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**UNITED STATES DISTRICT COURT  
DISTRICT OF UTAH**

_____	)	Master File No.
AND ALL OTHERS SIMILARLY	)	
SITUATED,	)	
	)	CLASS ACTION COMPLAINT FOR
Plaintiff(s),	)	VIOLATION OF SECURITIES LAWS
	)	
v.	)	
	)	JURY TRIAL DEMANDED
NATURE’S SUNSHINE PRODUCTS, INC.,	)	
CRAIG D. HUFF, DANIEL P. HOWELLS,	)	
DOUGLAS FAGGIOLI, EUGENE L.	)	
HUGHES, and KRISTINE L. HUGHES,	)	
	)	
Defendants.	)	
	)	
_____	)	

Plaintiff, individually and on behalf of all other persons similarly situated, by plaintiff’s undersigned attorneys, for plaintiff’s complaint, alleges upon the investigation made by and through plaintiff’s counsel, which included, relevant public filings made by Nature’s Sunshine Products, Inc. (“Nature” or the “Company”) with the Securities and Exchange Commission (the “SEC”), as well as press releases, news articles, analyst reports, court filings, and media reports concerning the Company. This complaint is based upon plaintiff’s personal knowledge as to plaintiff’s own acts, and upon information and belief as to all other matters, except where indicated otherwise.

### **NATURE OF ACTION**

1. Plaintiff brings this action as a class action on behalf of himself and all other persons or entities who purchased Nature common stock on the open market, other than defendants and certain related persons and entities, during the period beginning on May 13, 2002 through March 20, 2006 (the "Class Period"), to recover damages caused to the Class by defendants' violations of the federal securities laws.

### **JURISDICTION AND VENUE**

2. The claims asserted herein arise under and pursuant to Sections 10(b) and 20(a) of the Exchange Act, 15 U.S.C. §§ 78j(b), 78b-1 and 78t(a), and Rule 10b-5 promulgated thereunder by the SEC, 17 C.F.R. §240.10b-5.

3. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §§ 1331 and 1337 and Section 27 of the Exchange Act, 15 U.S.C. § 78aa.

4. Venue is proper in this District pursuant to Section 27 of the Exchange Act, and 28 U.S.C. § 1391(b). Defendants maintain their principal executive offices in this District and many of the acts, practices and transactions complained of herein occurred in substantial part in this District.

5. In connection with the acts alleged in this complaint, defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the mails, interstate telephone communications and the facilities of the national securities markets.

### **PARTIES**

6. Plaintiff, \_\_\_\_\_, purchased Nature common stock during the Class Period. His PSLRA certification is attached hereto.

7. Defendant Nature is a Utah Corporation with its principal place of business in Provo, Utah. Nature and its subsidiaries purport to be engaged in the manufacture and marketing of nutritional and personal care products. The Company is listed on NASDAQ National Market and currently trades under ticker symbol "NATRE".

8. Defendant Craig D. Huff was the Chief Financial Officer, Executive Vice President, and Treasurer of Nature, until his sudden resignation from the Company on March 27, 2006.

9. Defendant Douglas Faggioli is the President, CEO and Director of the Company. He has held those positions since November 2003. Prior to November 2003, he served as the Executive Vice President, COO, and Director of the Company. Faggioli is a Certified Public Accountant.

10. Defendant Daniel P. Howells was the President, CEO, and Director of Nature during the Class Period prior to his resignation in November 2003.

11. Defendant Eugene L. Hughes is a founder of the Company's predecessor Company. He has served as an officer or director of Nature and/or its predecessor companies since 1972. He is the husband of defendant Kristine F. Hughes.

12. Defendant Kristine F. Hughes is the Chairperson of the Board of Directors and a co-founder of the predecessor of Nature. She is the wife of Eugene L. Hughes.

13. Collectively, hereafter the "Individual Defendants."

14. By virtue of their positions at Nature, the Individual Defendants had access to the adverse and undisclosed information about Nature's business conditions and financial results. The Individual Defendants directly participated in the management of Nature, were directly involved in the operations of Nature at the highest levels, were privy to information concerning the undisclosed business conditions and financial results of Nature and were involved in the dissemination of the materially false and misleading statements and information alleged herein.

15. By reason of their positions as executive officers and/or directors of Nature, the Individual Defendants were at all relevant times controlling persons within the meaning of Section 20 of the Exchange Act. Because of their executive and directorial positions with Nature, the Individual Defendants had access to the adverse and undisclosed information about Nature's business conditions and financial results. Further, as particularized herein, the Individual Defendants were able to and did control the contents of various reports and public statements regarding Nature. Any acts attributed to Nature were caused and/or influenced by the Individual Defendants by virtue of their controlling-person positions at Nature.

16. As the senior officers and/or directors of a publicly-held company whose securities were, and are, registered with the SEC pursuant to the Exchange Act, traded on The NASDAQ, and governed by the provisions of the federal securities laws, the Individual Defendants have a duty to promptly disseminate accurate and truthful information about the undisclosed and material business conditions of Nature, so that the market price of Nature's publicly-traded securities would be based upon truthful and accurate information. The Individual Defendants' misrepresentations and omissions during the Class Period violated these specific requirements and obligations. By virtue of their positions of control and authority at Nature, the Individual Defendants had the power to and did control the content of the various public statements concerning Nature, its business conditions and financial results during the Class Period and indeed made many of the challenged statements described herein. Accordingly, the Individual Defendants were responsible for the accuracy of the public statements and releases detailed herein and are primarily liable for the misrepresentations contained therein.

#### **PLAINTIFF'S CLASS ACTION ALLEGATIONS**

17. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil

Procedure 23(a) and (b)(3) on behalf of all those who purchased or otherwise acquired the securities of Nature during the Class Period and who suffered damages (the "Class"). Excluded from the Class are defendants, the officers and directors of the Company, members of their immediate families and their legal representatives, heirs, successors, or assigns and any entity in which defendants have or had a controlling interest.

18. The members of the Class are so numerous that joinder of all members is impracticable. While the exact number of Class members is unknown to plaintiffs at this time and can only be ascertained through appropriate discovery, plaintiffs believe that there are hundreds or thousands of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by Nature or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

19. Plaintiffs' claims are typical of the claims of the members of the Class as plaintiffs purchased Nature stock during the Class Period and all members of the Class are similarly affected by defendants' wrongful conduct in violation of federal law that is complained of herein.

20. Plaintiff will fairly and adequately protect the interests of the members of the Class and have retained counsel competent and experienced in class and securities litigation.

21. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

(a) whether the federal securities laws were violated by defendants' acts as alleged herein;

(b) whether defendants misrepresented material facts and omitted to state material facts necessary to prevent the statements made to the investing public from being misleading during the Class Period concerning its financial statements;

(c) whether defendants acted knowingly or recklessly in making materially misleading representations or omitting to state material facts during the Class Period;

(d) whether the market prices of the Company's common stock was artificially inflated or distorted during the Class Period because of defendants' conduct complained of herein; and

(e) whether the members of the Class have sustained damages and the proper measure of such damages.

22. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

### **SUBSTANTIVE ALLEGATIONS**

23. During the Class Period, Nature issued and filed materially false and misleading financial statements with the SEC. In particular, the Company's financial statements filed with its Form 10-Qs with the SEC for each quarterly reporting period from 2002 through 2005, and its financial statements filed with its Form 10-Ks for end of year 2002, 2003, and 2004 contained false and misleading information. The Form 10-Qs and 10-Ks resulted from the Company's failure to maintain adequate internal controls, violations of GAAP, and the reckless and

intentional conduct of the defendants.

24. On May 13, 2002 Nature filed its Form 10-Q for the quarter ended March 31, 2002. The form 10-Q was signed by Howells as CEO and President and Huff as CFO of the Company.

25. The financial statements contained in May 13, 2002 Form 10-Q was false and misleading as evidenced by the Company's March 20, 2006 press release which states in relevant part:

## **Nature's Sunshine Retracts Financials**

Monday March 20, 2:38 pm ET

### **Nature's Sunshine Products Says Financial Statements Should Not Be Relied Upon**

PROVO, Utah (AP) -- Health care product maker Nature's Sunshine Products Inc. on Monday said **past financial statements are no longer reliable** and warned that it may delisted from the Nasdaq if it is unable to get a filing extension from the market.

Shares of Nature's Sunshine plummeted on the news.

In a filing with the Securities and Exchange Commission, the company stated that an **ongoing investigation by the company's audit committee and an independent consultant into "certain of its foreign operations" and past financial statements has found "internal control weaknesses" and "potential violations of law."**

**Based on preliminary results from an ongoing investigation, the company said, statements for the fiscal years 2002 to 2004 and the first three quarters of 2005, should not be relied upon and may have to be restated.**

In addition to retracting the financial statements above, the preliminary report also **recommended the termination of undisclosed employees and certain officers.**

The company has "contacted relevant authorities in the United States with respect to the potential violations of law outlined in the preliminary report," the filing said.

"At this time, it is impossible to accurately predict whether, and if so, to what extent, any prior periods may need to be restated," the filing continued.

26. The March 20, 2006 announcement shocked the market. On the prior trading date, March 17, 2006, Nature's stock closed at \$16.49. At the close of trading on March 20, 2006, Nature's stock closed down 13% or \$2.16 from its March 17, 2006 price. Nature's stock

continued to fall as additional details were about its false financial filing were announced.

27. On August 14, 2002 the Company filed its Form 10-Q for the quarter ended June 30, 2002. The form 10-Q was signed by Howells as CEO and President and Huff as CFO of the Company.

28. The August 14, 2002 Form 10-Q was false and misleading as set forth in ¶ 25, above.

29. On November 14, 2002 the Company filed its Form 10-Q for the quarter ended September 30, 2002. The Form 10-Q was signed by Howells as CEO and President and Huff as CFO of the Company.

30. The November 14, 2002 Form 10-Q was false and misleading as set forth in ¶ 25, above.

31. On March 28, 2003 the Company filed its Form 10-K for the fiscal year ended December 31, 2002. The Form 10-K was signed by: Howells as President, CEO, and Director; Huff as Vice President of Finance, Treasurer, CFO, and Chief Financial Officer; Faggioli as COO and Director; Kristine Hughes as Chairman of the Board and Director; and Eugene Hughes as Vice President and Director.

32. The March 28, 2003 Form 10-K was false and misleading as set forth in ¶ 25, above.

33. On May 14, 2003 the Company filed its Form 10-Q for the quarter ended March 31, 2003. The Form 10-Q was signed by Howells as CEO and President and Huff as CFO, Executive Vice President, and Treasurer of the Company.

34. The May 14, 2003 From Form 10-Q was false and misleading as set forth in ¶ 25, above.

35. On August 14, 2003 the Company filed its Form 10-Q for the quarter ended June 30, 2003. The Form 10-Q was signed by Howells as CEO and President and Huff as CFO, Executive Vice President, and Treasurer of the Company.

36. The August 14, 2003 Form 10-Q was false and misleading as set forth in ¶ 25, above.

37. On November 13, 2003 the Company filed its Form 10-Q for the quarter ended September 30, 2003. The Form 10-Q was signed by Faggioli as COO and Chief Presiding Officer and Huff as CFO, Executive Vice President, and Treasurer of the Company.

38. On March 15, 2004 the Company filed its Form 10-K for the fiscal year ended December 30, 2003. The Form 10-K was signed by Faggioli as CEO and Director, Huff as Vice President of Finance, Treasurer, CFO, and Chief Accounting Officer, Kristine Hughes as Chairman of the Board and Director, and Eugene Hughes as Director.

39. The Form 10-K was false and misleading as set forth in ¶ 25, above.

40. On May 7, 2004 the Company filed its Form 10-Q for the quarter ended March 31, 2004. The Form 10-Q was signed by Faggioli as President and CEO, and Huff as Executive Vice President, CFO, and Treasurer of the Company.

41. The May 7, 2004 Form 10-Q was false and misleading as set forth in ¶ 25, above.

42. On August 9, 2004 the Company filed its Form 10-Q for the quarter ended June 30, 2004. The Form 10-Q was signed by Faggioli as President and CEO, and Huff as Executive Vice President, CFO, and Treasurer of the Company.

43. The August 9, 2004 Form 10-Q was false and misleading as set forth in ¶ 25, above.

44. On November 9, 2004 the Company filed its Form 10-Q for the quarter ended

September 30, 2004. The Form 10-Q was signed by Faggioli as President and CEO, and Huff as Executive Vice President, CFO, and Treasurer of the Company.

45. The November 9, 2004 Form 10-Q was false and misleading as set forth in ¶ 25, above.

46. On March 2, 2005 the Company filed its Form 10-K for the fiscal year ended December 31, 2004. The Form 10-K was signed by Faggioli as President, CEO and Director; Huff as CFO, Vice President of Finance, Treasurer, and Chief Accounting Officer; Kristine Hughes as Chairman of the Board and Director, and Eugene Hughes as Director.

47. The March 2, 2005 Form 10-K was false and misleading as set forth in ¶ 25, above.

48. On May 10, 2005 the Company filed its Form 10-Q for the quarter ended March 31, 2005. The Form 10-Q was signed by Faggioli as President and CEO, and Huff as Executive Vice President, CFO, and Treasurer of the Company.

49. The May 10, 2005 Form 10-Q was false and misleading as set forth in ¶ 25, above.

50. On August 9, 2005 the Company filed its Form 10-Q for the quarter ended June 30, 2005. The Form 10-Q was signed by Faggioli as President and CEO, and Huff as Executive Vice President, CFO, and Treasurer of the Company.

51. The August 9, 2005 Form 10-Q was false and misleading as set forth in ¶ 25, above.

52. On November 22, 2005 the Company filed its Form 10-Q for the quarter ended September 30, 2005. The Form 10-Q was signed by Faggioli as President and CEO, and Huff as Executive Vice President, CFO, and Treasurer of the Company.

53. The November 22, 2005 Form 10-Q was false and misleading as set forth in ¶ 25, above.

#### **ADDITIONAL ALLEGATIONS DEMONSTRATING SCIENTER AND FALSITY**

54. As alleged herein, defendants acted with scienter in that defendants knew that the public documents and statements issued or disseminated in the name of the Company were materially misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws. As set forth elsewhere herein in detail, defendants, by virtue of their receipt of information reflecting the true facts regarding Nature, their control over, and/or receipt and/or modification of Nature's allegedly materially misleading statements and/or their associations with the Company which made them privy to confidential proprietary information concerning Nature, participated in the fraudulent scheme alleged herein.

55. On March 28, 2006 the Company announced that Huff, the Company's CFO, resigned on March 27, 2006.

#### **APPLICABILITY OF PRESUMPTION OF RELIANCE**

##### **FRAUD-ON-THE-MARKET DOCTRINE**

56. At all relevant times, the market for Nature's securities was an efficient market.

57. As a result of the foregoing, the market for Nature's securities promptly digested current information regarding Nature from all publicly available sources and reflected such information in Nature's stock price. Under these circumstances, all purchasers of Nature securities during the Class Period suffered similar injury through their purchase of

Nature securities in an efficient market at artificially inflated prices and a presumption of reliance applies.

### **DEFENDANTS CAUSED PLAINTIFFS' LOSSES**

58. During the Class Period, defendants engaged in a scheme to deceive the market and a course of conduct that artificially inflated Nature's stock price and operated as a fraud or deceit on purchasers of Nature stock by misrepresenting the Company's financial condition and business prospects. Once defendants' misrepresentations and fraudulent conduct were disclosed to the market, Nature's stock price reacted negatively as the artificial inflation was removed from its stock price. As a result of their purchases of Nature stock during the Class Period, Plaintiff and other members of the Class suffered economic loss.

59. During the Class Period, defendants' false and misleading statements had the intended effect and caused Nature stock to trade at artificially inflated levels throughout the Class Period.

60. As investors and the market became aware of Nature's prior misstatements and omissions and that Nature's actual financial condition and business prospects were, in fact, not as represented, Nature's stock price reacted negatively, damaging investors.

61. On March 20, 2006, the Company announcement that the financial statements contained in its Form 10-Qs for each quarter during 2002 through 2005 should not be relied upon. The Company also announced that the financial statements contained its from 10-Ks for the fiscal years 2002, 2003, and 2004 should also not be relied upon. Additionally, the Company announced that pursuant to an internal investigation, a special committee has determined "certain internal control weaknesses" and "potential violations of law." The committee also recommended "termination of certain employees and senior officers." The March 20, 2006

announcement caused Nature's stock to fall 13% from \$16.49 to \$14.33. Nature's stock continued to fall over the next couple of days as additional details about the Company's internal investigation and false financial statements were released.

62. On March 27, 2006 the Company announced that it received a delisting notice from the NASDAQ as the Company had failed to timely file its Form 10-K for fiscal year 2005. This announcement caused Nature's stock to fall an additional 14.9% from \$13.61 to \$11.58.

### **NO SAFE HARBOR**

63. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this complaint. The specific misrepresentations of defendants pleaded herein were not identified as "forward-looking statements" when made. To the extent there were any forward-looking statements, there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements. Alternatively, to the extent that the statutory safe harbor does apply to any forward-looking statements pleaded herein, defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements was made, the particular speaker knew that the particular forward-looking statement was false, and/or the forward-looking statement was authorized and/or approved by an executive officer of Nature who knew that those statements were false when made.

### **FIRST CLAIM**

#### **Violation Of Section 10(b) Of The Exchange Act**

#### **And Rule 10b-5 Promulgated Thereunder as Against All Defendants**

64. Plaintiff repeats and re-alleges each and every allegation contained above as

if fully set forth herein.

65. This claim is alleged against all defendants.

66. Throughout the Class Period, defendants, individually and in concert, directly or indirectly, engaged in a common plan, scheme and course of conduct described herein, pursuant to which they knowingly or recklessly engaged in acts, transactions, practices and a course of business which operated as a fraud upon plaintiff and the other members of the Class; made various false statements of material facts and omitted to state material facts to make the statements made not misleading to plaintiff and the other members of the Class; and employed manipulative or deceptive devices and contrivances in connection with the purchase and sale of Nature common stock.

67. The purpose and effect of defendants' plan, scheme and course of conduct was to artificially inflate and maintain the price of Nature's common stock.

68. Defendants, who are the top officers of the Company, had actual knowledge of the material omissions and/or the falsity of the material statements set forth above, and intended to deceive plaintiff and the other members of the Class, or, in the alternative, acted with reckless disregard for the truth when they failed to ascertain and disclose the true facts in the statements made by them or other Nature personnel to members of the investing public, including plaintiff and the Class, and the securities analysts.

69. As a result of the foregoing, the market price of Nature's securities was artificially inflated during the Class Period. In ignorance of the falsity of the defendants' statements plaintiff and the other members of the Class relied, to their damage, on the statements described above and/or the integrity of the market price of Nature securities during the Class Period in purchasing Nature common stock at prices which were artificially inflated as a result of

defendants' false and misleading statements.

70. Had plaintiff and the other members of the Class known of the material adverse information which defendants did not disclose, they would not have purchased Nature common stock at the artificially inflated prices that they did.

71. By virtue of the foregoing, defendants have violated Section 10(b) of the Exchange Act, and Rule 10b-5 promulgated thereunder.

72. As a direct and proximate result of defendants' wrongful conduct, plaintiff and the other members of the Class suffered damages in connection with their respective purchases and sales of the Company's securities during the Class Period.

73. This action is being brought within two years after the discovery of the untrue statements and omissions and within five years after their issuance.

## **SECOND CLAIM**

### **Violation Of Section 20(a) Of The Exchange Act Against**

#### **Huff, Faggioli, Howells, E. Hughes, and K. Hughes.**

74. Plaintiff repeats and re-alleges each and every allegation contained above as if fully set forth herein.

75. This second claim under §20(a) of the Exchange Act is alleged against Huff, Howells, E. Hughes, and K. Hughes only, based on the primary violation of §10b and Rule 10b-5 by Nature as stated in the First Claim above.

76. Huff, Howells, E. Hughes, and K. Hughes acted as controlling persons of Nature within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions, and their ownership and contractual rights, participation

in and/or awareness of the Company's operations and/or intimate knowledge of the false and misleading information disseminated to the investing public, these defendants had the power to influence and control and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements which plaintiff contends are false and misleading. These defendants were provided with or had unlimited access to copies of the Company's reports, press releases, public filings and other statements alleged by plaintiff to be misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

77. In particular, each of these defendants had direct and supervisory involvement in the day-to-day operations of the Company and, therefore, is presumed to have had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same,

78. As set forth above. Defendants each violated Section 10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint. By virtue of their positions as controlling persons of Nature, Huff, Howells, E. Hughes, and K. Hughes are liable pursuant to Section 20(a) of the Exchange Act.

79. As a direct and proximate result of defendants' wrongful conduct, plaintiff and other members of the Class suffered damages in connection with their purchases of the Company's securities during the Class Period.

80. This action is being brought within two years after the discovery of the untrue statements and omissions and within five years after their issuance.

**WHEREFORE**, plaintiff prays for relief and judgment, as follows:

(A) Determining that this action is a proper class action, certifying plaintiff as a class representative under Rule 23 of the Federal Rules of Civil Procedure and plaintiff's counsel as Lead Counsel;

(B) Awarding compensatory damages in favor of plaintiff and the other Class members against all defendants, jointly and severally, for all damages sustained as a result of defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;

(C) Awarding plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and

(D) Such other and further relief as the Court may deem just and proper.

**JURY TRIAL DEMANDED**

Plaintiff hereby demands a trial by jury.

Dated: March \_\_\_\_, 2006

Respectfully submitted,

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