authority and royalty benefits) related to unrecognized tax positions compared with \$19,675 (net of \$11,277 of other assets related to competent

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authority and royalty benefits) as of December 31, 2008. This net increase is primarily attributed to increases in liabilities recorded related to transfer pricing.

In October 2009, the Internal Revenue Service ("IRS") issued an examination report formally proposing adjustments with respect to the 2003 through 2005 taxable years, which primarily relate to the prices that were charged in intragroup transfers of property and the disallowance of related deductions. The Company expects to commence administrative proceedings with the Office of Appeals of the Internal Revenue Service challenging the proposed adjustments. Management believes that the Company has appropriately reserved for these matters at an amount which it believes will ultimately be due upon resolution of the administrative proceedings. The Company is currently unable to determine the outcome of these discussions and their related impact, if any, on the Company's financial condition, results of operations, or cash flows.

The Company has also been advised by the IRS that it will begin to examine the Company's tax returns for the 2006 and 2007 taxable years. The Company anticipates this audit will commence during the quarter ending December 31, 2009. The Company's U.S. federal income tax returns are open from 2003 to 2008, and the Company has several foreign jurisdictions that have open years between 2003 and 2008.

Although the Company believes its estimates for unrecognized tax benefits 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 difference 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.

LIQUIDITY AND CAPITAL RESOURCES

Our principal use of cash is to pay for operating expenses, including Volume Incentives, capital assets, inventory purchases, and the funding of international expansion. As of September 30, 2009, working capital was \$34.3 million compared to \$30.2 million as of December 31, 2008. At September 30, 2009, we had \$36.3 million in cash and cash equivalents, of which \$33.2 million is held in our foreign markets and may be subject to various withholding taxes and other restrictions related to repatriation, and \$3.4 million of short-term investments, which are available to be used along with our normal cash flows from operations to fund unanticipated shortfalls in future cash flows.

For the nine months ended September 30, 2009, we generated cash of \$1.0 million from operating activities compared to \$3.8 million for the same period in 2008. The decrease in cash provided from operating cash flows is primarily due to decreases in accrued liabilities related to the payment of significant professional fees which were primarily accrued during the prior year, as well as changes in the timing of cash payments related to fluctuations in other operating assets and liabilities.

Capital expenditures for the first nine months of 2009 were \$2.5 million related to the purchase of equipment, computer systems and software, compared to \$6.8 million, for the same period in the prior year, of which \$4.0 million is related to the purchase of a warehouse in Venezuela.

We also had cash proceeds of \$2.1 million from the sale of restricted investments during the nine months ended September 30, 2009 and cash proceeds of \$0.6 million from the sale of investments available-for-sale during each of the nine month periods ended September 30, 2009 and 2008.

We used cash to pay quarterly dividends of \$0.8 million for the nine months ended September 30, 2009 compared to \$2.3 million for the same period in 2008. The Company suspended payment of its quarterly cash dividends, effective the second quarter of 2009, in an effort to conserve cash in the United States. The suspension of cash dividends is expected to preserve approximately \$3.1 million of cash flow on an annual basis.

There were no stock options exercised during the nine months ended September 30, 2009 and 2008.

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

We do not currently maintain a long-term credit facility or any other external sources of long-term funding; however, we are exploring the issue and believe that such funding could be obtained on competitive terms in the event additional sources of funding become necessary.

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CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and form the basis for the following discussion and analysis on critical accounting policies and estimates. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On a regular basis we evaluate our estimates and assumptions. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates and those differences could have a material effect on our financial position and results of operations. 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 our Annual Report on Form 10-K/A for the year ended December 31, 2008. 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, generally when the merchandise has been delivered. 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 United States operation extends 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 Distributors and Managers 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 recorded 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 Distributors or Managers to return the unused portion of products within ninety days of purchase if they are not satisfied with the product. In some of our markets, the requirements to return product are more restrictive.

Investments

The Company's available-for-sale investment portfolio is recorded at fair value and consists of various fixed income securities such as U.S. government and state and municipal bonds, mutual funds, and 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 mutual funds that are valued using quoted prices in active markets.

For available-for-sale debt securities with unrealized losses, we perform an analysis to assess whether we intend to sell or whether we would be more likely than not required to sell the security before the expected recovery of the amortized cost basis. Where we intend 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, we record, net of a tax loss in accumulated other comprehensive income. The credit loss is recorded within earnings as an impairment loss. Management judgment is involved in evaluating whether a decline in an investment's fair value is other-than-temporary.

Regardless of our intent to sell a security, we perform additional analysis on all securities with unrealized losses to evaluate losses associated with the creditworthiness of the security. Credit losses are identified where we do not expect to receive cash flows sufficient to recover the amortized cost basis of a security.

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For equity securities, when assessing whether a decline in fair value below our cost basis is other-than-temporary, we consider 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 our intent and ability to hold the investment for a sufficient time in order to enable recovery of our cost. New information and the passage of time can change these judgments. Where we have determined that we lack 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 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

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 injury to consumers due to tampering by unauthorized third parties or product contamination. 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. These matters have historically been settled to our satisfaction and have not resulted in material payments. We have established a wholly owned captive insurance company to provide us with product liability insurance coverage and have accrued an amount that we believe is sufficient to cover probable and reasonable estimable liabilities related to product liability claims based upon our history. However, there can be no assurance that these estimates will prove to be sufficient nor can there be any assurance that the ultimate outcome of any litigation for product liability will not have a material negative impact on our business prospects, financial position, results of operations, or liquidity.

We self-insure 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.

Incentive Trip Accrual

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

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. As of September 30, 2009 and December 31, 2008, the Company did not consider any of its long-lived assets to be impaired.

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 the 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 impact our results of operations in the period of adjustment.

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 U.S. and numerous foreign jurisdictions. Significant judgments and estimates are required in determining the consolidated income tax expense.

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Deferred income taxes arise from temporary differences between the tax and financial statement recognition of revenue and expense. In evaluating our ability to recover our deferred tax assets, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. In projecting future taxable income, we develop assumptions including the amount of future state, federal and foreign pretax operating income, the reversal of temporary differences, and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment about the forecasts of future taxable income and are consistent with the plans and estimates we are 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 our tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations in a multitude of jurisdictions across our global operations. Income tax positions must meet a more-likely-than-not recognition threshold to be recognized.

RECENT ACCOUNTING PRONOUNCEMENTS

Please refer to Note 1 to the Unaudited Condensed Consolidated Financial Statements in Part 1, Item 1 of this report for information regarding recently issued accounting pronouncements.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

The Management's Discussion and Analysis of Financial Condition and Results of Operations and other sections of this report may contain "forward-looking statements." Such forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and Section 21E of the Securities and Exchange Act. All statements other than statements of historical fact are forward-looking statements. 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. Forward-looking statements are not guarantees of future performance and are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified. Future events and actual results could differ materially from those set forth in, contemplated by, or underlying the forward-looking statements.

Important factors that could cause our actual results, performance and achievements, or industry results to differ materially from estimates or projections contained in our forward-looking statements includes, among others, the following:

- our relationship with and our ability to influence the actions of our independent Distributors and Managers;
- our ability to attract and retain a sufficient number of independent Distributors and Managers;
- changes in laws and regulations regarding network marketing that may prohibit or restrict our ability to sell our products in new or existing markets;
- determinations regarding tax liabilities and required tax obligations in U.S. and foreign jurisdictions;
- our products and manufacturing activities are subject to extensive government regulations and restrictions;
- general economic conditions;
- an economic slowdown in the markets in which we do business could reduce consumer demand for our products;
- currency and exchange rate fluctuations could lower our revenue and net income;
- the availability and integrity of raw materials could be compromised;

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- geopolitical issues and conflicts could adversely affect our business;
- our business is subject to the effects of adverse publicity and negative public perception;
- changes in taxation and transfer pricing affect our operations;
- our business is subject to intellectual property risks;
- product and liability claims;
- changing consumer preferences and demands;
- inventory obsolescence due to finite shelf lives and changing product demand;
- product concentration;

- system failures;
- changes in key management; and
- the competitive nature of our business.

Additional factors that could cause actual results to differ materially from our forward-looking statements are set forth in this report and our Annual Report on Form 10-K/A for the fiscal year ended December 31, 2008 under the heading "Risk Factors."

Forward-looking statements in this report speak only as of the date hereof, and forward-looking statements in documents attached that are incorporated by reference speak only as of the date of those documents. We do not undertake any obligation to update or release any revisions to any forward-looking statement or to report any events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, except as required by law.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We conduct our business in several countries and intend to continue to expand 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 United States laws and regulations relating to international trade and investment.

Foreign Currency Risk

During the nine months ended September 30, 2009, approximately 54.5 percent of our net sales revenue and approximately 54.1 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 considered its functional currency, while certain regions, including Russia and the Ukraine, are served by a U.S. subsidiary through third party entities, for which all business is conducted in U.S. dollars. We conduct business in twenty-three different 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 impacted 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. Our exposure to local currency/functional currency exchange rate risk is not significant. 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 1, Item 2 of this report.

The following table sets forth a composite sensitivity analysis of our net sales revenue, costs and expenses, and operating

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income in connection with strengthening of the U.S. dollar (our reporting currency) by 10 percent, 15 percent and 25 percent against every other fluctuating functional currency in which we conduct business. We note that our individual net sales revenue, cost and expenses, and operating income components are sensitive to increases in the strength of the U.S. dollar on almost a three-to-one percentage point basis, assuming a strengthening of the U.S. dollar by 10 percent, 15 percent and 25 percent against every other fluctuating currency in which we conduct business.

Exchange Rate Sensitivity of Operating Income for the three months ended September 30, 2009 (dollar amounts in thousands)

	For the three months ended September 30, 2009	With Strengthening of U.S. Dollar by:					
		10%		15%		25%	
		Decrease (\$)	Decrease (%)	Decrease (\$)	Decrease (%)	Decrease (\$)	Decrease (%)
Net sales revenue	\$ 85,777	\$ (2,947)	(3.4)%	\$ (4,230)	(4.9)%	\$ (6,485)	(7.6)%
Cost and Expenses							
Cost of goods sold	17,299	(491)	(2.8)	(704)	(4.1)	(1,080)	(6.2)
Volume incentives	31,068	(1,146)	(3.7)	(1,643)	(5.3)	(2,520)	(8.1)
Selling, general and administrative	31,203	(1,082)	(3.5)	(1,553)	(5.0)	(2,381)	(7.6)
Operating income	\$ 6,207	\$ (228)	(3.7)%	\$ (330)	(5.3)%	(504)	(8.1)%

Exchange Rate Sensitivity of Operating Income for the nine months ended September 30, 2009 (dollar amounts in thousands)

	For the nine months ended September 30, 2009	With Strengthening of U.S. Dollar by:					
		10%		15%		25%	
		Decrease (\$)	Decrease (%)	Decrease (\$)	Decrease (%)	Decrease (\$)	Decrease (%)
Net sales revenue	\$ 253,102	\$ (8,271)	(3.3)%	\$ (11,868)	(4.7)%	\$ (18,197)	(7.2)%
Cost and Expenses							
Cost of goods sold	50,633	(1,453)	(2.9)	(2,084)	(4.1)	(3,196)	(6.3)
Volume incentives	93,281	(3,263)	(3.5)	(4,681)	(5.0)	(7,178)	(7.7)
Selling, general and administrative	103,769	(3,407)	(3.3)	(4,889)	(4.7)	(7,496)	(7.2)
Operating income	\$ 5,419	\$ (148)	(2.7)%	\$ (214)	(3.9)%	(327)	(6.0)%

The following table sets forth a composite sensitivity analysis of our assets and liabilities by 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 more 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.

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Exchange Rate Sensitivity of Balance Sheet (dollar amounts in thousands)

	As of September 30, 2009	With Strengthening of U.S. Dollar by:					
		10%		15%		25%	
		Gain (Loss) (\$)	Gain (Loss) (%)	Gain (Loss) (\$)	Gain (Loss) (%)	Gain (Loss) (\$)	Gain (Loss) (%)
Current Assets subject to Exchange Rate Risk							
Cash and cash equivalents	\$ 36,263	\$ (2,833)	(7.8)%	\$ (4,064)	(11.2)%	\$ (6,232)	(17.2)%
Accounts receivable, net	11,921	(420)	(3.5)%	(603)	(5.1)%	(924)	(7.8)%
Current Liabilities subject to Exchange Rate Risk							
Accounts payable	7,498	162	2.2%	233	3.1%	357	4.8%
	Total Loss from Strengthening of U.S. Dollar	(3,091)		(4,434)		(6,799)	

The following table sets forth the local currencies other than the U.S. dollar in which our assets and liabilities that are subject to exchange rate risk were denominated as of September 30, 2009 and exceeded \$1 million upon 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 (dollar amounts in thousands)

	Translated into U.S. Dollars	At Spot Exchange Rate per One U.S. Dollar as of September 30, 2009
Cash and Cash Equivalents		
Canada (Dollar)	\$ 2,351	1.1
Colombia (Peso)	1,411	1,938.5
Indonesia (Rupiah)	1,253	9,746.6
Japan (Yen)	8,494	90.0
Korea (Won)	2,404	1,190.6
Mexico (Peso)	1,957	13.6
Venezuela (Bolivar)	4,346	2.1
Other	6,465	Varies
Total	\$ 28,681	
Accounts Receivable		
Japan (Yen)	\$ 1,482	90.0
Other	3,140	Varies
Total	\$ 4,622	

The Company currently has no cash held in either the Russian ruble or the Ukrainian hryvnia.

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 years presented in our Annual Report on Form 10-K/A for the year ended December 31, 2008. We use the annual weighted average exchange rate for translating items from the statement of operations from local currencies into our reporting currency.

Nine months ended September 30,	2009	2008
Canada (Dollar)	1.2	1.0
Japan (Yen)	94.8	105.8
Mexico (Peso)	13.6	10.5
Venezuela (Bolivar)	2.1	2.1

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 if they are considered material to the consolidated financial statements. The remeasurement of local currencies into U.S. dollars creates translation adjustments, which are included in the

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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. There were no countries considered to have a highly inflationary economy during 2008 or the nine months ended September 30, 2009.

As of September 30, 2009, the Company had approximately \$4.3 million in cash denominated in Venezuelan bolivar fuertes. Our access to these funds for use within Venezuela is not restricted. Currency restrictions enacted by the government of Venezuela require approval from the government's currency control organization for our subsidiary in Venezuela to obtain U.S. dollars at the official exchange rate to pay for imported products or to repatriate dividends back to the Company. The market rate, which is substantially lower than the official rate, may be used to obtain U.S. dollars or other currencies without approval of the government's currency control organization. Our Venezuelan subsidiary continues to apply for and expects to receive approval from the government of Venezuela to convert its bolivar fuertes into U.S. dollars at the official exchange rate to pay for imported products and other remittances. As a result, we continue to use the official exchange rate of 2.15 bolivar fuertes to the U.S. dollar to translate the financial statements of our Venezuelan subsidiary into U.S. dollars. However, the application and approval process has been delayed in recent periods, and the timing and ability to obtain U.S. dollars in the future at the official exchange rate remains uncertain. Unless the official exchange rate is made more readily available, however,

our subsidiary's operations could be adversely affected as it may need to obtain U.S. dollars at less favorable exchange rates from non-government sources.

Inflation in Venezuela has continued to increase over the past few years, and it is possible that Venezuela will be designated a highly inflationary economy no later than the beginning of our 2010 fiscal year. Additionally, the Venezuelan government may change the official rate. If this were to occur, gains and losses resulting from the translation of our Venezuelan subsidiary would be recorded in earnings. If Venezuela is designated as a highly inflationary economy and there is a devaluation of the official exchange rate, then our earnings could be negatively impacted. In addition, revenue and operating income would be impacted on an ongoing basis as a result of the devaluation. For the nine months ended September 30, 2009, our operations in Venezuela generated approximately 3.7% of our net sales revenue.

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, substantially all of which either mature within the next 12 months or have characteristics of marketable securities. On September 30, 2009, we had investments of \$3.4 million, of which \$2.4 million were municipal obligations, which carry an average fixed interest rate of 5.1 percent and mature over a 5-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.

Item 4. CONTROLS AND PROCEDURES

Overview

Management identified certain material weaknesses which are described in our Annual Report on Form 10-K/A for the year ended December 31, 2008. During 2009 and through the date of this filing, management has been focused on remediating these material weaknesses. This overview discusses management's evaluation of our disclosure controls and procedures as of September 30, 2009. In addition, this item provides a summary of the status of each of the previously identified material weaknesses, followed by a discussion of management's evaluation of disclosure controls and procedures, and management's efforts to remediate the material weaknesses, as set forth in the table below.

During the quarter ended September 30, 2009, the Company completed the remediation related to the financial reporting process material weakness. As shown below, the other two material weaknesses reported as of December 31, 2008 remain material weaknesses as of September 30, 2009, for which remediation efforts are in process.

Material Weakness Reported as of December 31, 2008	Status as of September 30, 2009
1. Accounting for Taxes	Remediation in process
2. Financial Reporting Process	Remediated
3. Information Technology:	
Access Control	Remediation in process
Change Management	Remediation in process
Spreadsheets	Remediation in process

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Evaluation of Disclosure Controls and Procedures

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 this report, the Company's management, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2009. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were not effective as of September 30, 2009, as a result of the existence of material weaknesses in our internal control over financial reporting.

Since December 31, 2008, we have made significant progress in improving our disclosure controls and procedures. We have taken, and are taking, the actions described below under "Remediation Actions Relating to Remaining Material Weaknesses" to remediate the remaining material weaknesses in our internal control over financial reporting.

We continue to strive to improve our processes to enable us to provide complete and accurate public disclosure. Management believes that we will not be able to conclude that our disclosure controls and procedures are effective until the material weaknesses have been fully remediated.

To address the material weaknesses reported in our 2008 Form 10-K/A, management performed additional analyses and other post-closing procedures designed to ensure that our unaudited condensed consolidated interim financial statements were prepared in accordance with GAAP. These procedures included documentation and testing of processes, data validation procedures from the systems into the general ledger, testing of systems, validation of results, disclosure review, and other analytics. As a result, management believes that the consolidated interim financial statements included in this report fairly present, in all material respects, our financial position, results of operations and cash flows as of the dates, and for the periods presented.

Changes in Internal Control over Financial Reporting

Overview

Management, with the participation of our Chief Executive Officer and Chief Financial Officer, has assessed whether any changes in our internal control over financial reporting that occurred during the period from January 1, 2009 through September 30, 2009 have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Based on management's assessment, significant changes were implemented and tested during the period from January 1, 2009 through September 30, 2009 to continue the remediation of our material weaknesses in internal control over financial reporting.

Management believes the measures that we have implemented during 2009 to remediate the material weaknesses in internal control over financial reporting have had a favorable impact on our internal control over financial reporting since December 31, 2008. Changes in our internal control over financial reporting from January 1, 2009 through September 30, 2009 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting are described below.

Remediation Actions Relating to Remaining Material Weaknesses

The discussion below describes the actions that management took during 2008 and is currently in the process of taking in 2009 to remediate our remaining material

weaknesses in internal control over financial reporting.

Accounting for Taxes

Description of Material Weakness as of December 31, 2008

The Company's processes, procedures and controls related to the preparation and review of the annual tax provision and the accrual of other non-income tax contingencies were not effective to ensure that amounts related to the tax provision, related current or deferred income tax asset and liability accounts, and non-income tax contingencies were accurate, recorded in the proper period, and determined in accordance with GAAP. Specifically, we did not (i) analyze and reconcile certain deferred income and tax payable accounts, (ii) appropriately consider the need to record or disclose contingencies for certain income tax positions in accordance with GAAP, and (iii) file tax returns in certain foreign jurisdictions. Additionally, we had insufficient personnel with appropriate qualifications and training in accounting for taxes.

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Description of 2009 Remediation Actions

In late 2008, we hired an Executive Director of Corporate Tax and during 2009 have utilized outsourced service providers for tax consulting services to assist in our accounting for income taxes and the recording of non-income tax contingencies. In October 2009, the Company engaged tax consultants with specific expertise related to the remediation of accounting for taxes to assist the Company in completing the remediation of its material weakness in this area. We continue to evaluate our tax process and tax resource requirements. We continue to work towards the completion of delinquent foreign statutory filings identified during the prior years as result of management's analysis, as well as refining our process to help ensure timely completion of future filings. In addition, in 2008 our management performed an analysis with the assistance of outside consultants to assess, estimate, and record the exposure related to our uncertain tax positions and non-income tax contingencies in accordance with GAAP. During 2009, we are continuing to monitor and assess the uncertain tax positions and non-income tax contingencies and are evaluating and implementing plans to reduce these contingencies. We continue to evaluate the adequacy of our tax resources. This material weakness still exists, and the Company is in the process of remediating this material weakness.

Financial Reporting Process

Description of Material Weakness as of December 31, 2008

The Company did not maintain an effective financial reporting process to prepare financial statements in accordance with GAAP. Specifically, our process lacked timely and complete financial statement reviews, appropriate account closing procedures, and appropriate reconciliation processes. Further, we were unable to complete regulatory filings as required by the rules of the SEC.

Description of 2009 Remediation Actions

During 2008, we redesigned and implemented improved procedures and controls related to our monthly and quarterly close processes including account reconciliations, enhancement of the formal monthly close and reporting checklists, variance analysis of financial statement fluctuations, and budget to actual reviews. As a result of the remediation efforts, the Company has completed its regulatory filings during 2009 as required by the rules of the SEC. Our remediation efforts during the second and third quarters of 2009 included the enhancement and testing of the processes and controls instituted in the prior year. We believe that these remediation efforts have improved our financial reporting process and that the material weakness has been effectively remediated at September 30, 2009.

Information Technology Systems

Description of Material Weakness as of December 31, 2008

The Company did not maintain effective internal control over financial reporting related to certain information technology applications and general computer controls which are considered to have an impact on financial reporting and which resulted in a more than reasonable possibility that material misstatements in our financial statements would not be prevented or detected. Specifically, we lacked effective controls in the following areas:

- *Access Control* — The Company did not maintain effectively designed controls to prevent unauthorized access to certain programs and data, and provide for periodic review and monitoring of access including reviews of security logs and analysis of segregation of duties conflicts.
- *Change Management* — The Company did not maintain effectively designed controls to ensure that all information technology program and data changes were authorized, developer access to the production environment was limited, and that all program and data changes were adequately tested for accuracy and appropriate implementation.
- *Spreadsheets* — The Company did not maintain effectively designed controls to ensure that critical spreadsheets were identified, access to these spreadsheets was restricted to appropriate personnel, changes to data or formulas were authorized and appropriate, or that the spreadsheets were adequately reviewed by someone other than the preparer.

Description of 2009 Remediation Actions

Access Control — During 2008, management performed a broad and detailed analysis of user access to the applications we have determined to have a material impact on our financial reporting for our domestic locations and implemented formal training of managers and others who grant and approve access to these data programs, as well as providing managers and employees with better data program descriptions and other tools to assist in their understanding if the access of their subordinates violates segregation of duties or access controls. In addition, detailed quarterly security reviews have been instituted. During 2009, the Company is continuing to refine the processes and procedures put in place. During the third quarter of 2009, the Company also purchased and implemented a software package to automate the monitoring of user access controls and segregation of duties. The Company's internal audit group is in the process of validating the Company's access controls.

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Change Management — During 2008, management continued implementation of enhanced procedures to control changes to the production environment, the retention of adequate documentation, as well as redesigning job descriptions, assigned roles, and segregation of duties within the change control process of certain of the Company's application systems. During 2009, the Company is continuing to refine the processes and procedures put in place. In addition, the Company is implementing additional measures to ensure that adequate documentation is retained. During the third quarter of 2009, the Company purchased and implemented a software package to assist in the monitoring of change management of the Company's critical application systems. The Company is currently implementing this software package at its subsidiary Synergy Worldwide. Additionally, limiting developer access to production systems has been addressed. The Company's internal audit group is currently in the process of testing the Company's change management controls.

Spreadsheets — During 2008, management designed and implemented procedures to inventory, assess the risk of, and rank our critical financial reporting spreadsheets that have a material impact on our financial reporting, including the implementation of enhanced review procedures. During 2009, management continues to perform detailed testing at locations that have a material impact on our financial reporting around security and change management for spreadsheets. Management has further enhanced the design of our controls over spreadsheets by establishing procedures for benchmarking critical spreadsheets to ensure that formulas are appropriate and protected, and that the logic and design of the spreadsheets is appropriate and consistent. During the third quarter of 2009, management implemented an application package that allows the Company to audit and track changes to its critical spreadsheets. The Company is in the process of completing the audits on its critical spreadsheets. Management is also in the process of implementing an application package that will facilitate a worldwide consolidation and reduce our reliance on spreadsheets. In addition, our information technology management has selected an application to provide for a world-wide standardization of the general ledger system, which has been deployed in several markets. Management has developed a timeline for completing the implementation of this application globally.

Although the material weakness related to Access Control, Change Management, and Spreadsheets still exists in some areas of the Company, we have committed substantial resources to completing remediation of this material weakness.

Conclusion

We believe the measures described above will facilitate remediation of the material weaknesses we have identified and will continue to strengthen our internal control over financial reporting. We are committed to continually improving our internal control processes and will diligently and vigorously review our financial reporting controls and procedures. As we continue to evaluate and work to improve our internal control over financial reporting, we may determine that additional measures are necessary to address control deficiencies. Moreover, we may decide to modify, or in appropriate circumstances not to complete, certain of the remediation measures described above.

PART II OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

Please refer to Note 10 to the Unaudited Condensed Consolidated Financial Statements in Part 1, Item 1 of this report, which is incorporated by reference, as well as our recent SEC filings, including our Annual Report on Form 10-K/A for the 2008 fiscal year and subsequent Quarterly Reports on Forms 10-Q for information regarding the status of certain legal proceedings that have been previously reported.

Included within the Note 10 to the Unaudited Condensed Consolidated Financial Statements in Part 1, Item of this report, is discussion related to the Prescott Matter which make reference to the Voting Agreement. Copies of the full Voting Agreement have been filed as exhibits to the Current Report on Form 8-K filed with the SEC on May 28, 2009, and are available on the Company's website at www.natr.com or from the SEC.

Item 1A. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the risks discussed under the heading "Risk Factors" in our Annual Report on Form 10-K/A for the year ended December 31, 2008, which could materially affect our business or our consolidated financial statements, results of operations, and cash flows. Additional risks not currently known to us, or risks that we currently believe are not material, may also impair our business operations. Other than as set forth below, there have been no material changes to our risk factors since the filing of our Annual Report on Form 10-K/A for the year ended December 31, 2008.

Litigation arising in connection with our internal investigation and the restatement of our financial statements could adversely affect our financial condition, results of operations, or cash flows.

As of December 31, 2008, we had one securities class-action lawsuit pending against us, former members of our Board of Directors and present and former members of management that relate to the internal investigation and the restatement of our financial statements. The lawsuit and other legal matters in which we have become involved following the announcement of the restatement are

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described in Note 10 to the Unaudited Condensed Consolidated Financial Statements in Part I of this report. The class-action suit was the subject of a successful mediation in which the parties, including the Company's insurance carrier, orally agreed to settle the litigation. The parties have since entered into a Stipulation and Agreement of Settlement (the "Stipulation"), which sets forth all the terms and conditions of the settlement, including the form and manner of providing notice to the class and the form of the parties' proposed order and final judgment. As set forth in the Stipulation, the proposed settlement will not become final until a number of conditions are satisfied, including the Stipulation receiving both preliminary and final approval from the Court. The Court has now granted preliminary approval of the Stipulation and set a hearing for February 9, 2010 to determine whether or not to grant final approval of the Stipulation.

If the Stipulation does not receive final approval from the Court, the case will be returned to the litigation track and would most likely be subject to a new scheduling order. As of the date of the mediation, the case was in the early stages of discovery and trial was not scheduled to commence until January 24, 2011. If the case is returned to the litigation track, the Company and the other defendants will continue to vigorously defend themselves against the allegations in the lawsuit. We are not able to predict the outcome if the case is returned to the litigation track; however, if we are unsuccessful in our efforts to defend against the allegations raised in the litigation, our business and financial condition would likely be negatively impacted. Among other consequences of a negative outcome of the litigation, we could become obligated to pay damages in an amount that would adversely affect our financial condition, results of operations, or cash flows.

The Company has also received a demand from a shareholder seeking to require the Company to take action against current and former officers and directors of the Company to recover all damages sustained by the Company as a result of their alleged misconduct, and threatening to commence a derivative action if the Company fails to act. The Company is vigorously defending against these allegations, but there can be no assurances that these defenses will be successful.

In addition to the possibility that we could become subject to damages resulting from the matter described above, the current lawsuit and other legal matters could have a disruptive effect upon the operation of our business and consume the time and attention of our senior management. In addition, we are likely to incur substantial expenses in connection with such matters, including substantial fees for attorneys.

We maintain insurance that may provide coverage for the potential consequences of a negative outcome of the litigation described above. We have given notice to our insurers of the claims. The insurers have responded by requesting additional information and by reserving their rights under the policies, including the rights to deny coverage under various policy exclusions or to rescind the policies in question as a result of our restatement of our financial statements. The Company's directors' and officers' liability insurer has agreed, as part of the Stipulation, to fully fund the proposed \$6 million settlement. If, however, the Court refuses to give final approval to the Stipulation, the case will return to the litigation track. If this were to occur, there can be no assurance that the insurers will not seek to deny coverage or rescind the policies; that some or all of the claims will not be covered by such policies; or that, even if covered, our ultimate liability will exceed the available insurance.

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

None.

Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

On November 6, 2009 we held our 2009 Annual General Meeting of Shareholders. There were 12,943,408 common shares present either in person or by proxy. At this meeting, our shareholders voted upon the matters set forth below:

Proposal 1	For	Withheld
To elect two Class I Directors, each for a term of one year		
Willem Mesdag	12,907,121	36,287
Jeffrey D. Watkins	12,907,737	35,671
To elect two Class II Directors, each for a term of two years		
Michael D. Dean	12,901,886	41,522
Douglas Faggioli	12,847,388	96,020
Candace K. Weir	12,907,529	35,879

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To elect two Class III Directors, each for a term of three years		
Albert R. Dowden	12,902,019	41,389
Pauline Hughes Francis	12,627,848	315,560
Kristine F. Hughes	12,853,877	89,531

Proposal 2	For	Against	Abstain
Amendments to Restated Articles of Incorporation to modify or remove certain provisions and to make other technical changes.	12,908,912	28,140	6,356
Proposal 3	For	Against	Abstain
Amendment to Restated Articles of Incorporation to modify the purpose of the Company.	12,915,501	18,870	9,037
Proposal 4	For	Against	Abstain
Amendments to Restated Articles of Incorporation to authorize the Board of Directors to adopt, amend, alter and repeal the Bylaws.	12,608,955	328,085	6,368
Proposal 5	For	Against	Abstain
Amendment to Restated Articles of Incorporation to modify certain provisions relation to the terms of directors.	12,889,954	47,344	6,110
Proposal 6	For	Against	Abstain
Amendments to Restated Articles of Incorporation to eliminate personal liability, to the extent permitted by law, of the Company's directors and officers and provide indemnification of its directors, officers, employees, fiduciaries and agents.	12,883,703	56,246	3,459
Proposal 7	For	Against	Abstain
Amendment to Restated Articles of Incorporation to increase authorized shares of common stock from 20,000,000 to 50,000,000 and to clarify certain rights and preferences of common stock.	12,578,252	359,096	6,060
Proposal 8	For	Against	Abstain
Amendments to Restated Articles of Incorporation to create a new class of stock designated as preferred stock and to authorize the issuance of up to 10,000,000 shares of preferred stock.	12,502,357	434,033	7,018
Proposal 9	For	Against	Abstain
Amendment to Restated Articles of Incorporation to require a showing of cause for shareholders to remove directors.	12,566,256	372,952	4,200
Proposal 10	For	Against	Abstain
Amendment to Restated Articles of Incorporation to require a shareholders to act by shareholder meeting and not by written consent.	12,579,866	354,378	9,164
Proposal 11	For	Against	Abstain
Amendment to Restated Articles of Incorporation to enhance shareholder voting requirements to adopt, amend or repeal bylaws.	12,584,231	352,584	6,593

Proposal 12	For	Against	Abstain
Amendments to Restated Articles of Incorporation to authorize the Board to Directors to fix the number of directors and to fill vacancies on the Board.	12,580,776	357,813	4,819
Proposal 13	For	Against	Abstain
Amendment to Restated Articles of Incorporation and the Bylaws to enhance shareholder voting requirements to alter, amend or repeal certain provisions of the Articles of Incorporation and the Bylaws.	12,577,179	359,984	6,245
Proposal 14	For	Against	Abstain
Amendment and Restatement of the Bylaws.	12,586,334	350,801	6,273
Proposal 15	For	Against	Abstain
Adoption of the Nature's Sunshine Products, Inc. 2009 Stock Incentive Plan, under which 750,000 shares of common stock will be reserved for issuance.	12,762,217	174,396	6,795
Proposal 16	For	Against	Abstain
Ratification and appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2009.	12,917,946	23,243	2,219

Item 5. OTHER INFORMATION

At the 2009 Annual General Meeting of Shareholders held on November 6, 2009, the shareholders approved an amendment and restatement of the Bylaws of the Company to, among other things, revise the advance notice provisions with respect to shareholder nominations for members of the Board of Directors. The general purpose of the advance notice bylaw is to give the Company and its shareholders adequate time and information to consider the nominees to be presented by shareholders at a shareholder meeting.

The Company's Amended and Restated Bylaws provide that nominations to the Board of Directors must be made by timely notice in writing to the Company's Secretary. To be timely, a shareholder's notice must be received at the Company's principal executive offices no later than the close of business on the sixtieth (60th) day, and no earlier than the close of business on the ninetieth (90th) day, prior to the anniversary date of the immediately preceding annual meeting.

The Amended and Restated Bylaws also provides that, in the event that no annual meeting was held in the previous year or the annual meeting is called for a date that is more than thirty (30) days before or after such anniversary date, then notice of nomination(s) to the Board of Directors must be received by the Company no earlier than the close of business on the ninetieth (90th) day prior to such annual meeting and not later than the close of business on the later of (i) the sixtieth (60th) day prior to such annual meeting and (ii) the tenth (10th) day following the day on which public disclosure of the date of the meeting was made by the Company. In the event of a special meeting of shareholders for the purpose of electing directors, to be timely, a shareholder's notice must be received at our principal executive offices no earlier than one hundred twentieth (120th) day prior to such special meeting and not later than the ninetieth (90th) day prior to such special meeting, or if later, the tenth (10th) day following the day on which public disclosure of the date of such special meeting was first made.

The foregoing description of the amendment and restatement of the Bylaws does not purport to be complete and is qualified in its entirety by reference to the Amended and Restated Bylaws being filed with this report as Exhibit 3(ii) and incorporated by reference herein.

Item 6. EXHIBITS

- a) Index to Exhibits

Item No.	Exhibit
3(i)(1)	Amended and Restated Articles of Incorporation of the Company, filed with the Secretary of State of the State of Utah on November 9, 2009
3(ii)(1)	Amended and Restated Bylaws of the Company
31.1(1)	Certification of Chief Executive Officer under SEC Rule 13a—14(a)/15d—14(a) promulgated under the Securities Exchange Act of 1934
31.2(1)	Certificate of Chief Financial Officer under SEC Rule 13a—14(a)/15d—14(a) promulgated under the Securities Exchange Act of 1934
32.1(1)	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350
32.2(1)	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350

- (1) Filed currently herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NATURE'S SUNSHINE PRODUCTS, INC.

Douglas Faggioli, President and Chief Executive Officer

Date: November 9, 2009

/s/ Stephen M. Bunker

Stephen M. Bunker, Executive Vice President, Chief Financial
Officer and Treasurer

ARTICLES OF AMENDMENT AND RESTATEMENT
TO THE ARTICLES OF INCORPORATION OF
NATURE'S SUNSHINE PRODUCTS, INC.

November 9, 2009

In accordance with Sections 16-10a-1006 and 16-10a-1007 of the Utah Revised Business Corporation Act (the "Utah Act"), Nature's Sunshine Products, Inc., a Utah corporation (the "Corporation"), hereby declares and certifies as follows:

- 1. The name of the Corporation is Nature's Sunshine Products, Inc.
- 2. The text of the Amended and Restated Articles of Incorporation (the "Restated Articles") is attached hereto as Exhibit A and is incorporated herein by this reference. The Restated Articles supersede the original Articles of Incorporation of the Corporation and all prior amendments and restatements thereto.
- 3. The Restated Articles were adopted by the Corporation's shareholders at an annual meeting of shareholders held on November 6, 2009 (the "Shareholder Action"), in accordance with the requirements of the Utah Act.
- 4. The Corporation has 15,510,159 shares of Common Stock outstanding and eligible to vote on the Restated Articles. Pursuant to the Shareholder Action, 12,943,408 votes represented by the Common Stock were cast for the Restated Articles. The number of votes cast for the Restated Articles was sufficient for approval by that voting group.

[Signature page follows]

IN WITNESS WHEREOF, these Articles of Amendment and Restatement have been executed by the Corporation as of the date first written above.

NATURE'S SUNSHINE PRODUCTS, INC.

By: /s/ Jamon A. Jarvis
Name: Jamon A. Jarvis
Title: Executive Vice President,
General Counsel,
Chief Compliance Officer and Secretary

[Signature Page to Articles of Amendment and Restatement]

AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF
NATURE'S SUNSHINE PRODUCTS, INC.

**ARTICLE I
NAME**

The name of the Corporation is Nature's Sunshine Products, Inc. (the "Corporation").

**ARTICLE II
REGISTERED OFFICE**

The address of the Corporation's registered office in the State of Utah is 75 East 1700 South, Provo, Utah 84606. The Corporation's registered agent at that address is the Corporation's General Counsel.

**ARTICLE III
PURPOSES**

The purpose for which the Corporation is organized is to engage in any lawful act or activity for which corporations may be organized under the Utah Revised Business Corporation Act (the "Revised Act").

**ARTICLES IV
CAPITALIZATION**

The Corporation is authorized to issue two classes of shares to be designated, respectively, "Common Shares" and "Preferred Shares." The total number of Common Shares authorized to be issued is fifty million (50,000,000), no par value per share, and the total number of Preferred Shares authorized to be issued is ten million (10,000,000), no par value per share.

The preferences, limitations and relative rights of each class of shares (to the extent established hereby), and the express grant of authority to the Board of Directors to amend these Articles of Incorporation to divide the Preferred Shares into series, to establish and modify the preferences, limitations and relative rights of each Preferred Share, and to otherwise impact the capitalization of the Corporation, subject to certain limitations and procedures and as permitted by Section 602 of the Revised Act, are as follows:

A. *Common Shares.*

- 1. *Voting Rights.* Except as otherwise expressly provided by law or in this Article IV, each outstanding Common Share shall be entitled to one (1) vote on

each matter to be voted on by the shareholders of the Corporation.

2. *Liquidation Rights.* Subject to any prior or superior rights of liquidation as may be conferred upon any Preferred Shares, and after payment or provision for payment of the debts and other liabilities of the Corporation, upon any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, the holders of Common Shares then outstanding shall be entitled to receive all of the assets and funds of the Corporation remaining and available for

distribution. Such assets and funds shall be divided among and paid to the holders of Common Shares, on a pro-rata basis, according to the number of shares of Common Shares held by them.

3. *Dividends.* Dividends may be paid on the outstanding shares of Common Shares as and when declared by the Board of Directors, out of funds legally available therefor; provided, however, that no dividends shall be made with respect to the Common Shares until any preferential dividends required to be paid or set apart for any shares of Preferred Shares have been paid or set apart.

4. *Residual Rights.* All rights accruing to the outstanding shares of the Corporation not expressly provided for to the contrary herein or in any amendment hereto or thereto shall be vested in the Common Shares.

B. Preferred Shares.

The Board of Directors, without shareholder action, may amend the Corporation's Articles of Incorporation, pursuant to the authority granted to the Board of Directors by Subsection 1002(1)(e) and within the limits set forth in Section 16-10a-602 of the Revised Act, to do any of the following:

1. designate and determine, in whole or in part, the preferences, limitations and relative rights of the Preferred Shares before the issuance of any shares of Preferred Shares;
2. create one or more series of Preferred Shares, fix the number of shares of each such series (within the total number of authorized shares of Preferred Shares available for designation as a part of such series), and designate and determine, in whole or in part, the preferences, limitations and relative rights of each series of Preferred Shares all before the issuance of any shares of such series;
3. alter or revoke the preferences, limitations and relative rights granted to or imposed upon the Preferred Shares (before the issuance of any shares of Preferred Shares, or upon any wholly-unissued series of Preferred Shares); or
4. increase or decrease the number of shares constituting any series of Preferred Shares, the number of shares of which was originally fixed by the Board of Directors, either before or after the issuance of shares of the series, provided that the number may not be decreased below the number of shares of such series then outstanding, or increased above the total number of authorized shares of Preferred Shares available for designation as a part of such series.

**ARTICLE V
PRE-EMPTIVE RIGHTS**

No holder of shares of the Corporation of any class now or hereafter authorized, shall have any preferential or pre-emptive right to subscribe for, purchase or receive any shares of the Corporation of any class, now or hereafter authorized, or any options or warrants for such shares, or any rights to subscribe to or purchase such shares or any securities convertible into or exchangeable for such shares, which may at any time be issued, sold or offered for sale by the Corporation. The Board of Directors of the Corporation shall have the right to issue the authorized and treasury shares of this Corporation at such time and upon such terms and conditions and for such consideration as the Board of Directors shall determine.

**ARTICLE VI
DIRECTORS**

The number of directors to constitute the whole Board of Directors shall be such number as shall be fixed from time to time exclusively by a resolution adopted by a majority of the Board of Directors.

Any vacancy in the Board of Directors, whether because of death, resignation, disqualification, an increase in the authorized number of directors, removal, or any other cause, may be filled exclusively by a vote of the majority of the remaining directors, although less than a quorum, or by a sole remaining director.

The Board of Directors shall be divided into three classes as nearly equal in number as may be feasible, hereby designated as Class I, Class II and Class III, with the term of office of one class expiring at each annual meeting. Each director shall be elected to serve a term ending at the third annual meeting of shareholders following the annual meeting of shareholders at which such director was elected, or until his or her earlier death, resignation or removal; provided, however, that (i) the directors in Class I at the time of the effectiveness of these Restated Articles shall serve for a term ending on the Corporation's first annual meeting of shareholders following the effectiveness of these Restated Articles, (ii) the directors in Class II at the time of the effectiveness of these Restated Articles shall serve for a term ending on the Corporation's second annual meeting of shareholders following the effectiveness of these Restated Articles and (iii) the directors in Class III at the time of the effectiveness of these Restated Articles shall serve for a term ending on the Corporation's third annual meeting of shareholders following the effectiveness of these Restated Articles. When a vacancy on the Board of Directors is filled, the director chosen to fill that vacancy shall complete the term of the director he or she succeeds (or shall complete the term of the class of directors in which the new directorship was created). Notwithstanding the foregoing, each director shall hold office until his or her successor shall have been elected and qualified or until such director's earlier death, resignation or removal. No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of such director's term of office. When the number of directors is changed, each director then serving as such shall nevertheless continue as a director of the class of which he or she is a member until the expiration of his or her current term, and any newly created directorships or any decrease in directorships shall be so assigned among the classes by a majority of the directors then in office, though less than a quorum, as to make all classes as nearly equal in number as may be feasible.

The shareholders may remove one or more directors at a meeting called for that purpose if notice has been given that a purpose of the meeting is such removal. Notwithstanding the preceding sentence, directors may only be removed for cause and upon the affirmative vote of at least three-fourths (75%) of the shares then entitled to vote at an election of directors.

**ARTICLE VII
SHAREHOLDER ACTION**

The shareholders of the Corporation are not permitted to take action without a meeting of shareholders held and noticed in accordance with the bylaws of the Corporation. Any action taken by shareholders by written consent without a meeting shall be null and void. Nothing in this Article VII shall affect the validity of any

shareholder action taken prior to the adoption of these Restated Articles.

**ARTICLE VIII
AMENDMENT OF BYLAWS**

In furtherance and not in limitation of the power conferred upon the Board of Directors by law, the Board of Directors shall have power to adopt, amend, alter and repeal from time to time the bylaws of the Corporation by majority vote of all directors except that any provision of the bylaws requiring, for board action, a vote of greater than a majority of the Board of Directors shall not be amended, altered or repealed except by such supermajority vote. The shareholders of the Corporation may only adopt, amend or repeal bylaws with the affirmative vote of the holders of at least a majority

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of the Corporation's shares then outstanding and entitled to vote on the amendment, or such greater percentage as may otherwise be set forth in the bylaws.

**ARTICLE IX
AMENDMENT OF ARTICLES**

The Corporation reserves the right to amend these Restated Articles in any manner provided herein or permitted by the Revised Act, and all rights and powers, if any, conferred herein on shareholders, directors and officers are subject to the reserved power. Notwithstanding the foregoing, without the affirmative vote of the holders of record of a majority of the Corporation's shares then outstanding and entitled to vote on the amendment, the Corporation shall not alter, amend or repeal Article VII, Article VIII or Article IX. Notwithstanding anything to the contrary in these Restated Articles, Article VI shall not be subject to amendment or repeal, either directly or through or by amendment of this Article IX, without the affirmative vote of the holders of record of at least three-fourths (75%) of the Corporation's shares then issued and outstanding and entitled to vote on the amendment.

**ARTICLE X
EXCULPATION; INDEMNIFICATION**

To the fullest extent permitted by the Revised Act or any other applicable law as now in effect or as it may hereafter be amended, a director or officer of the Corporation shall not be personally liable to the Corporation or its shareholders for monetary damages for any action taken or any failure to take any action, as a director or officer. The Corporation is authorized to indemnify and advance expenses to its directors, officers, employees, fiduciaries, or agents to the fullest extent permitted by law. Neither the amendment, modification or repeal of this Article nor the adoption of any provision in these Restated Articles, as amended from time to time, inconsistent with this Article X shall adversely affect any right or protection of a director, officer, employee, fiduciary, or agent of the Corporation with respect to any act or omission that occurred prior to the time of such amendment, modification, repeal or adoption.

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**AMENDED AND RESTATED BYLAWS
OF
NATURE'S SUNSHINE PRODUCTS, INC.**

November 6, 2009

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AMENDED AND RESTATED BYLAWS

OF

NATURE'S SUNSHINE PRODUCTS, INC.

**ARTICLE 1
OFFICES**

1.1 *Business Offices.* The principal office of the corporation shall be located at such place either within or outside the State of Utah, as may be determined by the Board of Directors. The corporation may have such other offices, either within or without the State of Utah as the Board of Directors may designate or as the business of the corporation may require from time to time.

1.2 *Registered Office.* The registered office of the corporation shall be located within the State of Utah and may be, but need not be, identical with the principal office (if located within the State of Utah). The address of the registered office may be changed from time to time by the Board of Directors.

**ARTICLE 2
SHAREHOLDERS**

2.1 *Annual Meeting.* The annual meeting of shareholders shall be held each year on a date and at a time designated by the Board of Directors. At the meeting, directors shall be elected and any other proper business may be transacted.

2.2 *Business at an Annual Meeting of Shareholders.* The business to be transacted at any annual meeting of shareholders shall be limited to business that is properly brought before the meeting. For the purposes of this Section 2.2, "properly brought before the meeting" shall mean the business that is (i) specified in the notice of the meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (ii) otherwise brought before an annual meeting by or at the direction of the Board of Directors, or (iii) a proper matter for shareholder action under the Utah Revised Business Corporation Act (the "*Revised Act*") that has been otherwise properly brought before an annual meeting by a shareholder who (A) is a shareholder of record both on the date of the giving of the notice provided for in this Section 2.2 and at the time of the meeting, (B) is entitled to vote at the meeting and, (C) has complied with the notice procedures set forth in this Section 2.2. Except for proposals properly made in accordance with Rule 14a-8 under the Securities and Exchange Act of 1934, as amended, and the rules and regulations thereunder (as amended and inclusive of such rules and regulations, the "*Exchange Act*") and included in the notice of meeting given by or at the direction of the Board of Directors, the foregoing clause (iii) shall be the exclusive means for a shareholder to propose business to be brought before an annual meeting of shareholders. In order for business to be properly brought before an annual meeting by a shareholder, the shareholder must, in addition to any other applicable requirements, give written notice in proper form of such shareholder's intent to bring a matter before the annual meeting, which notice must be received by the Secretary of the corporation at the corporation's principal executive offices no later than the close of business on the sixtieth (60th) day, nor earlier than the close of business on the ninetieth (90th) day, prior to the anniversary date of the immediately preceding annual meeting; provided, however, that in the event that no annual meeting was held in the previous year or the annual meeting is called for a date that is not within thirty (30) days before or after such anniversary date, notice by the shareholder to be timely must be so received not earlier than the close of business on the ninetieth (90th) day prior to such annual meeting and not later than the close of business on the later of either (i) the sixtieth (60th) day prior to such annual meeting or (ii) the close of business on the 10th day following the day on which public

disclosure of the date of the meeting was made by the corporation, whichever occurs first. In no event shall the public announcement of a postponement or adjournment of an annual meeting to a later date or time commence a new time period for the giving of a shareholder's notice as described above. Except with respect to nominations for the election of directors, which shall be governed by Section 3.2 hereof, to be in proper form, each such notice shall set forth: (a) the name and address of the Proposing Person; (b) the class or series and number of shares of capital shares of the corporation entitled to vote at such meeting which are owned beneficially or of record by the Proposing Person; (c) a description of any derivative, swap or other transaction or series of transactions engaged in, directly or indirectly, by such Proposing Person, the purpose or effect of which is to give such Proposing Person economic risk similar to ownership of shares of any class or series of the corporation, including due to the fact that the value of such derivative, swap or other transactions are determined by reference to the price, value or volatility of any shares of any class or series of the corporation, or which derivative, swap or other transactions provide, directly or indirectly, the opportunity to profit from any increase in the price or value of shares of any class or series of the corporation ("*Synthetic Equity Interests*"), which Synthetic Equity Interests shall be disclosed without regard to whether (x) the derivative, swap or other transactions convey any voting rights in such shares to such Proposing Person, (y) the derivative, swap or other transactions are required to be, or are capable of being, settled through delivery of such shares or (z) such Proposing Person may have entered into other transactions that hedge or mitigate the economic effect of such derivative, swap or other transactions; (d) any proxy (other than a revocable proxy or consent given in response to a solicitation made pursuant to, and in accordance with, Section 14(a) of the Exchange Act by way of a solicitation statement filed on Schedule 14A), agreement, arrangement, understanding or relationship pursuant to which such Proposing Person has or shares a right to vote any shares of any class or series of the corporation, (e) any agreement, arrangement, understanding or relationship, including any repurchase or similar so-called "stock borrowing" agreement or arrangement, engaged in, directly or indirectly, by such Proposing Person, the purpose or effect of which is to mitigate loss to, reduce the economic risk (of ownership or otherwise) of shares of any class or series of the corporation by, manage the risk of share price changes for, or increase or decrease the voting power of, such Proposing Person with respect to the shares of any class or series of the corporation, or which provides, directly or indirectly, the opportunity to profit from any decrease in the price or value of the shares of any class or series of the corporation ("*Short Interests*"), (f) any rights to dividends on the shares of any class or series of the corporation owned beneficially by such Proposing Person that are separated or separable from the underlying shares of the corporation, (g) any performance related fees (other than an asset based fee) that such Proposing Person is entitled to based on any increase or decrease in the price or value of shares of any class or series of the corporation, or any Synthetic Equity Interests or Short Interests, if any; (h) a representation that the Proposing Person is a holder of record of shares of the corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to bring such matter before the meeting; (i) a description of the business desired to be brought before the meeting and the reasons therefore; (j) such other information regarding the Proposing Person and the business proposed by such shareholder as would be required to be included in a proxy statement pursuant to the rules and regulations of the Securities and Exchange Commission; and (k) a representation as to the Proposing Person's material interest in the business being proposed (the disclosures made pursuant to the forgoing clauses (a) through (k) are referred to as "*Disclosable Interests*"); *provided, however,*

that Disclosable Interests shall not include any such disclosures with respect to the ordinary course business activities of any broker, dealer, commercial bank, trust company or other nominee who is a Proposing Person solely as a result of being the shareholder directed to prepare and submit the notice required by these Bylaws on behalf of a beneficial owner. In addition, the Proposing Shareholder shall promptly provide any other information reasonably requested by the corporation. Notwithstanding the foregoing, in order to include information with respect to a shareholder proposal in the proxy statement and form of proxy for a shareholder's meeting, shareholders must provide notice as required by, and otherwise comply with the requirements of, the

Exchange Act. The Chair of the meeting shall refuse to acknowledge any business proposed to be brought before an annual meeting not made in compliance with the foregoing procedures.

A Proposing Person shall further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice pursuant to this Section 2.2 shall be true and correct as of the record date for the meeting and as of the date that is ten (10) business days prior to the meeting or any adjournment or postponement thereof, and such update and supplement shall be delivered to, or mailed and received by, the Secretary at the principal executive offices of the corporation not later than five (5) business days after the record date for the meeting (in the case of the update and supplement required to be made as of the record date), and not later than eight (8) business days prior to the date of the meeting, or any adjournment or postponement thereof, if practicable, or if not practicable, on the first practicable date prior to the meeting, or any adjournment or postponement thereof (in the case of the update and supplement required to be made as of ten (10) business days prior to the meeting or any adjournment or postponement thereof).

For purposes of this Section 2.2, the term "*Proposing Person*" shall mean (i) the shareholder providing the notice of business proposed to be brought before an annual meeting, (ii) the beneficial owner or beneficial owners, if different, on whose behalf the notice of the business proposed to be brought before the annual meeting is made and (iii) any affiliate or associate (each within the meaning of Rule 12b-2 under the Exchange Act) of such shareholder or beneficial owner.

2.3 *Special Meetings.* Except as otherwise required by the Revised Act, special meetings of shareholders may be called only by the Chairman, or Vice Chairman of the Board of Directors, the Chief Executive Officer, the Board of Directors acting pursuant to a resolution adopted by a majority of the Board of Directors or by the Secretary, following his or her receipt of one or more written demands to call a special meeting of the shareholders in accordance with, and subject to, this Section 2.3 from shareholders of record as of the record date fixed in accordance with this Section 2.3 who hold, in the aggregate, at least ten percent (10%) of the voting power of the outstanding shares of the corporation. The notice of a special meeting shall state the purpose or purposes of the special meeting, and the business to be conducted at the special meeting shall be limited to the purpose or purposes stated in the notice. Except in accordance with this Section 2.3, shareholders shall not be permitted to propose business to be brought before a special meeting of the shareholders.

No shareholder may demand that the Secretary of the corporation call a special meeting of the shareholders unless a shareholder of record has first submitted a request in writing that the Board of Directors fix a record date for the purpose of determining the shareholders entitled to demand that the Secretary of the corporation call such special meeting, which request shall be in proper form and delivered to, or mailed and received by, the Secretary of the corporation at the principal executive offices of the corporation.

To be in proper form for purposes of this Section 2.3, a request by a shareholder for the Board of Directors to fix a record date shall set forth (i), as to each Requesting Person (as defined below), the Requesting Person's Disclosable Interests (as defined in Section 2.2, except that for purposes of this Section 2.3 the term "Requesting Person" shall be substituted for the term "Proposing Person" in all places it appears in clauses (a) through (k) of Section 2.2 and the disclosure in clause (k) of Section 2.2 shall be made with respect to the business proposed to be conducted at the special meeting) and (ii), as to the purpose or purposes of the special meeting, (A) a reasonably brief description of the purpose or purposes of the special meeting and the business proposed to be conducted at the special meeting, the reasons for conducting such business at the special meeting and any material interest in such business of each Requesting Person, and (B) a reasonably detailed description of all agreements, arrangements and understandings (x) between or among any of the Requesting Persons or (y) between or among any Requesting Person and any other record or beneficial holder of the shares of any class or series of the

corporation (including their names) in connection with the request for the special meeting or the business proposed to be conducted at the special meeting.

For purposes of this Section 2.3, the term "*Requesting Person*" shall mean (i) the shareholder making the request to fix a record date for the purpose of determining the shareholders entitled to demand that the Secretary call a special meeting, (ii) the beneficial owner or beneficial owners, if different, on whose behalf such request is made and (iii) any affiliate or associate of such shareholder or beneficial owner.

Within ten (10) days after receipt of a request to fix a record date in proper form and otherwise in compliance with this Section 2.3 from any shareholder of record, the Board of Directors may adopt a resolution fixing a record date for the purpose of determining the shareholders entitled to demand that the Secretary of the corporation call a special meeting, which date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors. If no resolution fixing a record date has been adopted by the Board of Directors within the ten (10) day period after the date on which such a request to fix a record date was received, the record date in respect thereof shall be deemed to be the twentieth (20th) day after the date on which such a request is received.

Without qualification, a special meeting of the shareholders shall not be called by the Shareholders unless shareholders of record as of the record date fixed in accordance with this Section 2.3 who hold, in the aggregate, more than ten percent (10%) of the voting power of the outstanding shares of the corporation (the "*Requisite Percentage*") timely provide one or more demands to call such special meeting in writing and in proper form to the Secretary of the corporation at the principal executive offices of the corporation. Only shareholders of record on the record date shall be entitled to demand that the Secretary of the corporation call a special meeting of the shareholders pursuant to this Section 2.3. To be timely, a shareholder's demand to call a special meeting must be delivered to, or mailed and received at, the principal executive offices of the corporation not later than the sixtieth (60th) day following the record date fixed in accordance with Section 2.3. To be in proper form for purposes of this Section 2.3, a demand to call a special meeting shall set forth (i) the business proposed to be conducted at the special meeting, (ii) the text of the proposal or business (including the text of any resolutions proposed for consideration), and (iii) with respect to any shareholder or shareholders submitting a demand to call a special meeting (except for any shareholder that has provided such demand in response to a solicitation made pursuant to, and in accordance with, Section 14(a) of the Exchange Act by way of a solicitation statement filed on Schedule 14A) (a "*Solicited Shareholder*") the information required to be provided pursuant to this Section 2.3 of a Requesting Person.

After receipt of demands in proper form and in accordance with this Section 2.3 from a shareholder or shareholders holding the Requisite Percentage, the Board of Directors shall duly call, and determine the place, date and time of, a special meeting of shareholders for the purpose or purposes and to conduct the business specified in the demands received by the corporation. Notwithstanding anything in these Bylaws to the contrary, the Board of Directors may submit its own proposal or proposals for consideration at such a special meeting. The record date for such a special meeting shall be fixed in accordance with Section 2.6 of these Bylaws. The Board of Directors shall provide written notice of such special meeting to the shareholders in accordance with Section 2.5.

In connection with a special meeting called in accordance with this Section 2.3, the shareholder or shareholders (except for any Solicited Shareholder) who requested that the Board of Directors fix a record date in accordance with this Section 2.3 or who delivered a demand to call a special meeting to the Secretary shall further update and supplement the information previously provided to the corporation in connection with such request or demand, if necessary, so that the information provided or required to be provided in such request or demand pursuant to this Section 2.3 shall be true and correct as of the record date for the special meeting and as of the date that is ten (10) business

shall be delivered to, or mailed and received by, the Secretary at the principal executive offices of the corporation not later than five (5) business days after the record date for the special meeting (in the case of the update and supplement required to be made as of the record date), and not later than eight (8) business days prior to the date of the meeting, or any adjournment or postponement thereof, if practicable, or if not practicable, on the first practicable date prior to the meeting, or any adjournment or postponement thereof (in the case of the update and supplement required to be made as of ten (10) business days prior to the special meeting or any adjournment or postponement thereof).

Notwithstanding anything in these Bylaws to the contrary, the Secretary shall not be required to call a special meeting except in accordance with this Section 2.3. If the Board of Directors shall determine that any request to fix a record date or demand to call and hold a special meeting was not properly made in accordance with this Section 2.3, or shall determine that the shareholder or shareholders requesting that the Board of Directors fix such record date or submitting a demand to call the special meeting has or have not otherwise complied with this Section 2.3, then the Board of Directors shall not be required to fix a record date or to call and hold the special meeting. In addition to the requirements of this Section 2.3, each Requesting Person shall comply with all requirements of applicable law, including all requirements of the Exchange Act, with respect to any request to fix a record date or demand to call a special meeting.

2.4 Place of Meetings. Meetings of shareholders may be held at any place within or outside the State of Utah as designated by the Board of Directors. In the absence of any such designation, meetings shall be held at the principal office of the corporation.

2.5 Notice of Meetings. Written or printed notice stating the place, date, and hour of the meeting, and in case of a special meeting, the purpose or purposes for which the meeting is called, shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting, either personally, by facsimile, email, regular mail, or express courier by or at the direction of the Chairman or Vice Chairman of the Board of Directors or the Chief Executive Officer, calling the meeting, to each shareholder of record entitled to vote at such meeting or to any other shareholder entitled by the Revised Act, or the corporation's Articles of Incorporation to receive notice of the meeting.

2.6 Fixing of Record Date. For the purpose of determining shareholders of any voting group entitled to notice of or to vote at any meeting of shareholders, or shareholders entitled to receive payment of any distribution or dividend, or in order to make a determination of shareholders for any other proper purpose, the Board of Directors may fix in advance a date as the record date. Such record date shall not be more than seventy (70) days prior to the date on which the particular action requiring such determination of the shareholders is to be taken. If no record date is so fixed by the Board of Directors, the record date for the determination of such shareholders shall be determined in accordance with the Revised Act.

2.7 Voting List. The Secretary of the corporation, or such other officer as directed by the Board of Directors, shall prepare a list of the names of all of the shareholders who are entitled to be given notice of the meeting. The list shall be arranged by voting group, and within each voting group by class or series of shares. The list shall be alphabetical within each class or series and must show the address of, and the number of shares held by each shareholder. The shareholder list must be made available for inspection by any shareholder in accordance with the Revised Act.

2.8 Meetings by Telecommunication. Any or all of the shareholders may participate in an annual or special meeting of the shareholders by, or the meeting may be conducted through the use of, any means of communication by which all persons participating in the meeting can hear each other during the meeting.

2.9 Shareholder Quorum and Voting Requirements. If the corporation's Articles of Incorporation or the Revised Act provide for voting by a single voting group on a matter, action on that matter is taken when voted upon by that voting group.

If the Articles of Incorporation or the Revised Act provide for voting by two or more voting groups on a matter, action on that matter is taken only when voted upon by each of those voting groups counted separately. Action may be taken by one voting group on a matter even though no action is taken by another voting group entitled to vote on the matter.

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

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

If a quorum exists, action on a matter, other than the election of directors, by a voting group is approved if the votes cast within the voting group favoring the action exceed the votes cast opposing the action, unless the Articles of Incorporation, these Bylaws, or the Revised Act require a greater number of affirmative votes.

2.10 Conduct of Meetings of Shareholders. The Chairman of the Board of Directors or, if there shall be none or in his or her absence, the Vice Chairman of the Board of Directors, or if there shall be none or in his or her absence, the Chief Executive Officer or if there shall be none or in his or her absence, the President, who is present at the meeting, or in all of their absences an individual designated by the Board of Directors, shall call to order and act as the Chair of any meeting of the shareholders of the corporation. The Secretary of the corporation shall serve as the Secretary of the meeting or, if there shall be none or in his or her absence, the Secretary of the meeting shall be such person as the Chair of the meeting appoints. The Board of Directors may, to the extent not prohibited by law, adopt by resolution such rules, regulations and procedures for the conduct of the meeting of shareholders as it shall deem appropriate. Except to the extent inconsistent with such rules, regulations and procedures as adopted by the Board of Directors, the Chair of the meeting shall have the right and authority to prescribe such rules, regulations and procedures and to take or refrain from taking such actions as, in the judgment of the Chair of the meeting, are appropriate for the conduct of the meeting. To the extent not prohibited by applicable law or these Bylaws, such rules, regulations and procedures, whether adopted by the Board of Directors or prescribed by the Chair of the meeting, may include, without limitation, establishment of (i) an agenda or order of business for the meeting, (ii) the method by which business may be proposed and procedures for determining whether business has been properly (or not properly) introduced before the meeting, (iii) procedures for casting and the form of ballots to be used by shareholders in attendance at the meeting and the procedures to be followed for counting shareholder votes, (iv) rules, regulations and procedures for maintaining order at the meeting and the safety of those present, (v) limitations on attendance at or participation in the meeting to shareholders of record of the corporation, their duly authorized proxies or such other persons as the Chair of the meeting shall determine, (vi) restrictions on entry to the meeting after the time fixed for commencement thereof and (vii) limitations on the time allotted to questions or comments by participants. Unless and to the extent otherwise determined by the Board of Directors or the Chair of the meeting, it shall not be necessary to follow Roberts' Rules of Order or any other rules of parliamentary procedure at the meeting of shareholders. Following completion of the business of the meeting as determined by the Chair of the meeting, the Chair of the meeting shall have the exclusive authority to adjourn the meeting.

No business shall be conducted at an annual or special meeting of shareholders of the corporation except business brought before the meeting in accordance with the procedures set forth in these Bylaws. If the introduction of any business at an annual or special meeting of shareholders does not comply with the procedures specified in these Bylaws, the Chair of the meeting may declare that such business is not properly before the meeting and shall not be considered at the meeting.

2.11 *Adjournment and Notice of Adjourned Meetings.* Any meeting of shareholders, whether annual or special, may be adjourned from time to time exclusively by the Chair of the meeting. When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting which the adjournment is taken unless the adjournment is for more than thirty (30) days or if after the adjournment a new record date is fixed for the adjourned meeting. At the adjourned meeting, the corporation may transact any business which might have been transacted at the original meeting.

2.12 *No Shareholder Action Without a Meeting.* As provided in and subject to the corporation's Articles of Incorporation, the shareholders of the corporation are not permitted to take action without a meeting of shareholders held and noticed in accordance with these Bylaws. Any action taken by shareholders by written consent or without a meeting shall be null and void. Notwithstanding the foregoing, this Section 2.12 shall not affect the validity of shareholder action taken prior to the adoption of these Bylaws.

2.13 *Proxies.* At all meetings of shareholders, a shareholder may vote in person, or vote by a proxy that is executed by the shareholder or that is executed by the shareholder's duly authorized attorney-in-fact, or by a written statement of the appointment transmitted by telegram, teletype, telecopy, or other electronic transmission along with written evidence from which it can be determined that the shareholder transmitted or authorized the transmission of the appointment. Such proxy shall be filed with the Secretary of the corporation or any other person authorized to tabulate votes before or at the time of the meeting. No proxy shall be valid after eleven (11) months from the date of its execution unless otherwise provided in the proxy.

2.14 *Voting Shares.* Each outstanding share, regardless of class, and except as otherwise required by the Revised Act, shall be entitled to one (1) vote, and each fractional share is entitled to a corresponding fractional vote, on each matter submitted to a vote at a meeting of the shareholders, except to the extent that the voting rights of the shares of any class or classes are limited or denied by the Articles of Incorporation of the corporation. Unless the Articles of Incorporation of the corporation provide otherwise, at each election for directors, every shareholder entitled to vote at such election shall have the right to vote, in person or by proxy, all of the votes to which the shareholder's shares are entitled for as many persons as there are directors to be elected and for whose election such shareholder has a right to vote.

2.15 *Waiver.* A shareholder may waive any required notice in accordance with the Revised Act.

ARTICLE 3 BOARD OF DIRECTORS

3.1 *General Powers.* All corporate powers shall be exercised by or under the authority of, and the business and affairs of the corporation shall be managed under the direction of, the Board of Directors, subject to any limitation set forth in the corporation's Articles of Incorporation or in a shareholder's agreement authorized under the Revised Act.

3.2 *Nomination of Directors.* Subject to the corporation's Articles of Incorporation, only persons who are nominated in accordance with the following procedures shall be eligible for election as directors, except as may be otherwise provided in the corporation's Articles of Incorporation with respect to the right, if any, of holders of a class of preferred shares of the corporation to nominate and

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elect a specified number of directors. To be properly brought before an annual meeting of the shareholders, or any special meeting of the shareholders called for the purpose of electing directors, nominations for the election of a director must be (i) made by or at the direction of the Board of Directors and specified in the notice of annual or special meeting (or any supplement thereto) given by or at the direction of the Board of Directors, or (ii) made by a shareholder of the corporation who (A) is a shareholder of record on the date of the giving of the notice provided for in this Section 3.2 and at the time of the time of such meeting, (B) is entitled to vote at the meeting and (C) has complied with this 3.2 as to such nomination. The foregoing clause (ii) shall be the exclusive means for a shareholder to make any nomination of a person or persons for election to the Board of Directors at an annual or special meeting. The Board of Directors, in its discretion, may rely upon the review and/or recommendation of any duly authorized committee thereof in its evaluation of potential director candidates.

In addition to any other applicable requirements, for a nomination to be made by a shareholder, such shareholder must have given timely notice thereof in proper written form to the Secretary of the corporation. To be timely, such shareholder's notice must be received by the Secretary of the corporation at the corporation's principal executive offices, (i) in the case of an annual meeting, in accordance with the time provisions set forth in Section 2.2, and, (ii) in the case of a special meeting of the shareholders called for the purpose of electing directors, not earlier than the one hundred twentieth (120th) day prior to such special meeting and not later than the ninetieth (90th) day prior to such special meeting or, if later, the tenth (10th) day following the day on which public disclosure of the date of such special meeting was first made. To be in proper form for purposes of this Section 3.2, a shareholder's notice to the Secretary shall set forth: (i), as to each Nominating Person (as defined below), any Disclosable Interests (as defined in Section 2.2, except that for purposes of this Section 3.2 the term "Nominating Person" shall be substituted for the term "Proposing Person" and the disclosure in clause (k) of Section 2.2 shall be made with respect to the election of directors at the meeting) and (ii), as to each person whom a Nominating Person proposes to nominate for election as a director, (A) all information with respect to such proposed nominee that would be required to be set forth in a shareholder's notice pursuant to this Section 3.2 if such proposed nominee were a Nominating Person, (B) all information relating to such proposed nominee that is required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors in a contested election pursuant to Section 14(a) under the Exchange Act (including such proposed nominee's written consent to being named in the proxy statement as a nominee and to serving as a director if elected) and (C) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among any Nominating Person, on the one hand, and each proposed nominee, his or her respective affiliates and associates, on the other hand, including, without limitation, all information that would be required to be disclosed pursuant to Item 404 under Regulation S-K if such Nominating Person were the "registrant" for purposes of such rule and the proposed nominee were a director or executive officer of such registrant. The corporation may require any proposed nominee to furnish such other information that could be material to a reasonable shareholder's understanding of the independence or lack of independence of such proposed nominee.

For purposes of this Section 3.2, the term "Nominating Person" shall mean (i) the shareholder providing the notice of the nomination proposed to be made at the meeting, (ii) the beneficial owner or beneficial owners, if different, on whose behalf the notice of the nomination proposed to be made at the meeting is made, and (iii) any affiliate or associate of such shareholder or beneficial owner.

A shareholder providing notice of any nomination proposed to be made at a meeting shall further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice pursuant to this Section 3.2 shall be true and correct as of the record date for the meeting and as of the date that is ten (10) business days prior to the meeting or any adjournment

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or postponement thereof, and such update and supplement shall be delivered to, or mailed and received by, the Secretary at the principal executive offices of the corporation not later than five (5) business days after the record date for the meeting (in the case of the update and supplement required to be made as of the record date), and not later than eight (8) business days prior to the date for the meeting, if practicable (or, if not practicable, on the first practicable date prior to) any adjournment or postponement thereof (in the case of the update and supplement required to be made as of ten (10) business days prior to the meeting or any adjournment or postponement thereof).

3.3 *Number of Directors and Qualification.* The number of directors to constitute the whole Board of Directors shall be such number (not less than three nor more than nine) as shall be fixed from time to time exclusively by resolution adopted by a majority of the entire Board of Directors. Directors need not be shareholders. This Section 3.3 may not be altered, amended or repealed by the shareholders except by the approval of at least three-fourths (75%) of the then issued and outstanding shares of the capital stock of the corporation.

3.4 *Classified Board.* As provided in and subject to the corporation's Articles of Incorporation, the Board of Directors shall be divided into three classes as nearly equal in number as may be feasible, hereby designated as Class I, Class II and Class III, with the term of office of one class expiring at each annual meeting. Each director shall be elected to serve a term ending at the third annual meeting of shareholders following the annual meeting of shareholders at which such director was elected, or until his or her earlier death, resignation or removal. When a vacancy on the Board of Directors is filled, the director chosen to fill that vacancy shall complete the term of the director he or she succeeds (or shall complete the term of the class of directors in which the new directorship was created). Notwithstanding the foregoing, each director shall hold office until his or her successor shall have been elected and qualified or until such director's earlier death, resignation or removal. No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of such director's term of office. When the number of directors is changed, each director then serving as such shall nevertheless continue as a director of the class of which he or she is a member until the expiration of his or her current term, and any newly created directorships or any decrease in directorships shall be so assigned among the classes by a majority of the directors then in office, though less than a quorum, as to make all classes as nearly equal in number as may be feasible.

3.5 *Removal of Directors.* The shareholders may remove one or more directors at a meeting called for that purpose only if notice has been given in accordance with these Bylaws that a purpose of the meeting is such removal. Notwithstanding the preceding sentence, directors may only be removed in accordance with the Articles of Incorporation. If a director is elected by a voting group of shareholders, only the shareholders of that voting group may participate in the vote to remove such director. This Section 3.5 may not be altered, amended or repealed by the shareholders except by the approval of at least three-fourths (75%) of the then issued and outstanding shares of the capital stock of the corporation.

3.6 *Chairman of the Board of Directors.* The Board of Directors may elect a Chairman of the Board of Directors, which person shall at all times be a director. The Chairman of the Board of Directors, if such a person is elected, shall, if present, preside at meetings of the Board of Directors and exercise and perform such other powers and duties as may from time to time be assigned to him or her by the Board of Directors or as may be prescribed by these Bylaws. The period(s) of service by the Chairman of the Board of Directors shall be determined by the Board of Directors. In the absence of the Chairman of the Board of Directors, if elected, the Board of Directors may appoint another member of the Board of Directors to conduct the meeting(s) of the Board of Directors.

3.7 *Vice Chairman of the Board of Directors.* The Board of Directors may elect a Vice Chairman of the Board of Directors, which person shall at all times be a director. The Vice Chairman of the Board of Directors, if such a person is elected, shall, if present, preside at meetings of the Board of

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Directors when the Chairman is absent or otherwise unable to preside and exercise and perform such other powers and duties as may from time to time be assigned to him or her by the Board of Directors or as may be prescribed by these Bylaws. The period(s) of service by the Vice Chairman of the Board of Directors shall be determined by the Board of Directors. In the absence of the Vice Chairman of the Board of Directors, if elected, the Board of Directors may appoint another member of the Board of Directors to conduct the meeting(s) of the Board of Directors under the circumstances provided for in this Section 3.7.

3.8 *Regular Meetings.* The Board of Directors may provide by resolution the time and place, either within or without the State of Utah, for the holding of regular meetings without notice other than such resolution.

3.9 *Special Meetings.* Special meetings of the Board of Directors for any purpose or purposes may be called at any time by or at the request of the Chairman or Vice Chairman of the Board of Directors, the Chief Executive Officer, or a majority of the directors. The person or persons authorized to call special meetings of the Board of Directors may fix any place, either within or without the State of Utah, as the place for holding any special meeting of the Board of Directors.

3.10 *Notice.* Notice of the date, time, and place of any special meeting of the Board of Directors shall be delivered personally or by telephone to each director or sent by mail, express courier, facsimile, or email, charges prepaid, addressed to each director at that director's address as it is shown on the records of the corporation. If the notice is mailed, it shall be deposited in the United States mail at least two (2) days before the time of the holding of the meeting. If the notice is delivered personally, by express courier, or by telephone, facsimile, telegraph, or email, it shall be delivered at least twenty-four (24) hours before the meeting begins. Any oral notice given personally or by telephone may be communicated either to the director or to a person at the office of the director who the person giving notice has reason to believe will promptly communicate it to the director. Any director may waive notice of any meeting by delivering a written waiver to the corporation to file in its corporate records, and attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except where the director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened and does not thereafter vote for or consent to action taken at the meeting. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors needs to be specified in the notice or waiver of notice of such meeting.

3.11 *Quorum.* A majority of the directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, but if less than a majority is present at a meeting, a majority of the directors present may adjourn the meeting from time to time without further notice until a quorum shall be present.

3.12 *Manner of Acting.* The act of a majority of the directors present at a meeting at which a quorum is present shall, unless the act of a greater number of directors is required by the Articles of Incorporation of the corporation or these Bylaws, be the act of the Board of Directors.

3.13 *Vacancies and Newly-Created Directorships.* Subject to the corporation's Articles of Incorporation and the provisions of these Bylaws relating to a classified Board of Directors, any vacancy occurring in the Board of Directors may be filled only by the affirmative vote of a majority of the remaining directors. A director elected to fill a vacancy shall be elected for the unexpired term of his or her predecessor in office. The term "vacancy" includes any directorship authorized under Section 3.3 but not filled by the shareholders at the annual meeting, whether or not such directorship had previously been filled. This Section 3.13 may not be altered, amended or repealed by the shareholders except by the approval of at least three-fourths (75%) of the then issued and outstanding shares of the capital stock of the corporation.

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3.14 *Fees and Compensation.* Directors may receive such compensation, if any, for their services and such reimbursement of expenses as may be fixed or determined by resolution of the Board of Directors. This Section shall not be construed to preclude any director from serving the corporation in any other capacity as an officer, agent, employee, or otherwise and receiving compensation for those services.

3.15 *Presumption of Assent.* A director who is present at a meeting of the Board of Directors when corporate action is taken is considered to have consented to the action taken at the meeting unless the director objects at the beginning of the meeting, or promptly upon arrival, to holding the meeting or transacting business at the meeting

and does not thereafter vote for or consent to any action taken at the meeting, or the director contemporaneously requests his or her dissent or abstention as to any specific action to be entered into the minutes of the meeting, or the director causes written notice of a dissent or abstention as to a specific action to be received by the presiding officer of the meeting before adjournment of the meeting or by the corporation promptly after adjournment of the meeting.

3.16 *Resignations.* A director may resign at any time by giving a written notice of resignation to either the Chairman or Vice Chairman of the Board of Directors, the Chief Executive Officer, or the Secretary. Unless otherwise provided in the resignation, the resignation shall become effective when the notice is received by the Chairman, Vice Chairman, Chief Executive Officer or the Secretary. If the resignation is effective at a future time, the Board of Directors may elect a successor to take office when the resignation becomes effective.

3.17 *Action by Written Consent.* Any action required to be taken at a meeting of the Board of Directors of the corporation or any other action that may be taken at a meeting of the Board of Directors or of a committee, may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by all of the directors, or all of the members of the committee, as the case may be. Such consent shall have the same legal effect as a unanimous vote of all the directors or members of the committee, as the case may be, and may be described as such in any document or instrument. Action taken pursuant to this Section is effective when the last director signs a writing describing the action taken, unless the Board of Directors establishes a different effective date.

3.18 *Meetings by Telephone Conference Call.* Members of the Board of Directors, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors or committee, as the case may be, by means of conference telephone call or similar communications equipment by which all persons participating in the meeting can hear each other throughout the meeting. Participation in such a meeting shall constitute presence in person at such meeting.

ARTICLE 4 COMMITTEES

4.1 *Committees.* The Board of Directors may from time to time by resolution adopted by a majority of the Board of Directors designate from among its members one or more committees, which may include, but is not limited to, a Compensation Committee, an Audit Committee, a Nominations Committee, and such other committees as the Board of Directors shall deem appropriate, each of which shall have such authority of the Board of Directors as may be specified in the resolution of the Board of Directors designating such committee; provided, however, that any such committee so designated shall not have any powers not allowed under the Revised Act. The Chairman of any such committee shall be designated by the Board of Directors. The Board of Directors may also designate a Vice Chairman of any such committee. Each committee must have at least two (2) directors as members. The Board of Directors shall have power at any time to change the members of any such

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committee, designate alternate members of any such committee, and fill all vacancies therein. Any such committee shall serve at the pleasure of the Board of Directors.

4.2 *Procedures, Meetings and Quorum.* Meetings of any committee designated by the Board of Directors may be held at such times and places as the Chairman of such committee shall from time to time determine. A meeting of any committee designated by the Board of Directors may also be called by the Vice Chairman, a majority of the directors assigned to such committee, the Chairman of the Board, or by a majority of the Board of Directors. Notice of such meetings shall be given within the same times and by the same means as set forth in these Bylaws for meetings of the Board of Directors. At every meeting of any such committee, the presence of a majority of all of the members of such committee shall be necessary for the transaction of business, and the action of any such committee must be authorized by the affirmative vote of a majority of the members present at such meeting at which a quorum is present. Any such committee shall keep minutes of its proceedings, and all action by such committee shall be reported to the Board of Directors at its meeting next succeeding such action. Any action by a committee shall be subject to review by the Board of Directors, provided, no rights of third parties shall be affected by such review.

ARTICLE 5 OFFICERS

5.1 *Officers.* Except as provided otherwise by a resolution of the Board of Directors, the officers of the corporation shall include a Chief Executive Officer, a President, a Chief Financial Officer, one or more Vice Presidents and Assistant Vice Presidents, a Secretary and one or more Assistant Secretaries, a Treasurer and one or more Assistant Treasurers and such other officers as determined by resolution of the Board of Directors in its sole and absolute discretion. Except with respect to the offices of Chief Executive Officer and Chief Financial Officer, any two (2) or more offices may be held by the same person at the same time.

5.2 *Appointment, Term of Office and Qualification.* The officers of the corporation shall be appointed by, and serve at the pleasure of, the Board of Directors, subject to any rights of an officer under any contract of employment. Appointment of the Chief Executive Officer, the President, the Chief Financial Officer and Vice Presidents, shall take place annually or at such other intervals as the Board of Directors may determine, subject to any rights of an officer under any contract of employment, and may be made at regular or special meetings of the Board of Directors or by the written consent of the directors. Subject to the foregoing, the Chief Executive Officer shall appoint all Assistant or Divisional Vice Presidents, Assistant Secretaries and Assistant Treasurers from time to time in his or her discretion. Each officer shall hold office until his or her successor shall have been duly appointed and qualified or until such officer's death, resignation, or removal in the manner provided in these Bylaws. No officer provided for in this Article 5 need be a director of the corporation nor shall any such officer be a director unless elected a director in accordance with these Bylaws.

5.3 *Resignations.* Any officer may resign at any time by delivering a written resignation to the Board of Directors, the Chief Executive Officer or the Secretary. Unless otherwise specified therein, such resignation shall take effect upon such delivery of the resignation; and, unless otherwise specified in the resignation, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the corporation under any contract to which the officer is a party.

5.4 *Removal.* Any officer may be removed by the Board of Directors or by a committee, if any, if so authorized by the Board of Directors, whenever in its judgment the best interests of the corporation would be served thereby, but such removal shall be without prejudice and subject to the contract rights, if any, of the person so removed.

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5.5 *Vacancies and Newly-Created Offices.* A vacancy in any office may be filled by the Board of Directors at any regular or special meeting or by the unanimous written consent of the directors.

5.6 *Chief Executive Officer.* The Chief Executive Officer shall, subject to the direction and control of the Board of Directors, have general control and management of the business, affairs and policies of the corporation and over its officers and shall see that all orders and resolutions of the Board of Directors are carried into effect. The Chief Executive Officer shall have the power to sign all certificates, contracts and other instruments on behalf of the corporation.

5.7 *President.* The President shall be subject to the direction and control of the Chief Executive Officer and the Board of Directors and shall, subject to such direction and control, have general active management of the business, affairs and policies of the corporation. The President shall have the power to sign all certificates, contracts and other instruments on behalf of the corporation. If the Board of Directors has not elected a Chief Executive Officer, the President shall be the Chief Executive Officer. If the Board of Directors has elected a Chief Executive Officer and that officer is absent, disqualified from acting, unable to act or refuses to act, then the President shall have the powers of, and shall perform the duties, of the Chief Executive Officer.

5.8 *Vice Presidents.* In the absence or disability of the Chief Executive Officer and the President, the Vice Presidents, in order of their rank as fixed by the Board of Directors or, if not ranked, a Vice President designated by the Board of Directors, shall perform all the duties of the President and, when so acting, shall have all the powers of, and be subject to all the restrictions upon, the President. The Vice Presidents shall have such other powers and perform such other duties as may from time to time be prescribed for them by the Board of Directors, these Bylaws, the Chief Executive Officer, the President, or the Chairman or Vice Chairman of the Board of Directors, if any, and, unless otherwise so prescribed, the powers and duties customarily vested in the office of Vice President of a corporation.

5.9 *Chief Financial Officer.* The Chief Financial Officer shall be subject to the direction and control of the Board of Directors and the Chief Executive Officer, shall have primary responsibility for the financial affairs of the corporation and shall (i) keep accurate financial records for the corporation; (ii) deposit all moneys, drafts and checks in the name of, and to the credit of, the corporation in such banks and depositories as the Board of Directors shall, from time to time, designate or otherwise authorize; (iii) have the power to endorse, for deposit, all notes, checks and drafts received by the corporation; (iv) disburse the funds of the corporation in accordance with the corporation's policies and procedures as adopted by resolution of the Board of Directors, making or causing to be made proper vouchers therefor; (v) render to the Chief Executive Officer and the Board of Directors, whenever requested, an account of all of his or her transactions as Chief Financial Officer and of the financial condition of the corporation, and (vi) and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or these Bylaws or by the Chief Executive Officer.

5.10 *Secretary.* The Secretary shall keep or cause to be kept, at the principal executive office of the corporation or such other place as the Board of Directors may direct, a book of minutes of the proceedings of all meetings of, and a record of all actions taken by, the Board of Directors or any committees of the Board of Directors. The Secretary shall cause all notices of meetings to be duly given in accordance with the provisions of these Bylaws and as required by the Revised Act.

The Secretary shall be the custodian of the corporate records and of the seal, if any, of the corporation. Unless otherwise required by applicable law or by the Board of Directors, the adoption or use of a corporate seal is not required. The Secretary shall see that the books, reports, statements, certificates, and other documents and records required by the Revised Act are properly kept and filed.

The Secretary shall have charge of the share books of the corporation and cause the share and transfer books to be kept in such manner as to show at any time the amount of the shares of the corporation of each class issued and outstanding, the manner in which and the time when such shares

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were paid for, the alphabetically arranged names and addresses of the holders of record thereof, the number of shares held by each holder, and the time when each became a holder of record. The Secretary may discharge this responsibility through a transfer agent or transfer agents approved by the Chief Executive Officer or the Board of Directors. The Secretary shall exhibit at all reasonable times to any director, upon application, the original or duplicate share register. The Secretary shall cause the share ledger to be kept and exhibited at the principal office of the corporation or the office of the corporation's transfer agent in the manner and for the purposes provided by these Bylaws and the Revised Act.

The Secretary shall perform all duties incident to the office of Secretary and such other duties as are given to him or her by applicable law or these Bylaws or as from time to time may be assigned by the Board of Directors.

5.11 *Treasurer.* The Treasurer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings, and shares. The books of account shall at all reasonable times be open to inspection by any director.

The Treasurer shall deposit all monies and other valuables in the name and to the credit of the corporation with such depositories as may be designated by the Board of Directors. The Treasurer shall disburse the funds of the corporation as may be ordered by the Board of Directors, shall render to the President and the Board of Directors, whenever they request it, an account of all transactions taken as Treasurer and of the financial condition of the corporation, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or these Bylaws.

5.12 *Assistant Secretaries and Treasurers.* Any Assistant Secretaries or Assistant Treasurers elected by the Board of Directors shall perform such of the duties of the Secretary or the Treasurer, respectively, as may be assigned to them by the officers they are elected to assist, or as may otherwise be prescribed for them by the Board of Directors.

5.13 *Salaries.* The compensation of the Chairman of the Board of Directors and the Chief Executive Officer shall be fixed from time to time by the Board of Directors or any duly authorized committee thereof. Subject to compliance with applicable law and the requirements of any listing agreement with any exchange upon which the Company's shares trade, the compensation of the other officers shall be fixed from time to time based on the recommendation of the Chief Executive Officer and after review by the Board of Directors or any duly authorized committee thereof.

5.14 *Surety Bonds.* In the event the Board of Directors shall so require, any officer or agent of the corporation shall provide the corporation with a bond, in such sum and with such surety or sureties as the Board of Directors may direct, conditioned upon the faithful performance of his or her duties to the corporation, including responsibility for negligence and for the accounting of all property, monies, or securities of the corporation that may come under his or her responsibility.

ARTICLE 6 CAPITAL SHARES

6.1 *Share Certificates.* The shares of the corporation may, but need not be, represented by certificates. If the shares are represented by certificates, the certificates shall be signed by any two (2) of the following officers: the Chief Executive Officer, the President, any Vice President, the Secretary, or any Assistant Secretary of the corporation. The signatures of the designated officers upon a certificate may be facsimiles. In case any officer who has signed or whose facsimile signature has been placed upon such certificate shall have ceased to be such officer before such certificate is issued,

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it may be issued by the corporation with the same effect as if he or she were such officer at the date of its issue.

If the corporation is authorized to issue different classes of shares or a different series within a class, the designations, preferences, limitations, and relative rights applicable to each class, the variations in preferences, limitations, and relative rights determined for each series, and the authority of the Board of Directors to determine variations for any existing or future class or series, must be summarized on the front or back of each share certificate. Alternatively, each certificate may state conspicuously on its front or back that the corporation will furnish the shareholder this information upon written request, without charge.

Each certificate representing shares shall also state upon the face thereof:

- (a) The name of the issuing corporation and that it is organized under the laws of the State of Utah.

- (b) The name of the person to whom the certificate is issued.
- (c) The number and class of shares, and the designation of the series, if any, which such certificate represents.

There shall be entered upon the share transfer books of the corporation at the time of issuance of each share, the number of the certificate issued, the name and address of the person owning the shares represented thereby, the number and kind, class, or series of such shares, and the date of issuance thereof. Every certificate exchanged or returned to the corporation shall be marked "Canceled" with the date of cancellation. Unless otherwise required by the Revised Act, or by the Board of Directors in accordance with applicable law, the foregoing with respect to shares does not affect shares already represented by certificates.

6.2 Shares Without Certificates. The Board of Directors may authorize the issuance of some or all of the shares of any or all of the classes or series of the corporation's shares without certificates. The authorization does not affect shares already represented by certificates until they are surrendered to the corporation. Within a reasonable time after the issuance or transfer of shares without certificates, the corporation shall send the shareholder a written statement of the information required to be on certificates by Section 6.1 of these Bylaws or the Revised Act.

6.3 Transfer of Shares. Shares shall be transferred on the books of the corporation by the holder thereof in person or by his attorney, (i) with regard to certificated shares, upon surrender for cancellation of certificates for the same number of shares, with an assignment and power of transfer endorsed thereon or attached thereto, duly executed, and with such proof of the authenticity of the signature as the corporation or its agents may reasonably require, and (ii) with regard to uncertificated shares, upon delivery of an instruction duly executed, and with such proof of the authenticity of the signature as the corporation or its agents may reasonably require. Whenever any transfer of shares shall be made for collateral security, and not absolutely, it shall be so expressed in the entry of transfer if, when the certificates are presented to the corporation for transfer or uncertificated shares are requested to be transferred, both the transferor and transferee request the corporation to do so. Except as may be otherwise required by the Revised Act, the Articles of Incorporation or these Bylaws, the corporation shall be entitled to treat the record holder of shares as shown on its books as the owner of such shares for all purposes, including the payment of dividends and the right to vote with respect to such shares, regardless of any transfer, pledge or other disposition of such shares until the shares have been transferred on the books of the corporation in accordance with the requirements of these Bylaws.

6.4 Restrictions on Transfer or Registration of Shares. The Board of Directors may, as they may deem expedient, impose restrictions on the transfer or registration of transfer of shares of the corporation. Such restrictions do not affect shares issued before the restriction was adopted unless the

holders of the shares are parties to the restriction agreement or voted in favor of the restriction or otherwise consented to the restriction.

The restriction on the transfer or registration of transfer of shares is valid and enforceable against the holder or a transferee of the holder, if the restriction is authorized by the Revised Act and its existence is noted conspicuously on the front or back of the certificate, or if the restriction is contained in the information statement that is sent to shareholders whose shares are not represented by certificates pursuant to Section 6.2 of these Bylaws.

6.5 Regulations. Subject to the provisions of these Bylaws and of the Articles of Incorporation, the Board of Directors may make such rules and regulations as it may deem expedient concerning the issuance, transfer, redemption, and registration of certificates for shares of the corporation.

6.6 Transfer Agent(s) and Registrar(s). The Board of Directors may appoint one or more transfer agent(s) and one or more registrar(s) with respect to the certificates representing shares of the corporation, and may require all such certificates to bear the signature of either or both. The Board of Directors may from time to time define the respective duties of such transfer agent(s) and registrar(s).

6.7 Lost or Destroyed Certificates. The corporation may issue (i) a new stock certificate or (ii) uncertificated shares in place of any certificates previously issued by the corporation alleged to have been lost, stolen or destroyed, upon such terms and conditions as the Board of Directors may prescribe, including the presentation of reasonable evidence of such loss, theft or destruction and the giving of such indemnity as the Board of Directors may require for the protection of the corporation or any transfer agent or registrar.

ARTICLE 7 INDEMNIFICATION

7.1 Indemnification. Except as provided in Section 7.2 of these Bylaws, the corporation may, to the maximum extent and in the manner permitted by the Revised Act, indemnify an individual made a party to a proceeding because he or she is or was a director, officer, employee, fiduciary, or agent of the corporation, against liability incurred in the proceeding if his or her conduct was in good faith, he or she reasonably believed that his or her conduct was in, or not opposed to, the corporation's best interests, and in the case of any criminal proceeding, he or she had no reasonable cause to believe his or her conduct was unlawful. Termination of the proceeding by judgment, order, settlement, conviction, upon a plea of *nolo contendere* or its equivalent, is not, of itself, determinative that the director, officer, employee, fiduciary, or agent of the corporation, did not meet the standard of conduct described in this Section 7.1.

7.2 Certain Restrictions on Indemnification. The corporation may not indemnify a director, officer, employee, fiduciary, or agent of the corporation under Section 7.1 of these Bylaws, in connection with a proceeding by or in the right of a corporation in which such party was adjudged liable to the corporation, or in connection with any other proceeding charging that such party derived an improper personal benefit, whether or not involving action in his or her official capacity, in which proceeding he or she was adjudged liable on the basis that he or she derived an improper personal benefit.

7.3 Mandatory Indemnification. The corporation shall indemnify a director or officer of the corporation who was successful, on the merits or otherwise, in the defense of any proceeding, or in the defense of any claim, issue, or matter in the proceeding, to which he or she was a party because he or she is or was a director or officer of the corporation, against reasonable expenses incurred by him or her in connection with the proceeding or claim with respect to which he or she has been successful.

7.4 Determination. The corporation may not indemnify a director, officer, employee, fiduciary, or agent of the corporation under Section 7.1 of these Bylaws unless authorized and a determination has been made in a specific case that indemnification of such party is permissible in the circumstances because such party has met the applicable standard of conduct set forth in Section 7.1 of these Bylaws. Such determination shall be made either (a) by the Board of Directors by majority vote of those present at a meeting at which a quorum is present, and only those directors not parties to the proceedings shall be counted in satisfying the quorum requirement, (b) if a quorum cannot be obtained, by majority vote of a committee of the Board of Directors designated by the Board of Directors, which committee shall consist of two (2) or more directors not parties to the proceeding, except that the directors who are not parties to the proceeding may participate in the designation of directors for the committee, (c) by special legal counsel selected by the Board of Directors or a committee of the Board of Directors in the manner prescribed by the Revised Act, or (d) by the shareholders, by a majority of the votes entitled to be cast by holders of qualified shares present in person or by proxy at a meeting. The majority of the votes entitled to be cast by the holders of all qualified shares constitutes a quorum for purposes of action that complies with this Section 7.4. Shareholders' action that otherwise complies with this Section 7.4 is not affected by the presence of holders, or the voting, of shares that are not qualified shares as determined under the Revised Act.

7.5 *General Indemnification.* The indemnification and advancement of expenses provided by this Article 7 shall not be construed to be exclusive of any other rights to which a person seeking indemnification or advancement of expenses may be entitled under the Articles of Incorporation, these Bylaws, any agreement, any vote of shareholders or disinterested directors, or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office.

7.6 *Advances.* The corporation in accordance with the Revised Act may pay for or reimburse the reasonable expenses incurred by any director, officer, employee, fiduciary, or agent of the corporation who is a party to a proceeding in advance of final disposition of the proceeding if (a) such party furnishes the corporation a written affirmation of his or her good faith belief that he or she has met the applicable standard of conduct described in Section 7.1 of these Bylaws, (b) such party furnishes to the corporation a written undertaking in the form required by the Revised Act, executed personally or on his or her behalf, to repay the advance if it is ultimately determined that he or she did not meet the applicable standard of conduct, and (c) a determination is made that the facts then known to those making a determination would not preclude indemnification under this Article 7.

7.7 *Scope of Indemnification.* Except as otherwise provided in these Bylaws, the indemnification and advancement of expenses authorized by this Article 7 are intended to permit the corporation to indemnify to the fullest extent permitted by the laws of the State of Utah, any and all persons whom it shall have power to indemnify under such laws from and against any and all of the expenses, liabilities, or other matters referred to in or covered by such laws. Any indemnification or advancement of expenses hereunder shall, unless otherwise provided when the indemnification or advancement of expenses is authorized or ratified, continue as to a person who has ceased to be a director, officer, employee, fiduciary, or agent of the corporation and shall inure to the benefit of such person's heirs, executors, and administrators.

7.8 *Insurance.* The corporation may purchase and maintain liability insurance on behalf of a person who is or was a director, officer, employee, fiduciary, or agent of the corporation, or who, while serving as a director, officer, employee, fiduciary, or agent of the corporation, is or was serving at the request of the corporation as a director, officer, partner, trustee, employee, fiduciary, or agent of another foreign or domestic corporation, or other person, or of an employee benefit plan, against liability asserted against or incurred by him or her in any such capacity or arising out of his or her status in any such capacity, whether or not the corporation would have the power to indemnify him or her against the liability under the provisions of this Article 7 or the laws of the State of Utah, as the same may hereafter be amended or modified.

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7.9 *Effect of Repeal or Modification of Article 7.* Any repeal or modification to this Article 7 by the shareholders of the corporation shall not adversely affect any right or protection of any person existing at the time of such repeal, modification or amendment.

ARTICLE 8
FISCAL YEAR

The fiscal year of the corporation shall be fixed by resolution of the Board of Directors.

ARTICLE 9
AMENDMENTS

These Bylaws may be altered, amended or repealed, or new bylaws adopted, as set forth in the Articles of Incorporation.

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CERTIFICATIONS

I, Douglas Faggioli, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Nature's Sunshine Products, Inc. ("the registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2009

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

CERTIFICATIONS

I, Stephen M. Bunker, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Nature's Sunshine Products, Inc. (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2009

/s/ Stephen M. Bunker

Stephen M. Bunker
Executive Vice President, Chief Financial Officer and Treasurer

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

In connection with the Quarterly Report of Nature's Sunshine Products, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Douglas Faggioli, President and Chief Executive Officer of the Company, certify, pursuant to 18.U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, based on my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 9, 2009

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

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

In connection with the Quarterly Report of Nature's Sunshine Products, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2009 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 the Company, certify, pursuant to 18.U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, based on my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 9, 2009

/s/ Stephen M. Bunker

Stephen M. Bunker

Executive Vice President, Chief Financial Officer and Treasurer
