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10 Red Flags - Is USANA A Pyramid Scam?

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Barry Minkow, and his team at Fraud Discovery, published a [devastating critique claiming that USANA was an illegal pyramid scheme](#).

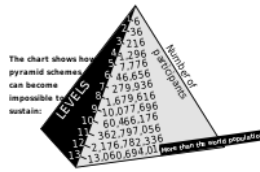


Image via [Wikipedia](#)

The article is no longer at Minkow's, as the result of his settlement with USANA.

Candid disclosure, I wrote an flattering article about the [Fraud Discovery Institutes's due diligence](#), and in return Barry Minkow promised to buy me a beer if I was ever in San Diego, which is also the home of the [American Association of Franchisees and Dealers](#).

The Minkow Report is making waves over at [Pink Truth: Facts](#), and the Wall Street Journal picked up the story, [Usana Sales Plan Draws Fire From Felon Turned Gumshoe](#).

Here is my summary of the report, but I urge readers to read the entire report and all 20 addendums and the lab report. There are 8 red flags, and 2 background observations.

Background - Why USANA's stock price might remain high despite not having a credible business model.

1. The float of the USANA stock makes it difficult or impossible for short sellers to borrow adequate stock. Thus, an essential feature of the market may not correct the price of USANA stock.
2. The executives of USANA have the incentive to keep the stock price high because their compensation is tied to the stock price. This doesn't mean that the senior executives are dishonest, only that their incentive is to keep the stock price high.

The 8 Red Flags, my summary.

1. Untenable Business Model - USANA claims in it advertising to potential distributors that in the traditional retail model, with national, regional and local distributors, costs 75% more than a networking model. Minkow describes this as "fairy tale" story. He argues that if the USANA model could save 75% of distributor's costs, then why are USANA's products much more costly than comparable retail

Comments

usana a cambiado mi modo de vida , estoy muy agradecido con usana , sr. minkow por favor ya madure💎💎

Posted by: miguel heredia | [December 7, 2007 3:27 AM](#)

Whatever dude ! it was obvious that barry is trying to make some money out of this. My parents started with USANA about one year and a half ago and now they are receiving aprox. 1700 dollars a month, and their business keeps growing up. This business is not something that will happen from one day to another it requires hard work but it also pays more than any network marketing business. USANA is the perfect business and it has helped all the family in a way we thought impossible. USANA is a dream come true for my family and it's just lame to hear this kind of reports tryint to mislead people about the USANA concept. Im saying this becuz we have experience the integrity of the company and it?s impressive. So please before adding these type of bullshit try to experience the company personally. Pliz if somebody is thinking about joining this company dont be deceived by this kind of trash! This company will change your life as it has changed ours. Thanks!

Posted by: Mario | [September 19, 2007 6:05 PM](#)

This comment does not address the staggering amount of information uncovered by FDI, nor the possible delisting of stock as a result of their auditors resigning.

Posted by: [Michael Webster](#) | [August 21, 2007 11:19 AM](#)

I am an outsider doing research for a article... i think in this case, it seems as though Minkow tried to make some quick cash with using his status as a report for wall street journal.....he put in some put options before unveiling the article in hopes to make money... that put his character back in a hole and now it seems that he continues to progress on this USANA matter, even though the steam of controversy it lost. The fact is the companies model is not unlike any other type of business... those that utilize the business process will be the most successful, those that do not do much will not make much and be asked to be in a youtube video for barry minkow. If i am in real estate and i do not prospect listings and buyers, i will not make too much money. I think the % of those with real estate licenses and the % of those that are making \$ in real estate are far more daunting than USANA... Far far more. I have a real estate license and was under the impression that I would be able to make money... i have given minimal effort and being discouraged I have made no money.... lets question the real estate market? no lets question my tact and persistence. get it? I think Minkow is a little bummed that he let is selfishness get the best of him again... he is the guy getting pushed into the swimming pool and scratching and clawing before falling in.

Posted by: sK | [August 18, 2007 9:54 PM](#)

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