

Policies & Procedures

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Policies & Procedures

SECTION 1 – INTRODUCTION

1.1 POLICIES INCORPORATED INTO ASSOCIATE AGREEMENT

These Policies and Procedures, in their present form and as amended from time to time at USANA's discretion, are incorporated into the USANA Associate Agreement. It is the responsibility of each Associate to read, understand, adhere to, and ensure that he/she is aware of and operating under the most current version of these Policies and Procedures. For the purposes of these policies the term Associate refers to all individuals who entered into an Associate Application and Agreement with USANA after February 2000 and all individuals who entered into a Distributor Application and Agreement before February 2000.

1.2 PURPOSE

The purpose of the Associate Agreement is:

- To define the relationship between USANA and the Independent Associate;
- To set standards of acceptable business behavior;
- To assist Associates in building and protecting their business.

1.3 CHANGES

The Company may from time to time amend the terms and conditions of the Associate Agreement, Policies and Procedures, Compensation Plan and Price List. Amendments shall be effective upon notification of the changes in official USANA publications distributed to all active Associates.

1.4 DELAYS

USANA shall not be responsible for delays and failures in performing its obligations due to circumstances beyond its reasonable control, such as strikes, labor difficulties, riots, war, fire, death, curtailment or interruption of a source of supply, government decrees or orders, etc.

1.5 POLICIES AND PROVISIONS SEVERABLE

If any provision of the Associate Agreement as it currently exists or as may be amended is found to be invalid, illegal, or unenforceable for any reason, only the invalid provision will be severed from the Associate Agreement; the remaining terms and provisions shall remain in full force and effect and shall be construed as if such invalid, illegal, or unenforceable provision never comprised a part of the Associate Agreement.

1.6 TITLES NOT SUBSTANTIVE

The titles and headings to these Policies are for reference purposes only and do not constitute, and shall not be construed as, substantive terms of the Associate Agreement.

1.7 WAIVER

USANA never forfeits its right to require Associate compliance with the Associate Agreement or with applicable laws and regulations governing business conduct. Only in rare circumstances will a policy be waived, and such waivers will be conveyed in writing by the Compliance Officer or an officer of the company. The waiver will apply only to that specific case.

SECTION 2 – BECOMING AN ASSOCIATE

2.1 REQUIREMENTS TO BECOME A USANA ASSOCIATE:

- Be at least the age of majority in your country of residence;
- Reside in a geographic area where USANA has been approved for business;
- Read the USANA Policies and Procedures and Binary Compensation Plan;

- Submit an original signed Associate Application and Agreement to USANA; and
- Purchase a USANA Starter Kit for a nominal cost (unless prohibited by law).
- Have a valid U.S. Social Security Number (individuals) or Employer Identification Number (businesses and corporations) or Canadian Social Insurance or Business Number. USANA will not accept IRS assigned Individual Taxpayer Identification Numbers in place of a Social Security Number or Employer Identification Number in the United States. USANA requires a Canadian Social Insurance Number only to assist in the prevention of multiple distributorships.
- USANA reserves the right to accept or reject any application for any reason.

2.2 STARTER KIT

No person is required to purchase USANA products to become an Associate. However, to familiarize new Associates with USANA products, services, sales techniques, sales aids, and other matters, USANA requires new Associates to purchase a Starter Kit except where prohibited by law. USANA will repurchase any resalable kits from Associates who terminate their Associate Agreement.

2.3 IDENTIFICATION AND ASSOCIATE NUMBER

USANA requires Associates to provide their Social Security Number (individuals) or Employer Identification Number (businesses and corporations) or Canadian Social Insurance or Business Number on the Associate Application and Agreement. USANA will not accept IRS assigned Individual Taxpayer Identification Numbers in place of a Social Security Number or Employer Identification Number in the United States. USANA uses this number to identify Associates for tax purposes in the United States, and in Canada it is used only to assist in the prevention of multiple distributorships.

When USANA receives and accepts an Associate's original Application and Agreement, USANA will assign a unique Associate Number to that Associate. Associates must use their Associate Number whenever they call a USANA Distributor Services Representative or Order Express Representative to place orders and track commissions and bonuses.

2.4 TEMPORARY ENROLLMENT

After signing the Associate Application and Agreement, an Associate applicant may enroll by telephone or over the Internet to receive a temporary Associate Number and temporary authorization for a new distributorship while the written application is en route to USANA. The applicant must provide USANA with all the necessary information to complete the Associate Application and Agreement. The applicant may order a Starter Kit at that time using a valid credit card or bank draft.

The new Associate's temporary Associate Number and authorization will be valid for 21 days, pending USANA's receipt of the Associate's original Application and Agreement. Once USANA receives the original Associate Application and Agreement, USANA will assign a permanent Associate Number to the Associate and extend the initial Distributorship authorization period to one full year.

2.5 ASSOCIATE BENEFITS

Once USANA accepts an Associate's Application and Agreement, the benefits of the Binary Compensation Plan and the Associate Agreement are available to the new Associate. These benefits include the right to:

- Purchase USANA products and services at the Associate price;
- Participate in the USANA Binary Compensation Plan (receive bonuses and commissions, if eligible);

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- Sponsor other individuals as Preferred Customers or Associates into the USANA business and thereby build a Downline Organization and progress through the USANA Binary Compensation Plan;
- Receive USANA literature and other USANA communications;
- Participate in USANA-sponsored support, service, training, motivational, and recognition functions upon payment of appropriate charges, if applicable;
- Participate in promotional and incentive contests and programs sponsored by USANA for its Associates.
- Associates who elect to become Distributors may retail USANA products or services and profit from these sales.

2.6 RENEWAL OF DISTRIBUTORSHIP

USANA charges Associates an annual Distributorship renewal fee of US \$20.00 or CA \$29.00 plus any applicable taxes. USANA will automatically charge the fee to the Associate's credit card or bank account on file with USANA on the anniversary date of the Associate's application. Associates without a credit card or bank account must renew by phone or mail. The annual renewal fee will:

- Automatically renew your subscription to USANA publications;
- Renew your Associate Agreement and maintain your line of sponsorship; and
- Continue your entitlement to participate in USANA's Binary Compensation Plan; purchase USANA products; enjoy USANA service support programs; participate in company promotions, contests, and recognition; and attend Company events.

SECTION 3 – OPERATING A USANA DISTRIBUTORSHIP

3.1 ACTIONS OF HOUSEHOLD MEMBERS OR AFFILIATED INDIVIDUALS

If any member of an Associate's immediate household engages in any activity which, if performed by the Associate would violate any provision of the Associate Agreement, such activity will be deemed a violation by the Associate.

3.2 ADHERENCE TO THE USANA BINARY COMPENSATION PLAN

Associates must adhere to the terms of the USANA Binary Compensation Plan as set forth in official USANA literature. Associates shall not offer the USANA opportunity through, or in combination with, any other opportunity or unapproved method of marketing. Associates shall not require or encourage other current or prospective Preferred Customers or Associates to participate in USANA in any manner that varies from the program as set forth in official USANA literature. Associates shall not require or encourage other current or prospective Preferred Customers or Associates to execute any agreement or contract other than official USANA agreements and contracts in order to become a USANA Associate. Similarly, Associates shall not require or encourage other current or prospective Preferred Customers or Associates to make any purchase from, or payment to, any individual or other entity to participate in the USANA Binary Compensation Plan, other than those purchases or payments identified as recommended or required in official USANA literature.

3.3 ADVERTISING

3.3.1 IN GENERAL

Associates must avoid all discourteous, deceptive, misleading, illegal, unethical, or immoral conduct or practices in their marketing and promotion of USANA, the USANA opportunity, the Binary Compensation Plan, and USANA's products.

Only those Associates who have achieved the rank of Gold Director or higher

may produce individual sales, marketing, and support materials to market or promote USANA, the USANA opportunity, the Binary Compensation Plan, USANA's products, or their USANA businesses. All other Associates may only use sales aids and support materials produced or currently approved by USANA. Sales, marketing, and support materials include, but are not limited to, training and recruiting information, brochures, flyers, pamphlets, posters, postcards, letters, classified advertisements, etc. promoting USANA's products and programs, as well as e-mail messages, voice mail message recordings, and Internet Web sites used to publicize USANA, its products, services, or Binary Compensation Plan.

Any Associate who has achieved the rank of Gold Director or above who desires to create his/her own promotional and marketing materials must submit a copy of the proposed materials to USANA for review and approval before he/she may use the information to promote his/her business or the USANA opportunity. Upon receipt of the proposed promotional material, USANA will review the information to determine the appropriateness of the material's form and content. USANA's review of the proposed promotional material will be subject to a review fee. USANA will promptly notify the Gold or higher ranking Director in writing regarding the Company's decision to approve or disapprove the material for use in promoting and supporting his/her USANA business activities. Gold and higher ranking Directors may only use those sales, marketing, and support materials that USANA has expressly approved.

3.3.2 TELEVISION AND RADIO

Associates may not advertise on television and radio under policy 3.3.1 except with USANA's express written approval.

3.3.3 MEDIA INQUIRIES

Associates must refer all media inquiries regarding USANA to the USANA Compliance Department. This will ensure that accurate and consistent information reaches the general public.

3.3.4 TRADEMARKS AND COPYRIGHTS

- An Associate may not use the USANA trademark or trade name or corporate logo to promote their independent business. Rather, they must use the "Independent USANA Associates" logo to promote their business. A reproducible copy of the logo can be obtained from USANA.
- Associates may describe themselves as an "Independent USANA Associates" in the business pages of the telephone directory.
- Associates should not answer the telephone in any manner that might indicate or suggest that the caller has reached a USANA corporate office.
- Associates may not record or reproduce materials from any USANA corporate function, event, speech, etc.
- Associates may not record, reproduce, or copy any presentation or speech by any USANA spokesperson, representative, speaker, officer, director, or other Associates.
- Associates may not reproduce or copy any recording of a USANA-produced media presentation including audio tapes, videotapes, CDs, etc.
- Associates may not publish, or cause to be published, in any written or electronic media, the name, photograph or likeness, copyrighted materials, or property of individuals associated with USANA without express written authorization from the individual and/or USANA.
- Associates may not publish, or cause to be published, in any written form or electronic media, the copyrighted materials or property of USANA, without express written authorization from USANA.

3.3.5 USE OF ASSOCIATE NAME, LIKENESS, AND IMAGE

Associate consents to USANA's use of his/her name, testimonial (or other

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statements about USANA, its products or opportunity in printed or recorded form, including translations, paraphrases, and electronic reproductions of the same), and image or likeness (as produced or recorded in photographic, digital, electronic, video or film media) in connection with advertising, promoting, and publicizing the USANA opportunity or products, or any USANA-related or -sponsored events.

3.4 ASSOCIATES CLAIMS AND REPRESENTATIONS

3.4.1 PRODUCT CLAIMS

USANA Associates may not make claims that USANA products have therapeutic or curative properties except those contained in official USANA literature. In particular, no Associates may make any claim that USANA products are useful in the cure, treatment, diagnosis, mitigation, or prevention of any diseases. Such statements can be perceived as medical or drug claims. Not only are such claims violative of the Associate Agreement, but they also violate the laws and regulations of the United States, Canada, and other jurisdictions.

3.4.2 INCOME CLAIMS

Associates may not make income projections or claims or disclose their USANA income (including the showing of checks, copies of checks, or bank statements) when presenting or discussing the USANA opportunity or Binary Compensation Plan, except as set forth in official USANA literature.

3.5 COMMERCIAL OUTLETS

Associates who elect to be Distributors may display and retail USANA products in commercial outlets where professional services are the primary source of revenue and product sales are secondary. Approved service-oriented establishments may include (but are not limited to) health spas, beauty shops, and physicians' and chiropractors' offices. Unapproved retail-oriented establishments may include (but are not limited to) retail stores, Internet auction sites, and pharmacies. All other Associates may display USANA products in service-oriented establishments for the purpose of recruiting new Associates, however they do not have the right to retail USANA products.

3.6 UNAUTHORIZED RECRUITING

USANA Associates may participate in other direct selling or network marketing or multilevel marketing ventures (collectively, "multilevel marketing"), and Associates may engage in selling activities related to non-USANA products and services, if they desire to do so. Although an Associate may elect to participate in another multilevel marketing opportunity, he/she is prohibited from unauthorized recruiting activities, which include the following:

- Recruiting or enrolling USANA customers or Associates for other multilevel marketing business ventures, either directly or through a third party. This includes, but is not limited to, presenting or assisting in the presentation of other multilevel marketing business ventures to any USANA Preferred Customer or Associate, or implicitly or explicitly encouraging any USANA Preferred Customer or Associate to join other business ventures. It is a violation of this policy to recruit or enroll a USANA Preferred Customer or Associate for another multilevel marketing business, even if the Associate does not know that the prospect is also a USANA Preferred Customer or Associate;
- Producing any literature, tapes, or promotional material of any nature for another multilevel marketing business which is used by the Associate or any third person to recruit USANA Preferred Customers or Associates for that business venture;
- Selling, offering to sell, or promoting any competing products or services to USANA Preferred Customers or Associates. Any product or services in the same generic category as a USANA product or service is deemed to be

competing, (e.g., Any dietary supplement is in the same generic category as USANA's dietary supplements and is, therefore, a competing product, regardless of differences in cost, quality, ingredients, or nutrient content);

- Offering USANA products or promoting the USANA Binary Compensation Plan in conjunction with any non-USANA business plan, opportunity, product, or incentive;
- Offering any non-USANA products or opportunities in conjunction with the offering of USANA products or business plan or at any USANA meeting, seminar, launch, convention, or other USANA function; or
- Where a prospective Associate or Preferred Customer accompanies an Associate to a USANA meeting or function, no other USANA Associate may recruit the prospect to enroll in USANA or any other multilevel marketing business for a period of fourteen (14) days or unless and until the Associate who brought the prospect to the function advises the other USANA Associate that the prospect has elected not to enroll in USANA and that the Associate is no longer recruiting the prospect to enroll in USANA, whichever occurs first. USANA will immediately cancel the Distributorship of any Associate who violates this provision. Violations of this policy are especially detrimental to the growth and sales of other Associates' USANA businesses and to USANA's business.
- Where an Associate participates in other multilevel marketing ventures they may not participate in USANA's Leadership or Elite Bonus Programs.

3.6.1 POST CANCELLATION SOLICITATION PROHIBITED

A former Associate shall not directly or through a third party solicit any USANA Associate or Preferred Customer to enroll in any direct sales, network marketing, or multilevel marketing program or opportunity for a period of one (1) year after the cancellation of an individual or entity's Associate Agreement. This provision shall survive the expiration of the Associate's obligations to USANA, pursuant to the Associate Agreement.

3.6.2 DOWNLINE GENEALOGY REPORTS

The USANA Downline Genealogy Reports are confidential and contain proprietary business trade secrets. An Associate may not use the reports for any purpose other than for developing their USANA business. Where an Associate participates in other multilevel marketing ventures, he/she is not eligible to have access to Downline Genealogy Reports. The Associate and USANA agree that, but for this agreement of confidentiality and nondisclosure, USANA would not provide Downline Genealogy Reports to the Associate. During any term of the Associate Agreement and for a period of five (5) years after the termination or expiration of the Associate Agreement between Associate and USANA, for any reason whatsoever, an Associate shall not, on his/her own behalf or on behalf of any other person, partnership, association, corporation, or other entity:

- Disclose any information contained in the reports to any third party;
- Use the reports to compete with USANA; or
- Recruit or solicit any Associate or Preferred Customer listed on the reports to participate in other multilevel marketing ventures.

This provision shall survive the termination or expiration of this Agreement.

3.7 CORPORATION, PARTNERSHIPS, AND TRUSTS

A corporation, partnership, or trust (collectively referred to in this section as an "Entity") may apply to be a USANA Associate by submitting its Certificate of Incorporation, Partnership Agreement, or trust documents (these documents are collectively referred to as the "Entity Documents") to USANA, along with a properly completed Corporation, Partnership DBA Registration (Form #9581). A Distributorship may change its status under the same sponsor from an individual to a partnership, corporation, or trust, or from one type of entity to another. To do so, the Associate(s) must

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provide the Entity Documents and submit a properly completed Associate Application and Agreement and Corporation, Partnership DBA Registration Form to USANA. The Corporation, Partnership DBA Registration Form must be signed by all of the shareholders, partners, trustees, or other individuals having an ownership interest in the business. Members of the Entity are jointly and severally liable for any indebtedness or other obligation to USANA. As set forth in Section 3.13, no individual may participate directly or indirectly in more than one Distributorship.

It is the responsibility of those persons involved in the Entity to conform to the laws of the state in which their Entity is formed. USANA reserves the right to approve or disapprove any Associate Application and Agreement submitted by an Entity, as well as any Associate Application and Agreement submitted by any current Associate(s) for the formation of an Entity for tax, estate planning, and limited liability purposes.

3.8 DECEPTIVE PRACTICES

Associates must fairly and truthfully explain the USANA products, opportunity, Binary Compensation Plan, and Policies and Procedures to prospective Associates. This includes:

- Being honest and thorough in presenting material from the USANA Binary Compensation Plan to all potential Associates;
- Making clear that income from the USANA Binary Compensation Plan is based on product sales and not merely on sponsoring other Associates;
- Making estimates of profit that are based on reasonable predictions for what an average Associate would achieve in normal circumstances;
- Representing that past earnings in a given set of circumstances do not necessarily reflect future earnings;
- Not misrepresenting the amount of expenditure that an average Associate might incur in carrying on the business;
- Not misrepresenting the amount of time an average Associate would have to devote to the business to achieve the profit estimated, and not stating that profits or earnings are guaranteed for any individual Associate;
- Never stating or inferring that you will build a Downline Organization for anyone else;
- Never stating that profits or earnings are guaranteed for an individual Associate; and
- Never stating that any consumer, business, or government agency has approved or endorsed the USANA products or its Binary Compensation Plan.
- Never participating in downline purchasing (placing a sales order in a Business Center other than where the sale was generated).

3.9 INDEPENDENT CONTRACTOR STATUS

Associates are independent contractors and are not purchasers of a franchise or business opportunity. The agreement between USANA and its Associates does not create an employer/employee relationship, agency, partnership, or joint venture between the Company and the Associate. All Associates are responsible for paying their own income and employment taxes. Associates will not be treated as an employee for purposes of the Federal Unemployment Tax Act, the Federal Insurance Contributions Act, the Social Security Act, state unemployment acts, state employment security acts, state worker compensation Acts, or the Canadian Social Insurance Act, and applicable federal, provincial, and/or territorial unemployment insurance acts, worker compensation acts, income tax acts, or any other federal, state, provincial, or territorial tax or obligation required of employers. Each Associate is encouraged to establish his/her own goals, hours, and methods of sale, so long as he/she complies with applicable laws and the terms and conditions of the Associate Agreement.

3.10 INSURANCE

3.10.1 BUSINESS PURSUITS COVERAGE

You may obtain insurance coverage for your business activities.

3.10.2 PRODUCT LIABILITY COVERAGE

USANA maintains insurance to protect the Company and Associates against product liability claims. USANA's insurance policy contains a "Vendors Endorsement" which extends coverage to Independent Associates so long as they are marketing USANA products in accordance with applicable laws and regulations and the Associate Agreement. USANA's product liability policy does not extend coverage to claims that arise as a result of an Associate's misconduct in marketing the products (see also Section 3.14).

3.11 INTERNATIONAL

Associates may sell and promote USANA's products, opportunity, and services or recruit or enroll any potential Associate or customer only in countries in which USANA is approved for business, as announced in official USANA communications. If an Associate desires to conduct business in an authorized country other than the one in which they are an Associate, he/ she must comply with all the applicable laws and regulations for that country.

3.12 ADHERENCE TO LAWS AND ORDINANCES

You must obey all laws that apply to your business.

3.13 ONE DISTRIBUTORSHIP

An Associate may operate, receive compensation from, or have an ownership interest, legal or equitable, as a sole proprietorship, shareholder, trustee, or beneficiary in only one USANA Distributorship. However, notwithstanding this rule, your spouse may become an Associate and operate a second distributorship as long your spouse's distributorship is placed below one of your business centers and not in a cross line sales organization. The second business must be a bona fide independent business that is operated by the person listed on the agreement and not by the owner of the first business.

3.14 REPACKAGING AND RELABELING PROHIBITED

Associates may not relabel or alter the labels on any USANA products, information, materials, or programs in any way. Associates may not repackage or refill any USANA products. USANA products must be sold in their original containers only. Such relabeling or repackaging would violate governing laws, which could result in severe criminal penalties. Civil liability may also result when the persons using the products suffer any type of injury or their property is damaged as a consequence of the repackaging or relabeling of products.

3.15 SALE, TRANSFER, OR ASSIGNMENT OF DISTRIBUTORSHIP

An Associate may not sell, transfer, or assign their Distributorship rights to any person or entity without USANA's express written approval. To obtain approval, you must:

- Be an Associate in good standing as determined by USANA in its sole discretion.
- Before any transfer will be approved by USANA, any debt obligations the selling Associate has with USANA must be satisfied.
- The transferring Associate must be in good standing and not in violation of any of the terms of the Associate Agreement or these Policies and Procedures, to transfer his/her Distributorship.
- The combining of Distributorships is not permitted. USANA will not approve the transfer of a Distributorship to any individual or Entity that is a current Associate or who has an ownership interest in any Distributorship. Similarly, USANA will not approve the transfer of a Distributorship to any individual or Entity that has previously had any ownership interest in, or

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operated, a USANA Distributorship.

- No individual Business Centers may be transferred separately from the Distributorship. If an Associate wishes to transfer his/her Distributorship, all Business Centers must be included in the transfer.
- The transferring Associate must notify the USANA Compliance Department of his/her intent to transfer the Distributorship by completing and submitting a signed Transfer of Distributorship and Associate Application Form. No changes in line of sponsorship can result from the transfer of a Distributorship.

3.16 SEPARATION OF A DISTRIBUTORSHIP

If Associates wish to dissolve their jointly held Distributorship, they must do so in such a way as to not disturb the income or interests of their Upline and Downline Organizations. Associates should consider the following when deciding whether or not to dissolve a jointly held Distributorship:

- If a jointly owned Distributorship is dissolved, anyone of the joint owners may operate the Distributorship, but the other joint owners must relinquish their rights to, and interests in, the Distributorship.
- USANA cannot divide a Downline Organization, nor can it split commission or bonus checks between the joint owners.
- If a jointly owned Distributorship is dissolved, the individual(s) who relinquished ownership in the original Distributorship may apply as new Associates under any Sponsor but may not purchase or join an existing Distributorship.

3.17 SUCCESSION

If an Associate dies or becomes incapacitated, his/her rights to commissions, bonuses, and Downline Organization, together with all Associate responsibilities, will pass to his/her successor(s). Upon death or incapacitation, the successor(s) must present the USANA Compliance Department with proof of death or incapacitation, along with proof of succession, such as a Grant of Probate or an Enduring Power of Attorney, and a properly completed Associate Application and Agreement. You may inherit and retain another Distributorship even though you currently own or operate a Distributorship.

3.18 TAXES

3.18.1 INCOME TAXES

Every year USANA will provide an IRS Form 1099 MISC (Non-employee Compensation) earnings statement to each U.S. resident who had earnings of more than \$600 in the previous calendar year, or who made purchases for resale during the previous calendar year in excess of \$5,000. If earnings and purchases are less than \$600 and \$5,000, respectively, Associates may submit a request for a 1099, and USANA will prepare and forward one.

Each Associate is responsible for paying federal, local, state, provincial, and territorial taxes on any income generated as an independent Associate. USANA will not give out personal tax advice; please consult with your local tax professional.

3.18.2 TAXES (SALES TAX IN UNITED STATES; GST & PST IN CANADA)

USANA will collect and remit sales taxes on behalf of Distributors at the suggested retail price, and all other Associates and Preferred Customers based on the purchase price, according to applicable tax rates to which the shipment is destined. (Preferred Customers, however, may not resell USANA merchandise or participate in the Binary Compensation Plan. Associates who have not elected to become Distributors may not resell USANA merchandise and must fulfill their sales requirements through Preferred Customer sales.) In the event a Distributor has submitted, and USANA has accepted a Sales Tax Exemption Certificate Agreement (Change to Distributor Account Form) with a photocopy of the Distributor's valid state resale exemption certificate, sales taxes will not be added to the invoice; the responsibility of

collecting and remitting sales taxes to the appropriate authorities will be upon the Distributor (not applicable in Canada or the states of Massachusetts, Mississippi, or Texas). Exemption from the payment of sales tax is applicable only to orders which are shipped to a jurisdiction for which the proper tax exemption papers have been filed and accepted. Sales taxes will be charged on orders that are drop-shipped to another jurisdiction, based on the sales tax laws of the destination. Any sales tax exemption accepted by USANA is not retroactive. Native Americans in the U.S. and Canada may submit evidence of Native American status and any shipments made to the reservation will be tax exempt.

USANA has entered into the Alternate Collection Method (ACM), an agreement with the Canadian Government whereby the Company is required to charge GST and PST, where applicable, at the retail price level of products sold to Distributors. Conversely, because of the ACM, the Company is not required to charge the taxes on Distributor commissions, bonuses, freight charges, and sales aids. Associates who have not elected to be Distributors in Canada will not be under the ACM and will need to register for GST if annual commission payments exceed \$30,000 CAD. They will also be charged GST on sales aids, Starter Kits, and freight that are nontaxable to Distributors under ACM.

3.19 TELEPHONE AND E-MAIL SOLICITATION

The use of any automated telephone solicitation equipment in connection with the marketing or promotion of USANA, its products, or the USANA opportunity is strictly prohibited. The use of "boiler-room" telemarketing operations to sell products or services over the telephone, or to recruit Associates, is strictly prohibited. Associates are also forbidden from sending unsolicited e-mail messages or "spamming" to sell products or to recruit Associates.

3.20 TERRITORIES

There are no exclusive territories for marketing USANA products or services, nor shall any Associate imply or state that he/she has an exclusive territory to market USANA products or services.

3.21 TRADE SHOWS AND EXPOSITIONS

Distributors may display and/or sell USANA products at trade shows and expositions, but may not display or sell USANA products at swap meets, garage sales, flea markets, or farmers' markets as these events are not conducive to the image USANA wishes to portray. Associates who have not elected to be Distributors may set up a display of USANA products at trade shows and expositions for the purpose of recruiting new Associates and Preferred Customers but may not sell USANA products. All literature displayed at the event must be official USANA literature and must clearly identify the individual(s) as Independent Associates.

3.22 TRANSFER OF SPONSORSHIP

3.22.1 CONFLICTING ENROLLMENTS

Every prospective Associate has the ultimate right to choose his/her own Sponsor. As a general rule, the first Associate who does meaningful work with a prospective Associate is considered to have first claim to sponsorship. Basic tenets of common sense and consideration should govern any dispute that may arise. In the event that a prospective Associate or any Associate on behalf of a prospective Associate, submits more than one Associate Application and Agreement to USANA, listing a different Sponsor on each, the Company will only consider valid the first Associate Application and Agreement that it receives, accepts, and processes. If there is any question concerning the sponsorship of an Associate, the final decision will be made by USANA.

3.22.2 CROSS-LINE RAIDING

USANA will not permit any change in the line of sponsorship except in the following circumstances:

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- Where an Associate has been fraudulently or unethically induced into joining USANA.
- Where an incorrect placement was made due to an Associate error, a change in the line of sponsorship can be made to correct the error where a request for a change is made within 10 days of enrollment. If you make such a request, you must also submit the written consent of your Sponsor and that person's Sponsor along with the required placement change fee. If at the time of the request you have any downline organization in place, no change will be permitted in the line of sponsorship. In the event that such a change is approved, commissions and bonuses earned will be adjusted accordingly. In no case will a change of placement be approved where a signed application has not been received by USANA.
- If you terminate your Distributorship in writing you may rejoin under the Sponsor of your choice after a period of 6 months. Following termination of your Distributorship, you may participate as a Preferred Customer during the 6-month period. In the event you terminate your Distributorship, you forfeit all rights, bonuses, and commissions under your previous line of sponsoring. You may not avoid compliance with this policy through the use of DBAs, assumed names, corporations, partnerships, trusts, spouse names, social insurance numbers, social security numbers, employer identification numbers, fictitious ID numbers, etc.
- If you have been "inactive" (i.e., no purchases or sales of USANA products or participation in any other form as an Associate) for a period of 12 successive months, you may terminate your Distributorship in writing and rejoin immediately under the Sponsor of your choice.
- Cross-line raiding is strictly prohibited. "Cross-line raiding" is defined as the enrollment or attempted enrollment of an individual or Entity that already has a current Preferred Customer or Associate Agreement on file with USANA, or who has had such an agreement within the preceding six (6) calendar months within a different line of sponsorship. The use of trade names, DBAs, corporations, partnerships, trusts, spouse names, social insurance numbers, social security numbers, employer identification numbers, or fictitious ID numbers to circumvent this policy is prohibited. Associates may not demean, discredit, or invalidate other USANA Associates in an attempt to entice another Associate to become part of the first Associate's Downline Organization.

SECTION 4 – RESPONSIBILITIES OF ASSOCIATES AND SPONSORS

4.1 ONGOING SUPERVISION, TRAINING, AND SALES

Any Associate who sponsors another Associate into USANA must train the new Associate in product knowledge, effective sales techniques, the Binary Compensation Plan, and the Policies and Procedures. Associates must also supervise and monitor Associates in their Downline Organization to ensure they conduct business professionally and ethically, promote sales properly, and provide quality customer service. As an Associate progresses through the various levels of leadership, his/her responsibilities to train and motivate downline Associates will increase.

4.2 NON-DISPARAGEMENT

In setting the proper example for their downline, Associates must not disparage other USANA Associates, USANA's Products, the Binary Compensation Plan, or the Company's employees. Such disparagement constitutes a material breach of these Policies and Procedures.

4.3 HOLDING APPLICATIONS OR ORDERS

All Associates must forward to USANA any forms and applications they receive from other Associates or applicant Associates, or Preferred Customers or applicant Preferred Customers, on the next business day after which the forms or applications are signed.

4.4 REPORTING POLICY VIOLATIONS

Associates should report any observed violations of a policy violation to the USANA Compliance Department.

SECTION 5 – SALES REQUIREMENTS

5.1 PRODUCT SALES

The USANA Binary Compensation Plan is based upon the sale of USANA products and services to end consumers. Associates must fulfill specified personal and Downline Organization sales requirements (as well as meet other responsibilities set forth in these Policies and Procedures) in order to be eligible for bonuses, commissions, and advancement to higher levels of achievement. The following sales requirements must be satisfied in order for Associates to be eligible for commissions:

- A minimum of seventy percent (70%) of an Associate's orders must be for Customers or end users. The sales volume of an Associate's personally enrolled Preferred Customers shall be included for the purposes of determining compliance with the 70% requirement. For those Associates who elect to be Distributors the sales volume of the Distributor's retail sales will be included as well. Associates may not purchase additional product until at least seventy percent (70%) of the previous order has been sold to end consumers.
- Associates must develop or service at least five customers every four-week rolling period. For Associates who elect to be Distributors, these customers can be either Retail Customers, Preferred Customers, or any combination of the two. For all other Associates, these customers must be Preferred Customers.
- Associates who choose to be Distributors are required to furnish their Retail Customers with two (2) copies of the official USANA Retail Sales Receipt which specifies the date of sale, the amount of sale, the items purchased, the USANA satisfaction guarantee, and customer cancellation rights. Associates must retain all retail sales receipts for a period of two years and furnish them to USANA at the Company's request. Records documenting the purchases of Associates' Preferred Customers will be maintained by USANA.

5.2 RETAIL CUSTOMER SALES

Distributors may sell USANA Products at any price they choose. However, due to varying state and provincial laws, sales tax must be charged to Distributors based on suggested retail price. All other Associates may not retail USANA products.

All Distributors must provide their Retail Customers with two (2) copies of the official USANA Retail Sales Receipt cancellation notice. These receipts outline the Customer Refund Warranty for USANA products, as well as any consumer protection rights.

5.3 EXCESSIVE PURCHASES OF INVENTORY PROHIBITED

USANA strictly prohibits the purchase of products in unreasonable amounts solely for the purpose of qualifying for commissions, bonuses, or advancement in the Binary Compensation Plan. Associates may not purchase more than they can reasonably resell or consume in any four-week rolling period, nor encourage others to do so. Associates are limited to an initial product purchase of \$600.00 at wholesale. Associates may receive an exception to this rule if they have evidence that they hold retail orders exceeding the limit or submit an explanation justifying the need for inventory levels exceeding this limit.

Associates are not required to carry inventory of products or sales aids other than the initial Starter Kit. Associates who do so may find building a Downline Organization somewhat easier because of the decreased response time in filling customer orders or in meeting a new Associate's needs. Each Associate must make his/her own decision with regard to these matters.

5.4 DEPOSITS

No monies should be paid to or accepted by Associates for a sale except at the time of product delivery.

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SECTION 6 – BONUSES AND COMMISSIONS

6.1 BONUS AND COMMISSION CYCLES

USANA pays commissions weekly. An Associate must review his/her commissions and report any errors or discrepancies to USANA within thirty (30) days from the date of the commission check. Errors or discrepancies which are not brought to USANA's attention within the thirty-day period will be deemed waived by the Associate.

6.2 ADJUSTMENT OF BONUSES AND COMMISSIONS

Associates earn commissions and bonuses based on product sales to End Consumers. Accordingly, USANA will adjust commissions and bonuses earned from any sale when the Associate or any other End Consumer returns the sold product for a refund. USANA will deduct the sales volume attributable to the returned product from the Upline Associate's group volume within the first 2 weeks after the refund is given.

6.3 LOSS OF RIGHTS TO COMMISSIONS

You must be an active Associate and in compliance with the terms of the Associate Agreement to qualify for commissions and bonuses.

6.4 UNCLAIMED COMMISSIONS AND CREDITS

Associates must deposit or cash commission and bonus checks within six (6) months of their issue date. A check that remains uncashed after six months will be void. After a check has been voided, USANA will attempt to notify the Associate holding an uncashed check by sending written notices to his/her last known address, identifying the amount of the check, and advising the Associate that he/she can request that the check be reissued. There shall be a reasonable charge for reissuing a check and a fee for each notice sent to the Associate. These charges shall be deducted from the balance owed to the Associate.

Customers or Associates who have a credit on account must use their credit within six (6) months from the date on which the credit was issued. If credits have not been used within six months, USANA shall attempt to notify the Associate or Customer by sending written notice to the last known address, advising the Associate or Customer of the credit. There shall be a \$15.00 charge for each attempted notification. This charge shall be deducted from the Associate's or Customer's credit on account.

SECTION 7 – PRODUCT GUARANTEES, RETURNS, AND INVENTORY REPURCHASE

7.1 PRODUCT EXCHANGE GUARANTEE

USANA warrants the quality of its products and shall exchange any defective product.

Anyone returning a damaged or defective product must complete the Associate Product Exchange or Return.

7.2 THIRTY (30) DAY RETURN POLICY

7.2.1 RETAIL CUSTOMERS

USANA obligates its Associates to honor the Company's 100%, unconditional, 30-day, money-back guarantee to all Retail Customers. If for any reason a Retail Customer is dissatisfied with any USANA product, he/she may return the product to the Associates from whom the product was purchased within thirty (30) days from the date of purchase for a replacement, exchange, or full refund of the purchase price. If the Retail Customer requests a refund, the Associates who sold the product to the Retail Customer must immediately refund the Retail Customer's purchase price. (Retail Customers must return merchandise to the Associates who sold it to them; USANA will not accept returned merchandise directly from Retail Customers.) The Associates, in turn, should complete a Dissatisfied Consumer Product Return and forward the form along with the original sales receipt and returned merchandise to

USANA. USANA will then replace the returned merchandise with like product and ship it to the Associates. All retail customers must be provided with two copies of an official USANA sales receipt at the time of the sale. The back of the receipt provides the customer with written notice of his/her rights to cancel the sales agreement.

7.2.2 PREFERRED CUSTOMERS

USANA offers Preferred Customers, and retail customers who order directly from an official USANA Web site, a 100%, 30-day, money back guarantee on their initial product order. If for any reason a Preferred Customer is dissatisfied with any USANA product, he/she may return that product to the Company within thirty (30) days for replacement, exchange, or full refund of the purchase price. If a Preferred Customer returns merchandise equal to, or exceeding \$100.00 USD, this will be deemed a Voluntary Cancellation. For all other returns, the Company shall repurchase the inventory pursuant to the terms of Section 7.3. Moreover, the Company will adjust the appropriate Associates' Sales Volume pursuant to Section 6.2.

7.2.3 ASSOCIATES

If an Associate elects to cancel his/her Distributorship during the thirty-day period immediately following his/her enrollment, USANA will refund 100% of the price of the Starter Kit and all products purchased as part of the Associate's initial order (excluding shipping). The canceling Associate must return the products and the entire Starter Kit to USANA, shipping prepaid, along with a letter explaining that he/she wishes to terminate his/her Distributorship and receive a refund. Please note that this 100% refund (less shipping) does not apply once an Associate places his/her second product order. After the first order, refunds for returned products, Starter Kits, and sales aids are made pursuant to section 7.3. If an Associate returns his/her Starter Kit and/or merchandise equal to, or exceeding \$100.00 USD, for a refund, the return constitutes a Voluntary Cancellation of his/her Associate Agreement. Moreover, the Company will adjust the appropriate Associates' Sales Volume pursuant to Section 6.2.

7.3 ALL OTHER RETURNS

After the initial order, an Associate may return to USANA products, including promotional materials and sales aids, purchased within the past 365 days for a refund of 90% of the purchase price (less handling and delivery charges) if the merchandise is in resalable condition, unless otherwise required by law. However, returns that result in refunds in excess of US \$100 may result in the termination of the Distributorship. Moreover, USANA may deduct from the amount of the refund any commissions or bonuses the Associate may have received as a result of the products that he/she is returning.

7.4 PROCEDURES FOR ALL RETURNS AND REPURCHASES

To receive a refund, exchange, or replacement on product purchased an Associate must:

- Obtain a Return Merchandise Authorization Number (RMA#) from the Distributor Services Department. This number must accompany all returned products;
- Return the product with the original confirmation of order to USANA;
- Use proper shipping carton(s) and packaging materials to return the product to USANA. The Associate is responsible for tracing your return shipment should that be necessary.

If a Distributor returns product from a Retail Customer, he/she must:

- Send the product to USANA within 10 days of the customer's return. The package must be accompanied by a completed Dissatisfied Consumer Product Return Form, a copy of the original sales receipt, and the unused portion in the original container.
- Only the Preferred Customer or Associate who ordered the product from USANA may return it.

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- USANA is not liable for items lost in transit.

SECTION 8 – DISPUTE RESOLUTION AND DISCIPLINARY PROCEEDINGS

8.1 DISPUTES BETWEEN ASSOCIATES

8.1.1 GRIEVANCES AND COMPLAINTS

When an Associate has a grievance or complaint with another Associate regarding any practice or conduct in relationship to their respective USANA businesses, the complaining Associate should first discuss the problem with the other Associate. If this does not resolve the problem, the complaining Associate should report the problem to his/her upline Gold Director to resolve the issue at a local level. If the matter cannot be resolved, it must be reported in writing to the USANA Compliance Department. The Compliance Department will review the complaint and make a final decision. The complaint should identify specific instances of alleged improper conduct and, to the extent possible, identify the relevant dates on which the event(s) complained of took place, the location(s) where they occurred, and all persons who have first hand knowledge of the improper conduct.

8.1.2 COMPLIANCE DEPARTMENT REVIEW

Upon receipt of a written complaint, the USANA Compliance Department will investigate the matter, review the applicable policies, and render a decision on how the dispute shall be resolved. The Compliance Department may also issue disciplinary sanctions consistent with the provisions of Section 8.3.

8.2 DISPUTES BETWEEN USANA AND ASSOCIATES

8.2.1 ARBITRATION

All disputes and claims relating to USANA, its Binary Compensation Plan, its Products, the rights and obligations of its Associates and USANA, or any other claim or cause of action relating to product purchase(s) or performance, either of an Associate or of USANA under the Associate Agreement, shall be settled totally and finally by arbitration in Salt Lake City, Utah, in accordance with the rules of the American Arbitration Association, unless the laws of the state or province in which the Associate resides expressly require otherwise. There shall be one neutral arbitrator, an attorney at law, with expertise in transactional law (there being a strong preference for an attorney knowledgeable in the direct selling industry), selected from the panel which the American Arbitration Association provides. The arbitrator will have no authority to award punitive damages or other damages not measured by the prevailing Party's actual damages, and may not, in any event, make any ruling, finding or award that does not conform to the provisions of the Policies and Procedures or the Associate Agreement. Each party to the arbitration shall be responsible for its own costs and expenses of arbitration, including legal and filing fees. If an Associate files a claim or counterclaim against USANA, the Associate may only do so on an individual basis and not with any other Associate or as part of a class action. The decision of the arbitrator shall be final and binding upon the parties and may, if need be, be reduced to a judgment in any court of competent jurisdiction. Any arbitration proceeding under this agreement to arbitrate must be commenced no later than one year after the controversy or claim arose. Failure timely to commence an arbitration proceeding constitutes both an absolute bar to the commencement of an arbitration proceeding with respect to the controversy or claim, and a waiver of the controversy or claim. This agreement to arbitrate shall survive any cancellation or expiration of the Associate Agreement.

Nothing in these Policies and Procedures shall prevent USANA from applying to and obtaining from any court having jurisdiction a writ of attachment, temporary injunction, preliminary injunction, permanent injunction, or other available relief to safeguard and protect USANA's interest prior to, during, or following the filing of any arbitration or other proceeding, or pending the rendering of a decision or award in connection with any arbitration or other proceeding.

The existence of any Associate claim or cause of action against USANA does not preclude USANA from enforcing the Associate's covenants and agreements contained in the Associate Agreement.

8.2.2 JURISDICTION, VENUE, AND CHOICE OF LAW

Jurisdiction and venue of any matter not subject to arbitration shall reside in Salt Lake County, State of Utah or in the United States District Court, in and for the District of Utah unless the laws of the state or province in which the Associate resides expressly require otherwise. By signing the Associate Application Agreement, all Associates consent to jurisdiction within these two forums. The law of the State of Utah shall govern disputes involving the Associate Agreement.

8.3 DISCIPLINARY ACTIONS

Violation of any of the terms and conditions of the Associate Agreement, or any illegal, fraudulent, deceptive, or unethical business conduct by an Associate, may result, at USANA's discretion, in one or more of the following sanctions:

- A written warning, clarifying the meaning and application of a specific policy or procedure, and advising that a continued breach will result in further sanctions;
- Probation, which may include requiring an Associate to take remedial action and will include follow-up monitoring by USANA to ensure compliance with the Agreement;
- Withdrawal or denial of an award or recognition, or restricting participation in USANA-sponsored events for a specified period of time or until the Associate satisfies certain specified conditions;
- Suspension of certain privileges of Distributorship, including but not limited to placing a product order, participating in USANA programs, progressing in the Binary Compensation Plan, or participating as a Sponsor (including participating as an International Sponsor), for a specified period of time or until the Associate satisfies certain specified conditions;
- Withholding commissions or bonuses for a specified period of time or until the Associate satisfies certain specified conditions;
- Imposing fair and reasonable fines or other penalties in proportion to actual damages incurred by USANA and as permitted by law; and/or
- Terminating a Distributorship.

SECTION 9 – ORDERING

9.1 ORDERING METHODS

Associates may place orders by telephone, fax, mail, e-mail, through the Internet, or through the Autoship Program. Call Customer Service for your Personal Identification Number (PIN) to order through the Internet.

When ordering by phone — be prepared to present all information requested on the Associate Product Order Form. Payments must be made by Electronic Bank Draft or credit card.

When ordering by fax — print information legibly on the order form and use the white copy to fax. Payments may be made by Electronic Bank Draft or credit card.

When ordering by mail—send completed white order form with the payment to:

USANA Health Sciences, Inc.
P.O. Box 4000
Tooele, Utah 84074, USA

Keep a copy of the order form for your records. Payment may be made by credit card, cashier's check, money order, Electronic Bank Draft (Autoship Associates and Preferred Customers), or personal check.

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9.2 AUTOSHIP PROGRAM

Associates and Preferred Customers in good standing may participate in the USANA Autoship Program. An Associate may enroll in this program through their Associate Application and Agreement or by completing an Associate Autoship Agreement, identifying the products you wish USANA to automatically send to you each four-week rolling period. The credit card or bank account from which you authorize payment will be automatically charged the amount of the order plus applicable shipping and sales tax. Associates must ensure that they have adequate funds in their account the week prior to the processing of their Autoship order.

9.3 GENERAL ORDER POLICIES

On mail orders with invalid or incorrect payment, USANA will attempt to contact the Associate by telephone and/or mail to try to obtain payment. If these attempts are unsuccessful after five working days, the order will be returned unprocessed. No C.O.D. orders will be accepted. USANA maintains no minimum order requirements.

Orders for products and sales aids may be combined.

9.4 PURCHASING USANA PRODUCTS

Each Associate must purchase his/her products directly from USANA in order to receive the sales volume credits associated with that purchase.

9.5 BACK ORDER POLICY

As a general rule, USANA will not back order out-of-stock items. However, USANA may back order Autoship items, if necessary.

9.6 SHIPPING DISCREPANCIES

Failure to notify USANA of any shipping discrepancy or damage within thirty (30) days of shipment will cancel an Associate's right to request a correction. Follow the procedure for correcting a shipping discrepancy outlined on the Associate Product Exchange or Return Form.

SECTION 10 – PAYMENT AND SHIPPING

10.1 METHODS OF PAYMENT

All forms and authorizations must be accompanied by the Associate's signature.

10.1.1 CASHIER'S CHECK OR MONEY ORDER

Make payable to USANA for the full amount of your order, including applicable sales tax and shipping and handling charges.

10.1.2 PERSONAL CHECK

Same conditions as Cashier's Check or Money Order. However, the check must not be stale or postdated.

Any check or bank draft returned unpaid to USANA may immediately suspend payment privileges by personal check or bank draft. A \$20.00 service fee will be charged to the Associate for the returned check.

Failure to promptly resolve a returned check is grounds for termination and may subject an Associate to legal action. Any uncollected amount may be deducted from future commissions.

USANA may choose to authorize your personal check through a check guarantee service. In the event the authorization is attempted and denied by the service, the order will not be accepted.

10.1.3 CREDIT CARDS

USANA accepts VISA, MasterCard, American Express, and Discover. In the event that the charge is declined, the order will not be accepted. Using someone else's credit card without their express, written permission is prohibited and may be grounds for involuntary cancellation of a Distributorship.

10.1.4 ELECTRONIC BANK DRAFT PAYMENT PROGRAM

The Electronic Bank Draft Program authorizes USANA to draft against an Associate's or Preferred Customer's account for the amount of the order. You must also complete the Electronic Bank Draft Program form and submit it to USANA along with a voided check.

10.2 RETURNED CHECKS, INSUFFICIENT FUNDS, AND DECLINED CREDIT

All checks and electronic funds transfers returned unpaid by the bank will incur a \$20 USD charge, and personal checks will not be accepted thereafter. Future orders must be accompanied by a money order or cashier's check. Any outstanding balance owed to USANA will be deducted from subsequent commission or bonus checks. Failure to resolve any outstanding balance owed to USANA may result in the involuntary cancellation of Distributorship.

10.3 AUTOSHIP PROGRAM

- Once initiated, the program will remain in effect until a written cancellation is received at the USANA Corporate Office.
- Any changes or cancellation must be received in writing no later than the Tuesday of the week prior to the Autoship.
- Participation in the Autoship Program is purely optional and does not relieve an Associate from compliance with the retail sales requirement or from compliance with the seventy percent (70%) resale rule.

10.4 DELIVERY & RISK OF LOSS

USANA may deliver your products by common carrier. If USANA ships your products by common carrier, you agree to pay for freight, handling and other pertinent shipping charges to cover the cost of shipping your products from USANA's warehouse to your shipping address. Delivery of your products is complete when USANA delivers the products to the common carrier and title to the products and risk of their loss or damage in shipment pass to you at that time.

SECTION 11 – DISTRIBUTOR SERVICES

11.1 CHANGES TO THE DISTRIBUTORSHIP

11.1.1 IN GENERAL

Each Associate must immediately notify USANA of all changes to the information contained on the Associate Application and Agreement. Associates may modify their existing Associate Agreement by submitting a written request, a properly executed Associate Application and Agreement, and appropriate supporting documentation.

11.1.2 ADDITION OF CO-APPLICANTS

When adding a co-applicant to an existing Distributorship, USANA requires both a written request and a properly completed Associate Application and Agreement containing the applicant's and co-applicant's Social Security Numbers, or Social Insurance Numbers, and signatures. The modifications permitted within the scope of this paragraph do not include a change of sponsorship.

11.2 DOWNLINE GENEALOGY REPORTS AND COMMISSION STATEMENTS

11.2.1 DOWNLINE GENEALOGY REPORTS

Downline Genealogy Reports are optional and may be ordered by calling Order Express and having Downline Management added to your Autoship. Reports may also be ordered by mail by filling out and submitting a Downline Report/General Purpose Request form to USANA. When an Associate orders a Downline Genealogy Report, USANA will deduct applicable processing charges from the Associate's commission earnings. Downline Genealogy Reports contain trade secret information which is proprietary to USANA Health Sciences, Inc. Refer to section 3.6.2 for restrictions on using these reports.

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11.2.2 COMMISSION STATEMENTS

Commission Statements are printed for all active Associates receiving a commission check and are mailed with the commission checks. Commission Statements are not optional.

11.3 ERRORS OR QUESTIONS

In the event an Associate has questions about or believes that any errors have been made regarding commissions, bonuses, Downline Genealogy Reports, orders, or charges, the Associate must notify USANA within thirty (30) days of the date of the purported error or incident in question. USANA will not be responsible for any error, omission, or problem not reported within thirty days.

11.4 RESOLVING PROBLEMS

If you have any questions regarding shipments, orders, commissions and bonuses, or the Binary Compensation Plan, please write or call the Distributor Services Department.

SECTION 12 – INACTIVITY AND CANCELLATION POLICIES

12.1 INACTIVITY

Associates who do not meet the Personal Sales Volume requirements specified in the USANA Binary Compensation Plan for any four-week rolling period will not receive a commission for the sales generated through their Downline Organization for that four-week rolling period.

12.2 INVOLUNTARY CANCELLATION

An Associate's violation of any of the terms of the Associate Agreement, including any amendments which may be made by USANA in its sole discretion from time to time, constitutes a material breach of the Associate Agreement and may result, at USANA's option, in any of the Disciplinary Actions listed in Section 8.3, including cancellation of his/her Distributorship. Involuntary Cancellation of a Distributorship will result in the Associate's loss of all rights to his/her Downline Organization and any bonuses and commissions generated thereby. An Associate whose Agreement is involuntarily canceled shall receive commissions and bonuses only for the last full calendar week prior to termination.

When a Distributorship is involuntarily canceled, the Associate will be notified by certified mail at the address on file with the Company. Cancellation is effective on the date on which written notice is mailed via certified mail, return receipt requested, to the Associate's last known address or when the Associate receives actual notice of cancellation, whichever occurs first. In the event of such Involuntary Cancellation, the Associate must immediately cease to representing himself/herself as a USANA Associate.

The Associate may appeal the termination to the USANA Compliance Department. The Associate's appeal must be in writing and must be received by the company within fifteen (15) calendar days of the date of USANA's cancellation letter. If USANA does not receive the appeal within the fifteen-day period, the cancellation will be final. The Associate must submit all supporting documentation with his/her appeal correspondence. The written appeal will be reviewed by the Compliance Department. If the Associate files a timely appeal of termination, the Compliance Department will review and reconsider the termination, consider any other appropriate action, and notify the Associate in writing of its decision. This decision of the Compliance Department will be final.

An Associate whose Associate Agreement is involuntarily canceled may reapply to become an Associate twelve (12) calendar months from the date of cancellation. Any such Associate wishing to reapply must submit a letter to the USANA Compliance Department setting forth the reasons why he/she believes USANA should allow him or her to operate a Distributorship. It is within USANA's sole discretion whether to permit such an individual to again operate a USANA business.

12.3 WRITTEN CANCELLATION

An Associate or a Preferred Customer may cancel his/her Agreement with USANA at any time and for any reason by providing written notice to USANA indicating his/her intent to discontinue his/her Distributorship or Preferred Customer status. The written notice must include the Associate's or Preferred Customer's signature, printed name, address, and appropriate identification number.

12.4 EFFECT OF CANCELLATION

Following an Associate's voluntary or involuntary cancellation, such former Associate shall have no right, title, claim, or interest to the Downline Organization which he/she operated or any bonus and/or commission from the sales generated by the organization. Following an Associate's voluntary or involuntary cancellation, the former Associate shall not hold himself or herself out as a USANA Associate, shall not have the right to sell USANA products or services, must remove any USANA sign from public view, and must discontinue using any other materials bearing any USANA logo, trademark, or service mark.

An Associate who is voluntarily canceled will receive commissions and bonuses only for the last full calendar week prior to his/her cancellation. An Associate whose Agreement is involuntarily canceled will receive commissions and bonuses only for the last full calendar week prior to cancellation, unless monies were withheld by the Company during an investigation period. If an investigation of the Associate's conduct results in his/her involuntary cancellation, he/she shall not be entitled to recover withheld commissions and bonuses.

Upon request, an Associate who voluntarily cancels his/her Associate Agreement may become a Preferred Customer by submitting a Preferred Customer Agreement to USANA.

SECTION 13 – DEFINITIONS

DEFINITION OF TERMS

Active Associate — An Associate who satisfies the minimum Personal Sales Volume requirements as set forth in the USANA Binary Compensation Plan.

Associate — An individual who has executed an Associate Application and Agreement which has been accepted by USANA. Associates are required to meet certain qualifications and are responsible for the training, motivation, support, and development of the Associates in their respective Downline Organizations. Associates are entitled to purchase USANA products at wholesale prices, enroll Preferred Customers and new Associates, and take part in all Company Associate programs.

Business Center — The term "Business Center" is defined in the USANA Binary Compensation Plan.

Cancellation — Termination of an individual's Associate Agreement or Preferred Customer Agreement. Cancellation may be either voluntary or involuntary.

Involuntary Cancellation — The termination of an Associate Agreement which is initiated by USANA.

Voluntary Cancellation — The termination of an Associate or Preferred Customer Agreement instituted by the Associate or Preferred Customer who elects to discontinue his/her affiliation with USANA for any reason.

Commissionable Products — All USANA products on which commissions and bonuses are paid. Business Development Systems and sales aids are not commissionable products.

Company — The term "Company" as it is used throughout these Policies and Procedures, and in all USANA literature, means USANA Health Sciences, Inc. and USANA Canada, Co.

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Distributor — An individual who is an Associate and has all the privileges and duties of an Associate with the added benefit that they are entitled to sell USANA products to Retail Customers. Individuals who became Distributors before February 7, 2000 are deemed to be Distributors under these Policies and Procedures unless they elect to cease being a Distributor and become an Associate by sending in a completed election form or via the USANA Internet Home Page.

Associate Agreement — The term Associate Agreement, as used in the Policies and Procedures, refers to the Associate Application and Agreement, USANA's Policies and Procedures, and the Binary Compensation Plan.

Business Development System (BDS) — A selection of USANA training materials and business support literature that each new Associate purchases. The BDS is sold to Associates at USANA's cost.

Downline Leg — The individuals enrolled under one side of a Business Center and their respective Downline Organizations represent one "leg" in your Downline Organization.

End Consumer — A person who purchases USANA products for the purpose of personally consuming them.

Four-Week Rolling Period — The four pay periods (four Fridays) after an Associate places a product order of \$100 or more. If an Associate places an order on a Friday, the Friday on which the order is placed counts as the first of the four pay periods in the Associate's volume period.

Example: If an Associate places his/her order on Thursday, June 5, 2003, the four-week rolling pay period expires three Fridays later (Friday, June 27, 2003). To remain active, an Associate must place his/her next product order no later than Friday, July 4, 2003.

Example: If an Associate places his/her order on Friday, September 5, 2003, the four-week rolling pay period expires three Fridays later (Friday, September 26, 2003). To remain active, an Associate must place his/her next product order no later than Friday, October 3, 2003.

(See Four-Week Rolling Period Calendar for further clarification.)

The maintenance of an Associate's active status during a volume period is critical to the Associate's eligibility to earn bonuses and commissions.

Genealogy Report — A report generated by USANA that provides critical data relating to the identities of Associates and sales information of each Associate's Downline Organization. This report contains proprietary trade secret information. (See Section 3.6.2).

Group Sales Volume — The commissionable volume of USANA products generated by an Associate's Downline Organization. Group Sales Volume does not include the Personal Sales Volume of the subject Associate. (Starter Kits and sales aids have no Sales Volume.)

Left Side Group Sales Volume (GSV) — The commissionable volume of products sold in the left downline leg of a particular Business Center.

Right Side Group Sales Volume (GSV) — The commissionable volume of product sold in the right downline leg of a particular Business Center.

Immediate Household — An Associate, his or her spouse, and dependent children.

Leg — See "Downline Leg" above.

Level — The layers of downline Associates in a particular Associate's Downline Organization. This term refers to the relationship of an Associate relative to a particular upline Associate, determined by the number of Associates between them who are related by sponsorship.

Downline Organization — An Associate's Downline Organization consists of all Preferred Customers and Associates below him/her.

Official USANA Material — Literature, audio or video tapes, and other materials developed, printed, published, or distributed by USANA.

Personal Sales Volume (PSV) — The commissionable value of products purchased by an Associate.

Titled Associate — An Associate who has received commission and a title (i.e., Sharer or Believer, for group volume sales).

The Four-Week Rolling Period

When 100 Sales Volume points or more are produced, count five Fridays on the calendar to place your next order to remain qualified. (The Friday of the week you ordered is the 1st Friday.)

Autoship — To track when your Autoship will be processed, call Distributor Services for the number of your Autoship week. If your week is # 3, for example, find the # 3 on the calendar of the current month. Your Autoship will be processed on Monday of that week and every # 3 week forward unless there is a cancellation. Credit Cards are billed and bank drafts are deposited the first part of the week your Autoship is scheduled.

To qualify for 3 Business Centers — You must generate 450 points in sales volume within six Fridays. Start counting from the Friday of the week your application was received.