NATURES SUNSHINE PRODUCTS INC
Form PRE 14A
September 28, 2009

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

ý Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

o Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to §240.14a-12

NATURE'S SUNSHINE PRODUCTS, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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ý No fee required.

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

NATURE'S SUNSHINE PRODUCTS, INC.

75 East 1700 South
Provo, UT 84606

October 9, 2009

Dear Fellow Shareholder:

You are cordially invited to attend the 2009 Annual Meeting of Shareholders of Nature's Sunshine Products, Inc., which will be held at our principal executive offices located at 75 East 1700 South, Provo, Utah 84606, on Friday, November 6, 2009 at 10:00 a.m. Mountain Standard Time.

The matters to be acted upon at the Annual Meeting are described in the accompanying Notice of Annual Meeting of Shareholders and Proxy Statement. A copy of our Annual Report is also enclosed.

Whether or not you plan to attend the Annual Meeting, it is important that your shares be represented and voted at the meeting regardless of the number of shares you may hold. Therefore, I urge you to vote as promptly as possible. You may vote your shares by returning the enclosed proxy card. Timely voting will ensure your representation at the Annual Meeting. If you decide to attend the Annual Meeting, you will be able to vote in person, even if you have previously submitted your proxy.

Thank you for your continued support of Nature's Sunshine. I look forward to seeing you in Utah.

Sincerely,

/s/ DOUGLAS FAGGIOLI

Douglas Faggioli
President and Chief Executive Officer

NATURE'S SUNSHINE PRODUCTS, INC.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD NOVEMBER 6, 2009

To the Shareholders of Nature's Sunshine Products, Inc.:

Notice is hereby given that the 2009 Annual Meeting of Shareholders (the "Annual Meeting") of Nature's Sunshine Products, Inc., a Utah corporation (the "Company"), will be held at the Company's principal executive offices located at 75 East 1700 South, Provo, Utah 84606, on Friday, November 6, 2009 at 10:00 a.m. Mountain Standard Time, for the following purposes, as more fully described in the proxy statement accompanying this notice:

1. To elect the Company's Board of Directors (the "Board"), consisting of two Class I directors, three Class II directors and three Class III directors. The Company intends to present for election the following eight nominees, all of whom are current directors of the Company: Michael D. Dean, Albert R. Dowden, Douglas Faggioli, Pauline Hughes Francis, Kristine F. Hughes, Willem Mesdag, Jeffrey D. Watkins and Candace K. Weir;

2. To approve amendments to the Company's Restated Articles of Incorporation (the "Articles of Incorporation") that would modify or remove certain provisions and make other technical changes;

3. To approve an amendment to the Articles of Incorporation that would modify the purpose of the Company;

4. To approve an amendment to the Articles of Incorporation that would authorize the Board to adopt, amend, alter and repeal the Company's Bylaws (the "Bylaws");

5. To approve amendments to the Articles of Incorporation that would modify certain provisions relating to the terms of directors;

6. To approve an amendment to the Articles of Incorporation that would eliminate personal liability, to the extent permitted by law, of the Company's directors and officers and provide for the indemnification of its directors, officers, employees, fiduciaries and agents;

7. To approve amendments to the Articles of Incorporation that would increase the authorized shares of the Company's common stock ("Common Stock") from 20,000,000 to 50,000,000 and clarify certain rights and preferences of Common Stock;

8. To approve amendments to the Articles of Incorporation that would create a new class of stock designated as preferred stock ("Preferred Stock") and authorize the issuance of up to 10,000,000 shares of Preferred Stock;

9. To approve an amendment to the Articles of Incorporation that would require a showing of cause for shareholders to remove directors;

10. To approve an amendment to the Articles of Incorporation that would require shareholders to act by shareholder meeting and not by written consent;

11. To approve an amendment to the Articles of Incorporation that would enhance shareholder voting requirements to adopt, amend or repeal the Bylaws;

12. To approve amendments to the Articles of Incorporation that would authorize the Board to fix the number of directors and to fill vacancies on the Board;

13. To approve amendments to the Articles of Incorporation and the Bylaws that would enhance shareholder voting requirements to alter, amend or repeal certain provisions of the Articles of Incorporation and the Bylaws;

14. To approve an amendment and restatement of the Bylaws;

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15. To adopt the Nature's Sunshine Products, Inc. 2009 Stock Incentive Plan;

16. To ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2009; and

17. To transact such other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.

Only shareholders of record as of the close of business on October 2, 2009 are entitled to receive notice of and to vote at the Annual Meeting and any adjournment or postponement thereof.

You are cordially invited to attend the Annual Meeting in person. Whether or not you plan to attend the Annual Meeting, it is important that your shares be represented and voted at the meeting regardless of the number of shares you may hold. You may vote your shares by returning the enclosed proxy card. For detailed information regarding voting instructions, please refer to the sections entitled "If I am a shareholder of record of Common Stock, how do I vote?" and "If I am a beneficial owner of shares held in street name, how do I vote?" beginning on page 3 of the accompanying proxy statement. If you attend the Annual Meeting and vote by ballot, your proxy will be revoked automatically and only your vote at the Annual Meeting will be counted.

By Order of the Board of Directors

/s/ JAMON A. JARVIS

Jamon A. Jarvis
Executive Vice President, General Counsel, Chief Compliance Officer and Secretary

Provo, Utah
October 9, 2009

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE 2009 ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON NOVEMBER 6, 2009

The Proxy Statement and Annual Report to Shareholders are available at *http://www.naturessunshine.com/us/company/investing/sec.aspx.*

NATURE'S SUNSHINE PRODUCTS, INC.

PROXY STATEMENT
FOR
2009 ANNUAL MEETING OF SHAREHOLDERS

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* These items are not considered proxy solicitation materials and are not deemed filed with the Securities and Exchange Commission.

PROXY STATEMENT
FOR
2009 ANNUAL MEETING OF SHAREHOLDERS

The enclosed proxy is solicited on behalf of the Board of Directors of Nature's Sunshine Products, Inc., a Utah corporation, for use at the 2009 Annual Meeting of Shareholders (the "Annual Meeting") to be held on Friday, November 6, 2009 and at any adjournment or postponement thereof. The Annual Meeting will be held at 10:00 a.m. Mountain Standard Time at the Company's principal executive offices located at 75 East 1700 South, Provo, Utah 84606. The proxy solicitation materials are being sent on or about [October 9, 2009] to all shareholders entitled to vote at the Annual Meeting. In this proxy statement, "Nature's Sunshine," the "Company," "we," "us" and "our" refer to Nature's Sunshine Products, Inc.

QUESTIONS AND ANSWERS ABOUT THE 2009 ANNUAL MEETING AND THIS PROXY STATEMENT

What is the purpose of the Annual Meeting?

At the Annual Meeting, shareholders will vote on the following five categories of proposals, which are summarized in the preceding notice and described in more detail beginning on page 6 of this proxy statement:

To elect the Company's Board of Directors (the "Board"), consisting of two Class I directors, three Class II directors and three Class III directors (Proposal One);

To approve the following amendments (collectively, the "Charter Amendments") to the Company's Restated Articles of Incorporation (the "Articles of Incorporation"):

To modify or remove certain provisions and to make other technical changes (Proposal Two);

To modify the purpose of the Company (Proposal Three);

To authorize the Board to adopt, amend, alter and repeal the Company's Bylaws (the "Bylaws") (Proposal Four);

To modify certain provisions relating to the terms of directors (Proposal Five);

To provide the exculpation of the Company's directors and officers and the indemnification of its directors, officers, employees, fiduciaries and agents (Proposal Six);

To increase the authorized shares of the Company's common stock ("Common Stock") and to clarify certain rights and preferences of Common Stock (Proposal Seven);

To create a new class of stock designate as preferred stock ("Preferred Stock") and to authorize the issuance of up to 10,000,000 shares of Preferred Stock (Proposal Eight);

To eliminate the ability of shareholders to remove directors without cause (Proposal Nine);

To eliminate the ability of shareholders to act by written consent (Proposal Ten);

To enhance shareholder voting requirements to adopt, amend or repeal the Bylaws (Proposal Eleven);

To authorize the Board to fix the number of Board members and to fill vacancies on the Board (Proposal Twelve);

To enhance shareholder voting requirements to alter, amend or repeal certain provisions of the Articles of Incorporation and the Bylaws (Proposal Thirteen);

To approve an amendment and restatement of the Bylaws (Proposal Fourteen);

To adopt the Nature's Sunshine Products, Inc. 2009 Stock Incentive Plan (the "2009 Stock Incentive Plan") (Proposal Fifteen); and

To ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2009 (Proposal Sixteen).

What are the Board's voting recommendations?

Our Board of Directors recommends that you vote your shares:

FOR each of the director nominees to the Board (Proposal One);

FOR the proposals to approve the Charter Amendments (Proposals Two through Thirteen);

FOR the proposal to amend and restate the Company's Bylaws (Proposal Fourteen);

FOR the proposal to adopt the 2009 Stock Incentive Plan (Proposal Fifteen); and

FOR the proposal to appoint Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2009 (Proposal Sixteen).

Where are the Company's principal executive offices located, and what is the Company's main telephone number?

The Company's principal executive offices are located at 75 East 1700 South, Provo, Utah 84606. The Company's main telephone number is (801) 342-4300.

Who is entitled to vote at the Annual Meeting?

The record date for the Annual Meeting is October 2, 2009. Only shareholders of record at the close of business on that date are entitled to vote at the Annual Meeting. As of the record date, 15,510,159 shares of our Common Stock, no par value per share, were outstanding and entitled to vote.

Our stock transfer books will remain open between [October 13, 2009] and the date of the Annual Meeting. A list of shareholders entitled to vote at the Annual Meeting will be available for inspection at our principal executive offices.

How many votes do I have?

Each holder of Common Stock is entitled to one vote per share held. As a result, a total of 15,510,159 votes may be cast on each matter at the Annual Meeting.

What is the difference between a shareholder of record and a beneficial owner of shares held in street name?

Shareholder of Record. If your shares are registered directly in your name with the Company's transfer agent, American Stock Transfer & Trust Company, you are considered the shareholder of record with respect to those shares.

Beneficial Owner of Shares Held in Street Name. If your shares are held in an account at a brokerage firm, bank, broker-dealer or other similar organization, then you are the beneficial owner of shares held in "street name." The organization holding your account is considered the shareholder of record for purposes of voting at the Annual Meeting. As a beneficial owner, you have the right to direct that organization on how to vote the shares held in your account.

If I am a shareholder of record of Common Stock, how do I vote?

If you are a shareholder of record, you may vote by mailing a completed proxy card. To vote by mailing a proxy card, please sign and return the enclosed proxy card in the enclosed prepaid and self-addressed envelope and your shares will be voted at the Annual Meeting in the manner you directed. You may also vote your shares in person at the Annual Meeting. If you are a shareholder of record, you may request a ballot at the Annual Meeting.

If I am a beneficial owner of shares held in street name, how do I vote?

If you are the beneficial owner of shares are held in street name, you will receive instructions from the brokerage firm, bank, broker-dealer or other similar organization (the "record holder") that must be followed for the record holder to vote your shares per your instructions. Please complete and return the voting instruction card in the self-addressed postage paid envelope provided.

If your shares are held in street name and you wish to vote in person at the Annual Meeting, you must obtain a proxy issued in your name from the record holder and bring it with you to the meeting. We recommend that you vote your shares in advance as described above so that your vote will be counted if you later decide not to attend the Annual Meeting.

What is a quorum?

A quorum must be present at the Annual Meeting for any business to be conducted. The presence at the Annual Meeting, either in person or by proxy, of holders of a majority of the shares of Common Stock outstanding on the record date will constitute a quorum. Accordingly, shares representing 7,755,080 votes must be present, in person or by proxy, at the Annual Meeting to constitute a quorum. Abstentions and "broker non-votes" will be counted for the purpose of determining whether a quorum is present for the transaction of business.

If a quorum is not present, the Annual Meeting will be adjourned until a quorum is obtained.

What is a broker non-vote?

If you are a beneficial owner of shares held in street name and do not provide the record holder with specific voting instructions, under the rules of various national securities exchanges, the record holder may generally vote on routine matters but cannot vote on non-routine matters. If the record holder does not receive instructions from you on how to vote your shares on a non-routine matter, the record holder will inform the inspector of election that it does not have the authority to vote on this matter with respect to your shares. This is generally referred to as a "broker non-vote."

What vote is required for each item?

For Proposal One, directors are elected by a plurality of the votes cast by the shares entitled to vote at the Annual Meeting. Accordingly, the eight nominees receiving the highest number of votes cast will be elected as directors. Abstentions will have no effect on the outcome of the election of candidates for director. Additionally, the election of directors is considered a routine matter on which a record holder is generally empowered to vote, and therefore no broker non-votes are expected to exist with respect to Proposal One. Should any nominee become unavailable to serve before the Annual

Meeting, the proxies will be voted by the proxy holders for such other person as may be designated by our Board of Directors or for such lesser number of nominees as may be prescribed by the Board of Directors. Votes cast for the election of any nominee who has become unavailable will be disregarded.

Approval of Proposals Two, Three, Four, Six, Fourteen, Fifteen and Sixteen requires the votes cast in favor of the proposal to exceed the votes cast against such proposal. Since proposals concerning changes to the purpose of the Company and the adoption of stock incentive plans are non-routine matters on which brokers are not empowered to vote without instructions, there may be broker non-votes on Proposal Three and Fifteen. In contrast, the approval of immaterial changes to the Articles of Incorporation, the authorization of the Board to make changes to the Company's Bylaws, the exculpation and indemnification, amendments to the bylaws and the ratification of an independent registered public accounting firm are matters on which a broker is generally empowered to vote. Accordingly, no broker non-votes are expected to exist in connection with Proposal Two, Four, Six, Fourteen and Sixteen.

Approval of Seven, Eight, Ten and Eleven requires the affirmative vote of at least a majority of the total outstanding shares of Common Stock. Abstentions will count as votes AGAINST Proposals Seven, Eight, Ten and Eleven. Since proposals concerning the authorization of preferred stock, the elimination of the ability of shareholders to act by written consent and the increasing the shareholder voting requirements are non-routine matters on which brokers are not empowered to vote without instructions, there may be broker non-votes on Proposal Eight, Ten and Eleven. In contrast, the approval of an increase in the authorized Common Stock is a matter on which a broker is generally empowered to vote. Accordingly, no broker non-votes are expected to exist in connection with Proposal Seven.

Approval of Proposals Five, Nine, Twelve and Thirteen requires the affirmative vote of at least three-fourths (75%) of the total outstanding shares of Common Stock. Abstentions will count as votes AGAINST Proposals Five, Nine, Twelve and Thirteen. Since proposals concerning shareholder voting provisions are non-routine matters on which brokers are not empowered to vote without instructions, there may be broker non-votes on Proposals Nine, Twelve and Thirteen. In contrast, the approval of general modification regarding the terms of directors is a matter on which a broker is generally empowered to vote. Accordingly, no broker non-votes are expected to exist in connection with Proposal Five.

In addition, each of Proposals Two through Fourteen is conditioned on the approval of the other. This means that shareholders must approve all of the proposals relating to the Charter Amendments and the amendment and restatement of the Company's Bylaws in order for any of them to be adopted.

What happens if I do not give specific voting instructions?

If you are a shareholder of record and you do not specify how the shares represented thereby are to be voted, your shares will be voted in the manner recommended by the Board on all matters presented in this proxy statement and as the proxy holders may determine in their discretion with respect to any other matters properly presented for a vote at the Annual Meeting.

If you are a beneficial owner of shares held in street name and you do not specify how the shares represented thereby are to be voted, your broker may generally exercise its discretionary authority to vote your shares on routine matters (Proposals One, Two, Three, Five, Six, Seven, Fourteen and Sixteen), but your broker will not be permitted to vote your shares with respect to non-routine matters (Proposals Three, Eight, Nine, Ten, Eleven, Twelve, Thirteen and Fifteen).

What if I receive more than one set of proxy materials, proxy card or voting instruction form?

If you receive more than one set of proxy materials, proxy card or voting instruction form because your shares are held in multiple accounts or registered in different names or addresses, please vote your shares held in each account to ensure that all of your shares will be voted.

Who will count the votes and how will my vote(s) be counted?

All votes will be tabulated by the inspector of election appointed for the Annual Meeting, who will separately tabulate affirmative and negative votes, abstentions and broker non-votes. If your proxy is properly submitted, the shares represented thereby will be voted at the Annual Meeting in accordance with your instructions.

Can I change my vote after I have voted?

If you are a shareholder of record, you may revoke or change your vote at any time before the Annual Meeting by filing a notice of revocation or another proxy card with a later date with the Corporate Secretary at Nature's Sunshine Products, Inc., 75 East 1700 South, Provo, Utah 84606. If you are a shareholder of record and attend the Annual Meeting and vote by ballot, any proxy that you submitted previously to vote the same shares will be revoked automatically and only your vote at the Annual Meeting will be counted.

If you are a beneficial owner of shares held in street name, you should contact the record holder to obtain instructions if you wish to revoke or change your vote before the Annual Meeting. Please note, however, that if your shares are held in street name, your vote in person at the Annual Meeting will not be effective unless you have obtained and present a proxy issued in your name from the record holder.

Where can I find the voting results of the Annual Meeting?

The preliminary voting results will be announced at the Annual Meeting. The final voting results will be tallied by the inspector of election and published in the Company's Annual Report on Form 10-K for the fiscal year ending on December 31, 2009, which the Company is required to file with the Securities and Exchange Commission ("SEC") by March 16, 2010.

How and when may I submit a shareholder proposal for the 2010 Annual Meeting of Shareholders?

In the event that a shareholder desires to have a proposal considered for presentation at the 2010 Annual Meeting of Shareholders, and included in our proxy statement and form of proxy card used in connection with that meeting, the proposal must be forwarded in writing to our Corporate Secretary so that it is received no later than June 11, 2010. If the 2010 Annual Meeting of Shareholders is held on a date more than thirty calendar days from November 6, 2010, a shareholder proposal must be received by a reasonable time before the Company begins to print and mail its proxy solicitation materials. Any such proposal must comply with the requirements of Rule 14a-8 promulgated under the Securities Exchange Act of 1934, as amended, referred to in this proxy statement as the Exchange Act.

The proxy solicited by our Board of Directors for the 2010 Annual Meeting of Shareholders will confer discretionary authority to vote on any proposal presented to shareholders at the meeting for which the Company did not have notice on or prior to August 25, 2010. If the 2010 Annual Meeting of Shareholders is held on a date more than thirty calendar days from November 6, 2010, such notice must be received by a reasonable time before the Company begins to mail its proxy solicitation materials.

To forward any shareholder proposals or notices of proposals or to receive a copy of our Bylaws write to the Corporate Secretary at Nature's Sunshine Products, Inc., 75 East 1700 South, Provo, Utah 84606.

Who will bear the cost of soliciting proxies?

We will bear the entire cost of the solicitation of proxies for the Annual Meeting, including the preparation, assembly, printing and mailing of this proxy statement, the proxy card and any additional solicitation materials furnished to shareholders. Copies of solicitation materials will be furnished to brokerage firms, bank, broker-dealer or other similar organization holding shares in their names that are beneficially owned by others so that they may forward the solicitation materials to the beneficial owners. We may reimburse such persons for their reasonable expenses in forwarding solicitation materials to beneficial owners. The original solicitation of proxies may be supplemented by solicitation by personal contact, telephone, facsimile, email or any other means by our directors, officers or employees, and we will reimburse any reasonable expenses incurred for that purpose. No additional compensation will be paid to those individuals for any such services.

MATTERS TO BE CONSIDERED AT THE ANNUAL MEETING

PROPOSAL ONE:

ELECTION OF DIRECTORS

General

Directors are elected at annual meetings of shareholders. Our Articles of Incorporation provide for a classified Board of Directors, consisting of three staggered classes of directors, as nearly equal in number as possible. Shareholders generally will elect a portion of our Board of Directors each year to serve until the third annual meeting of shareholders following the annual meeting in which they are elected. A director elected by the Board of Directors to fill a vacancy in a class will serve until the next annual meeting of shareholders at which directors are elected and until his or her successor is duly elected and qualified.

Voting Agreements

On February 27, 2009, Prescott Group Aggressive Small Cap Master Fund, G.P. ("Prescott") made a written demand, pursuant to Section 16-10a-702(1)(b) of the Utah Revised Business Corporation Act (the "Revised Act"), that the Company hold a special meeting of shareholders, or in lieu thereof an annual meeting of shareholders, for the purpose of electing a slate of directors proposed by Prescott. On March 10, 2009, Prescott made a written demand, pursuant Section 16-10a-1601(3) of the Revised Act, that Prescott be allowed to inspect and copy the record of shareholders required to be maintained by the Company pursuant to Section 16-10a-1601(3) of the Revised Act. The stated purpose for such inspection was to solicit proxies from the Company's shareholders for the purpose of voting on the election of directors and other matters presented at the meeting of shareholders. Prescott informed the Company that on April 3, 2009, it commenced a legal action 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) in order to petition the court to order an annual meeting of shareholders for the purpose of electing directors of the Company. We were informed that the complaint was filed but not served.

On May 22, 2009, the Company and Kristine F. Hughes, Eugene L. Hughes and Pauline Hughes Francis (collectively, the "Hughes Parties") in their capacity as shareholders of the Company 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"). As part of the Prescott Agreement, Prescott agreed to withdraw its demands, dismiss its legal action and release the Company, the Hughes Parties and other related parties from claims relating to Prescott's legal action. A total of 7,944,217 shares of Common Stock are subject to the Voting Agreements, constituting 51.2 percent of the outstanding shares in the Company as of August 31, 2009.

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 then members of 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. Ms. Francis was a director of the Company at that time, and her resignation and reappointment were for the purpose of changing the Board class to which she was assigned at the next annual meeting of shareholders.

As part of the Voting Agreements, the Company agreed to nominate, and the Shareholder Parties and the Hughes Parties agreed to 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
Willem Mesdag	Class I
Jeffrey D. Watkins	Class I
Michael D. Dean	Class II
Douglas Faggioli	Class II
Candace K. Weir	Class II
Albert R. Dowden	Class III
Pauline Hughes Francis	Class III
Kristine F. Hughes	Class III

Pursuant to the Voting Agreements, the two Class I directors' terms will expire at the first annual meeting of shareholders following their election (expected to be in 2010), the three Class II directors' terms will expire at the second annual meeting of shareholders following their election (expected to be in 2011), and the three Class III directors' terms will expire at the third annual meeting of shareholders following their election (expected to be in 2012). Thereafter, as provided in the Articles of Incorporation, we expect that the terms of each class of directors will expire at the third annual meeting following the annual meeting at which such class is elected.

The voting arrangement set forth in the Voting Agreements will terminate immediately following the Annual Meeting or any adjournment or postponement thereof, or December 31, 2009, whichever is earlier.

Nominees to Serve as Class I Directors (Term to Expire at the 2010 Annual Meeting)

The current members of the Board of Directors, who are nominees for election to the Board as Class I directors, are as follows:

Name	Age	Position	Director Since
Willem Mesdag	56	Director	2009
Jeffrey D. Watkins	48	Director	2009

The principal occupations and business experience, for at least the past five years, of each nominee for election to the Board as Class I directors are as follows:

Willem Mesdag. Mr. Mesdag is the Managing Partner of Red Mountain Capital Partners LLC, an investment firm based in Los Angeles. From 2002 to 2004, he served as Senior Advisor for the Davis Companies. Prior to 2002, Mr. Mesdag was a partner and Managing Director of Goldman, Sachs & Co., having joined the firm in 1981 from Ballard, Spahr, Andrews & Ingersoll where he was a securities lawyer. He currently serves on the boards of 3i Group plc, Encore Capital Group Inc., Cost Plus Inc. and Davis Petroleum Corp. and previously served as Vice Chairman of the board of Skandia Insurance Company Ltd. Mr. Mesdag received his J.D. from the Cornell Law School in 1978 and his B.A. from Northwestern University in 1974.

Jeffrey D. Watkins. Mr. Watkins is currently the President of Prescott Group Capital Management, LLC, a registered investment advisor, and serves as the co-manager of the Prescott Mid Cap, L.P. Mr. Watkins currently serves on the board of Annuity and Life Re, Ltd., and served as a director of Carreker Corporation from March 2006 until April 2007. Prior to joining Prescott in July 2001, Mr. Watkins served for 18 years as a portfolio manager for Capital Advisors, Inc., a registered investment advisor, located in Tulsa, Oklahoma. Mr. Watkins received his B.S.B.A. from the University of Tulsa in 1983.

Nominees to Serve as Class II Directors (Term to Expire at the 2011 Annual Meeting)

The current members of the Board of Directors, who are nominees for election to the Board as Class II directors, are as follows:

Name	Age	Position	Director Since
Michael D. Dean	45	Director	2009
Douglas Faggioli	55	Director, President and Chief Executive Officer	2009
Candace K. Weir	65	Director	2009

The principal occupations and business experience, for at least the past five years, of each nominee for election to the Board as Class II directors are as follows:

Michael D. Dean. Mr. Dean is a senior media and technology executive with broad experience in general management, corporate strategy and corporate transactions. He has served as Chief Executive Officer of Mediaur Technologies Inc. since 2003, and is responsible for all aspects of this privately-owned satellite technology company that provides proprietary antenna system solutions for both private industries and governments. Mr. Dean also serves on the advisory board of several digital media and technology companies and advises principals and investors in the digital media sector. Before joining Mediaur, Mr. Dean worked in various companies affiliated with The Walt Disney Company from 1997 to 2003. He was Executive Vice President of ABC Cable Networks, a multi-billion dollar global division of Disney, where he was responsible for the non-creative, day-to-day business, including Affiliate Sales and Marketing, Finance, Legal, Broadcasting Operations, IT, Human Resources, and Business Development. Earlier at Disney, he was Senior Vice President of Corporate Strategic Planning and Development, responsible for all corporate strategy, development and deal work in Disney's broadcasting, cable, and film studio businesses. Before Disney, Mr. Dean was a strategy consultant with Bain & Company and holds an MBA from Harvard Business School.

Douglas Faggioli. Mr. Faggioli is the President and Chief Executive Officer of our Company. Prior to his appointment as President and Chief Executive Officer in November 2003, Mr. Faggioli served as Executive Vice President and Chief Operating Officer of our Company. He began his employment with us in 1983 and has served as one of our officers since 1989 and as a director of our Company from 1997 to 2006. He is a Certified Public Accountant. On July 31, 2009, the SEC filed a settled enforcement action against the Company, Mr. Faggioli and the Company's former chief financial officer, relating to alleged violations of the Foreign Corrupt Practices Act by one of the Company's foreign subsidiaries in 2000 and 2001. As previously disclosed in our periodic reports, the SEC's complaint alleged that, in 2000 and 2001, Mr. Faggioli and 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. Under the terms of the settlement with the SEC, Mr. Faggioli agreed to pay a civil penalty of $25,000 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. As part of the settlement, Mr. Faggioli agreed to neither admit nor deny the allegations in the complaint.

Candace K. Weir. Ms. Weir is Director and President of C.L. King & Associates, Inc., an independent research securities brokerage firm located in Albany, N.Y., and Paradigm Capital Management Inc., a registered investment adviser, which firms she founded in 1972 and 1994, respectively. Ms. Weir is President and Trustee of Paradigm Funds. She also serves on the boards of several non-profit cultural, healthcare and public interest organizations. Ms. Weir received her B.A. from Vassar College in 1967.

Nominees to Serve as Class III Directors (Term to Expire at the 2012 Annual Meeting)

The current members of the Board of Directors, who are nominees for election to the Board as Class III directors, are as follows:

Name	Age	Position	Director Since
Albert R. Dowden	67	Director	2009
Pauline Hughes Francis	68	Director	1988
Kristine F. Hughes	71	Chairperson of the Board	1980

The principal occupations and business experience, for at least the past five years, of each nominee for election to the Board as Class III directors are as follows:

Albert R. Dowden. Mr. Dowden serves as a director of the AIM Mutual Funds, various Reich & Tang mutual funds, and as a director of Homeowners of America Holding Corporation and Homeowners of America Insurance. Mr. Dowden is a founder and has served as managing director of The Boss Group, a Houston based private investment and management firm, since 2004. Mr. Dowden has previously served as a director of The Hertz Corporation, Volvo Group, Magellan Insurance Co., Genmar, National Media Corp. and CompuDyne Corp. Prior to these positions, Mr. Dowden served as President and Chief Executive Officer of Volvo Group North America, Inc. and Senior Vice President of its Swedish parent company, AB Volvo until 1998. Prior to joining Volvo in 1974 as General Counsel to its North American operations, he practiced law with the New York based international law firm of Rogers & Wells (now Clifford Chance).

Pauline Hughes Francis. Ms. Francis has served on our Board of Directors since 1988. Ms. Francis was a co-founder in 1972 of Hughes Development Corporation, a predecessor of the Company, and has acted as a consultant from time to time to our Company and its predecessors. Ms. Francis is the former sister-in-law of Eugene L. Hughes, a director emeritus of the Company.

Kristine F. Hughes. Ms. Hughes is the Chairperson of our Board of Directors. She was a co-founder in 1972 of Hughes Development Corporation, a predecessor of our Company, and has served as an officer or director of our Company and its predecessors since 1980. Ms. Hughes is the spouse of Eugene L. Hughes, one of our founders and a director emeritus.

Recommendation of the Board of Directors

The Board of Directors unanimously recommends a vote FOR the election of each of the foregoing nominees to the Board of Directors.

CORPORATE GOVERNANCE

Director Independence

The Board of Directors has determined that all of its current directors and nominees for election at the Annual Meeting, except Mr. Faggioli and Ms. Hughes, are independent directors under the current standards for "independence" established by NASDAQ.

Board Committees

The Board of Directors has three standing committees: Audit Committee, Compensation Committee and Nominations Committee. Each standing committee operates under a written charter adopted by the Board. You can access the current committee charters on our website at *www.natr.com* or by writing to our Corporate Secretary at our principal executive offices at 75 East 1700 South, Provo, Utah 84606.

The Board has determined that the committee chairs and members are independent under the current standards for "independence" established by NASDAQ. The current members of the committees are identified in the table below.

Director	Audit Committee	Compensation Committee	Nominations Committee
Michael D. Dean	x	x	
Albert R. Dowden	x		x
Pauline Hughes Francis		x	Chair
Willem Mesdag	Chair		
Jeffrey D. Watkins		Chair	x
Candice K. Weir			x

The Audit Committee. The Audit Committee oversees our financial statements, preparation process and related compliance matters and performance of the internal audit function, is responsible for engagement and oversight of our independent registered public accounting firm and reviews the adequacy and effectiveness of our internal control system and procedures. Our Board of Directors has determined that each current member of our Audit Committee is an audit committee financial expert, as that term is defined in Item 407(d)(5)(ii) of Regulation S-K promulgated by the SEC.

The Compensation Committee. The Compensation Committee reviews compensation policies applicable to executive officers and board members, establishes the compensation to be paid to our Chief Executive Officer and determines the compensation and benefits of all directors on the Board.

The Nominations Committee. The Nominations Committee makes recommendations to the Board of Directors about the size of the Board or any committee thereof, identifies and recommends candidates for the Board and committee membership, evaluates nominations received from shareholders, and develops and recommends to the Board corporate governance principles applicable to our Company. In selecting or recommending candidates, the Nominations Committee takes into consideration any criteria approved by the Board, which may be set forth in any corporate governance guidelines adopted by the Board and such other factors as it deems appropriate. These factors may include judgment, skill, diversity, experience with businesses and other organizations of comparable size, the interplay of the candidate's experience with the experience of other Board members and the extent to which the candidate would be a desirable addition to the Board and any committees thereof.

The Nominations Committee may also consider candidates proposed by management and by shareholders of the Company. Recommendations for consideration by the Nominations Committee, including recommendations from shareholders of the Company, should be sent in writing, together with

appropriate biographical information concerning each proposed nominee, to our Corporate Secretary at our principal executive offices at 75 East 1700 South, Provo, Utah 84606.

Board Meetings in Fiscal Year 2008

During fiscal year 2008 through June 7, 2009, our Board of Directors consisted of the following members: Robert K. Bowen, Larry A. Deppe, Pauline Hughes Francis, Eugene L. Hughes and Kristine F. Hughes. The members of our committees during fiscal year 2008 through June 7, 2009 are identified in the table below.

Director	Audit Committee	Compensation Committee	Nominations Committee
Robert K. Bowen	x	Chair*	x
Larry A. Deppe	Chair		
Kristine F. Hughes		x	Chair
Pauline Hughes Francis	x	x	x

* Chairperson from November 20, 2008 through June 7, 2009. From January 1, 2008 through November 19, 2008, Ms. Francis served as the Chairperson of the Compensation Committee.

During fiscal year 2008, there were two formal regular meetings and one formal special meeting of the Board of Directors, as well as numerous informal informational sessions. Each member of the Board of Directors during fiscal year 2008 attended or participated in 75 percent or more of the aggregate of (i) the total number of regular and special meetings of the Board of Directors held during the fiscal year or the portion thereof following such person's appointment to the Board and (ii) the total number of meetings held by all committees of the Board on which such director served during the fiscal year or the portion thereof following such person's appointment to one or more of those committees.

During fiscal year 2008, the Audit Committee held five formal meetings, as well as numerous informal informational sessions, while the Compensation Committee held one formal meeting during that time. The Nominations Committee, on the other hand, did not hold a meeting during fiscal year 2008.

Annual Meeting Attendance

Although the Company does not have a formal policy regarding attendance by members of the Board of Directors at the annual meetings of shareholders, directors are encouraged to attend such meetings. The Company did not hold an annual meeting of shareholders during fiscal year 2008.

Communications with Directors

We have not in the past adopted a formal process for shareholder communications with the Board of Directors. Nevertheless, the directors have endeavored to ensure that the views of shareholders are heard by the Board or individual directors, as applicable, and that appropriate responses are provided to shareholders in a timely manner. Communications to the Board of Directors may be submitted in writing to our Corporate Secretary at our principal executive offices at 75 East 1700 South, Provo, Utah 84606. The Board of Directors relies upon the Corporate Secretary to forward written questions or comments to named directors or committees thereof, as appropriate. General comments or inquiries from shareholders are forwarded to the appropriate individual within the Company, including the President, as appropriate.

Code of Ethics

We adopted a revised Code of Conduct on August 29, 2008 that applies to all of our employees, including our Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer and senior financial and accounting officers. Among other matters, the Code of Conduct establishes policies to deter wrongdoing to promote (i) both honest and ethical conduct, including ethical handling of actual or apparent conflicts of interest, (ii) compliance with applicable laws, rules and regulations, (iii) full, fair, accurate, timely and understandable disclosure in reports and documents that we file with or submit to the SEC and in public communications and (iv) prompt internal reporting of violations of the Code of Conduct and accountability for adherence to the Code of Conduct. In addition, we provide an ethics line for reporting any violations of the Code of Conduct on a confidential basis. A copy of our Code of Conduct is available on our website at *www.natr.com* or by writing to our Corporate Secretary at our principal executive offices at 75 East 1700 South, Provo, Utah 84606. We will post on our internet website all amendments to, or waivers from, our Code of Conduct that are required to be disclosed by applicable law.

Director Compensation

The following table sets forth certain information regarding the compensation of each individual who served as a member of our Board of Directors during the 2008 fiscal year. Except with respect to Eugene L. Hughes, the compensation disclosed is for services rendered as a Board member during that year. Mr. Hughes was also our employee, and the compensation disclosed for him below reflects his compensation he received in his capacity as an employee. He did not receive any additional compensation for his Board service.

Name	Fees Earned or Paid in Cash ($)(1)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)(2)	Total ($)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Kristine F. Hughes	145,963					10,006	155,969
Pauline Hughes Francis	55,363					2,660	58,023
Robert K. Bowen	39,000						39,000
Larry A. Deppe	43,160						43,160
Eugene L. Hughes	215,000					40,743	255,743

(1) Consists of retainer fees for service as a member of the Board with respect to Kristine F. Hughes, Pauline Hughes Francis, Robert K. Bowen and Larry A. Deppe; Mr. Hughes received salary of $215,000, of which he deferred $13,000 into the Company's Supplemental Elective Deferral Plan (the "SEDP"). Retainers paid to Mmes. Hughes and Francis were paid on a monthly basis; retainers paid to Messrs. Bowen and Deppe were paid on a quarterly basis. The amount of retainer fees depends on the tenure of the Board member and the services being provided by that Board member. Mmes. Hughes and Francis have served as members of our Board for a significantly longer period than Messrs. Bowen and Deppe. Ms. Hughes, as Chairperson of the Board, provides significant additional services. Accordingly, the retainer fees for Mmes. Hughes

and Francis are higher than the retainer fees paid to Messrs. Bowen and Deppe. The aggregate payments include the following categories of payments:

Name	Retainer ($)	Committee Chairperson Additional Retainer ($)	Total ($)
Kristine F. Hughes	145,963		145,963
Pauline Hughes Francis	54,363	1,000	55,363
Robert K. Bowen	39,000		39,000
Larry A. Deppe	39,160	4,000	43,160
Eugene L. Hughes			

(2)

"All Other Compensation" includes the following amounts paid by the Company for the fiscal year ended December 31, 2008:

Name	401(k) Plan Company Contribution ($)	Life Insurance Premiums ($)	Disability Payments ($)	Product Credit* ($)	Total ($)
Kristine F. Hughes		9,256		750	10,006
Pauline Hughes Francis		1,910		750	2,660
Robert K. Bowen					
Larry A. Deppe					
Eugene L. Hughes	11,500	27,833	360	1,050	40,743

*

Represents a credit of up to $1,050 to purchase the Company's products.

Meeting Fees. Our directors do not receive fees for attendance at Board or Committee meetings.

Expenses. Board members were reimbursed for travel and other expenses incurred in connection with their duties as directors to the extent such expenses were submitted to the Company for reimbursement.

Equity. No stock options or other equity awards were granted to our directors during 2008.

Nonqualified Deferred Compensation. None of our non-employee directors participated in the SEDP. Mr. Hughes elected to defer under the SEDP $13,000 of the compensation he received in 2008 in his capacity as an employee. Mr. Hughes's aggregate earnings in the SEDP included a loss of $22,334, and his balance as of December 31, 2008 was $64,981. No withdrawals were made by Mr. Hughes during 2008. The SEDP is more fully described above in the section following the Nonqualified Deferred Compensation Plans table. The earnings on amounts deferred under the SEDP do not constitute above-market or preferential earnings and, accordingly, are not included in the Director Compensation table above.

On September 1, 2009, the Board of Directors adopted a new compensation plan for non-employee directors of the Company. Under the new compensation plan, each newly elected non-employee director will receive a one-time option grant to purchase 25,000 shares of Common Stock upon his or her election to the Board. All non-employee directors will receive an annual retainer of $50,000 for their service on the Board and will receive no additional fees paid for attendance at meetings of the Board or Company events at which a director's attendance is required. Our Chairperson will receive an additional annual retainer of $50,000. Each non-employee director serving on the Audit Committee will receive an additional annual retainer as follows: chairperson $15,000; other committee members $10,000. Each non-employee director serving on the Compensation Committee will receive an additional annual retainer as follows: chairperson $10,000; other committee members $5,000. The chairperson of the Nominating and Governance Committee will receive an additional annual retainer of $10,000. All cash compensation will be paid on a monthly basis. The new

compensation plan will be effective as of October 1, 2009 with respect to all non-employee directors other than Kristine F. Hughes and Pauline Hughes Francis, whose compensation will remain at current levels for the remainder of 2009. Beginning in January, 2010, Mmes. Hughes and Francis will be subject to the new compensation plan.

In addition, on September 24, 2009, the Board approved option grants to purchase 25,000 shares of our Common Stock subject to shareholder approval of our 2009 Stock Incentive Plan at the Annual Meeting for each of Michael D. Dean, Albert R. Dowden, Willem Mesdag, Jeffrey D. Watkins and Candace K. Weir. Each option will have a maximum term of 10 years and will vest and become exercisable for all of the underlying shares upon shareholder approval of the 2009 Stock Incentive Plan at the Annual Meeting. If such shareholder approval is not obtained, the options will terminate immediately and cease to be outstanding.

INTRODUCTION TO PROPOSALS TWO THROUGH THIRTEEN:

APPROVAL OF CHARTER AMENDMENTS

General

Our Articles of Incorporation as currently in effect were prepared in 1989 and have not been amended or otherwise modified since that time. Over the course of the intervening 20 years, there have been a number of substantive changes made to the Revised Act, as well as changes in the practical application of the law. As a result, the Articles of Incorporation are significantly different from the articles of incorporation of other public companies, particularly those that have become public companies more recently. Proposals Two, Three, Four, Five and Six are being submitted for shareholder approval in order to update the Articles of Incorporation by modifying certain provisions and removing several obsolete provisions from the Articles of Incorporation.

Proposals Seven and Eight, on the other hand, are being submitted for shareholder approval to increase the authorized capital shares of the Company in order to ensure that the Company has sufficient authorized but unissued shares, which may be used by the Company to, among other things, pay stock dividends to shareholders, raise capital, provide equity incentives to employees, officers and directors and enter into transactions that the Board believes provide the potential for growth and profit. In addition, our Board of Directors believes that Proposals Nine, Twelve and Thirteen will help promote the stability and continuity of the Board and provide the Board with greater flexibility to manage the Company, while Proposal Eleven would provide the Company with more stable corporate governance policies and procedures. Finally, Proposal Ten is being submitted for shareholder approval to eliminate the ability of shareholders to act by written consent, which the Board believes will help increase the participation of all shareholders in determining any proposed action of shareholders.

Possible Anti-takeover Effects

Our Board of Directors has observed that certain tactics, including proxy fights and hostile tender offers, have become relatively common in connection with unsolicited attempts to gain corporate control. The Board of Directors considers such tactics to be highly disruptive to a company and often contrary to the overall best interests of its shareholders. In particular, such tactics frequently represent an attempt to acquire a corporation in the marketplace at an unfairly low price. Proposals Seven, Eight, Nine, Ten, Eleven, Twelve and Thirteen are being submitted for shareholder approval to improve the flexibility of the Board of Directors in dealing with any unsolicited takeover offers. These proposed amendments are intended to encourage persons seeking to acquire control of the Company to initiate such efforts through negotiations with our Board of Directors. The Board of Directors believes that these proposed amendments will help provide our Board of Directors with the time necessary to evaluate unsolicited offers, as well as appropriate alternatives, in a manner that assures fair treatment of the Company's shareholders. These proposed amendments are also intended to increase the bargaining leverage of the Board of Directors, on behalf of the Company's shareholders, in any negotiations concerning a potential change of control of the Company. These proposed amendments would, however, make more difficult or discourage a proxy contest or the assumption of control by a substantial shareholder and thus could increase the likelihood that incumbent directors will retain their positions.

Takeovers or changes in the board of directors of a company that are proposed and effected without prior consultation and negotiation with the company are not necessarily detrimental to the company and its shareholders. However, the Board of Directors feels that the benefits of seeking to protect the ability of the Company to negotiate effectively through directors who have previously been elected by shareholders and who are familiar with the Company outweigh any disadvantage of discouraging such unsolicited proxies even though such attempt might be favored by some of the Company's shareholders.

The Charter Amendments are permitted under the Revised Act. With respect to Proposals Seven, Eight, Nine, Ten, Eleven, Twelve and Thirteen, these proposed amendments are not the result of management's knowledge of any specific effort to accumulate the Company's securities or to obtain control of the Company by means of a merger, tender offer, proxy solicitation in opposition to management or otherwise. Please see the discussion in the summaries below regarding additional anti-takeover effects of these proposals.

Existing Arrangements with Possible Anti-Takeover Effect

The Articles of Incorporation do not contain provisions intended by the Company to have, or to the knowledge of the Board of Directors having, an anti-takeover effect. However, the Articles of Incorporation currently authorize 20,000,000 shares of Common Stock, a substantial number of which have not been issued or reserved for issuance. This authorized but unissued Common Stock could, within the limits imposed by applicable law, be issued by the Company and used to discourage a change in control of the Company. For example, the Company could privately place shares with purchasers who might side with the Board of Directors in opposing a hostile takeover bid. Moreover, the Board of Directors could adopt a shareholder rights plan (sometimes referred to as a "poison pill"), pursuant to which rights would be issued to current shareholders of the Company which would entitle, under certain circumstances, all holders, other than the bidder, to purchase additional shares of Common Stock at prices possibly substantially below market value. Shares of Common Stock could also be issued to a holder that would thereafter have sufficient voting power to assure that any proposal to amend or repeal certain provisions of the Articles of Incorporation or the Company's Bylaws would not receive the necessary votes contemplated by Proposals Eleven and Thirteen.

Effectiveness of the Charter Amendments

Under the Revised Act, the Charter Amendments require shareholder approval. Upon shareholder approval, these changes would take effect on the date we file the Amended and Restated Articles of Incorporation with the Secretary of State of the State of Utah, a copy of which is attached as Appendix A. However, if any of the Charter Amendments is not approved, none of the Charter Amendments will be enacted.

Description of the Charter Amendments

The Charter Amendments have been proposed as separate proposals due to varying subject matter or the shareholder vote required to approve each of the proposed amendments. This approach will allow the Company's shareholders to consider and vote on each of the proposals so that any and all amendments approved by the holders of the required number of shares of Common Stock may be implemented. The complete text of the Amended and Restated Articles of Incorporation, which incorporates the changes proposed by the Charter Amendments, is contained in Appendix A in this proxy statement. You are urged to read Appendix A in its entirety, as the discussion in the summary of the proposed amendments is qualified in its entirety by reference to Appendix A.

PROPOSAL TWO:

APPROVAL OF AMENDMENTS TO RESTATED ARTICLES OF INCORPORATION TO MODIFY OR REMOVE CERTAIN PROVISIONS AND TO MAKE OTHER TECHNICAL CHANGES

Our Board of Directors is requesting that shareholders approve several amendments to the Articles of Incorporation that will modify certain provisions and remove several obsolete provisions from the Articles of Incorporation, as well as make other technical changes.

Purpose and Effect of the Proposed Amendments

Article I of the Articles of Incorporation contains the name clause of the Company. Our Board of Directors proposes a modification to Article I to add clarifying language to define Nature's Sunshine Products, Inc. The following is the relevant text of Article I of the Articles of Incorporation, as proposed to be amended, with additions indicated with underlined text:

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

Article VI of the Articles of Incorporation contains the pre-emptive rights clause of the Company. Our Board of Directors proposes a technical modification to Article VI to correct a misspelled term. The following is the relevant text of Article VI of the Articles of Incorporation, as proposed to be amended, with additions indicated with underlined text and deletions indicated by strike-through text:

> 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 VIII of the Articles of Incorporation contains the registered office and agent clause of the Company. Our Board of Directors proposes a modification to Article VIII to provide current information regarding the Company's registered office and agent. The following is the relevant text of Article VIII of the Articles of Incorporation, as proposed to be amended, with additions indicated with underlined text and deletions indicated by strike-through text:

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

In reviewing the Articles of Incorporation, our Board of Directors has identified several provisions in the Articles of Incorporation that are now obsolete or inconsequential to the Company due to the passage of time or as a result of changes in corporate governance practices. As of result of this review, we are proposing to remove in its entirety the following provisions from the Articles of Incorporation:

> The preamble to the Articles of Incorporation, which currently reads as follows:
>
> We, the undersigned, natural persons being more than twenty-one years of age, acting as incorporators of a corporation pursuant to the provisions of the Utah Business Corporation Act, do hereby adopt the following Articles of Incorporation for such Corporation.

Article II contains the duration clause of the Company, which currently reads as follows:

The Corporation shall continue in existence perpetually unless sooner dissolved according to the law.

Article V contains a paid-in capital clause, which currently reads as follows:
The Corporation shall not commence business until consideration of a value of a least $1,000.00 has been received by it as consideration for the issuance of its shares.

Article IX sets forth the initial directors of the Company, which currently reads as follows:
The original Board of Directors shall be comprised of five (5) persons. The names and addresses of the persons who are to serve as directors until the first annual meeting of shareholders and until their successors are elected and shall qualify are as follows:

Name	Address
Kenneth E. Brailsford	42 North 1360 East Springville, Utah 84663
G. Jay Hughes	Route 1, Box 435 Benjamin, Utah 84660
Kerry O. Assay	456 East 200 North Provo, Utah 84601
Richard S. Hughes	260 West 600 North Spanish Fork, Utah 84660
Eugene L. Hughes	2461 North 750 East Provo, Utah 84601

Article X contains an incorporators clause, which currently reads as follows:

The names and addresses of the incorporators are:

Name	Address
Richard L. Chatham	700 South 330 East Salt Lake City, Utah 84111
Burke T. Maxfield	1700 East 3970 South #3 Salt Lake City, Utah 84117
Hazel Ann Cowan	3795 South 900 East #6 Salt Lake City, Utah 84107

As a result of the foregoing changes and the changes contemplated by the other Charter Amendments, we will also include conforming changes in the numbering and cross-references in the Restated Charter, as necessary.

Vote Required

Approval of Proposal Two requires the votes cast in favor of the proposal to exceed the votes cast against the proposal. For purposes of the proposal, abstentions and broker non-votes will not affect the outcome, which recognizes only actual votes cast.

Recommendation of the Board of Directors

The Board of Directors unanimously recommends a vote FOR the proposal to amend the Articles of Incorporation to modify or remove certain provisions and to make other technical changes.

PROPOSAL THREE:

APPROVAL OF AMENDMENT TO RESTATED ARTICLES OF INCORPORATION TO MODIFY THE PURPOSE OF THE COMPANY

Our Board of Directors is requesting that shareholders approve an amendment to the Articles of Incorporation that will modify the purpose clause of the Company.

Purpose and Effect of the Proposed Amendment

Article III of the Articles of Incorporation contains the purpose clause of the Company, which currently reads in its entirety as follows:

> The purposes for which the Corporation is organized are:
>
> 1. To buy, sell, grow, manufacture, produce, or otherwise deal in any and all food and/or food supplements and further, to purchase, invest in, acquire, and/or act as holding company for various other related businesses. And further, to create, publish, sell, and otherwise deal in publications relating to but not limited to food and/or food supplements.
>
> 2. To purchase, or otherwise acquire, and to hold, grant security interests in, pledge, sell, exchange, or otherwise dispose of, securities (which term includes, without limitation of the generality thereof, any shares of stocks, bonds, debentures, contracts, options, notes, mortgages, or other obligations, and any certificates, receipts, or other instruments representing rights to receive, purchase, or subscribe for the same, or representing any other rights or interests therein or in any property or assets) created or issued by any persons, firm, associations, corporations, or governments or subdivisions thereof; to make payment therefore in any lawful manner; and to exercise, as owner or holder of any securities, any and all rights, powers, and privileges in respect thereof.
>
> 3. To issue, offer, underwrite, buy, sell, sponsor, create, assign, transfer, pledge or otherwise deal in commodities, options, or double options on commodities of any kind whatsoever.
>
> 4. To act as registrar or transfer agent either for itself or for others, including the cancellations, authentication, validation, issuance and execution of share certificates; the preparation and maintenance of any and all books, ledgers, journals and records in connection therewith; the execution, signing, verification, and acknowledgment of any kind and all documents or writings of any kind whatsoever; and all other acts necessary or appropriate in connection thereto.
>
> 5. To do any act or thing provided or permitted herein either directly or indirectly through agents, independent contractors, joint ventures, subsidiaries, divisions, contractual arrangements or otherwise.
>
> 6. In general, to possess and exercise all the powers and privileges granted by the laws of the State of Utah or by these Articles of Incorporation together with any powers incidental thereto, so far as such powers and privileges are necessary or convenient to the conduct, promotion or attainment of the purpose of the Corporation.
>
> 7. The business and purposes specified in the foregoing clauses shall, except where otherwise expressed, be in nowise limited or restricted by reference to, or inference from, the

> terms of any other clause in these Articles of Incorporation, but the business and purposes specified in each of the foregoing clauses of this Article shall be regarded as independent businesses and purposes.

If approved, the purpose clause as currently drafted will be removed in its entirety and replaced with the following text:

> 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*").

Our Board of Directors has determined that the purpose clause in the Articles of Incorporation may not provide all the flexibility that the Company needs to conduct its business. Moreover, the articles of incorporation of public companies commonly include similar purpose provisions as the proposed amendment. As a result, we propose a modification to Article III to shorten the purpose clause in a manner consistent with the Revised Act.

Vote Required

Approval of Proposal Three requires the votes cast in favor of the proposal to exceed the votes cast against the proposal. For purposes of the proposal, abstentions and broker non-votes will not affect the outcome, which recognizes only actual votes cast. Since a proposal concerning the revision of the purpose clause is a matter on which brokers are not empowered to vote without instructions, there may be broker non-votes on Proposal Three.

Recommendation of the Board of Directors

The Board of Directors unanimously recommends a vote FOR the proposal to amend the Articles of Incorporation to modify the purpose clause of the Company.

PROPOSAL FOUR:

APPROVAL OF AMENDMENT TO RESTATED ARTICLES OF INCORPORATION TO AUTHORIZE THE BOARD OF DIRECTORS TO ADOPT, AMEND, ALTER AND REPEAL THE COMPANY'S BYLAWS

Our Board of Directors is requesting that shareholders approve an amendment to the Articles of Incorporation that will provide the Board with the authority to adopt, amend, alter and repeal the Company's Bylaws.

Purpose and Effect of the Proposed Amendment

Section 16-10a-1020 of the Revised Act provides that a board of directors of a company may amend the company's bylaws at any time, except to the extent that the articles of incorporation, the bylaws or the Revised Act reserve such power exclusively to the shareholders, in whole or part. The articles of incorporation of many public companies expressly authorize their boards of directors to adopt, amend, alter or repeal the bylaws. This authority facilitates the board's ability to efficiently implement and adapt corporate policies and procedures as changing circumstances may necessitate, without having to incur the expense and delay of soliciting proxies and votes from the shareholders and holding a meeting of shareholders.

The proposed amendment will amend the Articles of Incorporation to include a new Article to read, in pertinent part, as follows:

> 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 proposed amendment, if approved by shareholders, will not divest or limit the power of shareholders to adopt, amend or repeal our Bylaws. If this proposal is not approved, the ability of our Board of Directors to make changes to our Bylaws will continue to be subject to Section 16-10a-1020 of the Revised Act.

Vote Required

Approval of Proposal Four requires the votes cast in favor of the proposal to exceed the votes cast against the proposal. For purposes of the proposal, abstentions and broker non-votes will not affect the outcome, which recognizes only actual votes cast.

Recommendation of the Board of Directors

The Board of Directors unanimously recommends a vote FOR the proposal to amend the Articles of Incorporation to provide the Board with the authority to adopt, amend, alter and repeal the Company's Bylaws.

PROPOSAL FIVE:

APPROVAL OF AMENDMENTS TO RESTATED ARTICLES OF INCORPORATION TO MODIFY CERTAIN PROVISIONS RELATING TO THE TERMS OF DIRECTORS

Our Board of Directors is requesting that shareholders approve amendments to the Articles of Incorporation that will modify certain provisions relating to terms of the Board members.

Purpose and Effect of Proposed Amendments

Article IX of the Articles of Incorporation provides, in pertinent part, the following:

> The Board of Directors shall be and is divided into three classes, Class I, Class II, and Class III, which shall be as nearly equal in number as possible. Each director shall serve for a term ending on the date of the third Annual Meeting following the Annual Meeting at which such director was elected; provided, however, that each initial director in Class I shall hold office until the Annual Meeting of Shareholders in 1985; each initial director in Class II shall hold office until the annual meeting of Shareholders in 1986; and each initial director in Class III shall hold office until the Annual Meeting of Shareholders in 1987.

Our Board of Directors believes that the Articles of Incorporation do not adequately address the terms of directors elected to office by shareholders or appointed to fill vacancies on the Board. As a result, the Board believes that it is necessary to modify the foregoing provision in order to clarify the terms of the directors, including the initial terms of the directors that we are asking shareholders to elect under Proposal One. Accordingly, the Board proposes to replace the foregoing provision in its entirety with the following text:

> 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.

Vote Required

Approval of Proposal Five requires the affirmative vote of three-fourths (75%) of the total outstanding shares of Common Stock. Abstentions will count as votes AGAINST the proposal.

Recommendation of the Board of Directors

The Board of Directors unanimously recommends a vote FOR the proposal to amend the Articles of Incorporation to modify certain provisions relating to the terms of Board members.

PROPOSAL SIX:

APPROVAL OF AMENDMENT TO RESTATED ARTICLES OF INCORPORATION THAT ELIMINATES PERSONAL LIABITIY, TO THE EXTENT PERMITTED BY LAW, OF THE COMPANY'S DIRECTORS AND OFFICERS, AND PROVIDES FOR THE INDEMNIFICATION OF ITS DIRECTORS, OFFICERS, EMPLOYEES, FIDUCIARIES AND AGENTS

Our Board of Directors is requesting that shareholders approve an amendment to the Articles of Incorporation that will eliminate personal liability, to the extent permitted by law, of our directors and officers and provide for the indemnification of our directors, officers, employees, fiduciaries or agents.

Purpose and Effect of the Proposed Amendment

The Revised Act permits the exculpation of directors and officers and the indemnification of directors, officers, employees, fiduciaries and agents. In addition, the articles of incorporation of public companies commonly provide exculpation and indemnification of their directors, officers and other persons. Our Board of Directors believes that providing exculpation and indemnification is an important factor in attracting and retaining highly qualified individuals to serve as directors and officers of the Company and in other capacities and motivating such individuals to devote their maximum efforts toward the advancement of the Company and its business. Although the Articles of Incorporation provide some limitation of liability of our directors and officers with respect to contracts, our Board of Directors believes that it is inadequate in providing the necessary incentives to attract and retain highly qualified individuals to serve as directors and officers of the Company. As a result, we propose to remove in its entirety the following provision from the Articles of Incorporation:

> No contract or other transaction between this Corporation and any other firm or corporation shall be affected by the fact that a director or officer of this Corporation has an interest in, or is a director or officer of such firm or other corporation. Any officer or director, individually or with others, may be a party to, or may have an interest in, any transaction of this Corporation or any transaction in which the Corporation is a party or has an interest. Each person who is now or may become an officer or a director of this Corporation is hereby relieved from liability that might otherwise obtain in the event that such officer or director contracts with this Corporation for the benefit of himself or any firm or other corporation in which he may have an interest, provided such officer or director acts in good faith.

If approved, the proposed amendment will amend the Articles of Incorporation to replace the foregoing provision with following text:

> 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.

The proposed amendment is intended to make exculpation of directors and officers a mandatory obligation of the Company. On the other hand, indemnification would only be permissive, unless indemnification is otherwise mandatory under applicable law. As a result, the Board of Directors would have the authority to determine whether or not to indemnify or advance expenses to a director, officer, employee, fiduciary or agent based on the particular set of circumstances. However, the Company may

enter into separate indemnification agreements with its directors and officers, which would require mandatory indemnification of such directors and officers in all circumstances to the fullest extent permitted by law.

Vote Required

Approval of Proposal Three requires the votes cast in favor of the proposal to exceed the votes cast against the proposal. For purposes of the proposal, abstentions and broker non-votes will not affect the outcome, which recognizes only actual votes cast.

Recommendation of the Board of Directors

The Board of Directors unanimously recommends a vote FOR the proposal to amend the Articles of Incorporation to provide the exculpation of directors and officers and the indemnification of our directors, officers, employees, fiduciaries and agents.

PROPOSAL SEVEN:

APPROVAL OF AMENDMENTS TO RESTATED ARTICLES OF INCORPORATION TO INCREASE THE AUTHORIZED SHARES OF COMMON STOCK AND TO CLARIFY CERTAIN RIGHTS AND PREFERENCES OF COMMON STOCK

Our Board of Directors is requesting that shareholders approve amendments to our Articles of Incorporation that will increase the number of authorized shares of Common Stock from 20,000,000 to 50,000,000 and to clarify certain rights and preferences of Common Stock.

Purpose of the Proposed Amendments

The authorized capital of the Company currently consists of 20,000,000 shares of Common Stock. The number of shares of Common Stock issued and outstanding as of the record date was 15,510,159. As a result, the amount of authorized but unissued shares of Common Stock is insufficient for issuance upon the conversion of Preferred Stock that we are asking shareholders to authorize under Proposal Eight, as well as the issuance of Common Stock issuable upon exercise of equity awards that may be granted under the 2009 Stock Incentive Plan, which we are asking shareholders to approve under Proposal Fifteen.

The proposed amendments will also allow the Company to maintain sufficient shares of Common Stock for future business and financial purposes. Authorized but unissued shares of Common Stock may be used by the Company for any purpose permitted under the Revised Act, including but not limited to, paying stock dividends to shareholders, raising capital, providing equity incentives to employees, officers and directors, and entering into transactions that the Board believes provide the potential for growth and profit. Furthermore, future acquisitions may be a key component of growth and, from time to time, consideration for acquisitions may include the issuance of Common Stock. Other than the conversion of Preferred Stock and Common Stock issuable upon exercise of equity awards that may be granted under the 2009 Stock Incentive Plan, the Company currently has no arrangements, agreements or understandings for the issuance or use of the additional shares of Common Stock proposed to be authorized.

The proposed amendments are also intended to clarify the rights and preferences of Common Stock as it relates to Preferred Stock, which we are asking shareholders to authorize under Proposal Eight. Our Board of Directors proposes a modification to include a new Subparagraph A to read in its entirety as follows:

> 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.

Effect of the Proposed Amendment

The authorization of additional shares of Common Stock will not, by itself, have any effect on the rights of present shareholders. The additional 30,000,000 shares to be authorized will be a part of the existing class of Common Stock and, if and when issued, would have the same rights and preferences as the shares of Common Stock presently issued and outstanding. Shareholders do not have preemptive rights to subscribe for or purchase additional shares of Common Stock. Accordingly, the issuance of additional shares of Common Stock for corporate purposes, other than a stock split or stock dividend, could have a dilutive effect on the ownership and voting rights of shareholders at the time of issuance. However, as note above, other than the conversion of Preferred Stock and Common Stock issuable upon exercise of equity awards that may be granted under the 2009 Stock Incentive Plan, the Company currently has no arrangements, agreements or understandings for the issuance or use of the additional shares of Common Stock proposed to be authorized.

As discussed above, authorized but unissued shares of Common Stock may also be used to oppose a hostile takeover attempt or to delay or prevent a change in control of the Company.

Vote Required

Approval of Proposal Seven requires the affirmative vote of a majority of the total outstanding shares of Common Stock. Abstentions will count as votes AGAINST the proposal.

Recommendation of the Board of Directors

The Board of Directors unanimously recommends a vote FOR the proposal to amend the Articles of Incorporation to increase the number of authorized shares of Common Stock from 20,000,000 to 50,000,000 and to clarify certain rights and preferences of Common Stock.

PROPOSAL EIGHT

APPROVAL OF 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

Our Board of Directors is requesting that shareholders approve amendments to our Articles of Incorporation that will create a new class of stock designated as Preferred Stock and authorize the issuance of up to 10,000,000 shares of Preferred Stock.

Purpose of the Proposed Amendment

The Articles of Incorporation authorize the issuance of only Common Stock and do not authorize the issuance of any class of preferred stock. Many public companies have authorized one or more classes of preferred stock in their articles of incorporation. Preferred stock is generally defined to mean any class of equity securities which has a preference over common stock in terms of dividends or claims on a company's assets on liquidation. Among other advantages, preferred stock can provide companies like Nature's Sunshine with a less expensive source of funding for corporate ventures.

While the Company at the present time has no plan or intention for the issuance of Preferred Stock, the Board of Directors believes that it is advisable to create a class of preferred stock to provide the flexibility to use our capital stock in the best interests of our shareholders. These preferred shares may be used for various purposes including, without limitation, raising additional capital through the sale of preferred shares, acquiring another company or business or assets in exchange for shares of preferred stock, establishing strategic relationships with corporate partners who are compensated with preferred shares, providing equity incentives to employees, officers or directors or pursing other matters as the Company deems appropriate.

Should the creation of a class of preferred shares be approved by our shareholders, the Board of Directors does not intend to solicit further shareholder approval prior to the issuance of preferred shares, except as may be required by applicable law or the terms of any series of outstanding preferred shares, and the terms of any such preferred shares will have the rights and preferences determined by the Board of Directors. Accordingly, our Board of Directors proposes a modification to the capitalization clause to include a new Subparagraph B to read in its entirety as follows:

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.

Effect of Proposed Amendment

The holders of the Company's Common Stock do not have any preemptive or similar rights to purchase any shares of preferred stock. Although the creation of a class of preferred stock will not, in and of itself, have any immediate effect on the rights of holders of the Common Stock, the issuance of shares of one or more series of preferred shares could, depending on the nature of the rights and preferences granted by the Board of Directors to the newly issued series of preferred shares, affect the holders of the Common Stock in a number of respects, including, without limitation the following:

if the Board of Directors issues preferred shares with voting rights, such shares would dilute the voting power of holders of the Common Stock;

by reducing the amount otherwise available for the payment of dividends on (and or restricting the payment of dividends on) the Common Stock, to the extent dividends are payable on shares of a new series of preferred shares;

in the event a new series of preferred shares provided for the conversion of such shares into the Common Stock and the conversion was deemed to be below the fair market value of the Common Stock, such a series of preferred shares could serve to decrease the prospective market price of the Common Stock;

by reducing the amount otherwise available for payment upon liquidation of the Company to the holders of the Common Stock, to the extent of any liquidation preference on a new series of preferred stock; and

by diluting the earnings per share and book value per share of the outstanding shares of the Common Stock and preferred shares.

Similar to the anti-takeover effect of authorized but unissued shares of Common Stock, the availability of additional authorized preferred shares could enable the Board of Directors to make more difficult, discourage or prevent an attempt to obtain control of the Company by merger, tender offer, proxy contest or other reasons. For example, the Board of Directors could issue preferred shares defensively on favorable terms in response to a takeover attempt. Such issuance could deter the types of transactions which may be proposed or could discourage or limit the participation of Common Stock in certain types of transactions that might be proposed (such as a tender offer), whether or not such transactions are favored by the majority of the Company's shareholders, and could enhance the ability of the Company's officers and directors to retain their positions.

Vote Required

Approval of Proposal Eight requires the affirmative vote of a majority of the total outstanding shares of Common Stock. Abstentions will count as votes AGAINST the proposal. Since a proposal concerning the authorization of preferred stock is a matter on which brokers are not empowered to vote without instructions, there may be broker non-votes on Proposal Eight.

Recommendation of the Board of Directors

The Board of Directors unanimously recommends a vote FOR the proposal to amend the Articles of Incorporation to create a new class of designated as preferred stock and authorize the issuance of up to 10,000,000 shares of Preferred Stock.

PROPOSAL NINE:

APPROVAL OF AMENDMENT TO RESTATED ARTICLES OF INCORPORATION TO REQUIRE A SHOWING OF CAUSE FOR SHAREHOLDERS TO REMOVE DIRECTORS

Our Board of Directors is requesting that shareholders approve an amendment to our Articles of Incorporation that will require a showing of cause for shareholders to remove directors.

Purpose and Effect of the Proposed Amendment

Section 16-10a-808 of the Revised Act provides that shareholders may remove one or more directors with or without cause, unless the articles of incorporation provide that directors may be removed only for cause. Although Article IX of the Articles of Incorporation provides that a director may be removed upon the vote of at least three-fourths (75%) of the then issued and outstanding capital shares of the Company, it currently does not prohibit shareholders from removing directors without cause. As a result, our Board of Directors proposes to remove in its entirety the following provision from the Articles of Incorporation:

> Directors shall only be subject to removal before their term has expired upon the vote of at least three-fourths (75%) of the then issued and outstanding capital shares of the Corporation.

If approved, the proposed amendment will amend the Articles of Incorporation to replace the foregoing provision with following text:

> 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.

One effect of the proposed amendment is to make it more difficult for holders of three-fourths (75%) of the then issued and outstanding capital shares of the Company to remove Directors, even if they deem it to be in their best interest to do so. Our Board of Directors believes that eliminating the ability of shareholders to remove directors without cause will promote the stability and continuity of leadership and maintain the integrity of a classified board. The proposed amendment should also render more difficult, and may discourage, an attempt to acquire control of the Company without the approval of the Board and the Company's management. For example, the proposed amendment will impede someone who acquires voting control of the Company immediately to remove the incumbent directors who may oppose such person and to replace them with directors supporting their agenda, and will instead require such person to demonstrate cause for removal of an incumbent director or replace incumbent directors as their terms expire over a period of up to three years.

Vote Required

Approval of Proposal Nine requires the affirmative vote of three-fourths (75%) of the total outstanding shares of Common Stock. Abstentions will count as votes AGAINST the proposal. Since a proposal concerning the shareholder voting requirements is a matter on which brokers are not empowered to vote without instructions, there may be broker non-votes on Proposal Nine.

Recommendation of the Board of Directors

The Board of Directors unanimously recommends a vote FOR the proposal to amend the Articles of Incorporation to prohibit shareholder removal of directors without cause.

PROPOSAL TEN:

APPROVAL OF AMENDMENT TO RESTATED ARTICLES OF INCORPORATION TO REQUIRE SHAREHOLDERS TO ACT BY SHAREHOLDER MEETING AND NOT BY WRITTEN CONSENT

Our Board of Directors is requesting that shareholders approve an amendment to our Articles of Incorporation that will require shareholders to act by shareholder meeting and not by written consent.

Purpose and Effect of the Proposed Amendment

Under Section 16-10a-704 of the Revised Act, unless otherwise provided in a company's articles of incorporation, any action required or permitted to be taken by shareholders at a meeting may be taken without notice, without a meeting and without a shareholder vote if a written consent setting forth the action to be taken is signed by holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize or take the action at a meeting at which all shares entitled to vote were present and voted. Our Restated Charter does not currently address shareholder action by written consent. Consequently, we propose a modification to the Articles of Incorporation to include a new Article to read in its entirety as follows, which will eliminate the ability of shareholders to act by written consent:

> 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.

The proposed amendment is intended to give all shareholders of the Company the opportunity to participate in determining any proposed action of shareholders and to allow the Board the opportunity to give advance consideration to, and to give the shareholders its recommendation with respect to, any such proposed action. The Board believes that it is appropriate to prevent the holders of a majority of outstanding voting securities from taking unannounced action and from using the written consent procedure to take action affecting the rights of all of shareholders without such action being fully considered by all of shareholders at a formal meeting of shareholders. The proposed amendment will therefore prevent shareholders from taking action other than at an annual or special meeting of shareholders.

The proposed amendment is also intended to protect the Company and its shareholders from unfair or coercive takeover tactics. As part of a hostile takeover attempt, hostile bidders often attempt to force a response by the target company through threats or attempts to secure shareholder action without a meeting, which may not provide the board of directors of the target company with a reasonable opportunity to consider whether such hostile bid or shareholder proposal is in the best interests of the shareholders of the target company. The proposed amendment is intended to eliminate the Company's vulnerability to such tactics and to ensure that appropriate takeover bids for the Company can be considered in a deliberate, proper and fully informed manner. The proposal, if approved, may be disadvantageous to shareholders to the extent that it has the effect of delaying or discouraging a future takeover attempt that is not approved by the Board, but which a majority of shareholders may deem to be in their best interests.

Vote Required

Approval of Proposal Ten requires the affirmative vote of a majority of the total outstanding shares of Common Stock. Abstentions will count as votes AGAINST the proposal. Since a proposal concerning the shareholder voting requirements is a matter on which brokers are not empowered to vote without instructions, there may be broker non-votes on Proposal Ten.

Recommendation of the Board of Directors

The Board of Directors unanimously recommends a vote FOR the proposal to amend the Articles of Incorporation to eliminate the ability of shareholders to act by written consent.

PROPOSAL ELEVEN:

APPROVAL OF AMENDMENT TO RESTATED ARTICLES OF INCORPORATION TO ENHANCE SHAREHOLDER VOTING REQUIREMENTS TO ADOPT, AMEND OR REPEAL THE COMPANY'S BYLAWS

Our Board of Directors is requesting that shareholders approve an amendment to our Articles of Incorporation that will require approval of at least a majority of the total outstanding capital shares of the Company to adopt, amend or repeal our Bylaws.

Purpose and Effect of the Proposed Amendment

Section 16-10a-1020 of the Revised Act provides that a company's shareholders may amend its bylaws at any time, even though the bylaws may also be amended at any time by the board of directors. Our Restated Charter does not currently address shareholder actions to adopt, amend or repeal our Bylaws. As a result, changes to our Bylaws may be implemented by our shareholders at a meeting of shareholders in which a quorum is present and the votes cast in favor of a proposed amendment to the Bylaws exceeds the votes cast against such proposal. Our Board of Directors believes that it is advisable to enhance the shareholder approval requirements to adopt, amend or repeal our Bylaws by requiring the approval of at least a majority of the outstanding capital shares of the Company.

If approved, the proposed amendment will amend the Articles of Incorporation to add a new Article to read, in pertinent part, as follows:

> The shareholders of the Corporation may only adopt, amend or repeal bylaws with the affirmative vote of the holders of at least a majority 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.

The proposed amendment is intended to protect the Company and its shareholders from unfair or coercive takeover tactics. As part of a hostile takeover attempt, hostile bidders may acquire equity securities of a company and attempt to change provisions in the bylaws with respect to shareholder proposals and shareholder nominations to the board of directors in order to facilitate a takeover. The proposed amendment is intended to reduce the Company's vulnerability to such tactics. The proposal, if approved, may be disadvantageous to shareholders to the extent that it has the effect of impeding corporate governance changes that may be beneficial to all shareholders.

Vote Required

Approval of Proposal Eleven requires the affirmative vote of a majority of the total outstanding shares of Common Stock. Abstentions will count as votes AGAINST the proposal. Since a proposal concerning the shareholder voting requirements is a matter on which brokers are not empowered to vote without instructions, there may be broker non-votes on Proposal Eleven.