

USANA, Inc. Policies and Procedures-----

Section 1 – Introduction

1.1 Policies Incorporated into Distributor Agreement

These Policies and Procedures are incorporated into the USANA Independent Distributor Application and Agreement. You must read and understand these Policies and Procedures prior to using the USANA system to build your independent business. As an Independent USANA Distributor, you must comply with all the terms and conditions set forth in these Policies and Procedures, the Distributor Application and Agreement, International Sponsor Application & Agreement and the Cellular Compensation Plan (hereafter referred to as the “Distributor Agreement”), as well as honour all applicable laws and regulations in the Hong Kong Special Administrative Region and in the countries in which you operate your USANA business.

1.2 Purpose

The purpose of the Distributor Agreement is:

- to define the relationship between USANA and you as an Independent Distributor
- to set standards of acceptable business behaviour
- to assist you in building and protecting your business.

1.3 Changes

The Company may from time to time amend the Distributor Agreement and Price List. Amendments shall be effective seven (7) days after notification of the changes is published 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, labour difficulties, riots, war, fire, death, curtailment or interruption of a source of supply, government decrees or orders, etc.

1.5 Severability

If any provision in the Distributor Agreement is found to be invalid, illegal, or unenforceable, USANA may amend or delete that provision. The amendment or deletion of any clauses and provision, will not affect the remaining clauses and provisions, which will continue in full force and effect.

1.6 Compliance

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 in writing by USANA. The waiver will apply only to that specific case.

Section 2 – Becoming a Distributor

2.1 To become a USANA Distributor you must:

- Be at least 18 years of age and not a minor in your country of residence
- Reside in a geographic area where USANA has been approved for business
- Read the USANA Policies and Procedures and Cellular Compensation Plan
- Submit an original signed Distributor Application and Agreement to USANA and
- Purchase a USANA Distributor Kit for a nominal cost (unless prohibited by law).

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

2.2 Distributor Benefits

When USANA receives and accepts your Application and Agreement to become a new Distributor, you may:

- Purchase USANA's goods and services at the Distributor price
- Retail USANA's goods and services and profit from those sales
- Participate in the USANA Cellular Compensation Plan (i.e., receive commissions and bonuses, if eligible)
- Sponsor other new Distributors or Preferred Customers and thereby build your USANA business
- Receive USANA literature and communications
- Participate in USANA-sponsored support, service, training, motivational, and recognition functions (upon payment of appropriate charges) and
- Participate in promotional and incentive programmes for Distributors.

2.3 Identification and Distributor Number

When USANA receives and accepts your Application and Agreement to become a new Distributor, USANA will provide you with a Distributor Number (DN), which you must quote when placing orders or tracking your commissions and bonuses.

2.4 Telephone Registration

A Distributor applicant may call USANA to receive a temporary DN and temporary authorization for a new Distributorship. The applicant must provide USANA with all the necessary information to complete the Distributor Application and Agreement. The applicant may order a Distributor Kit at that time using a valid credit card.

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

2.5 Annual Distributorship Renewal

USANA charges Distributors an annual Distributorship renewal fee of HK\$150.00. (This fee should be subject to change without prior notice.) USANA will automatically charge the fee to your credit card or bank account on file with USANA on the anniversary date of your application, unless you notify USANA in writing prior to that date that you desire to cancel your Distributorship. If you do not have a credit card or bank account, you must renew your Distributorship by mail or in person. Payment of the annual renewal fee automatically renews your subscription to USANA publications and continues your entitlement to all Distributor benefits.

2.6 Starter Kit

You are not 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 Starter Kit.

Section 3- Operating a USANA Distributorship

3.1 Cellular Compensation Plan

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

USANA Cellular Compensation Plan other than those purchases or payments identified as recommended or required in official USANA literature.

3.2 Advertising

Only those Distributors who have achieved the rank of Gold Director or higher may produce individual sales, marketing, and support materials to promote their USANA business. All other Distributors may only use sales aids and support materials produced or 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 programmes, as well as e-mail messages, voice mail message recordings, and Internet home pages used to publicize USANA, its products, services, or Cellular 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 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.

3.2.1 Television and Radio

You may use sales, marketing, and support materials produced by USANA to advertise on television or radio, but only with prior written consent from USANA.

3.2.2 Media Enquiries

Distributors must refer all media enquiries regarding USANA to USANA. This will ensure that accurate and consistent information reaches the general public.

3.2.3 Trademarks and Copyrights

- You may not use the USANA trademark or trade name or corporate logo to promote your independent business. Rather, you must use the “Independent USANA Distributor” logo to promote your business. You can obtain a reproducible copy of the logo from USANA.
- You may describe yourself as an “Independent USANA Distributor” in the business pages of the telephone directory.
- You should not answer your telephone in any manner that might indicate or suggest that the caller has reached a USANA corporate office.
- You may not record or reproduce materials from any USANA corporate function, event, speech, etc.
- You may record, reproduce, or copy any presentation or speech by any USANA spokesperson, representative, speaker, officer, director, or other Distributor.
- You may not reproduce or copy any recording of a USANA-produced audiotape or videotape presentation.
- You 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 authorisation from the individual and/or USANA.
- You 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 authorisation from USANA.
- You may not use the USANA trade name as part of a URL or internet domain name.

3.3 Distributor Claims and Representations

3.3.1 Product Claims

When presenting information about USANA products, you must not make therapeutic or medicinal claims about the products, except as set forth in official USANA literature or as shown on the product label. In particular, you may not claim that USANA products are useful in curing, treating, diagnosing, mitigating, or preventing any diseases or related symptoms. Such statements can be perceived as medical or drug claims. Not only would such claims breach your Distributor Agreement, but they would also breach the laws and regulations of the jurisdictions in which USANA operates.

3.3.2 Income Claims

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

3.4 Commercial Outlets

You may display USANA products only in commercial outlets in which professional services are the primary source of revenue. For example, displaying or selling USANA products in service-oriented establishments such as health spas, beauty shops, Doctors' offices, etc... is permissible; however, displaying or selling USANA products in pharmacies, health food stores, grocery stores, etc... is prohibited.

3.5 Other Companies and Products

You may participate in other multilevel marketing ventures and may engage in selling activities of non-USANA products and services. However, you may not:

- Participate in USANA's Leadership Bonus Programme if you are involved as an independent sales representative with another network marketing programme
- Recruit or enrol USANA Distributors or Preferred Customers for

- any other multilevel marketing business ventures
- Produce any literature, tapes, or promotional material for another multilevel marketing company that will be used to recruit USANA Distributors or Preferred Customers
 - Sell or promote any competing products or services to USANA Distributors or Preferred Customers – this includes any product or service in the same generic category as a USANA product or service
 - Offer USANA products, or promote USANA's Cellular Compensation Plan, in conjunction with any non-USANA products, plan, or incentive
 - Offer any non-USANA product or opportunity in conjunction with the offering of USANA products or opportunities or
 - Recruit a prospective Distributor or Preferred Customer who accompanies another Distributor to a USANA-sponsored meeting or function for a minimum of 14 days after the meeting, or until notified of the prospect's decision not to enrol.

3.6 Post-Termination Solicitation

For a period of 6 months following the termination of the Distributor Agreement, a former Distributor may not recruit any Distributors or Preferred Customers who formed a part of his/her Downline Organization on behalf of any direct selling scheme that competes with USANA.

3.7 Downline Genealogy Reports

The USANA Downline Genealogy Reports are confidential and contain proprietary business trade secrets. You may not use the reports for any purpose other than for developing your USANA business. Specifically, you must not:

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

3.8 Personal Data and 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
- Development Downline Genealogy Reports
- Providing Distributor services such as planning and facilitating Distributor meetings and training
- Administering Distributor benefits
- Development 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 centres, 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 Hong Kong or elsewhere such as but not limited to the Inland Revenue Department.

3.8.3 Distributor Access to Personal Information

Under the Personal Data (Privacy) Ordinance, you have the right to request and obtain from USANA the personal information USANA has no file about you and correct any data that are inaccurate (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 Limited Companies, Partnerships, and Trusts

You may initially apply for a Distributorship as a Limited Company, Partnership, Trust, or any other form of business association. Likewise, current Distributors may change the operating status of their Distributorships from individual to a business. In both cases, USANA must receive a copy of the appropriate incorporation documents, along with a properly completed and signed Distributor Application and Agreement (and copy of board minutes authorising the application in the case of a Limited Company). All partners must sign applications by partnerships. All parties to any business entity must accept joint and several liability for any indebtedness or other obligation to USANA.

3.10 Deceptive Practices

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

- Being honest and thorough in presenting material from the USANA Cellular Compensation Plan to all potential Distributors
- Making clear that income from the USANA Cellular 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, and not stating that profits or earnings are guaranteed for any individual Distributor
- 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 Distributor and
- Never stating that any consumer, business, or government agency has approved or endorsed the USANA products or its Cellular Compensation Plan.

3.11 Independent Contractor Status

You are a self-employed independent contractor. The agreement you have with USANA does not create an employer/employee relationship, agency, partnership, or joint venture between you and USANA. You are responsible for paying your own taxes and setting your own goals, hours, and methods of sales.

3.12 Business Insurance

You should obtain insurance coverage for your business activities.

3.13 Product Liability Insurance

USANA maintains insurance to protect USANA and its Distributors against product liability claims. USANA's "Vendor's Endorsement" extends coverage to Distributors as long as they market USANA's 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 USANA's products (see also Section 3.17).

3.14 International

You may sell and promote USANA's products and services only in countries in which USANA is approved for business, as announced in official USANA communications. If you desire to conduct business in an authorized country outside Hong Kong, you must comply with all the applicable laws and regulations for that country. In addition, you must enter into an International Sponsor Application and Agreement with USANA prior to conducting any international business.

3.15 Adherence to Laws and Ordinances

You must obey all laws that apply to your business.

3.16 One Distributorship

You may own, operate, participate in, or receive commissions from only one USANA Distributorship. Your spouse and dependent children may not own or operate separate Distributorships.

3.17 Repackaging and Relabelling

You may not relabel or in any way change the labels on any USANA products. Similarly, you may not repackage or refill products, but must sell the products in their original containers. Any such actions could result in criminal charges and/or expose you to civil damages claims.

3.18 Sale, Transfer, or Assignment of Distributorship

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

- Be a Distributor in good standing as determined by USANA in its

- sole discretion
- Notify USANA in writing of your intent to transfer your Distributorship
 - Satisfy any outstanding debt obligations you have with USANA and
 - Transfer all individual business centres with the Distributorship.

The buyer must:

- Be eligible to become a USANA Distributor
- Be able to satisfactorily perform the obligations of a USANA Distributor as determined by USANA in its sole discretion
- Assume the obligations and position of the selling Distributor
- Complete a Transfer of Distributorship Application and submit the required processing fee and
- Complete a Distributor Application and Agreement.

You may not transfer your Distributorship to any person or entity that presently owns, operates, or participates in a USANA Distributorship or has owned, operated, or participated in a USANA Distributorship. USANA reserves the right to review all proposed terms of any sale or transfer and insist on additional terms and conditions prior to approving the purposed sale or transfer. If USANA determines in its sole discretion that a Distributor sold or transferred his/her Distributorship in an attempt to circumvent compliance with the Distributor Agreement, the sale or transfer shall be void.

3.19 Separation of Distributorship

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

- If you decide to dissolve the Distributorship any one of the joint owners may operate the Distributorship, but the other joint owners must relinquish their rights to, and interests in, the Distributorship.

- Should you decide to continue to work the Distributorship jointly, USANA cannot divide your Downline Organization, nor can it split commission or bonus cheques between the joint owners.

If you decide to dissolve a jointly owned Distributorship, the individual(s) who relinquished ownership in the original Distributorship may apply as new Distributors under any Sponsor but may not purchase or join an existing Distributorship.

3.20 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 USANA 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. You may inherit and retain another Distributorship even though you currently own or operate a Distributorship.

3.21 Taxes

You are responsible for paying taxes on any income you earn as an Independent Distributor.

3.22 Territories

USANA imposes no territorial limits on Distributors who may operate their USANA businesses anywhere within their country or countries of appointment. Distributors should not in any way state or imply that any territorial restrictions exist.

3.23 Trade Shows and Expositions

You may display and seek orders for USANA products at trade shows and expositions, but the literature displayed must be official USANA literature and must identify you as an Independent

Distributor. You may not display or seek orders for USANA products at swap meets, garage sales, or flea markets.

3.24 Line of Sponsoring

You have the ultimate right to choose your Sponsor. As a general rule, the first Distributor who does meaningful work with a prospective Distributor is considered to have first claim to sponsorship. It is the recruiting Distributor's responsibility to determine whether or not a prospective Distributor is working with another USANA Distributor. Basic tenets of common sense, consideration, and fairness should govern a Distributor's sponsoring activities. If there is any question concerning the sponsorship of a Distributor, the final decision will be made by USANA in its absolute discretion, and said decision will be final and binding on all Distributors. As a general rule, USANA will recognize as the Sponsor the first person listed on the Distributor's Application and Agreement.

3.25 Transferring to Another Sponsor

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 a request for a change is made within 10 days of enrolment. If you make such a request, you must also submit the written consent of your Sponsor and that person's Sponsor. If at the time of the request you have any Downline Organization in place, no change will be permitted in the line of sponsorship.
- 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.
- If you have 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, you may terminate your Distributorship in writing and rejoin immediately under the Sponsor of your choice.

You are not permitted to persuade or attempt to persuade any USANA Distributor or Preferred Customer to terminate his/her enrolment with USANA in order to join your Downline Organization.

Section 4- Responsibilities of Distributors and Sponsors

4.1 Supervision, Training, and Sales

When you sponsor a new Distributor, you should train the new Distributor in product knowledge, effective sales techniques, the Cellular Compensation Plan, and the Policies and Procedures. You should monitor Distributors in your Downline Organization to ensure they conduct business professionally and ethically, promote sales properly, and provide quality customer service.

4.2 Leadership

You must present or host at least one Distributor opportunity and/or training meeting a month in any ten (10) months during the calendar year in order to qualify as a USANA Leader and participate in USANA's Leadership Bonus Programme. Your meeting must be open to all USANA Distributors and you must publicize the meeting through USANA's Upcoming Events.

4.3 Holding Applications and Orders

You should forward to USANA any forms or applications you received from other Distributors or Preferred Customers on the next business day after their signing, unless the Distributor or Preferred Customer expressly requests that you hold the form.

4.4 Reporting Policy Violations

You should report any observed violations of the Distributor

Agreement to USANA.

Section 5 – Sales Requirements

5.1 Product Sales

The USANA Cellular Compensation Plan is based on selling products and providing service to End Consumers. To qualify for commissions, you must satisfy the following requirements:

- Sell or use a minimum of 70% of your product purchases prior to ordering more products; and
- Provide a receipt to your Retail Customers that specifies date of sale, amount of sale, items purchased, and the USANA Satisfaction Guarantee. You should retain your copy of the sales receipts for a period of 2 years.

To help fulfil your product sales obligations, USANA strongly urges you to regularly develop new Preferred or Retail Customers.

5.2 Suggested Retail Price

Retail prices set by USANA are recommended prices only. Distributors may sell USANA products at any price. We highly recommend that the products are not sold below wholesale price.

5.3 Excessive Orders

You may not order unreasonable amounts of product for the purpose of qualifying for commissions, bonuses, or advancement in the Cellular Compensation Plan. You may order only enough products each 4-week rolling period to reasonably satisfy your family's personal needs and fill your customer's orders. The amount of product you may purchase at the wholesale price per order is HK\$8,000.00, unless you can justify the need for a greater amount of inventory.

5.4 Deposits and Payments by Customers

You should not collect any money from a Retail Customer until you have delivered his/her products.

Section 6- Bonuses and Commissions

USANA pays commissions weekly. You should review your commission statement and report any errors within 30 days.

6.1 Adjustments of Commissions and Bonuses

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 Distributors' group volume within the first 2 weeks after the refund is given.

6.2 Rights to Earn Commissions

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

6.3 Unclaimed Commissions and Credits

Unpresented cheques are void after 6 months from the date of issue. Any unclaimed credit on your account will be held in trust for 6 years, during which time USANA may periodically notify you in writing of your credit balance. USANA will charge a fee of HK\$120.00 for each such notification or attempted notification.

6.4 Processing Fee

USANA reserves the right to charge a reasonable processing fee to offset the costs to USANA of processing weekly commission payments and statements. Information on the current charge can be obtained from Distributor Services.

6.5 Re-issue Commissions Cheques

USANA will charge a fee of HK\$150 (This fee is subject to change without prior notice) for each re-issued cheque as a result of Distributor's fault upon request. Such fault may include but not limited to expiry of commission cheques after 6 months of the date of issue; inaccurate payee name provided by the Distributor and other reasons that are not USANA's responsibilities. Such fee will be deducted from the replacement commission cheque.

Section 7 – Product Guarantees and Buy-Back Policies

USANA warrants the quality of its products and will gladly exchange any damaged or defective items.

7.1 Retail Customers

USANA obligates all Distributors to honour its 100%, 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 he/she purchased it within 30 days from the date of purchase for a replacement, exchange, or full refund of the purchase price. No return or refund will be entertained should the product in question be consumed by one third or more. 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. The Distributor, in turn, should complete a Dissatisfied Customer Product Return Form and forward the form to USANA along with the original sales receipt and the returned merchandise. USANA will then replace the returned merchandise with like product.

7.2 Preferred Customers

USANA offers Preferred Customers a 100%, 30-days money-back guarantee on every product order. No return or refund will be entertained should the product in question be consumed by one third or more. A dissatisfied Preferred Customer should return the

product to USANA for replacement, exchange, or full refund.

7.3 Distributors

7.3.1 Initial Order

If you elect to terminate your Distributorship within 30 days after your enrolment as a USANA Distributor, USANA will refund 100% of the price of your Distributor Kit and initial product order (less handling and delivery charges), provided the Kit and products are returned in resalable condition. You must return the products and the Kit to USANA with handling and delivery charges prepaid and with a letter explaining that you wish to terminate your Distributorship and receive a refund. This 100% refund does not apply once you place your second product order.

7.3.2 All Other Returns

After your initial order, you 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. However, USANA reserves the right to cancel a Distributor's Agreement if, in the opinion of USANA, the Distributor returns an unreasonable or excessive amount of products. Moreover, USANA may deduct from the amount of the refund any commissions or bonuses you may have received as a result of the products you are returning. No return or exchange for products not sold in Hong Kong.

7.3.3 Procedure for Distributor Returns

To receive a refund, exchange, or replacement on product you have purchased you must:

- 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.

You are responsible for tracing your return shipment should that be necessary. Refund will be transferred to the Distributors Credit Card account or settled in the form of cheque within four to six weeks after the return procedure are cleared.

If you return product from a Retail Customer, you 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 Distributor who ordered the product from USANA may return it. USANA is not liable for items lost in transit.

Section 8 – Dispute Resolution and Violation of Agreement

8.1 Disputes Between Distributors

If you have a grievance or complaint about another Distributor's conduct in relation to his/her USANA business, you should attempt to resolve the issue with the advice and assistance of your Upline. If you cannot resolve the dispute, you should contact USANA and supply all the facts in writing.

8.2 Disputes Between USANA and Distributors

The Distributor Agreement is governed by and construed in accordance with the law of Hong Kong Special Administrative Region ("Hong Kong"). The parties to the Distributor Agreement hereby irrevocable submit to the non-exclusive jurisdiction of the Hong Kong courts.

8.3 Violation of Agreement

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 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 programmes, progressing in the Cellular 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
- Terminating a Distributorship.

Section 9 – Ordering Methods

You can visit USANA Product Pick-up Centre and place your orders in person. You may also place orders by telephone, fax, mail, e-mail, through the Internet, or through the Auto Order Programme. Call Distributor Services for your Personal Identification Number (PIN number) to order through the Internet.

- When ordering by phone – be prepared to present all information requested on the Distributor Product Order Form. Payments will be made by direct debit if available (for Auto Orders and Preferred Customers only) 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 direct debit (if available) or credit card.

9.1 Auto Order Programme

Distributors and Preferred Customers may participate in USANA's Auto Order Programme. The Auto Order Programme is voluntary, and USANA does not require Distributors to participate in the programme as a prerequisite to participating in USANA's marketing plan. To enrol in the Auto Order Programme, simply complete the Distributor Auto-Order Agreement and Product Order form and identify the products you wish to have automatically ordered each 4-week period. USANA will automatically debit your credit card or bank account for the amount of the product order plus applicable handling and delivery charges. If you wish to change your Auto Order, please contact USANA.

9.2 Ordering USANA Products

You must order your products directly from USANA to receive sales volume credit associated with that purchase.

9.3 Back-Order Policy

USANA does not backorder out-of-stock items unless they are Auto-Order items.

9.4 Shipping Discrepancies

Requests for correction of shipping discrepancies should be made within 30 days of shipment. To correct shipping discrepancies, follow the steps outlined on the Distributor Product Exchange or Return Form.

Section 10 – Payment and Shipping

10.1 Methods of Payment

USANA will accept the following methods of payments:

- Credit cards – USANA accepts Visa and MasterCard in Hong Kong.
- Auto pay – USANA can debit a Distributor or Preferred

Customer's bank account for the amount of his/her order.

Auto-Order Programme

- Once initiated, your Auto Order will remain in effect until you terminate it in writing.
- USANA must receive any changes or terminations in writing by the Tuesday of the week prior to the order being processed. There will be a nominal fee for processing changes and terminations.
- Your participation in the Auto-Order-Programme is completely optional and does not relieve you from compliance with the 70% resale/personal consumption rule for earning commissions.

Section 11 – Distributor Services

11.1 Changes to Your Distributorship

In general, you must notify USANA in writing of any change to the information in your Distributor Application and Agreement.

11.2 Addition of Co-Applicants

If you wish to add a co-applicant to your existing Distributorship, you must provide USANA with a written request and a properly completed Distributor Application and Agreement for the co-applicant.

11.3 Change of Address or Telephone Number

Please notify USANA immediately of any change to your telephone number or street address by completing and submitting the "Change of Address section" on the Change to Distributor Account Form. If you are participating in the Auto-Order Programme, please indicate that fact on your Change to Distributor Account Form.

11.4 Downline Genealogy Reports

You may order Downline Genealogy Reports via mail by completing

and submitting a Downline Report/General Purpose Request. A nominal processing charge will be deducted from your commission earnings. Downline reports can also be received through Downline Management on the Internet.

11.5 Commission Statements

We will mail your commission statements and attach a cheque if you have not elected payment by electronic transfer.

11.6 Errors or Questions

If the information on your Downline Genealogy Report is inaccurate or incomplete, you must notify USANA within 30 days of receiving your report.

11.7 Resolving Problems

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

Section 12 – Inactivity and Termination Policies

12.1 Inactivity

If you do not achieve the Personal Volume requirements specified in the USANA Cellular Compensation Plan for any 4-week rolling period, you will not receive a commission for the sales generated through your Downline for that 4-week period.

12.2 Termination by USANA

USANA may terminate a Distributorship for a violation of the Distributor Agreement.

When USANA terminates a Distributorship, it will notify the Distributor by recorded delivery mail at the Distributor's address on

file with USANA. Termination is effective on the date on which written notice is mailed via recorded delivery mail to the Distributor's last known address or when the Distributor receives actual notice of termination, whichever occurs first. In the event of termination, the Distributor must immediately cease representing himself/herself as a USANA Distributor.

A Distributor whose Distributorship has been terminated may reapply to become a Distributor 12 months after the date of termination. He/she should write to USANA setting forth the reasons why he/she believes USANA should allow him/her to operate a Distributorship again.

12.3 Termination by the Distributor

You may terminate your Distributorship at any time and for any reason by notifying USANA in writing that you wish to terminate your Distributorship Agreement. Please provide USANA with your signature, printed name, address, and appropriate Distributor Number.

12.4 Effect of Termination

Following termination for whatever reason, the Distributor shall have no right, claim, title, or interest in his/her Downline Organization or any future bonuses and/or commissions from the sales generated from it. The former Distributor.

- Shall not hold himself/herself out as a USANA Independent Distributor
- Shall not have the right to order or sell USANA products or services
- Must remove any USANA sign from public view
- Must discontinue using all sales materials bearing any USANA logo, trademark, or service mark.

A Distributorship who terminates his/her Distributorship voluntarily will receive commissions and bonuses up to and including the last full calendar week prior to his/her termination. A Distributor whose

Agreement is terminated by USANA will also receive commissions and bonuses up to and including the last full calendar week prior to his/her termination unless USANA has withheld commissions and bonuses during an investigation of the Distributor's conduct giving rise to the termination. If such investigation of a Distributor's conduct results in termination of the Distributorship, the Distributor shall not be entitled to recover withheld commissions and bonuses.

Section 13- Definitions

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

Authorized Country – Any country or territory where USANA is officially open for business.

Commissionable Products – USANA products on which commissions and bonuses are paid. Distributor Kits and sales aids are not Commissionable Products.

Customer – A Retail or Preferred Customer

Distributor – An individual who has executed a Distributor Application and Agreement that has been accepted by USANA. A Distributor may also be an End Consumer.

Distributor Agreement – The terms and conditions of the Distributor Application and Agreement, the USANA Policies and Procedures, and the Cellular Compensation Plan.

Starter Kit – A selection of USANA training materials and business support literature designed to familiarize new Distributors with USANA products, services, sales techniques, sales aids, and other business matters.

Downline Organization – All those Distributors who have been personally sponsored by a Distributor and all those sponsored by them and so on. Also includes all Preferred Customers personally

sponsored by the Distributor.

End Consumer – A person who purchases USANA products for the purpose of personally consuming them. An End Consumer may also be a Distributor or a Preferred or Retail Customer.

Four-Week Rolling Period – The four pay periods (four Fridays) after a Distributor places a product order of 100 points or more. If a Distributor places an order on a Friday, the Friday on which the order is placed does not count as the first of the four pay periods in the Distributor's volume period.

Example: If a Distributor places his order on Thursday, July 12, 2001 (Green cycle) to remain active, the Distributor must place his/her next product order no later than Friday, August 10, 2001.

Example: If a Distributor places his order on Friday, August 3, 2001 (Red Cycle) to remain active, the Distributor must place his/her next product order no later than Friday, August 31, 2000.

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

Genealogy Report – A report generated by USANA that provides data relating to the identities of Distributors and sales information of each Distributor's Downline Organization. This report contains proprietary information.

Group Sales Volume – The sales volume points generated by a Distributor's Downline Organization's purchases of USANA products. Group Sales Volume does not include the Personal Sales Volume of the subject Distributor. (Distributor Kits and sales aids have no Sales Volume.)

International Sponsor – A Distributor in good standing who is authorized under an International Sponsor Agreement to act as a Sponsor in an authorized country, territory, or other political

jurisdiction outside of the country, territory, or other political jurisdiction in which that Distributor first signed a Distributor Agreement with USANA.

International Sponsor Application and Agreement – The agreement between a Distributor and USANA, Inc., pursuant to which the Distributor has the right to act as an International Sponsor.

Personal Sales Volume – The value, in points, of USANA products purchased by a Distributor.

Preferred Customer – A person who has opened a Preferred Customer Account with USANA. A Preferred Customer may purchase USANA products at Wholesale Prices, but he/she is not authorized to resell USANA products or participate in the USANA Cellular Compensation Plan. A Preferred Customer may also be an End Consumer.

Rank - The “title” that a Distributor has achieved pursuant to the USANA Cellular Compensation Plan. Ranks in the USANA programme include:

Sharer - The rank a Distributor achieves when he/she earns his/her first 40 point commission payment from a single Business Centre during a week.

** Once you reach Believer level (left & right volume at 500 points) you will not participate at sharer level again. **

Believer - The rank a Distributor achieves when he/she earns his/her first 100 point commission payment.

Builder - The rank a Distributor achieves when he/she earns his/her first 200 point commission payment.

Achiever - The rank a Distributor achieves when he/she earns his/her first 400 point commission payment from a single Business Centre during a week.

Director - The rank a Distributor achieves when he/she earns his/her first 600 point commission payment from a single Business Centre during a week.

Bronze Director - The rank a Distributor achieves when he/she earns his/her first 800 point commission payment from a single Business Centre during a week.

Silver Director - The rank a Distributor achieves when he/she maximizes a Business Centre for the first time and earns a 1,000 point commission payment.

Gold Director - The rank a Distributor achieves when he/she maximizes the same Business Centre for four consecutive weeks.

Ruby Director - The rank a Distributor achieves when he/she maximizes any two Business Centre for four consecutive weeks.

Emerald Director - The rank a Distributor achieves when he/she maximizes any three Business Centre for four consecutive weeks.

Diamond Director - The rank a Distributor achieves when he/she maximizes any four Business Centre for four consecutive weeks.

1-Star Diamond - The rank a Distributor achieves when he/she maximizes any five Business Centre for four consecutive weeks.

2-Star Diamond - The rank a Distributor achieves when he/she maximizes any six Business Centre for four consecutive weeks.

3-Star Diamond - The rank a Distributor achieves when he/she maximizes any seven Business Centre for four consecutive weeks.

4-Star Diamond - The rank a Distributor achieves when he/she maximizes any eight Business Centre for four consecutive weeks.

5-Star Diamond - The rank a Distributor achieves when he/she

maximizes any nine Business Centre for four consecutive weeks.

Resalable – Goods shall be deemed “resalable” if each of the following elements is satisfied:

- They are unopened and unused
- Packaging and labelling has not been altered or damaged
- The product and packaging are in a condition that permits USANA to sell the merchandise at the full Distributor or Preferred Customer price
- The product is returned to USANA within one year from the date of the original order
- The product expiration date should not elapse within the next three months
- The product contains current USANA labelling.

Retail Customer – A person who orders USANA products through a USANA Distributor for consumption. A Retail Customer may also be an End Consumer.

Retail Profit – The difference between the Wholesale Price of products and the Suggested Retail Price a Distributor receives for products when they are sold to a Retail Customer.

Sponsor – A Distributor who enrolls a new Distributor or Preferred Customer and is listed as the Sponsor on the Distributor Application and Agreement.

Suggested Retail Price (SRP) – The price at which USANA suggests Distributors sell a particular product to Retail Customers.

Upline – The Distributor or Distributors above a particular Distributor in a sponsorship line. That is the line of Sponsors that links any particular Distributor to USANA.

Wholesale Price – The price of the products and sales aids that is paid to the Company by Preferred Customers and Distributors.

In the event of any discrepancies between the Chinese and English

versions of these Policies & Procedures, the English version shall prevail.