Risk Factors Comparison 2024-02-15 to 2023-02-16 Form: 10-K

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We face a number of substantial risks. Our business, financial condition or results of operations could be harmed by any of these risks. The trading price of our common stock could decline due to any of these risks, which should be considered together with the other items in this Annual Report on Form 10- K, including Item 1. Business and Item 7. Management' s Discussion and Analysis of Financial Condition and Results of Operations. Risks Associated with Direct Selling and Our Sales ForceChallenges to the form of our network marketing system or to our business practices could harm our business. We may be subject to challenges by government regulators regarding the form of our network marketing system. Legal and regulatory requirements concerning the direct selling industry generally do not include " bright line " rules and are inherently fact- based and subject to interpretation. As a result, regulators and courts have discretion in their application of these laws and regulations, and the enforcement or interpretation of these laws and regulations by government agencies or courts can change. ~~Recent~~ **During the past several years,** settlements **and other judicial orders** between the U. S. Federal Trade Commission (" FTC ") and other direct selling companies and guidance from the FTC have addressed inappropriate earnings and lifestyle claims, problematic compensation structures and the importance of focusing on consumers. These developments have created ambiguity as to the proper interpretation of the law and related court decisions. The FTC has been active in its enforcement activities, and any adverse rulings or legal actions could impact our business if direct selling laws or anti- pyramid laws are interpreted more narrowly or in a manner that results in additional burdens or restrictions on direct selling companies. For example: ● In 2015, the FTC took aggressive actions against a multi- level marketing company, alleging an illegal business model and inappropriate earnings claims. ● In 2016, the FTC entered into a settlement with a multi- level marketing company, requiring the company to modify its business model, including basing sales compensation and qualification only on sales to retail and preferred customers and on purchases by a distributor for personal consumption within allowable limits. Although this settlement does not represent judicial precedent or a new FTC rule, the FTC has indicated that the industry should look at this settlement, and the principles underlying its specific measures, for guidance. ● In 2019, the FTC entered into a settlement with a multi- level marketing company, alleging an illegal business model and compensation structure and inappropriate earnings claims. The company agreed to a prohibition from engaging in multi- level marketing. ~~The FTC and another multi- level marketing company are currently in litigation, and that company had indicated the FTC was seeking to limit the levels of payment in its compensation structure as a condition to settlement.~~ ● During 2020 to 2022, the FTC issued letters that warned several direct- selling companies to remove and address claims that they or members of their sales force were making about their products' ability to treat **, cure** or prevent COVID- 19 and / or about the earnings that people who ~~have recently~~ **suffered the** ~~lost~~ **loss of a job or** income could make. ● In 2021, the FTC sent a notice to more than 1, 100 companies, including us ~~and two of our subsidiaries (Pharmanex, LLC and Big Planet, Inc.)~~ , that outlined several practices that the FTC determined to be unfair or deceptive in prior administrative cases. These practices relate to earnings claims, other money- making opportunity claims, and endorsements and testimonials. Pursuant to the FTC' s " penalty offense authority, " companies that received the notice are expected to comply with the standards set in the prior administrative cases and could incur significant civil penalties if they or their representatives fail to do so ~~. The penalties could be up to $ 46, 517 per violation, and there is some ambiguity in how a " violation " would be defined for these purposes~~ . ● In 2022, the FTC issued an Advanced Notice of Proposed Rulemaking (" ANPR ") indicating that it is considering proposing a rule regarding earnings claims. The ANPR also suggested, among other things, that the FTC ~~might~~ **would likely** not consider a disclaimer (such as " results not typical ") to be sufficient to correct a misleading impression from an atypical earnings claim. **● In 2023, the FTC won a suit against various entities and individuals involved in two multi- level marketing programs, alleging illegal business models and inappropriate earnings claims. The defendants were permanently barred from engaging in multi- level marketing programs.** Although we take steps to educate our sales force on proper claims, if members of our sales force make improper claims, or if regulators determine we are making any improper claims, this could lead to an FTC investigation and could harm our business. In this regard, FTC' s increased scrutiny of disclaimers, as discussed in the ANPR, could lead to more FTC actions regarding improper claims. In addition, if the requirements related to compensation structures in the actions listed above lead to new industry standards or new rules, or if they limit the levels in the network for which payments can be made, our business could be impacted and we may need to amend our global sales compensation plan. With a majority of our revenue in the United States coming from sales to retail customers and preferred customers, we believe that we can demonstrate consumer demand for our products, but we continue to monitor developments to assess whether we should make any changes to our business or global sales compensation plan. If we are required to make changes or if the FTC seeks to enforce similar measures in the industry, either through rulemaking or an enforcement action against our company, our business could be harmed. ~~We could~~ **From time to time, we** also ~~be~~ **are** subject to challenges by private parties in civil actions. We are aware of civil actions against other direct- selling companies in the United States that have resulted, and may in the future result, in significant settlements. Allegations directed at us and our competitors regarding the legality of multi- level marketing in various markets and adverse media reports have also created intense public scrutiny of us and our industry. Our business has also been subject to formal and informal inquiries from various government regulatory authorities in the past regarding our business and our compliance with local laws and regulations. Consumer protection groups also generate media and regulatory scrutiny of companies in our industry through regulatory referrals and other channels of publicity. All of these actions and any future scrutiny of us or our industry could generate negative publicity or further regulatory actions that could result in fines, restrict our ability to conduct our business in our various markets, enter into new markets, motivate our sales force and attract consumers. Laws and regulations may prohibit or severely restrict direct selling and cause our revenue and profitability to decline, and regulators could adopt new regulations that harm our business. Various government agencies throughout the world regulate direct sales practices. Laws and regulations in the United States, Japan, South Korea **, Vietnam** and Mainland China are particularly stringent and subject to broad discretion in enforcement by regulators. These laws and regulations are generally intended to prevent fraudulent or deceptive schemes, often referred to as " pyramid schemes, " that compensate participants primarily for recruiting additional participants without significant emphasis on product sales to consumers. The laws and regulations in our current markets often: ● impose requirements related to sign- up, order cancellations, product returns, inventory buy- backs and cooling- off periods for our sales force and consumers; ● require us, or our sales force, to register with government agencies; ● impose limits on the amount **and type** of sales compensation we can pay; ● impose reporting requirements; and ● require that our sales force is compensated for selling products and not for recruiting others. Complying with these widely varying and sometimes inconsistent rules and regulations can be difficult, time-consuming and expensive, and requires significant resources. The laws and regulations governing direct selling are modified from time to time, and like other direct selling companies, we are subject from time to time to government inquiries and investigations in our various markets related to our direct selling activities. This can require us to make changes to our business model and aspects of our sales compensation plan in the markets impacted by such changes and investigations. During 2021, the FTC announced that it is initiating a review of its Business Opportunity Rule, which imposes certain obligations on business opportunity sellers in their dealings with prospective buyers; the FTC issued a request for public comment on this rule in November 2022. Currently, multi- level marketing companies ~~are exempted from~~ **have been deemed not covered by** this rule. If this **changes** ~~exemption is eliminated~~ or if new regulations are adopted for multi- level marketing companies, it could negatively impact the growth of our sales force and our revenue. In addition, markets where we currently do business could change their laws or regulations to prohibit direct selling. If we are unable to obtain necessary licenses and certifications within required deadlines or continue business in existing markets or commence operations in new markets because of these laws, our revenue and profitability may decline. Any delay could negatively impact our revenue. Improper sales force actions could harm our business. Sales force activities that violate applicable laws, regulations or policies, or that are alleged to do so, have, and could in the future, harmed our business and reputation and resulted in government or third- party actions against us. For example, in 2014, allegations were made by various media outlets that certain of our sales representatives in Mainland China failed to adequately follow and enforce our policies and regulations. This adverse publicity, as well as a government review and actions that we voluntarily took to address the situation, resulted in a significant negative impact on our revenue and the number of Sales Leaders and Customers in the region. Similar or more extreme actions by government agencies in Mainland China or other markets in the future could have a significant adverse impact on our business and results of operations. The direct selling industry in Japan continues to experience regulatory and media scrutiny, and other direct selling companies have been suspended from sponsoring activities. Japan imposes strict requirements regarding how Brand Affiliates approach prospective customers. From time to time, we receive information from consumer centers in certain prefectures about the number of general inquiries and complaints about us and our Brand Affiliates, and we also sometimes receive warnings to reduce such complaints. Based on this information, we continually evaluate and enhance our Brand Affiliate compliance, education and training efforts in Japan. However, we cannot be certain that our efforts will successfully prevent regulatory actions against us, including fines, suspensions or other sanctions, or that the company and the direct selling industry will not receive further negative media attention, all of which could harm our business. Except in Mainland China, members of our sales force are not employees and act independently of us. The most significant area of risk for such activities relates to improper product claims and claims regarding the business opportunity of joining our sales force. For example: ● ~~During 2020 to 2022, the FTC issued letters that warned several direct- selling companies to remove and address claims that they or members of their sales force were making about their products' ability to treat or prevent COVID- 19 and / or about the earnings that people who have recently lost income could make. ●~~ In 2021, the FTC sent a notice to more than 1, 100 companies, including us ~~and two of our subsidiaries (Pharmanex, LLC and Big Planet, Inc.)~~ , that outlined several practices that the FTC determined to be unfair or deceptive in prior administrative cases. These practices relate to earnings claims, other money- making opportunity claims, and endorsements and testimonials. Pursuant to the FTC' s " penalty offense authority, " companies that received the notice are expected to comply with the standards set in the prior administrative cases and could incur significant civil penalties if they or their representatives fail to do so. ~~The penalties could be up to $ 46, 517 per violation, and there is some ambiguity in how a " violation " would be defined for these purposes.~~ We implement strict policies and procedures to ensure our sales force complies with legal requirements. However, given the size of our sales force, we experience problems from time to time. For example, product claims made by some of our sales force in 1990 and 1991 led to a FTC investigation that resulted in our entering into two consent agreements with the FTC and various agreements with state regulatory agencies. In addition, rulings by the South Korean Fair Trade Commission and by judicial authorities against us and other companies in South Korea indicate that, if our sales force engages in criminal activity, we may be held liable or penalized for failure to supervise them adequately. Our sales force may attempt to anticipate which markets we will open in the future and begin marketing and sponsoring activities in markets where we are not qualified to conduct business. We could face fines, suspensions or other legal action if our sales force violates applicable laws and regulations, and our reputation and brand could be negatively impacted. In addition, as our sales force increasingly uses social media **and our digital tools** to promote our business opportunity and products, this increases the burden on us to monitor compliance of such activities **,** and **it** increases the risk that such social media content **or digital content (such as statements made on social media or within the chat feature of our apps)** could contain ~~problematic~~ claims ~~in~~ **that** ~~violation~~ **violate** ~~of~~ our policies and **/ or** applicable regulations. For example, due to the borderless nature of social media, a claim that is allowed in one market may ultimately reach another market where it is not allowed. Social media platforms' decisions to prohibit, block or decrease the prominence of our sales force' s content could harm our business. Social media platforms have, and could in the future, decided to prohibit, block or decrease the prominence of our sales force' s content for any reason. For example, due to concerns with multi- level marketing, the TikTok and WhatsApp Business platforms' ~~policies~~ **community guidelines** prohibit content related to multi- level marketing. In addition, Pinterest and Facebook prohibit ads that promote multi- level marketing opportunities, and Pinterest has also imposed restrictions on weight loss products, claims and photos. Our business is becoming increasingly dependent on social commerce. Additional social media platforms' adoption of similar or stricter policies could significantly hamper our sales force' s ability to promote our products and attract consumers, which could cause our revenue to decline. Our reputation could also be harmed if our sales force violates any social media platform' s ~~policies~~ **community guidelines** . If our business practices or policies or the actions of our sales force are deemed to be in violation of applicable local regulations regarding foreigners, then we could be sanctioned and / or required to change our business model, which could significantly harm our business. Our sales force is required to comply with **our residency and** work authorization **policies** and other local legal requirements prior to working in a market. Some markets, including Mainland China and Vietnam, also prohibit or restrict participation of foreigners in direct selling activities. We have implemented policies that are designed to comply with these regulations and inform our sales force regarding the types of activities that are not permitted. However, we cannot assure that actions of our sales force will not violate local laws or regulations or our policies. If our business practices or policies or the actions of our sales force are deemed to be in violation of applicable regulations as they may be interpreted or enforced, then we could be sanctioned and / or required to change our business model, which could result in adverse publicity and significantly harm our business. Our sales compensation plans or other incentives could be viewed negatively by some of our sales force, could be restricted by government regulators, and could fail to achieve desired long- term results and have a negative impact on revenue. Our sales compensation includes some components that differ from market to market. We modify components of our sales compensation from time to time to keep our sales compensation plans and business models competitive and attractive to our existing sales force and people interested in joining our sales force, to address changing market dynamics, to provide incentives to our sales force that we believe will help grow our business, to conform to local regulations and to address other business needs. Because of the size of our sales force and the complexity of our sales compensation plans, it is difficult to predict how such changes will be viewed by our sales force and whether such changes will achieve their desired results. It also is difficult to predict how such changes may impact our ability to attract a larger potential target market of opportunity seekers. Certain changes we have made to our global sales compensation plan in the past, which were successful in several markets, did not achieve anticipated results in certain other markets, were not viewed positively by some segments of our sales force, and negatively impacted our business. Similarly, we face the risk that we could fail to make changes to our compensation plans that would be necessary to keep our compensation competitive with the market **, compliant with changing regulations,** and allow us to attract new opportunity seekers or segments of opportunity seekers, which could have a negative impact on our sales force. In addition, we have been required to modify our sales compensation plan in certain markets, including South Korea and Vietnam, from time to time to remain in compliance with applicable sales compensation limits. Changes to reduce sales compensation have had a negative impact on the sales force in the past and could in the future. ~~We have announced that we will be making some changes to our compensation plan in the United States to limit the amount of volume from internal sales to our sales force that can be used in the calculation of their compensation and performance measurements. To facilitate these changes, we are working to implement digital tools to allow our sales force to more easily document resales and also to encourage a shift in behavior through incentives and recognition. To the extent these proposed changes are more difficult to implement and transition than anticipated, our sales force could be distracted or have their commission impacted, all of which could negatively impact our business.~~ Limits on the amount of sales compensation we pay could inhibit our ability to attract and retain our sales force, negatively impact our revenue and cause regulatory risks. Several markets, including Mainland China, South Korea, Indonesia and Vietnam, impose limits on the amount of sales compensation we can pay to our sales force. For example, under regulations in Mainland China, direct selling companies may pay independent direct sellers in Mainland China up to a maximum 30 % of the revenue they generate through their own sales of products to consumers. Additionally, in South Korea, local regulations limit sales compensation to 35 % of the total price of goods or services supplied in South Korea. These regulations may limit the incentive for people to join our sales force and may reduce our ability to differentiate ourselves from our competitors in attracting and retaining our sales force. In addition, we have been required to modify our sales compensation plan in certain markets, including South Korea and Vietnam, from time to time to remain in compliance with applicable sales compensation limits. Because sales compensation, as a percentage of revenue, can fluctuate as sales force productivity fluctuates, we may be required to make further changes to stay within applicable sales compensation limits or may be at risk of exceeding them. In addition, which revenues and expenses are within the scope of these regulations is not always clear, and interpretation and enforcement of these laws are subject to change, which could require us to make further changes or result in non- compliance with these regulations. Any failure to keep sales compensation within legal limits in Mainland China, South Korea, Indonesia, Vietnam or any other market that imposes a sales compensation limit could result in fines or other sanctions, including suspensions. We may be held responsible for certain taxes, assessments and other requirements relating to the activities of our sales force, which could harm our financial condition and operating results. We are subject to the risk in some jurisdictions of being responsible for social security taxes, withholding or other taxes, minimum wage laws, and related assessments and penalties with respect to our sales force. This would occur if a jurisdiction classifies our sales force as our employees rather than as independent contractors, or if a jurisdiction expands the categories of personnel to whom these tax obligations apply. ● The laws and interpretations regarding " independent contractor " status in certain jurisdictions, including the United States **and the European Union** , continue to evolve, and in some cases, authorities have sought to apply these laws unfavorably against gig economy, platform and direct selling companies. For example, in ~~October~~ **January** ~~2022~~ **2024** , the U. S. Department of Labor ~~proposed~~ **adopted** a regulation that ~~, if adopted, would alter~~ **alters** the employee vs. independent contractor analysis **under the Fair Labor Standards Act** in a way that could potentially cause more workers to be classified as employees **. This regulation is currently scheduled to go into effect in March 2024** . ● In addition, some jurisdictions have, without challenging the " independent contractor " status, taken the position that direct sellers must nonetheless pay certain taxes with respect to payments to their sales force. In the event that local laws and regulations, or the interpretation of local laws and regulations, require us to treat members of our sales force as employees rather than independent contractors (or to comply with similar requirements regardless of whether our sales force is classified as employees), this could harm our financial condition and operating results. This risk increases as our sales force increases its use of social sharing, as several jurisdictions' regulations protect in- person or in- home sales demonstrations from creating an employment relationship but are less protective of online demonstrations. If our Brand Affiliates were deemed to be employees rather than independent contractors, we would also face the risk of increased liability for their actions. Our Sales Leaders could also face similar risks with respect to the Brand Affiliates in their sales organizations who may claim they are employees of the Sales Leader rather than independent contractors or independent business owners, which could impact their sales operations or lead them to cease their participation in our business. Risks Associated with Our Operations in Mainland China Our operations in Mainland China are subject to significant government scrutiny, and we could be subject to fines or other penalties. Our operations in Mainland China are subject to significant regulatory scrutiny. The legal system in Mainland China provides government authorities broad latitude to conduct investigations, and many Chinese regulations, including those governing our business, are subject to significant interpretation, which may vary from jurisdiction to jurisdiction. Because of significant government concerns in Mainland China regarding improper direct selling activities, government regulators closely scrutinize activities of direct selling companies and activities that resemble direct selling. The government in Mainland China continues to inspect and review companies in the direct selling industry on a regular basis. We believe the regulatory environment in Mainland China ~~is becoming increasingly~~ **continues to be** challenging and **restrictive** ~~will continue to be so over the medium and long terms~~ . The government' s scrutiny of activities within the health products and direct selling industries has been at higher levels since 2019, when the government conducted a 100- day campaign to review and inspect the health products and direct selling industries following negative media coverage generated by ~~the~~ healthcare- related product claims made by another direct selling company in Mainland China. Since 2019, we have been receiving and addressing an increased number of government reviews, inspections, and inquiries and consumer complaints in Mainland China; our ability to hold certain business meetings has been limited; and negative media coverage has spread to include additional companies, including ours. Government regulators frequently make inquiries into our business activities and investigate complaints from consumers and others regarding our business. Some of these inquiries and investigations in the past have resulted in the payment of fines by us or members of our sales force, interruption of sales activities and warnings. Any determination by government regulators in these inquiries or investigations that our operations or activities, or the activities of our sales force, are not in compliance with applicable regulations could result in substantial fines, extended interruptions of business, and termination of necessary licenses and permits, including our direct selling and other licenses, all of which could harm our business. We train our sales force in Mainland China on how our Mainland China business model differs from our global business model. However, Sales Leaders in Mainland China may attend regional and global events or interact with Sales Leaders from other markets. Although our global model and Mainland China business model differ, mistakes may be made as to how those working in Mainland China should promote the business in Mainland China. These mistakes by our sales force, or allegations of such mistakes, have, and may in the future, led to government reviews and investigations of our operations in Mainland China, as well as adverse publicity, reputational harm and adjustments or interruptions to our operations, all of which has and could in the future have a significant negative impact on our revenue and the number of Sales Leaders and Customers in the region. If direct selling regulations in Mainland China are modified, interpreted or enforced in a manner that results in negative changes to our business model or the imposition of a range of potential penalties, our business could be significantly negatively impacted. The government of Mainland China has adopted direct selling and anti- pyramiding regulations that impose significant restrictions and limitations on businesses in our industry. Most notably, the regulations prohibit multi- level compensation, which is the basis of how we compensate our sales force outside of Mainland China. The regulations also prohibit overseas personnel from participating in direct selling in Mainland China. We have structured our business model in Mainland China based on several factors: the guidance we have received from government officials, our interpretation of applicable regulations, our understanding of the practices of other international direct selling companies operating in Mainland China, and our understanding as to how regulators are interpreting and enforcing the regulations **. The regulatory environment in Mainland China continues to be challenging and restrictive. We are currently evaluating potential changes to the structure of our sales compensation in Mainland China due to the evolving commercial and regulatory environment. These changes could have a negative impact on our sales in that market** . Members of our sales force in Mainland China do not participate in our global sales compensation plan but are instead compensated according to a separate compensation model. We generally compensate our Sales Leaders in Mainland China at a level that is competitive with other direct selling companies in the market and comparable to the compensation of our Sales Leaders globally. Other than our direct selling subsidiary, we also have a separate subsidiary in Mainland China that is a registered independent entity that engages in cross- border e- commerce, through which one of our U. S. subsidiaries can sell a limited selection of products to consumers in Mainland China for their personal consumption. Cross- border e- commerce is separated from the direct selling sales channel in Mainland China. Our Sales Leaders can contract with the China entity, promote this cross- border e- commerce platform to introduce consumers to place orders on this platform, and receive compensation in return. Through this entity, the U. S. subsidiary sells ~~our~~ ageLOC Meta **, ageLOC Youth and certain other** ~~product~~ **products** , which ~~is~~ **are** neither registered for retail sale in Mainland China nor registered specifically as ~~a~~ direct selling ~~product~~ **products** and, therefore, can only be sold to local consumers for their personal consumption and cannot be sold through the direct selling channel. We also plan to begin selling additional products through this channel. Although we take measures (1) to maintain legal separation between our cross- border e- commerce entity and our direct selling entity; and (2) to ensure the products sold on our cross- border e- commerce platform are for consumers' personal consumption only, our business in Mainland China could be negatively impacted if regulatory authorities elect to attribute these cross- border e- commerce sales activities and related product claims, or the accompanying actions of our sales force, to our direct selling business, and make a determination they are in violation of direct selling **, customs** or other applicable laws. Our Mainland China business also has an e- commerce platform in which it sells products directly to customers. The products we sell on this platform are registered for retail sale in Mainland China, but they are not registered for the direct selling channel. We permit members of our sales force, as non- direct sellers, to promote this platform and refer customers to it, in addition to their participation in our direct selling business. They receive a promotion bonus based on our sales on this platform to customers they have referred. Although the promotion bonus is calculated separately from our sales force' s compensation for direct selling, it is possible that our business in Mainland China could be negatively impacted if regulatory authorities elect to attribute these e- commerce sales activities and the promotion bonus to our direct selling business. The nature of the political, regulatory and legal systems in Mainland China gives regulatory agencies at both the local and central levels of government broad discretion to interpret and enforce regulations as they deem appropriate to promote social stability. We face a risk that regulators may change the way in which they currently interpret and enforce the direct selling regulations, or that such regulations may be modified. If our business practices are deemed to be in violation of applicable regulations as they may be interpreted or enforced, in particular our use of the sales productivity of a Sales Leader him / herself and of the sales force that such Sales Leader trains, collaborates with, supports and services in setting his / her salary or service fee and determining their position / title on a quarterly basis, then we could be sanctioned, required to change our business model, and / or have our direct selling license revoked, any of which could significantly harm our business ~~. We believe the regulatory environment in Mainland China is becoming increasingly challenging and will continue to be so over the medium and long terms. We currently plan to implement certain changes to the structure of our sales compensation in Mainland China due to the evolving commercial and regulatory environment. These changes could have a negative impact on our sales in that market~~ . In January 2019, the Mainland China government announced a 100- day campaign to review and inspect the health products and direct selling industries. This campaign involved a number of regulatory agencies. Since the 100- day period ended, there has continued to be a heightened level of regulatory scrutiny of these industries and of our business and products. For example, government authorities have not been issuing new licenses for direct selling since the beginning of the 100- day action in early 2019. There is also uncertainty whether any changes to the regulations that apply to these industries will be made based on the review. If changes are made to any of the regulations that apply to our business model, products or operations, our business could be harmed. Our ability to expand our business in Mainland China could be negatively impacted if we are unable to obtain additional necessary national and local government approvals in Mainland China. To expand our direct selling model into additional provinces in Mainland China, we currently must obtain a series of approvals from district, city, provincial and national government agencies with respect to each province in which we wish to expand. Government authorities have not been issuing new licenses since the beginning of the 100- day action in early 2019. When the process for obtaining government approvals to conduct direct selling is operational, it often evolves and is lengthy, as we are required to work with a large number of provincial, city, district and national government authorities. The complexity of the approval process as well as the government' s continued cautious approach as direct selling develops in Mainland China makes it difficult to predict the timeline for obtaining these approvals. Furthermore, any media or regulatory scrutiny of our business in Mainland China could increase the time and difficulty we may face in obtaining additional licenses. If media or regulatory scrutiny of our business in Mainland China results in significant delays in obtaining licenses elsewhere in Mainland China, or if the current processes for obtaining approvals are delayed further for any reason or are changed or interpreted differently than currently understood, our ability to receive direct selling licenses in Mainland China and our growth prospects in this market could be negatively impacted. If we are not able to register products for sale in Mainland China, our business could be harmed. We face lengthy timelines with respect to product registrations in Mainland China. The process for obtaining product permits and licenses may require extended periods of time that may prevent us from launching new product initiatives in Mainland China on the same timelines as other markets around the world. For example, a vast majority of products marketed in Mainland China as " health foods " are subject to extensive laboratory and clinical analysis by government authorities, and with a few exceptions, the product registration process in Mainland China takes a minimum of two years and may be substantially longer. We market both " health foods " and " general foods " in Mainland China. There is some risk associated with the common practice in Mainland China of marketing a product as a " general food " **without any health food claims** while ~~seeking~~ **applying to the authorities for** " health food " classification. If government officials feel the categorization of our products is inconsistent with product claims, form of delivery, ingredients or function, we could be prohibited or limited in marketing such products in Mainland China in their current form. As we expand our direct selling channel, we face additional product marketing restrictions compared to our retail store channel. Under applicable direct selling regulations in Mainland China, we can only register products for direct selling if we manufacture them and if they fall within categories that are authorized for direct selling, such as cosmetics, cleaning supplies, health foods, healthcare devices, small kitchen utensils and household appliances. Products that are not registered for direct selling are prohibited from being marketed or sold through our direct sales channel. The process for registering products for the direct sales channel in Mainland China is subject to delays; in fact, government authorities have not been processing new registrations for direct selling since the beginning of the 100- day action in early 2019. Any marketing or sale of non- direct selling products by our independent direct sellers could result in negative publicity, fines and other government sanctions being imposed against us, including if a product is initially classified as a direct selling product but is later re- classified. Risks Associated with Market Conditions and **CompetitionInability** Competition Our markets are intensely competitive,...... by the media or regulators. Inability of products, platforms, business opportunities and other initiatives to gain or maintain sales force and market acceptance could harm our business **, and trends among older and younger generations of customers contribute to this risk** . Our ability to improve our financial performance **largely** depends on our ability to proactively anticipate, gauge and react in a timely and effective manner to changes in consumer spending patterns and preferences regarding products, platforms **,** and business opportunities **in the affiliate gig and sharing economy** . Our operating results have been and could be adversely affected if our products, platforms, business opportunities and other initiatives do not generate sufficient enthusiasm and economic benefit to retain our existing consumers and sales force or to attract new consumers and sales force members. For example, during 2022, sales of our ageLOC LumiSpa iO device were below our expectations. Potential factors affecting the attractiveness of our products, platforms, business opportunities and other initiatives include, among other things, shifting consumer demands, perceived product quality and value, similarities to other products, product exclusivity or effectiveness, growth of the gig economy, disruption of retail commerce and e- commerce by social commerce, demographic trends, the strength of our brand and public image, growth of connected commerce, sustainability factors, DEI initiatives, economic ~~success~~ **competitiveness of our business opportunity in the marketplace, perceived ability of potential affiliates to succeed** in our business opportunity, the quality and accuracy of the data we use in running our business, our technology infrastructure and capabilities, restrictions in social or digital media for sharing products and attracting consumers, adverse media attention and regulatory restrictions on claims. **In addition, we are currently pursuing an initiative to optimize the size of our product portfolio, which will include the discontinuation of some products.** If we are unable to anticipate changes in consumer **and sales force** preferences and trends **, or if the discontinuation of products causes customer attrition** , our business, financial condition and operating results could be materially adversely affected. Likewise, if we are unable to anticipate changes in the **affiliate marketing,** gig and sharing economies and adapt our business opportunity accordingly, our ability to capture growth trends in the social commerce marketplace could be materially adversely affected. In addition, our ability to develop and introduce new products could be impacted by, among other things, government regulations, changing policies in social media and other communications platforms, the inability to attract and retain qualified staff, the termination of third- party research and collaborative arrangements, intellectual property of competitors that may limit our ability to offer innovative products or that challenge our own intellectual property, problems related to manufacturing or quality control, and difficulties in anticipating changes in consumer tastes and buying preferences. Our operating results could be adversely impacted if our products fail to gain or maintain sales force and market acceptance or if our successful new products undercut the sales of our other products. To adapt our business to current macroeconomic trends, we are currently working through a significant digital transformation in our business to achieve widespread adoption of social commerce in all of our markets. This transformation involves the development of new and enhanced digital tools for our Sales Leaders and consumers, including new digital apps and an improved website design and functionality, as well as new products, including connected devices. Our digital transformation will require significant expenditures over the next several years. We face the risk that we will ultimately be unable to develop these items, that their development will be more costly than anticipated, or that the applications and platforms we have and will develop will not meet the expectations of our sales force and / or consumers. Any of these eventualities could have a material negative impact on our business, sales force, consumer development and revenue. In addition, in our more mature markets, one of the challenges we face is keeping Sales Leaders with established businesses and high- income levels motivated and actively engaged in business building activities and in developing new Sales Leaders. We ~~may~~ also face challenges retaining our sales force as the population of our markets transitions to a younger, millennial / Gen Z demographic, with its associated new and different dynamics of connection through social media platforms, gratification and loyalty behaviors, particularly as this segment becomes a greater share of our revenue. **It is possible that, over time, increasing negative perceptions about business opportunities that involve multi- level compensation programs, particularly as affiliate marketing programs gain greater prominence in the gig economy, could develop and increase among these younger demographics, which would be detrimental to our business if we are unable to adapt. In addition, as affiliate marketing programs gain greater market share, our competition for participants from our target market becomes more intense.** Moreover, ~~if~~ **when** sales through social sharing do not generate repeat purchases or subscriptions at the same rate as other sales, this ~~could create~~ **creates** revenue volatility **and / or declines** . Many in the younger demographic are particularly savvy with social sharing across multiple business opportunity platforms. **Some of** ~~There can be no assurance that~~ our initiatives ~~will~~ **have not** ~~generate~~ **generated** lasting excitement and engagement among our sales force in the long term **, and at times,** ~~or~~ **our** ~~that planned~~ initiatives **have not sufficiently generated** ~~will be successful in maintaining~~ sales force activity and productivity or **motivated** ~~in motivating~~ Sales Leaders to remain engaged in business building and developing new Sales Leaders. **These outcomes could recur in the future.** Some initiatives ~~may~~ have **had, and could continue to have,** unanticipated negative impacts on our sales force, particularly changes to our sales compensation plans, incentive rewards, and recognition practices. The introduction of a new product or key initiative can also negatively impact other product lines to the extent our Sales Leaders focus their efforts on the new product or initiative. In addition, if any of our products fails to deliver on consumer or sales force expectations, we could see an increase in product returns. **General Risk Factors** Difficult economic conditions could harm our business.Difficult economic conditions,such as high unemployment levels,inflation ~~,deflation~~ ,or recession,have in the past,and could continue to,adversely affect our business by causing a decline in demand for our products,particularly if the economic conditions are prolonged or worsen.In addition,economic conditions may adversely impact access to capital for us and our suppliers,may decrease the ability of our sales force and consumers to obtain or maintain credit cards,and may otherwise adversely impact our operations and overall financial condition.For example,we believe inflation had a negative impact on our 2022 ~~and 2023~~ sales by curbing the discretionary spending of our consumers.Inflation also has increased the cost of our inventory and shipping expenses.Higher interest rates have increased our interest expense,as our credit facility entails variable- rate interest. **We believe** ~~In addition,the economy in Mainland China has been challenging in recent months,including with deflationary pressures.All of~~ these conditions could continue **in 2023.Current recessionary conditions also cause further uncertainty regarding the potential for growth in our business during 2023.** Product diversion may have a negative impact on our business. We see our products being sold through online marketplace sites and other distribution channels in certain markets. Although we continually take steps to control product diversion, this activity continues to be a challenge, and we believe that changes to our global sales compensation plan **, divergence of product pricing across markets,** or increased use of online channels for conducting sales transactions have and may continue to lead to increased product diversion. Product diversion causes confusion regarding our distribution channels and negatively impacts the ability of our sales force to sell our products. It also creates a negative impression regarding the viability of the business opportunity for our sales force, which can harm our ability to recruit new people to join our sales force. Product diversion may also cause brand erosion and negatively impact the brand value perception. Product diversion schemes may also involve illegal importation, investment or other activities and harm our brand if gray market or counterfeit goods are passed off as our own. If we are unable to effectively address this issue or if diversion increases, our business could be harmed. Risks Associated with ~~COVID- 19Epidemics~~ -- **Epidemics and Other Widespread CrisesEpidemics** ~~, including COVID- 19,~~ and other crises have **negatively impacted our business** and may **do so in the future** ~~continue to negatively impact our business~~ . Due to the person- to- person nature of direct selling, our results of operations have been, and **likely** will ~~likely continue to~~ **in the future** be, harmed if the fear of a communicable and rapidly spreading disease **,** or ~~other~~ **another type of** ~~crises~~ **crisis** such as **a** natural ~~disasters~~ - **disaster,** ~~result~~ **results** in travel restrictions or ~~cause~~ **causes** people to avoid group meetings ~~or~~ **,** gatherings or ~~interaction~~ **interactions** with other people ~~. It is difficult to predict the impact on our business, if any, of the emergence of new epidemics or other crises~~ . The outbreak of COVID- 19 in 2020 and ensuing pandemic resulted in significant contraction of economies around the world and interrupted global supply chains as many governments issued stay- at- home orders to combat COVID- 19. Government- imposed restrictions and public hesitance regarding in- person gatherings, travel and visiting public places ~~have~~ reduced our sales force' s ability to hold sales meetings, resulted in cancellations of key sales leader events and incentive trips, and required us to temporarily close our walk- in and fulfillment locations in some markets where we ~~have~~ **had** such properties ~~. The outbreak has also impacted our ability to obtain some ingredients and packaging as well as ship products in some markets~~ . Our supply chain and logistics ~~have~~ **also** incurred some interruptions and cost impacts, **such as difficulties** ~~and we could experience more significant interruptions and cost impacts or face more significant closures~~ in **obtaining** ~~the future, whether due to COVID- 19 directly, workforce (including the workforce of our supply chain) resistance to vaccination requirements, or other related factors. These factors and other events related to COVID- 19 have negatively impacted our sales and operations and will likely continue to negatively affect our business and our financial results. Although~~ some **ingredients** ~~of the negative impacts of COVID- 19 have recently improved, this situation continues to be fluid~~ and **in shipping products in** ~~there is uncertainty regarding its duration and future impacts. For example, COVID- 19 variants have caused~~ some **markets. Even as** ~~of the pandemic' s negative impacts to worsen or return, and~~ COVID- related factors **were alleviated** ~~continue to impact our business in Mainland China. In addition~~ , the productivity of our sales force **was** ~~has been, and could continue to be,~~ negatively impacted as ~~restrictions are lifted and~~ our sales force ~~is~~ **was** able to **travel** more freely ~~travel~~ and take vacations. **All of** ~~In addition, regulatory authorities closely scrutinize the~~ **these factors** ~~product-~~ and ~~earnings-~~ **other events** related ~~claims made by direct- selling companies and their sales force, including claims related~~ to ~~the~~ COVID- 19 ~~pandemic~~ **negatively impacted our sales and operations and could repeat in the event of future epidemics or other crises. In addition, during a widespread crisis, regulators are vigilant for companies that may be exploiting the crisis to the detriment of consumers** . For example, during 2020 to 2022, the FTC issued letters that warned several direct- selling companies to remove and address claims that they or members of their sales force were making about their products' ability to treat **, cure** or prevent COVID- 19 and / or about the earnings that people who ~~have~~ **suffered the** ~~lost~~ **loss of a job or** income could make. Although we take steps to educate our sales force on proper claims, if members of our sales force make improper claims, or if regulators determine we are making any improper claims, it could lead to an ~~FTC~~ investigation and could harm our business and reputation. International Risks Our ability to conduct business in international markets may be affected by political, legal, tax and regulatory risks. Our ability to capitalize on growth in new international markets and to maintain the current level of operations in our existing international markets is exposed to risks associated with our international operations, including: ● the possibility that a government might ban or severely restrict our sales compensation and business models; ● the possibility that local civil unrest, political instability, or changes in diplomatic or trade relationships might disrupt our supply chain or other operations in one or more markets — for example, the ongoing conflict in Russia and Ukraine has caused distraction to our sales force; ● the lack of well- established or reliable legal systems in certain areas where we operate; ● the presence of high inflation in the economies of international markets in which we operate; ● the possibility that a government authority might impose legal, tax, customs, or other financial burdens on us or our sales force, due, for example, to the structure of our operations in various markets; ● the possibility that a government authority might challenge the status of our sales force as independent contractors or impose employment or social taxes on our sales force; and ● the possibility that governments may impose currency remittance restrictions limiting our ability to repatriate cash. There has been an increasing level of tension in U. S.- China relations over the last several years. Given the significant size of our China business, our business could be harmed if relations continue to deteriorate or additional sanctions or restrictions are imposed by either government. In addition, there have been adverse public reaction and media attention to statements made by representatives of other businesses related to these issues that have adversely affected business. We could similarly face adverse public or media attention, and potentially increased regulatory scrutiny, as a result of increased trade or political tensions or any statements or actions by employees or our sales force that generate publicity with respect to these issues. We are subject to financial risks as a result of our international operations, including exposure to foreign- currency fluctuations, currency controls and inflation in foreign markets, all of which could impact our financial position and results of operations. In ~~2022~~ **2023** , approximately ~~76~~ **74** % of our sales occurred in markets outside of the United States in each market' s respective local currency. Foreign- currency fluctuations affect our financial position and results of operations. We purchase inventory primarily in the United States in U. S. dollars. In preparing our financial statements, we translate revenue and expenses in our markets outside the United States from their local currencies into U. S. dollars using weighted- average exchange rates. If the U. S. dollar strengthens relative to local currencies, our reported revenue, gross profit and net income will likely be reduced. Foreign- currency fluctuations also cause losses and gains resulting from translation of foreign- currency- denominated balances on our balance sheet. We also face the risk of currency controls. If foreign governments restrict transfers of cash out of their country and control exchange rates, we may be limited as to the timing and amount of cash we can repatriate and may not be able to repatriate cash at beneficial exchange rates, which could have a material adverse effect on our financial position, results of operations or cash flows. We typically fund the cash requirements of our operations in the United States through intercompany dividends, intercompany loans and intercompany charges for products, use of intangible property, and corporate services. However, some markets impose government- approval or other requirements for the repatriation of dividends. For example, in Mainland China, we are unable to repatriate cash from current operations in the form of dividends until we file the necessary statutory financial statements for the relevant period. We also have experienced delays in repatriating cash from Argentina. As of December 31, ~~2022~~ **2023** , we had $ ~~33~~ **31** . ~~4~~ **8** million in cash denominated in Chinese RMB, and our intercompany receivable with our Argentina subsidiary was $ ~~14~~ **17** . ~~9~~ **7** million. In addition, high levels of inflation and currency devaluations in any of our markets could negatively impact our balance sheet and results of operations. Gains and losses resulting from the remeasurement of non- U. S. dollar monetary assets and liabilities of our subsidiaries operating in highly inflationary economies are recorded in our net earnings. For example, during 2018, Argentina was designated as a highly inflationary economy under U. S. generally accepted accounting principles; accordingly ~~, beginning with the third quarter of 2018~~ , we began to apply highly inflationary accounting for our Argentina operations, which has resulted in additional foreign- currency charges. Other markets may be designated as highly inflationary economies in the future, which could result in further foreign- currency charges. Although we may engage in transactions intended to reduce our exposure to foreign- currency fluctuations, there can be no assurance that these transactions will be effective. Complex global political and economic dynamics can affect exchange rate fluctuations. For example, the implementation of tariffs, border taxes or other measures related to the level of trade between the United States and other markets could impact the value of the U. S. dollar. It is difficult to predict future fluctuations and the effect these fluctuations may have upon future reported results or our overall financial condition. Potential changes to tariff and import / export regulations, and ~~ongoing~~ trade disputes between the United States and other jurisdictions may have a negative effect on global economic conditions and our business, financial results and financial condition. The United States and other foreign jurisdictions may change customs regulations or tariff rates that are applied to our imports or exports at any time. Tariff changes are difficult to predict and may cause us material short- term or long- term cost fluctuations. We rely on the use of Free Trade Agreements, where available, that may experience alterations, suspensions or cancellations, which could increase our customs expense or otherwise harm our business. In addition to tariffs, any actions taken by the United States or by foreign countries to further implement trade policy changes, including limiting foreign investment or trade, increasing regulatory ~~scrutiny~~ **requirements** , or other actions that impact our ability to obtain necessary licenses or approvals could negatively impact our business. These actions are unpredictable, and any of them could also have a material adverse effect on global economic conditions and the stability of global financial markets, significantly reduce global trade, restrict our access to suppliers or customers, and have a material adverse effect on our business, financial condition and results of operations. Human Capital RisksIf we are unable to retain our existing sales force and recruit additional people to join our sales force, our revenue may not increase and may even decline. Our products are primarily marketed by our sales force, and we depend on them to generate virtually all of our revenue. Our sales force may terminate their services at any time, and like most direct selling companies, we experience high turnover among our sales force from year to year. People who join our company to purchase our products for personal consumption or for short- term income goals frequently only stay with us for a short time or are less consistent in their participation. Sales Leaders who have committed time and effort to build a sales organization will generally stay for longer periods. To increase our revenue, we must increase the number of and / or the **sales** productivity of our sales force. We must also expand our outreach and outbound efforts to attract, connect and nurture new customers for a wider consumer base who purchase products and whom we can foster along a consumer journey to promote retention and higher lifetime value. We have experienced periodic fluctuations in Sales Leaders, Paid Affiliates and Customers in the past and could experience such fluctuations again in the future. For example, our Sales Leaders in Mainland China declined ~~46 % from December 31, 2018 to December 31, 2019 due to such factors as meeting restrictions and negative media scrutiny, and also declined~~ 32 % from December 31, 2021 to December 31, 2022 due to pressures from COVID- related factors. If our business, products and initiatives do not drive growth and / ~~our~~ - **or sales** productivity in Sales Leaders, Paid Affiliates and Customers, our operating results could be further harmed. The number and productivity of our sales force is negatively impacted by several additional factors, including: ● any adverse publicity or negative public perception regarding us, our products or ingredients, our distribution channel, or our industry or competitors; ● lack of interest in, dissatisfaction with, or the technical failure of, our products or digital tools; ● lack of compelling products or income opportunities, including through our sales compensation plans and incentive trips and other offerings; ● negative sales force reaction to changes in our sales compensation plans or to our failure to make changes that would be necessary to keep our compensation competitive with the market; ● interactions with our company, including our actions to enforce our policies and procedures and the quality of our customer service; ● any regulatory actions or charges against us or others in our industry, as well as regulatory changes that impact product formulations and sales viability; ● general economic, business, public health and geopolitical conditions, including employment levels, employment trends such as the gig and sharing economies **and affiliate marketing** , pandemics or other conditions that curtail person- to- person interactions, and the ongoing ~~conflict~~ **conflicts** in Russia ~~and~~ **/** Ukraine **and Israel / Hamas** which ~~has~~ **have** caused distraction to our sales force; ● changes in the policies of social media platforms used to prospect or recruit potential consumers and sales force participants; ● recruiting efforts of our competitors and changes in consumer- loyalty trends; ● potential saturation or maturity levels in a given market, which could negatively impact our ability to attract and retain our sales force in such market; ● growing gig economy competition which may draw away potential product sellers, affiliates, and influencers; ● our sales force' s increased use of social sharing channels, which may enable them to more easily engage their consumers and sales network in other opportunities; ● lack of sufficient tools to create customer interest in our products and to manage and build a personalized business; and ● our and our sales force' s ability to implement social commerce and other selling platforms that appeal to consumers. We depend on our key personnel and Sales Leaders, and the loss of the services provided by any of our executive officers, other key employees or key Sales Leaders could harm our business and results of operations. Our success depends to a significant degree upon the continued contributions of our senior and regional management, many of whom would be difficult to replace. Our senior and regional management employees may voluntarily terminate their employment with us at any time, and it is not uncommon for employees of direct- selling companies, including employees of our company, to terminate their employment and begin working for another direct- selling company. In addition, we need to continue to attract and develop qualified management personnel to sustain growth in our markets. Attracting and retaining qualified personnel has been an increased challenge during the current competitive employment environment. **In addition, there has been downward pressure on our employees' incentive compensation in recent years, and our recent restructurings have in some cases caused employees to take on additional responsibilities, both of which have presented challenges to our employee morale and could lead to employee attrition.** If we are not able to successfully retain existing personnel and identify, hire and integrate new personnel, our business and growth prospects could be harmed. The success of our business also depends on our key Sales Leaders. For the three months ended December 31, ~~2022~~ **2023** , we had approximately ~~48~~ **44** , ~~737~~ **059** Sales Leaders. As of December 31, ~~2022~~ **2023** , approximately ~~356~~ **294** Sales Leaders occupied the highest levels under our global sales compensation plan, and in Mainland China approximately ~~103~~ **98** key Sales Leaders were playing a significant role in managing, training and servicing our sales force in that market and driving sales. We rely on these Sales Leaders (or other sales force members that they train, collaborate with, support and service) for a substantial majority of our revenue. As a result, the loss of a high- level or key Sales Leader or a group of leading Sales Leaders, whether by their own choice or through disciplinary actions by us for violations of our policies and procedures, could negatively impact our growth and our revenue. Risks Associated with Our Manufacturing and Operations Production difficulties, quality control problems, inaccurate forecasting, shortages in ingredients, and reliance on our suppliers could harm our business. Production difficulties, quality control problems, inaccurate forecasting **,** and our reliance on third- party suppliers to manufacture and deliver products that meet our specifications in a timely manner could harm our business. Occasionally, we have experienced production difficulties with respect to our products, including the availability of labor, raw materials, components, packaging **,** and products that do not meet our specifications and quality control standards. These production difficulties and quality problems have in the past, and could in the future, result in stock outages or shortages in our markets with respect to such products, harm our sales, or create inventory write- downs for unusable products. In addition, we and manufacturers in our supply chain acquire ingredients, components, products **,** and packaging from third- party suppliers and manufacturers. A loss of any of these suppliers and any difficulties in finding or transitioning to alternative suppliers could harm our business. In addition, we obtain our ageLOC Galvanic Facial Spa, ageLOC Body Spa, and Nu Skin Facial Spa devices and some other products and ingredients from sole suppliers that own or control the product formulations, ingredients or other intellectual property rights associated with such products. We also license the right to distribute some of our products from third parties. In the event we are unable to maintain or renew our contracts with any of these suppliers, manufacturers or other third parties, we may need to discontinue some products or develop substitute products, which could harm our revenue. In addition, if we experience supply shortages, price increases or regulatory impediments with respect to the raw materials, ingredients, components or packaging we use for our products, we may need to seek alternative supplies or suppliers and may experience difficulties in finding replacements that are comparable in quality and price. For example, some of our products, including ageLOC Meta and ageLOC Youth (Youthspan or Y- Span in some markets), incorporate unique natural ingredients that are only harvested once per year and / or may have limited global supplies. If demand exceeds forecasts, we may have difficulties in obtaining additional supplies to meet the excess demand until the next growing season. If we are unable to successfully respond to such issues, our business could be harmed. The loss of or a disruption in our manufacturing, supply chain and distribution operations, or significant expenses or violations incurred by such operations, could adversely affect our business. As a company engaged in manufacturing, distribution, and research and development on a global scale, we are subject to the risks inherent in such activities, including industrial accidents, climate or environmental events, fires, floods, earthquakes, labor shortages, strikes and other labor or industrial disputes, disruptions in logistics or information systems, loss or impairment of key manufacturing or distribution sites, import and export restrictions or delays, product quality control, safety, licensing requirements and other regulatory or government issues, as well as natural disasters, pandemics, border disputes, global uncertainties, acts of terrorism **,** and other external or macroeconomic factors over which we have no control. For example, the long- term impacts of climate change, whether involving physical risks (such as extreme weather conditions, drought, or rising sea levels) or transition risks (such as regulatory or technology changes) may be widespread and unpredictable. Certain impacts of physical risk may include temperature changes that increase the heating and cooling costs at our facilities; extreme weather patterns that affect the production or sourcing of certain components; flooding and storms that damage or destroy our buildings and inventory; and heat and extreme weather events that cause long- term disruption or threats to the habitability of our customers' communities. These risks may be heightened if we consolidate certain of our manufacturing, distribution **,** or supply facilities or if we are unable to successfully enhance our disaster recovery planning. These risks also increase as we pursue our current strategy of acquiring manufacturing companies and thereby conducting more of our manufacturing in- house. The loss of, or disruption or damage to, any of our facilities or centers or those of our third- party manufacturers could have a material adverse effect on our business, reputation, results of operations and financial condition. We have experienced, and may continue to experience, disruptions to the transportation channels used in our supply chain and distribution operations, including increased airport and shipping port congestion, a lack of transportation capacity, increased fuel expenses, import or export controls or delays, and labor disputes or shortages. Disruptions in our container shipments may result in increased costs, including the additional use of air freight to meet demand. Congestion to ports can affect previously negotiated contracts with shipping companies, resulting in unexpected increases in shipping costs and reduction in our profitability. For example, the COVID- 19 pandemic ~~has continued to result~~ **resulted** in several disruptions and delays, as well as quantity limits and price increases, in our global transportation channels. In addition, our manufacturing facilities are subject to numerous regulations, including labor regulations and environmental regulations that govern the storage, discharge, handling, emission, generation, manufacture, use and disposal of chemicals and other materials. We will also likely become subject to new regulations in these areas, which could require substantial expenditures. Violations of existing or new requirements could result in financial penalties and other enforcement actions and could require us to halt one or more portions of our operations until a violation is cured. The costs of curing incidents of non-compliance, resolving enforcement actions or private- party actions that might be initiated against us, or of satisfying new legal requirements could have a material adverse effect on our business, financial condition, or results of operations. Our business could be negatively impacted if we fail to execute our product launch process or ongoing product sales due to difficulty in forecasting or increased pressure on our supply chain, information systems and management. Prior to making a product generally available for purchase in a market, we often do one or more introductory offerings of the product, such as a preview of the product to our Sales Leaders or other product introduction or promotion. These offerings sometimes generate significant activity and a high level of purchasing, which can result in a higher- than- normal increase in revenue during the quarter and skew year- over- year and sequential comparisons. These offerings may also increase our product return rate. We have, and may in the future, experienced difficulty effectively managing growth associated with these offerings and may face increased risk of improper sales force activities and related government scrutiny. In addition, the size and condensed schedule of these product offerings increase pressure on our supply chain and order processing systems. We have, and may in the future, failed to appropriately scale our system capacity and operations in response to unanticipated changes in demand for our existing products or to the demand for new products, which reduces our sales force' s confidence in our business and could harm our reputation and profitability. As our sales force increases its use of social platforms to interact with customers, our business results could be adversely affected if our implementation of new platforms and processes to support our sales force is delayed. In addition, we are dependent on third parties for testing and delivery of portions of these and other of our information system platforms. Unanticipated changes or system failures by third parties could harm our ability to meet the expectations of our sales force, thus resulting in harm to our revenue, reputation and sales force confidence in our systems. If we do not accurately forecast sales levels in each market for product launches or ongoing product sales, obtain sufficient ingredients, components or packaging, or produce a sufficient supply to meet demand, we may incur higher expedited shipping costs and we may temporarily run out of stock of certain products, which could negatively impact the enthusiasm of our sales force and consumers. Conversely, if demand does not meet our expectations for a product launch or ongoing product sales or if we change our planned launch strategies or initiatives, we could incur inventory write- downs. **For example, during the third quarter of 2023, we made the strategic decision to re- balance and narrow our product portfolio, which resulted in an incremental $ 65. 7 million inventory write- off.** Each of these issues has impacted us in the past, and they could again occur with our ongoing **or future** product ~~launches~~ **offerings** . If we fail to effectively forecast product demand in the product launch process or for ongoing product sales, our reputation and profitability **also** could be negatively impacted. If we are unable to effectively manage our growth in certain markets, our **business and** operations could be harmed. At times, we can experience significant growth in one or more of our markets. For example, during 2020 we experienced significant growth in some of the markets in ~~our~~ **the** Americas and **Europe** ~~EMEA segments~~ . Growth can strain our ability to effectively manage our operations, as it requires us to expand our management team, labor force, technology bandwidth and capabilities, and manufacturing operations. Insufficient management execution to support growth could result in, among other things, product delays or shortages, decreases in product quality, service level challenges, operating mistakes and errors, inadequate customer service, inappropriate claims or promotions by our sales force, and governmental inquires and investigations, all of which could harm our revenue and ability to generate sustained growth and result in unanticipated expenses. In addition, we need to continue to attract and develop qualified management personnel to sustain growth. If we are not able to successfully retain existing personnel and identify, hire and integrate new personnel, our business and growth prospects could be harmed **. In addition, to the extent we expand into new markets, our efforts might not be successful in driving growth. New markets may have competitive conditions, consumer tastes and discretionary spending patterns that are more difficult to predict or satisfy than our existing markets. We may have difficulty attracting Brand Affiliates to our business opportunity due to our lack of name recognition or other reasons, and it may be difficult to find and retain qualified employees and vendors. We also might be unable to successfully navigate the risks inherent in international operations, such as differing legal and regulatory requirements that may apply to our products and / or operations, including those that pertain to privacy and data protection, direct selling, employment and intellectual property. If we do not successfully execute plans to enter new markets, these new markets may not generate growth and may be unprofitable, causing our business, financial condition or results of operations to be adversely affected** . System failures, capacity constraints and other information technology difficulties could harm our business. With global operations and a complex sales compensation plan, our business is highly dependent on efficiently functioning information technology systems, including websites, mobile applications, third- party cloud providers, data centers, databases, networks and other systems. We rely on these systems for accepting and processing sales orders, operating our sales force and customer support operations, tracking and compensating our sales force, conducting our corporate and regional operations, preparing our financial statements, and other aspects of our business. Accordingly, the performance, reliability and availability of our systems are critical to our business, reputation, financial reporting, and ability to attract and retain our sales force and customers. Our or our third- party providers' systems may be damaged or disrupted by fires, floods, earthquakes or other natural disasters, human error, telecommunications failures, power loss, physical or electronic break- ins, computer viruses, **cyberattacks** ~~cyber attacks~~ , changes in our information technology systems or organization, and other events. We have ~~, and may in the future,~~ experienced system failures ~~and~~ **,** outages **and cyberattacks, and we may experience them in the future** . We cannot guarantee that the preventive measures we take, including redundancies, security protocols, network protection mechanisms and other procedures, will be adequate to prevent or remedy system failure or interruption, data loss, security breaches or other data security incidents. Furthermore, any mitigation process could take several days or more, ~~thus~~ resulting in a loss of revenue, loss of ~~confidence of~~ **ability to track and timely pay sales compensation to** our sales force **, loss of confidence of our sales force** and harm to our reputation **. Two third- party providers that we rely on are Amazon Web Services (for our network, compute and storage needs) and Infosys Limited (for e- commerce and managed services). Any significant disruption or limitation of, or interference with, our use of these providers' services would negatively impact our operations, and any transition to a different provider would cause us to incur significant time and expense. We currently plan to outsource additional technology functions to third parties, which may significantly increase our reliance on third- party services for the operation and protection of our information technology systems. We may also experience disruptions to our systems as we transition these functions to third parties** . In addition, we make significant expenditures on our information technology infrastructure and other technology initiatives, and these items could become obsolete or impaired, which has and may in the future cause us to incur significant expenses to address. For example, in 2018, following an evaluation of our information technology infrastructure and organization and our social sharing and digital initiatives, we determined to alter our strategic direction with respect to some of our systems and tools, resulting in impairment charges of approximately $ 49 million. We also incurred approximately $ 22 million in severance payments and other expenses related to the reorganization of our Information Technology Department and other corporate and regional offices. Additional cash outlay and new personnel were also necessary for execution of new plans and strategy. In this strategic shift in direction, we continue to identify and re- architect additional legacy systems to help mitigate the risk and exposure these systems introduce to our business. We also continue to allocate resources to new technology and digital initiatives. There can be no assurance that we will be able to build and roll- out our new technology and digital tools on a global scale or that they will function as intended, and these initiatives may entail significant expenses and could cause disruptions in our business. Our systems could also be strained by growth in our business. Although we work to expand and enhance our e- commerce features, network infrastructure and other technologies to accommodate increases in the volume of traffic to our ecommerce channels, we may be unsuccessful in these efforts. Our failure, or our third- party providers' failure, to achieve or maintain system capacity could significantly reduce our ability to ~~fulfill~~ **process** orders and could harm our business, reputation, revenue and financial condition. Any acquired companies or future acquisitions may expose us to additional risks. We have acquired certain businesses, and we plan to continue to do so in the future as we encounter acquisition prospects that would complement our current product offerings, increase the size and geographic scope of our operations or otherwise offer growth and operating efficiency opportunities. **For example, in April 2023, we acquired 60 % of LifeDNA, Inc., a DNA assessment company for consideration of $ 4. 0 million of cash, along with the conversion of a previous $ 3. 0 million Simple Agreement for Future Equity (" SAFE "), and a $ 0. 2 million convertible note. Also, in June 2023, we acquired 100 % ownership in Beauty Biosciences, LLC, a clean and clinically proven skin care and beauty device company. The purchase price for BeautyBio was $ 75. 0 million, net of cash acquired of $ 1. 5 million, all payable in cash.** At any particular time, we may be in various stages of assessment, discussion and / or negotiation with regard to one or more potential acquisitions or investments, not all of which will be consummated. Acquisitions involve numerous risks and uncertainties **,** and **some** ~~may be~~ of ~~businesses~~ **our past acquisition targets have been in industries** in which we lack operational or market experience ~~. The financing for any of these acquisitions could dilute the interests of our stockholders, result in an increase in our indebtedness or both~~ . Our past acquisitions have, and future acquisitions could, entailed numerous risks, including: ● difficulties in integrating acquired operations or products; ● the difficulties of imposing financial and operating controls on the acquired companies and their management and the potential costs of doing so; ● the potential loss of key employees, customers, suppliers or distributors from acquired businesses ~~and~~ **; ●** disruption to our direct selling channel; ● diversion of management' s **and other employees'** attention from our core business; ● the failure to achieve the strategic objectives of these acquisitions; ● increased fixed costs; ● **financing structures that dilute the interests of our stockholders and / or result in an increase in our indebtedness; ●** the failure of the acquired businesses to achieve the results we have projected in either the near or long term; ● the assumption of unexpected liabilities, including litigation risks **or compliance issues not discovered during pre- acquisition diligence** ; ● adverse effects on existing business relationships with our suppliers, sales force or consumers; **● the risk of being unable to protect intellectual property related to newly acquired technologies;** and ● risks associated with entering markets or industries in which we have limited or no prior experience, including limited expertise in running the business, developing the technology, and selling and servicing the products. **The expansion of our Rhyz business into new businesses has been viewed negatively by some of our Sales Leaders as these new companies sell products that are similar to those of our core business and are viewed as using our resources for non- core businesses. These perspectives of our Sales Leaders could have a material negative impact on the number or productivity of our Sales Leaders and result in a reduction in our revenue.** Our failure to successfully complete the integration of any acquired business, ~~or~~ a failure to adjust our fixed costs quickly enough or sufficiently to adapt to rapidly changing market conditions, **or any other of the risks discussed above** could have a material adverse effect on our business, financial condition and operating results. In addition, there can be no assurance that we will be able to identify suitable acquisition candidates, consummate acquisitions on favorable terms or realize the anticipated benefits of an acquisition. ~~It is also possible that our acquired companies could sell products or utilize a business model similar to that of our Nu Skin business, which could be viewed negatively by our sales force and result in a reduction in our revenue.~~ Product Legal and Regulatory RisksRegulations governing our products, including the formulation, registration, pre- approval, marketing and sale of our products, could harm our business. Our products are subject to extensive government regulation by numerous federal, state , and local government agencies and authorities. Many of these laws and regulations involve a high level of subjectivity, are subject to interpretation, and vary significantly from market to market. These laws and regulations can, and often do, have several impacts on our business, including but not limited to: ● delays, or altogether prohibitions, in introducing or selling a product or ingredient in one or more markets; ● delays and expenses associated with the registration and approval process for a product; ● limitations on our ability to import products into a market; ● delays and expenses associated with compliance, such as record keeping, documentation of the properties of certain products, labeling, and scientific substantiation; ● limitations on the claims we can make regarding our products; and ● product reformulations, or the recall or discontinuation of certain products that cannot be reformulated to comply with new regulations. We have observed a general increase in regulatory activity and activism in the United States and across many markets globally where we operate, and the regulatory landscape is becoming more complex with increasingly strict requirements. In particular, the requirements are impacting the ingredients we can include in our products, the accepted quantities of those ingredients, and the quality and characterization of the ingredients. Global regulators have in recent years become overall more restrictive on the accepted levels of active ingredients that we can use in our product, in some cases banning them outright. They have also become more restrictive on permitted contaminant levels in ingredients and, in many cases, have forced complete removal of such contaminants. In certain cases, such as regarding some pesticides which are virtually ubiquitous in nature, it has proven difficult to comply with the requirements. Further, many of the restrictions regarding ingredient quality are not directly applicable to our products, leaving the possibility that our interpretation of compliance may not match that of the enforcing authorities. Often there is a lack of an equivalent active ingredient present in the marketplace. In other cases, the removal or reduction of a technical ingredient, such as various types of parabens, leads to a significant change to the character of the product that may make it no longer desirable or safe to the consumer. If this trend in new regulations continues, we may find it necessary to alter some of the ways we have traditionally marketed our products in order to stay in compliance with a changing regulatory landscape and this could add to the costs of our operations and / or have an adverse impact on our business. Many laws and regulations govern the registration, pre-market approval or other aspects of regulatory oversight of our products. For example, in the United States, some legislators and industry critics have pushed for years to increase regulatory authority by the FDA over nutritional supplements. In 2011, the FDA proposed draft guidance to clarify the FDA' s interpretation of the dietary ingredient notification requirements, and in 2016, the FDA issued a revised draft guidance that superseded the 2011 version. This draft guidance is not yet final but appears to indicate that the FDA is expanding its definition of what is considered a " new dietary ingredient " in the United States. The industry has worked with the FDA for several years, providing comments to the FDA to modify this guidance. While still in flux, if enacted in final form as proposed, this guidance could impose new and significant regulatory barriers for our nutritional supplement products or unique ingredients, which could delay or inhibit our ability to formulate, introduce and sell nutritional supplements as we have in the past. Similarly, from time to time, efforts are made by some individuals or groups to repeal the Dietary Supplement Health and Education Act of 1994 (" DSHEA "), the U. S. law that provides a separate body of regulations for dietary supplements as compared to drugs. Such a repeal would result in significant burdens to our product development, and the costs of running our business would increase significantly. We face similar pressures in our other markets, which continue to set restrictions on ingredients and their acceptable maximum levels, as well as on ingredient characterization, quality and levels. In Europe, for example, we are unable to market supplements that contain ingredients that were not marketed in Europe prior to May 1997 (" novel foods ") without going through an extensive registration and pre- market approval process. The FDA currently does not have a pre- market approval system for cosmetics. However, cosmetic products may become subject to more extensive regulation in the future **, even beyond the requirements mandated by the recently enacted Modernization of Cosmetics Regulation Act of 2022** . These events could interrupt the marketing and sale of our products, severely damage our brand reputation and image in the marketplace, increase the cost of our products, cause us to fail to meet customer expectations or cause us to be unable to deliver merchandise in sufficient quantities or of sufficient quality to our stores, any of which could result in lost sales. Our operations could be harmed if new laws or regulations are enacted that restrict our ability to market or distribute our products or impose additional burdens or requirements on us in order to continue selling our products. In addition, the adoption of new regulations or changes in the interpretations and enforcement of existing regulations may result in significant compliance costs or discontinuation of product sales and may impair the marketability of our products, resulting in significant loss of net sales. We cannot predict the nature of any future laws, regulations, interpretations, or applications, nor can we determine what effect additional governmental regulations or administrative orders, when and if promulgated, would have on our business. If new or existing laws and regulations restrict, inhibit or delay our ability to introduce or market our products or limit the claims we are able to make regarding our products, this could have a material adverse effect on our business, financial condition, and operating results. If we fail to comply with the laws and regulations governing our products, we could face enforcement action, and we could be fined or forced to alter or stop selling our products. Government regulations and private party actions relating to the marketing and advertising of our products and services may restrict, inhibit or delay our ability to sell our products and harm our business. Government authorities regulate advertising and product claims regarding the efficacy and benefits of our products. These regulatory authorities typically require adequate and reliable scientific substantiation to support any marketing claims. What constitutes such reliable scientific substantiation can vary widely from market to market and there is no assurance that the research and development efforts that we undertake to support our claims will be deemed adequate for any particular product or claim. If we are unable to show adequate and reliable scientific substantiation for our product claims, or if our marketing materials or the marketing materials of our sales force make claims that exceed the scope of allowed claims for dietary supplements, cosmetics or devices that we offer, the FDA or other regulatory authorities could take enforcement action requiring us to revise our marketing materials, amend our claims or stop selling certain products, which could harm our business. For example, in recent years, the FDA has issued warning letters to many cosmetic companies alleging improper structure / function claims regarding their cosmetic products, including, for example, product claims regarding gene activity, cellular rejuvenation, and rebuilding collagen. There is a degree of subjectivity in determining whether a claim is an improper structure / function claim. Given this subjectivity and our research and development focus on the sources of aging and the influence of certain ingredients on gene expression, there is a risk that we could receive a warning letter, be required to modify our product claims or take other actions to satisfy the FDA if the FDA determines any of our marketing materials include improper structure / function claims for our cosmetic products. In addition, plaintiffs' lawyers have filed class action lawsuits against some of our competitors after our competitors received these FDA warning letters. There can be no assurance that we will not be subject to government actions or class action lawsuits, which could harm our business. In the United States, the FTC' s Guides Concerning the Use of Endorsements and Testimonials in Advertising (" Guides ") require disclosure of material connections between an endorser and the company they are endorsing, and they generally do not allow marketing using atypical results. Our sales force has historically used testimonials and " before and after " photos to market and sell some of our popular products such as our spa devices and ageLOC Transformation anti- aging skin care system. We intend to continue to use testimonials for our popular products, including weight management products and beauty products. In highly regulated and scrutinized product categories such as weight management, if we or our sales force fails to comply with the Guides or makes improper product claims, the FTC could bring an enforcement action against us and we could be fined and / or forced to alter our marketing materials. **In addition, during 2023, the FTC sent notices of penalty offense to nearly 700 companies, including us, regarding the requirement of sufficient substantiation for product claims. Pursuant to the FTC' s " penalty offense authority, " companies that received the notice are expected to comply with the standards set in the FTC' s prior administrative cases on this topic, and they could incur significant civil penalties if they or their representatives fail to do so.** Our operations could be harmed if we **or our vendors** fail to comply with Good Manufacturing Practices. Across our markets, there are regulations on a diverse range of Good Manufacturing Practices that apply to us and to our vendors covering product categories such as dietary supplements, cosmetics, foods, over- the- counter drugs and medical devices. The Good Manufacturing Practices impose stringent requirements on a variety of topics, including vendor qualifications, ingredient identification, manufacturing controls and record keeping. Ingredient identification requirements, which often require us to confirm the levels, identity and potency of ingredients listed on our product labels within a narrow range, are particularly burdensome and difficult for us because our products contain many different ingredients. Additionally, certain Good Manufacturing Practices obligate us to track and periodically report adverse events to government agencies. Compliance with these increasing regulations may further increase the cost of manufacturing certain of our products as we work with our vendors to assure they are qualified and in compliance. In addition, our operations could be harmed if regulatory authorities determine that we or our vendors are not in compliance with these regulations or if public reporting of adverse events harms our reputation for quality and safety. A finding of noncompliance may result in administrative warnings, penalties or actions impacting our ability to continue selling certain products, including public withdrawals, seizures and recalls. For example, we have had product recalls in the United States based on labeling issues. Problems associated with product recalls could be exacerbated due to the global nature of our business because a recall in one jurisdiction could lead to recalls in other jurisdictions. In addition, these risks associated with noncompliance could increase as we acquire businesses, including ~~the~~ **our current and future Rhyz** businesses ~~that we have already acquired in our Rhyz strategic investment arm and any businesses we may acquire in the future~~. If our current or any future device products are determined to be medical devices in a particular geographic market, or if our sales force uses these products for medical purposes or makes improper medical claims, our ability to continue to market and distribute such devices could be harmed, and we could face legal or regulatory actions. One of our strategies is to market unique and innovative products that allow our sales force to distinguish our products. As we pursue this strategy with our current and future device products, there is a risk that regulatory authorities in our markets could determine that these products must receive clearance or be registered as medical devices. Such a determination could restrict our ability to import or sell the product in such market until registration or clearance is obtained. The process for obtaining such registrations and clearances could require us to provide documentation concerning product manufacturing and clinical utility; to make design, specification and manufacturing process modifications to meet standards imposed on medical device companies; and to modify our marketing claims regarding the registered product. While we have not been required to register our device products as medical devices in most markets, we have registered some of them in some markets, including ageLOC Boost in Thailand and our ageLOC Galvanic Facial Spa and ageLOC Body Spa systems in Indonesia, Thailand, Peru and Colombia. We also sought and received clearance from the United States Food and Drug Administration to market our Nu Skin Facial Spa **device and, more recently, our Nu Skin RenuSpa iO device** for over- the- counter use. We are currently pursuing medical device registration of **Nu Skin WellSpa iO** ~~our new connected body device, which we plan to begin launching during 2023,~~ in ~~the United States and~~ Thailand ~~. The~~ **, and the** registration process could delay the launch of this product in **Thailand** ~~these markets~~. In some cases, challenges can arise even after we have completed the required registration / clearance process or determined that a product does not need registration / clearance. This could occur if a jurisdiction changes its laws or interpretations thereof, for example. In addition, if **, in violation of our policies,** our sales force attempts to import or export products from one market to another ~~in violation of our policy~~, makes medical claims regarding our products, or uses our products to perform medical diagnoses or other activities limited to licensed professionals or approved medical devices (in markets where the product is not approved), it could negatively impact our ability to market or sell these products and subject us to legal or regulatory actions. Because medical device regulations vary widely from market to market, registration or clearance in one market does not preclude challenges or delays in obtaining registration or clearance in other markets, nor does it preclude other markets from requiring us to make additional modifications or provide additional documentation as conditions to granting clearance. Furthermore, in some cases, registration or clearance to sell a product in one market may be used as precedent for requiring similar approval for the product in another market, or for similar products in the same market. These additional requirements could increase the cost associated with manufacturing and selling these products as non- medical devices in such markets. Any of the above factors could have a material negative impact on our ability to sell products and could negatively affect our financial results. We may incur product liability claims that could harm our business. We sell a variety of different products for human consumption and use, including cosmetics, dietary supplements, conventional foods, OTC drugs and devices. Our cosmetics and conventional foods, as well as some of our dietary supplements, are not generally subject to pre- market approval or registration processes so we cannot rely upon a government safety panel to qualify or approve our products for use, and some ingredients may not have long histories of human consumption or use. We rely upon published and unpublished safety information including clinical studies on ingredients used in our products and conduct our own clinical and safety studies on some key ingredients and products, but not all products. A product may be safe for the general population when consumed or used as directed but could cause an adverse reaction for some individuals, such as a person who has a health condition or allergies or who is taking a prescription medication. While we include what we believe are adequate instructions and warnings and we have historically had low numbers of reported reactions, previously unknown adverse reactions could occur. If we discover that our products are causing adverse reactions, or if we determine that any of our employees have not properly handled reports of adverse reactions, we could suffer further adverse publicity or government sanctions. As a result of the type of products that we sell, we may be subject to various product liability claims, including that the products fail to meet quality or manufacturing specifications, contain contaminants, include inadequate instructions as to their proper use, include inadequate warnings concerning side effects and interactions with other substances or for persons with health conditions or allergies, or cause adverse reactions or side effects. Consumer protection laws and regulations governing our business continue to expand, and in some states such as California, class- action lawsuits based on increasingly novel theories of liability are expanding. Product liability claims could increase our costs, cause negative publicity, and adversely affect our business and financial results. As we continue to offer an increasing number of new products through large product offerings our product liability risk may increase. If our sales force or employees provide improper advice regarding our products or our products' use or safety, we may be subject to additional product liability. We have generally elected to self- insure our product liability risks. We periodically evaluate whether we can and should obtain product liability insurance. Based upon our current approach to product liability risk management, if any of our products are found to cause any injury or damage or we become subject to product liability claims, we will be subject to the full amount of liability associated with any injuries or damages. This liability could be substantial and may exceed our existing reserves and harm our business. Legal, Regulatory and Compliance Risks We may become involved in legal proceedings and other matters that could adversely affect our operations or financial results. We have been, and regularly are, a party to litigation, government inquiries or investigations, audits or other legal matters. These legal proceedings may include, among other things, claims alleging violation of the federal securities laws or state corporate laws, or claims related to employment matters, **contracts,** intellectual property, fair- competition / anti- trust laws, our products, business opportunity or advertising **, defamation, negligence, data breaches, privacy compliance** , or other matters. Claims may be brought by a regulator, investor, member of our sales force, consumer, employee or other private parties and in some cases may be brought as class action lawsuits. Our increased activity during the past several years with acquisitions, divestments and other investment- related activities introduces an additional area of litigation risk, and we have had litigation and threats of litigation related to these matters. Other parties in the transactions or potential transactions, or other parties involved in the businesses themselves, could bring claims against us. For example, from 2019 until January 2023, we were in litigation with a dairy farmer who claimed he was a general partner in our former indoor-growing business and related businesses. He also sought damages exceeding $ 250 million. Although we ultimately reached a settlement agreement with him in January 2023, there can be no assurance that the resolution of future cases will be favorable to us. In general, litigation claims, regulatory actions or other legal matters are expensive and time consuming and can result in settlements, adverse rulings or damages that could significantly affect financial results and the conduct of our business. It is not possible to predict the final resolution of any legal proceeding to which we may become party, and the impact of these matters on our business, results of operations and financial condition could be material. Non- compliance with anti- corruption laws could harm our business. Our international operations are subject to various anti- corruption laws, including principally the U. S. Foreign Corrupt Practices Act (the " FCPA "). The FCPA and the anti- corruption laws of other jurisdictions where we operate generally prohibit companies and their agents or intermediaries from making improper payments for the purpose of obtaining or retaining business, and they require companies to maintain ~~accurate~~ books and records and internal accounting controls. We dedicate time and resources to internal investigations of any allegation that we are not or may not be in compliance with anti-corruption laws. Such allegations, even if untrue, may result in a government investigation by a foreign or U. S. regulator, including the U. S. Department of Justice and the Securities and Exchange Commission ~~(" SEC ")~~ . Our corporate policies require all employees to comply with the FCPA and other applicable anti- corruption laws, including the FCPA' s books- and-records and internal- accounting- controls requirements. Any regulatory determination, however, that our operations or activities are not in compliance with existing anti- corruption laws or regulations could result in the imposition of substantial fines and other penalties from U. S. or other regulatory entities. ~~In 2016, we reached a resolution with the SEC to pay $ 765, 688 to settle the SEC' s allegations that our books and records and internal controls related to a charitable contribution in Mainland China in 2013 were insufficient. In agreeing to this settlement, we neither admitted nor denied the SEC' s findings.~~ Although we have implemented ~~additional~~ anti- corruption policies, controls and training globally to ~~prevent similar situations from arising~~ **maintain a sufficient system of books and records and internal accounting controls, we have in the past and may** in the future ~~, we~~ **have regulatory investigations and penalties. We** cannot **guarantee** ~~be certain~~ that ~~these~~ **our compliance** efforts will ~~be effective or~~ prevent future **investigations,** fines or penalties under the FCPA or other anti- corruption laws. Our competitors operating in Mainland China have also faced allegations from U. S. regulators and been fined accordingly in some circumstances. For example, in 2020, one of our competitors entered into a large settlement with U. S. regulators related to allegations that its employees violated the FCPA in Mainland China. Additionally, we cannot predict the nature, scope or effect of future regulatory requirements to which our international operations might be subject or the manner in which existing or new laws might be administered or interpreted. Alleged or actual violations of any such existing or future laws (either due to our own acts or our inadvertence, or due to the acts or inadvertence of others) may result in criminal or civil sanctions or reputational harm, which could have a material adverse effect on our business, financial condition and results of operations. A failure of our internal controls over financial reporting or our regulatory compliance efforts could harm our stock price and our financial and operating results or could result in fines or penalties. We have implemented internal controls to help ensure the completeness and accuracy of our financial reporting and to detect and prevent fraudulent actions within our financial and accounting processes. We have also implemented compliance policies and programs to help ensure that our employees and sales force comply with applicable laws and regulations. Our internal audit team regularly audits our internal controls and various aspects of our business and compliance program, and we regularly assess the effectiveness of our internal controls. There can be no assurance, however, that our internal or external assessments and audits will identify all fraud, misstatements in our financial reporting, and significant deficiencies or material weaknesses in our internal controls. Material weaknesses have in the past, and may in the future, resulted in a material misstatement of our financial results, requiring us to restate our financial statements. From time to time, we initiate further investigations into our business operations to further bolster our regulatory compliance efforts or based on the results of our internal and external audits or on complaints, questions or allegations made by employees or other parties regarding our business practices and operations. In addition, our business and operations may be investigated by applicable government authorities. In the event any of these investigations identify material violations of applicable laws by our employees, sales force or affiliates, we could be subject to adverse publicity, fines, penalties or loss of licenses or permits. Risks Associated with Taxes, Customs and DebtWe are subject to changes in tax and customs laws, changes in our tax rates, the adoption of new U. S. or international tax legislation or exposure to additional tax liabilities, which could have a material and adverse impact on our effective tax rate, operating results, cash flows and financial condition. As a U. S. company doing business globally, we are subject to applicable tax and customs laws, including those relating to intercompany pricing regulations and transactions between our corporate entities in the jurisdictions in which we do business, as well as customs valuation and classification, income taxes, value- added taxes, withholding taxes, payroll taxes, and other applicable taxes. Tax and customs laws, regulations, administrative practices and interpretations in each jurisdiction are subject to change, with or without notice, due to economic, political or other conditions. For example, **in 2022,** the United States ~~recently~~ enacted the Inflation Reduction Act, which imposes a 1 % excise tax on stock repurchases, subject to certain adjustments or exceptions ~~that might not apply to some of our stock repurchases~~ . Changes in the law or in authorities' interpretation of the law can materially increase our tax or customs expense and our effective tax rate. Due to the numerous jurisdictions in which our subsidiaries are organized and changes in laws and their interpretations, significant judgment is required in evaluating and estimating our provision for income taxes. Our future effective tax rates could be affected by numerous factors, such as intercompany transactions, changes in our business operations, acquisitions and dispositions, entry into new markets, the amount of our earnings and where earned, losses incurred, the inability to realize tax benefits, changes in foreign currency exchange rates, changes in our stock price, uncertain tax positions, allocation and apportionment of state taxes, changes in our deferred tax assets and liabilities and changes in their valuation. In addition, U. S. and foreign governments may enact tax laws or enter into tax treaties that could result in further changes to global taxation and may materially affect our operating results and financial condition. Government authorities may question our tax or customs positions or change their laws in a manner that could increase our effective tax rate or otherwise harm our business. Despite our best efforts to be aware of and comply with tax and customs laws, including changes to and interpretations thereof, local authorities can and sometimes do question our tax and customs positions. We are regularly subject to tax and customs audits, investigations, inquiries or other tax controversies by tax and customs authorities around the world regarding income taxes, customs valuation and classification, transfer pricing, value-added taxes, withholding taxes, payroll taxes, and other applicable taxes. The ultimate resolution of these matters can take several years, and the outcome is uncertain and can include additional taxes / customs duties, the payment of back taxes / customs duties, interest and penalties. We reserve in our consolidated financial statements amounts that we believe are in accordance with U. S. GAAP, and we regularly assess the likelihood of an adverse outcome in these matters to determine the adequacy of our accruals and adjust them as appropriate. However, developments in these matters could warrant an additional accrual and expense, and the ultimate outcome could be materially different from our accruals, which could materially impact our effective tax rate **and /** or our overall tax or customs expense. A decline in our business could adversely affect our financial position and liquidity **, and our debt covenants could limit our ability to pursue transactions or other opportunities that could be beneficial to our business** . Any significant decline in our operating results could adversely affect our financial position and liquidity. Under the terms of our credit facility, we are required to maintain certain interest coverage and leverage ratios. In addition, our outstanding borrowings under our credit facility and related term loan impose debt service and amortization requirements. A significant deterioration in our results of operations, whether as a result of prevailing economic, financial and industry conditions, ~~COVID- 19,~~ or other causes, could impact our ability to comply with our ~~financial~~ **debt** covenants and debt service and amortization obligations, which could result in an event of default under the terms of our credit facility. An event of default under our credit facility could result in an inability to access funding under the agreement and cause all outstanding amounts to become immediately due and payable, which would have a material adverse effect on our financial condition and liquidity **. In addition, even if we do not default, our debt covenants could impose limitations on our ability to pursue transactions or other opportunities that could be beneficial to our business. For example, in June 2023, we borrowed $ 80 million under our revolving credit facility in connection with our purchase of Beauty Biosciences LLC. We will be unable to borrow additional funds to pursue other transactions or opportunities if such additional borrowing would cause us to be in violation of our debt covenants** . Intellectual Property RisksWe may be subject to claims of infringement on the intellectual property rights or trade secrets of others, resulting in costly litigation. In recent years, there has been significant litigation in the United States involving patents and other intellectual property rights. In particular, there has been an increase in the filing of suits alleging infringement of intellectual property rights, which pressure defendants into entering into settlement arrangements quickly to dispose of such suits, regardless of their merit. Other companies or individuals may allege that we, or our sales force, consumers, licensees or other parties indemnified by us, infringe on their intellectual property rights. Even if we believe that such claims are without merit, defending such intellectual property litigation can be costly, distract management' s attention and resources, and the outcome is inherently uncertain. Claims of intellectual property infringement also might require us to redesign affected products, enter into costly settlement or license agreements, pay costly damage awards, or face a temporary or permanent injunction prohibiting us from marketing or selling certain of our products. Any of these results may adversely affect our financial condition **. As a result of claims against us regarding suspected infringement, our technologies may be subject to injunction, we may be required to pay damages, or we may have to seek a license to continue certain practices (which may not be available on reasonable terms, if at all), all of which may significantly increase our operating expenses or may require us to restrict our business activities and limit our ability to deliver our products and services and / or certain features, integrations, and capabilities of our platform. As a result, we may also be required to develop alternative non- infringing technology, which could require significant effort and expense and / or cause us to alter our products or services, which could negatively affect our business** . We employ individuals who were previously employed at other beauty or wellness product companies, including our competitors or potential competitors. To the extent that our employees are involved in research areas that are similar to those in which they were involved with their former employers, we may be subject to claims that such employees have inadvertently or otherwise used or disclosed the alleged trade secrets or other proprietary information of the former employers. Litigation may be necessary to defend against such claims. If we are unable to protect our intellectual property rights or our proprietary information and know- how, our ability to compete could be negatively impacted and the value of our products could be adversely affected. The market for our products depends to a significant extent upon the value associated with our product innovations and our brand equity. We rely upon patent, copyright, trademark **,** and trade secret laws in the United States and other markets, and non-disclosure, confidentiality **,** and other types of agreements with our employees, sales force, customers, suppliers and other parties, to establish, maintain and enforce our intellectual property rights. Despite these measures, any of our intellectual property rights could be challenged, invalidated, circumvented **,** or misappropriated, or such intellectual property rights may not be sufficient to permit us to provide competitive advantages, which could result in costly product redesign efforts, discontinuance of certain product offerings or other competitive harm. In addition, the laws of certain foreign markets where we have significant business, including markets such as Mainland China, do not protect our intellectual property rights to the same extent as the laws of the United States. The costs required to protect our patents and trademarks may be substantial ~~or~~ **. In some cases it may not** even ~~not~~ **be** practical **to seek to register our intellectual property for various reasons, including costs and enforceability** . We have filed patent and trademark applications globally to protect our intellectual property rights in our new technologies; however, there can be no assurance that our patent and trademark applications will be approved and ~~issue~~ **issued** , that any patents and trademarks issued will adequately protect our intellectual property, or that such patents and trademarks will not be challenged by third parties or found by a judicial authority to be invalid or unenforceable. **Additionally, we cannot guarantee that our intellectual property rights will be respected and not infringed by third parties.** Moreover, many of our products rely on technologies developed or licensed by third parties, and we may not be able to obtain or continue to obtain licenses and technologies from these third parties on reasonable terms or at all. From time to time, we become aware of potential violations of our intellectual property rights. For example, we are aware of **the use of and attempts to obtain trademark registrations for " Nu Skin " or phonetically similar marks and of** some products that may infringe on our intellectual property related to the ageLOC LumiSpa device. To enforce and protect our intellectual property rights, we may initiate ~~litigation~~ **actions** against third parties **to protect our intellectual property** , such as patent, copyright **,** and trademark infringement ~~suits~~ **lawsuits** or interference proceedings, and seek indemnification by contract or otherwise. Any lawsuits that we initiate could be expensive, take significant time and divert management' s attention from other business concerns, and we may ultimately fail to prevail or recover on any indemnification claim. Litigation also puts our patents and trademarks at risk of being invalidated or interpreted narrowly and our patent and trademark applications at risk of not issuing. Additionally, we may provoke third parties to assert claims against us. We may not prevail in any lawsuits that we initiate and the damages or other remedies awarded, if any, may not be commercially valuable. The occurrence of any of these events may adversely affect our financial condition or diminish our investments in this area. In addition to patented technology, we rely on our unpatented proprietary technology, trade secrets, processes and know- how. We generally seek to protect this information by confidentiality, non- disclosure and assignment of invention agreements with our employees, consultants, scientific advisors and third parties. Our employees may leave to work for competitors. Our sales force members may seek other opportunities. These agreements may be breached, and we may not have adequate remedies for any such breach. In addition, our trade secrets may be disclosed to or otherwise become known or be independently developed by competitors. To the extent that our current or former employees, sales force, consultants or contractors use intellectual property owned by others in their work for us, disputes may arise as to the rights in related or resulting know- how and inventions. If, for any of the above reasons, our intellectual property is disclosed or misappropriated, it would harm our ability to protect our rights and adversely affect our financial condition. Data Security and Privacy **RisksFailure** ~~RisksCyber security risks and the failure~~ to maintain **satisfactory compliance with certain privacy and data protections laws and regulations, and** the integrity of company, employee, sales force **, customer** or guest data could expose us to ~~data loss,~~ litigation, liability **, substantial negative financial consequences** and harm to our reputation. We collect, transmit and / or store large volumes of company, employee, sales force **, customer** and guest data, including payment card information, personally identifiable information **, health- related data** and other personal information, for business purposes, including for transactional and promotional purposes, and our various information technology systems enter, process, summarize ~~and~~ **,** report **and transmit** such data. The **various mobile applications,** connected **beauty and wellness** devices **, and other connected tools** that we have developed or are developing also collect ~~consumer~~ data. The integrity and protection of this data is critical to our business. We are subject to ~~significant~~ **various** security and privacy regulations **in the markets where we do business** , as well as requirements imposed by the payment card industry. For example, ~~during 2018,~~ the General Data Protection Regulation **, which** went into effect in the European Union **in 2018** , ~~imposing~~ **imposes** increased data protection regulations, the violation of which could result in fines of up to 4 % of ~~our~~ annual consolidated revenue. Many other **U. S. states and foreign** jurisdictions have similarly enacted security and privacy regulations **. California' s newest privacy laws, the California Consumer Privacy Act and the California Privacy Rights Act, enacted in 2018 and 2020, respectively, provide a private right of action for consumers against businesses who have violated their rights under these laws, including the right to recover statutory damages ranging between $ 100 and $ 750 per consumer per incident for certain types of data breaches. Other data privacy or data protection laws or regulations have been adopted or are under consideration in many other jurisdictions. We anticipate that federal, state and international regulators will continue to enact legislation related to data protection and privacy. These laws may impose restrictions on our ability to gather and / or transfer personal data, provide individuals with additional rights around their personal data, and place downstream obligations on our Brand Affiliates or other business partners relating to their use of information we provide. Many other jurisdictions** , including California and Mainland China, **have increased enforcement of laws** and ~~we~~ **regulations that have recently taken effect. We** believe ~~this~~ **these** ~~trend~~ **trends** will continue. In the United States, congressional committees have held preliminary hearings about the advisability of a federal data privacy law, but it is uncertain whether the federal government will adopt such a law and whether it would preempt state data privacy laws. **Efforts have been made in recent years at the federal level to establish a comprehensive privacy regime including many of the concepts found in other state and federal privacy bills and laws, such as consent requirements for entities providing services to the public that collect, store, process, use or otherwise control sensitive personal information.** The prospect of new data privacy laws and ambiguity regarding the interpretation of **new and** existing laws has resulted in significant uncertainty and compliance costs. In addition to laws specifically governing privacy and data security, in some cases, federal and state regulators and state attorneys general and administrative agencies have interpreted more general consumer protection laws to impose standards for the online collection, use, dissemination and security of data. **Plaintiffs' counsels have also put forward a number of novel theories suing companies on the basis of their collection and use of information under existing privacy-adjacent laws.** Although we monitor regulatory developments in this area, ~~any~~ **laws may be implemented, interpreted, or enforced in a non- uniform or inconsistent way across jurisdictions, and we may not be aware of every development that impacts our business. Any** actual or perceived failure by us to comply with these requirements could subject us to significant penalties, lawsuits and negative publicity and require changes to our business practices. **The costs of complying with existing or new data privacy or data protection laws and regulations may limit our ability to gather personal information needed to provide our products and services, delay or impede the development of new products and services, or negatively impact the use of or demand for our products and services, any of which could harm our business.** In particular, maintaining compliance with these and other evolving regulations and requirements around the world ~~often~~ **has** ~~requires~~ **required** changes to our information system architecture **, data transfer** and data storage processes. ~~Making~~ **For example, data privacy laws in Mainland China and other jurisdictions place restrictions on** ~~these~~ -- **the cross- border transmission of personal data, which could impede our ability to perform many business functions, including calculating and paying compensation to our sales force, absent significant** changes **to our information system architecture. Changing our information system architecture and data transfer and storage processes** is ~~, and will likely continue to be,~~ difficult and expensive. Investigations by the regulators of data security **or protection** laws **across jurisdictions** could also result in the payment of fines ~~and~~ **, reputational** harm **and an inability to continue doing business in certain jurisdictions. Class actions** ~~our~~ - **or other** ~~reputation. Private~~ **private** actions by affected individuals **in some jurisdictions** could also result in significant monetary or reputational damage. **The following additional factors also cause risks related to the use of data: ● Sales force —** We ~~also~~ share certain data with our sales force. We could face fines, investigations, lawsuits or other legal action if our sales force violates, or is perceived to violate, applicable laws and regulations, and our reputation and brand could be negatively impacted. ~~Similarly, a~~ **● Payment card industry data security standards — A** failure to adhere to the payment card industry' s data security standards could cause us to incur penalties from payment card associations, termination of our ability to accept credit or debit card payments, litigation and adverse publicity, any of which could have a material adverse effect on our business and financial condition. ~~In addition~~ **● Artificial intelligence (" AI ") — If we introduce AI technologies into new or existing offerings or back- office functions** , ~~a penetrated~~ **it may result in new or expanded risks and liabilities due to enhanced governmental or regulatory scrutiny, litigation, compliance issues, ethical concerns, and data privacy and security risks, all of which could adversely affect our business, reputation, and financial results. For example, the use of AI technologies could lead to unintended consequences, such as accuracy issues, cybersecurity risks, unintended biases, and discriminatory outputs, which could impact our ability to protect our data, intellectual property, and client information, or could expose us to intellectual property claims by third parties. The unauthorized access, use, theft or destruction of our information systems or of data that is stored in our information systems or by third parties on our behalf could impact our reputation and brand and expose us to potential liability and loss of revenues. A breached** or compromised data system or the intentional, inadvertent or negligent release, misuse or disclosure of data could result in theft, loss, or fraudulent or unlawful use of company, employee, sales force **, customer** or guest data. Although we take measures to protect the security, integrity **, accessibility** and confidentiality of our data systems, we experience **cyberattacks** ~~cyber attacks~~ of varying degrees and types on a regular basis. Our infrastructure may be vulnerable to these attacks, and in some cases it could take time to discover them. Our security measures may also be breached due to employee error or malfeasance, system errors or otherwise. ~~This risk is heightened as a result of changes due to the COVID- 19 pandemic as many of our employees are working~~

~~remotely.~~ Additionally, outside parties may attempt to fraudulently induce employees, users, or customers to disclose ~~sensitive~~ **confidential** information to gain access to our **systems, our** data **,** or our users' or customers' data. Any such breach or unauthorized access could result in the unauthorized disclosure, misuse or loss of sensitive information and lead to significant legal and financial exposure, regulatory inquiries or investigations, loss of confidence by our sales force and customers, disruption of our operations, damage to our reputation, and costs associated with remediating the incident **. In addition, should a threat- actor successfully breach our systems to a significant extent, they could disable our systems or take our systems offline via ransomware, and such actions could stop or significantly impair our ability to conduct business, including processing orders and tracking and timely paying sales compensation to our sales force. Additionally, threat- actors regularly extort money from victims as a condition to returning the victim' s systems to operation and / or to not releasing stolen data to the public** . These risks are heightened as we work with third- party providers, including providers of mobile and cloud technologies, and as our sales force uses social media, as ~~the~~ **our third- party** providers and **the** social media platforms could be vulnerable to the same types of breaches and other risks. **These risks also are heightened as a result of our recent restructurings, which affected several functions at our company, including our information technology and information security functions.** Acquisition activity, which we have engaged in and which we ~~may~~ **plan to** continue to engage in, may also heighten these risks, as the systems of the companies we acquire are not under our control prior to the acquisitions and it may take time to evaluate these systems and implement appropriate modifications to them. Sustainability Risks Our business could be negatively impacted by corporate citizenship and sustainability matters. There are increased and increasing expectations and focus from certain investors, Brand Affiliates, consumers, employees, regulators and other stakeholders concerning corporate citizenship and sustainability matters, including environmental, social and governance matters; packaging; responsible sourcing; and diversity, equity and inclusion matters. **In addition, some jurisdictions, including California and the European Union, have enacted laws requiring public disclosure of information in these areas, and** ~~From~~ **from** time to time, we announce certain initiatives and goals in these areas. We could fail, or be perceived to fail, in our achievement of such initiatives or goals or in meeting stakeholders' expectations, or we could fail in **complying with laws or** accurately reporting our progress on such initiatives, goals and expectations. Moreover, the standards by which corporate citizenship and sustainability efforts and related matters are measured are developing and evolving, and certain areas are subject to assumptions. The standards or assumptions could change over time. In addition, we could be criticized for the scope of our initiatives or goals or perceived as not acting responsibly in connection with these matters, such as with our carbon footprint, recyclability of our packaging, ingredients used in our products or the sourcing of such ingredients. Any such matters, or related corporate citizenship and sustainability matters, could have a material adverse effect on our business. Risks Related to Our Common StockThe market price of our Class A common stock is subject to significant fluctuations due to a number of factors that are beyond our control. Our Class A common stock closed at $ ~~57~~ **48** . **19** ~~87 per share on January 29, 2021 and closed at $ 42. 88~~ per share on January 31, ~~2023~~ **2022 and closed at $ 18. 56 per share on January 31, 2024** . During this two- year period, our common stock traded as low as $ ~~29~~ **16** . ~~96~~ **15** per share and as high as $ ~~63~~ **56** . ~~85~~ **76** per share. Many factors, including some we may be unable to control, could cause the market price of our Class A common stock to fall. Some of these factors include: ● fluctuations in our operating results; ● government investigations of our business; ● trends or adverse publicity related to our business, products, industry or competitors; ● the sale of shares of Class A common stock by significant stockholders; ● demand, and general trends in the market, for our products; ● acquisitions by us or our competitors; ● economic or currency exchange issues in markets in which we operate; ● changes in estimates of our operating performance or changes in recommendations by securities analysts; ● speculative trading, including short selling and options trading; and ● general economic, business, regulatory and political conditions. Broad market fluctuations could also lower the market price of our Class A common stock regardless of our actual operating performance. General Risk Factors Difficult economic conditions could...... growth in our business during 2023. ITEM 1B. UNRESOLVED STAFF COMMENTS