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SECTION 1 – INTRODUCTION

1.1 POLICIES INCORPORATED INTO DISTRIBUTOR AGREEMENT

These Policies and Procedures, in their present form and as amended from time to time at the discretion of UHS Essential Health Philippines, Inc. are incorporated into the USANA Distributor Agreement. It is the responsibility of each Distributor 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.

1.2 PURPOSE

The purpose of the Distributor Agreement is:

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

1.3 CHANGES

The Company may from time to time amend the terms and conditions of the Distributor 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 Distributors.

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 Distributor 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 Distributor 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 Distributor 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 Distributor Agreement.

1.7 WAIVER

USANA never forfeits its right to require Distributor compliance with the Distributor 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 by the Compliance Officer or an officer of the company. The waiver will apply only to that specific case.

1.8 PHILIPPINE LAWS

For purposes of Philippine Distributors, unless the context indicates otherwise, references to US or other foreign laws shall be deemed to mean Philippine laws, regulations and ordinances, and references to foreign administrative agencies such as the US Social Security Administration and the US Internal Revenue Service shall be deemed to mean the equivalent agencies under Philippine law, such as the Social Security System and the Bureau of Internal Revenue.

SECTION 2 – BECOMING A DISTRIBUTOR

2.1 REQUIREMENTS TO BECOME A USANA DISTRIBUTOR:

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

- Submit an original signed Distributor Application and Agreement to USANA;
- Purchase a USANA Business Development System (BDS) for a nominal cost (unless prohibited by law);
- Provide USANA with a current and correct correspondence address and phone number where Distributor can be reached;
- Have a valid Philippine Taxpayer Identification Number (individuals) or Employer Identification Number (businesses and corporations).
- If USANA determines that the Distributor Application and Agreement contains inaccurate or false contact or other information, it may immediately terminate a Distributorship or declare the Distributor Application and Agreement null and void from its beginning. Further, it is the obligation of the Distributor to report to the Company on an ongoing basis any changes which affect the accuracy of the Distributor Application and Agreement.

USANA reserves the right to accept or reject any application for any reason.

2.2 BUSINESS DEVELOPMENT SYSTEM (BDS)

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

2.3 IDENTIFICATION AND DISTRIBUTOR NUMBER

USANA requires Distributors to provide their Taxpayer Identification Number (individuals) or Employer Identification Number (businesses and corporations) on the Distributor Application and Agreement. USANA uses this number to identify

Distributors for tax purposes and to assist in the prevention of multiple distributorships.

When USANA receives and accepts a Distributor's original Application and Agreement, USANA will assign a unique Distributor Number to that Distributor. Distributors must use their Distributor 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 Distributor Application and Agreement, a Distributor applicant may enroll over the telephone or Internet to receive a temporary Distributor 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 Distributor Application and Agreement. The applicant may order a BDS at that time using a valid credit card or bank draft.

The new Distributor's temporary Distributor Number and authorization will be valid for 21 days, pending USANA's receipt of the Distributor's original Application and Agreement. USANA reserves the right to remove an Distributorship from its system or stop payment of commissions earned if the Application and Agreement has not been received or digitally signed within the 21 day temporary enrollment time period. Once USANA receives the original Distributor Application and Agreement, USANA will assign a permanent Distributor Number to the Distributor and extend the initial Distributorship authorization period to one full year.

2.5 DISTRIBUTOR BENEFITS

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

- Purchase USANA products and services at the

- Distributor price;
- Participate in the USANA Compensation Plan (receive bonuses and commissions, if eligible);
- Sponsor other individuals as Distributors into the USANA business and thereby build a Downline Organization and progress through the USANA 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 Distributor;
- Retail USANA products and services and profit from these sales.
- A Distributor's continuation of a Distributorship or acceptance of earnings pursuant to the USANA Compensation Plan or acceptance of any other benefits under the Application and Distributor Agreement constitutes acceptance of the Application and Distributor Agreement and these Policies and Procedures any and all amendments thereto.

2.6 RENEWAL OF DISTRIBUTORSHIP

USANA charges Distributors an annual Distributorship renewal fee of P940 plus any applicable taxes. USANA will automatically charge the fee to the Distributor's credit card on file with USANA on the anniversary date of the Distributor's application. Distributors without a credit card must renew by phone or mail. The annual renewal fee will:

- Automatically renew your subscription to USANA publications;
- Renew your Distributor Agreement (signifying your acceptance of and promise to adhere to the most current version of the Policies and Procedures as amended from time to time at USANA's discretion) and maintain your line

of sponsorship; and

- Continue your entitlement to participate in USANA's 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 a Distributor's immediate household (a distributor's spouse or dependents) engages in any activity which, if performed by the Distributor would violate any provision of the Distributor Agreement, such activity will be deemed a violation by the Distributor.

3.2 ADHERENCE TO THE USANA COMPENSATION PLAN

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

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

Only those Distributors 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 USANA Compensation Plan, USANA's products, or their USANA businesses. All other Distributors 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 USANA Compensation Plan.

Any Distributor 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 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. Such materials may not be offered for sale at a profit for a Distributor. It is the Distributors responsibility to ensure that previously approved promotional material remains current and up-to-date. USANA further reserves the right to rescind approval for any promotional materials, and Distributors waive all claims for damages or remuneration arising from or relating to such rescission.

3.3.2 TELEVISION AND RADIO

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

3.3.3 MEDIA INQUIRIES

Distributors 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

- A Distributor may not directly or indirectly use the USANA trademark or trade name or corporate logo to promote their independent business. Rather, they must use the "Independent USANA Distributor" logo to promote their business. A reproducible copy of the logo can be obtained from USANA.
- Distributors may describe themselves as an "Independent USANA Distributors" in the business pages of the telephone directory.
- Distributors should not answer the telephone in any manner that might indicate or suggest that the caller has reached a USANA corporate office.
- Distributors may not directly or indirectly record or reproduce materials from any USANA corporate function, event, speech, etc.
- Distributors may not directly or indirectly record, reproduce, or copy any presentation or speech by any USANA spokesperson,

representative, speaker, officer, director, or other Distributors.

- Distributors may not directly or indirectly reproduce or copy any recording of a USANA-produced media presentation including audio tapes, videotapes, CDs, etc.
- Distributors may not directly or indirectly 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.
- Distributors may not directly or indirectly 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.
- Distributors may not directly or indirectly use or attempt to register or sell any of USANA's trade names, trademarks, service names, service marks, product names, or any derivative thereof, for any internet domain name or email address.

3.3.5 USE OF DISTRIBUTOR NAME, LIKENESS, AND IMAGE

Distributor consents to USANA's use of his/her name, testimonial (or other 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 DISTRIBUTOR CLAIMS AND REPRESENTATIONS

3.4.1 PRODUCT CLAIMS

Distributors may not make claims that USANA

products have therapeutic or curative properties except those contained in official USANA literature. In particular, no Distributors 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 Distributor Agreement, but they also violate the laws and regulations of the Philippine and other jurisdictions.

3.4.2 INCOME CLAIMS

Distributors 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 Compensation Plan, except as set forth in official USANA literature.

3.5 COMMERCIAL OUTLETS

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 (i.e.: eBay), and pharmacies. It is a violation of this policy to knowingly be part of any scheme whereby a Distributor provides product to a third party who then offers the product for resale in any unapproved retail-oriented establishment.

3.6 UNAUTHORIZED RECRUITING

USANA Distributors may participate in other direct selling or network marketing or multilevel marketing ventures (collectively, "multilevel marketing"), and Distributors may engage in selling activities related to non-USANA products and services, if they desire to do so. However, Distributors are prohibited from

unauthorized recruiting activities, which include the following:

- Recruiting or enrolling USANA customers or Distributors 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 Distributor, or implicitly or explicitly encouraging any USANA Distributor to join other business ventures. It is a violation of this policy to recruit or enroll a USANA Distributor for another multilevel marketing business, even if the Distributor does not know that the prospect is also a USANA Distributor;
- Producing any literature, tapes, or promotional material of any nature for another multi-level marketing business or appearing in, being referenced in, or allowing the Distributor's name or likeness to be featured or referenced in any promotional, recruiting or solicitation materials for another multi-level marketing company;
- Selling, offering to sell, or promoting any competing products or services to USANA Distributors. Any product or service 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 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;
- Where a prospective Distributor or Preferred

Customer accompanies a Distributor to a USANA meeting or function, no other USANA Distributor 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 Distributor who brought the prospect to the function advises the other USANA Distributor that the prospect has elected not to enroll in USANA and that the Distributor is no longer recruiting the prospect to enroll in USANA, whichever occurs first. Violations of this policy are especially detrimental to the growth and sales of other Distributors' USANA businesses and to USANA's business.

- Where a Distributor participates, directly or indirectly, in any way including but not limited to the operation of, enrollment as a Distributor in, receipt of compensation from, or having an ownership interest, legal or equitable, as a sole proprietorship, partner, shareholder, trustee, or beneficiary, in any other multilevel marketing venture they may not participate in USANA's Leadership or Elite Bonus Programs. A Distributor who accepts Leader Bonus or Elite Bonus while participating in another multilevel marketing venture is in material breach of this Agreement regardless of the Distributor's intent or purpose of such participation.
- A Distributor who participates in any way in another multilevel marketing venture is not eligible to have access to confidential customer information, including but not limited to the customer lists included in the Downline Management system (DLM).

3.6.1 POST CANCELLATION SOLICITATION PROHIBITED

A former Distributor shall not directly or through a third party solicit any USANA Distributor 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 Distributor Agreement. This provision shall survive the expiration of the

Distributor's obligations to USANA, pursuant to the Distributor Agreement.

3.6.2 DOWNLINE GENEALOGY REPORTS

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

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

3.7 CORPORATIONS, PARTNERSHIPS, SINGLE PROPRIETORSHIPS AND TRUSTS

A corporation, partnership, single proprietorship, or trust (collectively referred to in this section as an "Entity") may apply to be a USANA Distributor. 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 Distributor(s) must submit a properly completed Distributor Application and Agreement and

Corporation, Partnership, Business Name or Firm Name Registration Form to USANA. At any time, USANA may request at its option that the Distributor provide its Certificate of Incorporation, Partnership Agreement, or trust documents. The Business Name or Firm Name or Style 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 jurisdiction in which their Entity is formed. USANA reserves the right to approve or disapprove any Distributor Application and Agreement submitted by an Entity, as well as any Distributor Application and Agreement submitted by any current Distributor(s) for the formation of an Entity for tax, estate planning, and limited liability purposes.

3.8 PERSONAL DATA PROTECTION & RIGHT OF PRIVACY

3.8.1 PERSONAL INFORMATION

From time to time it will be necessary for you to provide USANA with personal information for purposes related to your Distributorship or your application to become a USANA Distributor. These purposes may include:

- Processing your Distributor Application
- Developing Downline Genealogy Reports
- Providing Distributor services such as planning and facilitating Distributor meetings and training
- Administering Distributor benefits
- Developing and implementing policies, marketing plans, and strategies
- Publishing personal information in USANA newsletters, promotional materials, and intra-group communications
- Providing references

- Complying with applicable laws and assisting with any governmental or police investigation and
- Other purposes directly relating to any of the above.

3.8.2 COMMUNICATING PERSONAL INFORMATION TO THIRD PARTIES

Where permitted by the provisions of applicable law, USANA may provide your personal information to the following third parties:

- Employees, directors, and managers of USANA and its local and foreign associated/affiliated companies
- Any agent, contractor, supplier, vendor, or other third party who provides administrative, advertising, printing, or other services to USANA or its affiliated companies, including but not limited to distribution centers, external auditors, medical practitioners, trustees, insurance companies, actuaries, and any consultant/agent appointed by USANA or its affiliated companies to plan, provide, and/or administer Distributor benefits
- Persons or organizations seeking references and
- Any government agency or other appropriate governmental, police, or regulatory authority in the Philippines or elsewhere such as but not limited to the Bureau of Internal Revenue.

3.8.3 DISTRIBUTOR ACCESS TO PERSONAL INFORMATION

Under the Guidelines for the Protection of Personal Data in Information & Communications System in the Private Sector (DTI Administrative Order No. 08, July 26, 2006), you have the right to request and obtain from USANA the personal information USANA has on file about you and correct, supplement or destroy any data that are inaccurate, incomplete, outdated, or no longer necessary for the purposes for which they were collected (unless an exception applies). You may also request USANA to inform you of the type of personal information maintained by USANA.

Requests for access to and correction of personal data or information about USANA's policies and practices regarding personal data should be addressed in writing to USANA Customer Service.

3.9 DECEPTIVE PRACTICES AND DETRIMENTAL CONDUCT

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

- Being honest and thorough in presenting material from the USANA Compensation Plan to all potential Distributors;
- Making clear that income from the USANA Compensation Plan is based on product sales and not merely on sponsoring other Distributors;
- Making estimates of profit that are based on reasonable predictions for what an average Distributor 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 Distributor might incur in carrying on the business;
- Not misrepresenting the amount of time an average Distributor would have to devote to the business to achieve the profit estimated;
- Never stating or inferring to an individual that a Downline Organization will be built for him or her;
- Never stating that profits or earnings are guaranteed for an individual Distributor;
- Never stating that any consumer, business, or government agency has approved or endorsed the USANA products or its Compensation Plan; and
- Never participating in downline purchasing (placing a sales order in a Business Center

other than where the sale was generated);

- Manipulation of the Compensation Plan is not permitted and may result in disciplinary action. Manipulation of the Compensation Plan includes, but is not limited to, an Distributor purchasing, to qualify for various ranks or commissions, large quantities of product that are not sold through the direct marketing channel, placing orders in other distributorships in his/her downline organization, and any other actions that may violate state, federal or foreign anti-pyramid scheme laws. Such manipulations may, in the discretion of the USANA result in the suspension of commissions and termination of the Distributorship.
- If any conduct by a Distributor is determined by USANA to be injurious, disruptive, or harmful to USANA or to other Distributors, USANA may take appropriate action against the Distributor as set forth in Section 8.3.

3.10 INDEPENDENT CONTRACTOR STATUS

Distributors are independent contractors and are not purchasers of a franchise or business opportunity. The agreement between USANA and its Distributors does not create an employer/employee relationship, agency, partnership, or joint venture between the Company and the Distributor. All Distributors are responsible for paying their own income and employment taxes. Distributors will not be treated as an employee for purposes of applicable unemployment tax laws, social security laws, unemployment laws, workers compensation acts, income tax acts, or any other relevant tax or obligation required of employees. Each Distributor 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 Distributor Agreement.

3.11 INSURANCE

3.11.1 BUSINESS PURSUITS

COVERAGE

Distributors may obtain insurance coverage for their business activities.

3.11.2 PRODUCT LIABILITY COVERAGE

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

3.12 INTERNATIONAL

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

3.13 ADHERENCE TO LAWS AND ORDINANCES

Distributors must obey all laws that apply to their business.

3.14 ONE DISTRIBUTORSHIP

A Distributor 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, a Distributor's spouse may become a Distributor and operate a second distributorship as long the spouse's distributorship is placed below one of the Distributor's 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.

3.15 REPACKAGING AND RELABELING PROHIBITED

Distributors may not relabel or alter the labels on any USANA products, information, materials, or programs in any way. Distributors 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.

3.16 SALE, TRANSFER, OR ASSIGNMENT OF DISTRIBUTORSHIP

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

- Be a Distributor in good standing as determined by USANA in its sole discretion.
- Before any transfer will be approved by USANA, any debt obligations the selling Distributor has with USANA must be satisfied.
- The transferring Distributor must be in good standing and not in violation of any of the terms of the Distributor 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 Distributor 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 operated, a USANA Distributorship.

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

3.17 SEPARATION OF A DISTRIBUTORSHIP

If Distributors 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. Distributors 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 Distributors immediately under any Sponsor but only if the Distributorship has been jointly owned for more than six months before dissolution. In all other cases the individual(s) who relinquished ownership may apply as a new Associate only after waiting six months.

3.18 SUCCESSION

If a Distributor dies or becomes incapacitated, his/her rights to commissions, bonuses, and Downline Organization, together with all Distributor 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 Distributor Application and Agreement. Distributors may inherit and retain another Distributorship even though they currently own or operate a Distributorship. In the case of intestacy, USANA will deem the Distributorship non-transferable if it is not contacted by an authorized representative of the estate or the heirs, devisees, successor trustees, personal representative, or executor of the decedent within six (6) months of the Distributor's death.

3.19 TAXES

3.19.1 INCOME TAXES

USANA will withhold tax at the rate of 10% on all commission payments made to Philippine resident Distributors. The tax withheld is remitted by USANA to the Bureau of Internal Revenue, and a creditable withholding tax certificate will be issued by USANA to the Distributor.

Each Distributor is responsible for paying taxes on any income generated as an independent Distributor. USANA will not give out personal tax advice; please consult with your local tax professional.

3.19.2 VALUE ADDED TAX

USANA will collect and remit VAT on behalf of Distributors based on the purchase price at the applicable VAT rate. Distributors who sell USANA products on their own right are required to register for VAT if their annual gross sales/receipts exceeds P1,500,000.00 per the Bureau of Internal Revenue requirements.

Distributors who are not registered for VAT are required to remit a 3% tax to the Bureau of Internal Revenue on USANA product sales.

For commission payments, VAT registered distributors are required to submit VAT invoices to USANA upon receipt of commissions to receive reimbursement of VAT for their commissions earned. The VAT registered Distributor is required to remit the VAT on its commission income net of VAT on purchases from USANA to the Bureau of Internal Revenue.

3.20 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 Distributors, is strictly prohibited. Distributors are also forbidden from sending unsolicited e-mail messages or "spamming" to sell products or to recruit Distributors.

3.21 TERRITORIES

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

3.22 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. All literature displayed at the event must be approved USANA literature and must clearly identify the individual(s) as Independent Distributors.

3.23 TRANSFER OF SPONSORSHIP

3.23.1 CONFLICTING ENROLLMENTS

Every prospective Distributor has the ultimate right to choose his/her own Sponsor. As a general rule, the first Distributor who does meaningful work with a prospective Distributor 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 Distributor or any Distributor on behalf of a prospective Distributor, submits more than one Distributor Application and Agreement to USANA, listing a different Sponsor on each, the Company will only consider valid the first Distributor Application and Agreement that it receives, accepts, and processes. If there is any question concerning the sponsorship of a Distributor, the final decision will be made by USANA.

3.23.2 PLACEMENT CHANGES

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

- Where a Distributor has been fraudulently or unethically induced into joining USANA.
- Where an incorrect placement was made due to a Distributor 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 a Distributor makes such a request, he or she must also submit the written consent of his or her Sponsor along with the required placement change fee. If at the time of the request the Distributor has 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 a Distributor terminates his or her

Distributorship in writing he or she may rejoin under the Sponsor of his or her choice after a period of 6 months. In the event a Distributor terminates his or her Distributorship, he or she forfeits all rights, bonuses, and commissions under his or her previous line of sponsoring. Distributors may not avoid compliance with this policy through the use of DBAs, assumed names, corporations, partnerships, trusts, spouse names, social security numbers, taxpayer identification numbers, fictitious ID numbers, etc.

- If a Distributor has been “inactive” (i.e., no purchases or sales of USANA products or participation in any other form as a Distributor) for a period of 12 successive months, he or she may terminate his or her Distributorship in writing and rejoin immediately under the Sponsor of his or her choice.

3.23.3 CROSS-LINE RAIDING

Cross-line raiding is strictly prohibited. “Cross-line raiding” is defined as the enrolment or attempted enrolment of an individual or Entity that already has a current Preferred Customer or Distributor 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, DBA’s, corporations, partnerships, trusts, spouse names, social insurance numbers, social security numbers, employer identification numbers, or fictitious ID numbers to circumvent this policy is prohibited. Distributors may not demean, discredit, or invalidate other USANA Distributors in an attempt to entice another Distributor to become part of the first Distributor’s Downline Organization.

SECTION 4 – RESPONSIBILITIES OF DISTRIBUTORS AND SPONSORS

4.1 ONGOING SUPERVISION, TRAINING, AND SALES

Any Distributor who sponsors another Distributor into USANA must train the new

Distributor in product knowledge, effective sales techniques, the Compensation Plan, and the Policies and Procedures. Distributors must also supervise and monitor Distributors in their Downline Organization to ensure they conduct business professionally and ethically, promote sales properly, and provide quality customer service. As a Distributor progresses through the various levels of leadership, his/her responsibilities to train and motivate downline Distributors will increase. When sponsoring or enrolling a new Distributor, it is the responsibility of the sponsoring Distributor to ensure that the applicant is provided with, or has online access to the most current version of these Policies and Procedures and the USANA Compensation Plan prior to their execution of the Distributor Agreement.

4.2 NON-DISPARAGEMENT

In setting the proper example for their downline, Distributors must not disparage other USANA Distributors, USANA's Products, the 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 Distributors must forward to USANA any forms and applications they receive from other Distributors or applicant Distributors on the next business day after which the forms or applications are signed.

4.4 REPORTING POLICY VIOLATIONS

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

SECTION 5—SALES REQUIREMENTS

5.1 PRODUCT SALES

The USANA Compensation Plan is based upon the sale of USANA products and services to end consumers. Distributors 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 Distributors to be eligible for commissions:

- A minimum of seventy percent (70%) of a Distributor's orders must be for personal consumption and/or sold to other customers or end users. The sales volume of a Distributor's personally enrolled Preferred Customers shall be included for the purposes of determining compliance with the 70% requirement. Distributors may not purchase additional product until at least seventy percent (70%) of the previous order has been personally consumed or sold to end consumers;
- Distributors must develop or service at least five customers every four-week rolling period.

5.2 RETAIL CUSTOMER SALES

Distributors may sell USANA at any price they choose, as long as they are at or above the company's prevalent Autoship price.

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. Distributors may not purchase more than they can reasonably resell or consume in any four-week rolling period, nor encourage others to do so. To avoid product purchases in

unreasonable amounts solely for the purpose of qualifying for commissions, no Distributor shall receive any commissions (excluding Elite Bonus) in excess of 25 percent of their total Group Sales Volume each week from any combination of more than 5 of his/her earned Business Centers.

In addition, commission volume points in excess of 25 percent of total Group Sales Volume will not be counted for purposes of calculating Matching Bonus for the Sponsor of the Distributor.

Distributors whose commission volume points exceed 25 percent of total Group Sales Volume will be ineligible for bonuses (i.e. Matching Bonus, Leadership Bonus & Elite Bonus) for a thirteen-week period at the first occurrence, and an additional 52 weeks for each occurrence thereafter.

Distributors are not required to carry inventory of products or sales aids other than the initial BDS/Starter Kit. Distributors 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 Distributor must make his/her own decision with regard to these matters.

5.4 DEPOSITS

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

SECTION 6 – BONUSES AND COMMISSIONS

6.1 BONUS AND COMMISSION CYCLES

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

Distributor.

6.2 ADJUSTMENT OF BONUSES AND COMMISSIONS

Distributors earn commissions and bonuses based on product sales to End Consumers. Accordingly, USANA will adjust commissions and bonuses earned from any sale when the Distributor 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 Distributor'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 Distributor and in compliance with the terms of the Distributor Agreement to qualify for commissions and bonuses.

6.4 UNCLAIMED CREDITS

Customers or Distributors 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 Distributor or Customer by sending written notice to the last known address, advising the Distributor or Customer of the credit.

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 Distributor Product Exchange or Return Form and must pay the Product Exchange Handling fee.

Product exchanges made for the purpose of favourable gain through maximizing commissions or manipulating the compensation plan (as

evidenced though patterns observed outside of the average Distributor pattern of exchanges) will not be honoured and are considered a material breach of the Distributor Agreement.

7.2 THIRTY (30) DAY RETURN POLICY

7.2.1 RETAIL CUSTOMERS

USANA obligates its Distributors 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 Distributor 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 Distributor who sold the product to the Retail Customer must immediately refund the Retail Customer's purchase price. (Retail Customers must return merchandise to the Distributors who sold it to them; USANA will not accept returned merchandise directly from Retail Customers.) The Distributor, in turn, should complete a Dissatisfied Consumer Product Return Form 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 Distributor. All retail customers must be provided with two copies of an official USANA sales receipt at the time of the sale. The receipt provides the customer with written notice of his/her rights to cancel the sales agreement.

7.2.2 DISTRIBUTORS

If a Distributor elects to cancel his/her Distributorship during the 30 day period immediately following his/her enrollment, USANA will refund 100% of the price of the BDS and all products purchased as part of the Distributor's initial order (excluding shipping). The canceling Distributor must return the

products and the entire BDS 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 a Distributor places his/her second product order. After the first order, refunds for returned products, BDSs, and sales aids are made pursuant to section 7.3. If a Distributor returns his/her BDS and/or merchandise equal to, or exceeding P5,000, for a refund, the return constitutes a Voluntary Cancellation of his/her Distributor Agreement. USANA may deduct from the amount of the refund any commissions or bonuses the Distributor may have received as a result of the products that he/she is returning, including adjusting the appropriate Distributor's Sales Volume pursuant to Section 6.2

7.3 ALL OTHER RETURNS

After the initial order, a Distributor may return USANA products, including promotional materials and sales aids, purchased within the past 180 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 P5,000 may result in the termination of the Distributorship. Moreover, USANA may deduct from the amount of the refund any commissions or bonuses the Distributor 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 a Distributor 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;

- If the original transaction was paid thru credit card, any refund or charge back will be made thru the credit card of cardholder;
- If the original transaction was paid thru cash or check, any refund or charge back will be made thru check issuance payable to the distributor making the return or exchange.
- Use proper shipping carton(s) and packaging materials to return the product to USANA. The Distributor is responsible for tracing his or her 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 Distributor who ordered the product from USANA may return it.
- USANA is not liable for items lost in transit.

SECTION 8 – DISPUTE RESOLUTION AND DISCIPLINARY PROCEEDINGS

8.1 DISPUTES BETWEEN DISTRIBUTORS

8.1.1 GRIEVANCES AND COMPLAINTS

When a Distributor has a grievance or complaint with another Distributor regarding any practice or conduct in relationship to their respective USANA businesses, the complaining Distributor should first discuss the problem with the other Distributor. If this does not resolve the problem, the complaining Distributor 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 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. At its sole election, USANA may place the Distributorship on hold during the investigation. Should USANA place an Distributorship on hold during an investigation and after the investigation is closed the results of the investigation show that the Distributor was not in violation of the Distributor Agreement, USANA will promptly pay the Distributor commissions generated during the time the Distributorship was on hold together with interest at USANA's then current interest rate. The Compliance Department may also issue disciplinary sanctions consistent with the provisions of Section 8.3.

8.2 JURISDICTION, VENUE AND CHOICE OF LAW FOR DISPUTES BETWEEN USANA AND DISTRIBUTORS

Jurisdiction and venue for all disputes, claims and actions relating to this Agreement or the interpretation thereof, or any dispute, claim or action between the parties hereto shall be Manila, Philippines. By signing the Distributor Application and Agreement, all Distributors consent to jurisdiction in Manila. The law of the Philippines shall govern disputes relating to the Distributor Agreement.

8.3 DISCIPLINARY ACTIONS

Violation of any of the terms and conditions of the Distributor Agreement, or any illegal, fraudulent, deceptive, or unethical business conduct by a Distributor, may result, at

USANA's discretion, in one or more of the following sanctions:

- A verbal or 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 a Distributor 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 Distributor 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 Compensation Plan, or participating as a Sponsor (including participating as an International Sponsor), for a specified period of time or until the Distributor satisfies certain specified conditions;
- Withholding commissions or bonuses for a specified period of time or until the Distributor 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

Distributors may place orders by fax, mail, e-mail, through the Internet, or through the Autoship Program. Distributors should call Customer Service for their Personal Identification Number (PIN) to order through the Internet.

When ordering by fax — print information legibly on the order form, which you can

download from the USANA Web site. Payments may be made by credit card.

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

**UHS Essential Health Philippines, Inc.
24th Floor, Tower 1,
The Enterprise Center,
6766 Ayala Avenue
corner Paseo de Roxas,
Makati City, Philippines 1200**

Distributors should keep a copy of the order form for their records. Payment may be made by credit card or checks (see 10.1.3).

9.2 AUTOSHIP PROGRAM

Distributors in good standing may participate in the USANA Autoship Program. As a Distributor, you may enroll in this program through your Distributor Application and Agreement or by completing a Distributor Autoship Agreement, identifying the products you wish USANA to automatically send to you each four-week rolling period. Your credit card will be automatically charged the amount of the order plus applicable shipping and sales tax. You must ensure you have adequate funds in your account the week prior to the processing of your Autoship order.

9.3 GENERAL ORDER POLICIES

On mail orders with invalid or incorrect payment, USANA will attempt to contact the Distributor 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 Distributor 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 a Distributor's right to request a correction. Follow the procedure for correcting a shipping discrepancy outlined on the Distributor Product Exchange or Return Form.

SECTION 10 – PAYMENT AND SHIPPING

10.1 METHODS OF PAYMENT

10.1.1 CASH

USANA accepts cash (Philippine currency) for orders placed in person at its Makati office only. Cash is not an option for Fax, Mail or Autoship orders.

10.1.2 PHILIPPINE PAYMENT SERVICE

USANA accepts full and complete payments for outstanding sales orders using a bank transfer method called "Philippine Payment Service" (PPS). The Distributor will create an order using their preferred ordering method (see Section 9.1) and specify the PPS as the form of payment. USANA will provide the Distributor with the necessary payment details (Total Payment Amount, Sales Order Number, etc.) necessary to complete full payment of the sales order. The Distributor will go to any local Union Bank branch and complete a "Union Bank Payments Slip" with the payment information received from USANA. The Distributor will pay the entire amount of the sales order to Union Bank, which then transfers the funds to USANA Philippines along with the reference information. An order with the PPS payment type will be held until funds for a personal check have been verified by the bank and USANA is notified.

USANA Distributors will receive an e-mail with

the sales order information if there is a valid e-mail address on file. If there is no valid e-mail, the Distributor will be required to call the USANA office to obtain this sales order detail.

Payments must be made for the entire amount of the sales order. Any balance less than the full amount will be applied to the order, however the order will not be released (no shipment of product or volume flow upline) until the sales order amount is paid in full. A paid amount greater than the sales order total will result in the order payment being fulfilled and the additional funds placed as a credit amount in the Distributors account for use on future sales orders.

The PPS payment will be transferred to USANA by Union Bank once a day. A sales order will be held at USANA until payment is received in a pending state. No volume points will be reflected in the Distributors personal Business Center or in any upline Groups Sales Volume until the sales order is paid in full.

Orders will be available for Will Call pick-up or shipment the following business day after the transfer of information is received from Union Bank if the sales order amount is paid in full.

10.1.3 CHECKS

USANA accepts personal checks, cashier's checks, manager's checks and corporate checks, all from the Union Bank only, made payable to UHS Essential Health Philippines Inc. for the full amount of a Distributor's order, including VAT and shipping and handling charges.

Checks must not be stale or postdated, and products will be available for pick-up or shipment the business day following the clearance of the checks by the bank.

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

10.1.4 CREDIT CARDS

USANA accepts VISA and MasterCard. 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.

10.2 RETURNED CHECKS, INSUFFICIENT FUNDS, AND DECLINED CREDIT

All personal checks returned by the bank will incur a charge, and may suspend a Distributor's privilege to pay by personal checks thereafter. Failure to promptly resolve a returned check is grounds for involuntary cancellation of a Distributorship, and may subject a Distributor to legal action. USANA reserves the right to deduct uncollected amounts from a Distributor's future commissions and bonuses.

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 no later than the Friday of the week prior to the Autoship.
- Participation in the Autoship Program is purely optional and does not relieve a Distributor 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 products using a common carrier to a shipping address specified by a Distributor, provided the Distributor pays for the freight, handling and other pertinent shipping charges to cover the appropriate costs.

The delivery 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 passes to the Distributor at that time.

SECTION II – DISTRIBUTOR SERVICES

11.1 CHANGES TO THE DISTRIBUTORSHIP

11.1.1 IN GENERAL

Each Distributor must immediately notify USANA of all changes to the information contained on the Distributor Application and Agreement Form. Distributors may modify their existing Distributor Agreement by submitting a written request, a properly executed Distributor Application and Agreement Form, 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 Distributor Application and Agreement Form containing the applicant's and co-applicant's Tax Identification 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. 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.

11.2.2 COMMISSION STATEMENTS

Commission Statements are available for all active Distributors receiving a commission check. Distributors will be able to print their statement from their personal computer or from a computer in the local office. Commission Statements are not optional. A Distributor can opt to have a printed statement sent to his/

her address. USANA charges a nominal fee for this service, which will be deducted from the commission earned that week.

11.3 ERRORS OR QUESTIONS

In the event a Distributor has questions about or believes that any errors have been made regarding commissions, bonuses, placement, Downline Genealogy Reports, orders, or charges, the Distributor 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

All questions regarding shipment, orders, commissions and bonuses, or the USANA Compensation Plan should be addressed to the Distributor Services Department.

SECTION 12 – INACTIVITY AND CANCELLATION POLICIES

12.1 INACTIVITY

Distributors who do not meet the Personal Sales Volume requirements specified in the USANA 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

A Distributor's violation of any of the terms of the Distributor Agreement, including any amendments which may be made by USANA in its sole discretion from time to time, constitutes a material breach of the Distributor 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 Distributor's loss of all rights to his/her Downline Organization and any bonuses and commissions generated thereby. A Distributor 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 Distributor 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 Distributor's last known address or when the Distributor receives actual notice of cancellation, whichever occurs first. In the event of such Involuntary Cancellation, the Distributor must immediately cease to represent himself/herself as a USANA Distributor.

The Distributor may appeal the termination to the USANA Compliance Department. The Distributor'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 Distributor must submit all supporting documentation with his/her appeal correspondence. The written appeal will be reviewed by the Compliance Department. If the Distributor files a timely appeal of termination, the Compliance Department will review and reconsider the termination, consider any other appropriate action, and notify the Distributor of its decision. This decision of the Compliance Department will be final.

A Distributor whose Distributor Agreement is involuntarily canceled may reapply to become a Distributor twelve (12) calendar months from the date of cancellation. Any such Distributor 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

A Distributor 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 status. The written notice must include the Distributor's signature, printed name, address, and appropriate identification number.

12.4 EFFECT OF CANCELLATION

Following a Distributor's voluntary or involuntary cancellation, such former Distributor 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 a Distributor's voluntary or involuntary cancellation, the former Distributor shall not hold himself or herself out as a USANA Distributor, 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.

A Distributor who is voluntarily canceled will receive commissions and bonuses only for the last full calendar week prior to his/her cancellation. A Distributor 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 Distributor's conduct results in his/her involuntary cancellation, he/she shall not be entitled to recover withheld commissions and bonuses.

SECTION 13 – DEFINITION OF TERMS

Active Distributor — A Distributor who satisfies the minimum Personal Sales Volume requirements as set forth in the USANA Compensation Plan.

Autoship — An order placed by a Distributor giving permission for USANA to process and ship automatically every four or eight weeks. It is a convenient way for Distributors to receive their products and entitles them to a 10% savings off wholesale price.

Business Center — The term “Business Center” is defined in the USANA Compensation Plan.

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

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

Involuntary Cancellation — The termination of a Distributor Agreement which is initiated by USANA.

Voluntary Cancellation — The termination of a Distributor Agreement instituted by the Distributor 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 UHS Essential Health Philippines, Inc.

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

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

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

Downline Organization — A Distributor's Downline Organization consists of all Distributors below him/her.

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 a Distributor places a product order of 100 SVP or more. If a Distributor 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 Distributor's volume period.

Example: If a Distributor places his/her order on Thursday, June 5, 2009, the four-week rolling pay period expires three Fridays later (Friday, June 26, 2009). To remain active, a Distributor must place his/her next product order no later than Friday, July 3, 2009.

Example: If a Distributor places his/her order on Friday, September 4, 2009, the four-week rolling pay period expires three Fridays later (Friday, September 25, 2009). To remain active, a Distributor must place his/her next product order no later than Friday, October 2, 2009.

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

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

Genealogy Report — A report generated by USANA that provides critical data relating to the identities of Distributors and sales information

of each Distributor's Downline Organization. This report contains proprietary trade secret information. (See Section 3.6.2).

Group Sales Volume (GSV) — The commissionable volume of USANA products generated by a Distributor's Downline Organization. Group Sales Volume does not include the Personal Sales Volume of the subject Distributor. (BDSs 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 products sold in the right downline leg of a particular Business Center.

Immediate Household — A Distributor, his or her spouse, and dependent children.

Leg — See "Downline Leg" above.

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

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 a Distributor.

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

