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IN THE UNITED STATES DISTRICT COURT
DISTRICT OF UTAH, CENTAL DIVISION

SECURITIES AND EXCHANGE COMMISSION, Plaintiff, v. NATURE'S SUNSHINE PRODUCTS, INC., a Utah Corporation, DOUGLAS FAGGIOLI, and CRAIG D. HUFF, Defendants.	**COMPLAINT** Civil No. 2:09CV0672 Judge: Bruce S. Jenkins

Plaintiff, Securities and Exchange Commission (the "Commission"), for its Complaint against Defendants alleges as follows:

INTRODUCTION

1. This matter involves payments made by Nature's Sunshine Product Inc.'s ("NSP") wholly-owned subsidiary in Brazil to customs agents to import certain unregistered NSP products into Brazil during 2000 and 2001.

2. NSP is a manufacturer of nutritional and personal care products which markets its products worldwide through a system of independent multi-level marketing distributors.

3. In or about 1994, NSP established a wholly-owned subsidiary in Brazil, a country which soon became NSP's largest foreign market.

4. In or about 1999 and 2000, the Brazilian government reclassified certain vitamins, herbal products, and nutritional supplements being sold in Brazil as medicines, including certain products being sold at that time by NSP's Brazilian subsidiary. The re-classification required NSP's Brazilian subsidiary to register many NSP products it sold in Brazil as medicines.

5. NSP's Brazilian subsidiary was unable to register some of these products, and as a consequence, sales for NSP's Brazilian subsidiary dramatically declined

6. In an effort to circumvent the new registration requirements for the importation and sale of certain NSP products, NSP's subsidiary in Brazil made undocumented cash payments to Brazilian customs brokers, some of which were later paid to Brazilian customs officials to allow unregistered products to be imported then sold in Brazil.

7. In doing so, NSP's subsidiary falsified its books, records and accounts to hide the nature of the payments.

8. NSP failed to disclose those payments to Brazilian customs agents in its filings with the Commission.

JURISDICTION AND VENUE

9. This Court has subject matter jurisdiction by authority of Sections 21 and Section 27 of the Securities Exchange Act of 1934 (the "Exchange Act") [15 U.S.C. §§ 78u and 78aa].

10. Defendants, directly and indirectly, singly and in concert, have made use of the means and instrumentalities of interstate commerce and the mails in connection with the transactions, acts and courses of business alleged herein, certain of which have occurred within the District of Utah.

11. Venue for this action is proper in the District of Utah under Section 27 of the Exchange Act [15 U.S.C. § 78aa] because certain of the transactions, acts, practices, and courses of business alleged in this Complaint took place in this district and because certain of the defendants reside in and transact business in this district.

12. Defendants, unless restrained and enjoined by this Court, may continue to engage in the transactions, acts, practices, and course of business alleged herein and in transactions, acts, practices, and courses of business of similar purport and object.

DEFENDANTS

13. **Nature's Sunshine Products, Inc.** is a Utah corporation headquartered in Provo, Utah, with subsidiaries in approximately 21 foreign countries. NSP has more than 1,000 employees and 730,000 distributors worldwide.

14. **Douglas Faggioli**, age 54, is a resident of Utah. Faggioli is president and chief executive officer ("CEO") of NSP, and is currently a member of its board of directors. Faggioli has worked for NSP since 1983, holding many positions including chief financial officer ("CFO") and chief operating officer ("COO") prior to becoming NSP's CEO. During the period relevant to this complaint, Faggioli was NSP's COO and a member of its board of directors.

15. **Craig D. Huff**, age 53, is a resident of Utah. During the period relevant to this complaint, Huff was NSP's CFO. Huff was employed by NSP from 1982 until his resignation in 2006. Huff was a licensed CPA but allowed his license to lapse after he left NSP. Huff was retired for a time but now supervises workers at a food welfare program administered by his church.

NSP'S CASH PAYMENTS TO CUSTOMS BROKERS

16. In 1994, NSP established a wholly-owned subsidiary in Brazil, Natures Sunshine Produtos Naturais Ltda. ("NSP Brazil").

17. NSP Brazil's sales in Brazil grew rapidly, and by the late 1990s, Brazil constituted NSP's largest foreign market.

18. In or about 1999-2000, the Agência Nacional de Vigilância Sanitária ("ANVISA"), a Brazilian governmental agency responsible for regulating nutritional products, among other things, reclassified as medicines many vitamins, herbal products, and nutritional supplements, including products being sold by NSP Brazil and other companies.

19. As a result of the new regulatory requirements, NSP Brazil was required by ANVISA to register many NSP products in order to legally import and sell them in Brazil.

20. NSP Brazil was unable to register many NSP products. Consequently, NSP Brazil could not legally import and sell those NSP products in Brazil.

21. As a result of the restriction on the types of products NSP Brazil could import and sell, sales by NSP Brazil declined substantially from approximately $22 million in 2000 to approximately $2.6 million in 2003.

22. In an effort to circumvent the importation restrictions on many NSP products, NSP Brazil made certain undocumented cash payments in 2000 and 2001 to facilitate the importation of unregistered product to Brazil ("Cash Payments").

23. NSP Brazil's accounting records suggest that during 2000 and 2001, NSP Brazil made Cash Payments to customs brokers totaling over $1 million, some of which were later paid to customs officials. The Cash Payments were typically booked by NSP Brazil in its accounting records as "importation advances."

24. The Cash Payments were used to enable NSP Brazil to import registered and unregistered NSP products for sale in Brazil.

25. The recipients of some of the Cash Payments ultimately included Brazilian government officials, so that they would allow NSP Brazil to import unregistered NSP product to sell in Brazil.

26. As a result of the Cash Payments, unregistered NSP products were imported into Brazil and sold by NSP Brazil.

27. The Cash Payments were not accurately recorded in NSP Brazil's books and records because they were characterized as legitimate importation expenses.

28. NSP Brazil did not have any legitimate supporting documentation for the Cash Payments.

29. In or about December 2000, during the period that Cash Payments were made, two former NSP controllers, who are not defendants in this action, visited the offices of NSP Brazil and interviewed, among several NSP Brazil employees, the operations manager for NSP Brazil.

30. During the interview, NSP Brazil's operations manager told the former NSP controllers that he was very concerned about products NSP Brazil was importing into Brazil because NSP Brazil did not have the proper product registration for many of the products, and therefore some NSP products that could not legally be sold in Brazil were being imported by NSP Brazil.

31. The NSP Brazil operations manager also told the former NSP controllers that pressure from the Brazilian government made it harder for NSP Brazil to find a customs broker willing to facilitate the importation of unregistered NSP products into Brazil.

32. As a result, according to the operations manager, it cost NSP Brazil 25% of the value of the product to find a customs broker willing to assist in the importation of unregistered NSP products into Brazil.

33. The operations manager further explained that NSP Brazil had many months of inventory in port because NSP Brazil could not find a customs broker willing to take the risk of facilitating the importation of unregistered NSP products into Brazil.

34. The operations manager stated that some unregistered NSP products that NSP Brazil did manage to get into Brazil as a result of the Cash Payments were sold illegally.

35. The operations manager stated that when he complained to the general manager of NSP Brazil, he was told by the general manager that NSP was fully aware of the problems in Brazil.

36. One of the former NSP Controllers was a corporate officer and NSP's corporate controller. The former NSP Controllers worked in Provo, Utah and had responsibility for, among other things, maintaining the books and records of NSP and the preparation of NSP's financial statements regarding the inclusion of financial information for NSP's foreign subsidiaries, including NSP Brazil. One of those former NSP Controllers also claimed to have informed a senior manager at NSP who is no longer with the company about the interviews of NSP Brazil employees.

37. In approximately November 2001, NSP Brazil hired a new controller.

38. When the new NSP Brazil controller reviewed NSP Brazil's books, he discovered a series of accounting entries reflecting approximately 80 cash payments for which there was no supporting documentation. Those entries included the Cash Payments.

39. Despite a lack of supporting documentation for the Cash Payments, NSP accounted for the payments in their 2001 financial statements as if they were legitimate importation expenses.

40. In or about 2002, in an effort to create the appearance that the Cash Payments were legitimate importation expenses, NSP Brazil purchased fictitious supporting documentation for the Cash Payments.

41. In its 2001 Form 10-K filed with the Commission in March 2002, NSP stated that NSP Brazil had experienced a significant decline in sales “due to import regulations imposed by the Brazilian government.”

42. NSP failed to disclose in its 2001 Form 10-K, filed with the Commission, any material information related to the Cash Payments.

DOUGLAS FAGGIOLI

43. At all times relevant to this complaint, Faggioli was COO of NSP and as such, had supervisory responsibilities for the senior management and policies regarding the worldwide manufacture, inventory and distribution of NSP's products, including the export and sales of those products.

44. At all times relevant to this complaint, Faggioli's direct reports included the President of NSP International and other senior management who were directly or indirectly responsible for the management and policies related to the manufacture, inventory and distribution operations of NSP world-wide, including making and keeping NSP's books and records that accurately reflected in reasonable detail the state of registration of products sold in Brazil and devising and maintaining a system of internal controls

sufficient to provide reasonable assurance that the registration of NSP products sold in Brazil was adequately monitored.

45. Faggioli failed to adequately supervise NSP personnel in 2000 and 2001 to make and keep books and records that accurately reflected in reasonable detail the state of registration of NSP products sold in Brazil and to supervise NSP personnel in devising and maintaining a system of internal controls sufficient to have provided reasonable assurance that the registration of NSP products sold in Brazil was adequately monitored in 2000 and 2001.

CRAIG D. HUFF

46. At all times relevant to this complaint, Huff was CFO of NSP and as such, had supervisory responsibilities for the senior management and policies regarding the making and keeping of books and records at NSP that accurately reflected in reasonable detail the state of registration of products sold in Brazil and regarding devising and maintaining a system of internal controls at NSP sufficient to provide reasonable assurance that the registration of NSP products sold in Brazil was adequately monitored.

47. At all times relevant to this complaint, Huff's direct reports included senior management who were directly or indirectly responsible for making and keeping books and records at NSP that accurately reflected in reasonable detail the state of registration of products sold in Brazil and for devising and maintaining a system of internal controls at NSP sufficient to provide reasonable assurance that the registration of NSP products sold in Brazil was adequately monitored.

48. Huff failed to adequately supervise NSP personnel in 2000 and 2001 to make and keep books and records that accurately reflected in reasonable detail the state of registration of

NSP products sold in Brazil and to adequately supervise NSP personnel in devising and maintaining a system of internal controls sufficient to have provided reasonable assurance that the registration of NSP products sold in Brazil was adequately monitored in 2000 and 2001.

FIRST CAUSE OF ACTION

CORRUPT PAYMENTS TO FOREIGN OFFICIALS BY NSP
Violations of Section 30A of the Exchange Act [15 U.S.C. § 78dd-1]

49. The Commission realleges and incorporates by reference the allegations contained in Paragraphs 1 through 48 above.

50. As described above, NSP Brazil made illicit payments to a person or persons, while knowing that all or a portion of those payments would be offered, given, or promised, directly or indirectly, to foreign officials for the purposes of influencing their acts or decisions in their official capacity, inducing them to do or fail to do actions in violation of their lawful duties, securing an improper advantage, or inducing such foreign officials to use their influence with a foreign government or instrumentality thereof to assist NSP Brazil in obtaining or retaining business.

51. By reason of the foregoing, NSP violated, and unless restrained and enjoined may continue to violate the anti-bribery provision of the FCPA, as codified in Section 30A of the Exchange Act [15 U.S.C. § 78dd-1].

SECOND CAUSE OF ACTION

FRAUD IN CONNECTION WITH THE PURCHASE AND
SALE OF SECURITIES BY NSP
Violations of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5]

52. The Commission realleges and incorporates by reference the allegations contained in Paragraphs 1 through 51, above.

53. NSP, by engaging in the conduct described above, directly or indirectly, by the use of means or instrumentalities of interstate commerce or use of the mails, in connection with the purchase or sale of securities, with scienter, (1) employed devices, schemes, or artifices to defraud; (2) made untrue statements of material fact or omitted to state a material fact necessary in order to make statements made, in light of the circumstances under which they were made not misleading; or (3) engaged in acts, practices, or courses of business that operated or would operate as a fraud and deceit upon other persons.
54. By reason of the foregoing, NSP, violated, and unless restrained and enjoined may continue to violate Section 10(b) of the Exchange Act [15 U.S.C. §78j(b)] and Rule 10b-5 promulgated thereunder [17 C.F.R. § 240.10b-5]

THIRD CAUSE OF ACTION

FALSE FILINGS WITH THE COMMISSION BY NSP
Violations of Section 13(a) of the Exchange Act [15 U.S.C. §§ 78m(a)] and Rules 12b-20, 13a-1, and 13a-13 [17 C.F.R. 240.12b-20, 240.13a-1, and 240.13a-13]

55. The Commission realleges and incorporates by reference the allegations contained in Paragraphs 1 through 54, above.

56. Section 13(a) and Rules 12b-20, 13a-1 and 13a-13 require companies filing periodic reports with the Commission to file accurate reports that do not omit material information that would otherwise make the information in the filings not misleading.

57. NSP violated Section 13(a) of the Exchange Act and Rules 12b-20, 13a-1, and 13a-13 thereunder by filing materially misleading Forms 10-Q for the quarters ended March 31, 2000, June 30, 2000, September 31, 2000, March 31, 2001, June 30, 2001, and September 31, 2001 and Forms 10-K for the fiscal years ended December 31, 2000 and December 31, 2001.

58. NSP's filings were materially inaccurate and contained misstatements and omissions in that, among other things:

    a. NSP's filings with the Commission failed to accurately reflect the Cash Payments and their purpose.

    b. NSP's filings with the Commission were later supported by fictitious documentation that erroneously characterized the Cash Payments as lawful importation expenses.

59. By reason of the foregoing, NSP directly or indirectly, violated, and unless restrained and enjoined may continue to violate Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 12b-20, 13a-1, and 13a-13 promulgated thereunder [17 C.F.R. 240.12b-20, 240.13a-1, and 240.13a-13].

FOURTH CAUSE OF ACTION

FALSE FILINGS BOOKS AND RECORDS BY NSP
Violations of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. §§ 78m(b)(2)(A) and (B)]

60. The Commission realleges and incorporates by reference the allegations contained in Paragraphs 1 through 59, above.

61. Section 13(b)(2)(A) of the Exchange Act requires companies to keep accurate books, records and accounts which reflect the transactions entered into by a company and the disposition of its assets.

62. Section 13(b)(2)(B) requires companies to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in conformity with

generally accepted accounting principles or any other criteria applicable to such statements and to maintain accountability for such assets.

63. NSP failed to make and keep books, records and accounts that provided reasonable assurances that the transactions it had entered into had been accounted for properly in accordance with Generally Accepted Accounting Principles and not falsified. NSP's books and records did not fairly and accurately reflect the Cash Payments and their purpose, and the fictitious supporting documentation falsely characterized the Cash Payments as lawful payments to brokers to import legal product.

64. NSP knowingly failed to implement a system of internal controls and did not devise or maintain a system of internal accounting controls to assure that expenditures were properly recorded on its financial statements.

65. By reason of the foregoing, NSP, directly and indirectly, violated, and unless restrained and enjoined may continue to violate Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. §§ 78m(b)(2)(A) and (B)]

FIFTH CAUSE OF ACTION

CONTROL PERSON LIABILITY FOR BOOKS AND RECORDS VIOLATIONS AND FALSE FILINGS WITH THE COMMISSION

Violations of Sections 13(b)(2)(A) and (B) of the Exchange Act [15 U.S.C. §§ 78m(b)(2)(A) and 78m(b)(2)(B)] by Faggioli and Huff as Control Persons under Section 20(a) of the Exchange Act [15 U.S.C. § 20(a)]

66. The Commission realleges and incorporates by reference the allegations contained in Paragraphs 1 through 65, above.

67. During the period 2000 through 2001, Faggioli and Huff, directly or indirectly, as Control Persons, failed to make and keep books, records, and accounts, which in reasonable detail, accurately and fairly reflected the transactions of NSP.

68. During the period 2000 through 2001, Faggioli and Huff, directly or indirectly, as Control Persons, failed to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that transactions were recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements.

69. By reason of the foregoing, Faggioli and Huff, directly and indirectly, violated, and unless restrained and enjoined may continue to violate Sections 13(b)(2)(A) and (B) [15 U.S.C. §§ 78m(b)(2)(A) and 78m(b)(2)(B)] as Control Persons under Section 20(a) of the Exchange Act [15 U.S.C. § 20(a)].

RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that this Court:

I.

Issue findings of fact and conclusions of law that the Defendants committed the violations charged herein.

II.

Issue in a form consistent with Rule 65(d) of the Federal Rules of Civil Procedure an order that permanently restrains and enjoins NSP and its officers, agents, servants, employees, attorneys, and accountants, and those persons in active concert or participation with any of them, who receive actual notice of the order by personal service or otherwise, and each of them, from engaging in transactions, acts, practices, and courses of business described herein, and from engaging in conduct of similar purport and object in violation of Section 30A of the Exchange Act.

III.

Issue in a form consistent with Rule 65(d) of the Federal Rules of Civil Procedure an order that permanently restrains and enjoins NSP and its officers, agents, servants, employees, attorneys, and accountants, and those persons in active concert or participation with any of them, who receive actual notice of the order by personal service or otherwise, and each of them, from engaging in transactions, acts, practices, and courses of business described herein, and from engaging in conduct of similar purport and object in violation of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

IV.

Issue in a form consistent with Rule 65(d) of the Federal Rules of Civil Procedure, an order that permanently restrains and enjoins NSP and its officers, agents, servants, employees, attorneys, and accountants, and those persons in active concert or participation with any of them, who receive actual notice of the order by personal service or otherwise, and each of them, from engaging in the transactions, acts, practices, and courses of business described herein, and from engaging in conduct of similar purport and object in violation of Section 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act and Rules 12b-20, 13a-1, and 13a-13, thereunder.

V.

Issue in a form consistent with Rule 65(d) of the Federal Rules of Civil Procedure, orders that permanently restrain and enjoin Faggioli and Huff, and their agents, servants, employees, attorneys, and accountants, and those persons in active concert or participation with any of them, who receive actual notice of the order by personal service or otherwise, and each of them, from engaging in the transactions, acts, practices and courses of business described herein, and from engaging in conduct of similar purport and object in violation of Section13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act as Control Persons under 20(a) of the Exchange Act.

VI.

Enter an order directing Defendants, and each of them, to pay civil money penalties pursuant to Section 21(d)(3) of the Exchange Act.

VII.

Retain jurisdiction of this action in accordance with the principles of equity and the Federal Rules of Civil Procedure in order to implement and carry out the terms of all orders and decrees that may be entered, or to entertain any suitable application or motion for additional relief within the jurisdiction of this court.

Dated this 31st day of July 2009.

Respectfully submitted,

/s/ Karen L. Martinez
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Securities and Exchange Commission